

**Sierra Wireless is building  
the Internet of Things.**

# Sierra Wireless

## Q1 2016 Quarterly Results

May 5, 2016



# Safe harbor statement

Certain statements and information in this presentation are not based on historical facts and constitute forward-looking statements within the meaning of applicable securities laws (“forward-looking statements”) including statements and information relating to our Q2’16 and full year financial guidance summary, our guidance drivers for 2016 and our business outlook for 2016 and beyond. Forward-looking statements are provided to help you understand our views of our short and longer term plans, expectations, and prospects. We caution you that forward-looking statements may not be appropriate for other purposes. We do not intend to 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”, “will”, “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 not be 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. 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](http://www.sedar.com) and on EDGAR at [www.sec.gov](http://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.
  - Actual sales volumes or prices for our products and services may be lower than we expect for any reason including, without limitation, the 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, may be delayed or may not be 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;
  - Transition periods associated with the migration to new technologies may be longer than we expect;
  - Unanticipated costs associated with litigation or settlements associated with intellectual property matters; and
  - Higher than anticipated costs; disruption of, and demands on, our ongoing business; and diversion of management’s time and attention in connection with acquisitions or divestitures

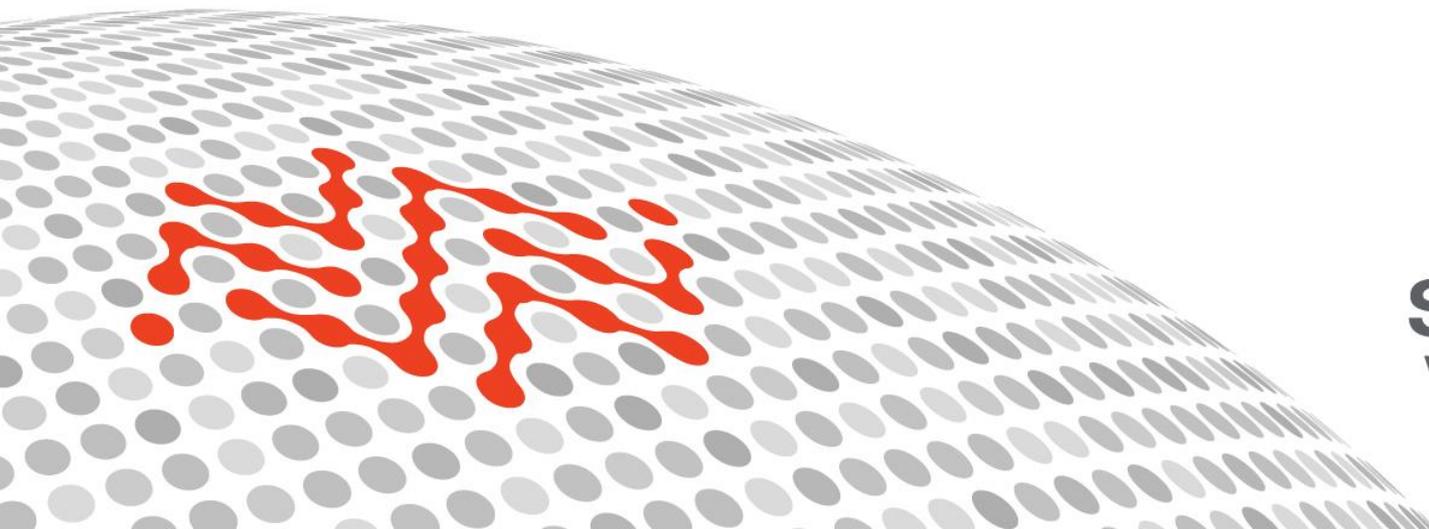
Investors are cautioned not to place undue reliance on these forward-looking statements. No forward-looking statement is a guarantee of future results.

## USE OF NON-GAAP FINANCIAL MEASURES

- This presentation contains references to certain non-GAAP financial measures and should be viewed in conjunction with our press release.

# Business Overview

Jason Cohenour, Chief Executive Officer



# Q1 2016 Overview

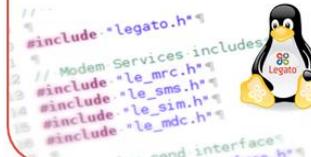
- Revenue in First Quarter was \$142.8 million, lower by 5% on a year-over-year basis
- Q1'16 adjusted EBITDA was \$6.7 million compared to \$11.3 million in the prior year
- Non-GAAP earnings per diluted share in Q1'16 were \$0.08 compared to \$0.22 in the prior year
- Legal settlement with component supplier favorably impacted Q1 profitability metrics
- Secured new customer wins in Automotive, Security, Enterprise, Mobile Computing, Transit, Public Safety, Energy and Industrial
- Expect our business to gain strength in Q2 and for the remainder of the year

## Sierra Wireless is Building the Internet of Things

Technology leadership

4G LTE

Innovative open-source embedded platforms



Industry's broadest product portfolio



Strong global presence



Unified IoT Platform

IoT Acceleration Platform



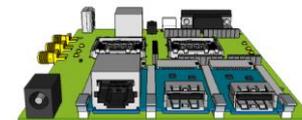
Managed connectivity services



# OEM Solutions

**Q1'16 Revenue: \$120.9M (Non-GAAP GM: 28.4%)**

- Revenue in the First Quarter of \$120.9 million
- As expected, in Q1'16 we experienced some softness in Automotive and from a small group of existing customers in other segments
- Partially offset by contribution from new programs
- Continued design win success in Automotive, Mobile Computing, Utility and Industrial
  - Sagemcom selected LTE Cat-1 embedded module for smart meter deployment in Netherlands
  - Parkeon selected HL Series embedded modules for global smart parking deployments
- Contribution from new customer programs expected to grow over course of the year



Project mangOH

SAGEMCOM



TELULAR



FCA



CISCO

ingenico  
GROUP

OCTO

# Enterprise Solutions

**Q1'16 Revenue: \$15.0M (Non-GAAP GM: 65.1%\*)**

- Revenue in the First Quarter of \$15.0 million
  - revenue up 9% compared to Q1'15
- New AirLink RV50 LTE gateway gaining traction following launch in Q4'15
- New customer wins in Public Safety, Energy and Transit
- QoS Telecom selected AirLink LTE gateways to provide WiFi services in transit buses
- Announced new vehicle telemetry solution for AirLink GX450 gateway for fleet management
- Expanding product portfolio with additional gateway launches in next three quarters

**Providing secure, managed cellular wireless connectivity solutions for the most demanding, mission-critical applications**

## Mobility



## Industrial



## Enterprise



## Services



**AirLink Management Services**  
Configure, deploy and remotely manage fleet of AirLink gateways

# Cloud and Connectivity Services

**Q1'16 Revenue: \$6.9M (Non-GAAP GM: 40.1%)**

- Revenue in the First Quarter of \$6.9 million
- New customer wins in Payment, Energy, and Industrial
  - wins in EMEA, U.S. and Latin America
- Successfully launched new Smart SIM for superior QoS and global network coverage
- Commenced upgrade of LTE core network; expanding wholesale operator agreements to bolster global footprint & service capability
- Unified cloud platform for comprehensive operations management and app enablement



## IoT Acceleration Platform



Subscription Management



Application Enablement



Device Management

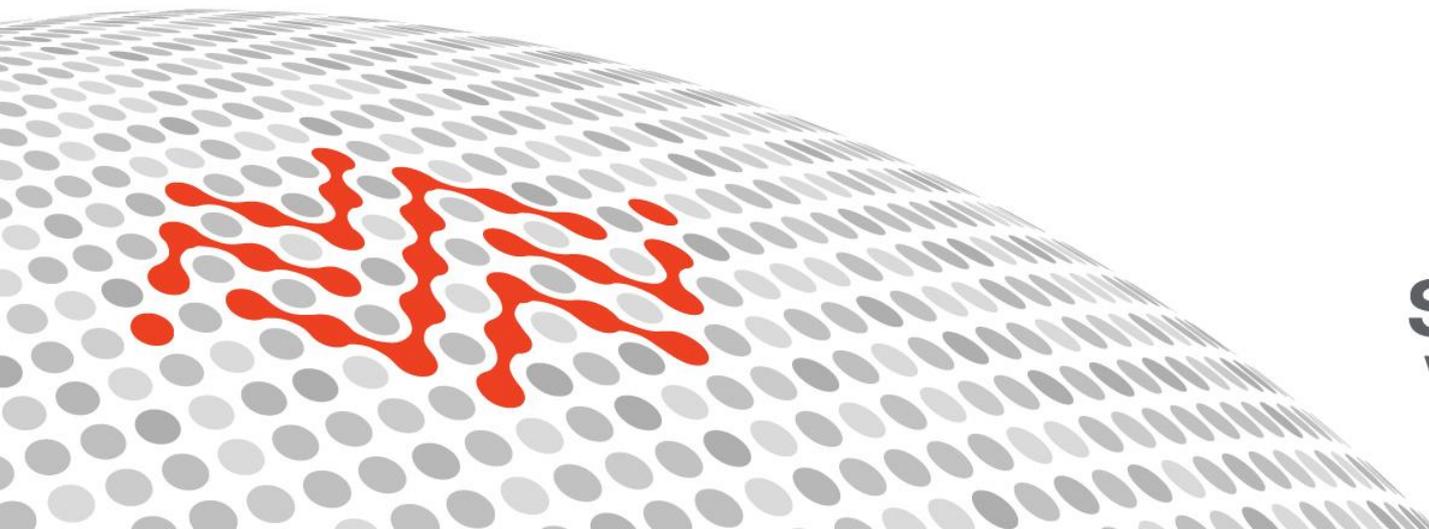


## Sierra Wireless Smart SIM

- Patented technology for QoS and worldwide multi-operator coverage

# Financial Overview

David McLennan, Chief Financial Officer



# Summary of Key Financial Metrics

## Q1 2016 Financial Metrics (\$USD millions, except EPS and margin %)

	Q1 2016 Results		
	GAAP Actual	Non-GAAP <sup>(1,2)</sup> Actual	Non-GAAP <sup>(1)</sup> Guidance
Revenue	\$142.8	\$142.8	\$135.0 to \$145.0
Gross Margin (%)	32.8%	32.9%	
Operating Expenses	\$48.1	\$43.3	
Adjusted EBITDA <sup>(3)</sup>	n/a	\$ 6.7	
Earnings (loss) from operations	\$(1.3)	\$ 3.6	
Net Earnings	\$0.7	\$ 2.6	
Earnings per share (f.d.)	\$0.02	\$0.08	slightly pos. / neg.

(1) Q1'16 Non-GAAP results include a \$2.3 million recovery from a legal settlement with a supplier related to a quality issue with a component used in some of our gateway products, of which \$1.9 million was booked in Cost of Goods Sold and \$0.4 million in Operating Expenses. Key financial metrics excluding this recovery would be as follows: Gross margin of 31.5%; Operating Expenses of \$43.7 million; Adjusted EBITDA of \$4.4 million; Earnings from Operations of \$1.3 million; and EPS of \$0.03

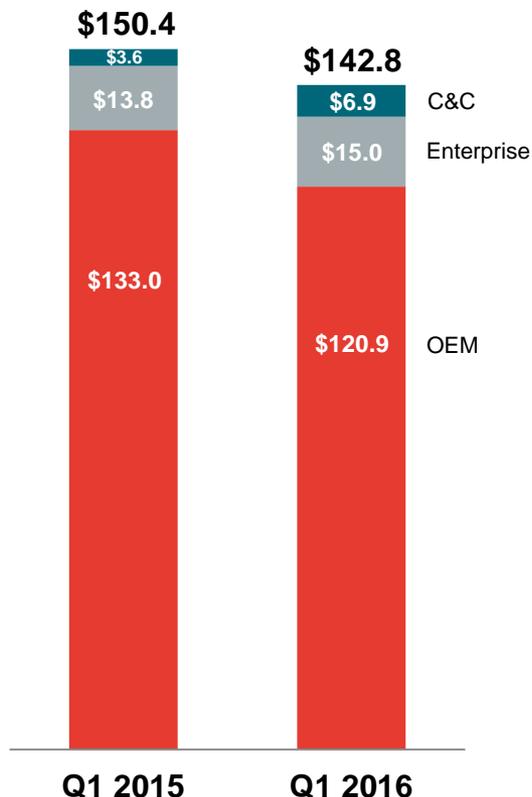
(2) Non-GAAP financial measures exclude the impact of: stock-based compensation expense and related social taxes, acquisition-related costs, acquisition amortization, impairment, integration costs, restructuring costs, foreign exchange gains or losses on translation of balance sheet accounts, and certain tax adjustments.

(3) Adjusted EBITDA as defined equates to earnings (loss) from operations plus stock-based compensation expense and related social taxes, acquisition-related costs, restructuring costs, integration costs, impairment and amortization.

# Q1 2016 – Non GAAP Operating Results<sup>(1)</sup>

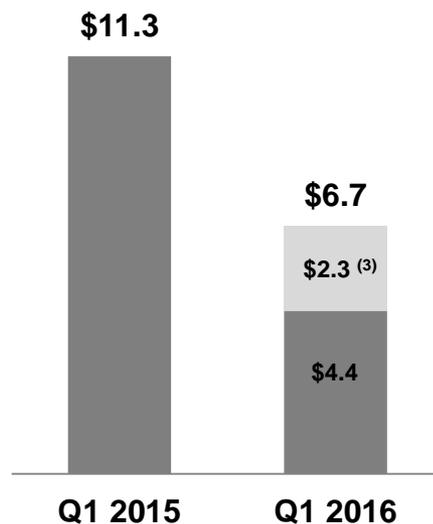
## Quarterly Revenue

(\$USD millions)



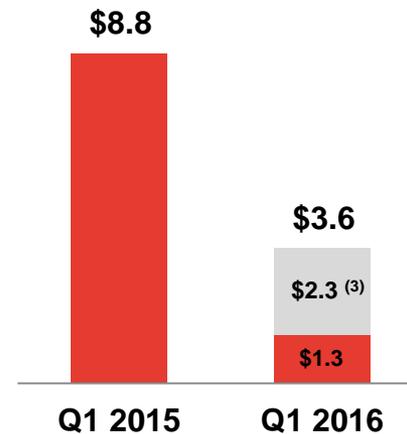
## Adjusted EBITDA<sup>(2,3)</sup>

(\$USD millions)



## Earnings from Operations<sup>(2,3)</sup>

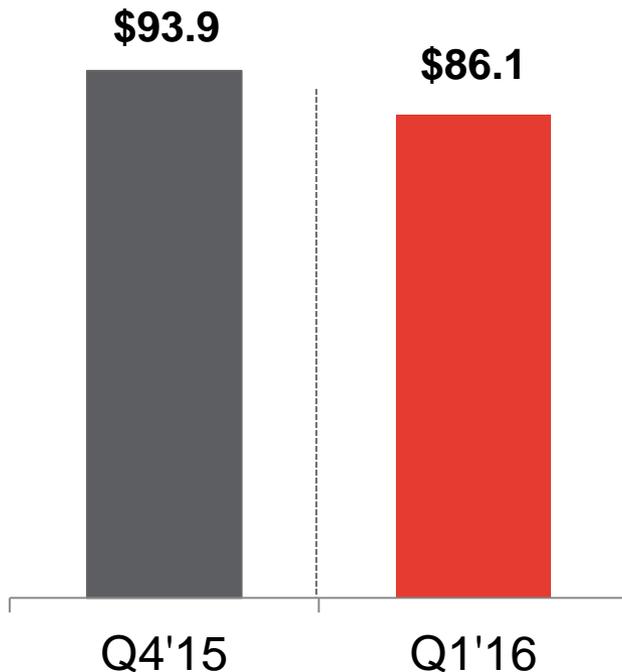
(\$USD millions)



(1) Non-GAAP financial measures exclude the impact of: stock-based compensation expense and related social taxes, acquisition related costs, acquisition amortization, impairment, integration costs, restructuring costs, foreign exchange gains or losses on translation of balance sheet accounts, and certain tax adjustments.  
 (2) Adjusted EBITDA as defined equates to earnings (loss) from operations plus stock-based compensation expense and related social taxes, acquisition related costs, restructuring costs, integration costs, impairment and amortization.  
 (3) Q1'16 Non-GAAP results include a \$2.3 million recovery from a legal settlement with a supplier related to a quality issue with a component used in some of our gateway products, of which \$1.9 million was booked in Cost of Goods Sold and \$0.4 million in Operating Expenses. Key financial metrics excluding this recovery would be as follows: Gross margin of 31.5%; Operating Expenses of \$43.7 million; Adjusted EBITDA of \$4.4 million; Earnings from Operations of \$1.3 million; and EPS of \$0.03

# Solid Cash Position and Debt Free

## Cash & Cash Equivalents (\$USD millions)



Balance sheet remains strong with  
\$86.1 million in cash and no debt

US\$ Millions	Q1 2016
Cash provided from operations	7.6
Capital expenditures	(3.1)
Free cash flow	4.5
Repurchase of shares (NCIB)	(6.1)
Purchase of shares (RSU trust)	(4.2)
Other	(2.0)
Decrease in cash balance	(7.8)

# Q2 2016 and Annual Guidance

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## Second Quarter 2016 guidance

- Expect revenue to be in the range of \$150 to \$160 million
- Expect non-GAAP Earnings per share to be in the range of \$0.09 to \$0.17

## Annual 2016 guidance

- Expect revenue to be in the range of \$630 to \$670 million
- Expect non-GAAP EPS to be in the range of \$0.60 to \$0.90
- Remains unchanged from Feb 4, 2016

# Q1'16 Summary

- Q1'16 results slightly better than expected
- Positioned to drive improving sequential growth in 2016
  - Normalizing demand from our existing customer base
  - Expecting 40+ new customer programs to launch
  - Expanding gateway portfolio with new products
  - Making targeted investments in Sales & Marketing
- Strengthening leadership position with fully integrated device-to-cloud solutions
- Continue to pursue strategic acquisitions to accelerate growth and create shareholder value

Trusted IoT partner to leading global customers

PHILIPS



RENAULT

ingenico  
GROUP



FCA

Honeywell



EDMI

VEOLIA

HARMAN



PEUGEOT



BNSF