



Should Contrarian Investors Buy Sierra Wireless (TSX:SW) Stock?

Description

The secret to successful [contrarian](#) investing is being able to tell the difference between a cheap stock that is unfairly punished and one that is destined to get a lot cheaper or even disappear.

Obviously, this is not an easy thing to do. If it were, we would all be retired right now and spending our time on other endeavours.

Let's take a look at **Sierra Wireless** ([TSX:SW](#)) ([NASDAQ:SWIR](#)) to see if it deserves to be on your contrarian [buy list](#).

Sierra Wireless

Sierra Wireless has been a hot topic around the water cooler for nearly 20 years.

The company's products help businesses monitor equipment from remote locations using its cloud solutions to collect data in real time. That sounds like a great place to be in the emerging IoT world, and it probably is, but Sierra Wireless has a dismal track record when it comes to creating long-term value for investors.

Back in the days of the first tech boom, Sierra Wireless soared from \$13 per share in September 1999 to more than \$200 in March 2000. That's an insane rally in just six months and is a classic example of the craziness that investors tend to get caught up in every few years.

The ride down was just as impressive. Sierra traded for less than \$3 per share by October 2002.

Unlike many of its peers at the time, Sierra Wireless has managed to reinvent itself and survive, and investors have repeated the fanfare a few times. The stock hit \$56 in April 2004 before sliding back below \$10 just a year later. Sierra Wireless then bounced around between \$5 and \$25 until 2013.

A new rally lifted the stock back to \$55 by the end of 2014, only to run out of steam once again. Since then, it has been on a steady slide to the recent low below \$14 per share. At the time of writing, Sierra

Wireless trades at \$14.20, pretty much where the stock was 20 years ago.

The company is a leader in a niche market in the Internet of Things space and there is a chance the sector will grow to fulfill the wild growth projections that pundits have anticipated over the past five years.

The problem is that Sierra Wireless isn't making any money. In fact, it reported a net loss of \$28.2 million for Q2 2019 on revenue of \$191.4 million. A year earlier, revenue was \$202 million in the same quarter, so growth is stagnant.

The company has a market capitalization of just \$500 million, which means it is too small to raise the money needs to really ramp up in the IoT space. Given its status as a pioneer in the IoT sector, it is a surprise that a major tech giant hasn't already acquired the firm.

Should you buy Sierra Wireless?

Traders with keen timing have done very well on this stock over the years, and there will likely be another big rally down the road. A takeover could also occur, but I wouldn't buy the stock hoping for a white knight to swoop in and pay a major premium.

Contrarians looking for a quick profit might want to consider a small position on additional weakness on the hopes of a pop, but buy-and-hold investors should probably avoid the stock.

Sierra Wireless has been dead money over the past 20 years, and there is little evidence to suggest the current four-year slide has run its course.

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