



Is Sierra Wireless, Inc. Finally Turning Around?

Description

Sierra Wireless, Inc. ([TSX:SW](#))([NASDAQ:SWIR](#)) is a company with a vision. The company develops 4G LTE and LTE advanced solutions, interchangeable modules, and software required for devices to connect to each other and to the Internet.

Welcome to the IoT Age

Devices connected to the Internet and feeding information is what is referred to as the Internet of things (IoT). Virtually any device imaginable can be connected to any other device to accomplish a set task, giving us information along the way.

Over the past year, Sierra has focused all its efforts and resources on transitioning into a pure-play IoT vendor, and for good reason. **Cisco Systems** has forecasted that in the IoT market, over 50 billion things will be connected to the Internet within the next five years. With Sierra making the modems and chips needed to connect those devices, the company plays a critical and potentially lucrative part in assembling the complete product.

That change of its focus has come at a great cost for the company, but things are starting to turn around, albeit slowly. Last year the company posted a loss of \$2.7 million, which was a significant improvement over the \$16.9 million the company lost in 2014. And there's still more to come, which should push revenues up further.

Sierra has made references to the growing market for connected automobiles and, given the growing number of manufacturers that are adding Internet connectivity to automobiles and corresponding smart apps, there may be some truth to the real potential there.

Revenues and costs are getting under control

The losses are diminishing because Sierra is both increasing revenues and becoming more efficient. Over the course of 2015, Sierra's revenue was boosted nearly 11% over the previous year with the lion's share coming from the OEM solutions segment, which accounted for a whopping 86% of total company revenue. This is another example of the company doubling down and focusing on the core

IoT components that will drive the most revenue over the longer term.

On the savings front, Sierra managed to decrease operating expenses by 4% last year. If you take into consideration that revenues are growing while expenses are dropping, the opportunity for this stock starts to emerge.

Sierra announced last month a “notice of intention to make a normal course issuer bid,” which means the company intends to repurchase nearly 10% of common outstanding shares as a means to drive value to the stock. If there was a sign that potential investors were looking for to get on board with Sierra, this might be it.

Sierra is currently trading at just over \$20, down 5.6% year-to-date but up 15% in the past month.

If there’s one word to describe what is needed of long-term investors in Sierra, it is patience. The company has all of the pieces of a lucrative puzzle and is starting putting them together and deliver on the massive growth and revenues that shareholders see in the company’s future.

In my opinion, Sierra represents a massive opportunity for investors over the long term. All existing investors need is patience.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

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

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