



Does Your Portfolio Need Sierra Wireless (TSX:SW)?

Description

Diversifying your portfolio can mean a lot of different things. On one hand, it could be taken to mean investing in a variety of [different industries](#), which is sound advice. It could also be seen as a means of diversifying between income- and growth-focused investments, which is also not a bad idea.

A third way to look at diversification comes in the form of looking at future potential. For that, let's take a moment to talk about **Sierra Wireless** ([TSX:SW](#))([NASDAQ:SWIR](#)).

Sierra has massive potential

Technology has become a key component of our connected lives. We use our smartphones (more specifically, the data connection they offer) with ever-increasing frequency. Companies continue to churn out new devices that connect to other devices and the internet.

Sierra is responsible for the embedded modules and gateways that make that ever-growing list of devices and things connect to the internet. The company has shipped over 150 million IoT devices to date and provided the first 4G LTE modules to the market.

The company has also forged agreements with major automotive manufacturers to provide connectivity to newer-model vehicles. Turning to the future, autonomous vehicles and their constant connectivity introduce yet another potential avenue of growth for Sierra.

Timing is everything

As with any investment, knowing when to buy is key. Following a disappointing earnings report that missed guidance, some investors have questioned the long-term feasibility of Sierra. As a result, so far in 2019, the stock has dropped over 13%.

Sierra is pivoting to provide more emphasis on its IoT business, which holds massive opportunity. During fiscal 2018, Sierra posted under \$800 million in revenue. Over the next five years, that figure is

expected to hit \$1.25 billion.

Sierra recently announced a partnership with **Microsoft** that will help the company hit, if not surpass that marker.

One of the main challenges with IoT is that it is inherently complex, requiring components and services that often need to be stitched together at a significant technical cost to companies. This latest partnership seeks to simplify that process by placing all of the requisite tools and components on a single platform: Microsoft's Azure. The Azure IoT Central should allow clients to rapidly develop and deploy IoT applications in a fraction of the time that it currently takes, without specialized skills.

That's one of the key concerns among Sierra's customers, and this latest agreement could serve as a catalyst for new business.

Final thoughts

In my opinion, Sierra is a [great long-term investment](#) option for nearly any portfolio. It comes down to three key reasons.

First, the market for IoT devices and connections is only going to grow. As 5G connections become more of a commonality in the next two years, Sierra stands to benefit from its embedded position in both of these technological advances in a host of new market segments, such as autonomous driving.

Second, Sierra has little to no debt. This puts the company in an advantageous position of being able to pursue an acquisition or invest where needed.

Finally, there's the stock itself. Sierra is down over 13% year to date, over 26% in the trailing 12-month period, and a whopping 56% over the past two years. Considering the growth of IoT and impending 5G launches coming this year, this could be *the* ideal time to buy Sierra.

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