



Has Sierra Wireless, Inc. Finally Bottomed?

Description

Sierra Wireless, Inc. ([TSX:SW](#))([NASDAQ:SWIR](#)) is catching a bit of a tailwind right now, and investors are wondering if the brutal sell-off has finally run its course.

Let's take a look at the Internet of Things (IoT) hotshot to see if the company deserves to be in your portfolio.

About the IoT market

The new IoT space has received a lot of attention in recent years, and projections for the size of the burgeoning market continue to hit stratospheric levels.

Research firm IDC says the IoT market will grow to \$1.7 trillion by 2020, up from \$655.8 billion in 2014. A report issued by McKinsey suggests even bigger growth, with the market hitting as much as \$11 trillion by 2025.

The McKinsey report outlines a variety of sectors that are likely to lead the way, including automotive, logistics, manufacturing, health care, and security.

While pundits like to get excited about all the consumer applications, McKinsey suggests the B2B market is where the big opportunity lies. Data collected by commercial IoT devices is generally not used today, and the data that is analyzed isn't being fully exploited yet.

About Sierra Wireless

Sierra Wireless is a market leader in the machine-to-machine (M2M) niche of the IoT space.

Over the past few years Sierra Wireless has made a series of acquisitions that place the company firmly in the driver's seat in its areas of expertise. The company provides state-of-the-art wireless modules, gateways, and modems—all connected through a cloud platform that collects and stores data on behalf of its customers.

Sierra Wireless has 2G, 3G, and 4G wireless modules used in mobile computing, energy, automotive, and industrial applications. Its wireless gateways are finding strong support in remote-outdoor and in-vehicle operations.

Earlier this year, Sierra Wireless took a big step in expanding its reach when it acquired Sweden-based Wireless Maingate, a company that offers managed M2M connectivity through over-the-air provisioning.

It all sounds a bit techy, and it is, but the general understanding is that the company has compiled an impressive portfolio of products to serve a market that is just starting to find its wings.

Why did the stock plunge?

As we all know, tech names go through rough patches. Sierra wireless hasn't delivered on the 2015 revenue growth the market or management expected, and that has taken a lot of air out of the bubble. In fact, the stock is down 60% since the start of the year.

Sierra Wireless rallied in a big way through the second half of last year and entered 2015 with a stock price that was priced for perfection.

Should you buy?

At this point, it looks like most of the bad news is in and the stock is finally trading at a level that looks interesting.

Sierra Wireless is still growing and it has a very clean balance sheet. One idea to consider is a possible takeover bid. The IoT market will continue to consolidate, and a number of companies would prefer to buy the existing technology rather than develop it.

Right now, Sierra Wireless has an enterprise value of about \$750 million. That's a drop in the bucket for any of the tech giants that are looking to get into the IoT game.

If you think the IoT hype is justified, it might be time to start a position in Sierra Wireless.

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