



1 Stock That Could Double Before Year-End

Description

The Internet of Things pioneer **Sierra Wireless Inc.** ([TSX:SW](#))(NYSE:SWIR) is looking at 2019 as a transition year. A new CEO has taken over the reins with a turnaround plan in hand. The slump could be over and the stock price could double before the year is over. That is a bold prediction but possible if the winds blow Sierra's way.

Sierra Wireless used to be a [high momentum stock](#) because of the massive potential in a growth space like the IoT. However, the weakness in the original equipment manufacturer (OEM) solutions revenue, which is supposed to be the largest business, derailed Sierra Wireless.

No need to reinvent the wheel

The mission of Sierra Wireless is to empower businesses and industries to transform and thrive in the connected economy. But the business met serious challenges and stiff competition in the last couple of years. The bitter trade war between the U.S. and China is also affecting the communication equipment industry.

When the company went into a decline mode, the previous management tried to reinvent the company. The strategy of the new CEO Kent Thexton is not to reinvent the wheel. Thexton's line of attack could dramatically turn things around.

His priority is to implement a cost-cutting plan. The target is to take \$40 to \$50 million out of the business within a period of two years. Then channel the funds in two specific areas: LPWA modules (low-power wide area network) and 5G equipment. These are the next wave of products.

Business priorities

Sierra Wireless' current 3G and 4G modules in PCs, automobiles, and other networking equipment will be replaced by 5G modules. More LPWAs will be deployed and the proper installation of these sensors will significantly bring down maintenance costs of clients.

The wider deployment of LPWAs along with Sierra's software solutions will generate recurring revenue. As the demand for the company's LPWA network modules increase, long-term growth is assured. Based on industry estimates, LPWA connections could grow by much as 2 billion in 2022 or a 1,670% increase from 113 million in 2017.

According to CFO Dave McLennan, Sierra's revenue will hit \$1.25 billion by 2023. IoT solutions will deliver 70% of total revenue while Embedded Broadband will contribute 30%. Another huge source of revenue that forms part of IoT revenue is the connected automotive market that is estimated to have 17% annual growth rate through 2025.

By positioning early and gaining a head start, end-market opportunities will open in both IoT and automotive connectivity linkages. Sierra Wireless is driving change under the brand new leadership. The strategy is three-pronged – transform cost structure, reorganize for growth, and [invest in growth](#).

“Buy” opportunity

The current stock price of \$15.25 is a reasonable entry point for investors seeking to ride the IoT wave. I see why analysts are forecasting the price to hit \$32.00. Now that the U.S. and China have agreed to a truce and restart trade talks, Sierra Wireless could really be crazy expensive before 2019 is over.

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