



Is Sierra Wireless, Inc. (TSX:SW) Still a Buy After Popping 22%?

Description

Sierra Wireless, Inc. ([TSX:SW](#))([NASDAQ:SWIR](#)) stock has seen exceptional performance as of late. Specifically, the stock has popped about 22% in the last two trading days after reporting its second-quarter results.

Sierra Wireless experienced revenue growth of 16.4% from US\$173.4 million in Q2 2017 to US\$201.9 million in Q2 2018. It increased revenue across all its business segments.

In particular, the tech company had incredible growth in its Enterprise Solutions segment, which increased 31.1% to US\$28.4 million, as well its Internet of Things (IoT) revenue increased 209.6% to US\$22.6 million, thanks to the strategic acquisition of Numerex and organic subscriber growth.

Its core sales still come from its Original Equipment Manufacturer (OEM) Solutions segment, which contributed about 75% of the quarter's revenue.

The business

Sierra Wireless is a leader in building the IoT with wireless solutions for organizations. It offers a portfolio of 2G-, 3G- and 4G- embedded modules and gateways that seamlessly integrate with its secure cloud and connectivity services.



Growth potential ahead

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 also estimated that from 2016 to 2020, almost \$6 trillion will be spent on IoT solutions.

Businesses and governments will invest in IoT solutions to reduce cost and improve productivity. Businesses can also expand product offerings by adopting IoT solutions.

For example, IoT can be used to create smart cities, including being used for garbage collection, such that garbage can be picked up in a timely manner when certain garbage cans are filled up faster.

Over time, more and more devices will be connected to the internet and communicate with each other. As the IoT leader, Sierra Wireless has lots of growth runway.

Is Sierra Wireless your type of investment?

It's easy to get caught up in the euphoria of the moment after Sierra Wireless stock just climbed 22%. Surely, if you own the stock, it's a good time to celebrate.

However, it's important to point out that it's an understatement to say that it has been a bumpy ride for Sierra Wireless investors. For example, the stock traded as high as \$40 per share last year, only to lose as much as half of its value this year.

Investors should ask themselves if they can stomach the volatility. Put the investment in perspective by placing Sierra Wireless in the [aggressive growth](#) bucket of your [diversified portfolio](#), and view it differently from the likes of **Royal Bank of Canada** and **Fortis**.

If you allocate a small percentage of say, 1%, of your portfolio to Sierra Wireless, the volatility of the stock should hardly cause a ripple in your overall portfolio.

Investor takeaway

Right now, the stock is still trading at the low end of its five-year trading range. Investors looking for growth could pick up some shares if they're up for the volatility. For a bigger margin of safety, start buying the stock in the low \$20s.

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