



IoT Could Become the Hottest Game in Tech: Get In on the Action With This Canadian Player

Description

Many technology gurus have argued that the Internet of Things (IoT) will be the dominant technology of the future. We have already seen significant IoT investments by many of the world's technology giants, including **Alphabet** (Google), **Amazon**, and **Microsoft**, as these companies strive to become market leaders.

Consumer-focused IoT products such as smartwatches, smart TVs, and smart home products are already ubiquitous in the marketplace. Smart appliances, connected cars, and remote tracking devices are expected to become commonplace in the years to come.

IoT will make business more efficient in many different ways. For example, retailers will use it to improve inventory management by embedding radio frequency identification devices in products to track when they are sold and to automatically order more, and manufacturers will use it to collect data from machines to diagnose mechanical problems.

Governments and municipalities will also utilize IoT. One often-discussed application is to design smart cities. These smart cities could utilize IoT to make traffic lights more efficient, notify the public of open parking spaces, and boost electricity to areas that most need it.

With so many potential applications, IoT represents an enormous market opportunity. In a 2017 report, the U.S.-based research and advisory company **Gartner** estimated that the number of connected things will increase from 11.2 billion units this year to 20.4 billion units in 2020, while IoT hardware spending will increase from US\$2.1 trillion to US\$2.9 trillion over the same period.

Investors looking to [capitalize on the IoT market](#) should carefully consider **Sierra Wireless (TSX:SW)(NASDAQ:SWIR)**. Sierra can be described as a “pure-play” IoT company. The company is a market-leading supplier of embedded modules that allow devices to wirelessly connect to networks and/or other devices. Sierra also sells secure networking hardware such as routers and gateways and provides cloud services that can be used to manage connected devices, IoT subscriptions, and over-the-air updates.

In 2017, Sierra recorded US\$692.1 million in revenue and an adjusted EBITDA of US\$54.2 million, which represent an increase of 12.4% and 23.4%, respectively, over 2016. The company continues to grow this year; its second-quarter revenue and adjusted EBITDA increased by 16.4% and 4.7%, respectively, over the corresponding period last year.

The company has a relatively strong balance sheet with a current ratio of 1.6, a quick ratio of 1.3, and virtually no long-term debt.

Bottom line

IoT brings together wireless connectivity, cloud computing, and big data. This technology is rapidly entering the mainstream, and its [growth prospects](#) are undeniable. This growth could rapidly accelerate as more applications are developed and legitimate security concerns are addressed.

Growth investors who are looking to make an IoT play should consider Sierra Wireless. As a global leader in embedded modules, routers, and gateways, Sierra is well positioned to capitalize on the rapid growth in IoT devices. Its stock, which traded as high as \$39.79 per share mid last year, is currently at around \$28 per share. This price represents an attractive entry point for IoT investors with a long time horizon.

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