



3 Reasons Why Sierra Wireless Inc. Should Be Bought Today

Description

Sierra Wireless Inc. ([TSX:SW](#))([NASDAQ:SWIR](#)), one of the world's leading providers of intelligent wireless solutions, has posted a dismal performance in 2015, falling over 46%, but I think it could rebound and head significantly higher going forward. Let's take a look at three of the primary reasons why this could happen and why you should buy the stock today.

1. Its strong earnings results could support a rally

After the market closed on August 6, Sierra Wireless released very strong earnings results for its three and six-month periods ending on June 30, 2015, and its stock has responded by rising about 1% in the trading sessions since. Here's a summary of eight of the most notable statistics from the first half of fiscal 2015 compared with the first half of fiscal 2014:

1. Adjusted earnings from operations increased 346.8% to \$19.57 million
2. Adjusted net income increased 414.8% to \$15.82 million
3. Adjusted earnings per share increased 380% to \$0.48
4. Total revenue increased 20.4% to \$308.37 million
5. Revenue increased 21.7% to \$271.17 million in its OEM Solutions segment
6. Revenue increased 11.3% to \$37.2 million in its Enterprise Solutions segment
7. Adjusted gross profit increased 21.9% to \$100.18 million
8. Adjusted earnings before interest, taxes, depreciation, and amortization increased 124.4% to \$24.46 million

2. Its third-quarter outlook calls for significant growth at the high end

In its earnings report, Sierra Wireless also provided its outlook on the third quarter, calling for double-digit growth at the high end. Here's a summary of what it expects to accomplish:

1. Adjusted earnings from operations in the range of \$9.5-11 million, an increase of 13.4-31.3% from the \$8.38 million earned in the year-ago period
2. Adjusted net income in the range of \$7.5-9 million, a decrease of 2.3% to an increase of 17.2% from the \$7.68 million earned in the year-ago period

3. Adjusted earnings per share in the range of \$0.23-0.27, a decrease of 4.2% to an increase of 12.5% from the \$0.24 earned in the year-ago period
4. Revenue in the range of \$157-160 million, an increase of 9.6-11.7% from the \$143.27 million reported in the year-ago period

3. Its stock trades at inexpensive forward valuations

At current levels, Sierra Wireless's stock trades at 28.3 times fiscal 2015's estimated earnings per share of \$1.04 and 20.7 times fiscal 2016's estimated earnings per share of \$1.42, both of which are inexpensive given its current growth rate and its five-year average price-to-earnings multiple of 331.5.

I think its stock could consistently trade at a fair multiple of at least 35, which would place its shares upwards of \$36 by the conclusion of fiscal 2015 and upwards of \$49 by the conclusion of fiscal 2016, representing upside of more than 22% and 66%, respectively, from today's levels.

Should you buy shares of Sierra Wireless today?

I think Sierra Wireless represents one of the best long-term investment opportunities in the tech sector today, because its strong earnings results in the first half of fiscal 2015 could support a rally, because the high end of its outlook on the third quarter calls for double-digit growth, and because its stock trades at inexpensive forward valuations. All Foolish investors should take a closer look and consider beginning to scale in to positions today.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

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

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Date

2025/08/26

Date Created

2015/09/23

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