



It's a Good Time to Hop on This Growth Train

Description

What's the big deal about the Internet of Things (IoT)?

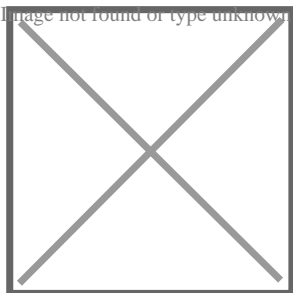
In 2016, *Business Insider* estimated that “there will be 34 billion devices connected to the internet by 2020, up from 10 billion in 2015.” It went on to forecast that from 2016 to 2020, almost \$6 trillion would be spent on IoT solutions.

The report believes the primary adopters of IoT solutions will be businesses, which aim to reduce costs, improve productivity, and expand product offerings. Governments will also spend on IoT solutions to reduce costs and improve productivity. At a smaller scale, consumers will also buy individual IoT devices or ecosystems.

Sierra Wireless will benefit from this trend

Sierra Wireless, Inc. ([TSX:SW](#))([NASDAQ:SWIR](#)) is the stock to buy if you want exposure to the growth of IoT. Sierra Wireless estimates that its addressable market will grow from US\$3 billion in 2015 to US\$30 billion in 2021.

Sierra Wireless is well positioned in key IoT market segments, including automotive and transport, energy and industrial, enterprise, and residential and healthcare. Some of its clients include **Cisco** and **Volkswagen**.



Growth continues

Sierra Wireless's recent results indicate the company is growing healthily. In the third quarter, the company experienced growth in all three of its business segments.

Its original equipment manufacturer solutions segment, which contributes ~82% of its revenue, experienced sales growth of 8.4% in Q3 compared to the same quarter in 2016.

Its enterprise solutions segment, which contributes ~13.5% of its revenue, experienced sales growth of 38.8%. And its cloud and connectivity services segment, which contributes ~4.5% of its revenue, experienced sales growth of 23%.

Overall, its revenue and adjusted earnings before interest, taxes, depreciation, and amortization increased by 12.8% and 34.6%, respectively, in Q3 compared to the same period in 2016.

Recently, [Sierra Wireless has been working to acquire Numerex](#), which would complement its business by boosting its global market position, among other benefits. Although the acquisition is expected to be dilutive in the near term, management believes that a year in, it will be accretive.

Investor takeaway

Although the IoT story is not unknown, [it's not too late to buy Sierra Wireless](#). The stock is quite volatile, and that provides opportunities for investors to buy on dips.

The stock has declined about a third from its 52-week high. At under \$29 per share, Sierra Wireless trades at a price-to-earnings ratio of ~23.1, which represents a value for a company that's expected to grow its earnings per share by 21-23% per year for the next three to five years.

Investors who are looking for long-term growth and can stomach the stock's volatility can consider starting a position today and scaling in over time and especially on any further dips.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing
2. Tech Stocks

Date

2025/08/25

Date Created

2017/11/29

Author

kayng

default watermark

default watermark