



TFSA Investors: Combine IoT and 5G Exposure With This Tech Stock

Description

Every Tax-Free Savings Account (TFSA) deserves a healthy exposure to the technology sector. Long-term shifts in the technology industry, from the rise of social media to the proliferation of smartphones, have helped investors multiply their investments many times over. The trick is to figure out which trends are long lasting and which companies are likely to capitalize on the new opportunities.

Two such trends have recently emerged: the Internet of Things (IoT) and the fifth generation of cellular network technology (5G).

The IoT is the evolution of internet connectivity beyond just computers and smartphones. In the near future, every single device and object will be interconnected to an expanding internet. This means your espresso machine will be able to sense your car coming into the driveway and get a cup of latte ready.

Billions or trillions of tiny devices will soon have small chips embedded in them to relay commands over the internet. However, for this expanded internet to work wireless broadband services need to be upgraded. IoT is unviable without constant access to blazing-fast internet that can support a vast multitude of devices simultaneously.

That's where 5G comes in. Not only is the fifth generation of wireless communications and internet up to five to 10 times faster than the current 4G network standard, it also offers much higher carrying capacity, which means it can support a lot more devices simultaneously. These two key features are critical for a world where everything from your doorknob to your pet's collar is hooked up to the same network you use to stream movies.

The confluence of these two megatrends will have a tangible impact on our lives and economy within a decade. At the forefront is a Canadian company that has specialized in a key skill for the wireless era — **Sierra Wireless** ([TSX:SW](#))(NASDAQ:SWIR).

Sierra's specialty is making computer chips and wireless antennas smaller so that they can be embedded in consumer products. Over the past 24 years, as laptops got slimmer and phones got sleeker, this skill helped the company ship over 160,000,000 devices worldwide.

According to the company's investor presentation, the potential market for IoT devices could be worth nearly US\$10 billion by 2021. Considering the fact that Sierra generated US\$580 million over the past

year, it already has 0.058% share of the future market. Meanwhile, the stock trades at a 20% discount to revenue per share.

Sierra currently loses money, but it is cash flow positive. The market price of each share is currently 24 times trailing 12-month operating cash flow. The company has barely any debt and \$76 million in cash on its book.

In other words, Sierra is a market leader with a track record of staying ahead of the curve in its industry, but it currently trades at a [fair valuation](#) if you consider its growth prospects.

Bottom line

5G and IoT technologies will generate multi-billion-dollar industries within the next decade. Sierra Wireless is at the forefront of this revolution and currently trades at a fair value, which makes it a prime target for investors seeking growth at reasonable prices.

CATEGORY

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2. Tech Stocks

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