



Sierra Wireless, Inc.: The Only IoT Company You Need in Your Portfolio

Description

Sierra Wireless, Inc. ([TSX:SW](#))([NASDAQ:SWIR](#)) primarily designs the embedded modules and communication devices that are required for devices to connect to the internet. This is a growing trend in the industry, as companies strive to make more and more devices “smart” by virtue of connectivity.

The inter-connectivity of these devices is known as the Internet of Things (IoT). Industry experts have said in the past that the potential market size for the IoT can be measured in the trillions as billions of devices around us become smart over the next few years.

There’s no argument over the fact that Sierra’s potential in the market is huge. Here’s a closer look at what the company has done recently to bolster its position as an IoT heavyweight.

Sierra and the automotive industry

One of the biggest trends of the past year in the IoT space has been in the automotive sector. More and more automotive manufacturers are adding smart technologies to their new and existing vehicle lineup, which include smart GPS, wireless hot-spot functionality, smart infotainment systems, and smartphone companion apps.

Looking beyond the myriad of features being offered, the one constant is that automotive manufacturers need embedded modules and connectivity systems to make all of these features work. Sierra identified this opportunity and moved in to capitalize on it.

Last week, Sierra announced a deal with Russian company Itelma to enable connectivity for the ERA-GLONASS emergency response units that are supplied to the Russian markets. The potential upside from this deal could spill over into other markets in Russia as well as the E.U., leading to a massive opportunity for Sierra.

This latest deal follows two other similar deals; Sierra inked a deal earlier this year with Chinese manufacturer Pateo as well as an unnamed automotive OEM contract set to start production in 2018 reportedly worth \$200 million.

Sierra is working on next-gen connectivity

Sierra is also looking beyond the current generation of LTE connectivity, working closely with a number of partners on advancing new LTE-M connectivity. LTE-M offers longer battery life, better coverage and lower costs for gateway modules than the traditional LTE service.

While the new modules that Sierra has developed are unlikely to be available until next year, Sierra has already attracted a lot of attention from major telecom companies that are beginning to test out LTE-M connectivity. While this is unlikely to add to the company's revenue stream over the next few quarters, the long-term impact of this could be huge.

Is Sierra a good investment?

In terms of results, while the overall revenue earned in the most recent quarter dropped year over year, Sierra's fundamentals remain strong, and both the enterprise and cloud connectivity segments of the company saw double-digit increases. As Sierra advances on fronts such as LTE-M and automotive connectivity, the opportunity for revenue growth will only increase.

Sierra has long been considered a great investment over the long term, and, in my opinion, this hasn't changed. If anything, Sierra's increased presence in the automotive sector is likely going to become a significant source of revenue for the company as more automotive manufacturers seek out embedded connectivity systems and Sierra becomes more of an authority in offering them.

Automotive consumers want connected vehicles, and telecommunications companies want faster, more efficient connections. Sierra can offer both.

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

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