



2 Stocks to Buy for 2020

Description

As we head into the final quarter of 2019, it is imperative to look at stocks that are trading at attractive valuations to invest in 2020 and beyond. Here, we look at two such stocks that have underperformed the markets in 2019 but are at the cusp of a turnaround.

Sierra Wireless

Sierra Wireless ([TSX:SW](#))([NASDAQ:SWIR](#)) has three primary business segments which are OEM, Enterprise and Internet of Things. Its OEM segment offers cellular wireless modules for the Internet of Things (IoT) connectivity.

The Enterprise Solution segment offers solutions that enable cellular connectivity as well as intelligent routers and gateways. Its IoT Services segment provides a cloud-based platform to deploy and manage IoT applications.

Shares of Sierra Wireless have declined by 42% in the last 12-months and 25.6% year to date. The company has been impacted by concerns over slowing revenue and profitability. Sierra grew revenue from \$616 million in 2016 to \$794 million in 2019.

Now, analysts expect the company's sales to fall 5% to \$753.7 million and earnings to decline by 64.4% to \$0.32 in 2019. This slowdown in sales and profitability have had investors worried.

Analysts now expect Sierra to grow sales by 10.4% to \$832 million, while its earnings are estimated to rise 143.8% to \$0.78 in 2020. Compare this growth to the stocks forward price to earnings multiple of 13.5 and we can see that there is solid upside potential for investors.

Sierra is trying to gain traction in the high-growth IoT segment. In 2018, its IoT business sales rose 161% to \$117.2 million and accounted for 11.4% of sales, up from 5% in 2017. We [can see here that](#) Sierra has shipped over 150 million devices IoT devices to date and also provided the first 4G LTE modules to the market.

It has partnered and collaborated with several auto manufacturers to provide connectivity in their upcoming vehicles. The growth potential in 5G and IoT remains huge and Sierra's position in this segment should attract investors.

Analysts have a 12-month average target price of \$15.3, which is 46% above its current price.

Canadian Tire

Shares of Canada's leading retailer **Canadian Tire** ([TSX:CTC.A](#)) have gained less than 2% year to date. The stock is down 7% since May 2019 and has been volatile throughout the year. Let's first take a look at the stock's valuation.

Analysts expect CTC's revenue to grow by 4.7% to \$14.72 billion in 2019. Revenue growth is again estimated at 4.7% in 2020. The company is estimated to grow earnings by 7.8% in 2019, 10.2% in 2020 and by an annual rate of 8.9% over the next five years.

Compare this to CTC's forward price to earnings ratio of 10.2 and we can see that that it's trading at a reasonable valuation. CTC announced the [acquisition of Party City for \\$174.4 million](#) in August 2019. Party City will help CTC overcome cyclicalities in its retail business as well as diversify its revenue base. Analysts have a 12-month average target price of \$171 which is 18% above its current price.

The verdict

Both Sierra Wireless and Canadian Tire are expected to move higher in the coming months. However, Sierra Wireless might continue to be impacted by slowing revenue growth in the upcoming quarters, which could drag the share price lower.

There are also concerns over CTC's financial services business. This segment accounts for over 30% of total sales and has gained significant traction over the years. Investor Steve Eisman who shot to fame in *The Big Short*, has been vocal about Canada's rising debt levels and has outlined Canadian Tire as a potential victim.

The two stocks could also lose market value if there's a global slowdown. For now, the two companies are trading at an attractive valuation and look like a solid pick heading into 2020.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. NASDAQ:SWIR (Sierra Wireless)
2. TSX:CTC.A (Canadian Tire Corporation, Limited)
3. TSX:SW (Sierra Wireless)

PARTNER-FEEDS

1. Business Insider
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