



Could Sierra Wireless Inc. Hit \$60?

Description

Sierra Wireless Inc. ([TSX:SW](#))([NASDAQ:SWIR](#)) just bounced off a critical support point and investors are wondering if this is the start of a new rally.

Canada's king of the Internet of Things (IoT) has been under pressure since the beginning of January when it hit a multi-year high above \$56. Since then, the stock has fallen back to \$40 in two retracements. This is important from a technical perspective because a break below the \$40 level would probably lead to an extended slide straight down to \$30.

Sierra first found support at \$40 in early February, and then again on March 26. At the time of writing the stock is back above \$44 and looking like it might be building momentum, but the market will need to see strength in the fundamentals before the next leg up can really take hold.

Where's the beef?

Sierra Wireless has delivered solid sales growth over the past two years, claiming its position as the world leader in machine-to-machine (M2M) wireless communications.

Through a series of smart acquisitions, Sierra has compiled a portfolio of product offerings that enables companies to securely send and store data over wireless networks. By using embedded 2G, 3G, and 4G wireless modules, Sierra's clients can efficiently access real-time data in a variety of mobile computing, industrial, or automotive applications.

Sierra's Q4 2014 revenues came in at US\$149 million, a 26% increase over the same period in 2013. Once you strip out the contributions from acquisitions, organic revenue growth was 21%. In order to maintain the lofty share price, the company will have to deliver similar results moving forward.

Is this possible?

In its latest report, Sierra said Q1 2015 revenues should be in line with the Q4 2014 quarter.

The recent acquisition of Sweden-based Wireless Maingate, a company with more than 500 European

M2M clients, will help drive growth. Maingate's leading edge over-the-air subscription provisioning can be combined with Sierra's existing line of products to provide customers in a wide swath of industries with end-to-end cloud-based IoT solutions.

Threats

Sierra is still a small company with a market capitalization of just \$1.4 billion. To put this in perspective, **IBM** just announced a \$3 billion IoT project. At some point, the big boys are going to muscle in on Sierra's turf, or simply buy it.

Should you buy?

Sierra is doing well and it has a great head start in the emerging IoT market, but it will have to continue to execute at a very high level for the market to run the shares up to new highs. A surge to \$60 is certainly possible on some good news or another acquisition, but one ugly quarter could also derail the party and send the stock sharply lower. At this point, I would consider the stock a hold.

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2. Tech Stocks

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1. Editor's Choice

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2. TSX:SW (Sierra Wireless)

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