Which of These Two Tech Companies Is the Better IoT Stock?

Description

Technology experts are widely anticipating that the Internet of Things (IoT) is on the verge of morphing into a revolutionary application that stands to affect our lives in countless ways.

Research firm Gartner estimates that around 8.4 billion IoT devices were already connected to the world wide web as of 2017, with that figure expected to grow to as many as 20.4 billion devices by 2020 with total spending on all things IoT forecasted to reach as much as $2 Trillion globally by that time, if not sooner.

Companies from all walks of life are anxious to connect their products and services to the internet in the pursuit of not only providing a richer user experience for their customers, but also in the pursuit of harnessing the power of “big data” in order to allow them greater insight into consumer behaviour (and spending) patterns.

Naturally, such a revolutionary technology will have far reaching effects across industry.

Not only do telecommunications companies stand to benefit from adding more devices to their networks that consume ever greater quantities of data, but a couple of Canadian information technology companies are focusing their efforts on harnessing the potential of IoT technology.

Enter **BlackBerry Ltd** (TSX:BB)(NYSE:BB) and **Sierra Wireless, Inc.** (TSX:SW)(NASDAQ:SWIR).

Most readers will be familiar with BlackBerry from its rise to glory as one of the first tech companies to revolutionize smart-phone technology.

But in case you haven’t been keeping up with the Waterloo-based firm, the company is no longer involved in selling smart-phone headsets, having exited its declining hardware business some time ago.

Instead, CEO John Chen has taken over the reins and is redesigning the company as an industry leader in software and cybersecurity.

Playing to the strengths that it once enjoyed when it sat atop the throne of smart-phone manufacturers, Chen hopes to take advantage of the opportunity he sees in the cybersecurity aspect of the IoT.

As Chen sees it, each additional device that gets added to the internet represents an additional point of vulnerability for businesses and organizations.

As such, Chen hopes that his firms leading-edge security solutions, which have already garnered high praise by industry to date and will be able to capture a sizeable share of the IoT market.

Sierra Wireless meanwhile is a much smaller enterprise, with a market capitalization of just $603 million versus BlackBerry's $ 6.11 billion value.

Like BlackBerry, Sierra is focused on the potential of the global IoT market – a focus that includes a product suite of management solutions that allow organizations to better enable them to keep mission critical workers and assets connected to the enterprise.

However the truth is that Sierra is coming off a disappointing Q4 report that included the company's first earnings miss in two years.

On the bright side, the revenues at the firm continue to grow close to double-digits, including some particularly strong showings in the firm's services business, which it hopes it can add to going forward thanks to an organizational restructuring that will see the firm centralize both its R&D and sales functions.

Conclusion

If and when the IoT boom takes hold, which may be aided by the forthcoming rollout of 5G wireless networks globally, both BlackBerry and Sierra Wireless should expect a lift in their respective share prices.

As far as which one is the better play for right now, I'd tend to go with BlackBerry primarily because of the two it appears to be further ahead in its reorganization into a software and services focused company.

Not to mention that the roughly $2 billion or so in cash and short-term investments that BlackBerry currently has on its books doesn't hurt the case for it being the safer investment of the two on a relative basis, either.

Conversely, I could see Sierra having further room to run down before the share price turns around, if only because the firm is coming off such a long streak of earnings beats and it may take some time before the latest momentum swing runs its course.

Meanwhile, the smaller stature of Sierra's operational footprint one could argue gives it a considerably longer runway longer term.

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