



Is This the Next 5G Stock to Soar?

Description

5G is the next big thing in wireless tech. Promising to dramatically improve data-transfer speeds, it will transform the way we connect. It will also transform the way we invest. 5G is attracting significant interest from investors who want to get in on the next big tech trend. One of those investors is Warren Buffett. After investing in **Apple**, **T-Mobile**, and now **Verizon**, his portfolio is heavily invested in 5G. In this article, I'll be exploring a *Canadian* stock that can also give investors a slice of those 5G gains that big investors are chasing.

Sierra Wireless

Sierra Wireless ([TSX:SW](#))([NASDAQ:SWIR](#)) is a wireless equipment company that manufactures products:

- Modems
- Routers
- [Internet of Things \(IoT\)](#) connectivity components
- Asset tracking solutions
- And more

As far as 5G goes, the company is developing [5G routers and networking modules](#), both of which are already available for sale. The company is also working on 5G components for smart vehicles. Broadly, the company is aiming to partner with industries to supply components for their 5G-equipped devices. This makes Sierra a different take on 5G compared to a telco like **Rogers Communications**, which will supply 5G service to consumers.

Already a leader in mobile technology

Sierra Wireless is no untested upstart.

It's already a leader in mobile technology, and a major manufacturer of modems and routers. Its 5G bid

mainly consists of developing 5G-equipped versions of products it's already offering. Sierra has long been involved in making components for IoT and AI-powered cars. Its development of 5G components is a logical extension of that. This bodes well for Sierra's prospects in its 5G business endeavours. The company already has extensive industry partners that buy its components. Selling them on new 5G components will not be difficult. Thus, Sierra stock is a pretty straightforward 5G investment that's not too risky — but, of course, the potential upside is less than a smaller upstart company with a fresh idea.

A cautionary note

Before concluding this article, a cautionary note is in order.

While Sierra Wireless is conceptually a solid 5G company, its recent financial results haven't been that good.

In its most recent quarter, the company saw IoT revenue decline 15.4%, embedded broadband revenue decline 20.8%, and net income swing from a \$1 million profit to a \$7 million loss. Gross margin also declined in the quarter. On the bright side, *overall* revenue did increase by about 3%. But the quarter's results on the whole weren't pretty.

Simply put, Sierra Wireless isn't a stock you'd buy based on recent financial performance. The thesis for investing in it depends almost entirely on its 5G product offerings being big successes. And that definitely could happen. IoT and AI-powered cars are both massive growth industries, and players in these industries will need 5G to remain relevant. But for now, Sierra Wireless's financials leave much to be desired.

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Date

2025/08/16

Date Created

2021/02/24

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