



Is Sierra Wireless Inc. for Real This Time?

Description

Sierra Wireless Inc. ([TSX:SW](#))([NASDAQ:SWIR](#)) has been a favourite with traders for most of the past 15 years, and many a savvy stock picker has profited handsomely by playing the rallies and subsequent crashes.

The company always manages to find a way to reinvent itself just as it looks like the party is finally over, and this time, Sierra Wireless could be on the front end of the biggest IT boom yet.

History lesson

The first time around, Sierra shot into the stratosphere as a maker of laptop modems. In fact, the stock once traded for more than \$200 per share.

Back in the days of the tech bubble, Sierra Wireless saw its stock soar from \$16 at the end of October 1999 to just over \$200 at the end of February 2000.

Yup, that's right, in just four months, the stock gained about 1,150%. Three months later, it was back down to \$40, and by October 2002, was selling for less than \$3 per share.

But Sierra Wireless is a survivor, and like the phoenix, it rose from the ashes once again, nearly hitting \$50 per share in July 2004. Unfortunately for investors, the rally came to an abrupt halt, and the stock traded below \$10 just seven months later.

The shares remained under \$25 for most of the next 10 years, but they picked up some momentum last summer and ran from \$20 in early July to more than \$55 at the end of December.

The shares have since pulled back and investors are wondering if the recent weakness is just a pause in a new bull run, or the beginning of another textbook retracement back to a single-digit stock price.

What is IoT?

The Internet of Things (IoT) is all the rage these days. The idea that machines can use the Internet to

share data automatically, 24/7, via the Internet is kind of scary, but the concept is compelling for companies in a number of industries, and businesses are being told they have to embrace IoT if they want to stay competitive.

The deployment of IoT is still quite new on the corporate side, and very few businesses have any idea of how or where to start and why it is so critical that they get in the game.

To be honest, the whole thing smacks a bit of the Y2K fear mongering we saw 15 years ago, but hey, it's the buzz that often makes the market.

Projections for the size of the IoT market are pretty crazy, but respected companies like **General Electric**, **Cisco**, and **Intel** all say that connected devices are the way of the future.

Cisco says as many as 50 billion devices will be connected in the next five years, and trillions (yes, that's right, thousands of billions) of dollars will be earned through improved efficiency and higher revenue generation.

Research agency International Data Corporation (IDC) released a report saying the global IoT market will hit \$7.1 trillion by 2020. The Canadian market alone is projected to be \$21 billion by 2018.

Sierra's niche

Sierra is one of the global leaders in the IoT space, selling intelligent wireless solutions that use embedded 2G, 3G, or 4G modules to connect devices and equipment via a secure cloud service.

The company's products are enabling businesses to operate more efficiently in a wide variety of industries such as transportation, automotive, railway, and healthcare.

Should you buy?

Investors have been burned in the past when they bought into Sierra Wireless near the top of a big run. Sales growth has been brisk for the past 18 months, clipping along at nearly 18% per quarter, and that pace could continue. At this point, however, the stock is probably a hold considering the surge in valuation over the past six months. There is no guarantee that history will repeat itself, but investors might want to take a cautious approach.

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1. Investing
2. Tech Stocks

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1. Editor's Choice

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