



Sierra Wireless, Inc. Is a Smart Play on IoT Growth

Description

It is common in the investment world for buzzwords about new technology to get thrown around. What then happens is dozens of different technologies get bundled up into one super category. In this case, the Internet of Things (IoT) is a super category of anything that will one day be connected to the Internet. That can be thermostats, cars, refrigerators, medical devices, etc.

The goal is to connect things to the Internet because that's our society: we need everything to be connected.

One company that has effectively staked its entire reputation on the potential of IoT is **Sierra Wireless, Inc.** ([TSX:SW](#))([NASDAQ:SWIR](#)). Unlike other companies that are investing in multiple different areas, Sierra is focusing in on IoT almost exclusively, with significant acquisitions over the past couple of years pushing the company towards that goal.

What is Sierra's vision?

There are two steps to achieve Sierra's vision. The first is through its hardware division. It excels at creating embedded wireless modules, which is how a product will be able to communicate online. Think about your wireless router at home, shrink it down real small, and then you've got what Sierra is working on. The reason this is important is because the types of items that will be connected don't have a lot of space to dedicate to networking.

Along with routers, it also has a collection of gateway solutions, which will allow Sierra to get wireless capability in obscure places. This is necessary for people to continue communicating with their devices.

On the software side, it runs what I like to call the "nervous system of IoT." Simply put, it runs a cloud computing division. This ensures that the data can get from point A to point B in a secure fashion.

What is the market for IoT?

All of this is great, but if there is no market for what Sierra is doing, the company is dead on arrival. Fortunately, that's just not the case. According to research firm IDC, the connected devices market will

grow from \$655 billion in 2014 to \$1.7 trillion by 2020. The primary reason is because there are going to be an increasing number of devices connected to the Internet in the coming years. Right now it's our phones and computers. Soon it will be other appliances.

So, should you buy? I think if you believe that the future is in connected devices, then you're going to want to purchase shares of Sierra Wireless. It has been beat up in the markets, dropping nearly 50% since its 52-week high. However, this is an investment for the future.

In the coming years, I expect Sierra Wireless to grow aggressively as the space becomes more developed. But as I said above, Sierra is putting all its chips on IoT. If IoT just becomes another buzzword that doesn't amount to anything, Sierra could quickly fail.

Fortunately, the trends are pretty obvious: people want everything to be connected. Sierra can help.

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1. Editor's Choice

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

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