



Sierra Wireless, Inc. Plummets on Weak Q4 Results and Outlook

Description

Sierra Wireless, Inc. ([TSX:SW](#))([NASDAQ:SWIR](#)), one of the world's leading providers of intelligent wireless solutions, announced weaker-than-expected fourth-quarter earnings results after the market closed on February 4, and its stock has responded by making a sharp move to the downside.

Let's take a closer look at the results and three other important announcements made by the company to determine if this weakness represents a long-term buying opportunity, or if we should avoid it for the time being.

The results that came up short of expectations

Here's a summary of Sierra Wireless's fourth-quarter earnings results compared with what analysts had projected and its results in the same period a year ago.

Metric	Q4 2015 Actual	Q4 2015 Expected	Q4 2014 Actual
Adjusted Earnings Per Diluted Share	US\$0.08	US\$0.10	US\$0.29
Revenue	US\$144.85 million	US\$149.35 million	US\$149.08 million

Source: *Financial Times*

Sierra Wireless's adjusted earnings per diluted share decreased 72.4% and its revenue decreased 2.8% compared with the fourth quarter of fiscal 2014. The company's sharp decline in earnings per share can be attributed to its adjusted net income decreasing 72.1% to just \$2.54 million.

Its slight drop in revenue can be attributed to its revenues decreasing 6.2% to US\$121.5 million in its OEM Solutions segment and 15.3% to US\$16.5 million in its Enterprise Solutions segment, and these declines could only be partially offset by the US\$6.8 million generated by its newly formed Cloud and Connectivity Services segment.

Here's a quick breakdown of six other notable statistics from the report compared with the year-ago period:

1. Adjusted gross profit decreased 9.9% to US\$45.17 million
2. Adjusted gross margin contracted 240 basis points to 31.2%
3. Adjusted earnings before interest, taxes, depreciation, and amortization (EBITDA) decreased 50.2% to US\$6.35 million
4. Adjusted EBITDA margin contracted 410 basis points to 4.4%
5. Adjusted earnings from operations decreased 67% to US\$3.31 million
6. Cash flows provided by operating activities increased 15.5% to US\$13.1 million

Three other announcements you need to know about

Sierra Wireless also made three important announcements.

First, the company provided its outlook on the first quarter of fiscal 2016, calling for revenue in the range of US\$135-145 million and "slightly negative to slightly positive" adjusted earnings per share. Unfortunately, this came in below analysts' expectations of US\$155.1 million in revenue and adjusted earnings per share of US\$0.15.

Second, it provided its outlook on the full year of fiscal 2016, calling for revenue in the range of US\$630-670 million and adjusted earnings per share in the range of US\$0.60-0.90. Unfortunately, this outlook came in below analysts' expectations as well, which had projected US\$673.69 million in revenue and adjusted earnings per share of US\$0.98.

Third, Sierra Wireless announced that it has received approval from the Toronto Stock Exchange for a normal course-issuer bid. Pursuant to this bid, it can purchase for cancellation up to 3.15 million of its common shares, which represents approximately 9.7% of its total public float, beginning on February 9, 2016 and ending on February 8, 2017.

What should you do with Sierra Wireless's stock now?

It was a horrible quarter overall for Sierra Wireless, and its outlook on the first quarter and full year of fiscal 2016 does not call for much improvement going forward, so I think its stock has responded correctly by selling off. With this being said, it is never a good idea to try to catch a falling knife, so I think you should avoid the stock for the time being and simply place it on your watch list.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

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2. TSX:SW (Sierra Wireless)

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