



## Sierra Wireless (TSX:SW): Is This 5G Stock a Buy Right Now?

### Description

If you believe that 5G is the future of the telecom industry, you should invest in **Sierra Wireless** ([TSX:SW](#))([NASDAQ:SWIR](#)) in 2021. Sierra Wireless is one of the world's leading IoT (Internet of Things) solutions providers. It helps to simplify IoT, and its products and services include embedded routers and modules, connectivity services, and managed solutions and applications.

Everybody has been talking about the potential of the 5G industry and the upcoming boom in IoT stocks. However, that hasn't materialized so far. This could change in 2021. After a lot of companies spent all of 2020 just safeguarding their businesses from the COVID-19 pandemic, 2021 could be the year for 5G and IoT.

5G will enable a lot of IoT devices to live up to their full potential increasing their value to customers. As Fellow Fool [Puja Tayal says](#), "The 5G revolution will require everyone to upgrade their routers, cellular modules, and gateways, thereby accelerating Sierra's revenue growth." Sierra expects to start seeing 5G revenues in 2021.

### Why Sierra Wireless stock needs to be on your radar

Sierra's 5G embedded modules, which went on sale during the fourth quarter of 2020, managed to gain traction almost immediately among customers, with **T-Mobile** certifying one of Sierra's 5G routers on its network.

Sierra stock soared in January in expectation of increasing revenue but a global shortage of chips for its devices has dragged the stock down to \$19.41 from \$28.23.

Samuel Cochrane, Sierra Wireless CFO said on the earnings call, "There is strong demand for our products and services in the first quarter and we have secured hardware orders and recurring revenue that is approximately 15% above Street Consensus for Q1'21. However, we are facing a very tight global supply chain environment that is constraining our ability to source components and fully deliver to this level of demand."

It didn't help that there was a ransomware attack on Sierra's internal IT systems and corporate website in 2021 that caused the company to temporarily halt production at several of its manufacturing sites.

Sierra expects to miss its first-quarter guidance of over \$110 million in revenue.

## What next for investors?

Sierra's financials are not something that analysts fawn over. It has had [a forgettable 2020](#) and was hit hard by the pandemic. Revenue for the whole of 2020 fell 18% to US\$448.6 million though its Q4 numbers of \$120.48 million beat analysts' expectations of US\$116.23 million. Sierra saw a net loss of US\$11.2 million in the fourth quarter, which was lower compared with a loss of US\$15.3 million in the fourth quarter of 2019. Net loss came in at US\$50 million in 2020.

However, once the supply constraints over semiconductor chips ease and 5G gains traction, it is not unreasonable to expect Sierra stock to shine. A very important number for Sierra in 2020 was its long-term annual recurring revenue (LTARR) that came in at US\$140 million.

The services business generated \$46.3 million worth of LTARR contracts in Q4, up 40% from Q3. Sierra says LTARR means customers are buying more services from the company after purchasing its first product. This means Sierra's cost of acquisition keeps going down.

There is little reason why Sierra stock won't hit its January high of \$28 again which is a 50% upside from its current trading price.

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