



Why Sierra Wireless Surged 32% Last Week

Description

Sierra Wireless ([TSX:SW](#))([NASDAQ:SWIR](#)) is a Vancouver-based company that provides device-to-cloud Internet-of-Things (IoT) solutions in the Americas, Europe, and around the world. This tech stock has managed to defy the negative momentum that has plagued its peers in 2022. What is behind its recent stretch of success? Let's jump in and find out.

Here's why Sierra Wireless stock popped in the middle of May

Shares of Sierra Wireless have [climbed 32%](#) in the week-over-week period as of late-morning trading on May 16. This tech stock is now up 21% in the year-to-date period. The stock spiked on the back of its first-quarter 2022 earnings release on May 11.

Back in March 2021, I'd [discussed](#) the 5G boom in Canada. At the time, I'd suggested that investors focus mostly on the top telecom stocks in Canada. That said, Sierra is another top tech stock worth targeting for those who want to get in on wireless growth.

How does the company look after its recent earnings release?

In the first quarter of 2022, Sierra reported revenue growth of 60% year over year to \$173 million. The company's revenue was powered by improved demand and the realization of investments in its inventory. Connectivity, software, and services revenue increased 3.7% from the previous year to \$34.9 million. However, it did encounter headwinds due to the decline of its 2G and 3G European businesses as well as its home security business. Monthly recurring revenue (MRR) fell marginally to \$11.4 million.

Sierra's IoT Solutions segment achieved 79% growth to \$133 million. It increased on the back of improved global demand for connectivity services. Meanwhile, Enterprise Solutions revenue increased 17% to \$39.2 million. That increase was powered by increased demand for routers in its key industrial and public safety verticals.

The company finished the quarter with a solid balance sheet as cash and cash equivalents and restricted cash reached \$97.4 million — up from \$20.6 million in the fourth quarter.

Management also unveiled its guidance for the rest of fiscal 2022. It revealed that there is still considerable uncertainty surrounding its international business due to the knock-on effects of the COVID-19 pandemic. Because of this general uncertainty, Sierra Wireless refrained from giving any concrete financial projections for the rest of the fiscal year. This complicates the picture for investors right now.

Should you buy Sierra Wireless today?

In late February, I'd [focused on tech stocks](#) that looked undervalued in the middle of the spring. Shares of Sierra Wireless are still trading in favourable value territory compared to its industry peers at the time of this writing. The company refrained from giving a full picture for its 2022 outlook. However, it does expect strong revenue growth in the quarters ahead. This should encourage prospective buyers in the middle of May.

The Canadian tech sector has suffered from volatility along with the broader market in the spring season. That said, Sierra looks like one of the more dependable options, as demand in the wireless space remains very strong.

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Date

2025/08/18

Date Created

2022/05/16

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