



Should Investors Start Watching Sierra Wireless, Inc. Again?

Description

It was not a great 2015 for investors who held **Sierra Wireless, Inc.** ([TSX:SW](#))([NASDAQ:SWIR](#)). Going into 2015, investors were riding high—the value of their shares was over \$55 a share, which was a significant increase from the summer of 2014. However, if investors had bought during that run up or didn't sell, they watched as their value deteriorated to the current \$21.

While this crash was certainly unfortunate, the good news for investors is that it had nothing to do with poor execution by management. Rather, it had everything to do with investors being too optimistic and wanting even more success. My belief is that because of the Internet of Things (IoT) Sierra Wireless might be one of the top tech stocks in Canada over the next couple of years.

As the name implies, the IoT is having your average device connected to the Internet. Imagine a scenario where your refrigerator can let you know that it is out of staple groceries, order them for you, and then have them delivered—or ready for pick up—based on your calendar. Some even suggest that with blockchain technology the refrigerator could even pay for those groceries.

According to research firm, IDC, the IoT market could hit \$1.7 trillion by 2020. McKinsey thinks it will be roughly six times larger than that at \$11 trillion by 2025. The reality is simple: the potential for the IoT is absolutely huge.

And Sierra has put itself right in the middle of the whole sector.

Sierra is particularly adept at creating embedded wireless modules, which is like a mini wireless router that can go inside a slew of different things. Consider an alarm clock that communicates with your coffee pot, thermostat, and the shower. There's not much room for a large router, but Sierra can make a small one to fit.

Then on the software side, Sierra also has data analytics software and a cloud computing division. Specifically, this is meant to safeguard the transfer of information from point A to point B. As more devices connect to the Internet, there are more places for hackers to gain access to your network; therefore, it is necessary for the software to be as secure as the hardware.

Sierra is still risky

While I believe that investors should buy Sierra Wireless, there are still risks. The company is small and has staked its entire reputation on the IoT. If the IoT fails, Sierra could be in a tough situation.

Further, due to its size, other technology companies might have more resources to invest in competitive products. Competition would hurt the company's margins, significantly reducing profits for the firm.

All told, I believe that the IoT will work. There are already consumer products being released that are connected to the Internet. Our cell phones will be the centre of all these connected devices. Because of this, I think that Sierra represents one of the best opportunities in the market. If you believe in a connected world, Sierra should be on your watch list.

CATEGORY

1. Investing
2. Tech Stocks

POST TAG

1. Editor's Choice

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

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