



Why Sierra Wireless, Inc. Is Plunging Over 10%

Description

Sierra Wireless, Inc. ([TSX:SW](#))([NASDAQ:SWIR](#)), the leading provider of fully integrated device-to-cloud solutions for the Internet of Things (IoT), is watching its stock tank by over 10% at the open of trading following the release of its fourth-quarter earnings results after the market closed yesterday.

The stock now sits about 50% below its 52-week high of US\$31.95 reached back in June 2017, so let's break down the quarterly results and the fundamentals of its stock to determine if we should use this weakness as a long-term buying opportunity.

A quality quarter of top- and bottom-line growth

Here's a quick breakdown of 10 of the most notable statistics from Sierra Wireless's three-month period ended December 31, 2017, compared with the same period in 2016:

Metric	Q4 2017	Q4 2016	Change
OEM Solutions revenues	US\$139.80 million	US\$135.21 million	3.4%
Enterprise Solutions revenues	US\$31.88 million	US\$20.98 million	52.0%
IoT Services revenues	US\$11.86 million	US\$6.83 million	73.5%
Total revenues	US\$183.53 million	US\$163.02 million	12.6%
Non-GAAP gross profit	US\$61.95 million	US\$55.85 million	10.9%
Non-GAAP gross margin	33.8%	34.3%	(50 basis points)
Adjusted EBITDA	US\$13.92 million	US\$15.46 million	10.0%
Non-GAAP earnings from operations	US\$9.46 million	US\$11.73 million	(19.3%)
Non-GAAP net earnings	US\$9.19 million	US\$8.83 million	4.1%
Non-GAAP earnings per share (EPS)	US\$0.28	US\$0.27	3.7%

Announcing its outlook on the first quarter

In the press release, Sierra Wireless also provided its outlook on the first quarter of fiscal 2018, calling

for revenue in the range of US\$181-189 million and non-GAAP EPS in the range of US\$0.04-0.10. The company added that it expects its first-quarter results to “be impacted by some unusual and mainly non-recurring items, including higher one-time costs related to a Numerex network upgrade and customer migration and tight component supply constraining revenue and adding to cost of goods.”

What should you do now?

It was a solid quarter overall for Sierra Wireless, driven by revenue growth across all three of its business segments, and its results surpassed analysts' expectations, which called for EPS of US\$0.28 on revenue of US\$177 million. The fourth quarter also capped off a great year for the company, in which its revenue increased 12.4% to US\$692.08 million, its non-GAAP gross profit increased 14.8% to US\$235.43 million, and its non-GAAP EPS increased 52.9% to US\$1.04 compared with 2016. However, its first-quarter outlook came in mixed compared with expectations, so that seems to be why its stock is tanking.

With a long-term mindset, I think the sell-off represents a very attractive buying opportunity, because Sierra Wireless is arguably the best [pure-play IoT](#) stock in the market today, and because it trades at attractive valuations, including less than 15.5 times fiscal 2017's non-GAAP EPS of US\$1.04, which is very inexpensive given its [long-term growth](#) potential.

With all of the information provided above in mind, I think Foolish investors should focus on the long term and strongly consider using the sell-off in Sierra Wireless's stock to initiate positions.

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