



## Should You Buy or Avoid Sierra Wireless Inc. Today?

### Description

**Sierra Wireless Inc.** ([TSX:SW](#))([NASDAQ:SWIR](#)), the global leader in machine-to-machine (M2M) devices and cloud services, announced first-quarter earnings results after the market closed on May 7, and its stock has responded by falling over 5%. Let's break down the quarterly results and the company's outlook going forward to determine if we should consider using this weakness as a long-term buying opportunity, or a major warning sign to avoid the stock for the time being.

### Surpassing the expectations with ease

Here's a summary of Sierra Wireless' first-quarter earnings results compared with what analysts had anticipated and its results in the same period a year ago. All figures are in U.S. dollars.

Metric	Reported	Expected	Year-Ago
Adjusted Earnings Per Share	\$0.22	\$0.17	\$0.02
Revenue	\$150.41 million	\$146.32 million	\$121.16 million

Source: *Financial Times*

Sierra Wireless' adjusted earnings per share increased 1,000% and its revenue increased 24.1% compared with the first quarter of fiscal 2014. These very strong results can be attributed to the company's recent acquisition activity, including its purchase of In Motion Technology, Wireless Maingate, and assets from AnyDATA Corporation, which led to revenues increasing 25.3% to \$133.04 million in its OEM Solutions segment and 15.8% to \$17.37 million in its Enterprise Solutions segment.

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

1. Adjusted gross profit increased 26.6% to \$49.08 million
2. Adjusted gross margin expanded 60 basis points to 32.6%
3. Adjusted earnings before interest, taxes, depreciation, and amortization (EBITDA) increased 176.8% to \$11.31 million

4. Adjusted EBITDA margin expanded 410 basis points to 7.5%
5. Adjusted earnings from operations increased 1,128.6% to \$8.85 million
6. Adjusted operating margin expanded 530 basis points to 5.9%

Sierra Wireless also provided its outlook on the second quarter, calling for the following performance:

- Net income in the range of \$6.7-7.9 million
- Earnings per share in the range of \$0.21-0.24
- Revenue in the range of \$153-156 million
- Earnings from operations in the range of \$8.5-10 million

### **Does Sierra Wireless belong in your portfolio?**

The first quarter was highly successful for Sierra Wireless, so I think the post-earnings decline of over 5% represents nothing more than a long-term buying opportunity. Furthermore, the stock now has the added benefit of trading at low forward valuations, including just 27.5 times fiscal 2016's estimated earnings per share of \$1.53, which is very inexpensive given the company's growth rate and the additional growth potential from its ongoing acquisition activity.

With all of the information provided above in mind, I think Sierra Wireless represents one of the best long-term investment opportunities in the technology sector today. Foolish investors should take a closer look and strongly consider using the post-earnings weakness to begin scaling in to positions.

### **CATEGORY**

1. Investing
2. Stocks for Beginners
3. Tech Stocks

### **TICKERS GLOBAL**

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

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