



Sierra Wireless, Inc. Is the IoT Stock for Your Portfolio

Description

One of the big catch phrases of the past year on the market has been the “Internet of Things,” or IoT. This is the concept that everyday items we already have in our daily lives—coffee machines, alarm clocks, thermostats, and even your car—will be connected to each other and the web, feeding information and updates back and forth.

One of the reasons why the IoT is so popular and has so much potential is because it revolutionizes how we view everyday objects with nearly limitless possibilities.

A coffee machine could start brewing a pot in the morning after the alarm clock pings it and tells it that you have finally stopped hitting the snooze button. A car could contact the dealership and schedule your next service appointment for you. The possibilities are endless.

One company at the forefront of this is **Sierra Wireless, Inc.** ([TSX:SW](#))([NASDAQ:SWIR](#)). Sierra is one of a handful of companies involved in building the necessary pieces of the puzzle, but no other company can attest to being a pure-play IoT provider as much as Sierra can.

What does Sierra offer?

Sierra develops 4G LTE and LTE advanced solutions, software, and the interchangeable modules for devices to connect to one another and the Internet. These are core components of the IoT infrastructure that every device will need, and Sierra is dedicating a lot of resources to becoming the primary party to fill that need.

The IoT market is huge. **Cisco systems** has estimated the number of things connected the Internet to be in excess of 50 billion within the next few years. With 50 billion things needing the components and modems that Sierra builds, the potential for Sierra is a lucrative multi-trillion dollar market.

Sierra’s untapped potential is nothing new; investors have known what Sierra could do for the industry for some time. What has changed, however, is the outlook of the company, especially since the latest set of quarterly results came out.

Sierra's quarterly results

In the most recent quarter, Sierra posted \$142.8 million in revenue, which represented a drop of 5.1% over the same quarter last year when the company posted \$15.4 million. This drop can be largely attributed to a drop in revenue from the OEM Solutions division, which was not completely offset by increases in the both the Enterprise Solutions and Cloud and Connectivity Services division.

What was impressive from the quarter, however, was that the company did manage to fall at the higher end of the guidance. Sierra has missed this figure for several quarters, so this may be a welcome change moving forward.

Why Sierra is a great investment

The potential that Sierra has for the future is, in a word, incredible. The company is well positioned to become one of the core suppliers of IoT devices everywhere. Other companies may have an IoT product or division, but Sierra is making sure that the IoT vision is ingrained in the company's DNA.

Over the next few years the company's management believes that revenue will really start to take off; a potential \$1 billion or higher could come in over the company's current guidance of just \$670 million.

Investors are starting to take notice of the company as well. In the past week alone, the company is up over 8%, and there is still room for the stock to go higher. Year-to-date the stock is up by 14%.

In my opinion, investors looking for a stock in the technology industry, which has significant growth prospects, would be hard pressed to find a better growth option over the long term.

CATEGORY

1. Investing
2. Tech Stocks

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

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