



## What Bear Market? Sierra Wireless Stock Is up 83% in 2022

### Description

Shares of Canada-based IoT (Internet of Things) solutions provider **Sierra Wireless** ([TSX:SW](#))([NASDAQ:SWIR](#)) have surged over 100% in the last 12 months and are up 83% year to date, easily outpacing the broader markets. In 2022, shares of several tech stocks, including Canada's very own **Shopify**, are down 75% from all-time highs.

Now valued at [a market cap](#) of \$1.6 billion, can Sierra Wireless continue to derive outsized gains for investors?

### Why Sierra Wireless stock is up in 2022

Sierra Wireless aims to combine edge devices, connectivity services, and its cloud platform to provide a wide suite of enterprise-facing integrated IoT solutions. These edge-to-cloud solutions consist of embedded and networking devices that are unified with network connectivity services.

Sierra's portfolio of solutions allows businesses to improve operational efficiencies, thereby creating enhanced customer experiences as well as additional revenue streams.

Due to the solid demand for its products, Sierra's revenue in the second quarter (Q2) surged 41.5% year over year to US\$188 million. What's more, the [tech stock](#) swung to an adjusted net income of US\$16.7 million, or US\$0.43 per share, in the June quarter compared to a loss of US\$1.1 million, or US\$0.03 per share, in the year-ago period.

Sierra Wireless easily surpassed Bay Street consensus estimates in the quarter due to robust customer demand for its 5G modules and a widening product lineup. Its revenue and earnings gained pace in the first two quarters of 2022, despite chip shortages that are plaguing the global semiconductor industry.

Sierra also ramped up its production capacity in Q4 of 2021, allowing the company to manufacture additional routers and gateways. It emphasized the procurement team could secure enough raw materials to fulfill customer demand.

Sierra Wireless also claimed the order inflow for its products is resilient, with a strong order backlog for 2023. In fact, during the Q1 earnings call, company chief executive officer Phil Brace claimed the order backlog was far in excess of what Sierra Wireless can fulfill, indicating revenue growth should remain strong.

## What's next for Sierra Wireless stock and investors?

The global demand for IoT connectivity solutions is forecast to increase by 21% annually through 2026, which should drive top-line growth for Sierra Wireless higher. Analysts expect Sierra Wireless to increase revenue from US\$602 million in 2021 to US\$1 billion in 2023. Comparatively, its bottom line is forecast to improve from a loss of US\$1.04 per share to adjusted earnings of US\$1.81 per share in this period.

So, the stock is valued at 1.2 times 2023 sales and a price-to-forward-earnings multiple of 20, which is quite reasonable.

We can see that Sierra Wireless is part of a rapidly expanding addressable market. Despite its outsized gains in 2022, the stock is also trading at an attractive valuation.

Last month, a Bloomberg report stated that Semtech is in advanced talks to acquire Sierra Wireless. Semtech is a U.S.-based chip manufacturer that operates in the IoT hardware business. Semtech ended the June quarter with long-term debt and close to US\$500 million in cash and short-term investments.

Sierra Wireless soon confirmed it entered a definitive acquisition agreement with Semtech. Under this agreement, Sierra Wireless shareholders will receive US\$31 in cash per share. Right now, the stock is priced at US\$30.74.

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