SIERRA WIRELESS INC
Form 6-K
November 12, 2013

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

Report of Foreign issuer
Pursuant to Rule 13a-16 or 15d-16 of the
Securities Exchange Act of 1934

For the Month of November 2013

(Commission File. No 0-30718).

SIERRA WIRELESS, INC., A CANADIAN CORPORATION
(Translation of registrant's name in English)

13811 Wireless Way
Richmond, British Columbia, Canada V6V 3A4
(Address of principal executive offices and zip code)

Registrant's Telephone Number, including area code: 604-231-1100

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F:

Form 20-F o 40-F ý

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934:

Yes: o No: ý

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Sierra Wireless, Inc.

By: /s/ David G. McLennan

David G. McLennan, Chief Financial Officer and Secretary

Date: November 12, 2013

Report to Shareholders

I am pleased to report that we delivered record revenue of $112.3 million in the third quarter, representing 12% year-over-year growth. Record revenue, combined with solid gross margin and stable operating expenses, resulted in strong gains in our profit measures, including adjusted EBITDA, which increased 81% over last year to $5.9 million. Growth in profitability once again out-paced revenue growth, demonstrating the leverage in our operating model.

Our OEM Solutions segment once again delivered steady growth, with revenue of $95.9 million, up 9% year-over-year. Design activity continues to be robust in a number of segments, and during the quarter we secured new program wins in payment, security, and energy, where we had an important design win with one of the global leaders in smart metering. Activity in the automotive segment continues to be very high and we are competing for a number of new programs expected to launch in 2016 and beyond. During the quarter, we also had our first European launch with Dell, which brought a number of new platforms to market using embedded Sierra Wireless technology.

Innovation continues to be a key contributor to our leadership position in M2M OEM Solutions. In the third quarter, we announced the launch of our new HL series of embedded wireless modules - the industry’s smallest, most scalable and most flexible family of embedded wireless devices. The first HL products are now sampling with customers and we expect to be shipping commercially in 2014.

Subsequent to quarter end we bolstered our scale and leadership position in OEM Solutions with the acquisition of substantially all the assets of AnyDATA Corporation’s machine-to-machine (M2M) embedded module and modem business. AnyDATA brings us a leading position in the Korea market, proven products, a proven sales and R&D team and established customer relationships.

Third quarter revenue from our Enterprise Solutions product line was strong at $16.4 million, up 38% over last year. This growth was driven primarily by our new AirLink gateway products, including our 4G GX440 and 3G LS300 devices. We also experienced strong revenue contribution from Europe, as large device-to-cloud customers continued to deploy our solutions. As well, our AirVantage Management Service cloud offering continues to show solid adoption among our customers. While the revenue contribution at this point is modest, the service creates important competitive barriers and delivers tangible value to our customers.

Looking ahead, as the clear global leader in M2M, we believe we are exceptionally well positioned to capture the M2M growth opportunity. We have significant scale, a blue-chip customer base, a growing customer program pipeline and differentiated solutions that simplify the connected world. In addition, we have an exceptionally strong balance sheet, with no debt and nearly $190 million in cash, which we plan to put to work in acquiring great M2M assets to accelerate growth and build on our leadership position.

I thank you for your continued confidence and look forward to reporting to you on our achievements in the coming quarters.

Jason W. Cohenour
President and Chief Executive Officer

Cautionary Note Regarding Forward-Looking Statements
Certain statements in this letter constitute forward-looking statements or forward-looking information and, in this regard, you should read carefully the "Cautionary Note Regarding Forward-Looking Statements" in the attached Management's Discussion & Analysis.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") provides information for the three and nine months ended September 30, 2013, and up to and including November 11, 2013. This MD&A should be read together with our unaudited interim consolidated financial statements for the three and nine month periods ended September 30, 2013 and September 30, 2012, respectively, and our audited annual consolidated financial statements and the accompanying notes for the year ended December 31, 2012 ("the consolidated financial statements"). The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States ("U.S. GAAP"). Except where otherwise specifically indicated, all amounts in this MD&A are expressed in United States dollars.

We have prepared this MD&A with reference to National Instrument 51-102 "Continuous Disclosure Obligations" of the Canadian Securities Administrators. Under the U.S./Canada Multijurisdictional Disclosure System, we are permitted to prepare this MD&A in accordance with the disclosure requirements of Canada, which requirements are different than those of the United States.

Certain statements in this MD&A constitute forward-looking statements or forward-looking information within the meaning of applicable securities laws. You should carefully read the cautionary note in this MD&A regarding forward-looking statements and should not place undue reliance on any such forward-looking statements. See "Cautionary Note Regarding Forward-Looking Statements".

Throughout this document, references are made to certain non-GAAP financial measures that are not measures of performance under U.S. GAAP. Management believes that these non-GAAP financial measures provide useful information to investors regarding the Company's financial condition and results of operations as they provide additional measures of its performance. These non-GAAP financial measures do not have any standardized meaning prescribed by U.S. GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers. These non-GAAP financial measures are defined and reconciled to their nearest GAAP measure in "Non-GAAP Financial Measures".

Additional information about the Company, including our most recent consolidated financial statements and our Annual Information Form, is available on SEDAR at www.sedar.com and on EDGAR at www.sec.gov.

Cautionary Note Regarding Forward-looking Statements

Certain statements and information in this MD&A are not based on historical facts and constitute forward-looking statements or forward-looking information within the meaning of the U.S. Private Securities Litigation Reform Act of 1995 and Canadian securities laws ("forward-looking statements"), including our business outlook for the short and longer term and our strategy, plans and future operating performance. Forward-looking statements are provided to help you understand our views of our short and longer term prospects. We caution you that forward-looking statements may not be appropriate for other purposes. We will not update or revise our forward-looking statements unless we are required to do so by securities laws. Forward-looking statements:

- Typically include words and phrases about the future such as "outlook", "may", "estimates", "intends", "believes", "plans", "anticipates" and "expects";
- Are not promises or guarantees of future performance. They represent our current views and may change significantly;
- Are based on a number of material assumptions, including those listed below, which could prove to be significantly incorrect:
  - Our ability to develop, manufacture and sell new products and services that meet the needs of our customers and gain commercial acceptance;
  - Our ability to continue to sell our products and services in the expected quantities at the expected prices and expected times;
  - Expected cost of goods sold;
  - Expected component supply constraints;
  - Our ability to "win" new business;
  - Expected deployment of next generation networks by wireless network operators;
  - Our operations are not adversely disrupted by component shortages or other development, operating or regulatory risks; and
  - Expected tax rates and foreign exchange rates.
- Are subject to substantial known and unknown material risks and uncertainties. Many factors could cause our actual results, achievements and developments in our business to differ significantly from those expressed or implied by our forward-looking statements, including, without limitation, the following factors which are discussed in greater detail under "Risks and Uncertainties" and in our other regulatory filings with the U.S. Securities and Exchange Commission (the "SEC") in the United States and the provincial securities commissions in Canada.
  - We may experience higher than anticipated costs; disruption of, and demands on, our ongoing business; diversion of management's time and attention; adverse effects on existing business relationships with suppliers and customers and employee issues in connection with the divestiture of the AirCard assets and operations ;
  - Actual sales volumes or prices for our products and services may be lower than we expect for any reason including, without limitation, continuing uncertain economic conditions, price and product competition, different product mix, the loss of any of our significant customers, or competition from new or established wireless communication companies;
  - The cost of products sold may be higher than planned or necessary component supplies may not be available, are delayed or are not available on commercially reasonable terms;
  - We may be unable to enforce our intellectual property rights or may be subject to litigation that has an adverse outcome;
  - The development and timing of the introduction of our new products may be later than we expect or may be indefinitely delayed; and
  - Transition periods associated with the migration to new technologies may be longer than we expect.

Investors are cautioned not to place undue reliance on these forward-looking statements. No forward-looking statement is a guarantee of future results.

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OVERVIEW

Business Overview

Sierra Wireless Inc. (“Sierra Wireless” or the “Company”) is the global leader in machine-to-machine ("M2M") devices and cloud services, delivering intelligent wireless solutions that simplify the connected world. We offer the industry's most comprehensive portfolio of 2G, 3G, and 4G embedded modules and gateways, seamlessly integrated with our secure M2M cloud services. Customers worldwide, including OEMs, enterprises, and mobile network operators, trust our innovative solutions to get their connected products and services to market faster.

We completed the sale of substantially all of the assets and operations related to our AirCard business on April 2, 2013, for $136.6 million in cash plus assumed liabilities (refer to the section on “Disposition of AirCard business” for additional details). As a result of the sale of our AirCard business, our segments and product lines have changed from those reported at December 31, 2012. Effective January 1, 2013, we have one reportable segment with two product lines. The OEM Solutions product line includes embedded wireless modules and tools for OEM customers, and the Enterprise Solutions product line includes intelligent gateways, modems and tools for enterprise customers including a cloud-based platform for building, deploying and managing M2M applications.

Our OEM Solutions product line of embedded wireless modules is used to integrate wireless connectivity into products and solutions made by OEM customers, which cover a broad range of industries, including automotive, networking, energy, security, sales and payment, industrial control and monitoring, fleet management, field service, healthcare, and consumer electronics, including leading PC and tablet manufacturers. The AirPrime™ Embedded Wireless Modules product portfolio spans 2G, 3G, and 4G technologies and includes robust remote device management capability, as well as support for on-board embedded applications with the OpenAT® Application Framework.

Our Enterprise Solutions portfolio of AirLink® Intelligent Gateways and the AirVantage® M2M Cloud, offers customers value-added plug-and-play hardware, software, and cloud services to get their M2M applications up and running quickly.

AirLink devices are rugged, intelligent wireless gateways and modems that provide mission-critical connectivity. They are designed for use where reliability and security are essential, and are sold to public safety, transportation, field service, energy, industrial, retail and financial enterprises and organizations around the world. The AirLink product portfolio includes 2G, 3G and 4G LTE gateways, supported by cloud-based remote device management tools. AirLink gateways can be easily configured for almost any type of application, and also support on-board embedded applications with the ALEOS Application Framework.

The AirVantage M2M Cloud provides a secure, scalable infrastructure for M2M applications. The AirVantage Enterprise Platform can be used to collect, transmit, and store machine data, and process and schedule events, from any number of devices, across any network operator around the world. M2M solution developers can use the latest cloud API standards to quickly integrate machine data with their own enterprise applications and back-end systems. The AirVantage Management Service can be used to centrally deploy and monitor M2M devices, including configuring device settings, delivering firmware and embedded application updates, and administering airtime subscriptions across global networks.

Third Quarter Overview

Our third quarter 2013 revenue of $112.3 million increased by 2.4% compared to the second quarter of 2013, in line with guidance and up 12.1% year-over-year. Revenue from our Enterprise Solutions product line increased 37.8% year-over-year as we continued to gain momentum in the marketplace with our new 4G products. Revenue from our OEM Solutions product line increased 8.6% year-over-year driven by continued growth across multiple sectors of our product line, with particular strength in PCOEM sales. Gross margin percentage was similar to the second quarter of 2013 and increased year-over-year due to favorable changes in product mix and product cost reductions. Operating expenses were at comparable levels to the second quarter of 2013.

In accordance with U.S. GAAP, the results of operations of the AirCard business have been recorded as discontinued operations in our consolidated statements of operations for the three and nine months ended September 30, 2013 and 2012. The selected financial information has been retrospectively adjusted to reflect the presentation of the AirCard business as discontinued operations (refer to the section on “Disposition of AirCard business” for additional details).

Financial highlights for the three months ended September 30, 2013:

GAAP:

- Revenue was a record $112.3 million, up 2.4% compared to $109.6 million in the second quarter of 2013.
- Gross margin was 33.3%, comparable to the second quarter of 2013.
- Net earnings from continuing operations were $1.1 million and earnings per share from continuing operations were $0.03 compared to a net loss from continuing operations of $6.7 million and a loss per share from continuing operations of $0.22 in the second quarter of 2013. Reorganization initiatives as we transition our business are favorably impacting our effective tax rate. Net earnings from continuing operations for the current quarter included a year-to-date tax recovery. A portion of the recovery, amounting to $0.5 million, or $0.02 per diluted share, relates to the first half of the year.
- Net earnings including discontinued operations were $0.6 million, or earnings of $0.02 per diluted share, compared to net earnings including discontinued operations of $61.4 million, or $2.00 per diluted share in the second quarter of 2013.

NON-GAAP:

- Gross margin was 33.4%, comparable to the second quarter of 2013.
- Earnings from continuing operations were $2.4 million, compared to $1.5 million in the second quarter of 2013.
- Adjusted EBITDA was $5.9 million compared to $4.9 million in the second quarter of 2013.
- Net earnings from continuing operations were $3.5 million or $0.11 per diluted share, compared to net earnings from continuing operations of $1.0 million, or $0.03 per diluted share in the second quarter of 2013. Reorganization initiatives as we transition our business are favorably impacting our effective tax rate. Net earnings from continuing operations for the current quarter included a year-to-date tax recovery. A portion of the recovery, amounting to $0.5 million, or $0.02 per diluted share, relates to the first half of the year.

Selected Financial information:
(in thousands of U.S. dollars, except where otherwise stated)

	2013			2012 (2)				
	Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1
Statement of Operations data:								
Revenue	$112,262	$109,589	$101,401	$397,321	$109,405	$100,183	$95,398	$92,335
Gross Margin								
- GAAP	$37,346	$36,474	$33,378	$125,274	$36,233	$31,086	$30,081	$27,874
- Non-GAAP (1)	37,463	36,569	33,453	125,578	36,294	31,168	30,159	27,957
Gross Margin %								
- GAAP	33.3 %	33.3 %	32.9 %	31.5 %	33.1 %	31.0 %	31.5 %	30.2 %
- Non-GAAP (1)	33.4 %	33.4 %	33.0 %	31.6 %	33.2 %	31.1 %	31.6 %	30.3 %
Earnings (loss) from operations								
- GAAP	$(3,301)	$(3,932)	$(6,884)	$(22,206)	$(1,516)	$(6,728)	$(6,558)	$(7,404)
- Non-GAAP (1)	2,402	1,470	(1,412)	898	3,721	334	(360)	(2,797)
Net earnings (loss) from continuing operations								
- GAAP	$1,075	$(6,742)	$(7,938)	$(4,202)	$15,523	$(3,612)	$(8,868)	$(7,245)
- Non-GAAP (1)	3,483	1,046	(709)	(444)	4,490	1,251	(3,375)	(2,810)
Net earnings (loss) from discontinued operations								
- GAAP	$(505)	$68,152	$1,863	$31,401	$4,083	$7,279	$12,449	$7,590
- Non-GAAP (1)	848	(49)	3,596	33,796	5,779	7,512	12,682	7,823
Net earnings (loss)								
- GAAP	$570	$61,410	$(6,075)	$27,199	$19,606	$3,667	$3,581	$345
- Non-GAAP (1)	4,331	997	2,887	33,352	10,269	8,763	9,307	5,013
Adjusted EBITDA	$5,870	$4,873	$1,800	$12,645	$7,014	$3,238	$2,357	$36
Revenue by Product Line:								
OEM Solutions	$95,850	$95,076	$89,232	$346,543	$94,874	$88,270	$83,299	$80,100
Enterprise Solutions	16,412	14,513	12,169	50,778	14,531	11,913	12,099	12,235
	$112,262	$109,589	$101,401	$397,321	$109,405	$100,183	$95,398	$92,335
Share and per share data:								
Basic and diluted net earnings (loss) from continuing operations per share								

(in dollars)								
- GAAP	0.03	(0.22)	(0.26)	(0.14)	0.50	(0.12)	(0.29)	(0.23)
- Non-GAAP (1)	0.11	0.03	(0.02)	(0.01)	0.15	0.04	(0.11)	(0.09)
Basic and diluted net earnings (loss) per share (in dollars)								
- GAAP	$0.02	$2.00	$(0.20)	$0.88	$0.64	$0.12	$0.12	$0.01
- Non-GAAP (1)	$0.14	$0.03	$0.09	$1.08	$0.33	$0.29	$0.30	$0.16
Common shares (in thousands)								
At period-end	30,762	30,618	30,791	30,592	30,592	30,590	30,562	30,910
Weighted average - basic	30,688	30,768	30,695	30,788	30,591	30,573	30,817	31,175
Weighted average - diluted	31,176	30,768	30,695	30,788	30,774	30,573	30,817	31,175

(1) Non-GAAP results exclude the impact of stock-based compensation expense, acquisition amortization, impairment, gain on sale of AirCard business, acquisition and disposition costs, integration costs, restructuring costs, foreign exchange gains or losses on foreign currency contracts and translation of balance sheet accounts, and certain tax adjustments. Refer to the section on “Non-GAAP financial measures” for additional details.
(2) Selected financial information for 2012 has been retrospectively adjusted to reflect the presentation of the AirCard business as discontinued operations.

See discussion under "Consolidated Results of Operations" for factors that have caused period-to-period variations.

Other key business highlights for the three months ended September 30, 2013:

- We announced that our AirPrime EM7305 embedded wireless module has been selected and integrated into the Toshiba Portégé Z10t - a high performance, Windows 8, Ultrabook that is equipped with a detachable screen. The Toshiba Portégé Z10t with the AirPrime EM7305 module launched in June on the Telstra network in Australia.

- We announced the launch of the Sierra Wireless Solution Partner Program and the Sierra Wireless M2M Solution Exchange. The Sierra Wireless Solution Partner Program offers a streamlined, functional way for solution partners to work with Sierra Wireless to promote their solutions powered by Sierra Wireless technology to their network of carrier, sales and reseller channels.

- On October 16, 2013, we completed the acquisition of the M2M modules and modem business of AnyDATA Corporation for $5.9 million subject to final inventory valuation. The M2M business of AnyDATA includes 3G and 4G wireless modules and modems which are sold mainly in Korea. This acquisition extends our global leadership position in the growing M2M market and provides us with a leading position in the important Korea market. The acquired business' results of operations and estimated fair value of assets and liabilities assumed will be included in our consolidated financial statements for the year ended December 31, 2013 from the date of acquisition.

- On November 5, 2013, we announced the launch of the AirPrime® HL Series of embedded wireless modules for M2M applications. The new AirPrime HL devices are the smallest embedded wireless modules to be completely interchangeable across 2G, 3G and 4G technologies. The HL series also offers flexible mounting options including snap-in connectivity or solder-down and is designed to be future-proof with over-the-air upgradability.

- On November 6, 2013, we announced the appointment of Thomas Sieber to our Board of Directors. Mr. Sieber is the current Chairman of the Board of Directors and the former CEO of Orange Switzerland. He joins Sierra Wireless with more than 20 years of international experience in senior leadership positions in the information and communications technology industry. Mr. Sieber brings demonstrated expertise in building pan-European sales channels and business operations. The appointment will be effective January 1, 2014.

Outlook

In the fourth quarter of 2013, we expect revenue to increase sequentially and on a year-over-year basis. We expect gross margin percentage and operating expenses to remain similar to third quarter of 2013 levels.

We believe that the market for wireless M2M solutions has strong long term growth prospects. We anticipate growth in the number and type of devices being wirelessly connected, driven by a number of enablers, such as lower wireless connectivity costs, faster wireless connection speeds, new devices and tools to simplify the development of M2M applications, and increased focus and investment from network operators, infrastructure vendors and other ecosystem players. More importantly, we see strong customer demand emerging in many of our target verticals driven by increasing recognition of the value created by deploying M2M solutions, such as new revenue streams, cost efficiencies, and better customer satisfaction.

Key factors that we expect will affect our results in the near term are the timely ramp up of sales of our new products recently launched or currently under development; the level of success our OEM customers achieve with sales of embedded solutions to end users; our ability to secure future design wins with both existing and new customers; wireless technology transitions and the timing of deployment of mobile broadband networks by wireless operators; competition; the availability of components from key suppliers; general economic conditions in the markets we serve; and seasonality in demand. We expect that product and price competition from other wireless device manufacturers will continue to play a role in the M2M market. As a result of these factors, we may experience volatility in our results on a quarter-to-quarter basis. Gross margin percentage may fluctuate from quarter-to-quarter depending on product and customer mix, average selling prices and product costs.

Disposition of AirCard Business

On April 2, 2013, we completed the sale of substantially all of the assets and operations related to our AirCard business to Netgear, Inc. ("Netgear"). Proceeds on disposition, after final inventory adjustments were $136.6 million plus assumed liabilities and comprised of cash proceeds of $122.8 million, funds held in escrow of $13.8 million and assumed liabilities. After transaction costs of $2.8 million, we recorded an after tax gain on disposal of $69.1 million. We expect to realize net cash proceeds of approximately $110 million from the divestiture after giving consideration to related taxes, transaction costs and escrow retention for the purposes of indemnification. Approximately 160 employees, primarily in sales, marketing and research and development, were transferred to Netgear, as well as certain facilities in Carlsbad, California and Richmond, British Columbia. The Company intends to use a substantial portion of the net proceeds from the transaction to continue its acquisition strategy in the M2M market.

In accordance with U.S. GAAP, the results of operations and the gain on sale of the AirCard business have been presented as discontinued operations in our consolidated statements of operations for the three and nine months ended September 30, 2013 and 2012. The historical consolidated statements of operations and related selected financial information have been retrospectively adjusted to distinguish between continuing operations and discontinued operations.

Summarized results from discontinued operations were as follows:

	Three months ended September 30			Nine months ended September 30	
	2013		2012	2013	2012
Revenue	$—		$62,455	$46,701	$192,429
Cost of goods sold	(569	)	45,684	32,968	137,512
Gross margin	$569		$16,771	$13,733	$54,917
Expenses	1,263		8,992	12,919	26,613
Earnings (loss) from operations	(694	)	7,779	814	28,304
Income tax expense (recovery)	(140	)	500	430	986
Earnings (loss) from operations, net of taxes	(554	)	7,279	384	27,318
Gain on sale of AirCard business, net of taxes	49		—	69,126	—
Net earnings (loss) from discontinued operations	$(505	)	$7,279	$69,510	$27,318

During the three and nine months ended September 30, 2013, no customer accounted for more than 10% of our aggregated revenue from continuing and discontinued operations. During the three months ended September 30, 2012, Sprint accounted for more than 10% of our aggregated revenue, representing 14% of our revenue from continuing and discontinued operations. During the nine months ended September 30, 2012, AT&T and Sprint each accounted for more than 10% of our aggregated revenue, representing 26% of our revenue from continuing and discontinued operations.

CONSOLIDATED RESULTS OF OPERATIONS

(in thousands of U.S. dollars, except where otherwise stated)

	Three months ended September 30				Nine months ended September 30			
	2013		2012 (1)		2013		2012 (1)	
	$	% of Revenue	$	% of Revenue	$	% of Revenue	$	% of Revenue
Revenue	112,262	100.0 %	100,183	100.0 %	323,252	100.0 %	287,916	100.0 %
Cost of goods sold	74,916	66.7 %	69,097	69.0 %	216,054	66.8 %	198,875	69.1 %
Gross margin	37,346	33.3 %	31,086	31.0 %	107,198	33.2 %	89,041	30.9 %
Expenses								
Sales and marketing	10,452	9.3 %	8,572	8.5 %	31,489	9.7 %	26,891	9.3 %
Research and development	17,806	15.9 %	15,886	15.9 %	54,038	16.7 %	45,491	15.8 %
Administration	9,297	8.3 %	8,013	8.0 %	26,323	8.1 %	25,034	8.7 %
Restructuring	14	— %	498	0.5 %	157	0.1 %	2,209	0.8 %
Integration	—	— %	—	— %	27	— %	—	— %
Acquisition	139	0.1 %	2,196	2.2 %	139	0.1 %	2,795	1.0 %
Amortization	2,939	2.6 %	2,649	2.6 %	9,142	2.8 %	7,311	2.5 %
	40,647	36.2 %	37,814	37.7 %	121,315	37.5 %	109,731	38.1 %
Loss from operations	(3,301)	(2.9)%	(6,728)	(6.7)%	(14,117)	(4.3)%	(20,690)	(7.2)%
Foreign exchange gain	2,563		1,176		1,902		1,718	
Other expense	(26)		(70)		(124)		(231)	
Loss before income taxes	(764)		(5,622)		(12,339)		(19,203)	
Income tax (expense) recovery	1,839		2,010		(1,266)		(522)	
Net earnings (loss) from continuing operations	1,075		(3,612)		(13,605)		(19,725)	
Net earnings (loss) from discontinued operations	(505)		7,279		69,510		27,318	
Net earnings	570		3,667		55,905		7,593	
Net earnings (loss) per share - Basic and diluted (in dollars)								
Continuing operations	$0.03		$(0.12)		$(0.44)		$(0.64)	
Discontinued operations	(0.01)		0.24		2.26		0.89	
	$0.02		$0.12		$1.82		$0.25	

(1) Financial information has been retrospectively adjusted to reflect the presentation of the AirCard business as discontinued operations.

Revenue

Revenue for the three and nine months ended September 30, 2013 increased by $12.1 million and $35.3 million, respectively, or 12.1% and 12.3%, respectively, compared to the same periods of 2012. The increase in revenue in both periods was largely driven by growth in our Enterprise Solutions product line and continued growth across multiple sectors of our OEM Solutions product line, with particular strength in PCOEM sales.

Our geographic revenue mix for the three and nine month periods ended September 30, 2013 and 2012 was as follows:

Gross margin

Gross margin was 33.3% and 33.2% of revenue for the three and nine months ended September 30, 2013, respectively, compared to gross margin of 31.0% and 30.9% of revenue, respectively, in the same periods of 2012. The increase in gross margin in both periods was primarily related to favorable product mix and product cost reductions. For each of the three months ended September 30, 2013 and 2012, gross margin included $0.1 million of stock-based compensation expense. For each of the nine months ended September 30, 2013 and 2012, gross margin included $0.3 million and $0.2 million of stock-based compensation expense, respectively.

Sales and marketing

Sales and marketing expenses increased $1.9 million and $4.6 million, or 21.9% and 17.1%, in the three and nine months ended September 30, 2013, respectively, compared to the same periods of 2012. The increase in sales and marketing expenses in both periods was primarily due to additional costs following the Sagemcom acquisition in August 2012, as well as investment in additional resources. For the three and nine months ended September 30, 2013, sales and marketing expenses included stock-based compensation expense of $0.6 million and $1.3 million, respectively, compared to $0.3 million and $0.8 million, respectively, in the same periods of 2012.

Research and development

Research and development ("R&D") expenses increased by $1.9 million and $8.5 million, or 12.1% and 18.8% in the three and nine months ended September 30, 2013, respectively, compared to the same periods of 2012. The increase in R&D expenses in both periods was primarily related to additional R&D costs related to the Sagemcom M2M business following the Sagemcom acquisition as well as higher certification costs and other net product costs.

R&D expenses included stock-based compensation expense of $0.3 million in each of the three months ended September 30, 2013 and 2012. R&D expenses also included acquisition amortization of $1.4 million and $1.3 million in each of the three months ended September 30, 2013 and 2012, respectively. R&D expenses for the nine months ended September 30, 2013 included stock-based compensation expense of $1.0 million and acquisition amortization of $4.1 million, compared to stock-based compensation expense of $1.0 million and acquisition amortization of $4.3 million, in the same period of 2012.

Administration

Administration expenses increased by $1.3 million in both the three and nine months ended September 30, 2013, or 16.0% and 5.1% respectively, compared to the same periods of 2012. Administration expenses included stock-based compensation expense of $1.1 million and $0.7 million in each of the three months ended September 30, 2013 and 2012, respectively. For the nine months ended September 30, 2013 and 2012, administration expenses included stock-based compensation expense of $3.2 million and $2.2 million, respectively.

Restructuring

Restructuring costs were minimal for the three and nine months ended September 30, 2013 compared to $0.5 million and $2.2 million, respectively, in the same periods of 2012. Restructuring costs in the three and nine months ended September 30, 2012 were primarily related to organizational changes in R&D resulting from the closure of our Newark, California facility.

Amortization

Amortization expense increased by $0.3 million and $1.8 million, or 10.9% and 25.0% in the three and nine months ended September 30, 2013, respectively, compared to the same periods of 2012, primarily due to the Sagemcom acquisition. Amortization expense for the three months ended September 30, 2013 included $2.0 million of acquisition amortization compared to $1.6 million in the same period of 2012. Amortization expense for the nine months ended September 30, 2013 included $6.1 million of acquisition amortization compared to $4.3 million in the same period of 2012.

Foreign exchange gain

Foreign exchange gain was $2.6 million for the three months ended September 30, 2013 compared to a gain of $1.2 million in the same period of 2012. Foreign exchange gain for the three months ended September 30, 2013 and 2012, included a net foreign exchange gain of $1.9 million and $3.6 million, respectively, on revaluation of an intercompany loan to a self-sustaining subsidiary. Foreign exchange gain in the three months ended September 30, 2012 also included a loss of $2.4 million related to the settlement of foreign currency forward exchange contracts entered into in connection with the Sagemcom acquisition.

For the nine months ended September 30, 2013, foreign exchange gain was $1.9 million compared to a gain of $1.7 million in the same period of 2012. Foreign exchange gain for the nine months ended September 30, 2013 and 2012, included a net foreign exchange gain of $1.4 million and $3.6 million, respectively, on revaluation of an intercompany loan to a self-sustaining subsidiary. Foreign exchange gain in the nine months ended September 30, 2012 also included a loss of $1.8 million related to the settlement of foreign currency forward exchange contracts entered into in connection with the Sagemcom acquisition.

Foreign exchange rate changes also impacted our Euro denominated revenue and Canadian dollar and Euro denominated operating expenses. We estimate that changes in exchange rates between 2013 and 2012 positively impacted our revenue in the three and nine months ended September 30, 2013 by approximately $0.5 million and

$0.7 million, respectively. In addition, the stronger Euro, partially offset by a weaker Canadian dollar, had a negative impact on our operating expenses in the three and nine months ended September 30, 2013 of approximately $0.2 million and $0.5 million, respectively.

Income tax (expense) recovery

Income tax recovery decreased by $0.2 million in the three months ended September 30, 2013 compared to the same period of 2012. Income tax expense increased by $0.7 million in the nine months ended September 30, 2013, compared to the same period of 2012. The change in both periods was related to a shift in earnings between jurisdictions.

Net earnings (loss) from continuing operations

Net earnings from continuing operations in the three months ended September 30, 2013 increased by $4.7 million to net earnings of $1.1 million, compared to the same period of 2012. This improvement reflects improved earnings from operations and a higher foreign exchange gain. Net loss from continuing operations in the nine months ended September 30, 2013 decreased by $6.1 million compared to the same period of 2012. This improvement reflects improved earnings from operations partially offset by higher income tax expense.

Net earnings from continuing operations in the three and nine months ended September 30, 2013 included stock-based compensation expense of $2.1 million and $5.8 million, respectively, and acquisition amortization of $3.4 million and $10.2 million, respectively. Net loss from continuing operations in the three and nine months ended September 30, 2012 included stock-based compensation expense of $1.5 million and $4.3 million, respectively, and acquisition amortization of $2.9 million and $8.6 million, respectively.

Net earnings

Net earnings decreased by $3.1 million in the three months ended September 30, 2013, compared to the same period of 2012, as the $7.8 million decrease in earnings from discontinued operations was only partially offset by the higher net earnings from our continuing operations. Net earnings increased by $48.3 million in the nine months ended September 30, 2013, compared to the same period of 2012, as a result of the after-tax gain of $69.1 million on the sale of our AirCard business.

Weighted average number of shares

The weighted average diluted number of shares outstanding was 31.2 million and 30.7 million for the three and nine months ended September 30, 2013, respectively, compared to 30.6 million and 30.9 million for the three and nine months ended September 30, 2012, respectively.

The number of shares outstanding was 30.8 million and 30.6 million at September 30, 2013 and 2012, respectively. The purchase of 510,439 of the Company's common shares on the Toronto Stock Exchange (“TSX”) and NASDAQ during the nine months ended September 30, 2013, under our normal course issuer bid approved February 13, 2013, was offset by the issue of shares as a result of stock option exercises and vested restricted share units. No common shares were purchased under our normal course issuer bid in the three months ended September 30, 2013.

SUMMARY OF QUARTERLY RESULTS OF OPERATIONS

The following tables highlight selected financial information for each of the eight most recent quarters that, in management's opinion, have been prepared on a basis consistent with the audited consolidated financial statements for the year ended December 31, 2012. The selected financial information presented below reflects all adjustments, consisting primarily of normal recurring adjustments, which are, in the opinion of management, necessary for a fair presentation of results for the interim periods. These results are not necessarily indicative of results for any future period. You should not rely on these results to predict future performance.

(in thousands of U.S. dollars, except where otherwise stated)

	2013			2012 [1]				2011 [1]
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenue	$112,262	$109,589	$101,401	$109,405	$100,183	$95,398	$92,335	$82,391
Cost of goods sold	74,916	73,115	68,023	73,172	69,097	65,317	64,461	57,206
Gross margin	37,346	36,474	33,378	36,233	31,086	30,081	27,874	25,185
Gross margin %	33.3 %	33.3 %	32.9 %	33.1 %	31.0 %	31.5 %	30.2 %	30.6 %
Expenses								
Sales and marketing	10,452	10,681	10,356	10,176	8,572	8,998	9,321	8,886
Research and development	17,806	17,869	18,363	16,294	15,886	14,674	14,931	14,801
Administration	9,297	8,903	8,123	7,743	8,013	8,562	8,459	7,694
Restructuring costs	14	26	117	42	498	1,531	180	(19)
Integration costs	—	—	27	—	—	—	—	—
Acquisition costs	139	—	—	387	2,196	599	—	—
Impairment of intangible asset	—	—	—	—	—	—	—	11,214
Amortization	2,939	2,927	3,276	3,107	2,649	2,275	2,387	2,620
	40,647	40,406	40,262	37,749	37,814	36,639	35,278	45,196
Operating loss from continuing operations	(3,301)	(3,932)	(6,884)	(1,516)	(6,728)	(6,558)	(7,404)	(20,011)
Foreign exchange gain (loss)	2,563	1,709	(2,370)	1,608	1,176	336	206	(507)
Other income (expense)	(26)	34	(132)	35	(70)	10	(171)	20
Earnings (loss) from continuing operations before income tax	(764)	(2,189)	(9,386)	127	(5,622)	(6,212)	(7,369)	(20,498)
Income tax expense (recovery)	(1,839)	4,553	(1,448)	(15,396)	(2,010)	2,656	(124)	(68)
Net earnings (loss) from continuing operations	1,075	(6,742)	(7,938)	15,523	(3,612)	(8,868)	(7,245)	(20,430)
Net earnings (loss) from discontinued operations	(505)	68,152	1,863	4,083	7,279	12,449	7,590	6,668
Net earnings (loss)	$570	$61,410	$(6,075)	$19,606	$3,667	$3,581	$345	$(13,762)
Earnings (loss) per share - GAAP in dollars								
Basic	$0.02	$2.00	$(0.20)	$0.64	$0.12	$0.12	$0.01	$(0.44)
Diluted	$0.02	$2.00	$(0.20)	$0.64	$0.12	$0.12	$0.01	$(0.44)
Weighted average number of shares (in								

thousands)								
Basic	30,688	30,768	30,695	30,591	30,573	30,817	31,175	31,298
Diluted	31,176	30,768	30,695	30,774	30,573	30,817	31,175	31,298

(1) Quarterly information has been retrospectively adjusted to reflect the presentation of the AirCard business as discontinued operations.

See section on "Overview", for details of our third quarter of 2013 results compared to our second quarter of 2013 results.

Our quarterly results may fluctuate from quarter to quarter, driven by variation in sales volume, product mix and the combination of variable and fixed operating expenses.

LIQUIDITY AND CAPITAL RESOURCES

Selected Financial Information

(in thousands of U.S. dollars)	Three months ended September 30			Nine months ended September 30		
	2013	2012	Change	2013	2012	Change
Cash flows provided (used) before changes in non-cash working capital:	$7,255	$9,239	$(1,984)	$6,602	$28,446	$(21,844)
Changes in non-cash working capital						
Accounts receivable	15,877	(6,970)	22,847	28,862	(11,384)	40,246
Inventories	51	(6,044)	6,095	12,604	(5,127)	17,731
Prepaid expense and other	(2,767)	(17,596)	14,829	(11,870)	(20,557)	8,687
Accounts payable and accrued liabilities	(824)	16,065	(16,889)	(15,079)	37,537	(52,616)
Deferred revenue and credits	(512)	513	(1,025)	485	(145)	630
	11,825	(14,032)	25,857	15,002	324	14,678
Cash flows provided by (used in):						
Operating activities	19,080	(4,793)	23,873	21,604	28,770	(7,166)
Investing activities	372	(56,959)	57,331	103,390	(59,599)	162,989
Net proceeds from sale of AirCard business	(17)	—	(17)	119,978	—	119,978
Purchase of M2M business of Sagemcom	—	(55,218)	55,218	—	(55,218)	55,218
Capital expenditures and increase in intangible assets	(4,390)	(3,886)	(504)	(11,399)	(13,784)	2,385
Net change in short-term investments	4,779	2,153	2,626	(5,221)	9,347	(14,568)
Financing activities	(2,355)	(18)	(2,337)	(5,085)	(9,205)	4,120
Issue of common shares	1,186	158	1,028	4,947	427	4,520
Repurchase of common shares for cancellation	—	—	—	(5,772)	(6,312)	540
Purchase of treasury shares for RSU distribution	(3,433)	—	(3,433)	(3,433)	(2,489)	(944)

Operating Activities
Cash provided by operating activities increased $23.9 million during the three months ended September 30, 2013, compared to the same period of 2012. The increase was primarily due to lower working capital requirements during the current quarter compared to the same period of 2012. For the nine months ended September 30, 2013, cash provided by operating activities decreased by $7.2 million, compared to the same period in 2012 due to lower earnings from our discontinued operations partially offset by lower working capital requirements.

Investing Activities
Cash provided by investing activities increased $57.3 million and $163.0 million during the three and nine months ended September 30, 2013, respectively, compared to the same periods of 2012. The increase in cash provided by investing activities was primarily due to the increased cash requirements in 2012 related to the Sagemcom acquisition. For the nine months ended September 30, 2013, the increase in cash was primarily due to the net proceeds received on the sale of our AirCard business and the absence of acquisition related expenditures in the first nine months of 2013. This was partially offset by the net change in short-term investments. (Refer to the section on “Disposition of AirCard business” for additional details).

Cash used for the purchase of capital equipment was primarily for production and tooling equipment, research and development equipment, computer equipment and software, while cash used for intangible assets was driven primarily by patent registration costs and software licensing costs.

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Financing Activities

Cash generated from financing activities decreased $2.3 million during the three months ended September 30, 2013, compared to the same period of 2012. Higher cash requirements in the three months ended September 30, 2013 were related to the purchase of common shares to satisfy the obligations under our restricted share unit plan, partially offset by proceeds received on issuance of common shares in connection with higher number of stock option exercises. During the three months ended September 30, 2013, we purchased 270,265 common shares to satisfy obligations under our restricted share unit plan.

For the nine months ended September 30, 2013, cash used for financing activities decreased $4.1 million compared to the same period of 2012. Lower cash requirements in the nine months ended September 30, 2013 were mainly related to proceeds received on issuance of common shares in connection with a higher number of stock option exercises compared to the same period of 2012. In the nine months ended September 30, 2013, under our normal course issuer bid we purchased 510,439 common shares compared to 800,000 common shares in the same period of 2012.

Cash Requirements

Our near-term cash requirements are primarily related to funding our operations, capital expenditures, intellectual property ("IP") licenses and other obligations discussed below. We continue to believe our cash and cash equivalents and short-term investments balance of $188.4 million at September 30, 2013 and cash generated from continuing operations will be sufficient to fund our expected working capital requirements for at least the next twelve months based on current business plans. Our capital expenditures during the fourth quarter of 2013 are expected to be primarily for research and development equipment, tooling, leasehold improvements, software licenses and patents. However, we cannot be certain that our actual cash requirements will not be greater than we currently expect.

The following table presents the aggregate amount of future cash outflows for contractual obligations as of September 30, 2013.

Payments due by period (In thousands of dollars)	2013	2014	2015	2016	2017	Thereafter
Operating lease obligations	$1,227	$4,528	$3,845	$3,813	$3,701	$10,966
Capital lease obligations	89	297	219	76	18	—
Purchase obligations (1)	77,410	—	—	—	—	—
Other long-term liabilities (2)	—	20,145	—	—	—	1,559
Total	$78,726	$24,970	$4,064	$3,889	$3,719	$12,525

(1) Purchase obligations represent obligations with certain contract manufacturers to buy minimum amount of designated products between October 2013 and December 2013. In certain of these arrangements, we may be required to acquire and pay for such products up to the prescribed minimum or forecasted purchases.

(2) Other long-term liabilities include the long-term portions of accrued royalties.

Capital Resources

(In thousands of dollars)	2013			2012			
	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
Cash and cash equivalents	$183,220	$166,573	$55,923	$63,646	$59,528	$123,159	$106,773
Short-term investments	5,221	10,000	—	—	—	2,153	—
	188,441	176,573	55,923	63,646	59,528	125,312	106,773
Unused credit facilities	10,000	10,000	50,000	50,000	10,000	10,000	10,000
Total	$198,441	$186,573	$105,923	$113,646	$69,528	$135,312	$116,773

Credit Facilities
On October 31, 2013, we renewed our $10 million revolving term credit facility ("Revolving Facility") for a two year term expiring on October 31, 2015. The Revolving Facility with Toronto Dominion Bank and the Canadian Imperial Bank of Commerce is for working capital requirements, is secured by a pledge against all of our assets and is subject to borrowing base limitations. Other terms of the Revolving Facility remain substantially unchanged. As at September 30, 2013, there were no borrowings under the Revolving Facility.

Letters of Credit
We have entered into a standby letter of credit facility agreement under which we have issued three performance bonds to third party customers in accordance with specified terms and conditions. At September 30, 2013, we had two Euro denominated performance bonds amounting to €50 thousand expiring in June 2014 (December 2012 - €50 thousand) and a performance bond of $176 thousand expiring in November 2013 (December 2012 - $176 thousand). The carrying value of these instruments approximates their fair market value.

Normal Course Issuer Bid
On February 6, 2013, we received approval from the TSX of our Notice of Intention to make a Normal Course Issuer Bid (the “2013 Bid”). Pursuant to the 2013 Bid, we can purchase for cancellation up to 1,529,687 of our common shares, or approximately 5% of the common shares outstanding as of the date of the announcement. The 2013 Bid commenced on February 14, 2013 and will terminate on the earlier of: (i) February 13, 2014, (ii) the date the Company completes its purchases pursuant to the Notice of Intention filed with the TSX, or (iii) the date of notice by the Company of termination of the 2013 Bid. During the nine months ended September 30, 2013, we purchased and canceled 510,439 common shares at an average price of $11.31 per share. During the three months ended September 30, 2013 we did not purchase any common shares pursuant to the 2013 Bid.

NON-GAAP FINANCIAL MEASURES

Our consolidated financial statements are prepared in accordance with U.S. GAAP on a basis consistent for all periods presented. In addition to results reported in accordance with U.S. GAAP, we use non-GAAP financial measures as supplemental indicators of our operating performance. The term “non-GAAP financial measure” is used to refer to a numerical measure of a company’s historical or future financial performance, financial position or cash flows that: (i) excludes amounts, or is subject to adjustments that have the effect of excluding amounts, that are included in the most directly comparable measure calculated and presented in accordance with U.S. GAAP in a company’s statement of earnings, balance sheet or statement of cash flows; or (ii) includes amounts, or is subject to adjustments that have the effect of including amounts, that are excluded from the most directly comparable measure so calculated and presented.

Our non-GAAP financial measures include non-GAAP gross margin, non-GAAP earnings (loss) from operations, Adjusted EBITDA (earnings before interest, taxes, depreciation and amortization), non-GAAP net earnings (loss) and non-GAAP diluted earnings (loss) per share, respectively. We disclose non-GAAP amounts as we believe that these measures provide useful information on actual operating results and assist in comparisons from one period to another. Readers are cautioned that non-GAAP financial measures do not have any standardized meaning prescribed by U.S. GAAP and therefore may not be comparable to similar measures presented by other companies. Non-GAAP results exclude the impact of stock-based compensation expense, amortization related to acquisitions, acquisition and disposition costs, restructuring costs, integration costs, impairment, foreign exchange gains or losses on foreign currency contracts and translation of balance sheet accounts and certain tax adjustments.

Adjusted EBITDA as defined equates earnings (loss) from operations plus stock-based compensation expense, acquisition costs, restructuring costs, integration costs, impairment and amortization. Adjusted EBITDA can also be calculated as non-GAAP earnings (loss) from operations plus amortization excluding acquisition related amortization.

The following table provides a reconciliation of the non-GAAP financial measures to our U.S. GAAP results:
(in thousands of U.S. dollars, except where otherwise stated)

2013			2012 (1)				
Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1