



Is Sierra Wireless, Inc. a Takeover Target?

Description

Sierra Wireless, Inc. ([TSX:SW](#))([NASDAQ:SWIR](#)) is down nearly 60% since the beginning of the year, and the stock is starting to look like a prime takeover bet.

Here's why.

Leader in IoT

Sierra Wireless is widely recognized as a leader in the burgeoning Internet of Things (IoT) marketplace.

Through a number of strategic acquisitions, the company has carved out a strong niche in the machine-to-machine (M2M) space, offering leading-edge wireless modules, gateways, modems, and cloud services.

The firm's 2G, 3G, and 4G wireless modules are used in mobile computing, automotive, energy, and industrial applications. The wireless gateways are popular for remote-outdoor and in-vehicle scenarios.

Sierra Wireless also has an M2M cloud platform that serves as the backbone of the entire ecosystem and connects the company's various products and third-party devices.

Earlier this year, Sierra Wireless acquired Sweden-based Wireless Maingate, a firm that provides managed M2M connectivity through over-the-air subscription provisioning.

When you look the whole package, it's a pretty sweet portfolio of products and capabilities in a market that is just beginning to take off.

Disappointing results

The market had big expectations for Sierra Wireless this year, but the numbers haven't lived up to the hype.

As a result, the stock has taken a hit, and the latest leg of the drop has brought the shares pretty much back to where they were before the stellar run began last year.

Why?

Sierra Wireless reported Q3 revenue of \$154.6 million, up 7.9% from the same period last year. Net earnings were \$3.3 million, a solid result when compared to the \$2.9 million net loss in Q3 2014.

The numbers don't look bad, and they aren't, but revenues and earnings missed the company's own targets as well as those set by the market. To make things worse, management lowered its guidance for the fourth quarter.

Many analysts think the issues are short term in nature and revenues should improve in the coming quarters, but investors aren't waiting around to find out.

Ripe for the picking

Sierra Wireless is a strong company with great products in a growing sector. It is also quite small.

The business has an enterprise value of about \$625 million, which is a drop in the bucket for any of the big IT companies that have their eyes on the IoT market. To put things into perspective, **IBM** is spending US\$3 billion to set up its new IoT unit.

Should you buy?

At this point, the shares are starting to look attractive, and I wouldn't be surprised to see Sierra Wireless get taken out in the next year or two.

If you have a bit of cash sitting on the sidelines, it might be worth taking a small position on any further weakness in the stock.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

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2. TSX:SW (Sierra Wireless)

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