



Value Opportunity: Should You Buy Sierra Wireless (TSX:SW)?

Description

I've been a huge fan of **Sierra Wireless** ([TSX:SW](#))([NASDAQ:SWIR](#)) for years, often noting that the untapped potential of the IoT pureplay is set to be fully realized within the next few years. Some may consider that view a difficult one to maintain at the moment, particularly given the recently announced fourth-quarter results from the company.

Let's try to make sense of those results and determine whether Sierra is still a viable investment option.

Q4 by the numbers

In the most recent quarter, Sierra announced earnings of US\$0.25 per share, down from the US\$0.28 reported in the same quarter last year. That dip came even as Sierra managed to post US\$201.4 million in revenue, reflecting a US\$17.9 million improvement over the same period last year.

On a per-segment basis, Sierra reported healthy gains from both the OEM and IoT services segments, the latter of which saw revenues nearly double in the fourth quarter to US\$22.4 million, whereas the enterprise solutions segment realized a US\$1.5 million dip in the quarter to US\$30.3 million in revenue.

Looking to fiscal 2019, Sierra is forecasting revenues to be in line with the figures from 2018 and adjusted EBITDA to come in at nearly US\$35 million. Despite that flat outlook, Sierra announced a series of initiatives aimed at controlling costs and eventually growing earnings. Some of the changes included centralizing areas of the business such as R&D, engineering, and operations teams, and looking at reorganizing the company's sales teams.

The flat revenue outlook is perhaps the most concerning to most would-be investors. Over the course of the past two years, Sierra has been on fire, posting handsome gains, signing a series of deals in emerging IoT sectors such as in the automotive space, and working feverishly towards the next major shift in technology set to hit later this year 5G.

By example, on the heels of that earnings report, Sierra announced last week that it had been chosen to provide connectivity services for a new line of smart safety rings thanks to Sierra's ready-to-connect

technology. It's not hard to see Sierra making additional announcements and agreements over the next year, particularly as devices with 5G radios begin to ship later this year.

Should you buy?

Sierra has long posed as a viable long-term option for those investors contemplating an IoT [tech stock](#). While that position hasn't changed, what *has* changed as a result of the latest earnings results is that Sierra is now trading at the lowest level we've seen in over five years.

Any IoT-focused investor should see the growth potential contained within Sierra currently, irrespective of the latest dip in earnings and flat forecast for fiscal 2019.

In short, if you already own the stock, now could be an [excellent time to buy more](#) and drive your average cost down. On the other hand, if you aren't already invested in Sierra, now is as good as a time to take a small position in this long-term IoT gem.

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