



Just How Big of an Opportunity Is Sierra Wireless, Inc.?

Description

One of the most highly anticipated developments over the past few years has been the proliferation of smart devices. Everywhere we turn, we seem to be inundated with a variety of devices that have turned smart, with everything from coffeemakers and refrigerators to washing machines and automobiles. Manufacturers are jumping on the Internet-of-Things (IoT) bandwagon.

IoT is the concept of taking everyday devices and providing them a connection to the internet and other devices. By doing this, everyday devices can accomplish mundane tasks. While many of these applications at the early phase may seem like gimmicky use cases, there is a massive potential for growth, which is where **Sierra Wireless, Inc.** ([TSX:SW](#))([NASDAQ:SWIR](#)) comes into the equation.

Is IoT still an opportunity?

Sierra is just one of several [great tech stocks](#) that investors have been lured to in recent years. Where Sierra differs from other companies, however, is in opportunity. IoT-enabled devices continue to flood the market, and industry experts believe that over a billion of smart devices are being released with each passing year, creating an expanding segment in the tech market that has potential measured in the billions.

This creates a massive opportunity for investment, which is still very much in its infancy.

Still, critics point to the fact that most of these devices are failing on the market, primarily because they lack the ability to speak with other devices. A good analogy to illustrate this problem is to think of trains and subways. They both accomplish the same main objective — moving people from point A to B — but they run on different types of track, which are for the most part, incompatible.

In other words, while your coffeemaker may finally be smart enough to start brewing at a touch of the button, your alarm clock, which senses when you are awake, still can't talk to your coffeemaker to tell it to begin brewing a pot.

The Sierra sweet spot

Irrespective of how many failed IoT devices come to market, Sierra benefits. Sierra is a leading provider of IoT solutions, including the embedded modules that devices need to connect to the internet, and it provides networking solutions. In the mobile connectivity space, Sierra accounts for one-third of the global market for embedded cellular modules.

One area where Sierra has expanded over the past year has been in the [automotive space](#). Automobiles are increasingly becoming connected devices themselves, and manufacturers are warming to the idea of connectivity options for vehicles to phone home for updates and perform diagnostics. As a leader in the connectivity and IoT space, Sierra has become the vendor of choice for several automobile manufacturers.

Earlier this month, Sierra announced results for the third fiscal of 2017. Revenue in the third quarter came in at US\$173.2 million, which was a marked improvement of 12.8% over the same quarter last year. GAAP net earnings for the quarter came in at US\$1.2 million, or US\$0.04 per share diluted, compared with a net loss of US\$1.8 million, or \$0.06 diluted per share, in the same quarter last year.

Is Sierra good investment?

Over the past three months, Sierra's stock has dropped over 15%, while over the course of the past year, the stock remains up nearly 20%. This presents an intriguing opportunity for investors that missed the initial rise of Sierra to benefit from this temporary weakness and purchase Sierra at a discounted rate, especially considering the massive long-term potential the stock holds.

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Author

dafxentiou

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