



Sierra Wireless Up Big on Move to Gain Greater Share of the Worldwide M2M Market

Description

Sierra Wireless (TSX: SW, NASDAQ:SWIR) shares increased 7.6% on Tuesday (after lifting by more than 11% on Monday in the U.S. when the Canadian market was closed) after the company announced that it has entered into a \$5.9 million agreement to acquire the assets of AnyDATA's Machine to Machine (M2M) embedded module and modem business. AnyDATA Corporation is a fast growing privately held company headquartered in California with regional offices and operation centres in the U.S., Korea, India, and China.

Expanding Sierra's Footprint

The deal adds AnyDATA's products to Sierra's solutions portfolio for equipment manufacturers such as automobile manufacturers and personal computer manufacturers. It also expands the company's geographic reach, giving it a foothold in Korea, as a team of 16 sales and engineering staff from AnyDATA's Korean operations will be joining Sierra. The deal adds to Sierra's market leading position in the M2M market. Sierra already had an industry leading 34% market share before the deal.

M2M Market is Growing Rapidly

Infonetics Research predicts that revenue from M2M services will more than double from just under \$15 billion in 2012 to \$31 billion in 2017. As Sierra is now focused solely on the M2M business, it stands to benefit significantly from this growth.

Europe is in part driving this push that is bringing M2M to the automotive industry. The EU is supporting safety regulations and it is expected that by 2015, all new cars will be required to have M2M technology that enables them to automatically notify the nearest emergency centre when the driver has been in a crash. The cars will be required to send a minimum set of data including the exact location of the crash site, time of incident, and the direction of travel. Response times are expected to improve by as much as 60% due to this technology.

Automotive and Transportation Industry Make up One Third of M2M Market

.... And growing. The new European regulations have caused automobile manufacturers to scramble to find other uses for M2M technology, as it is the OEMs that will have to bear the upfront cost of this new technology. So it makes sense that they are looking for value added services to cover this investment and drive revenue and differentiation. Core services include fleet management, usage-based insurance, driver intelligence services such as monitoring the driving behavior of young and old drivers, and road tolling. Value added services include driving and green reports, navigation and mapping, remote vehicle diagnostics, weather and traffic, and social media connectivity.

Bottom Line

Investors are well-advised to pay attention to this market that has all the signs of being set for strong growth in the coming years, and to Sierra. Sierra has a healthy balance sheet, strong free cash flow generation, and has been very strategic in positioning itself in this growing market. While the shares have already risen over 150% since the beginning of the year, this is one to definitely keep on your radar screens.

Sierra's M2M technology is disrupting the industrial manufacturing space. For a look at 3 more companies that have completely altered their respective industries [click here now](#) and download our special **FREE** report "**3 U.S. Companies That Every Canadian Should Own**".

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Fool contributor Karen Thomas does not own shares of any of the companies mentioned at this time. David Gardner owns shares of Sierra Wireless. The Motley Fool has no positions in the stocks mentioned above.

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1. Investing

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2. TSX:SW (Sierra Wireless)

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