

# UNISOURCE CORP.

## The Next Major Software Company

Rob Goldman  
[rob@goldmanresearch.com](mailto:rob@goldmanresearch.com)

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Aaron Schweitzer  
[aaron@goldmanresearch.com](mailto:aaron@goldmanresearch.com)

### UNISOURCE CORP. (OTCMKTS – USRC - \$0.36)

Price Target: \$2.00

Rating: Speculative Buy

### COMPANY SNAPSHOT

Miami-based Unisource Corp. is an emerging cloud-based SaaS (software as a service) solutions and technology provider to the global logistics marketplace. In addition to marketing its innovative and cost-effective logistics software platform, Unisource's strategy is to acquire and combine leading-edge logistic technology providers with third party logistic (3PL) companies to offer a unique, unparalleled service in the global supply chain industry.

### KEY STATISTICS

Price as of 8/22/13	\$0.36
52 Wk High – Low	\$1.84 – 0.035
Est. Shares Outstanding	81.1M
Market Capitalization	\$29.2M
3 Mo Avg Vol	98,000
Exchange	OTCMKTS

### COMPANY INFORMATION

Unisource Corp.  
2030 N. 198th Terrace  
Miami FL 33179  
561.228.5181  
[www.unisourcecorp.com](http://www.unisourcecorp.com)  
[info@unisourcecorp.com](mailto:info@unisourcecorp.com)

### INVESTMENT HIGHLIGHTS

**Unisource Corp. is well-positioned to emerge as the next major cloud-based software player in the SaaS segment.** Forbes estimates that the cloud computing sector and SaaS segments will total \$210B and \$32.8B respectively, by 2016.

**Through its majority ownership in Visionship, USRC sells a cost-effective and innovative transportation and logistics management system for use by logistics providers in supply chain management.** The three primary components are an Intuitive Transportation Management System, cloud storage and Data Management System, and paper-free mobile applications.

**This SaaS cloud-based model has competitive advantages over the competition. Visionship can easily integrate with disparate ERP systems and can cost-effectively automate and track inbound and outbound data in the global transportation supply chain for Unisource's clients.**

**In addition to the software platform sales, management plans to engage in the M&A of logistic technology providers.** Execution of this strategy should result in the formation of one of the largest vertically integrated and profitable software technology providers in the logistics arena.

**Stocks such as Echo Global Logistics (NASDAQ – ECHO) in the SaaS supply chain space carry very high valuations and USRC should be no different.** Based on the current pipeline alone, revenue should reach \$1M in FY13 and \$5M in FY14. That excludes sales from new prospects or the potential of additional revenue from M&A which would substantially increase the top-line figures. We rate these shares Speculative Buy with an intermediate price target of \$2.00.



## UNISOURCE CORP. (OTCMKTS: USRC)

### COMPANY OVERVIEW

Miami-based Unisource Corp. is an emerging cloud-based SaaS (software as a service) solutions and technology provider to the global logistics marketplace. In addition to marketing its innovative and cost-effective logistics software platform, Unisource's strategy is to acquire and combine leading-edge logistic technology providers with third party logistic (3PL) companies to offer a unique, unparalleled service in the global supply chain industry.

The Company has reached an inflection point in its evolution from the development stage to the sales and marketing stage as the Company released the most recent version of its Visionship platform, initially designed by its majority-owned subsidiary Visionship, Inc, in early 3Q13. The Company has already executed sizable and reference-able contracts with firms such as Garvey Nut and Candy, one of the largest distributors of candy items, nuts, dried fruit and trail mixes on the West Coast, with over 12,000 SKUs in their multiple distribution facilities. Garvey Nut and Candy plans to broadly deploy Unisource's cloud-based platform, Visionship G3 Transportation Management System.

Unisource's cloud-based platform saves money, time, and space for any firm involved in shipping, distribution, and the logistics related to its own products or those produced by others. Customers can now effectively manage every aspect of the food chain with a touch of the finger by utilizing handheld mobile devices. Not only is the ROI huge, but customers can now go paperless.

In addition to the software platform sales, management plans to engage in a targeted roll-up of logistic technology providers in this highly fragmented space. By acquiring sub-\$75M in annual sales firms, Unisource will be able to offer and cross-sell a full suite of logistics software and technology to a large base of existing customers. Moreover, by utilizing its software platform in-house, and enjoying economies of scale, execution of this strategy should result in the formation of one of the largest vertically integrated and profitable software technology providers in the logistics arena.

With the recent release of its latest software platform, the Company appears primed to generate around \$1M in sales in 2013 which could reach \$5M in 2014 due to its cost-effective SaaS licensing program. This SaaS program is attractive to customers not wishing to make capital investments in software, and also provides Unisource with future revenue visibility, especially as customers' businesses scale. As a result we believe that in 3-5 years, the Company will approach the \$20M in revenue figure. This forecast excludes any contribution from acquired firms, which would substantially increase the top-line growth of the Company.

In addition to the flagship platform, the Company provides traditional technology logistics services including pre-engagement freight analysis and rate negotiations across all major modes of transportation, brokerage services, claims and invoice audit processing, global operations management, and intelligent automated shipment tracking. By leveraging its technology expertise with these featured services, management plans to acquire firms with complementary technology, expertise, and customer bases.

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Investors should view the Company as both a cloud-based SaaS provider and a potentially major participant in the logistics industry, in which it is also an existing services provider. Therefore, it participates in the growth of both segments. Forbes estimates that the cloud computing sector and SaaS segments will total \$210B and \$32.8B respectively, by 2016. In the logistics space, industry estimates suggest that the market is hundreds of billions in size, with the outsourced services segment estimated to be over \$60B annually and, according to competitor Echo Global Logistics (NASDAQ - ECHO), is growing 3x as fast as the industry. This segment includes multi-modal forms of transportation distribution and shipping of all sizes. While Unisource may compete directly with firms such as the \$500M market cap ECHO, Oracle Corp. (NASDAQ – ORCL) and SAP (NYSE – SAP), it also competes with other, smaller software and logistics management firms. The current installed base of old logistics systems still in use today is vast and the Company is well-positioned to displace prospects’ antiquated installed base of systems and migrate them to cloud-based, paperless, and real-time systems.

### THE VISIONSHIP PROPOSITION

The Company’s *Visionship G3 Transportation Management System* platform is a transportation execution system that seamlessly and cost-effectively integrates, automates, and tracks inbound and outbound data in the global transportation supply chain. For example, the Cloud-Based system enables customers to convert their current operations into a real-time environment where documents can be virtually managed and executed, including signatures. Once the application is in use, all in-process and completed documents are securely stored for swift, easy future access and recall. As a result, customers realize markedly improved operating profitability, efficiency and increased accuracy. Plus, a major unique feature of the platform is the ability to easily integrate with disparate ERP systems like those marketed by Oracle and SAP. This advantage is a major selling point for the Company as it fosters ease of management and lowers overall technology costs, thus enhancing the Unisource value proposition.

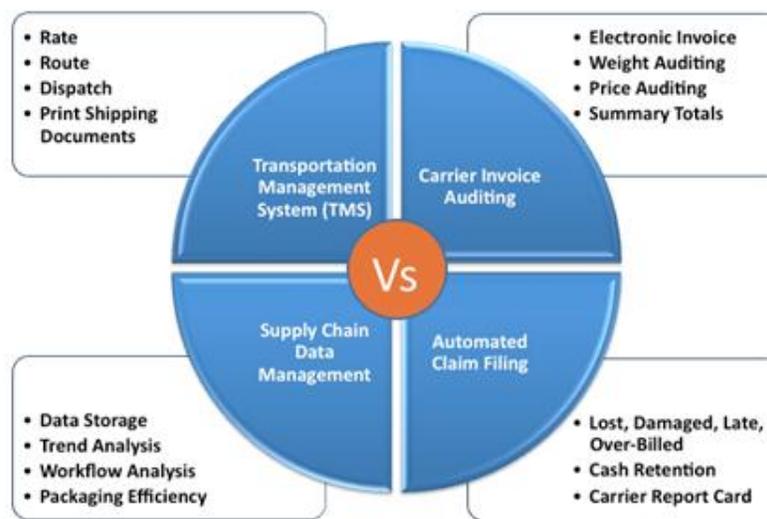


Image I. Sample Visionship Workflow  
Source: Unisource Corp.

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Unisource customers range from small, independent suppliers to large manufacturers and warehouse operations, located across the U.S. and the Company's Visionship platform removes the heavy start-up and ongoing maintenance fees associated with most Transportation Management Systems (TMS) today. Affordable on any budget, the Visionship platform is offered as a Software as a Service (SaaS) platform allowing customers to pay for what they use, and only what they use. The Visionship software creates efficiencies, and significantly reduces operational and overhead costs for each and every customer where the platform has been deployed. The Visionship software suite offers proprietary internet-native true shipping solutions, with multi-carrier shipping and manifesting capabilities, as well as reduced rate competitive carrier quotes. The centralized administrative functions give control of all shipping activity across the customer's entire enterprise. Most importantly, it provides a paper-free, cloud-based solution. In concert with its Visionship software, Unisource provides transportation solutions across all major transportation modes.

Despite the need for swift, accurate and efficient shipping execution, many companies are still managing many aspects of customers' shipping processes manually, which is exemplified by the broad use of paper documents by many customers. This historical practice gives way to potential for errors and delays. By utilizing Visionship, shipment data transfer is automated, and does not need to be entered manually. The in-transit automated intelligent shipment tracing reduces the need for salaried Operations staff. Moreover by removing the use of paper and replacing it with integrated mobile devices, customers save revenue, time, and paper file storage space. The bottom line is that the Company's software helps companies solve their logistics problems efficiently and cost-effectively.

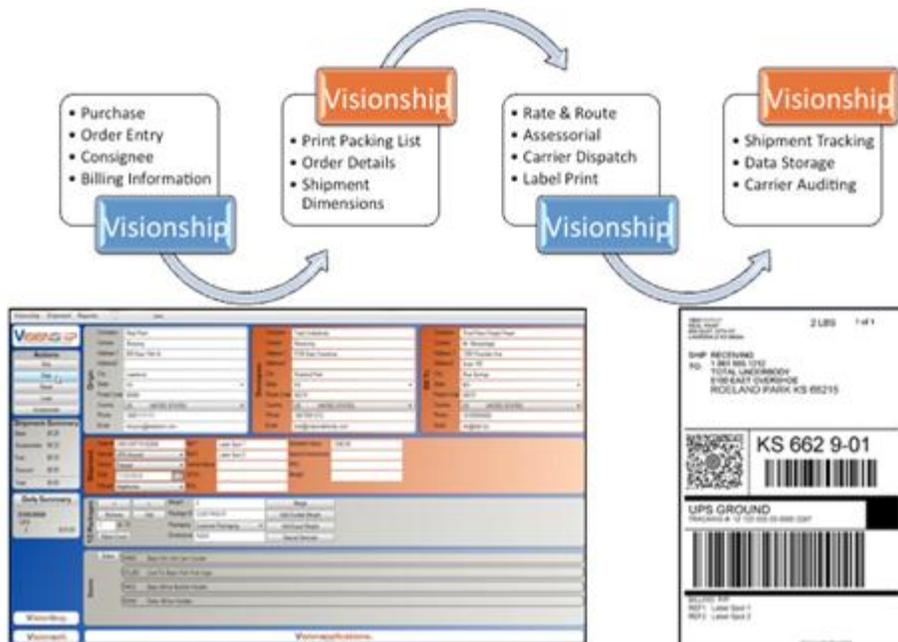


Image II. Sample Interface  
Source: Unisource Corp.



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Sold as a SaaS, Visionship's platform license fees can range from the tens of thousands to hundreds of thousands annually depending upon the depth of services and layer of complexity. Visionship's platform offers the following apps:

- **VisionPad:** *Manages company executable forms and documents from a mobile device.*
- **VisionBoard:** *Tracks all in-transit shipments globally on all carriers from a single interface*
- **VisionVault:** *Enables unlimited supply chain data cloud storage with intuitive query tools for accurate real time recall*
- **VisionPO:** *Gives users control and enforces vendor compliance with each purchase order*
- **VisionScan:** *Allows users to store historical documents in PDF to the correct cloud folder with only an email.*

### **COMPETITIVE ADVANTAGES**

In our view, the Unisource model has a number of competitive advantages over its competition.

- Real-time, cloud-based system that solves an unmet logistics management need
- Easy integration into customers' existing ERP systems
- 100% supply chain visibility – including the USPS
- Mobile and paperless applications for all required transportation documents
- Full transportation management and document management suite
- SaaS model significantly lowers customer cost and enhances Unisource revenue visibility and gross margin
- Roll-up strategy enables cross-sale opportunities of new technologies
- M&A enables economies of scale and high operating profitability through use of its own tech
- Management has significant operating and public company leadership experience

### **THE UNISOURCE EXECUTIVE TEAM**

#### **Jordan Serlin, Chief Executive Officer**

Mr. Serlin has significant public company operating experience. His previous roles encompass over seventeen years of Public Company experience, both in senior management as well as Board of Director positions. He has served as President and COO for an American Stock Exchange listed company and Chief Marketing Officer for a European listed firm. Mr. Serlin has successfully built and sold private technology companies to General Electric, and currently serves as an independent advisor to a number of Private Equity Funds. He also serves as an Advisory Board Member for Ignite Venture Partners in San Francisco, and is Advisory Board member for Brandon Hall Group, a research and advisory services firm for HR, Learning and Business leaders with over 10,000 clients globally. Mr. Serlin's background also includes extensive experience in logistics management and logistics software development



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### **Bill Wood, CEO, Visionship Subsidiary**

Mr. Wood comes from a broad background in sales and marketing, with eighteen years of experience in the logistics industry. His keen ability to perceive inefficiencies and bottlenecks in the flow of processes within the logistics industry has led him to envision a series of cloud-based web applications capable of tracking all events, data, and documents of a company's process flow - in a paper free environment. From 1996 to 2011 Mr. Wood was a National Account Executive for AMTREX Global Logistics in Irvine, CA. During his tenure and as his first exposure to the logistics industry, Bill was the leading salesperson at AMTREX from 2001-2006. While at AMTREX he was responsible for establishing and on-boarding "New" accounts, maintaining client relations, developing unique client solutions, negotiating rates with all modes of carrier on the client's behalf, creating the Standards of Operation within each solution, developing one of the first-ever "Hosted" TMS' models (1997), and continuous face-to-face client consulting in various areas of logistics. Prior to this Mr. Wood worked in operations and management in a variety of sectors, including Insurance, Securities, Electronics, and Transportation.

### **RISK FACTORS**

In our view, Unisource's biggest risk factor is the timing and the magnitude of the sales ramp. While at the earliest stages near-term visibility is high, but sales cycles may lengthen from one to two quarters. In addition, while the Company offers a must-have management and operations solution, a major economic slowdown may impact sales. We believe that this risk is mitigated by the SaaS pricing feature of the offering and that the critical nature of the platform negates any slowdown. Another risk to these shares is the timing and ease of integration of future acquisitions. Given management's experience and the highly fragmented nature of the space, we believe that this risk is negligible at this time. Finally, competition from larger firms or even from newer entrants with new products and approaches is another typical concern and is also consistent with firms of Unisource's size and standing.

### **CONCLUSION**

In our view, Unisource's cloud-based platform will emerge as the go-to software management platform for the logistics industry. Moreover, given the real-time cloud features and SaaS pricing model, we envision hockey-stick type growth for the Company. As Unisource executes its acquisition strategy, the Company may emerge as the most profitable and largest firm in the supply chain logistics management segment.

Although the Company just launched its latest generation of Transportation Management Platforms this quarter, it has already generated meaningful sales and we believe that based on its current pipeline alone, USRC can record \$1M in revenue this year and \$5M next year. That excludes any contribution from new prospects or M&A execution which could result in acquisitions of companies in the tens of millions in annual sales.

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Cloud-based software firms in the supply chain space such as Oracle, SAP, and Echo Global Logistics trade at some of the highest P/E multiples on the market and as USRC performs, we believe it could command a premium to these peers. Moreover, at present, it appears that the USRC model is similar to the ECHO model, which has had considerable business and stock market performance success of late. Still, with enviable embedded advantages in the USRC model and feature-set, we believe that USRC will carve out meaningful market share at the expense of the larger players, such as ECHO, over the next few quarters.

With huge top-line growth potential ahead, we rate these shares Speculative Buy with an intermediate price target of \$2.00.

### Recent Trading History For USRC

(Source: Stockta.com)





## UNISOURCE CORP. (OTCMKTS: USRC)

### Senior Analyst: Robert Goldman

Rob Goldman founded Goldman Small Cap Research in 2009 and has over 20 years of investment and company research experience as a senior research analyst and as a portfolio and mutual fund manager. During his tenure as a sell side analyst, Rob was a senior member of Piper Jaffray's Technology and Communications teams. Prior to joining Piper, Rob led Josephthal & Co.'s Washington-based Emerging Growth Research Group. In addition to his sell-side experience Rob served as Chief Investment Officer of a boutique investment management firm and Blue and White Investment Management, where he managed Small Cap Growth portfolios and *The Blue and White Fund*.

### Analyst Certification

I, Robert Goldman, hereby certify that the view expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the recommendations or views expressed in this research report.

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