



Sierra Wireless, Inc. (TSX:SW) Is 1 of 2 Top Tech Stocks to Buy Now

Description

[Tech stocks](#) have long been a very exciting area of the market, transforming different industries, such as the [healthcare](#) and automotive industries, and creating quite a few millionaire investors along the way.

For a shot at joining this group of millionaire investors, you may want to consider buying the following two technology stocks.

These companies continue to work on innovation and transformation.

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

Sierra Wireless stock was on a tear Friday, closing almost 20% higher that day after a positive second-quarter report.

Revenue growth in the quarter was 16% (9% organic growth), free cash flows were strong, and the company maintained its stellar balance sheet with negligible debt and \$74 million cash.

It is becoming increasingly clear that Sierra Wireless has a bright future as the leader in machine-to-machine, or M2M, connectivity, and it is positioned extremely well to continue on its trajectory of growth.

And with estimates calling for a four-fold increase in the number of connected machines by 2020, there is plenty of growth to be had.

A ramping up in the automotive business, stabilizing results out of Numerex, and Sierra's number one position in the M2M market translate into a great opportunity.

Recall that the Numerex acquisition increases Sierra's cloud revenue to over 10% of revenue from less than 5% of revenue. This is an important point because this revenue is higher margin (54% versus 34% gross margin for Sierra's core revenue), and because it is recurring.

Open Text ([TSX:OTEX](#))([NASDAQ:OTEX](#))

Another company that is soaring as it beats expectations is Open Text.

This stock has been undervalued for a while now, and in its latest quarter, the fourth quarter of fiscal 2019, the company handily beat expectations.

The stock trades at less than 15 times 2018 EPS, yet the company has a strong history of free cash flow generation and is targeting a mid-to-high-teens return on invested capital on future acquisitions.

With estimates being increased, and the potential for further increases coming from greater than expected synergies and economies of scale from Open Text's Documentation acquisition, plus any upside from the company's uses of its ample free cash flow, such as returning cash to shareholders, debt repayment, and/or future acquisitions, we can see that the stock is in a sweet spot.

So, Open Text stock has been soaring this year, as the company has reported stronger-than-anticipated results, and this has left investors and analysts adjusting to the new reality.

This company is clearly undervalued amid its strengthening position in the software industry and its strengthening financials.

Both of these technology stocks have a bright future indeed, and investors would be well advised to consider buying them.

CATEGORY

1. Investing
2. Tech Stocks

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2. NASDAQ:SWIR (Sierra Wireless)
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Date

2025/07/27

Date Created

2018/08/06

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