



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

Description

BlackBerry ([TSX:BB](#))([NYSE:BB](#)) and **Sierra Wireless** ([TSX:SW](#))([NASDAQ:SWIR](#)) have a lot in common. Both are tech firms that once held stronger positions in their respective industries. Both companies also garner much attention, with many investors and analysts looking at the untapped potential hiding beneath the surface. But which of them is the better buy at the moment?

BlackBerry reinvents itself

BlackBerry has officially moved on from the hardware business. The firm — which was one of the leaders in the smartphone industry in the late 2000s — was left in the dust by its competitors. After spending years struggling to generate meaningful earnings, BlackBerry decided to reinvent itself and is now in the business of providing security software services.

The tech-company has made a series of acquisitions over the past few years. Chief among those were its acquisition of Good Technology, a California-based mobile security provider, and Cylance, a cybersecurity company that is also based in California. These acquisitions have helped BlackBerry gain a stronger position within its new industry.

Further, the firm managed to record a net profit last year, which was the first time since 2012. Though BlackBerry's revenues have been decreasing, shedding its low-margin hardware business (among other changes) seems to have worked wonders for its efficiency. The firm's net profit margin was 43.45% last year compared to a string of negative margins since 2013.

BlackBerry's software and services segment now makes up the vast majority of its revenues, and its legacy device segment has shrunk to near nothingness. As the firm continues to expand its service offerings and improves its position within its new industry, its revenues and profits should also increase.

The future of IoT?

The Internet of Things (IoT) is projected to become a multi-billion-dollar industry within the next few years. As the number of managed IoT devices increase, so will the need for companies providing IoT

services. This factor makes Sierra Wireless, a company that [specializes](#) in IoT services — an intriguing investment prospect.

The tech firm also operates in two other segments: original-equipment manufacturer solutions (OEM), which sells cellular embedded wireless modules, and enterprise solutions, which sells cellular connectivity gateways and management tools for enterprises. Though Sierra Wireless managed to report increased IoT revenues of 89.1% year over year in its latest financial results — Q4 and full year 2018 — the firm missed on analysts' estimates.

The company's OEM revenue was up 6.4%, while enterprise solution was down 5.1% year over year. Sierra Wireless posted non-GAAP net earnings of \$0.25 per share, just short of the \$0.26 consensus analyst estimates. Further, the tech company provided a weaker guidance for fiscal year 2019. Sierra's share price dropped by about 36% after its fourth-quarter earnings were released.

Sierra Wireless's latest financial results does not seem to be a major dent in its investment thesis. Also, the firm is currently addressing some of the problems that led to its recent disappointing results. According to its CEO Kent Thexton, Sierra Wireless is "accelerating the transformation of the company into a global IoT solutions and services provider," and "centralizing our R&D, combining our global sales team and driving efficiency programs throughout our operations." In addition to these cost-cutting strategies, the firm is planning on investing heavily in innovative technologies and increasing its subscription revenues.

Which should you buy?

While both stocks are intriguing options, there is no denying they carry a fair amount of risk. However, BlackBerry seems to have the upper hand at this point. The firm has managed to drastically cut costs and improve its efficiency while switching to a new line of business.

Sierra Wireless is currently going through its own cost-cutting efforts, and there is much to admire about its attempt to benefit from the IoT sector. However, the majority of its revenues are still derived from its OEM segment. Sierra Wireless is also not expecting year-over-year increases in its revenues this year, while BlackBerry's guidance, though not stellar, is more optimistic.

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Date

2025/07/23

Date Created

2019/06/10

Author

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