



2 Cheap Internet of Things Stocks to Buy This Spring

Description

Canadian tech stocks are few and far between; however, that doesn't mean that the few that exist are of low quality or have scarcity premiums with multiples that don't make sense to long-term value investors. In fact, right now there are several absurdly undervalued tech stocks in the Internet of Things (IoT) industry that are well positioned to provide investors with an attractive total return over the next three to five years.

Without further ado, here are the two stocks you may want to pick up this spring:

BlackBerry Ltd. ([TSX:BB](#))([NYSE:BB](#))

BlackBerry stock is now off ~27% from its 52-week high, offering value-conscious growth investors a terrific long-term entry point into a name that will give them exposure to the IoT and cybersecurity markets. As the IoT market takes off, everything from toasters to smoke detectors will be connected to the internet, and that means such devices will be vulnerable to hackers. BlackBerry is not only a promising play on IoT, but it's a top player when it comes to cybersecurity and the safeguarding of embedded systems.

Autonomous vehicles (AVs) are undoubtedly the hottest (and most critical) "connected device" that's going to become "the next big thing" over the next decade and beyond. And BlackBerry has a front-row seat to this explosive market with its QNX system and a partnership with **Baidu Inc. (ADR)** on its Apollo self-driving vehicle project.

Under CEO John Chen, BlackBerry has become a very promising enterprise software developer with many invaluable assets like QNX, which has been dubbed as a "game-changing" piece of tech that's considered by many to be in an industry-leading position.

Sierra Wireless, Inc. ([TSX:SW](#))([NASDAQ:SWIR](#))

Sierra Wireless develops connectivity modules and software needed for devices to become connected to the internet. The stock has a compelling growth runway, but shares are down ~52% from 52-week highs following mixed Q4 2017 results and guidance. The company beat on earnings with a \$0.28 EPS

— \$0.03 higher than the consensus; however, the beat was thanks in part to a lower tax rate, and management's weak guidance was a cause for concern for many investors.

Management noted that weaker margins and less-than-impressive earnings expectations are to be expected moving forward. Additional one-time expenses with the Numerex acquisition may dampen Sierra Wireless's short-term results, and potential integration issues may cause investors to substantially lower their expectations at this point in time.

Weaker margins and potential complexities arising from the Numerex deal appear to be baked in to shares already. So, contrarian investors with a long-term investment horizon will have the opportunity to pick up shares at an immense discount to its intrinsic value. At just 18 times forward earnings and 1.3 times book, the stock is a bargain, albeit an untimely one at this point in time.

Bottom line

Both IoT stocks are under pressure, so contrarians may wish to do some buying on their respective dips. Those seeking overnight gains would probably be better off with other opportunities. If I had to choose one, I'd go with BlackBerry because the AV opportunity is tremendous, despite there being a tonne of competition in the rapidly emerging space.

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