

SIERRA WIRELESS INC
Form 6-K
May 12, 2010

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 May 2010

(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)

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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 40-F

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: No:

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: May 12, 2010

Report to Shareholders

Solid revenue growth and operating expense reductions drove improving profitability on a non-GAAP basis for the first quarter of 2010.

Revenue was \$151.3 million in the first quarter of 2010, an increase of 36% compared to the first quarter of 2009. Our GAAP loss from operations was \$4.5 million and loss per share was \$0.24 for the first quarter of 2010. On a non-GAAP basis, our earnings from operations were \$4.1 million and diluted earnings per share were \$0.13. We experienced good momentum across all of our business lines as evidenced by our revenue growth, new customer design wins, new product launches and improving sell through. We also made significant progress during the quarter building our leadership position in M2M, while revitalizing momentum in our Mobile Computing business.

M2M Business

Our M2M market represents an exciting growth opportunity for us and is receiving growing focus from operators and OEMs globally. Our M2M business includes AirPrime Embedded Modules (excluding revenue from PC OEM customers), AirLink Intelligent Gateways and Routers and our AirVantage Solutions and Service Delivery Platforms.

In the first quarter of 2010, M2M revenue was \$88.7 million, up over 187% compared to the first quarter of 2009. The increase was broad-based, however we saw exceptionally strong growth in the consumer space where our embedded modules are used in e-readers, personal navigation devices and other products.

AirLink Intelligent Gateways and Routers continued to be a solid contributor, delivering revenue of \$10.5 million in the first quarter of 2010, compared to \$9.1 million in the first quarter of 2009. We have made good progress in our international expansion efforts with AirLink products, including significant new wins in Europe, Latin America and China.

We are gaining momentum with our AirVantage services delivery platform. We achieved new design wins in industrial M2M and outdoor advertising and have now successfully launched our services platform with ORBCOMM. We have made good progress in our deployment of our AirVantage services platform with our first cellular operator customer and we expect to go live with them in the second half of 2010.

Mobile Computing Business

Our mobile computing business is focused on providing mobile broadband connectivity for notebooks and netbooks. We are a technology leader in this space and are often first to market with USB modems, mobile hotspots or PC cards that support the latest high speed services being deployed by wireless operators such as AT&T, Sprint and Telstra. We also have strong relationships with leading PC OEMs such as HP, Lenovo, Panasonic, Fujitsu and others to whom we provide embedded mobile broadband solutions. Our mobile computing business includes AirCard® Mobile Broadband Devices, as well as revenue from our AirPrime Embedded Modules to PC OEM customers.

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In the first quarter of 2010, our mobile computing revenue was \$62.6 million, down 22% compared to the first quarter of 2009, driven primarily by a decline in our AirCard business. Despite the weakness in the first quarter, we believe we have a strong AirCard product portfolio and pipeline, as well as leading channel positions with key operators. During the quarter, we launched the Overdrive , the world's first 3G/4G mobile hotspot, with Sprint and the AirCard 890 with AT&T. We also demonstrated our first to market dual carrier HSPA+ USB device that supports speeds of up to 42 Mbps and expect to launch this product with Telstra later this year.

We are also making good progress rebuilding our PC OEM business. Our revenue from PC OEM customers increased sequentially for the first time in several quarters. During the quarter, we announced production design wins with Fujitsu and Panasonic. We also have new opportunities with additional leading PC OEM manufacturers and expect to secure design wins for notebook platform launches in 2011.

Outlook

Our organic and inorganic investments have resulted in a strong, growing and profitable M2M business that represented 59% of our revenue for the first quarter of 2010. Our Mobile Computing business is also well positioned with key operators and OEMs and is expected to return to growth in the second quarter. As a result, we believe we have a well diversified company with two solid business lines that are contributing to our goal of becoming the global leader in wireless solutions for M2M and Mobile Computing.

Jason W. Cohenour

President and Chief Executive Officer

Certain statements in this report that are not based on historical facts constitute forward-looking statements or forward-looking information within the meaning of the U.S. Private Securities Litigation Reform Act of 1995 and applicable Canadian securities laws (forward-looking statements). These forward-looking statements are not promises or guarantees of future performance but are only predictions that relate to future events, conditions or circumstances or our future results, performance, achievements or developments and are subject to substantial known and unknown risks, assumptions, uncertainties and other factors that could cause our actual results, performance, achievements or developments in our business or in our industry to differ materially from those expressed, anticipated or implied by such forward-looking statements. Forward-looking statements in this report include all disclosure regarding possible events, conditions, circumstances or results of operations that are based on assumptions about future economic conditions, courses of action and other future events. We caution you not to place undue reliance upon any such forward-looking statements, which speak only as of the date they are made. These forward-looking statements appear in a number of different places in this report and can be identified by words such as may , estimates , projects , expects , intends , believes , plans , anticipates , continue , growing , expanding , or their negatives or other comparable words. Forward-looking statements include statements regarding the outlook for our future operations, plans and timing for the introduction or enhancement of our services and products, statements concerning strategies or developments, statements about future market conditions, supply conditions, end customer demand conditions, channel inventory and sell through, revenue, gross margin, operating expenses, profits, forecasts of future costs and expenditures, the outcome of legal proceedings, and other expectations, intentions and plans that are not historical fact. The risk factors and uncertainties that may affect our actual results, performance, achievements or developments are many and include, amongst others, our ability to develop, manufacture, supply and market new products that we do not produce today that meet the needs of customers and gain commercial acceptance, our reliance on the deployment of next generation networks by major wireless operators, the continuous commitment of our customers, and increased competition. These risk factors and others are discussed in our Annual Information Form and Management's Discussion and Analysis of Financial Condition and Results of Operations, which may be found on SEDAR at www.sedar.com and on EDGAR at www.sec.gov and in our other regulatory filings with the Securities and Exchange Commission in the United States and the Provincial Securities Commissions in Canada. Many of these factors and uncertainties are beyond our control. Consequently, all forward-looking statements in this report are qualified by this cautionary statement and we cannot assure you that actual results, performance, achievements or developments that we anticipate will be realized. Forward-looking statements are based on management's current plans, estimates, projections, beliefs and opinions and we do not undertake any obligation to update forward-looking statements should the assumptions related to these plans, estimates, projections, beliefs and opinions change, except as required by law.

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 months ended March 31, 2010, and up to and including May 11, 2010. This MD&A should be read together with our audited consolidated financial statements and the accompanying notes for the year ended December 31, 2009 (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 .

Additional information related to Sierra Wireless, Inc., including our consolidated financial statements and our Annual Information Form, may be found on SEDAR at www.sedar.com and on EDGAR at www.sec.gov.

Overview

We provide leading edge wireless solutions for the machine-to-machine (M2M) and mobile computing markets. We develop and market a range of products that include wireless modems for mobile computers, embedded modules and software for original equipment manufacturers (OEMs), intelligent wireless gateway solutions for industrial, commercial and public safety applications, and an innovative platform for delivering device management and end-to-end application services. We also offer professional services to OEM customers during their product development and launch process, leveraging our expertise in wireless design, software, integration and certification to provide built-in wireless connectivity for mobile computing devices and M2M solutions. Our products, services and solutions connect people, their mobile computers and machines to wireless voice and mobile broadband networks around the world.

Our acquisition of Wavecom S.A. (Wavecom), a global leader in wireless M2M solutions headquartered in Issy-les-Moulineaux, France, on February 27, 2009 enhances our product and service offering in the global M2M market by adding highly sophisticated wireless module platforms and solutions which integrate all of the necessary software and hardware on embedded devices that can be used for a wide variety of applications. We expect the combination of Sierra Wireless and Wavecom will create a global leader that will be uniquely positioned to benefit from the anticipated growth in the wireless M2M and mobile computing markets. We expect the acquisition to significantly expand and diversify our position in the global M2M market, broaden our product offerings and increase our scale and capabilities in Europe and Asia.

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We believe that the markets for mobile broadband connectivity and wireless M2M solutions have strong growth prospects. We believe that the key growth enablers for these markets include the continued deployment of mobile broadband networks around the world, aggressive promotion of mobile broadband services by wireless operators, growing strategic focus on mobile broadband and M2M services by wireless operators and expanding end customer awareness of the availability of such services and their benefits.

Our expanded line-up of M2M wireless solutions is used by a wide range of OEMs and enterprises to wirelessly enable their products and solutions. Our M2M customers cover a broad range of industries including consumer electronics, networking equipment, automotive, energy, security, transaction processing, industrial control and monitoring, fleet management and public safety.

Our mobile computing products are used by businesses, consumers and government organizations to enable mobile broadband access to a wide range of applications, including the Internet, e-mail, corporate intranet, remote databases and corporate and consumer applications.

We sell our products primarily through indirect channels including wireless operators, OEMs, distributors and value added resellers.

On December 2, 2008, we announced an all-cash offer to purchase all of the ordinary shares and OCEANE convertible bonds (OCEANEs) of Wavecom. The total value of the transaction was approximately 218.0 million. We made a cash offer of 8.50 per share of Wavecom and 31.93 per OCEANE. The transaction was implemented by way of concurrent but separate public tender offers in both France and the United States for all Wavecom shares, all American Depositary Shares (ADSs) representing Wavecom shares and all OCEANEs issued by Wavecom. On February 27, 2009, we completed our acquisition of 84.32% of the outstanding shares and 99.97% of the outstanding OCEANEs of Wavecom, representing 90.57% of the voting rights of Wavecom. Following a statutory re-opening of the tender offer and our purchase of Wavecom shares on the market, we increased our ownership of the voting rights of Wavecom from 90.57% to 95.4% and, on April 29, 2009, completed our acquisition of all of the remaining Wavecom shares, except for certain shares held by employees that are subject to a hold period, and OCEANEs by way of a squeeze-out. The Wavecom shares and OCEANEs have been delisted from the Euronext and the ADSs have been delisted from the NASDAQ Global Market (Nasdaq).

Prior to our acquisition of Wavecom, Wavecom announced a cost savings program and a proposed reorganization. The first portion of this plan, related to its operations in the United States, began in late 2008. In the second quarter of 2009, the staff reduction program in France related to this reorganization was implemented. A total of 77 positions in France were impacted, with three of these positions remaining to be phased out by the third quarter of 2010.

On January 29, 2009, also prior to the acquisition of Wavecom, Sierra Wireless implemented an expense reduction program that was completed during the first quarter of 2009 and included the elimination of approximately 56 positions, representing 10% of our workforce. In the first quarter of 2009, we incurred a pre-tax charge of approximately \$1.6 million related to the program, which includes \$0.5 million of stock-based compensation expense.

On May 15, 2009, we announced further cost reduction initiatives related to the integration of Wavecom and Sierra Wireless that included combining the research and development (R&D) and product operations of both organizations. As a result, the Wavecom location in Research Triangle Park, North Carolina, was closed in the fourth quarter of 2009. R&D activities from this location have been transitioned primarily to the Sierra Wireless location in Carlsbad, California. The cost reduction initiatives in the U.S. and France were substantially completed by the first quarter of 2010.

Key factors that we expect will affect our results in the near term are general economic conditions in the markets we serve, our ability to successfully complete the integration of the Wavecom acquisition, the relative competitive position our products have within the wireless operators sales channels in any given period, the availability of components from key suppliers, timing of deployment of mobile broadband networks by wireless operators, wireless technology transitions, the rate of adoption by end-users, the timely launch and ramp up of sales of our new products currently under development, the level of success our OEM customers achieve with sales of embedded solutions to end users and our ability to secure future design wins with both existing and new OEM customers. We expect that product and price competition from other wireless communications device manufacturers will continue to be intense. As a result of these factors, we may experience volatility in our results on a quarter to quarter basis.

With the acquisition of Wavecom, we have a significantly expanded product line and global roster of sales channels. However, the state of the global economy causes us to continue to be cautious regarding revenue trends in the near term. We expect that Q2 2010 revenue will increase relative to Q1 2010. Specific product and business development initiatives include:

M2M Business

Our M2M business includes our AirPrime Intelligent Embedded Modules, excluding sales to PC OEMs, AirLink Intelligent Gateways and Routers and AirVantage Services Platform and Solutions. Our M2M revenue was \$88.7 million in the first quarter of 2010, compared to \$30.9 million in the same period of 2009.

AirPrime Intelligent M2M Embedded Modules (excludes PC OEM embedded modules)

Our expanded line-up of AirPrime Intelligent Embedded Modules is used by a wide range of OEMs to wirelessly enable their products and solutions. Our M2M OEM customers cover a broad range of industries including consumer electronics, networking equipment, automotive, security, transaction processing, fleet management, energy and public safety.

In the first quarter of 2010, sales of our M2M embedded module products increased 268% to \$75.7 million, compared to \$20.6 million in the same period of 2009, primarily as a result of our acquisition of Wavecom.

With the acquisition of Wavecom, we have significantly expanded our global position in wireless embedded solutions for M2M. In the first quarter of 2010, we had particularly strong shipments of our module that is embedded inside the Barnes & Noble nook ebook reader. We also launched our new AirPrime SL Series intelligent embedded modules. Designed to suit the needs of manufacturers of small host devices in high-volume production, such as e-readers, personal navigation devices and gaming devices, the Sierra Wireless AirPrime SL Series offers EDGE and HSDPA connectivity in a compact, lightweight form factor. Also during the first quarter of 2010, Funkwerk Enterprise Communications GmbH selected the Sierra Wireless AirPrime MC8790 HSPA Embedded Module to provide high-speed mobile broadband connectivity to the Funkwerk bintec RS120wu router. We believe the long-term growth and profitability prospects in the embedded M2M market are strong and we plan to continue to invest to expand our leadership position.

AirLink Intelligent Gateways and Routers

Our AirLink Intelligent Gateways and Routers are sold to public safety, transportation, field service, energy, industrial and financial organizations and are among our highest gross margin products. We believe that there are strong profitable growth prospects for our AirLink intelligent gateway solutions and intend to capture these opportunities through segment, product line and geographical expansion.

In the first quarter of 2010, revenue from AirLink intelligent gateway solutions increased 15% to \$10.5 million from \$9.1 million in the same period of 2009 primarily as a result of our acquisition of Wavecom.

During the first quarter of 2010, EDMI selected our intelligent embedded modules to integrate into its advanced electronic energy meter to service the growing global smart meter market. In addition, together with Prumaro d.o.o. and local integrator Telos d.o.o., we announced the deployment of Prumaro's GEM interactive digital signage application, powered by Sierra Wireless AirLink Pinpoint X mobile communications gateway in 128 public buses and 64 kiosks throughout Slovenia's capital of Ljubljana.

AirVantage Services Platform and Solutions

Our AirVantage business unit provides solutions and services that allow system integrators, enterprises and telecom operators to accelerate the deployment of complete M2M solutions for managing remote equipment and assets. These solutions are based on tools that facilitate the development and delivery of applications that are hosted on our AirVantage services platform. Our services platform is scalable, secure and compatible with a broad range of available wireless equipment.

During the first quarter of 2010, we signed a services contract with IBM to host a new services platform dedicated to our software as a service M2M offering. The new hosting facility is expected to support a growing number of North American customers, including Orbcomm who went live on the platform in March 2010. We announced a new Consumer Device Management application for the Sierra Wireless AirVantage Services Platform that offers wireless network operators and M2M solution providers a simple, cost effective way to deploy and manage mass market consumer devices. In addition, together with the French wireless network operator Bouygues Telecom, we introduced a new bundled offer for wireless M2M communication that targets industrial, sales and payment, and security solutions. The bundle gives access to Bouygues Telecom's prepaid pan-European data airtime on the new Sierra Wireless AirLink GL6100 GSM/GPRS modem with Embedded SIM and includes a one year subscription to Sierra Wireless AirVantage Management Services for remote diagnosis and software upgrades.

Mobile Computing Business

Our mobile computing business includes our AirCard® Mobile Broadband Devices and embedded module sales to PC OEM customers. Our mobile computing revenue was \$62.6 million in the first quarter of 2010, compared to \$80.5 million in the same period of 2009.

AirCard® Mobile Broadband Devices

Our AirCard mobile broadband device family includes our AirCard branded PC cards, USB modems and mobile Wi-Fi hotspots. Our AirCards, sold to wireless operators around the world, provide a simple way to connect notebooks, netbooks and other electronic devices to the Internet, over 3G and 4G mobile broadband networks. In the first quarter of 2010, sales of our AirCard products decreased 25% to \$57.0 million, compared to \$76.0 million in the same period of 2009 due primarily to lower unit volume sales.

Notwithstanding our lower AirCard revenue in the first quarter of 2010 compared to the same period of 2009, we believe that the market for our AirCard products continues to offer profitable opportunities. Competition in this market continues to be intense and our future success will depend in part on our ability to continue to develop differentiated products that meet our customers' evolving technology, design, schedule and price requirements.

During the first quarter of 2010, we continued to have a strong position with AT&T and Telstra for shipments of our HSPA AirCards and with Sprint for shipments of our 3G/4G Mobile Hotspot and EV-DO Rev A AirCards.

During the first quarter of 2010, we began shipping the Sierra Wireless AirCard W801 Mobile Hotspot, the world's first wireless mobile hotspot that combines 3G (EV-DO Rev A) with 4G (WiMax) and WiFi technologies. Also known as the Overdrive 3G/4G Mobile Hotspot launched by Sprint, this product turns a single Internet connection into a wireless LAN that can be shared by multiple users.

Also during the first quarter of 2010, together with Telefonica, we successfully demonstrated an innovative cloud computing application at Mobile World Congress in Barcelona, Spain. Using the Sierra Wireless AirCard 310U USB modem, the 3GBox demonstration showcased a unique product and service combination wherein a customer would be provided with an online storage vault accessed directly via the USB modem.

DNA Ltd., a Finnish telecommunications company, began offering its customers even faster connections with modem devices supplied by Sierra Wireless, the first time Sierra Wireless USB modems have been commercially available in Finland.

During the first quarter of 2010, we introduced our upcoming product portfolio, enhancing our HSPA+ product line with a selection of products to support customers migrating to dual-carrier HSPA+ technology, effectively doubling the speeds of currently available HSPA+ devices. The Sierra Wireless AirCard 312U USB modem is scheduled for commercial release later this year from Telstra in Australia. Dual-carrier HSPA+ doubles the downlink speeds of current HSPA+ networks from a theoretical maximum of 21 megabits per second (Mbps) to 42 Mbps, making them more efficient and providing a better user experience for customers.

We also announced that the Sierra Wireless AirCard product line provides a Windows 7 Device Stage experience across multiple devices. Sierra Wireless is the first mobile broadband modem supplier to deploy a Device Stage experience, which provides customers with more convenient, intuitive access to their device and account information.

AirPrime Intelligent Embedded Modules for PC OEMs

In the first quarter of 2010, revenue from sales of our AirPrime Intelligent Embedded Modules to PC OEM customers increased 26% to \$4.8 million from \$3.8 million in the first quarter of 2009.

During the first quarter of 2010, Fujitsu selected Sierra Wireless to provide 3G mobile broadband for several new models in Fujitsu's LIFEBOOK series notebooks which will utilize Qualcomm's Gobi Global Mobile Internet technology, provided by Sierra Wireless. Panasonic Computer Solutions Company, manufacturer of durable, reliable Panasonic Toughbook® mobile computers, announced that with our help, it would deploy Gobi2000 technology across its Toughbook line of rugged mobile computers. We also have new opportunities with Tier 1 PC OEM manufacturers and expect to secure design wins for platform launches in 2011. We believe that these new design wins will enable us to continue to grow our revenue from PC OEM customers in subsequent quarters. Our ability to secure

additional design wins in the PC OEM market will depend on being successful in developing products and offering services that meet our customers' technology, design, schedule and price requirements.

Selected Annual Information

Years ended December 31,	2007	2008	2009
Revenue	\$ 439,903	\$ 567,308	\$ 526,384
Net earnings (loss)	32,459	62,583	(39,899)
Basic earnings (loss) per share	1.17	2.00	(1.29)
Diluted earnings (loss) per share	1.16	2.00	(1.29)
Total assets	385,021	462,386	484,519
Total long term liabilities	6,919	15,105	36,105

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

Results of Operations

The following table sets forth our operating results for the three months ended March 31, 2010, expressed as a percentage of revenue:

Three months ended March 31,	2010	2009
Revenue	100.0%	100.0%
Cost of goods sold	69.4	71.7
Gross margin	30.6	28.3
Expenses		
Sales and marketing	9.4	8.4
Research and development	13.6	13.4
Administration	6.3	5.9
Acquisition costs		5.9
Restructuring costs	1.1	1.5
Integration costs	1.2	0.2
Amortization	2.0	2.2
	33.6	37.5
Loss from operations	(3.0)	(9.2)
Foreign exchange loss	(2.4)	(8.9)
Other expense	(0.1)	(3.6)
Loss before income taxes	(5.5)	(21.7)
Income tax recovery	(0.5)	(0.2)
Loss before non-controlling interest	(5.0)	(21.5)
Less: Non-controlling interest		(0.3)
Net loss	(5.0)%	(21.2)%

Our revenue by product, by distribution channel and by geographical region is as follows:

Three months ended March 31,	2010	2009
Revenue by business line		
M2M	28%	59%
Mobile computing	72	41
	100%	100%
Revenue by product		