Better Summer Tech Stock: Sierra Wireless, Inc. (TSX:SW) or Enghouse Systems Limited (TSX:ENGH)?

Description

The S&P/TSX Composite Index fell six points on July 13. The index has performed well in spite of volatility in North American markets due to the threat of protectionism. Technology stocks are only weighted in the low single digits as a proportion of the overall TSX, but these stocks have been some of the best performers in recent years.

Today, we are going to compare two options for investors. Each has gone in a different direction in 2018, as we find ourselves in the thick of summer. Which should you go with today? Let's dive in.

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

Sierra Wireless is a Richmond-based company that designs and manufactures wireless communications equipment for various industries. Shares of Sierra have dropped 14.9% in 2018 as of close on July 13, and the stock has plunged over 40% year over year. The company released its first-quarter results back on May 3.

Sierra reported a net loss of $8.4 million, or $0.23 per diluted share in Q1, compared to a marginal net loss of $92,000 in the prior year. Fortunately, revenue did rise 15.9% from the prior year to $186.9 million. The company posted a higher margin in its Enterprise solutions and IoT solutions business.

Wireless demand has soared in recent years and has evolved into the main source of growth for some of the top telecommunications companies in North America. Sierra, which serves many industries, will continue to benefit from this rising demand. In 2016, Canada saw wireless subscribers rise by over one million, or 3.3%. This powered earnings for many of the top providers.

Enghouse Systems Limited (TSX:ENGH)

Enghouse Systems is a Markham-based provider of software and services, it has operations across North America, Europe, and East Asia. Shares of Enghouse were up 1.31% in morning trading on July 16, but the stock has climbed over 30% in 2018 so far. It is up over 50% year over year. The company released its second-quarter results on June 7.

Revenue in the second quarter increased to $85.2 million compared to $79.5 million in the prior year. Income from operating activities rose 12.8% to $24.7 million, and net income climbed to $15.3 million, or $0.56 per diluted share, in comparison to $9 million, or $0.33 per diluted share, in Q2 2017. The board of directors also approved a quarterly dividend of $0.18 per share, which represents a modest 0.8% dividend yield.

Adjusted EBITDA year to date increased to $50.6 million compared to $45.6 million in the prior year. Enghouse services will also be subject to rising demand into the next decade. Its Interactive Management Group segment provides customer interaction software and services which are designed to improve these technical areas across an organization. Some of its top clients include banks, utilities, and healthcare centres.

Which should you buy today?

It may be tempting to buy the prolonged dip in Sierra at this stage, but Enghouse is just too attractive to pass up right now. The company has posted positive earnings in the last few quarters, and the stock even offers a small dividend, which is another bonus for investors.

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