



Better Tech Buy: BlackBerry (TSX:BB) or Sierra Wireless (TSX:SW)?

Description

BlackBerry ([TSX:BB](#))([NYSE:BB](#)) and **Sierra Wireless** ([TSX:SW](#))([NASDAQ:SWIR](#)) are often referred to as two of the brightest long-term tech stocks on the market. Both companies have undergone significant changes in recent years, revamping their business and revenue streams towards newer, longer-term opportunities, and both companies have ambitious targets to reach those goals.

But which of these two is the better investment? Let's take a quick glance at both.

The case for BlackBerry

Waterloo-based BlackBerry is still known for its small screen devices sporting physical keyboards, despite exiting the hardware market several years ago. The company still releases new devices with the BlackBerry name, but those devices are designed and brought to market through third-party vendors around the world.

Today, BlackBerry is a software-first company that is advancing in a number of in-demand and potentially lucrative areas. There's QNX, BlackBerry's stable and secure operating system which is used in everything from medical devices to nuclear power plants and is slated to be key in BlackBerry's autonomous vehicle efforts. QNX is already powering the infotainment systems of over 120 million vehicles around the world.

Then there's BlackBerry's acquisition of Cylance last year — the biggest done by BlackBerry to date. Cylance's A.I.-focused threat prevention solutions dovetail nicely into BlackBerry's growing emphasis on securing communications, devices, networks and just about anything else that's connected to the internet.

In terms of results, BlackBerry raised the brows of investors and even some skeptics recently when the company [posted strong results](#) for the full fiscal year. In short, the company posted an 8% year-over-year improvement in non-GAAP revenue, with the ever-popular software and services segment seeing an equally telling 14% gain over the same period last year. Incredibly, 93% of that revenue was recurring.

For the next fiscal quarter, BlackBerry is forecasting revenue to grow as much as 27%.

The case for Sierra

Sierra is known for many things, but the company is predominately known for providing the embedded technology to enable devices to connect to each other and the internet. The embedded modules that Sierra develops are used in a host of devices, with everything from automobile systems to smartphones and every conceivable IoT device in between.

In terms of market share, those modules have made their way into over 150 million devices shipped across over 130 countries and to over 80 different wireless networks around the world. That's an impressive portfolio, but what should really excite investors is the potential that looms with the advent of 5G and what it means for the changing world of IoT.

Sierra reported results for the fourth quarter of fiscal 2018 back in February of this year; the results showcased strong revenue growth of 10% over the same period last year. Of particular note among Sierra's business units was revenue from the IoT Services segment, which was up 89.1% over the same period last year.

Looking toward fiscal 2019, Sierra is forecasting revenues to remain flat and non-GAAP earnings to come in at \$0.30 per share.

Which is the better investment option?

There's plenty to love from both of these investments. Sierra stock has dipped over 7% year to date and over 20% during the trailing 12-month period, making it an ideal pickup for value-seeking investors.

Looking at the whole picture, however, my preference as a [long-term investment](#) leans toward BlackBerry for two specific reasons.

First, while both companies experienced significant growth, BlackBerry's forecast over the next year is much more positive. BlackBerry has met its forecasts over the past few years, while Sierra has struggled to meet its targets. BlackBerry is clearly the less-risky choice.

Second, there's BlackBerry's mix of products to consider. Sierra holds massive opportunity when it comes to the rollout of 5G, but its revenue is largely dependent on OEMs getting their act together and releasing devices on a schedule. A prime example of that risk occurred a little over a year ago when an automotive manufacturer delayed getting on board with Sierra and, as a result, earnings dropped.

Compare that to BlackBerry, where a diversified mix of projects ranging from IoT to cybersecurity consulting to enterprise software are all inter-related but not dependent on each other.

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