



Should Investors Buy Sierra Wireless, Inc. After Bad Results?

Description

It has not been a very good 12 months for investors of **Sierra Wireless, Inc.** ([TSX:SW](#))([NASDAQ:SWIR](#)). When investors started getting into the stock at the beginning of 2015, they'd hoped that it would continue to experience incredible growth. When that didn't happen, investors ran for the exits, sending the stock down by 55%.

Then the company announced its fourth-quarter earnings, which were weaker than analysts had been expecting. Analysts had hoped for US\$0.10 in adjusted earnings per diluted share on US\$149.35 million in revenue. Instead, Sierra only delivered US\$0.08 in adjusted earnings per diluted share on US\$144.85 million. In the same quarter in 2014 it earned US\$0.29 EPS on US\$149.08 million, so revenue and earnings are down.

On top of all this, the company announced that it's not likely going to have an incredible 2016. It's expecting revenue to fall in the range of US\$630-670 million, which would produce adjusted earnings per share of US\$0.60-0.90. Analysts had been hoping for US\$673.69 million and earnings per share of US\$0.98.

With all of this bad news, investors might be questioning if they should even consider buying this stock. If you ask me, though, I think that this bad news has created an incredible buying opportunity for those thinking long term. The reason I think that is because of something called the Internet of Things (IoT).

Internet of Things

At some point in the next five to 10 years, we are going to have a world in which every single object is connected to the Internet. I bought my mom a thermostat that is connected to the Internet; it allows her to control the heat from her phone. The rise of connected devices is going to be huge.

According to research firm IDC, by 2020 the IoT market could hit \$1.7 trillion. By 2025 McKinsey thinks that it will be worth approximately \$11 trillion. That's a huge market that Sierra just so happens to be planting its flag in.

What Sierra does really well is create tiny, embedded wireless modules. These tiny devices act as little

routers that transmit data between different devices. For example, when your alarm clock wakes you up and you turn it off, it alerts the coffee machine to start making coffee, alerts the thermostat to raise the temperature to your preferred temperature, and turns the shower on so you can step right in.

On the software side, Sierra has a cloud computing division and owns data analytics software. With all of these devices connecting to the web, there are many potential weak points where hackers can gain access to your network. Sierra's goal is to safeguard the transfer of all information from point A to point B via its software.

Right now Sierra is doing poorly. Its quarters are weak and investors have run for the exits. But if you're an investor who is thinking about the next five to 10 years, I believe buying this stock will be an incredible investment.

CATEGORY

1. Investing
2. Tech Stocks

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

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