



## Is Sierra Wireless, Inc. Still a Good Investment?

### Description

**Sierra Wireless, Inc.** ([TSX:SW](#))([NASDAQ:SWIR](#)) is one of a handful of stocks that investors have always looked at because of the potential it has over the long term that hasn't yet materialized.

Sierra is a hardware and software developer of interchangeable modules and embedded software. The company develops 4G LTE and LTE-advanced solutions around those modules. But rather than just being another OEM or solutions provider, Sierra is a pure-play on the Internet of Things (IoT).

The IoT is the idea behind complete device connectivity. Think everyday devices being connected to each other and to the internet, constantly feeding information and updates back and forth. This could be your car informing your oven that there is traffic, so it can turn down the heat and not burn dinner. This could be your alarm clock notifying the coffee maker that you stopped pressing snooze and got out of bed.

The possibilities for IoT integration are limitless, and this is where the potential for Sierra comes into play. **Cisco Systems** has forecasted that within the next few years, there will be upwards of 50 billion of these "things" connected to the internet, which is roughly double what is already connected. The market size for IoT vendors is measured in the trillions, and Sierra is slated to be a big part of that.

### How is Sierra doing right now?

The stock is currently trading at \$23.58, mid-way between the 52-week low of \$13.57 and the high of \$35.39. In the past three months the stock has shot up by nearly 30%. Year-to-date, the stock is up by just over 8%. Looking out over a full 12-month period shows that the stock is down by 30%.

That full-year view of Sierra is indicative of what was plaguing the company in the past. It has huge potential, but come earnings time, it's been unable to deliver. The company addressed this by moving down the path to becoming a pure-play IoT company and then by turning the company around, which is arguably due to that renewed focus on IoT.

Last month the company posted quarterly results that beat what analysts had expected after missing on forecasts for the past few results. Adding to this, the company provided updated guidance for the

rest of the year that puts targets well out in front of what analysts expected.

### **A sign of things to come**

One of the most interesting parts of Sierra's recent quarterly update is the growth of the cloud and connectivity sales section, and this important for two reasons.

First, this is where all of the IoT growth will stem from over the long term. The potential for this area is immense, both in terms of margins as well as in total devices utilizing the connectivity offerings. The second point worth noting is that despite only accounting for a relatively small portion of earnings, the section is growing quicker than any other sections of the company.

Despite the rapid growth of the stock over the past few months, Sierra still remains one of the best long-term investment opportunities on the market today. The fact that the company has finally beat analysts' expectations shows that the company turnaround is bearing fruit—a sign of things to come.

### **CATEGORY**

1. Investing
2. Tech Stocks

### **TICKERS GLOBAL**

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

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