



Second Quarter 2020 Results

Sierra Wireless

Aug 6, 2020



Cautionary Note Regarding Forward-Looking Statements

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"). These forward-looking statements may include statements and information relating to our 2020 corporate update; financial guidance for our fiscal year 2020; the impact of COVID-19 on customer demand, our supply chain, manufacturing capacity, our ability to meet customer demand and our financial results; expectations regarding post-COVID-19 recovery; expectations regarding the Company's cost savings initiatives; anticipated benefits of our recently announced divestiture of the automotive product line (the "Sale Transaction") and the Company's exit from automotive applications; the anticipated timing of the closing of the Sale Transaction; expectations regarding movement of employees pursuant to the Sale Transaction; our business outlook for the short and long term; statements regarding our strategy, plans, goals, objectives, expectations and future operating performance; the Company's liquidity and capital resources; the Company's financial and operating objectives and strategies to achieve them; general economic conditions; estimates of our expenses, future revenues, financial results and capital requirements; our expectations regarding the legal proceedings we are involved in; statements with respect to the Company's estimated working capital; expectations with respect to the adoption of Internet of Things ("IoT") solutions; expectations regarding trends and growth in the IoT market and wireless module market; expectations regarding product and price competition from other wireless device manufacturers and solution providers; our ability to implement effective control procedures; and expectations regarding the launch of fifth generation cellular embedded modules, gateways and routers. In particular, this presentation describes our revenue targets which are forward-looking statements and are subject to the assumptions, risks, and uncertainties described below. Forward-looking statements are provided to help you understand our current views of our short and long-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: "target", "outlook", "will", "may", "estimates", "intends", "believes", "plans", "anticipates" and "expects", and similar expressions are not promises or guarantees of future performance. They represent our current views and may change significantly. In particular forward-looking statements that relate to longer periods of time, such as our revenue targets, are subject to substantial uncertainty and could prove to be significantly incorrect. Forward-looking statements are based on a number of material assumptions, including, but not limited to, those listed below, which could prove to be significantly incorrect:

- the scope and duration of the COVID-19 pandemic and its impact on our business;
- our ability to return to normal operations after the COVID-19 pandemic has subsided;
- expected component supply constraints and manufacturing capacity;
- customer demand and our ability to continue to sell our products and services in the expected quantities at the expected prices and expected times;
- our ability to realize the anticipated benefits of the Sale Transaction;
- our ability to effect and to realize the anticipated benefits of our business transformation initiatives, and the timing thereof;
- our ability to develop, manufacture and sell new products and services that meet the needs of our customers and gain commercial acceptance;
- expected macro-economic business conditions;
- expected cost of sales;
- our ability to win new business;
- our ability to integrate acquired businesses and realize expected benefits;
- our ability to renew or obtain credit facilities when required;
- expected deployment of next generation networks by wireless network operators;
- our operations not being adversely disrupted by other developments, operating, cyber security, litigation, or regulatory risks; and
- expected tax and foreign exchange rates.

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, which contains further information regarding our use of non-GAAP financial measures, including a reconciliation of such information to our GAAP results

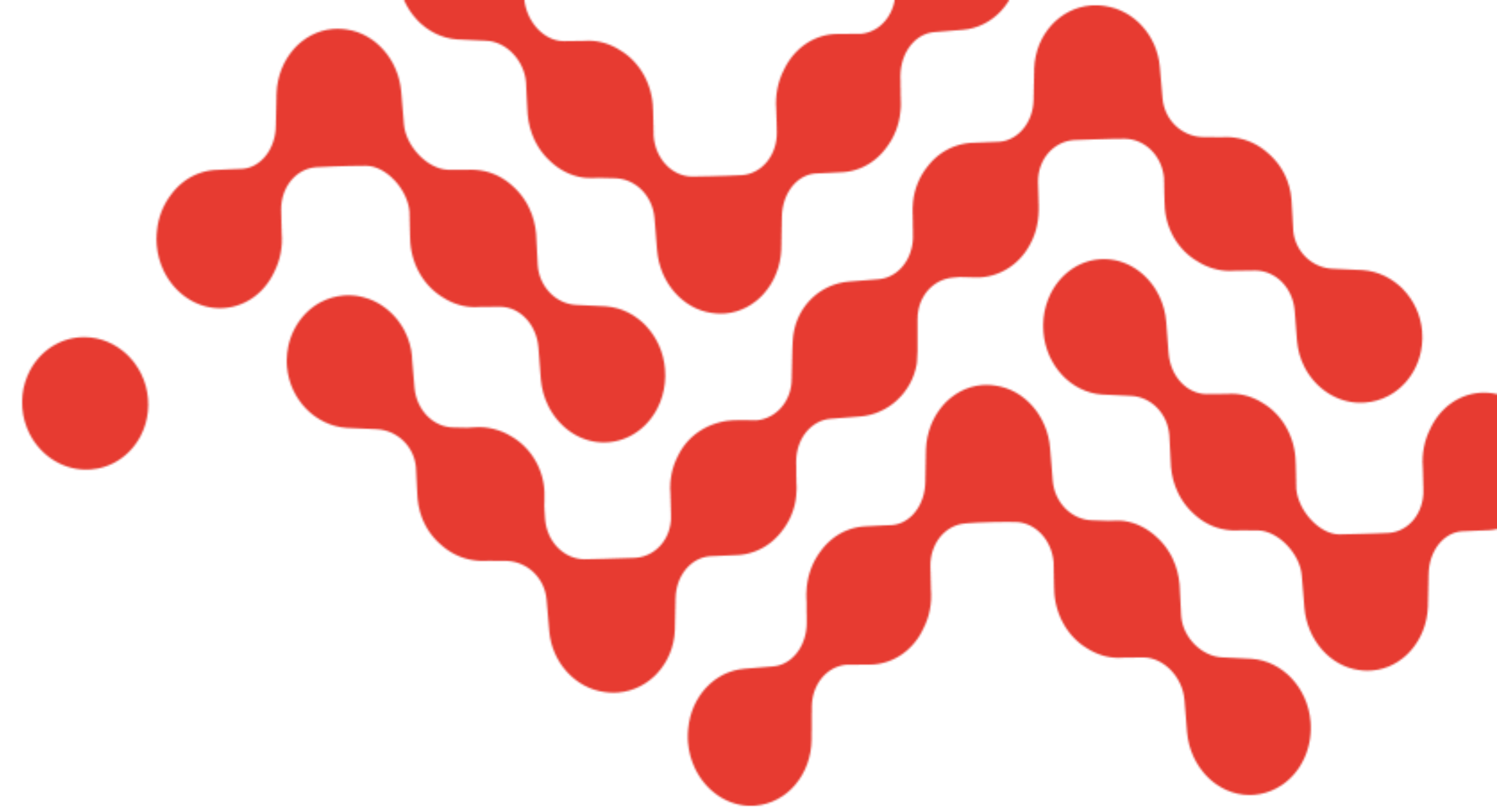
- Forward-looking statements are based on our management's current expectations and we caution investors that forward-looking statements, particularly those that relate to longer periods of time are subject to substantial known and unknown material risks and uncertainties. Many factors could cause our 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 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:
 - prolonged negative impact from COVID-19;
 - our access to capital if required;
 - competition from new or established competitors or from those with greater resources;
 - natural catastrophes or public health epidemics could impact customer demand, result in production disruption and impact our ability to meet customer demand or capacity to continue critical operations;
 - risks that the Sale Transaction may not be completed in a timely manner or at all, which may adversely affect our business and the price of our common shares;
 - failure to satisfy the conditions to the consummation of the Sale Transaction and the receipt of certain governmental and regulatory approvals;
 - risks that the Sale Transaction may fail to realize the expected benefits;
 - the loss of, or significant demand fluctuations from, any of our significant customers;
 - our financial results being subject to fluctuation;
 - our business transformation initiatives may result in disruptions to our business and may not achieve the anticipated benefits;
 - our ability to respond to changing technology, industry standards and customer requirements;
 - failures of our products or services due to design flaws and errors, component quality issues, manufacturing defects, network service interruptions, cyber-security vulnerabilities or other quality issues;
 - deterioration in macro-economic conditions could adversely affect our operating results and financial conditions;
 - our ability to attract or retain key personnel and the impact of organizational change on our business;
 - cyber-attacks or other breaches of our information technology security;
 - risks related to the transmission, use and disclosure of user data and personal information;
 - disruption of, and demands on, our ongoing business and diversion of management's time and attention in connection with acquisitions or divestitures;
 - risks that the acquisition of M2M Group or our investments and partnerships may fail to realize the expected benefits.
 - risks related to infringement on intellectual property rights of others;
 - our ability to obtain necessary rights to use software or components supplied by third parties;
 - our ability to enforce our intellectual property rights;
 - our reliance on single source suppliers for certain components used in our products;
 - our dependence on a limited number of third-party manufacturers;
 - unanticipated costs associated with litigation or settlements;
 - our dependence on mobile network operators to promote and offer acceptable wireless data services;
 - risks related to contractual disputes with counterparties;
 - risks related to governmental regulation;
 - risks inherent in foreign jurisdictions; and
 - risks related to tariffs or other trade restrictions.

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

Corporate Update

President & CEO Kent Thexton:

- Q2'20 results were in-line with our internal expectations despite a dynamic operating environment and some supply chain challenges.
- Recurring and Other Services revenue was \$28.1 million in the Second Quarter
- Q2'20 Revenue was impacted by weakness in the automotive segment as many OEMs temporarily closed their production facilities during the quarter
- The announced divestiture of Auto product line for US\$165 million is expected to unlock shareholder value and improve our balance sheet
- Recurring revenue win activity generated \$20.4 million in LTARR in the Second Quarter
- We will be launching new 5G cellular modules, gateways and routers in 2H'20



Financial overview

Sam Cochrane, CFO

Q2'20: Summary of key financial metrics

(USD millions, except EPS and margin %)

Q2 2020 Financial Results

Q2'20 Revenue

\$144.1m

Q2'20 Adj. EBITDA

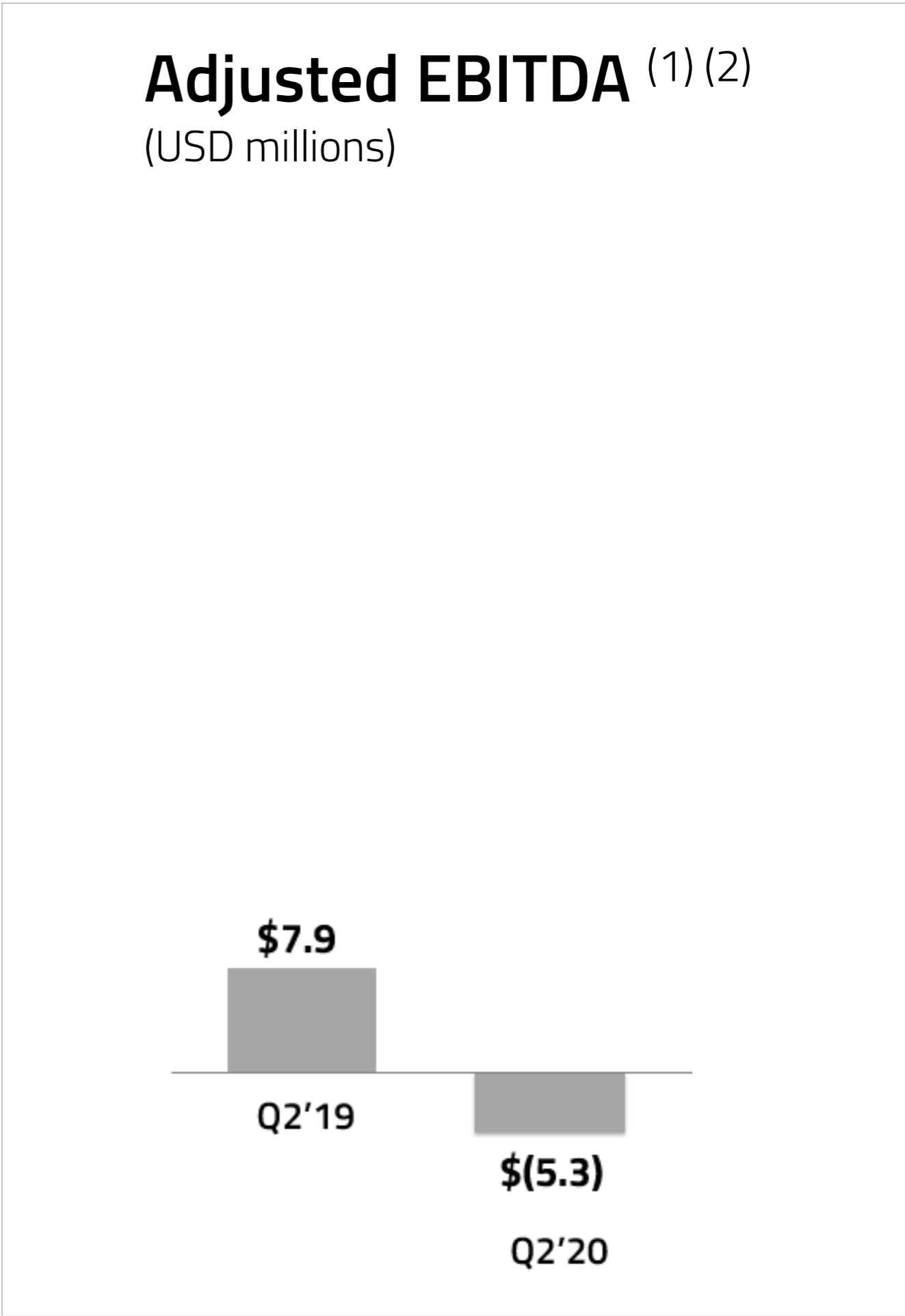
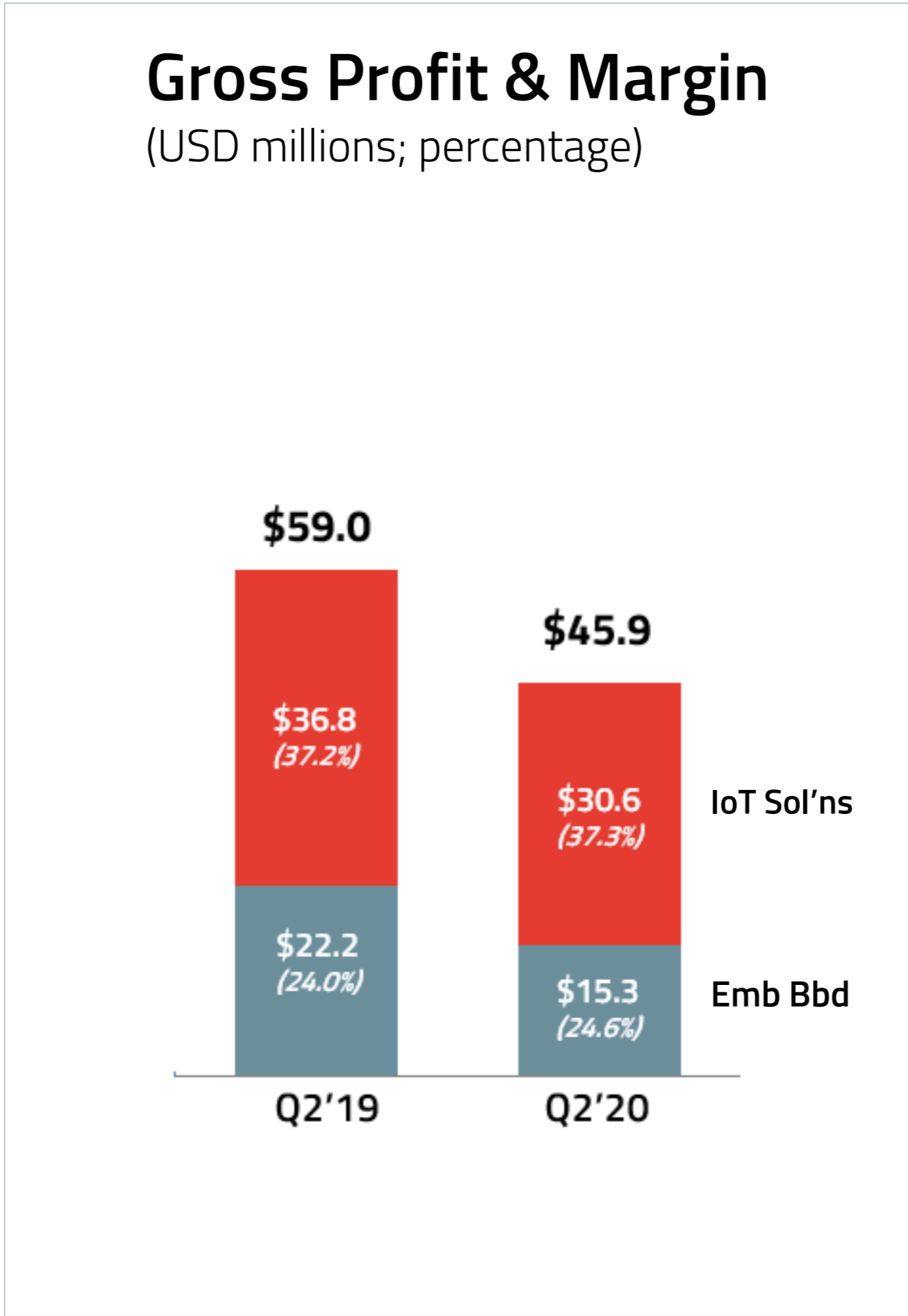
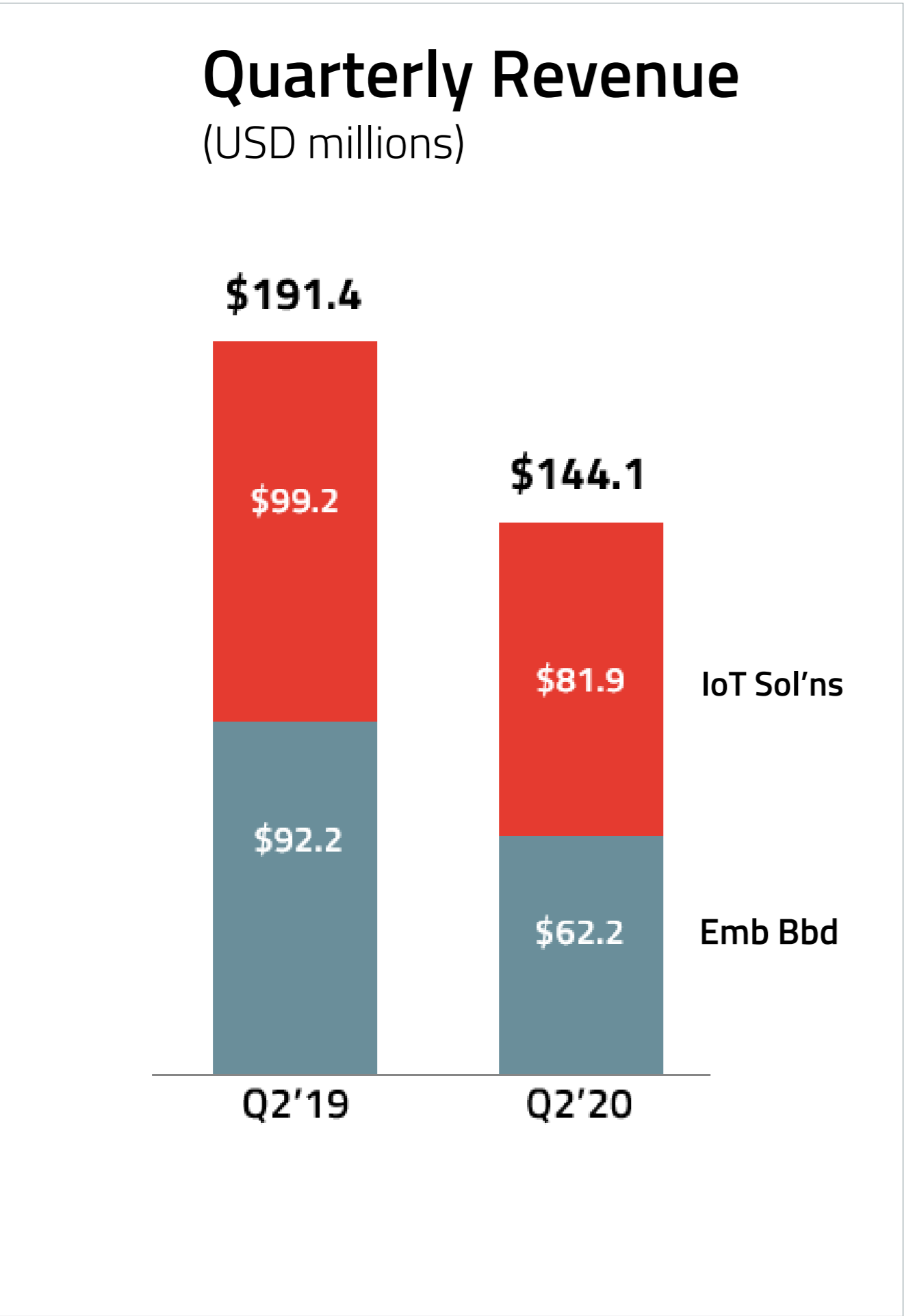
\$(5.3)m

	GAAP Actual	Non-GAAP Actual ⁽¹⁾
Total Revenue	\$144.1	\$144.1
Gross margin (%)	31.8%	31.8%
Operating expenses	\$63.7	\$55.8
Adjusted EBITDA ⁽²⁾	n/a	\$(5.3)
Operating Loss	\$(17.8)	\$(10.0)
Net loss	\$(15.6)	\$(11.1)
Loss per share (f.d.)	\$(0.43)	\$(0.30)

(1) Non-GAAP financial measures exclude the impact of: stock-based compensation expense and related social taxes, acquisition-related expense, acquisition amortization, impairment, integration expense, restructuring expense, certain other non-recurring expenses or recoveries, foreign exchange gains or losses on translation of certain balance sheet accounts, unrealized foreign exchange gains or losses on forward contracts and certain tax adjustments

(2) Adjusted EBITDA as defined equates to net earnings (loss) plus stock-based compensation expense and related social taxes, acquisition-related expense, restructuring expense, integration expense, impairment, certain other non-recurring expenses or recoveries, amortization, foreign exchange gains or losses on translation of certain balance sheet accounts, unrealized foreign exchange gains or losses on forward contracts, interest and income tax

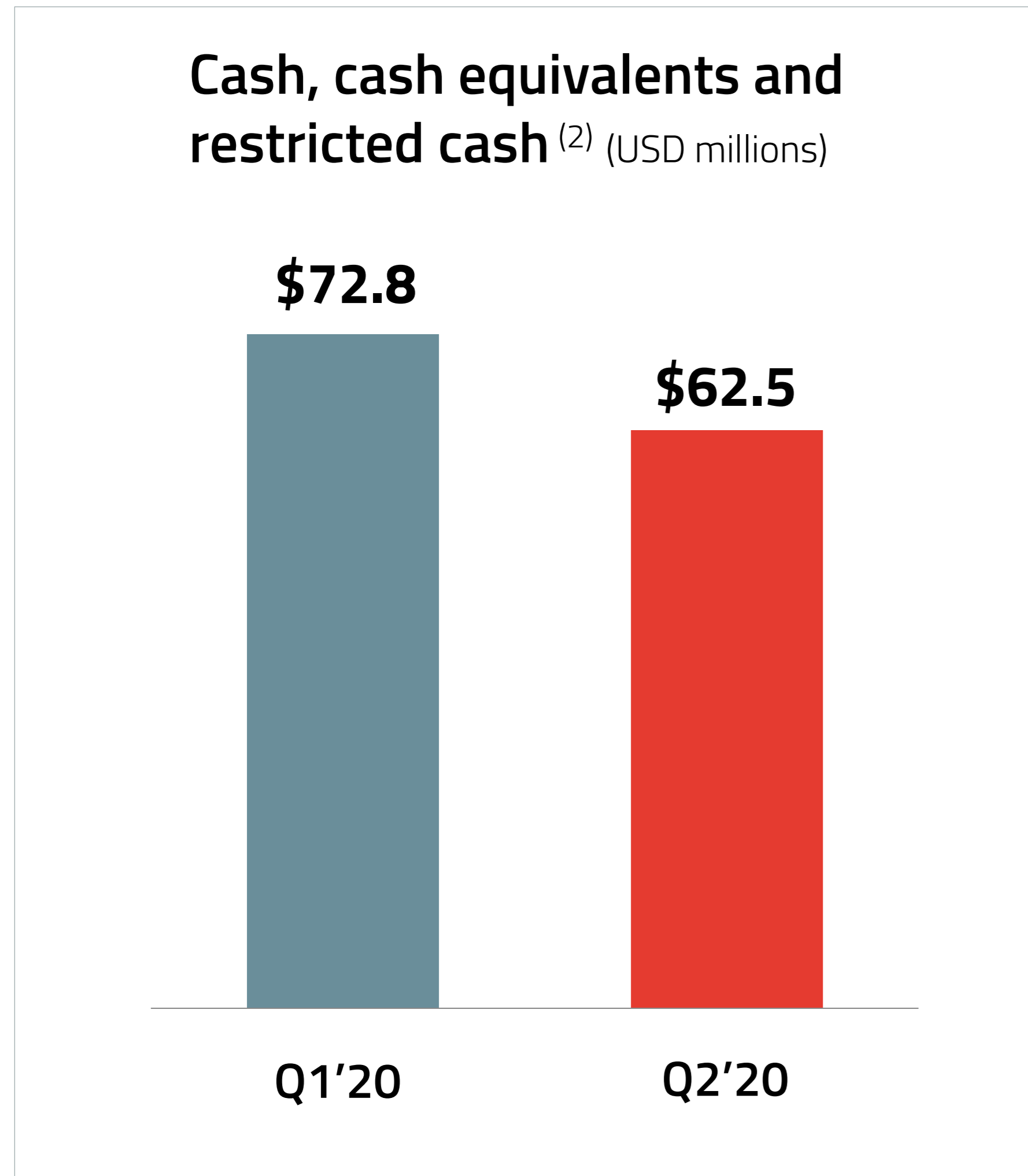
Q2 2020 – Non-GAAP results



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Q2 2020 - Cash Position



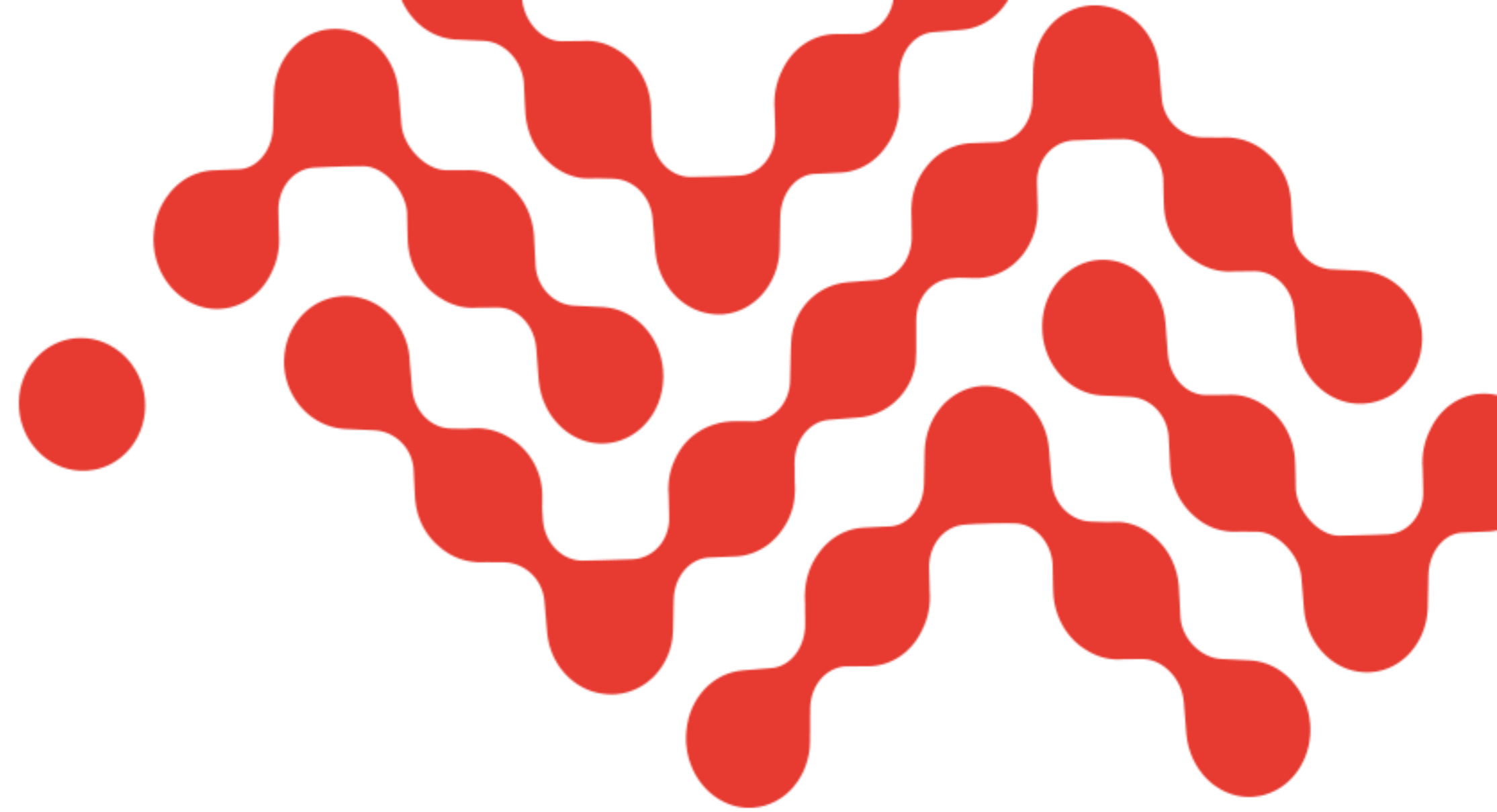
	<u>Q2 2020</u>
Cash flow from operations	\$ 5.7
Capital Expenditures	\$ (6.5)
Free Cash Flow ⁽¹⁾	\$ (0.8)
Repayment of credit facility	\$ (10.0)
Other	0.5
Change in Cash Balance	\$ (10.3)

(1) Free cash flow is a non-GAAP financial measure. Free cash flow is defined as cash flow from operating activities minus capital expenditures and increases in intangibles.

(2) Restricted cash in Q2'20 is \$2.3M and in Q1'20 is \$2.4M

Full Year 2020

- The impact of COVID-19 pandemic on our global business continues to remain uncertain
- Given these conditions, we will continue to not provide guidance although we are seeing some business improvements
- In conjunction with the recently announced divestiture of the embedded automotive business, we will be initiating actions to reduce operating expenses by approximately \$20 million which serves to right-size the remaining business



Q&A