



Should Investors Pick Up Shares of Sierra Wireless, Inc.?

Description

Shares of **Sierra Wireless, Inc.** ([TSX:SW](#))([NASDAQ:SWIR](#)) spiked last week as the company reported better-than-expected earnings, showing investors that while the company is still turning around, it is making strong moves to become a formidable force.

According to the company, it brought in \$142.8 million in revenue, which was down 5.1% year over year from \$150.4 million. A big reason that revenue was down was due to a 9.1% drop from \$133 million in its OEM Solutions division. Its Enterprise Solutions division was up 9% to \$15 million. And its Cloud and Connectivity Services division was up 92% from to \$6.9 million.

In a statement, Jason Cohenour, president and CEO explained that revenue was better than expected: “We continue to expect our business to gain strength over the course of the year as new customer programs move into production and we introduce new leading-edge IoT products and solutions,” he said.

It is the last part of that sentence that gets me excited. Sierra Wireless has never been a company that I cared about for the present day. However, because it is targeting IoT (the Internet of Things), I am bullish on this company for the next three to five years. And here’s why...

The IoT is where your everyday devices are connected to the Internet. Think about your car, your refrigerator, your thermostat, and your shower all being interconnected and programmable for your own preferences. Imagine a world where your shower turns on when you turn off your alarm clock, and when you turn off the shower, the coffee pot turn on. This is a world we are moving toward.

Research firm Gartner believes that there will be 25 billion devices connected to the Internet, providing incremental revenue of US\$300 billion. **Cisco** believes there will be over 50 billion devices connected to the Internet over the next five years, and by 2024, the incremental revenue will reach US\$19 trillion.

This very easily could be the next true Internet revolution.

Sierra Wireless is hoping to be smack dab in the centre of it all. It makes tiny embedded wireless modules. Think about it ... if every device is going to be connected to the Internet, they’ll need to be

able to communicate with each other and you. These wireless modules, which are very small in comparison to your typical router, can fit in objects as small as coffee pots and toasters.

On top of that, these modules will be connected to Sierra's cloud services, which will provide security to ensure hackers can't gain access to the network. When everything is connected, there are a lot of potential points of failure.

If the IoT takes off, I expect Sierra Wireless to generate significant revenue from the space. Management believes revenue will grow to \$1 billion over the next several years from this year's guidance of about \$670 million. Sierra Wireless is obviously not the only one targeting the space, but I believe there is room for many companies to succeed. And Sierra might be one of the best ones to invest in.

CATEGORY

1. Investing
2. Tech Stocks

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

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