



Why Sandvine Corporation Shares Surged

Description

Although we don't believe in timing the market or panicking over market movements, we do like to keep an eye on big changes — just in case they're material to our investing thesis.

What: Shares of **Sandvine Corporation** (TSX: SVC) popped 10% on Thursday after the broadband network technologist posted better-than-expected quarterly results.

So what: Sandvine shares have soared over the past several months on signs of accelerating growth, and today's Q1 results — net income spiked 341% on revenue growth of 26% — only reinforce that positive trend. In fact, gross margin during the quarter expanded 200 basis points to 78%, suggesting that the company's competitive position and cost structure are improving as well.

Now what: Don't expect Sandvine's operating momentum to slow anytime soon. "Our ongoing commitment to product innovation contributed to the strong financial performance in fiscal 2013 and the first quarter of this year," said President and CEO Dave Caputo. "We will continue to innovate in 2014, while remaining focused on revenue growth and profitability."

Of course, when you couple Sandvine's still-questionable competitive moat with its red-hot stock price — now up about 130% from its 52-week lows — personally, I'd wait for a much wider margin of safety before betting on it.

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Date

2025/07/24

Date Created

2014/04/10

Author

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