



## Which Is the Better Buy: Sierra Wireless, Inc. or Open Text Corp.?

### Description

Technology stocks often present the most growth opportunities, as industries change and companies find ways to improve day-to-day operations. Whether it is the increased use of cloud computing, or the advancements in self-driving vehicles, technology is often at the forefront of major changes in today's world.

I'm going to look at two tech stocks that could present significant growth opportunities for investors and assess which one is the better buy today.

**Sierra Wireless, Inc.** ([TSX:SW](#))([NASDAQ:SWIR](#)) is in the Internet of Things (IoT) industry, which connects products to the cloud. Sierra was chosen by **Volkswagen** to help integrate the car manufacturer's Car-Net system, which will aim to provide more connectivity to its automobiles, including remote vehicle access, maintenance, diagnostics, and other internet-related features. Self-driving vehicles will offer lots of potential to a company like Sierra, which aims to connect hardware to the internet, especially since the auto industry has only previously dabbled in integrating the internet with its vehicles, and self-driving capabilities will require significantly more integration.

**Open Text Corp.** ([TSX:OTEX](#))([NASDAQ:OTEX](#)) offers products and solutions designed to help business utilize and share information. From content management to customer experience management and analytical solutions, the company provides an array of different services and has customers in many different industries. Open Text has an attractive business model, which saw 84% of its revenues in 2017 come from services including customer support, professional services, and cloud services and subscriptions. The company also sells licences, which are attractive sales items that provide the business with gross margins of over 96%.

### A look at recent growth

Open Text's sales have increased 41% in three years and 2017 saw revenues up 26% from the previous year. In the company's most recent quarter, its sales of \$663 million were up from \$483 million a year ago for an increase of 37%. Unfortunately, with operating margins averaging just 18%, the company has not seen a strong bottom line, and in the past three quarters, has seen just 6% of

sales flow through to net income.

Sierra has seen similar growth over the past three years with its sales also up nearly 40%, but in the past year, revenues were up just 1%. In its last quarter, Sierra saw more progress in its top line with revenues increasing 11% year over year. However, Sierra has seen smaller margins than Open Text with its operating income averaging just 2% of sales and, in two of the last four years, saw it go into the negative. In just one of the past three years has Sierra been able to post a profit, and it continues to struggle with two of its past four quarters showing net losses.

### **Which company is the better buy today?**

Sierra might have more potential of the two stocks, but the company needs to prove it can reliably post profits. With an price-to-earnings multiple of 36, investors will pay much more of a premium for Sierra than Open Text, which trades at just eight times its earnings. There is clearly a lot more hype around Sierra than Open Text, but without a healthier bottom line, or at least some more tangible growth prospects, I would opt for Open Text's stability over Sierra's potential.

### **CATEGORY**

1. Dividend Stocks
2. Investing
3. Tech Stocks

### **TICKERS GLOBAL**

1. NASDAQ:OTEX (Open Text Corporation)
2. NASDAQ:SWIR (Sierra Wireless)
3. TSX:OTEX (Open Text Corporation)
4. TSX:SW (Sierra Wireless)

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