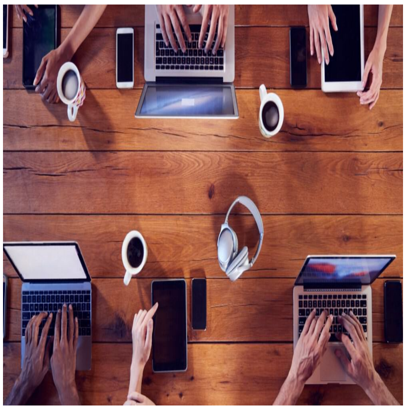

2020 Wish List: Canada's Bruised Tech Sector

Description

Investors have had a love/hate relationship with Canada's tech sector for as long as anyone can remember. **BlackBerry** (TSX:BB)(NYSE:BB) and **Sierra Wireless** (TSX:SW)(NASDAQ:SWIR) in particular continue to provide investors with plenty of opportunity for long-term growth.

But are those tech titans still the great investment opportunities that they once were? Let's take a look at both companies and determine if they belong in your portfolio.

The case for BlackBerry

BlackBerry was once synonymous with smartphones. Following a very public and slow fall from grace, the BlackBerry of today is very different from its previous incarnation. For one thing, BlackBerry no longer makes smartphones directly but rather has licensed out its name to partners in various key markets around the globe to design and develop new devices that continue to appeal to BlackBerry's small niche market of users.

That transition has allowed BlackBerry to transition into a software-first company with an emphasis on lucrative yet underserved segments such as cybersecurity, IoT devices, and, most importantly, autonomous vehicles. In fact, BlackBerry is well ahead of the competition in this regard, as the company's highly secure and modular QNX operating system is already in place and powering the infotainment systems of over 120 million vehicles worldwide.

Interestingly, all three of those segments are reliant on security, which is something that BlackBerry continues to be known for. Equally attractive is BlackBerry's acquisition of Cylance, the U.S.-based AI company, which will continue to provide a much-needed boost to earnings and feed growth over the next few years.

The case for Sierra

Sierra is another big-tech name that continues to attract controversy. On the one hand, Sierra's long-term potential as an IoT pure play is off the charts. Originally viewed as a niche market, the IoT sector is rapidly expanding and expected to hit a market value of nearly $700 billion within the next two years and a staggering $3.9 trillion within five years.

As one of the market leaders when it comes to designing and developing a means for all of those IoT devices to connect, Sierra is in a prime position to capitalize on that projected growth. Another key point worth noting is autonomous driving. While BlackBerry is focusing its efforts on becoming a central hub for autonomous vehicles, Sierra is focused on providing the connectivity options for that fleet of smart vehicles as well as the smart-infrastructure needed for a truly autonomous solution.

That translates into the massive opportunity for investors, which is further driven home by the weakness we are now seeing in the stock following weaker-than-expected results. By way of example, in the most recent quarter, revenue saw a 14.5% drop over the same quarter last year, with GAAP earnings posting a US$20.2 million loss for the quarter.

Those results pushed the stock lower, which, considering the still staggering long-term potential of Sierra, presents a unique opportunity for investors at the moment.

Final thoughts

Neither BlackBerry nor Sierra offer investors a dividend, so those investors looking for an income stream would be better served by looking elsewhere. What these two tech stocks do offer is significant long-term potential, albeit with a healthy side of risk.

If you have tolerance for risk, the recent weakness seen in both of these stocks could provide healthy gains over the long term.

CATEGORY

1. Investing
2. Tech Stocks

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1. Editor's Choice

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dafxentiou