



3 Reasons Why Sierra Wireless Inc. Is the Top Tech Stock to Buy Today

Description

Sierra Wireless Inc. ([TSX:SW](#))([NASDAQ:SWIR](#)), the global leader in machine-to-machine (M2M) devices and cloud services, has watched its stock fall over 28% in 2015, but it has the potential to be one of the market's top performing stocks from this point forward. Let's take a look at three of the top reasons why this could happen and why you should consider buying shares today.

1. Very strong first-quarter earnings to support a higher stock price

Sierra Wireless released better-than-expected first-quarter earnings results after the market closed on May 7, but its stock has responded by falling over 11% in the trading sessions since. Here's a breakdown of 12 of the most notable statistics from the report compared with the year-ago period. All figures are in U.S. dollars.

1. Adjusted net income increased 1,340% to \$7.2 million
2. Adjusted earnings per share increased 1,000% to \$0.22, surpassing analysts' expectations of \$0.17
3. Total revenue increased 24.1% to a record \$150.41 million, surpassing analysts' expectations of \$146.32 million
4. Revenues increased 25.3% to \$133.04 million in its OEM Solutions segment
5. Revenues increased 15.8% to \$17.37 million in its Enterprise Solutions segment
6. Adjusted gross profit increased 26.6% to \$49.08 million
7. Adjusted gross margin expanded 60 basis points to 32.6%
8. Adjusted earnings before interest, taxes, depreciation, and amortization (EBITDA) increased 176.8% to \$11.31 million
9. Adjusted EBITDA margin expanded 410 basis points to 7.5%
10. Adjusted earnings from operations increased 1,128.6% to \$8.85 million
11. Adjusted operating margin expanded 530 basis points to 5.9%
12. Ended the quarter with \$99.56 million in cash and cash equivalents, a decrease of 51.9% from the beginning of the quarter

The results above can be largely attributed to Sierra Wireless' recent acquisition activity, including its

purchase of In Motion Technology, Wireless Maingate, and assets from AnyDATA Corporation.

2. Second-quarter outlook calls for another quarter of significant growth

In its first-quarter report, Sierra Wireless also provided its outlook on the second quarter and is calling for another very strong performance. Here's a breakdown of what it expects to accomplish:

1. Adjusted earnings from operations in the range of \$8.5-10 million, an increase of 129.7-170.3% from the \$3.7 million earned in the year-ago period
2. Adjusted net income in the range of \$6.7-7.9 million, an increase of 157.7-203.8% from the \$2.6 million earned in the year-ago period
3. Adjusted earnings per share in the range of \$0.21-0.24, an increase of 162.5-200% from the \$0.08 earned in the year-ago period
4. Revenue in the range of \$153-156 million, an increase of 13.3-15.5% from the \$135.01 million reported in the year-ago period

3. The stock trades at inexpensive forward valuations

At today's levels Sierra Wireless' stock trades at 35.9 times fiscal 2015's estimated earnings per share of \$1.10 and 25.8 times fiscal 2016's estimated earnings per share of \$1.53, both of which are inexpensive compared with its five-year price-to-earnings multiple of 298.5 and its long-term growth potential.

I think Sierra Wireless' stock could consistently command a fair multiple of at least 40, which would place its shares around \$44 by the conclusion of fiscal 2015 and upwards of \$61 by the conclusion of fiscal 2016, representing upside of more than 11% and 54%, respectively, from current levels.

Does Sierra Wireless belong in your portfolio?

I think Sierra Wireless represents one of the top growth stocks in the technology sector today. It has the support of very strong first-quarter earnings results, its outlook on the second quarter calls for significant growth, and it trades at inexpensive forward valuations. Foolish investors should take a closer look and strongly consider beginning to scale in to positions in Sierra Wireless today.

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

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1. NASDAQ:SWIR (Sierra Wireless)
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