



IoT and AI Investors: Is Sierra Wireless (TSX:SW) or BlackBerry (TSX:BB) Stock a Top Pick Today?

Description

The Internet of Things (IoT) is a hot topic these days, as technology advancements in the communications sector are making it possible to connect pretty much any device imaginable to the Internet.

The appeal of this is the potential to acquire critical real-time data to help businesses and homeowners manage their operations and lives more efficiently.

The downside, however, is the threat that dodgy operators will hack the devices. This creates all kinds of security risks from compromised personal and corporate information to fraud and theft.

The emergence of Artificial Intelligence (AI) takes the game up one more notch, and tech companies around the globe, from start-ups to established technology giants, are trying to figure out how to best capitalize on new opportunities in the sector.

In Canada, two firms with long histories in the communications space are working hard to carve out their own profitable niche in the wide world of IoT and AI.

Let's take a look at **Sierra Wireless** ([TSX:SW](#))([NASDAQ:SWIR](#)) and **BlackBerry** ([TSX:BB](#))([NYSE:BB](#)) to see if one deserves to be on your [buy list](#) today.

Sierra Wireless

Sierra Wireless is a leading IoT services firm helping businesses around the world connect remote assets to the cloud.

The company just reported Q3 2019 revenue of US\$174 million compared to US\$203.4 million in the same period last year. Sierra Wireless operates an IoT Solutions division, which saw revenue slip from US\$95.5 million in Q3 last year to US\$93.4 million.

The Embedded Broadband business fared worse, with revenue dropping to US\$80.6 million compared to US\$107.9 million in the same period a year ago. The hit was due to lower demand from mobile commuting, networking, and automotive clients.

Gross margins slipped slightly from 33.1% of revenue to 31.6%.

Overall, Sierra Wireless reported a net loss of US\$20.2 million in the quarter compared to a loss of US\$1 million in Q3 2018.

The market didn't like the news, sending the stock down from \$14.85 before the earnings release to a low of \$10.25 in the following sessions. Bargain hunters have since moved in, and Sierra Wireless now trades at \$11.30 per share.

A year ago, the stock traded at \$21, and five years ago, investors paid more than \$40. Sierra Wireless currently has a market capitalization of \$400 million.

BlackBerry

BlackBerry has gone from being the planet's leader in smart phones to a much smaller firm that is honing a niche as a software company focused on the IoT sector and cybersecurity.

As with Sierra Wireless, BlackBerry's road to riches in the emerging IoT arena appears to be longer than originally expected.

BlackBerry's fiscal Q2 2020 results, which cover the three months ended August 31, came up short. The company posted a net loss of US\$44 million in the quarter. Adjusted revenue from the IoT business slipped from US\$137 million to US\$133 million. This was the second straight quarter the division missed analyst estimates.

BlackBerry acquired AI security firm Cylance earlier this year. Revenue from that segment was US\$34 million.

On the positive side, licensing revenue came in better than expected at US\$71 million compared to US\$56 million in the same period last year.

Investors didn't like the overall results. BlackBerry's share price fell from \$9.93 before the earnings release to \$6.50 over the following two weeks. The stock has started to recover some of the lost ground and now trades at \$7 per share.

BlackBerry was as high as \$17 in 2018 and long-term followers of the company remember the glory days in 2008 when the shares topped \$140.

BlackBerry's current market capitalization is just under \$4 billion.

Is one a better bet?

Sierra Wireless and BlackBerry both have significant potential, but the two companies can't seem t

catch a break and continue to disappoint investors.

There could be a [contrarian](#) opportunity on a potential takeover in both companies at this point, but I would keep any position small, given the volatility in the stock prices and the recent trend of bad results.

If you are convinced the bottom is in on these stocks, but only want to buy one, I would probably go with BlackBerry as the first choice.

Otherwise, there are some interesting emerging tech plays in the market that might be better bets right now.

CATEGORY

1. Investing
2. Tech Stocks

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1. Editor's Choice

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