



## Where Does Sierra Wireless, Inc. Fit In to Your Portfolio?

### Description

Investors who've held on to their shares of **Sierra Wireless, Inc.** ([TSX:SW](#))([NASDAQ:SWIR](#)) from 2014 through to today have experienced quite the roller coaster. The price started at about \$20 a share in mid-2014, and by the start of 2015 it had nearly tripled to \$56.37 a share. And then it dove back down; soon after the start of 2016 it was down to \$14.33. What a ride.

But since February Sierra has experienced a bit of an upward trajectory. And in May it rallied hard because it had a strong Q1 in both revenue and earnings. While the quarter was weaker than in previous years, when investors have been dealing with negativity for so long, they're happy when results beat expectations.

Its first-quarter revenue was US\$142.8 million, about 5% lower than the previous year. This was primarily because its OEM solutions business saw revenue drop to US\$120.9 million, a 9.1% year-over-year reduction. Yet its other divisions have been trying to grow. Its Enterprise Solutions group increased revenue by 9% to US\$15 million. And while it's still a small group, the Cloud and Connectivity Services team saw revenue nearly double from US\$3.6 million to US\$6.9 million.

Going forward, you have to ask yourself if Sierra fits into your portfolio. If so, how and where?

In my opinion, Sierra Wireless is a long-term hold on the potential growth of the Internet of Things. As the name implies, there is a growing trend for everyday things to be connected to the Internet. For example, cars, certain household appliances, and numerous other devices are being connected to the Internet.

However, these devices need the ability to communicate with other devices, which is exactly what Sierra does best. The wireless modules that Sierra excels at making are small—much smaller than the router you're using for your wireless connection.

The good news is, Sierra is already getting companies on board. Last week Sierra announced that PATEO, a Shanghai-based company that provides services and products for connected cars, would be using the AR series modules that Sierra makes. The Geely brand, with its 30 models, will be the first to include these modules.

It's still early days for the Internet of Things, so if you buy this stock, you're buying for the future. Management predicts that this year the Internet of Things will bring in anywhere from US\$630 to \$670 million in revenue with earnings of US\$0.60-0.90 per share. But over the next several years, management wants to see that revenue balloon to over US\$1 billion. I don't believe that's terribly unrealistic, especially as people want more of their devices connected to the Internet.

There will be competition from numerous other companies looking to gain market share. If **Cisco** is right and there will be over 50 billion devices connected to the Internet over the next five years, Sierra will have its work cut out for it to succeed.

## CATEGORY

1. Investing
2. Tech Stocks

## TICKERS GLOBAL

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

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