# Sierra Wireless Inc.: What Should Investors Do?

## Description

**Sierra Wireless Inc.** (TSX:SW)(NASDAQ:SWIR) still hasn't found a bottom in its recent retracement, and investors are trying to decide if they should buy, sell, or hold the stock.



Since the beginning of 2015, shares of Sierra Wireless have fallen 39%. If you bought the stock at the end of last year, you are not a happy camper right now. But investors who took a position 12 months ago are still sitting on some impressive gains. In fact, the stock is up more than 50% since last June.

This is the nature of the beast when it comes to Sierra Wireless, or at least, it has been for the better part of the past 15 years.

**Big rallies and spectacular crashes**

Anyone who has followed Sierra since the turn of the century fully understands how volatile it can be. Savvy traders have made a fortune on this stock, while some unfortunate investors have lost their shirts.

To put the risks and potential rewards in perspective, we just have to look at some of that action.

Back in the days of the tech bubble, Sierra surged from $16 per share in October 1999 to $200 per share a mere four months later. The Y2K party didn't last though, and it took just 90 days for the stock pull back to $40. The shares then rallied back above $115 per share over the following six weeks.

The smart money got out at that point and the rest who held on in hopes of a continued rebound watched in agony as the shares quickly ran out of steam. By October 2002 you could have picked up Sierra Wireless for less than $3 per share.

The company is a true survivor and another rally sent the stock back towards $50 per share in 2004. It then reversed course and spent most of the next decade trading below $20 per share.

Last summer, the phoenix took flight once again. Is this time going to be different?

**Fundamentally sound**

Sierra Wireless currently finds itself as the global leader in the new Internet of Things (IoT) space.

The company provides leading edge machine-to-machine (M2M) wireless communications solutions that enable businesses to collect real-time data in a wide variety of mobile applications. The global IoT market is expected to grow exponentially in the coming years and Sierra should be well positioned to benefit.

The company has been very smart about making strategic acquisitions to bolster its leadership position, while maintaining a healthy balance sheet and driving impressive revenue growth.

In a nutshell, there is a lot to like about the company. So, why is the stock off by nearly 40% this year?

Investors who believe in the story say the stock just got ahead of itself and the current pullback will soon end. On the other side of the trade, pundits are looking at the company's relatively small size and saying it won't be able to compete with the tech giants that are planning to control the IoT market.

**What should investors do?**



At the moment, the trend isn't your friend. From a technical perspective, the stock could easily drop another 10% before it hits the next resistance point. On the TSX, that would be $30 per share.

There is no guarantee that history will repeat itself, and the current retracement could just be a stage in a long-term rally. Having said that, investors should probably wait for a clear indication that the pullback has ended before taking a new position in the stock.

**CATEGORY**

1. Investing
2. Tech Stocks

**TICKERS GLOBAL**

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