



Sierra Wireless, Inc.: Is it Finally Time to Buy This Stock?

Description

Sierra Wireless, Inc. ([TSX:SW](#))([NASDAQ:SWIR](#)) is catching a bit of a tailwind after a horrible 12-month plunge, and contrarian investors are wondering if the stock has finally bottomed.

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

Growth disconnect

Sierra Wireless has produced solid revenue and earnings numbers over the past 12 months, but you wouldn't know it by the 55% slide in the shares.

What happened?

The market had priced the stock for perfection at the beginning of 2015, but investors started to realize the expected 20% revenue growth for the year wasn't in the cards, and they began to head for the exits. The stock slid through most of last year but really fell off a cliff when the Q3 numbers came out.

Tech companies hit speed bumps; it's part of the process. Investors now have to decide if the selloff has been overdone.

Short-term issues

Sierra Wireless really got hammered when it reported Q3 2015 earnings. The company actually delivered decent results with year-over-year revenue rising 7.9% to \$154.6 million. That was good for earnings of \$0.23 per share.

Analysts had expected revenue of \$159 million and earnings of \$0.25 per share, so the miss wasn't very big, and certainly not enough to justify the 40% haircut that occurred in the following two weeks.

The punishment came as a result of the company's Q4 2015 guidance. Management said earnings would be just \$0.09-0.11 per share for the fourth quarter, a revelation that obviously caught the market

by surprise.

Sierra Wireless said the slowdown in revenue was due to lower demand for 4G-enabled notebooks. Apparently the industry is transitioning to a new processor platform, and that process is the reason for the blip. Management said it expected sales to be back on track once the transition runs its course. Guidance for Q4 was also lowered as a result of a short-term issue with an automotive client.

Better days ahead?

On January 6 Sierra Wireless announced that its AirPrime EM7455 embedded module has been selected by Lenovo to be used in its next-generation notebooks, tablets, and two-in-one devices.

The technology enables users to get fast and reliable mobile connectivity using LTE Advanced, the newest 4G LTE standard. The AirPrime EM7455 is the industry's first embedded module to support LTE Advanced.

What does this mean?

The IoT continues to grow as more devices are added to cellular networks and LTE-A provides the additional capacity and throughput that is required to enable high-level mobile computing and machine-to-machine (M2M) communication.

Sierra Wireless is the first out of the gate, and the company's LTE-A modules are unique in the fact that they offer on-board mobile network switching, which is a big benefit for customers looking to make inventory management, manufacturing, and deployment processes more efficient.

Sierra Wireless is also planning to launch a line of new MiniCards in 2016.

The company is the leader in the M2M space in the emerging IoT market with products designed to improve efficiency for clients in the logistics, health, automotive, and energy industries.

Should you buy?

The road ahead looks pretty good, and the stock could soar if revenue moves to the upside in the first half of 2016. Contrarian types might want to start buying now to get ahead of the curve. If you are a bit more conservative, it might be better to wait for the Q4 2015 results to come out before hitting the buy button.

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