



Sierra Wireless, Inc.: Buy or Sell?

Description

Sierra Wireless, Inc. ([TSX:SW](#))([NASDAQ:SWIR](#)) might be the one stock your portfolio is missing.

Sierra is one of the leading manufacturers of embedded modules and components necessary for devices to connect to the internet. That connectivity between devices is necessary for the Internet of Things (IoT).

The IoT is the concept of a series of devices, or things, connected to the internet and, by extension, to each other, feeding information and diagnostics back and forth. That information can be used to accomplish everyday tasks and provide feedback to our questions. This could be as simple as asking for the weather outside or having your car schedule a maintenance appointment at the dealership after confirming your availability on your smartphone calendar.

The market for IoT devices is increasing daily. Industry experts peg the market size at billions of devices with a market cap potential reaching even higher, thanks to the nearly infinite number of devices that can be IoT-enabled.

How is Sierra doing?

Sierra has perennially underperformed over the past few years, at least until recently. In the most recent quarter, Sierra reported revenue of US\$161.8 million, bettering the US\$142.8 million reported in the same quarter last year by 13.3%.

Sierra's OEM segment saw strong growth of 10% over the same period last year, coming in at US\$133 million. The Enterprise Solutions segment realized revenue of US\$21.7 million in the quarter, handily beating the US\$15 million posted in the same quarter last year. The Cloud and Connectivity Services segment inched upwards to US\$7.1 million in the quarter, an improvement of 2.1% over the same quarter last year.

Sierra reported Non-GAAP earnings of US\$7.7 million, or US\$0.24 per share in the quarter, an improvement over the US\$2.6 million, or US\$0.08 per share, reported in the same period last year.

In terms of stock performance, Sierra has appreciated by nearly 40% in the past year. While this comes across as impressive growth, looking out over a longer two-year period shows the stock growth being relatively flat.

Impressively, over that two-year period, Sierra has transitioned into a pure-play IoT company and continues to provide improved results with every passing quarter.

Should you invest in Sierra?

Analysts have long touted the significant upside that Sierra offers investors over the long term, particularly as IoT devices continue to penetrate the market. One such area that Sierra is heavily invested in is in the automotive sector.

Automobile manufacturers have increasingly invested in technology over the past few years, thanks to a growing demand for the connectivity services and features that customers have been asking for. Sierra has already forged several agreements with major manufacturers over the past year, and additional deals are likely to follow. This is a lucrative opportunity for the company, and one that will continue to provide growing revenues for years.

In my opinion, Sierra remains a great long-term opportunity for those investors looking to diversify their portfolios with a tech company that has long-term growth prospects.

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