



Is Sierra Wireless, Inc. Still a Good Investment?

Description

Sierra Wireless, Inc. ([TSX:SW](#))([NASDAQ:SWIR](#)) has long been touted as the Internet of Things (IoT) stock to add to your portfolio. While this still holds true, there are a growing number of reasons why some investors may want to reconsider their positions on Sierra, at least in the short term.

Here's a look at what you need to know about Sierra.

Sierra manufactures embedded modules and gateways for a myriad of connectivity devices, ranging from 2G all the way up through LTE and into tests being conducted on LTE-M. Sierra is the largest manufacturer in the world for these modules, which allow a near endless host of devices to connect to the internet and feed information between each other and to us.

The interconnectivity of those devices is what the IoT is all about. Devices that are constantly connected could feed us information, perform mundane tasks, and make our lives that much easier. Industry experts see growth in the IoT field to grow substantially over the next few years into a trillion-dollar market with over 50 billion connected things.

And there lies the sweet spot which Sierra has been targeting. All of those billions upon billions of connected things need Sierra's modems and connectivity modules. As far as being a pure-play provider to this market and considering Sierra's current share of the market, the stock looks incredibly appealing over the long term.

So what's the issue, and why isn't the stock higher?

Over the past 12 months Sierra has dropped by over 40%. Competition has intensified considerably over the past few months as lower-priced components are released to the market at the expense of the higher-margin Sierra products. As a result, Sierra has either missed or come in on the lower side of earnings estimates.

Now, that's not to say there isn't plenty of potential for Sierra. The company has capitalized on the growing needs of the automotive industry recently.

Sierra is becoming a force in the automotive industry

One area where Sierra has established a growing presence in over the past few months has been in the connected auto space. Automobile manufacturers are finally taking vehicle connectivity seriously, and more models are offering this connectivity as a base feature, either as smart GPS, hotspot functionality, smart infotainment systems, on-demand mapping and traffic updates, and even smart phone companion apps.

All of these features are relatively new to the automotive world and rely on the products that Sierra designs. Sierra saw this emerging force coming and acted appropriately.

As a market leader, Sierra has a significant advantage in this space and has already signed a number of agreements with manufacturers in both Russia and China. Both deals have the potential to spill over into European and Asian markets, and the possibility of additional manufacturers signing up seems more than likely over the next year.

Sierra is expected to report earnings for the most recent quarter next week. Analysts and the company are forecasting earnings to come in on the lower end of guidance.

In my opinion, Sierra remains a great long-term investment opportunity for investors looking to invest in an IoT company. While we are starting to hear more and more about IoT devices on a daily basis, it is important to keep in mind that Sierra's true potential lies over the longer term.

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