



Is Now the Prime Time to Buy Sierra Wireless Inc.?

Description

Sierra Wireless Inc. ([TSX:SW](#))([Nasdaq:SWIR](#)), the global leader in machine-to-machine (M2M) devices and cloud services, announced its fourth-quarter earnings after the market closed on February 5, with both earnings per share and revenue surpassing analysts' expectations, but its stock has responded by moving lower. Let's break down the quarterly results and the company's outlook going forward to determine if we should use this weakness as a long-term buying opportunity.

Breaking down the fourth-quarter beat

Here's a summary of Sierra Wireless's fourth-quarter earnings compared to what analysts had anticipated and its results in the year-ago period.

Metric	Reported	Expected	Year Ago
Earnings Per Share	\$0.29	\$0.26	\$0.10
Revenue	\$149.08 million	\$146.70 million	\$118.61 million

Source: *Financial Times*

Sierra Wireless's adjusted earnings per share increased 190% and its revenue increased 25.7% compared to the fourth quarter of fiscal 2013, driven by adjusted net income increasing 193.5% to \$9.1 million and revenue increasing in both of its major segments, including 27.2% growth to \$129.58 million in its OEM Solutions segment and 16.4% growth to \$19.50 million in its Enterprise Solutions segment. The company also noted that organic sales increased an impressive 20.7% compared to the year-ago period, and this excludes contributions from its acquisitions of In Motion Technology and assets from AnyDATA Corporation earlier in the year.

Here's a quick breakdown of nine other notable statistics and updates from the report compared to the year-ago period:

1. Adjusted gross profit increased 30% to \$50.14 million.
2. Adjusted gross margin expanded 110 basis points to 33.6%.

3. Adjusted operating profit increased 286.9% to \$10.03 million.
4. Adjusted operating margin expanded 450 basis points to 6.7%.
5. Adjusted earnings before interest, taxes, depreciation, and amortization (EBITDA) increased 104.8% to \$12.73 million.
6. Adjusted EBITDA margin expanded 330 basis points to 8.5%.
7. Cash flows from operating activities came in at a gain of \$11.35 million compared to a loss of \$5.13 million a year ago.
8. Generated \$7.89 million of free cash flow compared to negative free cash flow a year ago.
9. Ended the quarter with \$207.06 million in cash and cash equivalents, an increase of 5.6% from the third quarter.

Sierra Wireless provided its outlook on the first quarter of fiscal 2015, calling for the following performance:

- Net income in the range of \$4.7 million-\$5.7 million
- Earnings per share in the range of \$0.15-\$0.18
- Revenue in the range of \$145 million-\$149 million
- Operating profit in the range of \$6 million-\$7.2 million

Should you buy shares of Sierra Wireless today?

Sierra Wireless is the world's leading provider of M2M devices and cloud services, and increased demand for its products and services led it to post very strong fourth-quarter earnings. The company achieved double-digit year-over-year growth in earnings per share, revenue, organic sales, gross profit, operating profit, and EBITDA while expanding its margins and generating \$7.89 million in free cash flow, but its stock has responded by falling over 1%.

I think the post-earnings weakness in Sierra Wireless's stock represents a great long-term buying opportunity because it trades at favorable valuations, including 38.7 times fiscal 2015's estimated earnings per share of \$1.19 and 32.4 times fiscal 2016's estimated earnings per share of \$1.42, both of which are very inexpensive given its long-term growth potential. Furthermore, the company ended the fourth quarter with a bountiful \$207.06 million in cash and cash equivalents, and I think this leaves it well positioned to pursue acquisitions in fiscal 2015 to maximize its growth going forward.

With all the information above in mind, I think Sierra Wireless represents one of the best long-term investment opportunities in the technology sector today, so Foolish investors should take a closer look and consider initiating positions.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. NASDAQ:SWIR (Sierra Wireless)
2. TSX:SW (Sierra Wireless)

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