U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 40-F

☐ REGISTRATION STATEMENT PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

OR

☒ ANNUAL REPORT PURSUANT TO SECTION 13(a) OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2020

Commission File No.: 000-30718

SIERRA WIRELESS, INC.

(Exact name of Registrant as specified in its charter)

Canada
(Province or other jurisdiction of incorporation or organization)

Primary Standard Industrial Classification Code (if applicable): 3663

I.R.S. Employer Identification Number (if applicable): 98-0163236

13811 Wireless Way, Richmond
British Columbia, Canada V6V 3A4
(604) 231-1100
(Address and telephone number of principal executive offices)

CT Corporation
111 Eighth Avenue
New York, New York 10011
(212) 894-8940
(Agent for service in the United States)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Shares, without par value	SWIR	The Nasdaq Global Market

Securities registered or to be registered pursuant to Section 12(g) of the Act: **None**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None**

For annual reports, indicate by check mark the information filed with this Form:
☑ Annual Information Form ☑ Audited Annual Financial Statements

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: **36,619,439 Common Shares, without par value, as at December 31, 2020**

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files). Yes ☑ No ☐

Indicate by check mark whether the Registrant is an emerging growth company as defined in Rule 12b-2 of the Exchange Act.

Emerging growth company ☐

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the Registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section13(a) of the Exchange Act. ☐

Indicate by check mark whether the Registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☑

A. Disclosure Controls and Procedures

Disclosure controls and procedures are defined by the Securities and Exchange Commission (the "Commission") as those controls and other procedures that are designed to ensure that information required to be disclosed by the Registrant in reports filed or submitted by it under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms.

The Registrant's Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the Registrant's disclosure controls and procedures and have determined that such disclosure controls and procedures were effective as of the end of the period covered by this Annual Report. A discussion of the Registrant's disclosure controls and procedures can be found in its Management's Discussion and Analysis of Financial Condition and Results of Operations for the fiscal year ended December 31, 2020, filed as Exhibit No. 1.3 to this Annual Report, under the heading "Disclosure Controls and Procedures".

B. Management's Annual Report on Internal Control Over Financial Reporting

See Management's Discussion and Analysis of Financial Condition and Results of Operations for the fiscal year ended December 31, 2020, filed as Exhibit No. 1.3 to this Annual Report, under the heading "Internal Control Over Financial Reporting — Management's Annual Report on Internal Control Over Financial Reporting".

C. Attestation Report of the Registered Public Accounting Firm

The attestation report of Ernst & Young LLP ("EY"), the independent registered public accounting firm of the Registrant, is included in EY's report, dated March 17, 2021 to the shareholders of the Registrant, which accompanies the Registrant's audited consolidated financial statements for the fiscal year ended December 31, 2020, filed as Exhibit 1.2 to this Annual Report.

D. Changes in Internal Control Over Financial Reporting

See Management's Discussion and Analysis of Financial Condition and Results of Operations for the fiscal year ended December 31, 2020, filed as Exhibit No. 1.3 to this Annual Report, under the heading "Internal Control Over Financial Reporting - Management's Annual Report on Internal Control Over Financial Reporting".

E. Notice of Pension Fund Blackout Period

The Registrant was not required by Rule 104 of Regulation BTR to send any notice to any of its directors or executive officers during the fiscal year ended December 31, 2020.

F. Audit Committee Financial Expert

The Registrant's Board of Directors has determined that Lori M. O'Neill (Chair), Russell N. Jones and Thomas Sieber are the audit committee financial experts, within the meaning of General Instruction B(8)(b) of Form 40-F and are independent within the meaning of Rule 10A-3 under the Exchange Act and as that term is defined by the rules and regulations of The Nasdaq Stock Market LLC ("Nasdaq").

The Commission has indicated that the designation of a person as an audit committee financial expert does not make such person an "expert" for any purpose, impose any duties, obligations or liability on such person that are greater than those imposed on members of the Audit Committee and the Board of Directors who do not carry this designation, or affect the duties, obligations or liability of any other member of the Audit Committee or Board of Directors.

G. Code of Ethics

See Annual Information Form dated March 17, 2021, filed as Exhibit No. 1.1 to this Annual Report, under the heading "Code of Business Conduct". A copy of the Code of Business Conduct (the "Code") may be obtained at www.sierrawireless.com. The information contained on, or that can be accessed through, the Registrant's website is not a part of this Annual Report. The Registrant has included its website address in this Annual Report solely as an inactive textual reference. The Registrant will provide a copy of the Code without charge to any person that requests a copy by contacting the Corporate Secretary at the address that appears on the cover of this Annual Report on Form 40-F.

H. Principal Accountant Fees and Services

EY served as the Registrant's principal accountant (the "Principal Accountant") for the years ended December 31, 2020 and 2019.

Audit Fees

The aggregate fees billed by the Principal Accountant for the fiscal years ended December 31, 2020 and 2019, for professional services rendered by the Principal Accountant for the audit of the Registrant's annual financial statements or services that are normally provided by the Principal Accountant in connection with statutory and regulatory filings or engagements for such fiscal years were $1,132,700 and $1,017,000, respectively.

Audit-Related Fees

The aggregate fees billed by the Principal Accountant for the fiscal years ended December 31, 2020 and 2019, for assurance and related services rendered by the Principal Accountant that are reasonably related to the performance of the audit or review of the Registrant's financial statements and are not reported above as audit fees were $ nil and $38,755, respectively. Audit-related fees for 2019 relate to due diligence relating to an acquisition.

Tax Fees

The aggregate fees billed by the Principal Accountant for the fiscal years ended December 31, 2020 and 2019, for professional services rendered by the Principal Accountant for tax compliance, tax advice, transfer pricing services, tax planning and other services were $25,859 and $79,020, respectively. Tax fees for 2020 relate to tax compliance and tax due diligence relating to an acquisition. Tax fees for 2019 relate to tax advisory services relating to an acquisition and tax compliance matters.

All Other Fees

There were no additional fees billed by the Principal Accountant for the fiscal years ended December 31, 2020 and 2019.

Audit Committee Pre-Approval Policies and Procedures

Since the enactment of the Sarbanes-Oxley Act of 2002 on July 30, 2002, all audit and non-audit services performed by the Registrant's outside auditors are pre-approved by the audit committee of the Registrant.

I. Off-Balance Sheet Arrangements

On June 26, 2019, we entered into an uncommitted Receivables Purchase Agreement with the Canadian Imperial Bank of Commerce, which allows us to sell, with limited recourse, qualifying receivables. See Management's Discussion and Analysis of Financial Condition and Results of Operations for the fiscal year ended December 31, 2020, filed as Exhibit No. 1.3 to this Annual Report, under the heading "Liquidity and Capital Resources - Accounts Receivable Purchase Agreement".

J. Tabular Disclosure of Contractual Obligations

See Management's Discussion and Analysis of Financial Condition and Results of Operations for the fiscal year ended December 31, 2020, filed as Exhibit No. 1.3 to this Annual Report, under the heading "Liquidity and Capital Resources - Cash Requirements".

K. Identification of Audit Committee

The Registrant has a separately designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Exchange Act comprised of five individuals: Lori M. O'Neill (Chair), Russel N. Jones, Thomas Linton, Thomas Sieber, and Mark Twaalfhoven. Each of the members of the audit committee is independent, within the meaning of Rule 10A-3 under the Exchange Act and as that term is defined by the rules and regulations of the Nasdaq.

L. Critical Accounting Policies

A discussion of the Registrant's critical accounting policies can be found in its Management's Discussion and Analysis of Financial Condition and Results of Operations for the fiscal year ended December 31, 2020, filed as Exhibit No. 1.3 to this Annual Report, under the heading "Critical Accounting Policies and Estimates".

M. Nasdaq Exemptions

The rules and regulations of the Nasdaq require each listed issuer to provide that a quorum for its shareholders' meetings be at least 33 1/3 percent of the issuer's outstanding shares. The Registrant has been granted an exemption from this requirement because it is contrary to generally accepted business practices in Canada, the Registrant's country of domicile. The Registrant has had the benefit of this exemption in the current and prior years.

In determining whether a requirement is contrary to generally accepted business practices, the Nasdaq rules generally look to the requirements of the primary market in the issuer's country of domicile. The rules and policies of the Toronto Stock Exchange, the primary market in Canada, do not contain quorum requirements, and the *Canada Business Corporations Act*, the Registrant's governing statute, defers to the quorum requirements contained in an issuer's By-laws. Under the Registrant's By-laws, a quorum for a meeting of the Registrant's shareholders is two persons present in person, each being a shareholder entitled to vote thereat or a duly appointed proxyholder or representative for a shareholder so entitled.

N. Interactive Data File

The Registrant is submitting as Exhibit 101 to this Annual Report, and has posted on its corporate website, an Interactive Data File.

UNDERTAKING AND CONSENT TO SERVICE OF PROCESS

A. Undertaking

The Registrant undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the Commission staff, and to furnish promptly, when requested to do so by the Commission staff, information relating to: the securities registered pursuant to Form 40-F; the securities in relation to which the obligation to file an annual report on Form 40-F arises; or transactions in said securities.

B. Consent to Service of Process

A Form F-X, as amended, signed by the Registrant and the Registrant's agent for service of process with respect to the Common Shares has previously been filed with the Commission. Any change to the name or address of the Registrant's agent for service shall be communicated promptly to the Commission by amendment to the Form F-X referencing the file number of the Registrant.

SIGNATURES

Pursuant to the requirements of the Exchange Act, the Registrant certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereto duly authorized.

SIERRA WIRELESS, INC.
(Registrant)

/s/ Samuel Cochrane
Samuel Cochrane
Chief Financial Officer

Date: March 17, 2021

EXHIBIT INDEX

Exhibit No.	Document
1.1	Annual Information Form for the fiscal year ended December 31, 2020, dated March 17, 2021
1.2	Audited Consolidated Financial Statements for the fiscal year ended December 31, 2020, prepared in accordance with U.S. generally accepted accounting principles
1.3	Management's Discussion and Analysis of Financial Condition and Results of Operations for the fiscal year ended December 31, 2020
23.1	Consent of Ernst & Young LLP
31.1	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	Interactive Data File

Exhibit 1.1

SIERRA WIRELESS, INC.
ANNUAL INFORMATION FORM

For the Fiscal Year Ended December 31, 2020

DATED March 17, 2021

ANNUAL INFORMATION FORM

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Cautionary Note Regarding Forward-looking Statements

Certain statements and information in this Annual Information Form ("AIF") 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 (collectively, "forward-looking statements") and may include statements and information relating to our mission, vision and values; our strategy; 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 recent divestiture of the automotive product line (the "Sale Transaction") and the Company's exit from automotive applications; timing expectations regarding expected earnings of the M2M Group (as defined below) and ability to expand our market presence in Australia and Southern Asia; 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 and gateways. Forward-looking statements are provided to help you understand our 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.

Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, identified by words or phrases such as "outlook", "expects", "is expected", "anticipates", "believes", "plans", "projects", "estimates", "assumes", "intends", "strategy", "goals", "objectives", "potential", "possible", or variations thereof, or stating that certain actions, events, conditions or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved, or the negative of any of these terms and similar expressions) are not statements of historical fact and may be forward-looking statements. Forward-looking statements are not promises or guarantees of future performance. They represent our current views and may change significantly. 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 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.*

Forward-looking statements are subject to a variety of known and unknown risks, uncertainties and other factors that could cause actual events or results to differ significantly from those expressed or implied in our forward-looking statements, including, without limitation:

- *prolonged negative impact from COVID-19;*
- *our access to capital, if required;*
- *competition from new or established competitors or from those with greater resources;*
- *our reliance on single source suppliers for certain components used in our products;*
- *our dependence on a limited number of third party manufacturers;*
- *natural catastrophes or public health epidemics that 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 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 fluctuations;*
- *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 hire and transition in a timely manner experienced and qualified additional executive officers and key employees as needed to achieve our business objectives, including a replacement for our departing Chief Executive Officer;*
- *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 the M2M Group and M2M New Zealand 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;*
- *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.*

This list is not exhaustive of the factors that may affect any of our forward-looking statements. Forward-looking statements are statements about the future and are inherently uncertain, and our actual achievements or other future events or conditions may differ materially from those reflected in the forward-looking statements due to a variety of risks, uncertainties and other factors, including, without limitation, those referred to under "Risk Factors" and those referred to 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.

Our forward-looking statements are based on the beliefs, expectations and opinions of management on the date the statements are made, and we do not assume any obligation to update forward-looking statements if circumstances or management's beliefs, expectations or opinions should change, except as required by applicable law. For the reasons set forth above, investors should not place undue reliance on forward-looking statements.

CURRENCY

Unless otherwise indicated, all figures are stated in United States dollars.

CORPORATE STRUCTURE

Unless the context otherwise indicates, references to “we”, “our”, “us”, “the Company”, “the Corporation” or “Sierra Wireless” in this Annual Information Form means Sierra Wireless, Inc. and its subsidiaries.

Sierra Wireless was incorporated under the *Canada Business Corporations Act* on May 31, 1993. The Articles of Sierra Wireless were amended by a Certificate of Amendment issued March 29, 1999 to remove the private company provisions and restrictions on share transfer. The Articles of the Company were further amended by Certificates of Amendment issued May 13, 1999 and May 14, 1999 to: (i) re-designate and change all existing Common Shares in the capital of the Company to new Common Shares in the capital of the Company (the “Common Shares”); (ii) change the rights attached to all Preference Shares in the capital of the Company (the “Preference Shares”) and to remove each existing series of Preference Shares; and (iii) consolidate the Common Shares on the basis of one post-consolidation Common Share for 1.5 pre-consolidation Common Shares. The Articles of Sierra Wireless were amended further by a Certificate of Amendment issued May 28, 2020 to increase the maximum number of directors of the Company from nine to twelve. Effective March 30, 2003, the Company amended the Company's By-Laws to take into account certain changes made to the *Canada Business Corporations Act*, including (i) the reduction of the Canadian residency requirement to 25% and (ii) to allow for the advance of funds by the Corporation to a director, officer or other person for the costs of a proceeding where the Company is obligated to indemnify such person. The Company amended the By-laws further on April 14, 2014 to (i) increase the quorum for the transaction of business at any meeting of the board to a majority of the directors, (ii) increase the quorum at any meeting of shareholders to two presents in person, each being a shareholder entitled to vote or duly appointed proxyholder or representative for a shareholder so entitled, and holding or representing, in the aggregate, at least 25% of the votes attaching to all the shares of the Company entitled to be voted at the meeting, and (iii) to adopt the Company's advance notice policy. The Company amended the By-laws further on April 20, 2020 to (i) permit electronic meetings of shareholders, (ii) amend certain provisions regarding the notice and record dates for shareholder meetings, and (iii) revise the advance notice provisions to better align with current best practices and industry standards.

The Company’s registered and records office is located at Suite 2600, Three Bentall Centre, 595 Burrard Street, Vancouver, British Columbia, Canada, V7X 1L3 and its head office and principal place of business is located at 13811 Wireless Way, Richmond, British Columbia, Canada, V6V 3A4.

The following table lists the principal subsidiaries of Sierra Wireless and their jurisdictions of incorporation or organization as at December 31, 2020. All such entities are 100% owned, directly or indirectly, by Sierra Wireless.

Name	Jurisdiction of Incorporation or Organization
Sierra Wireless America, Inc.	Delaware, U.S.A.
Sierra Wireless S.A.	France
Sierra Wireless Hong Kong Limited	Hong Kong
Sierra Wireless Sweden AB	Sweden

Subsidiaries with total assets and revenues less than 10 per cent, and in the aggregate less than 20 per cent, of total consolidated assets or total consolidated revenue are excluded from the list.

GENERAL DEVELOPMENT OF THE BUSINESS

Sierra Wireless provides leading solutions for the Internet of Things (“IoT”) comprised of our recurring connectivity services, cloud platform, gateways and embedded cellular modules. Enterprises, industrial companies, public safety agencies and Original Equipment Manufacturers ("OEMs") worldwide rely on our expertise to digitize their assets by connecting their equipment and products from the edge of the cellular network to the cloud. Our Device-to-Cloud solutions reduce the complexity of IoT and allow our customers to scale their deployments quickly and securely. We continue to seek opportunities to partner, acquire or invest in businesses, products and technologies that will help us drive our growth strategy forward, and expand our leading position in the IoT market.

Divestiture of Automotive Embedded Module Product Line

On July 23, 2020, we entered into a definitive agreement with Rolling Wireless (H.K.) Limited ("Rolling Wireless"), a consortium led by Fibocom Wireless Inc. of Shenzhen to divest our Shenzhen, China-based automotive embedded module product line ("Automotive Business"). On November 18, 2020, we completed the Sale Transaction for total gross proceeds of $165.0 million in cash, subject to working capital adjustments, including $10.0 million of proceeds held in escrow that we recorded in restricted cash and was released on January 8, 2021.

The Company exited the automotive business but will continue to invest in other products in its Embedded Broadband segment, specifically high-speed cellular modules typically used in Enterprise applications. Approximately 150 employees become employees of Rolling Wireless, of which approximately 120 employees are located in Mainland China and 30 are located in Europe or the Asia-Pacific region.

The Sale Transaction is expected to enable us to strengthen our focus on device-to-cloud IoT solutions, driving high-value recurring revenue and allowing us to invest further in fifth generation ("5G") embedded modules and routers. The Sale Transaction has strengthened our balance sheet by providing additional liquidity.

In accordance with U.S. GAAP, assets and liabilities associated with the Automotive Business have been recorded as 'held for sale' in our consolidated balance sheets as at December 31, 2019 and the results of operations of the Automotive Business as discontinued operations in our consolidated statements of operations and comprehensive loss for the years ended December 31, 2020 and 2019. All results of operations of the Automotive Business are classified as discontinued operations in all periods presented in this AIF.

COVID-19 Impact

COVID-19 continues to significantly impact economies around the world, creating significant uncertainty regarding the nearer term outlook for the markets where we provide our products and services. Our products serve companies across a broad range of industries. Some of our customers are seeing demand delays while others are seeing significant improvements in their businesses. We have been partnering with our customers to address many of these changes and to manage their planned shipments and production allocations. Central to improving our ability to meet our customer expectations has been an adjustment to order lead-times for industrial customers and distributors.

After experiencing the most significant impact of COVID-19 in the second quarter of 2020 with the temporary shutdown of automotive manufacturers, demand for our automotive cellular modules recovered materially following the reopening of production facilities in the third quarter of 2020. Although we saw increased demand for certain wireless broadband connected devices as we helped businesses and workers stayed connected and productive during the pandemic, other areas of our business were impacted by COVID-19. Our financial results in the third and fourth quarter were affected by supply shortages impacting our ability to obtain inventory, manufacture and deliver products and services to our customers. We continue to see global supply chain tightness from key suppliers that are constraining our ability to fully deliver and meet demand. We do not expect this global supply chain tightness to alleviate in the near term.

We have taken actions with respect to how we operate our business to ensure we comply with government restrictions and guidelines as well as best practices to protect the health and well-being of our employees. Internally, since mid-March and subject to certain exceptions relating to employees that require specialized equipment for the development and testing of products, our employees have been working from home. We have been able to operate our business effectively without major interruptions. We have also taken measures to reduce our operating expenditures through initiatives such as deferring salary increases and curtailing discretionary spending.

The COVID-19 pandemic continues to rapidly evolve, and we will continue to monitor the effects of COVID-19 on our business in all regions that we serve. The extent to which COVID-19 may impact our business will depend on future developments, which are highly uncertain and cannot be predicted with confidence, such as the geographic spread of the disease, the duration of the outbreak, business closures or business disruptions, public health restrictions on travel and in-person interactions, and the effectiveness of action to contain and treat the disease in the United States, Canada, Europe, and the Asia-Pacific region. We cannot presently predict with accuracy the duration, scope and severity of any potential business closures or disruptions, or the overall effects of COVID-19 on our business over time. Continued shutdowns or other business interruptions could result in material and negative effects on our ability to conduct our business in the manner and on the timelines presently planned, which could have a material adverse impact on our business, results of operation, and financial condition. See section "Risk Factors - Our business, financial condition and results of operations have been and will continue to be adversely affected by the recent COVID-19 outbreak." below.

Acquisitions

On January 7, 2020, we completed the acquisition of M2M Connectivity Pty Ltd, M2M One Pty Ltd and D-Square Innovation Pty Ltd (collectively, the "M2M Group") in Australia. Total purchase consideration for the acquisition of the M2M Group was $21.1 million, comprised of cash consideration to the shareholders of $19.6 million for 100% of the equity of the M2M Group, plus approximately $1.3 million for the retirement of certain obligations and $0.2 million for normal course working capital adjustments. The purchase consideration was fully paid in 2020. The M2M Group is focused on IoT connectivity services and cellular devices in Australia, and the acquisition expands the Company's IoT Solutions business in the Asia-Pacific region.

On December 15, 2020, we completed the acquisition of M2M One NZ Ltd ("M2M New Zealand") in New Zealand. Total purchase consideration for the acquisition of M2M New Zealand was $3.7 million, comprised of cash consideration to the shareholders of $3.3 million for 100% of the equity of M2M New Zealand, plus a $0.4 million cash holdback amount to be released to the seller on December 15, 2021, to secure the purchaser's rights of indemnification under the share purchase agreement.

Strategic and Organizational Changes

To accelerate our transformation to a fully-integrated Device-to-Cloud IoT solutions company, we launched certain strategic and organizational structure changes in late 2018. Since then, we have designed and commenced implementation of a variety of cost reduction initiatives broadly across the Company, including moving certain positions to lower cost geographies, outsourcing a variety of finance, human resources, IT and operations functions, exiting numerous facilities, as well as the renegotiation of certain supplier contracts. Organizationally, we have combined three development teams into a single research and development ("R&D") entity to improve efficiency. Similarly, we have combined product management into one centralized team. We also re-organized our Go-To-Market team with a strong focus on leveraging our IoT device leadership position to focus on Device-to-Cloud IoT solutions and driving recurring revenue. In conjunction with this cost reduction and organizational activity, we have also made investments in people, products, processes and systems designed to underpin and accelerate our transformation to a IoT solutions company.

Key Highlights for the Year Ended December 31, 2020

For a review of events that influenced our general development during 2020, please see section "Annual Overview - Key highlights for the year ended December 31, 2020" of our MD&A for the year ended December 31, 2020, a copy of which is available on SEDAR at www.sedar.com.

Highlights of Recent Financial Performance of our Business

For a discussion of consolidated annual results of operations for fiscal year 2020 compared to fiscal year 2019 and fiscal year 2019 compared to fiscal year 2018, please see section " Discussion of Consolidated Annual Results of Operations" of our MD&A for the year ended December 31, 2020, a copy of which is available on SEDAR at www.sedar.com.

NARRATIVE DESCRIPTION OF THE BUSINESS

Industry Background

We manufacture cellular wireless devices and provide services in the wireless communications and information technology industry, enabling connectivity for IoT solutions through cellular, and short range wireless technologies. These technologies include 2G cellular standards such as GSM/GPRS/EDGE and CDMA/1xRTT; 3G standards such as UMTS (including HSPDA and HSUPA) and EV-DO; 4G standards such as HSPA+, LTE, LTE-A; 5G standards such as 5G NR (New Radio) standards (both millimeter wave and sub-6 Gigahertz frequencies); Low Power Wide Area ("LPWA") standards such as LTE-M and NB-IoT; and wireless local area network technologies such as Wi-Fi and Bluetooth; and GNSS positioning. Key industry participants include:

- mobile network operators ("MNOs") and mobile virtual network operators ("MVNOs"), who deploy, own and operate wireless networks, and provide service to end users;
- infrastructure vendors, who provide the networking equipment and software to build such networks;
- device manufacturers, who provide voice and data communication devices that use the network, such as modems, embedded wireless modules and wireless gateways;
- semiconductor companies who manufacture the technology platforms and chipsets that are often used by device manufacturers to develop their products, and
- application enablement and cloud vendors, who provide applications and data analytics to enterprises and consumers that utilize the wireless networks.

Over the past several years, we have transitioned our business to focus specifically on integrated device-to-cloud solutions for IoT applications providing cloud and connectivity services as well as a broad portfolio of 2G, 3G, 4G, 5G, LPWA, and short-range wireless embedded modules and intelligent gateways.

Recent market trends in the wireless communications industry include:

- *Evolving wireless networks.* Mobile network operators around the world continue to invest in network upgrades to support LTE technologies, enabling mobile broadband connectivity beyond gigabytes per second. Mobile network operators also continue to expand and improve network coverage, improving the ubiquity of cellular wireless access globally.
- *Adoption of LPWA technology.* To expand the market for IoT applications, the industry adopted LPWA standards in 2016 by approving specifications for Cat M-1 and Cat NB-1. Sierra Wireless worked actively with the 3GPP standards body in setting the Cat M-1 and Cat NB-1 standards and we remain active in evolving this innovative technology. This development is expected to significantly expand the market for low power, deep coverage IoT applications. Cat M-1 and NB-1 devices and related services began to be deployed in late 2018 and we expect this new technology to grow in 2021.

- *Adoption of 5G technology.* Many mobile network operators around the world are now rolling out 5G networks. This development is expected to significantly expand the market for real-time, low-latency, and high volume IoT applications.
- *Technology improvements in devices and software.* Improvements in wireless chipset technology, including greater integration, higher speeds, and lower power consumption, are driving further advances in cellular devices including on-board application processing, faster data transfer, smaller form factors, lower hardware costs, and longer battery life for host devices. These advances have helped enable the growth in demand for connected IoT devices and applications across many segments including automotive (the Company exited automotive post completion of the Sale Transaction), transportation, energy, enterprise networking, sales and payment, industrial control and monitoring, and field service.
- *Lower, more flexible service pricing.* MNOs are introducing new wireless connectivity service pricing models to accelerate growth of IoT solutions and applications globally.
- *Emergence of MVNOs specifically for the IoT.* MVNOs are increasing their level of activity in the IoT and expanding their service offerings by leveraging their connectivity services and adding application enablement and device management for IoT applications, often targeting specific vertical market segments.
- *Increasing focus and investment by large ecosystem participants.* Large ecosystem participants, such as mobile network operators, system integrators, semiconductor companies, contract manufacturers, cloud services providers, and application enablement companies, are increasing their investments in, and strategic focus on, IoT solutions. Enterprises, governments, and other organizations are increasingly incorporating IoT solutions into their business models to enhance productivity, reduce costs, and create competitive advantage.

We expect these trends, and others, to stimulate overall growth in the IoT market. With higher speeds, lower costs, increased battery life, and ubiquitous coverage in mobile networks, plus more ecosystem investment and innovative products from solution providers, the number of wireless connected devices and data traffic is expected to increase substantially over the next decade. This growth will be driven largely by deployment of LPWA and 5G technologies for both low-speed and high-speed IoT connectivity. In turn, this growth is expected to drive demand for secure, scalable integrated device-to-cloud IoT solutions that can connect, gather, store, and manage data for customer applications.

Products and Solutions

We provide integrated Device-to-Cloud IoT solutions that are comprised of our recurring connectivity services, our IoT embedded cellular modules and gateways, our cloud platform, and our high-speed embedded cellular modules and gateways. Enterprises, industrial companies, and OEMs worldwide rely on our expertise to deliver fully integrated IoT solutions to reduce complexity, gather intelligent edge data, and enable connected IoT products and services.

With sales, engineering, and R&D teams located in offices around the world, we offer a comprehensive portfolio of embedded modules and gateways, seamlessly integrated with our cloud platform and connectivity services. Our integrated solutions are developed to be simple, scalable and secure, enabling customers to get their connected products and services to market faster. Our devices are currently operating on more than 600 networks globally and we have shipped more than 191 million connected devices worldwide.

For 2020 and 2019, we operated our business under two reportable segments (i) IoT Solutions and (ii) Embedded Broadband:

IoT Solutions

Our IoT Solutions segment is focused on end-to-end IoT solutions that include recurring connectivity services, cellular modules and gateways, and a cloud platform targeted primarily at enterprises and OEMs in the IoT space. Our primary focus is on three key markets: (i) Industrial Edge for manufacturing asset monitoring; (ii) Mobile Edge for mobile asset tracking; and (iii) Infrastructure Edge for commercial infrastructure and building monitoring. We believe the IoT opportunities we are focusing on have a high potential to generate recurring services to the customer along with our cloud platform, devices, and management tools.

In this segment, we provide Device-to-Cloud IoT solutions that include: (i) our global cellular connectivity services, that are subscription-based and include our flexible Smart SIM and core network platforms; (ii) our cloud platform for deploying and managing subscriptions, over-the-air updates, devices and applications; and (iii) our unified data orchestration called Octave to provide enhanced data management from the edge of the network to the cloud.

We launched Octave in 2019 and commenced a strategic collaboration with Microsoft to develop one of the industry's first full-stack IoT solutions. We believe our new Octave edge data orchestration solution integrated with Microsoft Azure IoT Central will simplify and accelerate time-to value for enterprise IoT projects. We entered into a preferred partnership with Azure IoT to do joint marketing with them at IoT industry conferences and Octave is included in their IoT marketplace for the Microsoft Azure channel partners.

Our AirVantage Cloud Platform simplifies the deployment of IoT solutions by providing a seamless connection between devices and the enterprise. IoT solution providers can use the latest cloud application programming interface ("API") standards to quickly integrate data from their machines or assets with their own enterprise applications and back-end solutions. The AirVantage Management Service is a comprehensive device management application with interactive dashboards that make it easy to deploy, monitor, and upgrade wireless devices remotely.

Our IoT Solutions segment also includes connectivity and data management services. As part of these services we introduced the multi-operator Sierra Wireless Smart SIM and Connectivity Service. The Smart SIM delivers multi-operator coverage, reliable performance and flexible global pricing through a patented embedded agent designed specifically for enabling IoT connectivity anywhere in the world. In 2016, we introduced eUICC as part of our global Smart SIM and connectivity service. eUICC is a GSMA specification that allows users to remotely provision and change service providers over the air without physically accessing the SIM card. This provides a global, operator-independent connectivity solution which is critical for the deployment of the IoT. As a key part of this strategy we have negotiated wholesale agreements with a number of mobile network operators for the provision of airtime on their networks to support our connectivity services business. In early 2019, we commenced production of our Ready-to-Connect solution which includes an embedded cellular module; integrated SIM that is pre-connected to global mobile networks; and IoT platform for device and subscription management - all in one integrated bundle.

Our connectivity services in IoT Solutions enable companies operating in many different sectors of the economy including Industrial, Energy, Industrial Control and Monitoring, Infrastructure and Utility. We also have several IoT vertical markets that we serve directly with our connectivity and managed services including Security, Offender Monitoring, and Asset Tracking.

Our embedded devices in this reporting segment are comprised of IoT embedded cellular wireless modules that include Low Power Wide Area ("LPWA") technologies, third generation ("3G"), and fourth generation ("4G") Long-Term Evolution ("LTE") products. We have launched our 5G cellular embedded modules in Europe and North America. We also have a broad offering of cellular gateways and routers complemented by cloud-based services and software for secure management. We launched our first 5G router this past quarter primarily for the transportation and public safety segments of the market.

Our gateway solutions address a broad range of vertical market applications within the mobility, industrial, and enterprise market segments. Our products are known for their technical capability and high reliability in mission-critical applications. These gateways leverage our expertise in wireless technologies and offer the latest capabilities in LTE networking, including Wi-Fi, Bluetooth, Global Navigation Satellite System ("GNSS"), and FirstNet capability. We also provide a cloud platform that includes advanced reporting and analytics.

Our gateway customers can remotely configure, deploy, and monitor their AirLink gateways over-the-air using our AirLink Management Service ("ALMS") which is powered by our AirVantage cloud platform. This service generates recurring, subscription-based revenue for the segment. In 2018, we launched our AirLink LX60, the industry's first cloud-managed LPWA cellular router for commercial and enterprise IoT applications. The LX60 extends the AirLink Networking Solutions portfolio into new applications, including building automation, digital signage, taxis, automated teller machines, kiosks and point-of-sale terminals for both primary and backup connectivity. Our AirLink MG90 High-Performance Multi-Network Vehicle Router, based on our AirPrime EM 7511 embedded module, has been certified and approved for operation on FirstNet in the United States. FirstNet is the nationwide public safety communications platform dedicated to America's first responders. We launched AirLink® LX40, the industry's most compact cellular router optimized for the IoT, providing secure, managed connectivity out of the box for business-critical IoT enterprise applications and AirLink® Management Service - Advanced Reporting and Analytics providing customers with operational insight for vehicle fleet operations using our secure, cloud-based device management platform. We launched AirLink® RV55 LTE-Advanced Pro router, the industry's most compact, rugged LTE-A Pro router to simplify and lower the cost of connecting critical remote assets, infrastructure, and mobile workforces in utility, energy, smart city, and public safety applications. All of our cellular gateways can be monitored, managed, and controlled remotely through our ALMS. In 2019, we launched AirLink Complete, a new comprehensive management and support service that combines cloud-based management, security monitoring, 24/7 technical support, and extended warranty. We also launched our AirLink Managed Network Service with embedded FirstNet connectivity. This bundled solution will help public safety agencies of all sizes take advantage of the benefits and capabilities enabled by FirstNet-connected solutions. Our AirLink MG90 High Performance Multi-Network Vehicle has been certified and approved for use on the UK's Emergency Services Network, a dedicated network for emergency services that provides secure and resilient mobile broadband data for routine and mission-critical emergency services use. In 2020, we launched AirLink MG90 5G platform, the industry's first multi-network 5G vehicle networking solution that provides secure, always-on mobile connectivity for mission-critical public safety, field service, and transit applications.

Embedded Broadband

Our Embedded Broadband segment is comprised of our high-speed cellular embedded modules that are typically used in non-industrial applications, namely Mobile Computing, Enterprise Networking and the Automotive market (the latter is now reported in discontinued operations). The products in this segment are typically high-speed 4G LTE, LTE-Advanced, and 5G cellular modules that are ordered in larger volumes. In this segment, we have limited opportunities to provide connectivity services or IoT solutions to the OEM customer. We have a strong customer base in the Embedded Broadband business and we make it simple for our customers to embed high-speed cellular technologies and manage these devices through our IoT cloud platform.

In the Mobile Computing market, we have secured a number of 5G design wins with existing customers and new customers. The design cycle in the Mobile Computing market is approximately one year.

Our Legato™ platform, an open source embedded platform built on Linux, simplifies IoT application development. Comprised of a tightly integrated application framework, fully tested Linux distribution and feature-rich development environment, the open source Legato™ platform accelerates application level development of connected devices, thereby lowering total development and system costs for OEMs. Legato™ provides existing customizable components needed for IoT solutions across a wide range of target markets, including connected cars, industrial automation, and smart meters.

We also continue to expand our MangOH development kits which is an open source hardware design that accelerates innovation within the IoT by enabling rapid prototyping and shortens time-to-market for IoT developers. IoT developers can use the MangOH development kit to deploy multiple wireless and sensor technologies to determine the best solutions for their specific IoT use-case requirements. Once their prototype is complete, they can then re-use the industrial-grade design and IoT modules in final production. We introduced MangOH Green and MangOH Red rapid prototyping kits which are being well received by the development community, and in 2019 we released mangOH Yellow which is smaller in size and targeted at IoT applications where compactness and low-power consumption are essential.

In 2019, we also expanded our portfolio of leading edge mobile broadband embedded modules for mobile computing, routers, gateways, industrial automation and new IoT applications. We introduced our 5G EM919x embedded module and the 4G LTE Cat-20 EM769x embedded module which OEMs and system integrators are using to secure connectivity at the highest possible speeds on their mobile computing, networking and IoT platforms worldwide. In 2020, we launched our first-to-market EM919x 5G NR Sub-6 GHz and mmWave embedded modules that will enable OEMs to deploy secure connectivity worldwide at the highest possible speeds with ultra-low latency for mobile computing, routers, gateways, industrial automation, and many new Industrial IoT applications.

In addition to our devices and related software products, we offer professional services to OEM customers during their product development and launch process. We leverage our expertise in wireless design, software, integration, and certification to provide services that enable customers to more rapidly and cost-effectively bring their IoT and connected device solutions to market.

Change in Reportable Segments

During the first quarter of 2021, we revised our reportable segments to better reflect the way the Company manages its business. We reorganized our reportable segments in order to better align our various businesses for future growth and streamline operations. We will classify our operations into the following two reportable segments: IoT Solutions and Enterprise Solutions. Our new IoT Solutions segment will be comprised of our portfolio of cellular modules from LPWA through to high-speed embedded 5G broadband modules with IoT connectivity, solutions and and software. The Enterprise Solutions segment will be comprised of our gateways, asset tracking and monitoring business, and our Enterprise connectivity, solutions and software.

Customers

Our IoT devices and integrated solutions are used by a variety of customers across numerous market segments and many use cases. Market segments that we serve include industrial, utility, energy, manufacturing, transportation, public safety, security, sales and payment, automotive (discontinued following the sale of our Automotive Business), mobile computing, enterprise networking, cleantech, field services, residential, and healthcare.

We sell our products both directly and through indirect channels including OEMs, distributors, value-added resellers ("resellers"), and mobile network operators. We sell our products to customers worldwide and have built sales and distribution teams to support our international business.

Original Equipment Manufacturers

OEMs are customers that integrate our devices into their machines and equipment which they manufacture and sell to end-user markets through their own direct sales force and indirect distribution channels. In many cases we leverage the market-specific expertise and go-to-market capabilities of our OEM partners to address the connectivity solution needs of certain market segments. Our devices have been integrated into a range of OEM solutions, such as automobiles and commercial vehicles, smart energy meters, point of sale terminals, enterprise routers, notebooks, assembly line machinery, mobile and fixed equipment, alarm panels, and medical equipment. We sell to OEMs both directly and indirectly through distribution partners around the world.

Resellers and Distributors

Resellers purchase our products either directly from us or from our distributor network and resell them to OEMs and enterprise customers. In order to support our global resellers and OEMs, we have established a global network of distribution partners. Distributors ensure that our products are available to a large number of resellers and OEM customers around the world. Resellers often combine our products with other elements of an overall solution, such as additional hardware, application software, and communication services, and deliver a complete solution to the end-user customer. Resellers include IT resellers, system integrators, and application solution providers.

Mobile Network Operators

We maintain strong relationships with key mobile network operators worldwide and these relationships allow us to stay aligned with wireless technology trends while we work together to develop the market to drive IoT growth. We have also entered into wholesale purchase agreements with several mobile network operators that enable us to provide global cellular connectivity services to our customers. Additionally, mobile network operator sales teams often work with our sales teams to jointly sell wireless solutions to OEMs, enterprise, and government customers. The mobile network operator channel provides us with extended customer reach, while at the same time allows the operators to leverage our wireless solutions expertise to help sell their connectivity services.

Strategic Partnership

In June 2019, we established a partnership with Microsoft and our Octave solution is now part of the Azure IoT marketplace. We are actively engaged with the Azure IoT sales team and the Systems Integration partners which are part of the Azure IoT ecosystem. We are participating in numerous joint co-marketing activities including webinars, conferences and events in North America and Europe. We have secured a number of joint customer wins with Azure and have a growing funnel of joint prospects in development.

Product Development

We have built a reputation in the wireless industry for creating state-of-the-art, high quality products and services and for bringing them to market within aggressive timeframes. Our global product development teams of approximately 472 full time employees, at December 31, 2020, are located in Richmond, British Columbia; Toulouse, France; Atlanta, Georgia; and Taipei, Taiwan. These teams are skilled in the areas of radio design, hardware design, embedded software design cloud-based application development, and cellular network design. The product development teams include leaders with extensive experience in their fields, along with younger graduates from leading universities.

Our goal is to develop complete, thoroughly validated, high quality products and solutions that are closely managed throughout their entire life cycle. As part of this approach, individuals from our product development group form product-specific teams with staff from other functional areas, including research and development, product management, marketing, operations, technical support, and quality. These teams work closely to bring new products through the development phase, while balancing the market requirements of performance, time to market, and product cost. Concepts and prototypes are validated by working with lead customers, channel partners, and industry consultants. From time to time, projects are outsourced to third parties, who provide product development leverage for our in-house development teams.

Products and services that result from our development process are designed and tested to industry standards, as well as customer requirements and are introduced to our contract manufacturing partners for production and delivery to our customers. Included in the development effort is the certification of our products with industry and regulatory standards bodies and mobile network operators. A group of senior engineers develops and monitors our development processes within an ISO 9001 approved framework. These processes are applied across all development projects to ensure uniformity and high quality.

Our product development staff stays current with technology by participating in industry groups such as the Global Certification Forum, the Cellular Telecommunications Industry Association, the European Telecommunications Standards Institute, the Third Generation Partnership Project, the GSM Association and Open Mobile Alliance, as well as through ongoing technical education. We maintain relationships with local universities by providing financial and technical contributions, hiring co-op students, and participating in informal meetings with faculty members.

Marketing

Product Management & Segment Marketing

Members of our product management and marketing teams play an active role in the development and management of products through their entire product life cycle. Emphasis is placed on understanding customer and market segment needs, developing the business case for new products and services, determining competitive positioning and pricing, and ensuring product completeness, which includes market and competitive analysis, documentation and packaging. The product management team also develops and manages the product portfolio roadmap and both the product management and segment marketing groups interface with customers regarding business opportunities and product requirements.

Corporate Marketing

Members of this team develop and communicate corporate and product positioning to a variety of audiences including customers, media and analysts, channel partners, ecosystem partners, and the industry in general in several ways, including:

- Global corporate and product branding, positioning and messaging;
- Marketing content generation to build awareness for our device-to-cloud offering and thought leadership topics including material such as: webinars, white papers, product and corporate videos, training tutorials, bylined articles, customer stories, news releases, datasheets, segment brochures, and corporate brochures;
- Product launch and Sales support by way of sales tools, presentations, and outbound launch programs;
- Demand generation programs to generate marketing and sales qualified leads that turn into opportunities for the business;
- Seek and secure editorial coverage and place advertisements in industry, business and trade publications, and meet with industry experts, media, and industry analysts;
- Participate in industry and segment conferences and trade shows to drive brand awareness and generate leads;
- Develop channel marketing initiatives to educate resellers and distributors and to encourage sell-through of our products and solutions; and
- Develop partnerships with other participants in the IoT ecosystem.

Manufacturing

We outsource most of our manufacturing, procurement of certain components, kitting, logistics, assembly, testing and repair. We believe that outsourcing allows us to:

- Focus on our core competencies, including research and development, sales and marketing;
- Participate in contract manufacturer economies of scale and favorable geographic locations; getting access to high quality, lower cost manufacturing resources;
- Provide regional manufacturing to support customer requirements and minimize costs;
- Achieve rapid production scale; and
- Optimize capital utilization.

We use several contract manufacturers and logistics partners to provide an end-to-end manufacturing solution. The integrated supply chain services provided by these electronic manufacturing services ("EMS") partners, enable us to optimize product costs and capital utilization, as well as generally achieve increased operating efficiencies and scalability.

We perform certain manufacturing and supply chain related functions in-house, including key component sourcing, manufacturing engineering, and most of the manufacturing test development.

Competition

The market for IoT devices and solutions is growing and we expect that it will continue to attract significant competition. Some of our competitors are large corporations with manufacturing scale and financial resources at their disposal, while others are small. However, we believe that our innovation, deep expertise in wireless IoT communications, and the ability to provide an integrated end-to-end IoT solution to our customers with security features gives us an opportunity to differentiate ourselves.

IoT Services: Our cloud and connectivity services are a strategic differentiator of our integrated device to cloud IoT solutions offering. We have our own Smart SIM pre-integrated into our devices. Depending on the customers served, our competitors include MNOs and other companies who operate MVNOs or cloud platforms for the IoT market such as Wireless Logic, Kore Wireless Group Inc., Aeris, Cubic Telecom, Eseye, Arkessa (acquired by Wireless Logic), Airlinq, and Transatel.

Wireless Embedded Modules: We have established a strong leadership position by being early to market with leading edge, high performance, high quality products that support the latest wireless technologies. We are a global market leader in wireless cellular embedded modules for IoT with a broad product portfolio, a global footprint, strong relationships with global OEMs, and unique software platforms including Legato and Octave. Our primary competitors include Gemalto NV (acquired by Thales Group), Telit Communications Plc, u-blox Holding AG, Quectel Wireless Solutions, Fibocom Wireless Inc., Sunsea Telecommunications Co. Ltd., and Huawei Technologies Corporation.

Intelligent Gateways and Routers: The market for intelligent wireless gateways is quite fragmented depending on the vertical market segment, customer base and level of competition. In the segments where we compete, we believe that our market share is strong, and that competition is intensifying. In order to strengthen our share position, we have launched new products to rejuvenate our product line and increased our investments in sales capacity and other go-to-market initiatives. Our competitors in this line of business vary by market segment and include Cradlepoint Incorporated (acquired by Ericsson), Cisco Systems Inc., CalAmp Corp., Digi International Inc., and Multi-Tech Systems Inc.

Employees

As of December 31, 2020 we had a total of 1,051 full time employees, 434 of whom are located at our head office in Richmond, British Columbia, with the balance being located across the United States, Canada, Europe and Asia. Of our 1,051 employees, 472 are involved in product development, 78 are involved in manufacturing and operations, 323 are sales and support personnel, 65 are marketing personnel, and 113 are in finance and administration. Employees have access to ongoing training and professional development opportunities that are funded by the Company through on-the-job and outside educational programs.

Competitive compensation, including cash compensation, our employee stock option plan, our employee restricted share unit plans and our retirement plan contribution program, are complemented by internal recognition programs and career advancement opportunities. We believe our relationships with our employees are positive.

We have entered into non-disclosure agreements and confidentiality agreements with key management personnel and with substantially all of our other employees.

Intellectual Property

We believe that a considerable portion of the value of the Company resides in our intellectual property, the combined expertise of our teams, our inventions, and our ability to apply rapidly changing technology to new and innovative solutions for our customers.

We protect our intellectual property through a combination of patent protection, copyright, trademarks, trade secrets, licenses, non-disclosure agreements, and contractual provisions. We enter into a non-disclosure and confidentiality agreement with each of our employees, consultants, and third parties that have access to our proprietary technology. Under assignment of inventions agreements, all of our employees and consultants assign to Sierra Wireless all intellectual property rights in the inventions created during such person's employment or contract with Sierra Wireless.

We currently hold 148 United States patents and 127 international patents. Additional patent applications are pending. We also access the intellectual property of third parties by entering into commercial licenses and cross-licenses when appropriate.

Governmental Regulation

Our products and services are subject to regulatory regimes in the United States, Canada, the European Union ("EU") and other regions in which we operate, and in some cases, we are required to obtain regulatory approvals or licenses in order to sell our products and services.

In the United States, the Federal Communications Commission regulates many aspects of communications devices and services. In Canada, similar regulations are administered by Innovation, Science and Economic Development Canada ("ISED"), and the Canadian Radio-television and Telecommunications Commission ("CRTC"). EU directives provide the comparable regulatory guidance in Europe.

Wireless devices must be approved under these regulations by the relevant government authority prior to these products being offered for sale, and in some cases, our service offerings may be subject to licensing requirements in various jurisdictions. We believe we have obtained all necessary Federal Communications Commission, ISED, CRTC, EU, and other required regulatory approvals and licenses for the products and services we currently sell.

Foreign Operations

We operate foreign research and development facilities in Toulouse, France; Atlanta, Georgia, United States; and Taipei, Taiwan.

Our major foreign sales, marketing and support functions are in Toulouse, France; Carlsbad, California, Atlanta, Georgia, United States; Taipei, Taiwan; and Hong Kong SAR, China.

We use a number of large global EMS providers with factories located in China, Brazil, and Vietnam to manufacture our products and provide integral supply chain services. We also use additional partners to support regional manufacturing requirements and select products including more complex, lower volume devices.

Additional Information Concerning Our Business

From time to time, some of our products may be subject to importation tariffs in the United States and other markets around the world.

Our operations do not have a significant impact on the environment. We have not made, and are not required to make, any significant capital expenditures to comply with environmental regulations nor will our competitive position be affected by environmental protection requirements. Working with the contract manufacturers who build our products and relevant component suppliers, we ensure that our products that are sold in the EU comply with the EU directives that restrict the use of certain hazardous substances in electronic equipment sold in the EU after July 1, 2006.

The Company has been actively involved in building a responsible, sustainable business for many years, along with empowering other businesses to create sustainable practices using our products. We are a member of the Responsible Business Alliance (RBA, formerly EICC), and committed to conducting our operations in line with the RBA Code of Conduct, which sets out common standards for social, environmental, and ethical issues aimed at achieving more equitable work environments and environmentally friendly supply chains.

The sustainability principles to which we are committed, and are integrating into our business, have been presented in our third annual Corporate Social Responsibility progress report, published in May 2020, and available on our website at www.sierrawireless.com/company/corporate-social-responsibility/. In the report, we acknowledged our responsibility to work towards a better, more sustainable future from the manufacturing floor to the boardroom and demonstrated the ways in which we are honoring our commitment to integrate environmental sustainability and positive social impacts throughout our business. We are committed to working with vendors, partners and our team members to bring prominence to social responsibility in the IoT industry. We will continue to develop our goals as part of our recognition that our commitment to improving our corporate responsibility and refining our sustainability approach are essential components of our long-term growth.

Our Conflict Minerals policy details our commitment to source materials and components from environmentally and socially responsible suppliers. In general, it is our policy that we do not knowingly purchase materials, components or supplies containing conflict minerals originating in the Democratic Republic of Congo and adjoining countries that have not been certified as conflict free by an independent third party. We expect our suppliers to adhere to the same standard and to have in place due diligence programs and processes to ensure conflict free supply chains. We request confirmation annually from our suppliers regarding the conflict free status of the products that they provide to Sierra Wireless. We report the results of this process as part of the annual requirements the SEC has developed in response to Section 1502 of the Dodd-Frank Act.

RISK FACTORS

Our business is subject to significant risks and uncertainties and past performance is no guarantee of future performance. The risks and uncertainties described below are those which we currently believe to be material, and do not represent all of the risks that we face. Additional risks and uncertainties, not presently known to us, may become material in the future or those risks that we currently believe to be immaterial may become material in the future. If any of the following risks actually occur, alone or in combination, our business, financial condition and results of operations, as well as the market price of our Common Shares, could be materially adversely affected.

Our business, financial condition and results of operations have been and will continue to be adversely affected by the recent COVID-19 pandemic.

Our business operations are subject to interruption by natural disasters and catastrophic events beyond our control, including, but not limited to, earthquakes, hurricanes, typhoons, tropical storms, floods, tsunamis, fires, droughts, tornadoes, public health issues and pandemics, severe changes in climate, war, terrorism, and geo-political unrest and uncertainties.

In particular, our business operations have been, and will continue to be, adversely affected as a result of government-imposed closures and other actions to contain the spread of the COVID-19 pandemic. The international response to the spread of COVID-19 has led to significant restrictions on travel, temporary business closures, quarantines, supply chain and shipping disruptions, global stock market volatility and a general reduction in consumer activity, all of which could affect customer demand, commodity prices, interest rates, credit ratings, credit risk, and inflation.

In response, the employees in all of our locations were guided to work from home as much as possible. Government restrictions also affected our manufacturing and component supplier partners globally due to factory closures, employees working remotely and logistical challenges. We continue to experience certain supply chain disruptions relating to some of our component suppliers, primarily as a result of the continuing impact of the COVID 19 pandemic. Further, logistics supporting the transportation of goods remains a challenge due to the dramatic reduction of passenger flights globally and the insufficient capacity of cargo specialized flights.

If the COVID-19 pandemic worsens or continues for a prolonged period of time, we could experience further disruptions that could severely impact our business, including:

- disruptions relating to the manufacturing of our products, including disruptions relating to component production by our partners and suppliers;
- challenges related to supply chain and logistics due to government-imposed restrictions that inhibit the flow of goods across state boundaries; and
- continued global economic uncertainty that could impact buying patterns of our partners and customers and demand for our products and services.

These disruptions could negatively impact, and may materially negatively impact, our business, financial condition (as a result of reduced demand by customers, build-up of inventories, higher credit losses on our accounts receivable, and potential impairment of our goodwill and other assets), and results of operations in subsequent periods.

In addition, COVID-19 could result in the continued significant disruption of global financial markets, reducing our ability to access capital, which could negatively affect our liquidity in the future. Financial volatility has also adversely affected, and may continue to adversely affect, the value of our Common Shares.

The extent to which COVID-19 may impact our business will depend on future developments, which are highly uncertain and cannot be predicted with confidence, such as the geographic spread of the disease, the duration of the outbreak, business closures or business disruptions, public health restrictions on travel and in-person interactions, and the effectiveness of action to contain and treat the disease in Canada, the United States, Europe and the Asia-Pacific region. We cannot presently predict with accuracy the duration, scope and severity of any potential business closures or disruptions, or the overall effects of COVID-19 on our business over time. Continued shutdowns or other business interruptions could result in material and negative effects to our ability to conduct our business in the manner and on the timelines presently planned, which could have a material adverse impact on our business, results of operation, and financial condition. The COVID-19 pandemic continues to rapidly evolve, and we will continue to monitor the effects of COVID-19 on our business.

In addition to the current effects of COVID-19 discussed above, any continued difficult or uncertain global economic conditions could adversely affect our operating results and financial condition.

A significant portion of our business is in the United States, Europe and the Asia-Pacific region and we are particularly exposed to the downturns and current uncertainties that impact the wireless communications industry in those economies. Economic uncertainty may cause an increased level of commercial and consumer delinquencies, lack of consumer confidence resulting in delayed purchases or reduced volumes by our customers, credit tightening by lenders, increased market volatility, fluctuations in foreign exchange rates and widespread reduction of business activity generally. To the extent that we experience further economic uncertainty, or deterioration in one of our large markets in the United States, Europe or the Asia-Pacific region, the resulting economic pressure on our customers may cause them to end their relationship with us, reduce or postpone current or expected orders for our products or services, or suffer from business failure, resulting in a material adverse impact to our revenues, profitability, cash flow, and bad debt expense.

It is difficult to estimate or project the level of economic activity, in the markets we serve, including the impact of the current COVID-19 outbreak on the global economy. As our budgeting and forecasting is based on the demand for our products and services, these economic uncertainties may result in difficulties in estimating future revenue and expenses.

We depend on single source suppliers for some components used in our products and if these suppliers are unable to meet our demand, the delivery of our products to our customers may be interrupted.

From time to time, certain components used in our products have been, and may continue to be, in short supply. Such shortages in allocation of components may result in a delay in filling orders from our customers, which may adversely affect our business. In addition, our products are comprised of components, some of which are procured from single source suppliers, including where we have licensed certain software embedded in a component. Our single source suppliers may experience damage or interruption in their operations due to unforeseen events, be impacted by natural catastrophes or public health epidemics illnesses, including COVID-19, become insolvent or bankrupt, or experience claims of infringement, all of which could delay or stop their shipment of components to us, which may adversely affect our business, operating results and financial condition. If there is a shortage of any such components and we cannot obtain an appropriate substitute from an alternate supplier of components, we may not be able to deliver sufficient quantities of our products to our customers. If such shortages occur, we may lose business or customers and our operating results and financial condition may be materially adversely affected.

We depend on a limited number of third parties to manufacture our products. If they do not manufacture our products properly or cannot meet our needs in a timely manner, we may be unable to fulfill our product delivery obligations and our costs may increase, our revenue and margins could decrease.

We outsource the manufacturing of our products to several contract manufacturers and depend on these manufacturers to meet our needs in a timely and satisfactory manner at a reasonable cost. Third party manufacturers, or other third parties to which such third-party manufacturers in turn outsource our manufacturing requirements, may not be able to satisfy our manufacturing requirements on a timely basis, including by failing to meet scheduled production and delivery deadlines or to meet our product quality requirements or the product quality requirements of our customers. Insufficient supply or an interruption or stoppage of supply from such third-party manufacturers or our inability to obtain additional or substitute manufacturers when and if needed, and on a cost-effective basis, could have a material adverse effect on our business, results of operations and financial condition.

Our reliance on third party manufacturers subjects us to a number of risks, including but not limited to the following:

- potential business interruption due to unexpected events such as natural disasters, public health epidemic illnesses, such as COVID-19, labor unrest, cyber-attacks, technological issues or geopolitical events;
- the absence of guaranteed or adequate manufacturing capacity;
- potential violations of laws and regulations by our manufacturers that may subject us to additional costs for duties, monetary penalties, seizure and loss of our products or loss of our import privileges, and damage to our reputation;
- reduced control over delivery schedules, production levels, manufacturing yields, costs and product quality;
- the inability of our contract manufacturers to secure adequate volumes of components in a timely manner at a reasonable cost; and
- unexpected increases in manufacturing costs.

If we are unable to successfully manage any of these risks or to locate alternative or additional manufacturers or suppliers in a timely and cost-effective manner, we may not be able to deliver products in a timely manner. In addition, our results of operations could be harmed by increased costs, reduced revenues, and reduced margins.

Under our manufacturing agreements, in many cases we are requiring our manufacturers to place binding purchase orders with component suppliers well in advance of our receipt of binding purchase orders from our customers. In these situations, we consider our customers' good faith, non-binding forecasts of demand for our products. As a result, if the number of actual products ordered by our customers is materially different from the number of products we have instructed our manufacturer to prepare to build (and therefore to purchase the required components to complete such build-plan), then, if too many components have been purchased by our manufacturer, we may be required to purchase such excess component inventory, or, if an insufficient number of components have been purchased by our manufacturer, we may not be in a position to meet all of our customers' requirements. If we are unable to successfully manage our inventory levels and respond to our customers' purchase orders based on their forecasted quantities, our business, operating results and financial condition could be adversely affected.

Acquisitions and divestitures of businesses or technologies may result in disruptions to our business or may not achieve the anticipated benefits.

The growth of our company through the successful acquisition and integration of complementary businesses is an important component of our business strategy. We continue to evaluate opportunities to acquire or invest in businesses, products and technologies that expand, complement or otherwise relate to our business. On January 7, 2020, we acquired the M2M Group and on December 15, 2020 we acquired M2M New Zealand. These acquisitions expanded our IoT solutions business in the Asia-Pacific region. Any acquisitions, investments or business combinations by us may be accompanied by risks commonly encountered including, but not limited to, the following:

- exposure to unknown liabilities or risks of acquired companies, including unknown litigation related to acts or omissions of an acquired company and/or its directors and officers prior to the acquisition, deficiencies in disclosure controls and procedures of the acquired company and deficiencies in internal controls over financial reporting of the acquired company;
- higher than anticipated acquisition and integration costs and expenses;
- the difficulty and expense of integrating the operations and personnel of the acquired companies;
- use of cash to support the operations of an acquired business;
- increased foreign exchange translation risk depending on the currency denomination of the revenue and expenses of the acquired business;
- disruption of, and demands on, our ongoing business as a result of integration activities including diversion of management's time and attention from the ongoing business;
- failure to maximize our financial and strategic position by the successful incorporation of acquired technology;
- the inability to implement uniform standards, disclosure controls and procedures, internal controls over financial reporting and other procedures and policies in a timely manner;
- the potential loss of key employees and customers;
- decrease in our share price if the market perceives that an acquisition does not fit our strategy, the price paid is excessive in light of other similar transactions or that the terms of the acquisition are not favorable to our earnings growth;
- failure to anticipate or adequately address regulatory requirements that may need to be satisfied as part of a business acquisition or disposition;
- litigation and settlement costs if shareholders bring lawsuits triggered by acquisition or divestiture activities;

- decrease in our share price, if, as a result of our acquisition strategy or growth, we decide to raise additional capital through an offering of securities; and
- dilution to our shareholders if the purchase price is paid in Common Shares or securities convertible into Common Shares.

In addition, geographic distances and cultural differences may make integration of businesses more difficult. We may not be successful in overcoming these risks or any other problems encountered in connection with any acquisitions. If realized, these risks could reduce shareholder value.

As business circumstances dictate, we may also decide to divest assets, technologies or businesses. On July 23, 2020, we announced a definitive agreement to divest our Shenzhen, China-based automotive embedded module product line to Rolling Wireless (H.K.) Limited and the Sale Transaction closed on November 18, 2020. In a divestiture, we may not be successful in identifying or managing the risks commonly encountered, including: political risks; difficult US-Canada-China relations; higher than anticipated costs; disruption of, and demands on, our ongoing business; diversion of management's time and attention; claims or litigation from the counterparties; adverse effects on existing business relationships with suppliers; and customers and employee issues. These risks or any other problems encountered in connection with a divestiture of assets, technologies or businesses, if realized, could reduce shareholder value.

In addition, we may be unsuccessful at completing proposed transactions. Negotiations and closing activities, including regulatory review, of transactions are complex functions subject to numerous unforeseen events that may impede the speed at which a transaction is closed or even prevent a transaction from closing. Failure to conclude transactions in an efficient manner may prevent us from advancing other opportunities or introduce unanticipated transition costs.

Competition from new or established IoT, cloud services and wireless services companies or from those with greater resources may prevent us from increasing or maintaining our market share and could result in price reductions and/or loss of business with resulting reduced revenues and gross margins.

The market for IoT products and services is highly competitive and rapidly evolving. We have experienced and expect to continue to experience the impact of intense competition on our business, including:

- competition from more established and larger companies with strong brands and greater financial, technical and marketing resources or companies with different business models;
- business combinations or strategic alliances by our competitors which could weaken our competitive position;
- introduction of new products or services by us that put us in direct competition with major new competitors;
- existing or future competitors who may be able to respond more quickly to technological developments and changes and introduce new products or services before we do; and
- competitors who may independently develop and patent technologies and products that are superior to ours or achieve greater acceptance due to factors such as more favorable pricing, more desired or better-quality features or more efficient sales channels.

If we are unable to compete effectively with our competitors' pricing strategies, technological advances and other initiatives, we may lose customer orders and market share and we may need to reduce the price of our products and services, resulting in reduced revenue and reduced gross margins. In addition, new market entrants or alliances between customers and suppliers could emerge to disrupt the markets in which we operate through disintermediation of our modules business or other means. There can be no assurance that we will be able to compete successfully and withstand competitive pressures.

The loss of any of our significant customers could adversely affect our revenue and profitability, and therefore shareholder value.

We sell our products and services to OEMs, enterprises, government agencies, distributors, resellers and network operators, and we are occasionally party to sales agreements with customers comprising a significant portion of our revenue. Accordingly, our business and future success depends on our ability to maintain and build on existing relationships and develop new relationships with OEMs, enterprises, government agencies, distributors, resellers, and network operators. If certain of our significant customers, for any reason, discontinue their relationship with us, reduce or postpone current or expected purchase orders for products, reduce or postpone initiation or usage of our services or suffer from business loss, our revenues and profitability could decline materially.

The majority of our revenue relates to purchases where after fulfillment of the purchase order the customer has no contractual obligation to continue purchasing our products. If these customers do not continue to make purchases, our revenue and our profitability could decline materially.

Our financial results are subject to fluctuations that could have a material adverse effect on our business and that could affect the market price of our Common Shares.

Our revenue, gross margin, operating earnings and net earnings may vary from quarter-to-quarter and could be significantly impacted by a number of factors, including but not limited to the following:

- price and product competition which may result in lower selling prices for some of our products and services or lost market share;
- price and demand pressure on our products and services from our customers as they experience pressure in their businesses;
- demand fluctuation based on the success of our customers in selling their products and solutions which incorporate our wireless products, services and software;
- development and timing of the introduction of our new products including the timing of sales orders, OEM and distributor customer sell through and design win cycles in our embedded wireless module business;
- transition periods associated with the migration to new technologies;
- potential commoditization and saturation in certain markets;
- our ability to accurately forecast demand in order to properly align the purchase of components and the appropriate level of manufacturing capability;
- product mix of our sales;
- possible delays or shortages in component supplies;
- possible delays in the manufacturing or shipment of current or new products and the introduction of new services;
- possible product or service quality or factory yield issues that may increase our cost of sales;
- concentration in our customer base;
- seasonality in demand;
- amount of inventory held by our channel partners;
- possible fluctuations in certain foreign currencies relative to the U.S. dollar that may affect foreign denominated revenue, cost of sales and operating expenses;
- impairment of our goodwill or intangible assets which may result in a significant charge to earnings in the period in which an impairment is determined;
- achievement of milestones related to our professional services contracts; and

- operating expenses that are generally fixed in the short-term and therefore difficult to rapidly adjust to different levels of business.

Any of the factors listed above, or others, could cause significant variations in our revenues, gross margin and earnings in any given quarter. Therefore, our quarterly results are not necessarily indicative of our overall business, results of operations and financial condition.

Quarterly variations in operating results or any of the other factors listed above, changes in financial estimates by securities analysts, failure to meet any guidance provided by us or any change in guidance provided by us, or other events or factors may result in wide fluctuations in the market price of our Common Shares. Broad market fluctuations or any failure of our operating results in a particular quarter to meet market expectations may adversely affect the market price of our Common Shares. Over the past several years, following volatility in the market price of a company's securities, class action litigation has often been commenced against the affected company. Any litigation of this type brought against us could result in substantial costs which could materially and adversely affect our business, financial position, results of operation, or cash flows.

Our business transformation and restructuring initiatives may result in disruptions to our business or may not achieve the anticipated benefits.

The Company is currently undertaking steps to transform the business in order to provide better alignment with our Device-to-Cloud strategy and drive greater automation and efficiency. Key initiatives include implementing a new go-to-market operating model, introduction of integrated online customer experience, consolidation of engineering sites, outsourcing of a select group of general and administration activities, optimization of terms with our third party manufacturers and re-organizing the product team to combine responsibilities for both devices and services. These changes will involve departure of skilled personnel, employees changing roles, adding new talent, realignment of teams, on-boarding of new partners, additional costs, and working capital investments. Successfully executing these changes will be a significant factor in enabling future revenue growth. The anticipated benefits of these transformations may not be obtained if circumstances prevent us from taking advantage of the strategic and business opportunities that we expect they may afford us. As the transformation proceeds, there will be impact on costs and liquidity. Further, there could be a higher rate of organizational and business process change and our operations may not be able to recalibrate business processes in a timely and efficient manner thereby impacting the effectiveness of certain business processes, our ability to design, develop and commercially launch new products and services in a timely manner, and the delivery of our products and services to our customers. Our employees may not fully understand the plans to change the business and therefore staff morale and engagement may deteriorate as we implement the changes to our organization.

We may have difficulty responding to changing technology, industry standards and customer requirements, and therefore be unable to develop new products or services in a timely manner which meet the needs of our customers.

The wireless communications industry is subject to rapid technological change, including evolving industry standards, frequent new product inventions, constant improvements in performance characteristics and short product life cycles. Our business and future success will depend, in part, on our ability to accurately predict and anticipate evolving wireless technology standards and develop products and services that keep pace with the continuing changes in technology, evolving industry standards and changing customer and end-user preferences and requirements. Our products embody complex technology that may not meet those standards, preferences and requirements. Our ability to design, develop and commercially launch new products and services depends on a number of factors including, but not limited to, the following:

- our ability to design and manufacture products or implement solutions and services at an acceptable cost and quality;
- our ability to attract and retain skilled technical employees;

- the availability of critical components from third parties;
- our ability to successfully complete the development of products in a timely manner; and
- the ability of third parties to complete and deliver on outsourced product development engagements.

A failure by us, or our suppliers, in any of these areas or a failure of new products or services to obtain commercial acceptance, could mean we generate less revenue than we anticipate and we may be unable to recover our research and development expenses.

We develop products and services to meet our customers' requirements. OEM customers award design wins for the integration of wide area embedded wireless modules on a platform by platform basis. Current design wins do not guarantee future design wins. If we are unable or choose not to meet our customers' needs, we may not win their future business and our revenue and profitability may decrease.

In addition, wireless communications service providers require that wireless data systems deployed on their networks comply with their own standards, which may differ from the standards of other providers. We may be unable to successfully address these developments on a timely basis or at all. Our failure to respond quickly and cost-effectively to new standards through the development of new products or enhancements to existing products could cause us to be unable to recover significant research and development expenses and reduce our revenues.

Cyber-attacks or other breaches of information technology security could have an adverse impact on our business.

We rely on certain internal processes, infrastructure and information technology systems, including infrastructure and systems operated by third parties to efficiently operate our business in a secure manner. The inability to continue to enhance or prevent a failure of these internal processes, infrastructure or information technology systems could negatively impact our ability to operate our business. Our IoT services depend on very high levels of network reliability and availability in order to provide our customers with the ability to continuously monitor and receive data from their devices.

Cyber-attacks or other breaches of network or IT systems security may cause disruptions to our operations including the ability to provide connectivity, device management and other cloud-based services to our customers. Our industry is prone to cyber-attacks by third parties seeking unauthorized access to our data or our customers' data, by third parties seeking to interrupt our ability to provide connectivity services, or by third parties seeking to exploit our technology and devices to conduct denial of service attacks. The prevalence and sophistication of these types of threats are increasing and our frequently evolving security measures may not be sufficient to prevent the damage that such threats can inflict on our assets and information. The theft, unauthorized use or publication of our intellectual property and/or confidential business information could harm our competitive position, reduce the value of our investment in research and development and other strategic initiatives and/or otherwise adversely affect our business. Our security measures may also be breached due to employee error, malfeasance, system errors or vulnerabilities, including vulnerabilities of our vendors, suppliers, their products or otherwise. To the extent that any security breach results in inappropriate disclosure of our customers' confidential information, inadvertent exposure of our customers own information systems, or disruption of service to our customers, we may incur liability, be subject to legal action and suffer damage to our reputation. Our insurance may not be adequate to fully reimburse us for these costs and losses.

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 that may result in product liability claims and product recalls could lead to unanticipated costs or otherwise harm our business.

Our products are comprised of hardware and software that is technologically complex, and we are reliant on third parties to provide important components for our products. It is possible that our products and IoT services may contain undetected errors, defects or cyber-security vulnerabilities. As a result, our products or IoT services may be rejected by our customers or may not operate as intended, our services may be unavailable to our customers leading to loss of business, loss of revenue, additional development and customer service costs, unanticipated warranty claims, payment of monetary damages under contractual provisions and damage to our reputation. Certain components in our products provided by a third-party supplier may have been affected by a Global Positioning System ("GPS") week number rollover event which occurred on November 3, 2019. If our customers did not deploy the supplier-provided software update or an alternate remedy prior to the GPS week number rollover event, or such update or remedy was not effective to address the rollover, then the customer's application may not function correctly to the extent it was reliant on the GPS time, date or location data generated from such component.

In addition, our IoT services, including information systems and telecommunications infrastructure, could be disrupted by technological failures or cyber-attacks which could result in the inability of our customers to receive our services for an indeterminate period of time. Third parties seeking unauthorized access to our products may attempt to take advantage of the fact that we do not have a direct relationship with, and therefore may not know the identity of certain end users of our products, and these end users may not upgrade their software, apply security patches or otherwise monitor steps we take to address any cyber-security vulnerabilities. Any disruption to our services, such as failure of our network operations centers to function as required, or extended periods of reduced levels of service could cause us to lose customers or revenue, result in delays or cancellations of future implementations of our products and services, result in failure to attract customers, require customer service or repair work that would involve substantial costs, result in loss of customer data, expose customer devices or information systems to cybersecurity compromise, result in litigation, payment of monetary damages under contractual provisions, and distract management from operating our business.

The transmission, use and disclosure of user data and personal information could give rise to liabilities or additional costs as a result of laws, governmental regulations and mobile network operator and other customer requirements or differing views of personal privacy rights.

Our products and services are used to transmit a large volume of data and potentially including personal information. This information is increasingly subject to legislation and regulations in numerous jurisdictions around the world that is intended to protect the privacy and security of personal information, as well as the collection, storage, transmission, use and disclosure of such information.

The interpretation of privacy and data protection laws in a number of jurisdictions is unclear and in a state of flux. There is a risk that these laws may be interpreted and applied in conflicting ways from country to country. Complying with these varying international requirements could cause us to incur additional costs and change our business practices. In addition, because our products and services are sold and used worldwide, certain foreign jurisdictions may claim that we are required to comply with their laws, even where we have no local entity, employees, or infrastructure.

We could be adversely affected if legislation or regulations are expanded to require changes in our products, services or business practices, if governmental authorities in the jurisdictions in which we do business interpret or implement their legislation or regulations in ways that negatively affect our business or if end users allege that their personal information was misappropriated because of a defect or vulnerability in our products or services. If we are required to allocate significant resources to modify our products, services or our existing security procedures for the personal information that our products and services transmit, our business, results of operations and financial condition may be adversely affected. The European Union General Data Protection Regulation ("GDPR"), which is designed to harmonize data privacy laws across Europe, became effective on May 25, 2018. We have made and continue to make improvements to our systems and processes to ensure that we are compliant with the GDPR. In addition, in the United States, the California Consumer Privacy Act ("CCPA") recently became effective on January 1, 2020. The CCPA gives California residents expanded rights to access and delete their personal information, opt out of certain personal information sharing and receive detailed information about how their personal information is used by requiring covered companies to provide new disclosures to

California consumers (as that term is broadly defined) and provide such consumers new ways to opt-out of certain sales of personal information. The CCPA provides for civil penalties for violations, as well as a private right of action for data breaches that is expected to increase data breach litigation. Like the GDPR and other evolving privacy and data protection laws worldwide, the CCPA may result in increased costs and may impact our ability to sell our products and services. A determination that we have violated any of these privacy or data protection laws could result in significant damage awards, fines and other penalties that could, individually or in the aggregate, materially harm our business and reputation.

We may be found to infringe on the intellectual property rights of others.

The industry has many participants that own, or claim to own, proprietary intellectual property. We license technology, intellectual property, and software from third parties for use in our products, and may be required to license additional technology, intellectual property, and software in the future. In some cases, these licenses provide us with certain pass-through rights for the use of other third-party intellectual property, which pass-through rights may be unilaterally adjusted, limited or removed under the terms of such licenses. Some licensors have instituted policies limiting the products they will cover under their licenses to end products only, which limits our ability to obtain new licenses from such licensors, where required, for our wireless embedded module products. There is no assurance that we will be able to maintain our third-party licenses or obtain new licenses when required and this inability could materially adversely affect our business and operating results and the quality and functionality of our products.

In the past we have received, and in the future, we are likely to continue to receive, assertions or claims from third parties alleging that our products violate or infringe their intellectual property rights. We may be subject to these claims directly or through indemnities against these claims which we have provided to certain customers and other third parties. Our component suppliers and technology licensors do not typically indemnify us against these claims and therefore we do not have recourse against them in the event a claim is asserted against us or a customer we have indemnified. This potential liability, if realized, could materially adversely affect our operating results and financial condition.

Activity in the wireless communications area by third parties, particularly those with tenuous claims, is prevalent. In the past, patent claims have been brought against us by third parties whose primary (or sole) business purpose is to acquire patents and other intellectual property rights, and not to manufacture and sell products and services. These entities aggressively pursue patent litigation, resulting in increased litigation costs for us. Infringement of intellectual property can be difficult to verify and litigation may be necessary to establish if we have infringed the intellectual property rights of others. In many cases, these third parties are companies with substantially greater resources than us, and they may choose to pursue complex litigation to a greater degree than we could. Regardless of whether these infringement claims have merit or not, we may be subject to the following:

- we may be found to be liable for potentially substantial damages, liabilities and litigation costs, including attorneys' fees;
- we may be prohibited from further use of intellectual property because of an injunction and may be required to cease selling our products that are subject to the claim;
- we may have to license third party intellectual property, incurring royalty fees that may or may not be on commercially reasonable terms; in addition, there is no assurance that we will be able to successfully negotiate and obtain such a license from the third party;
- we may have to develop a non-infringing alternative, which could be costly and delay or result in the loss of sales; in addition, there is no assurance that we will be able to develop such a non-infringing alternative;
- management attention and resources may be diverted;
- our relationships with customers may be adversely affected; and
- we may be required to indemnify our customers for certain costs and damages they incur in respect of such a claim.

In addition to potentially being found to be liable for substantial damages in the event of an unfavorable outcome in respect of such a claim and if we are unable to either obtain a license from the third party on commercially reasonable terms or develop a non-infringing alternative, we may have to cease the sale of certain products and restructure our business and, as a result, our operating results and financial condition may be materially adversely affected.

Misappropriation of our intellectual property could place us at a competitive disadvantage.

Our intellectual property is important to our success. We rely on a combination of patent protection, copyrights, trademarks, trade secrets, licenses, non-disclosure agreements and other contractual agreements to protect our intellectual property. Third parties may attempt to copy aspects of our products and technology or obtain information we regard as proprietary without our authorization. If we are unable to protect our intellectual property against unauthorized use by others it could have an adverse effect on our competitive position. Our strategies to deter misappropriation could be inadequate due to the following risks:

- non-recognition of the proprietary nature or inadequate protection of our methodologies in the United States, Canada, France, Taiwan or other foreign countries;
- undetected misappropriation of our intellectual property;
- the substantial legal and other costs of protecting and enforcing our rights in our intellectual property; and
- development of similar technologies by our competitors.

In addition, we could be required to spend significant funds and management resources could be diverted to defend our rights, which could disrupt our operations.

We may be unable to attract or retain key personnel which may harm our ability to compete effectively.

Our success depends in large part on the skills and experience of our executive officers and other key employees. Competition for highly skilled management, technical, research and development and other key employees is intense in the wireless communications industry. We may not be able to retain our current executive officers or key employees and may not be able to hire and transition in a timely manner experienced and qualified additional executive officers, including a replacement of our departing Chief Executive Officer, and key employees as needed to achieve our business objectives. The loss of key employees or deterioration in overall employee morale and engagement as a result of organizational change could have an adverse impact on our growth, operations and profitability.

We do not have fixed-term employment agreements with our key personnel. As well, from time to time we may undertake transitions in our executive leadership. The loss of executive officers and key employees could disrupt our operations and our ability to compete effectively could be adversely affected.

We depend on mobile network operators to promote and offer acceptable wireless data services.

Our products and our wireless connectivity services can only be used over wireless data networks operated by third parties. Our business and future growth depends, in part, on the successful deployment by mobile network operators of next generation wireless data networks and appropriate pricing of wireless data services. We also depend on successful strategic relationships with our mobile network operator partners to provide direct or indirect roaming services onto their networks and our operating results and financial condition could be harmed if they increase the price of their services or experience operational issues with their networks. In certain cases, our mobile network operator partners may also offer services that compete with our IoT services business.

We have been subject to certain class action lawsuits and may in the future be subject to class action or derivative action lawsuits, which if decided against us, could require us to pay substantial judgments, settlements or other penalties.

In addition to being subject to litigation in the ordinary course of business, we may be subject to class actions, derivative actions and other securities litigation and investigations. We expect that this type of litigation will be time consuming, expensive and will distract us from the conduct of our daily business. It is possible that we will be required to pay substantial judgments, settlements or other penalties and incur expenses that could have a material adverse effect on our operating results, liquidity or financial position. Expenses incurred in connection with these lawsuits, which include substantial fees of lawyers and other professional advisors and our obligations to indemnify officers and directors who may be parties to such actions, could materially adversely affect our reputation, operating results, liquidity or financial position. Furthermore, we do not know with certainty if any of this type of litigation and resulting expenses will be fully or even partially covered by our insurance. In addition, these lawsuits may cause our insurance premiums to increase in future periods.

Contractual disputes could have a material adverse effect on our business.

Our business is exposed to the risk of contractual disputes with counterparties and as a result we may be involved in complaints, claims and litigation. We cannot predict the outcome of any complaint, claim or litigation. If a dispute cannot be resolved favorably, it may delay or interrupt our operations and may have a material adverse effect on our operating results, liquidity or financial position.

Government laws and regulations could result in increased costs and inability to sell our products and services.

Our products and services are subject to laws and regulations in the United States, Canada, the European Union and other regions in which we operate, and in some cases, we are required to obtain regulatory approvals or licenses in order to sell our products and services.

For example, in the United States the Federal Communications Commission regulates many aspects of communications devices and services. In Canada, similar regulations are administered by Innovation, Science and Economic Development Canada (ISED) and the Canadian Radio-television and Telecommunications Commission (CRTC). European Union directives provide comparable regulatory guidance in Europe. Although we believe we have obtained all the necessary Federal Communications Commission, ISED, CRTC, and other required approvals and licenses for the products and services we currently sell, we may not receive approvals or licenses for future products and services on a timely basis, or at all.

Regulatory requirements may change, or we may not be able to receive approvals or licenses from jurisdictions in which we may desire to sell products and services in the future. In addition, many laws and regulations are still evolving and being tested in courts and by regulatory authorities and could be interpreted in ways that could harm our business. The application and interpretation of these laws and regulations often are uncertain, particularly in the new and rapidly evolving industry in which we operate. Because laws and regulations have continued to develop and evolve rapidly, it is possible that we or our products or services may not be, or may not have been, compliant with each applicable law or regulation. Compliance with applicable laws and regulations may impose substantial costs on our business, and if we fail to comply we may be subject to regulatory and civil liability, additional costs (including fines), reputational harm, and in severe cases, may be prevented from selling our products and services in certain jurisdictions, all of which could materially and adversely affect our business, financial position, results of operation, and cash flows.

Environmental regulations or changes in the supply, demand or available sources of energy or other natural resources may affect the availability or cost of goods and services, including natural resources, necessary to manufacture our products and run our business.

We may also incur additional expenses or experience difficulties selling our products associated with complying with the SEC rules and reporting requirements related to conflict minerals. In August 2012, the SEC adopted new disclosure requirements implementing Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 for manufacturers of products containing certain minerals that may originate from the Democratic Republic of Congo and adjoining countries. As a result, since 2013 we have been required to conduct certain country of origin and due diligence procedures to meet the SEC reporting requirements. The impact of the regulations may limit the sourcing and availability, or may increase the costs, of some of the metals used in the manufacture of our products. Also, since our supply chain is complex, we may be unable to sufficiently verify the origins for all metals used in our products through our supplier due diligence procedures. As governments change in any of the markets in which we operate, there could be further uncertainties with respect to certain of our regulatory obligations in the near term, including with respect to fiscal and trade-related matters.

We are subject to risks inherent in foreign operations.

Sales outside North America represented approximately 57% and 59% of our revenues in fiscal 2020 and 2019, respectively. We maintain offices in a number of foreign jurisdictions. We have limited experience conducting business in some of the jurisdictions outside North America and we may not be aware of all the factors that may affect our business in foreign jurisdictions. We are subject to a number of risks associated with our international business operations that may increase liabilities, costs, lengthen sales cycles, and require significant management attention. These risks include:

- compliance with the laws of the United States, Canada and other countries that apply to our international operations, including import and export legislation, lawful access and privacy laws;
- compliance with existing and emerging anti-corruption laws, including the Foreign Corrupt Practices Act of the United States, the Corruption of Foreign Public Officials Act of Canada and the UK Bribery Act;
- increased reliance on third parties to establish and maintain foreign operations;
- the complexities and expense of administering a business abroad;
- complications in compliance with, and unexpected changes in, foreign regulatory requirements, including requirements relating to content filtering and requests from law enforcement authorities;
- trading and investment policies;
- consumer protection laws that impose additional obligations on us or restrict our ability to provide limited warranty protection;
- instability in economic or political conditions, including inflation, recession and actual or anticipated military conflicts, social upheaval or political uncertainty;
- foreign currency fluctuations;
- foreign exchange controls and cash repatriation restrictions;
- emerging protectionist trends in certain countries leading to new or higher tariffs and other trade barriers;
- difficulties in collecting accounts receivable;
- potential adverse tax consequences, including changes in tax policies in various jurisdictions that may render our tax planning strategy less effective than planned;
- uncertainties of laws and enforcement relating to the protection of intellectual property or secured technology;
- litigation in foreign court systems;
- cultural and language differences;
- difficulty in managing a geographically dispersed workforce in compliance with local laws and customs that vary from country to country; and
- other factors, depending upon the country involved.

There can be no assurance that the policies and procedures implemented by us to address or mitigate these risks will be successful, that our personnel will comply with them, that we will not experience these factors in the future or that they will not have a material adverse effect on our business, results of operations and financial condition.

Increases in tariffs or other trade restrictions may have an adverse impact on our business.

The United States and other countries have currently levied tariffs and taxes on certain goods manufactured in China and other jurisdictions and general trade tensions with China continue to be high. Certain of our components that we source from suppliers in China and import into the U.S. are included in the announced and implemented tariffs. At this point, we do not expect these tariffs to have a material impact on our business or results of operations. However, our business may be impacted by retaliatory trade measures taken by China or other countries in response to existing or future tariffs. If the U.S. or other countries were to impose additional tariffs on components that we or our suppliers source from China, our costs of such components would increase and our gross margins may decrease. We may also incur additional operating costs from our efforts to mitigate the impact of tariffs on our customers and our operations.

DIVIDENDS

Since incorporation, we have not paid any dividends on our Common Shares. Our current intention is to reinvest earnings to finance the growth of our business. We do not anticipate that we will pay any dividends on our Common Shares in the immediate or foreseeable future.

DESCRIPTION OF CAPITAL STRUCTURE

Our authorized capital consists of an unlimited number of Common Shares, of which, at March 16, 2021, 36,879,903 were issued and outstanding, and an unlimited number of Preference Shares, issuable in series, of which none were issued and outstanding. Our board of directors is authorized to determine the designation, rights and restrictions to be attached to the Preference Shares upon issuance.

Holders of Common Shares are entitled to receive notice of any meeting of shareholders and to attend and vote at those meetings, except those meetings at which only the holders of shares of another class or of a particular series are entitled to vote. Each Common Share entitles its holder to one vote. Subject to the rights of the holders of Preference Shares, the holders of Common Shares are entitled to receive on a proportionate basis such dividends as our board of directors may declare out of funds legally available. In the event of the dissolution, liquidation, winding up or other distribution of our assets, the holders of the Common Shares are entitled to receive on a proportionate basis all of our assets remaining after payment of all of our liabilities, subject to the rights of holders of Preference Shares.

Credit Facilities

On April 30, 2020, we amended the revolving credit agreement (the "Revolving Facility") with the Canadian Imperial Bank of Commerce ("CIBC") as sole lender and as Administrative Agent, which increased our total borrowing capacity to $50 million and extended the maturity date to April 30, 2023. The amendments also included revising the availability under the Revolving Facility to be subject to a borrowing base related to eligible accounts receivable and inventory and is the lesser of the facility size or borrowing base. The Revolving Facility is secured by a pledge against substantially all of our assets. The Revolving Facility will be used for general corporate purposes, including, but not limited to, capital expenditures, working capital requirements and/or certain acquisitions permitted under the Revolving Facility. Borrowings under the Revolving Facility may bear interest at US Base Rate or LIBOR plus applicable margin. The Revolving Facility contains a financial covenant that requires the Company to be below a maximum total leverage ratio. As at December 31, 2020, there were no outstanding borrowings under the Revolving Facility (2019 — nil). In 2020, we recorded interest expense of $0.6 million (2019-nil).

On July 22, 2020, we amended the Revolving Facility and added a $12.5 million Canadian dollar term loan facility (the “Loan”) with CIBC. The Loan is backed by the Government of Canada under the Business Credit Availability Program (“BCAP”); specifically, 80% of the principal of the Loan is guaranteed by the Business Development Bank of Canada (“BDC”). The Loan bears interest at CIBC’s Prime Lending rate or Bankers Acceptance rate plus applicable margin. Repayment is interest only for the first 12 months, followed by regular quarterly payments of principal based on a ten-year amortization schedule plus interest. The outstanding amount owing plus accrued interest and fees are repayable on the maturity date, July 22, 2025. Under the terms of the BCAP, the proceeds must be used to finance operations, may not be used to refinance existing debt obligations, pay dividends or other distributions to shareholders, make shareholder contributions or shareholder loans, buy back shares, and includes certain restrictions on executive compensation payouts. During 2020, we borrowed and fully repaid $9.4 million (Cdn $12.5 million) under the Loan. In 2020, we recorded interest expense of $0.2 million (2019 - nil).

On February 17, 2021, we entered into an additional amending agreement to the revolving credit agreement (the “Amended Revolving Facility”) with CIBC as sole lender and as Administrative Agent to rightsize the facility following the sale of the Automotive Business. We reduced the total borrowing capacity under the Revolving Facility to $30 million from $50 million. The Revolving Facility will be used for general corporate purposes, including, but not limited to, capital expenditures, working capital requirements and/or certain acquisitions permitted under the Revolving Facility. Borrowings under the Revolving Facility may bear interest at US Base Rate or LIBOR plus applicable margin. Availability under the Amended Revolving Facility is no longer subject to a borrowing base. The Amended Revolving Facility contains customary affirmative, negative, and financial covenants.

We have access to a standby letter of credit facility of $1.5 million from Toronto Dominion Bank. The credit facility is used for the issuance of letters of credit and guarantees and is guaranteed by Export Development Canada. As of December 31, 2020, letters of credit issued against the revolving standby letter of credit facility were for a total value of $1.4 million (2019 — $0.1 million).

Accounts Receivables Purchase Agreement

We have an uncommitted Receivables Purchase Agreement (the “RPA”) with CIBC, as purchaser, to improve our liquidity during high working capital periods. Under the RPA, the Company may offer to sell certain eligible accounts receivable (the “Receivables”) to CIBC, which may accept such offer, and purchase the offered Receivables. Under the RPA, up to $75.0 million of Receivables may be sold and remain outstanding at any time. Receivables are sold at 100% face value less discount with a 10% limited recourse to us arising from certain repurchase events. The RPA is on an uncommitted basis with no expiry date and carries a discount rate of Canadian Dollar Offered Rate (CDOR) for purchased Receivables in Canadian dollars and London Inter-Bank Offered Rate (LIBOR) for purchased Receivables in U.S. dollars, plus an applicable margin. After the sale, we do not retain any interests in the Receivables, but continue to service and collect, in an administrative capacity, the outstanding Receivables on behalf of CIBC.

We account for the sold Receivables as a sale in accordance with Financial Accounting Standards Board ("FASB") ASC 860, *Transfers and Servicing*. Proceeds from the sale reflect the face value of the Receivables less discount fees charged by CIBC and one-time legal costs and are classified under operating activities in the consolidated statements of cash flows.

Pursuant to the RPA, the Company sold and de-recognized $163.4 million Receivables in 2020 (2019 - $86.9 million). As at December 31, 2020, $19.4 million remained outstanding to be collected from customers and remitted to CIBC (2019 - $18.2 million). Discount fees of $0.4 million for 2020 are included in *Other expense* in the consolidated statements of operations (2019 - discount fees and administration expense of $0.5 million). As at December 31, 2020, we collected $0.8 million from Receivables that we previously sold and that have not been remitted to CIBC due to timing of settlement dates. We recorded the amount in *Restricted cash* in the consolidated balance sheets with a corresponding increase in accrued liabilities (2019 - $3.4 million).

MARKET FOR SECURITIES

Our Common Shares are listed on the TSX and trade under the symbol "SW", and on Nasdaq under the symbol "SWIR".

Trading Price and Volume

Set out below are the price ranges and volume of the Common Shares of Sierra Wireless, Inc. that traded on the TSX for the year ended December 31, 2020.

2020	Low (Cdn$)	High (Cdn$)	Volume
January	12.13	13.46	1,066,000
February	10.30	13.51	1,732,100
March	6.25	10.44	2,723,800
April	7.64	14.00	1,945,400
May	10.64	13.72	1,269,600
June	11.28	15.05	1,204,100
July	11.62	19.19	1,458,900
August	15.34	18.07	1,715,500
September	13.07	16.44	1,530,900
October	14.05	15.98	789,000
November	13.64	20.10	1,611,300
December	17.28	20.76	1,043,300

Set out below are the price ranges and volume of the Common Shares of Sierra Wireless, Inc. that traded on Nasdaq for the year ended December 31, 2020.

2020	Low (US$)	High (US$)	Total Monthly Volume
January	9.30	10.31	3,886,700
February	7.64	10.19	7,536,100
March	4.31	7.80	8,681,200
April	5.42	9.93	9,677,100
May	7.51	9.83	5,645,800
June	8.25	11.29	5,392,300
July	8.57	14.37	7,935,400
August	11.53	13.68	5,134,900
September	9.78	12.59	4,376,500
October	10.56	12.15	2,859,100
November	10.45	15.50	7,978,600
December	13.53	16.24	6,501,800

DIRECTORS AND EXECUTIVE OFFICERS

The tables set forth below list the directors and executive officers of the Company as at March 16, 2021, indicating their name, municipalities of residence, their respective positions and offices held with the Company, the length of service and their principal occupations within the five preceding years.

Each director is elected at our annual meeting of shareholders to serve until the next annual meeting or until a successor is elected or appointed, unless such director resigns or is removed earlier. To the knowledge of Sierra Wireless, the directors and executive officers as a group, beneficially own, directly or indirectly, or exercise control or direction over, 322,715 Common Shares (not including Common Shares issuable upon the exercise of stock options or undistributed restricted stock units), representing as of March 16, 2021 approximately 0.9**%** of the issued and outstanding Common Shares.

Directors

Name, Position and Residence	Principal Occupation or Employment in the Preceding Five Years [(1)]	Director Since
Gregory D. Aasen [(3)] Director British Columbia, Canada	Independent Outside Director	December 1997
Robin A. Abrams[(4)] Chair and Director California, U.S.A.	Independent Outside Director	March 2010
James R. Anderson[(3)] Director, California, U.S.A.	Independent Outside Director; President and Chief Executive Officer of Lattice Semiconductor Corporation from 2018 to present; General Manager and Senior Vice President, Computing and Graphics Business Group of AMD from 2015 to 2018	April 2020
Karima Bawa[(4)] Director British Columbia, Canada	Independent Outside Director; Senior Fellow, Centre for International Governance and Innovation; IP Advisor	April 2020
Russell N. Jones [(2)(4)] Director Ontario, Canada	Independent Outside Director; Chief Financial Officer of Shopify Inc. from 2011 to 2018.	September 2018
Thomas K. Linton[(2)] Director Georgia, U.S.A	Independent Outside Director; Chief Procurement and Supply Chain Officer of Flex from 2011 to 2019	May 2020
Martin D. Mc Court [(3)] Director Issy-les-Moulineaux, France	Independent Outside Director; Executive Vice President, Strategy and M&A, Chief Technology Officer and Chief Marketing Officer of Gemalto from 2005 to 2019	May 2020
Lori M. O'Neill [(2)(3)] Director Ontario, Canada	Independent Outside Director; Consultant	September 2019
Thomas Sieber [(2)(4)] Director Zurich, Switzerland	Independent Outside Director; Chairman of Axpo Holding AG, a Swiss energy utility, from March 2016 to present; Chairman of Salt Mobile SA (formerly Orange Switzerland), a Swiss telecommunications carrier from 2012 to 2015	January 2014
Kent P. Thexton Director Ontario, Canada	President and Chief Executive Officer; General Partner of ScaleUP Ventures Inc. from 2016 to 2018; Managing Director of OMERS Ventures from 2014 to 2016	March 2005
Mark Twaalfhoven[(2)] Director Florida, U.S.A	Independent Outside Director; Chief Executive Officer of Pulse Electronics from 2014 to 2019	May 2020
Gregory L. Waters [(3)] Director California, U.S.A.	Independent Outside Director; President and CEO of Integrated Device Technology Inc. from 2015 to 2019	March 2020

Notes:

(1) The information as to "principal occupation" has been furnished by the respective directors

(2) Member of the Audit Committee

(3) Member of the Human Resources Committee

(4) Member of the Governance and Nominating Committee

Executive Officers

Name, Position and Residence	Principal Occupation in the Preceding Five Years	Length of Service
Kent P. Thexton President and Chief Executive Officer Ontario, Canada	President and Chief Executive Officer from October 2018 to present; General Partner of ScaleUP Ventures Inc. from April 2016 to October 2018; and Managing Director of OMERS Ventures from January 2014 to 2016	3 years
Samuel C. Cochrane Chief Financial Officer British Columbia, Canada	Chief Financial Officer from May 2020 to present; Vice President, Finance of Motorola Solutions Inc. ("Motorola") 2020; CFO of Avigilon, which was acquired by Motorola, from 2018-2019; Vice President, Finance of Avigilon 2016-2017	<1 year
James B. Armstrong Senior Vice President & General Manager, Enterprise Solutions California, U.S.A	Senior Vice President & General Manager, Enterprise Solutions from January 2021 to present; Chief Operating Officer and Executive Vice President of Spirent Communications plc from 2014 to 2018	<1 year
Jennifer A. Farac General Counsel & Corporate Secretary British Columbia, Canada	General Counsel from 2010 to present; Corporate Secretary from May 2020 to present	11 years
Philippe Guillemette Chief Technology Officer British Columbia, Canada	Chief Technology Officer from March 2009 to present	12 years
James P. Ryan Senior Vice President & General Manager IoT Solutions & Marketing Georgia, U.S.A	Senior Vice President & General Manager IoT Solutions & Marketing from October 2020 to present; Senior Vice President, APAC Sales from January 2020 to October 2020; Senior Vice President, Strategic Partnerships from May 2019 to October 2020; Consultant at Rightbrain Consulting from May 2014 to May 2019	2 years

None of the directors or executive officers of the Corporation is, as at the date of this AIF, or was within 10 years before the date of this AIF, a director, chief executive officer or chief financial officer of any company (including the Corporation) that:

a) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation which, in each case, was in effect for a period of more than 30 consecutive days (each, an “order”) that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, or

b) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

No director or executive officer of Sierra Wireless or a shareholder holding a sufficient number of securities of Sierra Wireless to affect materially its control, except where otherwise specifically indicated:

a) is, as at the date of this AIF, or has been within the 10 years before the date of the AIF, a director or executive officer of any company (including Sierra Wireless) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets;

Lori O'Neill was a director of DragonWave Inc. ("DragonWave") from June 13, 2013 until July 31, 2017. Ms. O'Neill, together with all the then current directors of DragonWave, resigned from the board of DragonWave on July 31, 2017 upon the appointment by the Ontario Superior Court of Justice (Commercial List) of KSV Kofman Inc. as receiver over all of the property and assets of DragonWave on the application of DragonWave's senior creditors. On July 20, 2017, the Investment Industry Regulatory Organization of Canada suspended trading of DragonWave's common shares on the TSX and DragonWave's delisting from the TSX was announced on August 1, 2017, effective August 30, 2017. DragonWave's delisting from Nasdaq took effect on August 2, 2017.

James Ryan was an executive at Solavei Inc. from January 2012 through May 2014. Solavei Inc. filed for Chapter 11 bankruptcy on June 18, 2014. Solavei Inc. exited Chapter 11 bankruptcy on March 13, 2015 and merged with ASPIDER.

b) has, within the 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder;

c) has been subject to:

    i. any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
    ii. any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

CODE OF BUSINESS CONDUCT

In 2003, the Board of Directors adopted a Code of Business Conduct applying to all directors, officers, employees and contractors of the Company and each affiliate and subsidiary of the Company, including the Company's Chief Executive Officer, Chief Financial Officer and other senior officers, to ensure that we conduct our business in accordance with the highest standards of business conduct. The Board of Directors approved updated versions of the Code of Business Conduct in December 2005, October 2008, March 2011, February 2014, April 2016, May 2017, April 2020, and March 2021. There have been no waivers granted from the Code of Business Conduct since its adoption. The Code of Business Conduct is available on the Company's website at www.sierrawireless.com or on SEDAR at www.sedar.com.

AUDIT COMMITTEE

Mandate of the Audit Committee

The full text of the Mandate of the Audit Committee is set out below.

1. Purpose and Scope

The audit committee **("Committee")** was established by the Board of Directors **("Board")** of Sierra Wireless Inc. **("Company")** to assist the Board in fulfilling its responsibilities for oversight of the following:

- the Company's systems of internal and disclosure controls;
- the Company's financial reporting process including the Company's financial statements and other financial information provided by the company to its shareholders, the public and others in accordance with applicable securities and corporate legislation and the Company's Disclosure Policy;

- the Company's compliance with financial, accounting, legal and regulatory requirements including the Company's Code of Business Conduct;
- the appointment, compensation, independence, oversight, communication with, performance and change of the Company's external and independent auditors (the "Auditors");
- the Company's process for identification of the principal risks of the Company's business and ensuring that an appropriate process is in place to manage risks across the enterprise; and
- the fulfillment of the other responsibilities set forth in this Mandate.

2. Organization, Membership and Meetings

- Committee members shall meet the requirements of the Toronto Stock Exchange, the NASDAQ Exchange, the Securities and Exchange Commission, the securities commissions of each of the Provinces of Canada in which the Company is a reporting issuer and any other regulatory agency that may have jurisdiction over the operations of the Company from time to time.
- The Committee shall consist of three or more directors who are "independent" as defined by applicable law, regulations, guidelines and policies, and as determined by the Governance and Nominating Committee ("GNC") of the Board.
- All members of the Committee shall be "financially literate", and at least one member of the Committee shall be a "financial expert". "Financially literate" and "financial expert" will have the respective meanings set out in applicable law, regulations, guidelines and policies.
- Members of the Committee shall be appointed annually by the Board on the recommendation of the GNC. Members may be replaced by the Board at any time, but shall otherwise serve until a successor has been named.
- No Committee member may serve on the compensation committee of another company if any director of the Company is, or has been in the past three years, an employee of that other company.
- No director shall serve as a member of the Committee if that director previously served as Chief Executive Officer or Chief Financial Officer of the Company or its affiliates or of an acquired company within the past five years, other than in the capacity as Interim Chief Executive Officer or Interim Chief Financial Officer for a period of less than one year.
- No member shall be affiliated with the Company or any subsidiary.
- The Committee shall meet from time to time, as it deems necessary, but at least four times per year.
- The presence in person or by teleconference of a majority of Committee members shall constitute a quorum for any meeting of the Committee.
- The Committee may include management at its meetings, but shall also hold an executive session at each meeting at which only independent directors are present.
- The Committee shall maintain written minutes of its meetings, which minutes will be filed in the corporate minute book.

3. Authority and Responsibilities

3.1 External Audit:

- Recommend to the Board the appointment and compensation of the Auditors. Oversee the work of the Auditors (including resolution of disagreements between Management and the Auditors regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company.
- Review in advance and pre-approve all non-audit services to be provided to the Company or its subsidiaries by the Auditors, as permitted by applicable governance rules and in particular Section 10A of the Securities Exchange Act of 1934 and, in connection therewith, to approve all fees and other terms of engagement. The Committee shall also review and pre-approve all disclosures required to be included in

any public filings with respect to non-audit services. The Committee may delegate to one or more members the authority to pre-approve non-audit services, provided a report is made to the Committee at its next scheduled meeting. The Committee may consult with Management but shall not delegate these responsibilities to Management.

- Communicate directly with the Auditors.
- Review the performance of the Auditors on at least an annual basis.
- On an annual basis, review and discuss with the Auditors all relationships the Auditors have with the Company in order to evaluate the Auditors' continued independence. The Committee: (i) shall ensure that the Auditors submit to the Committee on an annual basis a written statement delineating all relationships and services that may impact the objectivity and independence of the Auditors; (ii) shall discuss with the Auditors any disclosed relationship or services that may impact the objectivity and independence of the Auditors; and (iii) shall satisfy itself as to the Auditors' independence.
- At least annually, obtain and review an annual report from the Auditors describing (i) the Auditors' internal quality control procedures and (ii) any material issues raised by the most recent internal quality control review, or peer review, of the Auditors, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the Auditors, and any steps taken to deal with any such issues.
- Confirm that the rotation of the lead audit partner or the audit partner responsible for reviewing the audit (the concurring partner), for the Company's Auditors complies with the requirements of the Canadian and US regulatory authorities.
- Review, based upon the recommendation of the Auditors and Management, the scope and plan of the work to be done by the Auditors for each fiscal year.

3.2 Financial statements:

- Review and discuss with Management and the Auditors the Company's quarterly financial statements (including disclosures made in Management's Discussion and Analysis, as defined in Multilateral Instrument 51-102, and interim earnings press releases) prior to submission to shareholders, any governmental body, any stock exchange or disclosure to the public. Approve the interim financial statements and footnotes, MD&A and interim earnings press release.
- Review and discuss with Management and the Auditors the Company's annual audited financial statements (including disclosures made in Management's Discussion and Analysis and annual earnings press releases) prior to submission to shareholders, any governmental body, any stock exchange or disclosure to the public. Recommend to the Board approval of the annual audited financial statements and footnotes, MD&A and annual earnings press release.
- Recommend to the Board, if appropriate, that the Company's annual audited financial statements be included in the Company's annual report for filing with appropriate securities regulatory agencies.
- Review and approve any reports required to be included in the Company's annual meeting materials and any other Committee reports required by applicable securities laws or stock exchange listing requirements or rules.

3.3 Periodic and annual reviews:

- Periodically review with each of Management and the Auditors (i) any significant disagreement between Management and the Auditors in connection with the preparation of the financial statements, (ii) any difficulties encountered during the course of the audit or review (including any restrictions on the scope of work or access to required information), and (iii) Management's response to each.
- Periodically discuss with the Auditors, without Management being present (i) their judgments about the quality, appropriateness, and acceptability of the Company's accounting principles and financial disclosure practices, as applied in its financial reporting, and (ii) the completeness and accuracy of the Company's financial statements.

- Consider and approve, if appropriate, significant changes to the Company's accounting principles and financial disclosure practices as suggested by the Auditors or Management. Review with the Auditors and Management, at appropriate intervals, the extent to which any changes or improvements in accounting or financial practices, as approved by the Committee, have been implemented.
- Review with Management, the Auditors and the Company's counsel, as appropriate, any legal, regulatory or compliance matters that could have a significant impact on the Company's financial statements, including significant changes in accounting standards or rules as promulgated by the Canadian Institute of Chartered Accountants, the securities regulators having jurisdiction over the Company or other regulatory authorities with relevant jurisdiction.
- Obtain and review an annual report from Management relating to the accounting principles used in preparation of the Company's financial statements (including those policies for which Management is required to exercise discretion or judgments regarding the implementation thereof).
- At least annually, obtain and review a report from Management summarizing the Company's investments in cash or cash equivalents and marketable securities.
- On an annual basis, review the Company's Treasury Investment Policy.

3.4 Discussions with Management:

- Review and discuss with Management the Company's annual and interim earnings press releases (including the use of "pro forma" or "adjusted" non-GAAP information), financial information and earnings guidance provided to analysts and rating agencies as well as all other material public disclosure documents such as the Company's AIF, management information circular and any prospectuses.
- Review and discuss with Management all material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the Company with unconsolidated entities or other persons, that may have a material current or future effect on financial condition, changes in financial condition, results of operations, liquidity, capital resources, capital reserves or significant components of revenues or expenses.
- Inquire about the application of the Company's accounting policies and their consistency from period to period, and the compatibility of these accounting policies with generally accepted accounting principles, and (where appropriate) the Company's provisions for liabilities that may have a material impact on the financial statements of the Company.
- Review and discuss with Management the Company's major financial risk exposures and the steps Management has taken to monitor and control such exposures (including Management's risk assessment and risk management policies).
- Review and discuss with Management all disclosures made by the Company concerning any material changes in the financial condition or operations of the Company.
- The Committee will meet periodically and separately with the Company's counsel to review material legal affairs of the Company and the Company's compliance with applicable law and listing standards.
- Review annually the Auditors' letter of the recommendations with respect to internal controls over financial reporting to Management and Management's response to such letter.
- Periodically review the Company's administration of equity awards under the Company's long-term incentive plans (stock option plan and restricted share unit plans) including without limitation: (i) the practices and procedures adhered to; and (ii) the accounting treatment of equity awards. In doing so, the Audit Committee shall: (i) have special regard to grants of equity awards to insiders of the Company; (ii) review individual equity awards on a "sample" basis; and (iii) assess the records retention relating to equity awards on a sample basis.

3.5 Internal controls and disclosure:

- In consultation with the Auditors and Management: (a) review the effectiveness of the Company's internal control structure and system including information technology security and control, and the procedures designed to ensure compliance with laws and regulations, and (b) discuss the responsibilities, budget and staffing needs of the Company's internal accounting department.

- Establish and review procedures for (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
- Be satisfied that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements and periodically assess the adequacy of those procedures.
- Be satisfied that record retention services provided by third parties are effective. (For example, that equity grants are appropriately recorded and that all information necessary for compliance with all relevant laws, regulations and Company policies is available for review when required).

3.6 Risk Management and Compliance:

- Ensure that in addition to the Committee's oversight of management's process to identify and manage key financial risks, the Company has in place a process for enterprise risk management whereby the Committee reviews the enterprise's most critical risks and tracks management's actions to manage such risks.
- Review with management and the senior risk management executive the charter, activities, staffing and organizational structure of the risk management function.
- On a periodic basis, but not less than once per year, report to the Board on the process for enterprise risk management, the company's most critical risks and management's actions to address such risks.
- Discuss with the senior risk management executive any issues that may have been brought forward concerning compliance with the Company's Code of Business Conduct.
- Ensure that there are no unjustified restrictions or limitations on the activities of the risk management function and review and concur in the appointment, replacement or dismissal of the senior risk management executive.
- On an annual basis, review the effectiveness of the risk management function.
- On a regular basis, meet separately with the senior risk management executive to discuss any matters that the Committee or the senior risk management executive believes should be discussed.

3.7 Reporting obligations:

- Oversee management's compliance with all reporting obligations related to the AIF (Form 40-F for US purposes) and management information circular under Part 5 of Multilateral Instrument 52-110.

3.8 Other:

- Oversee management's process for identifying and disclosing related-party transactions and review any significant transactions that warrant the attention of the Committee.
- Review and approve the Company's hiring policies regarding partners, employees, and former partners and employees of the present and former external auditor of the Company.
- Review any Management decision to seek a second opinion from Auditors other than the Company's regular Auditors with respect to any significant accounting issue.
- Review with Management and the Auditors the sufficiency and quality of the financial and accounting personnel of the Company.
- Review and reassess the adequacy of this Mandate annually and recommend to the Board any changes the Committee deems appropriate.
- Conduct an annual performance evaluation of Committee operations.

- As necessary to carry out its duties, engage independent legal, accounting or other advisors to advise the Committee and set and pay the compensation for any such legal, accounting or other advisors employed by the Committee.
- Perform any other activities consistent with this Mandate, the Company's By-laws and governing law as the Committee or the Board deems necessary or appropriate.
- The Committee will have full access to all books, records, facilities and personnel of the Company.

4. External and Internal Linkages

- The Board
- The CEO and Senior Management
- The senior Risk Management executive
- The Company's External Auditors
- Outside Consultants and Advisors
- The Corporate Governance and Nominating Committee

Composition of the Audit Committee

We have a separately designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Lori M. O'Neill (Chair), Russell N. Jones, Thomas K. Linton, Thomas Sieber, and Mark Twaalfhoven are the current members of the Audit Committee. Each of them is an independent director and is financially literate as such terms are defined by applicable Canadian and U.S. securities laws.

Relevant Education and Experience

Russell N. Jones is an independent director. Mr. Jones has extensive experience as a technology industry executive with demonstrated experience in financial oversight and reporting. Prior to his retirement in 2018, Mr. Jones was CFO of Shopify Inc. He joined Shopify in early 2011 and took the company public in May 2015. Mr. Jones has also held senior executive roles at a number of companies including Mitel Corporation, Newbridge Networks, Watchfire and Quake Technologies. He also co-founded a CFO advisory firm focused on earlier stage technology companies. He is a CPA, CA and holds a Bachelor of Commerce (Honours) from Carleton University and an ICD.D certification from the Institute of Corporate Directors.

Thomas K. Linton is an independent director. Mr. Linton is a recognized expert in procurement and supply chain management, most recently serving as the chief procurement and supply chain officer for Flex. He was honored with the Institute of Supply Management's prestigious J. Shipman Gold Medal in 2019, and the Lifetime Achievement Award from the Procurement Leaders Organization in 2017, and he was inducted into the Chief Procurement Officers Hall of Fame. Mr. Linton spent 20 years at IBM, developing and founding several worldwide trading and technical centers. After leaving IBM, Mr. Linton helped found E2Open, Inc., a supply chain software company. He has served as chief procurement officer at Agere Systems and Freescale Semiconductor, and as executive vice president and chief procurement officer at LG Electronics. He has served on the World Economic Forum's Global Future Council on Mobility and currently serves as an advisory board member for a number of institutions of higher learning, including the MIT Center for Transportation and Logistics, as well as on several boards in the electronics hardware supply chain.

Lori M. O'Neill is an independent director. Ms. O'Neill is a FCPA, FCA, corporate director and independent financial and governance consultant. She provides governance and financial consulting services to growth companies, after serving over 24 years with Deloitte LLP. As a partner at Deloitte LLP with various national and industry leadership roles, she focused on advising growth companies from start-ups to multinationals, supporting complex transactions, private and public equity offerings, mergers and acquisitions in Canada and the U.S. Ms. O'Neill is a board member for Constellation Software, University of Ottawa Heart Institute, Ontario Lottery and Gaming

Corporation, Tehema Group (formerly: Pythian Group, Inc.), and Ashbury College. Ms. O'Neill graduated from Carleton University with a Bachelor of Commerce (Highest Honors) in 1988, achieved her CPA, CA designation in 1990, her U.S. CPA designation in 2003, and completed the ICD Director Education Program attaining the ICD.D.

Thomas Sieber is an independent director. Mr. Sieber has extensive experience as a technology industry executive with demonstrated expertise in building pan-European enterprise sales channels. Mr. Sieber was the CEO of Salt Mobile SA (formerly Orange Switzerland) from 2009 to 2012, where he led a successful turnaround of the business and drove the sales process of the company to a new owner. He then served as Chairman until the end of 2015. Before joining Orange, Mr. Sieber was Executive Vice President of Sales for Fujitsu Siemens Computers. Mr. Sieber started his career at Hewlett-Packard, advancing to General Manager for Small and Medium Enterprise, EMEA, by the time he left the company in 2001. He studied Business Administration at the University of St.Gallen (HSG) in Switzerland, graduating in 1987. In March 2016, he was appointed as Chairman of the largest Swiss utility company, Axpo Holding AG. Mr. Sieber also currently serves on the board of directors of the Swiss software company Garaio AG and the Indian IT services company, HCL Technologies.

Mr. Mark Twaalfhoven is an independent director. Mr. Twaalfhoven is an international executive with more than 25 years of experience in managing and improving efficiency of complex, global technology organizations. Between 2014 and 2019, Mr. Twaalfhoven served as CEO of Pulse Electronics, where he significantly improved profitability and generated a 15-fold return on invested capital upon sale of the company. Previously, Mr. Twaalfhoven was President at Valuec B.V., a Hong Kong based investment firm focusing on performance improvements of growing technology companies. From 2005 to 2009, Mr. Twaalfhoven led the restructuring and successful turnaround of Teleplan International, a listed company providing total lifecycle care solutions for the computer, mobile phone and consumer industries, where he served as President and CEO. Between 1996 and 2005, Mr. Twaalfhoven served in a number of positions, including Senior Vice President and Corporate Officer of Amphenol Corporation, where he led the development and tenfold growth of its Asian operations. Mr. Twaalfhoven holds a Master of Science in Industrial Engineering from Stanford University, a Bachelor's Degree in Mechanical Engineering from Purdue University and he completed the Advanced Management Program at Harvard Business School.

The Board of Directors has determined that Ms. O'Neill (Chair), Mr. Jones and Mr. Sieber are all Audit Committee financial experts within the meaning of General Instruction B(8)(b) of Form 40-F. Each member of the Audit Committee has extensive experience with oversight of the financial reporting of publicly traded companies including: (i) an understanding of generally accepted accounting principles and financial statements; (ii) the ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves; (iii) experience actively supervising one or more persons engaged in such activities; (iv) an understanding of internal controls and procedures for financial reporting; and (v) an understanding of audit committee functions.

The Securities and Exchange Commission ("SEC") has indicated that the designation or identification of a person as an audit committee financial expert does not make such person an "expert" for any purpose, impose any duties, obligations or liability on such person that are greater than those imposed on members of the audit committee or board of directors who do not carry this designation or identification, or affect the duties, obligations or liabilities of any other member of the audit committee or board of directors.

Reliance on Certain Exemptions

At no time since the commencement of the Company's most recently completed financial year has the Company relied upon any exemption from NI 52-110 provided therein.

Audit Committee Oversight

At no time since the commencement of the Company's most recently completed financial year was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the board of directors of the Company.

Pre-approval Policies and Procedures

The Audit Committee has the sole authority to review in advance and pre-approve all audit and non-audit services to be provided to the Company or its subsidiaries by the external auditor, as well as all fees and other terms of engagement. The Audit Committee may delegate to one or more members the authority to pre-approve non-audit services, provided a report is made to the Audit Committee at its next scheduled meeting. For the fiscal years ended December 31, 2020 and 2019, all of the audit and non-audit services below were pre-approved by the Audit Committee.

Auditor Independence

Sierra Wireless's Audit Committee has concluded that Ernst & Young LLP, the Company's independent registered chartered accountants ("Auditors"), is independent under applicable rules and guidelines and, in particular, that the Auditors are free from conflicts of interest that could impair their objectivity in conducting the audit of the Company's financial statements. The Audit Committee is required to approve all audit and non-audit related services performed by our Auditors, and our Auditors are not permitted to perform services for us prohibited for an independent auditor under applicable Canadian and United States regulations, including the Sarbanes-Oxley Act of 2002.

Auditors' Fees

	2020	**2019**
Audit fees	$ 1,132,700	$ 1,017,000
Audit-related fees	—	38,755
Tax fees	25,859	79,020
All other fees	—	—
Total	**$ 1,158,559**	**$ 1,134,775**

Audit Fees

Audit fees for 2020 and 2019 include fees related to the audit of our year-end financial statements, the audit of our internal control over financial reporting, review of our interim financial statements, statutory audits, consents and services that are normally provided by our Auditors in connection with statutory and regulatory filings or engagements for such year.

Audit-Related Fees

Audit-related fees for 2019 relate to due diligence relating to an acquisition. No audit-related fees were billed by Auditors in 2020.

Tax Fees

Tax fees for 2020 relate to tax compliance and tax due diligence relating to an acquisition. Tax fees for 2019 relate to tax advisory services relating to an acquisition and tax compliance matters.

All Other Fees

No other fees were billed by our Auditors in 2020 or 2019 for services other than those reported in the preceding paragraphs.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

We are from time to time involved in litigation, certain other claims and arbitration matters arising in the ordinary course of our business.

In March 2020, Sunset Licensing LLC filed a patent infringement lawsuit in the United States District Court for the District of Delaware, which lawsuit makes certain allegations concerning our GNX-3 LTE devices. The lawsuit has been dismissed without prejudice.

In November 2019, Stormborn Technologies LLC filed a patent infringement lawsuit in the United States District Court for the District of Delaware, which lawsuit makes certain allegations concerning our FX and GL series devices. The lawsuit has been dismissed with prejudice.

In January 2017, Koninklijke KPN N.V. filed a patent infringement lawsuit in the United States District Court for the District of Delaware asserting patent infringement by us and our U.S. subsidiary. The lawsuit makes certain allegations concerning the alleged use of data transmission error checking technology in our wireless products. In March 2018, the Court granted our motion for judgment on the pleadings that the plaintiff's patent is invalid. The plaintiff appealed this invalidity ruling to the Federal Circuit, and in November 2019, the Federal Circuit reversed the District Court's invalidity ruling. In April 2019, the United States Patent and Trial Appeal Board rendered its final decision in our petition for *Inter Partes* Review of the patent-in-suit, and the instituted claims were not proved to be unpatentable. In April 2020, the District Court granted summary judgment to the plaintiffs with respect to our counterclaims alleging that the plaintiff had breached its commitments to standard setting organizations. The Court rendered its claim construction order in September 2020. A stipulated motion to stay filed by the parties was granted by the Court in February 2021.

In August 2014, M2M Solutions LLC filed a patent infringement lawsuit against us in District Court for the District of Delaware asserting patent infringement by us and our US subsidiary. The lawsuit makes certain allegations concerning our wireless products with respect to US Patent No. 8,648,717. In March 2017, the United States Patent and Trial Appeal Board issued its decisions in the instituted *Inter Partes* Review proceedings filed by us and other defendants, invalidating all independent claims and several dependent claims in the single patent-in-suit. In April 2017, M2M Solutions assigned the patent-in-suit to Blackbird Tech LLC ("Blackbird"), and they became a plaintiff in the lawsuit in June of that year. In September 2018, the court denied a motion to dismiss the lawsuit. Blackbird was granted leave to identify additional asserted claims and accused products with respect to the patent-in-suit. In November 2019, the Judge issued a claim construction order finding two of the remaining five claims in the patent-in-suit to be indefinite and therefore invalid. In December 2020, a Report and Recommendation of the Magistrate was filed recommending that the Court grant our motion for summary judgment of non-infringement. The Court's ruling on this matter is pending. Trial in our case has been continued and is not currently scheduled.

Intellectual Property Indemnification Claims

We have been notified by certain of our customers in the following matter that we may have an obligation to indemnify them in respect of the products we supply to them:

In June 2019, Sisvel International S.A. and 3G Licensing S.A. (together, "First Suit Plaintiffs"), filed patent infringement lawsuits (the "First Suits") in the United States District Court for the District of Delaware against one or more of our customers alleging patent infringement with respect to a portfolio of 12 patents purportedly owned by Sisvel and obtained from Nokia Corporation (5 patents) and Blackberry, Ltd. (7 patents), that First Suit Plaintiffs allege relate to technology for cellular communications networks including, but not limited to 2G, 3G and 4G/LTE. The allegations have been made in relation to certain of our customer's products, which may include products which utilize modules sold to them by us. Following successful motions to dismiss filed by several defendants, the First Suit Plaintiffs have filed amended complaints, dropping 6 of the 7 Blackberry patents from the allegations against certain of the defendants, including at least one of our customers. *Inter Partes* Review petitions have been filed by us and other defendants with respect to all of the patents involved in the First Suits, eleven of which have been instituted and one has been denied. The First Suits are in the discovery stage and a first trial against one of the defendants is scheduled for November 2022. In May 2020, Sisvel International S.A., 3G licensing S.A. and Sisvel S.p.A. (collectively, the "Second Suit Plaintiffs") filed patent infringement lawsuits (the "Second Suits") in the United States District Court for the District of Delaware, against one or more of our customers alleging patent infringement with respect to a portfolio of 9 patents purportedly owned by the Second Suit Plaintiffs and obtained from Nokia Corporation (1 patent), Blackberry, Ltd. (2 patents) and LG Electronics Inc. (6 patents), that the Second Suit Plaintiffs allege relate to technology for cellular communications networks including, but not limited to 3G and 4G. The allegations have been made in relation to certain of our customers' products, which may include products which utilize modules sold to them by us. The Second Suits are in the scheduling stage.

Although there can be no assurance that an unfavorable outcome would not have a material adverse effect on our operating results, liquidity or financial position, we believe the claims made in the foregoing legal proceedings are without merit and intend to defend ourselves and our products vigorously in all cases.

We are engaged in certain other claims, legal actions and arbitration matters, all in the ordinary course of business, and believe that the ultimate outcome of these claims, legal actions and arbitration matters will not have a material adverse effect on our operating results, liquidity or financial position.

We are not aware at this time of any legal proceedings that are contemplated that are required to be disclosed under this section.

Regulatory Actions

During the financial year ended December 31, 2020:

a) no penalties or sanctions were imposed against Sierra Wireless by a court relating to securities legislation or by a securities regulatory authority;

b) no penalties or sanctions were imposed by a court or regulatory body against Sierra Wireless that would likely be considered important to a reasonable investor in making an investment decision; and

c) no settlement agreements were entered into before a court relating to securities legislation or with a securities regulatory authority.

QUORUM EXEMPTION

The rules and regulations of the NASDAQ require each listed issuer to provide that a quorum for its shareholders' meetings be at least 33 1/3 percent of the issuer's outstanding shares. The Company has been granted an exemption from this requirement because it is contrary to generally accepted business practices in Canada, the Company's country of domicile. The Company has had the benefit of this exemption in the current year and prior years.

In determining whether a requirement is contrary to generally accepted business practices, the NASDAQ rules generally look to the requirements of the primary market in the issuer's country of domicile. The rules and policies of the TSX, the primary market in Canada, do not contain quorum requirements, and the *Canada Business Corporations Act*, the Corporation's governing statute, defers to the quorum requirements contained in an issuer's By-laws. Under the Company's By-laws, a quorum for a meeting of the Company's shareholders is two persons present in person, each being a shareholder entitled to vote thereat or a duly appointed proxyholder or representative for a shareholder so entitled.

REGISTRAR AND TRANSFER AGENT

The Registrar and Transfer Agent for the Common Shares in Canada is Computershare Investor Services Inc., 3rd Floor, 510 Burrard Street, Vancouver, British Columbia, V6C 3B9 and in the United States is Computershare Trust Company, N.A., 462 South 4th Street, Louisville, Kentucky. These offices and the principal offices of Computershare Investor Services Inc. in the City of Toronto maintain the register of Common Shares and can effect transfers and make deliveries of certificates for Common Shares.

MATERIAL CONTRACTS

The following material contracts of the Company were entered into within the most recently completed financial year:

a. On April 16, 2020, we entered into a cooperation agreement with Lion Point Capital, LP (and certain of its affiliated entities), regarding the membership and composition of the Sierra Wireless Board and its committees, as well as certain customary standstill restrictions (the "Cooperation Agreement"). Pursuant to the terms of the Cooperation Agreement, (i) Paul C. Cataford and Joy Chik, stepped down from the Board and two new independent directors, Jim Anderson and Karima Bawa, were appointed to the Board on April 16, 2020 and (ii) we agreed to propose and recommend for approval at our annual and special meeting of shareholders (the "Meeting") a special resolution providing for an increase in the maximum size of the Board from nine (9) to twelve (12) directors (the "Board Expansion Resolution"). Following the approval of the Board Expansion Resolution at the Meeting, we announced on May 22, 2020, that the Board of Directors appointed Thomas K. Linton, Martin Mc Court, and Mark Twaalfhoven as independent directors of the Company. The Cooperation Agreement terminated at the end of the standstill period.

b. On July 23, 2020, we entered into a master asset purchase agreement with Rolling Wireless, a consortium led by Fibocom Wireless Inc. of Shenzhen to divest our Shenzhen, China-based Automotive Business. On November 18, 2020, we completed the Sale Transaction for total gross proceeds of $165.0 million in cash, subject to working capital adjustments, including $10.0 million of proceeds held in escrow that we recorded in restricted cash and was released on January 8, 2021.

EXPERTS

Our consolidated financial statements at December 31, 2020 and 2019 have been audited by Ernst & Young LLP, independent registered Chartered Professional Accountants, our external auditors. As set forth in their report, Ernst & Young have confirmed with respect to the Company, that they are independent within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulations and also that they are independent accountants with respect to the Entity under all relevant U.S. professional and regulatory standards.

ADDITIONAL INFORMATION

Additional information relating to the Company:

a. may be found on the System for Electronic Analysis and Retrieval ("SEDAR") at www.sedar.com and on the SEC's Electronic Document and Gathering Retrieval System ("EDGAR") at www.sec.gov;

b. including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans, is contained in the Company's Information Circular for its most recent annual meeting of shareholders; and

c. is provided in the Company's audited financial statements and related management discussion and analysis for the years ended December 31, 2020 and 2019.

Exhibit 1.2

MANAGEMENT'S STATEMENT OF RESPONSIBILITIES

The accompanying consolidated financial statements have been prepared by management and approved by the Board of Directors of Sierra Wireless, Inc. The consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States and, where appropriate, reflect management's best estimates and judgments. Where alternative accounting methods exist, management has chosen those methods deemed most appropriate in the circumstances. Management is responsible for the accuracy, integrity and objectivity of the consolidated financial statements within reasonable limits of materiality. Financial information provided elsewhere in the Annual Report is consistent with that in the consolidated financial statements.

To assist management in the discharge of these responsibilities, the Company maintains a system of internal controls over financial reporting as described in *Management's Annual Report on Internal Control Over Financial Reporting* on page 35 of Management's Discussion and Analysis.

The Company's Audit Committee is appointed by the Board of Directors annually and is comprised exclusively of outside, independent directors. The Audit Committee meets with management as well as with the independent auditors to satisfy itself that management is properly discharging its financial reporting responsibilities and to review the consolidated financial statements and the independent auditors' report. The Audit Committee reports its findings to the Board of Directors for consideration in approving the consolidated financial statements for presentation to the shareholders. The Audit Committee considers, for review by the Board of Directors and approval by the shareholders, the engagement or reappointment of the independent auditors. Ernst & Young LLP has direct access to the Audit Committee of the Board of Directors.

The consolidated financial statements have been independently audited by Ernst & Young LLP, Chartered Professional Accountants, on behalf of the shareholders, in accordance with the standards of the Public Company Accounting Oversight Board (United States) with respect to the consolidated financial statements for the year ended December 31, 2020. Their report outlines the nature of their audit and expresses their opinion on the consolidated financial statements of the Company.

/s/ Kent P. Thexton
Kent P. Thexton
President and
Chief Executive Officer

/s/ Samuel Cochrane
Samuel Cochrane
Chief Financial Officer

March 17, 2021
Vancouver, Canada

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Sierra Wireless, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Sierra Wireless, Inc. (the Company) as of December 31, 2020 and 2019, the related consolidated statements of operations and comprehensive loss, equity and cash flows for each of the two years in the period ended December 31, 2020, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2020, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated March 17, 2021 expressed an unqualified opinion thereon.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Valuation of Goodwill

Description of the Matter	At December 31, 2020, the Company's goodwill was $176 million. As discussed in Note 19 to the consolidated financial statements, goodwill is tested for impairment at least annually at the reporting unit level. The Company's goodwill is initially assigned to its reporting units as of the acquisition date and is reallocated to the reporting units upon a reorganization thereof. Auditing management's annual goodwill impairment test involved especially complex and subjective auditor judgment due to the assumptions required by management to estimate the fair value of the reporting units, and therefore considered to be a critical audit matter. In particular, the fair value estimate was sensitive to significant assumptions such as the weighted average cost of capital and changes in the revenue growth rates and gross margin percentages which are affected by expectations about future market or economic conditions and management's operating plans.
How We Addressed the Matter in Our Audit	We obtained an understanding, evaluated the design, and tested the operating effectiveness of controls over the Company's goodwill impairment review process, including controls over management's review of the significant assumptions described above. To test the estimated fair value of the Company's reporting units, we performed audit procedures that included, among others, assessing methodologies and testing the significant assumptions discussed above and the underlying data used by the Company in its analysis. We involved our valuation specialists to assess, among others, the reasonableness of the weighted average cost of capital calculations and to perform sensitivity analyses of significant assumptions, such as the weighted average cost of capital, revenue growth rates, and gross margin percentages, to evaluate the changes in the fair value of the reporting units that would result from changes in the assumptions. We compared the significant assumptions used by management to historical performance and current industry trends and other factors. In addition, we tested management's reconciliation of the fair value of the reporting units to the market capitalization of the Company and tested management's market valuation analysis by comparing the fair value implied by market transactions and valuations for comparable companies.

	Accounting for Discontinued Operations and Related Gain on Sale
Description of the Matter	As discussed in Note 5c to the consolidated financial statements, on November 18, 2020, the Company completed the sale of its Automotive Embedded Module Product Line ("Automotive") business to Rolling Wireless (H.K.) Limited for gross proceeds of $165 million. In connection with the sale of the Automotive business, the Company recognized a gain on disposal, net of taxes of $15 million, which is included within the results of the operations of the Automotive business which is presented as discontinued operations in the consolidated statement of operations and comprehensive loss. Auditing the Company's accounting for discontinued operations and the related gain on sale of the Automotive business was considered to be a critical audit matter as it involved especially challenging auditor judgement due to the assumptions made by management in identifying and measuring the assets and liabilities of the discontinued operation, including the allocation of goodwill, and the results of operations.
How We Addressed the Matter in Our Audit	We obtained an understanding, evaluated the design, and tested the operating effectiveness of the controls over the accounting for discontinued operations and the related gain on sale, including controls related to management's review of the completeness and accuracy of assets and liabilities and results of operations and the significant assumptions and other inputs used to allocate goodwill. Our audit procedures to address this critical audit matter included, among others, the following procedures. We inspected the related sale agreement to obtain an understanding of the assets and liabilities included in the scope of the sale transaction. We tested the completeness and accuracy of assets and liabilities included in the gain calculation on a sample basis by comparing amounts to the Company's accounting records. We assessed the Company's allocation of goodwill by testing management's estimated fair value of the remaining Enterprise Broadband reporting unit and the Automotive business. To test the estimated fair value of the remaining Enterprise Broadband reporting unit, we involved our valuation specialists to assess, among others, the reasonableness of the weighted average cost of capital calculations and to perform sensitivity analyses of significant assumptions, such as the weighted average cost of capital and revenue growth rates to evaluate the changes in the fair value of the reporting unit that would result from changes in the assumptions. We compared the significant assumptions used by management to historical performance and current industry trends and other factors.

/s/ Ernst & Young LLP
Chartered Professional Accountants
We have served as the Company's auditor since 2016.

Vancouver, Canada
March 17, 2021

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Sierra Wireless, Inc.

Opinion on Internal Control Over Financial Reporting

We have audited Sierra Wireless, Inc. internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Sierra Wireless, Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of Sierra Wireless, Inc. (the Company) as of December 31, 2020 and 2019, the related consolidated statements of operations and comprehensive loss, equity and cash flows for each of the two years in the period ended December 31, 2020, and the related notes and our report dated March 17, 2021 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP
Chartered Professional Accountants
Vancouver, Canada
March 17, 2021

SIERRA WIRELESS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(In thousands of U.S. dollars, except where otherwise stated)

	Years ended December 31,	
	2020	**2019**
Revenue (note 6)		
IoT Solutions	**$ 327,323**	$ 377,808
Embedded Broadband	**121,265**	169,468
	448,588	547,276
Cost of Sales		
IoT Solutions	**205,419**	237,650
Embedded Broadband	**84,418**	112,140
	289,837	349,790
Gross margin	**158,751**	197,486
Expenses		
Sales and marketing	**86,481**	87,185
Research and development (note 7)	**82,029**	78,761
Administration	**48,513**	47,127
Restructuring (note 8)	**8,740**	26,262
Acquisition-related and integration	**440**	974
Impairment (note 20)	**—**	877
Amortization	**20,584**	20,554
	246,787	261,740
Loss from operations	**(88,036)**	(64,254)
Foreign exchange gain (loss)	**8,003**	(1,224)
Other expense (note 9)	**(2,027)**	(307)
Loss before income taxes	**(82,060)**	(65,785)
Income tax expense (recovery)(note 10)	**(11,909)**	8,878
Net loss from continuing operations	**$ (70,151)**	$ (74,663)
Net earnings from discontinued operations (note 5(c))	**20,810**	4,125
Net loss	**$ (49,341)**	$ (70,538)
Other comprehensive income (loss):		
Foreign currency translation adjustments, net of taxes of $nil	**7,636**	(4,070)
Comprehensive loss	**$ (41,705)**	$ (74,608)
Net earnings (loss) per share (in dollars)(note 12)		
Continuing operations	**$ (1.93)**	$ (2.06)
Discontinued operations	**0.57**	0.11
	$ (1.36)	$ (1.95)
Weighted average number of shares outstanding (in thousands) (note 12)		
Basic	**36,393**	36,166
Diluted	**36,393**	36,166

The accompanying notes are an integral part of the consolidated financial statements.

SIERRA WIRELESS, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands of U.S. dollars, except where otherwise stated)

	As at December 31, 2020	2019
Assets		
Current assets		
Cash and cash equivalents	**$ 160,560**	$ 71,164
Restricted cash (note 24)	**10,864**	3,629
Accounts receivable (note 13)	**68,575**	94,491
Inventories (note 15)	**32,815**	36,334
Prepaids and other (note 16)	**11,933**	10,858
Assets held for sale (note 5(c))	**—**	67,586
	284,747	**284,062**
Property and equipment, net (note 17)	**31,412**	27,577
Operating lease right-of-use assets (note 20)	**20,068**	25,466
Intangible assets, net (note 18)	**78,081**	70,072
Goodwill (note 19)	**175,545**	154,381
Deferred income taxes (note 10)	**1,135**	1,779
Other assets	**10,383**	9,982
Long-term assets held for sale (note 5(c))	**—**	66,021
	$ 601,371	$ 639,340
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 21)	**$ 162,138**	$ 149,596
Deferred revenue	**9,862**	9,190
Liabilities held for sale (5(c))	**—**	25,380
	172,000	184,166
Long-term obligations (note 22)	**45,646**	43,407
Operating lease liabilities (note 20)	**17,054**	25,154
Deferred income taxes (note 10)	**10,258**	4,921
Long-term liabilities held for sale (note 5(c))	**—**	367
	244,958	258,015
Equity		
Shareholders' equity		
Common stock: no par value; unlimited shares authorized; issued and outstanding: 36,619,439 shares (December 31, 2019 — 36,233,361 shares)	**441,999**	435,532
Preferred stock: no par value; unlimited shares authorized; issued and outstanding: nil shares	**—**	—
Treasury stock: at cost; 46,505 shares (December 31, 2019 — 44,487 shares)	**(542)**	(370)
Additional paid-in capital	**49,489**	38,212
Retained deficit	**(128,953)**	(78,833)
Accumulated other comprehensive loss (note 23)	**(5,580)**	(13,216)
	356,413	381,325
	$ 601,371	$ 639,340

Commitments and contingencies (note 27)
Subsequent event (note 28)
The accompanying notes are an integral part of the consolidated financial statements.

On behalf of the Board:

/s/ Robin A. Abrams
Robin A. Abrams
Director

/s/ Lori M. O'Neill
Lori M. O'Neill
Director

SIERRA WIRELESS, INC.
CONSOLIDATED STATEMENTS OF EQUITY
(in thousands of U.S. dollars, except where otherwise stated)

	Common Stock		Treasury Shares					
	# of shares	$	# of shares	$	Additional paid-in capital	Retained deficit	Accumulated other comprehensive income (loss)	Total
Balance as at December 31, 2018	36,067,415	$ 432,552	119,584	$ (1,965)	$ 30,984	$ (8,295)	$ (9,146)	$ 444,130
Stock option exercises (note 11)	47,231	690	—	—	(202)	—	—	488
Stock-based compensation (note 11)	—	—	—	—	12,930	—	—	12,930
Purchase of treasury shares for RSU distribution	—	—	68,500	(674)	—	—	—	(674)
Distribution of vested RSUs	118,715	2,290	(143,597)	2,269	(5,500)	—	—	(941)
Net loss	—	—	—	—	—	(70,538)	—	(70,538)
Foreign currency translation adjustments, net of tax	—	—	—	—	—	—	(4,070)	(4,070)
Balance as at December 31, 2019	36,233,361	$ 435,532	44,487	$ (370)	$ 38,212	$ (78,833)	$ (13,216)	$ 381,325
Effects of adoption of ASC 326 (note 3)	**—**	**—**	**—**	**—**	**—**	**(779)**	**—**	**(779)**
Balance as at January 1, 2020	**36,233,361**	**$ 435,532**	**44,487**	**$ (370)**	**$ 38,212**	**$ (79,612)**	**$ (13,216)**	$ 380,546
Stock option exercises (note 11)	**178,223**	**2,765**	**—**	**—**	**(801)**	**—**	**—**	**1,964**
Stock-based compensation (note 11)	**—**	**—**	**—**	**—**	**19,940**	**—**	**—**	**19,940**
Purchase of treasury shares for RSU distribution	**—**	**—**	**240,800**	**(2,802)**	**—**	**—**	**—**	**(2,802)**
Distribution of vested RSUs	**207,855**	**3,702**	**(238,782)**	**2,630**	**(7,862)**	**—**	**—**	**(1,530)**
Net loss	**—**	**—**	**—**	**—**	**—**	**(49,341)**	**—**	**(49,341)**
Foreign currency translation adjustments, net of tax	**—**	**—**	**—**	**—**	**—**	**—**	**7,636**	**7,636**
Balance as at December 31, 2020	**36,619,439**	**$ 441,999**	**46,505**	**$ (542)**	**$ 49,489**	**$ (128,953)**	**$ (5,580)**	**$ 356,413**

The accompanying notes are an integral part of the consolidated financial statements.

SIERRA WIRELESS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands of U.S. dollars)

	Years ended December 31,	
	2020	2019
Cash flows provided by (used in):		
Operating activities		
Net loss	**$ (49,341)**	$ (70,538)
Items not requiring (providing) cash		
Amortization	**32,345**	33,177
Stock-based compensation (note 11(a))	**19,940**	12,930
Deferred income taxes (note 10)	**(1,150)**	8,711
Impairment (note 20)	**—**	877
Gain on sale of Automotive business (note 5(c))	**(27,137)**	—
Unrealized foreign exchange loss (gain)	**(8,808)**	1,122
Other	**43**	1,218
Changes in non-cash working capital		
Accounts receivable	**1,232**	37,965
Inventories	**10,997**	(3,712)
Prepaids and other	**7,646**	(8,611)
Accounts payable and accrued liabilities	**7,771**	(12,069)
Deferred revenue	**(1,305)**	5,792
Cash flows provided by (used in) operating activities	**(7,767)**	6,862
Investing activities		
Additions to property and equipment	**(18,952)**	(16,494)
Additions to intangible assets	**(3,023)**	(3,779)
Proceeds from sale of property and equipment	**281**	98
Proceeds from sale of Automotive Business, net (note 5(c))	**144,156**	—
Proceeds from sale of investment	**—**	3,303
Proceeds from sale of iTank business	**—**	500
Acquisitions, net of cash acquired:		
M2M Group (note 5(a))	**(18,391)**	—
M2M New Zealand (note 5(b))	**(3,468)**	—
Cash flows provided by (used in) investing activities	**100,603**	(16,372)
Financing activities		
Issuance of common shares, net of issuance cost	**1,964**	488
Purchase of treasury shares for RSU distribution	**(2,802)**	(674)
Taxes paid related to net settlement of equity awards	**(1,530)**	(941)
Proceeds from long-term debt (note 25(b))	**9,383**	—
Repayment of long-term debt (note 25(b))	**(9,383)**	—
Decrease in other long-term obligations	**(405)**	(535)
Cash flows used in financing activities	**(2,773)**	(1,662)
Effect of foreign exchange rate changes on cash and cash equivalents	**2,278**	958
Cash, cash equivalents and restricted cash, increase (decrease) in the year	**92,341**	(10,214)
Cash, cash equivalents and restricted cash, beginning of year	**79,083**	89,297
Cash, cash equivalents and restricted cash, end of year	**$ 171,424**	$ 79,083

Supplemental cash flow information (note 24)

The accompanying notes are an integral part of the consolidated financial statements.

SIERRA WIRELESS, INC.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS

Sierra Wireless, Inc., together with its subsidiaries (collectively, "the Company", "we", "our") was incorporated under the Canada Business Corporations Act on May 31, 1993. Sierra Wireless is an Internet of Things ("IoT") pioneer that empowers businesses and industries to transform and thrive in the connected economy. Sierra Wireless provides integrated Device-To-Cloud IoT solutions that are comprised of our recurring connectivity services, our IoT cloud platform, and our embedded cellular modules and gateways. Enterprises, industrial companies and Original Equipment Manufacturers ("OEMs") worldwide rely on our expertise to deliver fully-integrated IoT solutions to reduce complexity, gather intelligent edge data and enable connected IoT products and services.

We have sales, engineering, and research and development teams located in offices around the world. The primary markets for our products are North America, Europe and Asia Pacific.

We operate our business under two reportable segments:

IoT Solutions	Integrated end-to-end IoT solutions that include recurring connectivity services, cloud management software, cellular modules and gateways targeted primarily at enterprises and OEMs in the IoT space.
Embedded Broadband	High-speed cellular embedded modules that are typically used in non-industrial applications, namely Mobile Computing and Enterprise Networking markets.

On November 18, 2020, the Company completed the divestiture of its automotive embedded module product line. Substantially all of the assets and operations related to its automotive embedded module product line were sold to Rolling Wireless (H.K.) Limited ("Rolling Wireless"), a consortium led by Fibocom Wireless Inc. of Shenzhen. In accordance with U.S. GAAP, assets and liabilities associated with the Company's automotive business have been recorded as 'held for sale' in its consolidated balance sheets as at December 31, 2019 and the results of operations of the automotive business as discontinued operations in its consolidated statements of operations and comprehensive loss for the years ended December 31, 2020 and 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Our consolidated financial statements and accompanying notes are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

(a) Basis of consolidation

Our consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly-owned, from their respective dates of acquisition of control. All inter-company transactions and balances have been eliminated on consolidation.

(b) Use of estimates

The consolidated financial statements have been prepared in conformity with U.S. GAAP, which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the year. On an ongoing basis, management reviews its estimates, including those related to revenue recognition, such as determining the nature and timing of satisfaction of performance obligations, determining the standalone selling price of performance obligations, and variable consideration; inventory obsolescence; estimated useful lives of long-lived assets; valuation of intangible assets and goodwill; royalty and warranty accruals; other liabilities; stock-based compensation; allowance for expected credit losses; allowance for doubtful accounts receivable; income taxes; restructuring costs; contingent consideration and commitments and contingencies, based on currently available information. Actual amounts could differ from estimates.

(c) **Revenue recognition**

Product revenue includes sales from embedded cellular modules, short range and GNSS wireless modules, intelligent routers and gateways, asset tracking and vertical market smart devices, antennas and accessories, and Smart SIMs. Recurring and other services revenue includes sales from cloud services, cellular connectivity services, managed connectivity and application services, software licenses, technical support services, extended warranty services, solution design and consulting services.

We recognize revenues when we satisfy performance obligations by transferring the control of promised products or services to customers. Product revenue is recognized at a point in time when a good is shipped or delivered to the customer. Recurring and other services revenue is recognized over time as the service is rendered or at a point in time upon completion of a service. Our customer contracts can include various combinations of products and services, which are generally capable of being distinct and accounted for as separate performance obligations. Revenue is recognized net of allowances for returns and any taxes collected from customers.

Our products are generally highly dependent on, and interrelated with, the underlying firmware and cannot function without the firmware. In these cases, the hardware and the firmware are accounted for as a single performance obligation and revenue is recognized at the point in time when control is transferred to resellers and distributors, OEMs, or directly to end customers.

Certain customers may receive cash-based incentives or credits, which are accounted for as variable consideration. We estimate the amount of incentives or credits to be provided to customers and reduce revenue recognized. The variable consideration is included in the transaction price to the extent that a significant reversal in the amount of cumulative revenue recognized is not expected to occur when the uncertainty associated with the variable consideration is subsequently resolved.

The expected costs associated with assurance-type warranty are recognized as expense when products are sold. Warranty service that is in addition to the assurance that the product complies with agreed upon specifications is a separate performance obligation; its revenue is recognized ratably over the service period.

Cloud and connectivity services are provided on either a subscription or consumption basis. Revenue related to cloud and connectivity services provided on a subscription basis is recognized ratably over the contract period. Revenue related to cloud and connectivity services provided on a consumption basis is recognized based on the customer utilization of such resources. Revenues from SIM activation and initial application setup are deferred and recognized over the estimated customer life on a straight-line basis.

Licenses for on-premise software provide the customer with a right to use the software as it exists when made available to the customer. Revenue from distinct on-premise licenses are recognized upfront at the point in time when the software is made available to the customer. Revenue from software maintenance, unspecified upgrades and technical support contracts are recognized over the period such items are delivered or services are provided. Technical support contracts extending beyond the current period are deferred and revenue is recognized over the applicable earning period.

Revenue from solution design and consulting services are recognized as services are being provided.

Contract acquisition and fulfillment costs

We recognize an asset for the incremental costs of obtaining or fulfilling a contract with a customer if we expect the benefit of those costs to be longer than one year. We have determined that certain sales incentive bonuses and initial setup costs of managed IoT services meet the requirements to be capitalized. We applied a practical expedient to expense costs as incurred for costs to obtain a contract with a customer when the amortization period would have been one year or less.

The incremental costs of obtaining or fulfilling a contract with a customer are deferred and amortized over the estimated life of the customer relationship. We classify these deferred contract costs as current or non-current based on the timing of when we expect to recognize the expense. The current and non-current portions of deferred contract costs are included in *Prepaids and other* current assets and *Other assets* respectively in our consolidated balance sheets.

Significant judgment

We determine the transaction price of a customer contract by multiplying the unit price of a good or service with the committed order volume or service period.

Certain customers may receive cash-based incentives or credits, which are accounted for as variable consideration. We estimate the expected amount to be provided to customers and exclude it from the transaction price. Sales credits are included in *Accounts payable and accrued liabilities* in our consolidated balance sheets.

Our customer contracts can include various combinations of products and services. When a customer contract includes multiple performance obligations, we allocate the transaction price to each performance obligation on a relative standalone selling price basis. We generally determine standalone selling prices based on the price charged to customers or a combination of expected cost, plus a margin and residual methods.

Product revenue is recognized at a point in time when a good is shipped or delivered to the customer as it represents the transfer of control of the promised good to a customer. Cloud, connectivity, and managed service revenues are recognized over time as the customer simultaneously receives and consumes the benefits provided by our performance as we perform. Other service revenue is recognized at a point in time upon completion of a service.

Contract Balances

Receivables - We recognize a right to consideration as a receivable when only the passage of time is required before payment of that consideration is due.

Contract Assets - We recognize a right to consideration in exchange for goods or service that we have transferred to a customer as contract assets. Contract assets are comprised mainly of accrued revenue related to monthly IoT service subscriptions, which may include connectivity, cloud applications, and managed services. Contract assets are included in *Accounts receivable* in our consolidated balance sheet.

Deferred Revenue - We recognize an obligation to transfer goods or services to a customer for which we have received consideration from the customer as deferred revenue. Deferred revenue consists of advance payments and billings in excess of revenue recognized, which includes support, extended warranty, cloud application services, and activation fees.

Payment terms and conditions vary by contract type, although terms generally include a requirement of payment within 30 to 60 days.

(d) **Research and development costs**

Research and development costs are expensed as they are incurred, with the exception of certain software development costs principally related to software coding, designing system interfaces and installation, and testing of the software, that we capitalize once technological feasibility is reached.

We follow the cost reduction method of accounting for certain agreements, including government research and development funding, whereby the benefit of the funding is recognized as a reduction in the cost of the related expenditure when certain criteria stipulated under the terms of those funding agreements have been met, and there is reasonable assurance the research and development funding will be received.

(e) **Warranty costs**

Warranty costs are accrued upon the recognition of related revenue, based on our best estimates, with reference to past and expected future experience. Warranty obligations are included in accounts payable and accrued liabilities in our consolidated balance sheet.

(f) **Royalty costs**

We have intellectual property license agreements which generally require us to make royalty payments based on a combination of fixed fees and percentage of the revenue generated by sales of products incorporating the licensed technology. We recognize royalty obligations in accordance with the terms of the respective royalty agreements. Royalty costs are recorded as a component of cost of goods sold in the period when incurred.

Where agreements are not in place, we recognize our current best estimate of the royalty obligation in cost of goods sold, accrued liabilities and long-term liabilities. We base our estimate on the smallest salable unit (“SSU”) principle (i.e., the principle that any royalty obligations should be no more than a portion of the profits for a component within the product that implements the patented technology) as the appropriate methodology for determining FRAND standard essential patent (“SEP”) royalties. Using this principle, the royalty accrual on our products is based on the value of the patented technology in the chipset, representing the SSU that implements the technology.

(g) **Market development costs**

Market development costs are charged to sales and marketing expense to the extent that the benefit is separable from the revenue transaction and the fair value of that benefit is determinable. To the extent that such costs either do not provide a separable benefit, or the fair value of the benefit cannot be reliably estimated, such amounts are recorded as a reduction of revenue.

(h) **Income taxes**

Income taxes are accounted for using the asset and liability method. Deferred income tax assets and liabilities are based on temporary differences (differences between the accounting basis and the tax basis of the assets and liabilities), non-capital loss, capital loss, and tax credits carry-forwards are measured using the enacted tax rates and laws expected to apply when these differences reverse. Deferred tax benefits, including non-capital loss, capital loss, and tax credits carry-forwards, are recognized to the extent that realization of such benefits is considered more likely than not. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the period that enactment occurs.

We include interest and penalties related to income taxes, including unrecognized tax benefits, in *Income tax expense.*

Liabilities for uncertain tax positions are recorded based on a two-step process. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon settlement. We regularly assess the potential outcomes of examinations by tax authorities in determining the adequacy of our provision for income taxes. We continually assess the likelihood and amount of potential adjustments and adjust the income tax provision, income taxes payable and deferred taxes in the period in which the facts that give rise to a revision become known.

We recognize the tax effects related to share-based payments at settlement or expiration in *Income tax expense*.

(i) **Stock-based compensation and other stock-based payments**

Stock options and restricted share units granted to the Company’s key officers, directors and employees are accounted for using the fair value-based method. Under this method, compensation cost for stock options is measured at fair value at the date of grant using the Black-Scholes valuation model and is expensed over the awards' vesting period using the straight-line method. Any consideration paid by plan participants on the exercise of stock options or the purchase of shares is credited to common stock together with any related stock-based compensation expense. Compensation cost for restricted share units is measured at fair value at the date of grant which is the market price of the underlying security and is expensed over the awards' vesting period using the straight-line method. Compensation cost for performance-based restricted share units is measured using a Monte Carlo valuation model. We account for forfeitures in compensation expense when they occur.

j) **Earnings (loss) per common share**

Basic earnings (loss) per share is computed by dividing net earnings (loss) for the period by the weighted average number of company common shares outstanding during the reporting period. Diluted earnings (loss) per share is computed using the treasury stock method. When the effect of options and other securities convertible into common shares is anti-dilutive, including when the Company has incurred a loss for the period, basic and diluted earnings (loss) per share are the same. We use net earnings (loss) from continuing operations as the control number in determining whether potential common shares are dilutive.

Under the treasury stock method, the number of dilutive shares, if any, is determined by dividing the average market price of shares for the period into the net proceeds of in-the-money options.

(k) **Translation of foreign currencies**

Our functional and reporting currency is the U.S. dollar.

Revenue and expense items denominated in foreign currencies are translated at exchange rates prevailing during the period. Monetary assets and liabilities denominated in foreign currencies are translated at the period-end exchange rates. Non-monetary assets and liabilities are translated at exchange rates in effect when the assets are acquired or the obligations are incurred. Foreign exchange gains and losses are reflected in *Net earnings (loss)* for the period.

We have foreign subsidiaries that are considered self-contained and integrated within their foreign jurisdiction, and accordingly, use the respective local currency as their functional currency. The assets and liabilities of the foreign subsidiaries, including goodwill and fair value adjustments arising on acquisition, are translated at exchange rates at the balance sheet dates, equity is translated at historical rates, and revenue and expenses are translated at exchange rates prevailing during the period. The foreign exchange gains and losses arising from the translation are reported as a component of other comprehensive income (loss), as presented in note 23, *Accumulated other comprehensive loss*.

(l) **Cash and cash equivalents and restricted cash**

Cash and cash equivalents include cash and short-term deposits with original maturities of three months or less from the date of purchase. Cash equivalents are recorded at cost. The carrying amounts approximate fair value due to the short-term maturities of these instruments.

The Company classifies cash and cash equivalents as restricted cash when it is unavailable for withdrawal or use in its general operations. See note 24.

(m) **Allowance for expected credit losses**

Upon adoption of ASC 326 effective January 1, 2020, we maintain an allowance for lifetime expected credit losses that may result from our customer's inability to pay. Current and future economic conditions, historical information (including credit agency reports, if applicable), credit-worthiness, the line of business from which the customer accounts receivable arose, aging of receivables, known uncollectible accounts and changes in customer payment cycles are all considered when determining the expected credit losses related to accounts receivable. Amounts later determined and specifically identified to be uncollectible are charged against this allowance.

If the financial condition of any of our customers deteriorates resulting in an impairment of their ability to make payments, we may increase our allowance.

(n) **Financing receivables**

We lease certain hardware devices to a small number of hardware distributors under sales-type leases which have terms ranging from 10 months to 48 months and bear interest at 5%.

We evaluate the credit quality of our financing receivables on an ongoing basis utilizing an aging of the accounts and write-offs, customer collection experience, the customer's financial condition, known risk characteristics impacting the respective customer base, and other available economic conditions, to determine the appropriate allowance.

(o) **Derivatives**

Derivatives, such as foreign currency forward contracts, may be used to hedge the foreign exchange risk on cash flows from commitments denominated in a foreign currency. Derivatives are recorded in *Accounts receivable* or *Accounts payable and accrued liabilities* and measured at fair value at each balance sheet date. Any resulting gains and losses from changes in the fair value are recorded in *Foreign exchange gain (loss)*.

(p) **Inventories**

Inventories consist of electronic components and finished goods and are valued at the lower of cost or estimable realizable value, determined on a first-in-first-out basis. Cost is defined as all costs that relate to bringing the inventory to its present condition and location under normal operating conditions.

We review the components of our inventory and our inventory purchase commitments on a regular basis for excess and obsolete inventory based on estimated future usage and sales. Write-downs in inventory value or losses on inventory purchase commitments depend on various items, including factors related to customer demand, economic and competitive conditions, technological advances and new product introductions that vary from current expectations. We believe that the estimates used in calculating the inventory provision are reasonable and properly reflect the risk of excess and obsolete inventory. If customer demands for our inventory are substantially less than our estimates, additional inventory write-downs may be required.

(q) **Property and equipment**

Property and equipment are stated at cost, less accumulated depreciation and amortization. We amortize our property and equipment on a straight-line basis over the following estimated economic lives:

Furniture and fixtures	3-5 years
Research and development equipment	3-10 years
Production equipment	2-7 years
Tooling	1.5-3 years
Computer equipment	1-5 years
Software	1-5 years
Office equipment	3-5 years
Monitoring equipment	3-5 years
Network equipment	3-7 years

Research and development equipment related amortization is included in *Research and development* expense. Tooling, production, monitoring and certain network equipment related amortization is included in *Cost of goods sold*. All other amortization is included in *Amortization* expense.

Leasehold improvements and leased vehicles are amortized on a straight-line basis over the lesser of their expected average service life or term of the lease.

When we sell property and equipment, we net the historical cost less accumulated depreciation and amortization against the sale proceeds and include the difference in *Other income (expense)*.

(r) **Intangible assets**

The estimated useful life of intangible assets with definite lives is the period over which the assets are expected to contribute to our future cash flows. When determining the useful life, we consider the expected use of the asset, useful life of any related intangible asset, any legal, regulatory or contractual provisions that limit the useful life, any legal, regulatory, or contractual renewal or extension provisions without substantial costs or modifications to the existing terms and conditions, the effects of obsolescence, demand, competition and other economic factors, and the expected level of maintenance expenditures relative to the cost of the asset required to obtain future cash flows from the asset.

We amortize our intangible assets on a straight-line basis over the following specific periods:

Patents and trademarks	—	3-5 years
Licenses	—	over the shorter of the term of the license or an estimate of their useful life, ranging from three to ten years
Intellectual property and customer relationships	—	3-13 years
Brand	—	over the estimated life
Research and development	—	over the estimated life

In-process research and development ("IPRD") is included in research and development and are intangible assets acquired as part of business combinations. Prior to their completion, IPRD are intangible assets with indefinite life and they are not amortized but subject to impairment test on an annual basis.

Research and development related amortization is included in *Research and development* expense. All other amortization is included in *Amortization* expense.

(s) **Leases**

At inception of a contract, we apply judgment in assessing whether a contract is or contains a lease. This assessment involves determining whether we have control over the identified asset for a period of time in exchange for consideration. Operating leases are included in *Operating lease right-of-use ("ROU") assets, Accounts payable and accrued liabilities*, and *Operating lease liabilities* in our consolidated balance sheets. Finance leases are included in *Property and equipment, Accounts payable and accrued liabilities, and Long-term obligations* in our consolidated balance sheets.

ROU assets represent our right to use an underlying asset for the lease term. Lease liabilities represent our obligation to make lease payments arising from the lease. We recognize operating lease right-of-use assets and liabilities at commencement date based on the present value of lease payments over the lease term. We use the incremental borrowing rate as the discount rate for leases as the rates implicit in our leases are not readily determinable. Our incremental borrowing rate is estimated to approximate the interest on a collateralized basis with similar terms and payments and in economic environments where the leased asset is located. The operating lease ROU asset also includes any prepaid lease payments, initial direct costs and lease incentives. Our lease terms include non-cancelable periods and include options to renew the lease when it is reasonably certain that we will exercise that option.

Operating lease cost for lease payments is recognized on a straight-line basis over the term of the lease. Our lease agreements have lease and non-lease components, which we have elected to account for as a single lease cost.

We have elected not to record right-of-use assets and lease liabilities for short-term leases with a term of 12 months or less and recognize these short term leases to profit or loss on a straight-line basis over the lease term.

(t) **Goodwill**

Goodwill represents the excess of the purchase price of an acquired business over the fair value assigned to assets acquired and liabilities assumed in a business combination. We allocate goodwill to reporting units based on the reporting unit expected to benefit from the business combination. Goodwill has an indefinite life, is not amortized, and is subject to an annual impairment test, on October 1 of every year, at the reporting unit level. Goodwill is tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. These events or circumstances could include an adverse change in business climate, legal factors, operating performance indicators, competition or sale or disposition of a significant portion of a reporting unit. The goodwill impairment test compares the fair value of the reporting unit to its carrying amount, which includes the goodwill. When the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not to be impaired. If the carrying amount

exceeds the implied fair value of the goodwill, an impairment loss is recognized equal to the amount by which the carrying amount exceeds the reporting unit's fair value.
An evaluation of recoverability of goodwill requires judgment, including the identification of reporting units, assigning assets and liabilities to reporting units, assigning goodwill to reporting units, and determining the estimated fair value of each reporting unit. Significant judgments that are required on our part to estimate the fair value of reporting units include estimating future cash flows, determining appropriate discount rates, consideration of appropriate control premium, market conditions, and other assumptions. Changes in these estimates and assumptions could materially affect the determination of fair value for each reporting unit and may result in impairment charges in future periods.

In March 2020, the World Health Organization declared a global pandemic caused by the outbreak of the novel coronavirus specifically identified as COVID-19. It is not possible to reliably estimate the length or severity of these developments and the impact on the financial results of the Company in the future. There are significant uncertainties with respect to future development and impact to the Company related to COVID-19, including the duration, severity and scope of the outbreak and the measures taken by governments and businesses to contain the pandemic. We did not identify any indicators of impairment for the year ended December 31, 2020. The COVID-19 pandemic and its impact on the economy is constantly evolving and presents many variables and contingencies for modeling.

In future periods, the effects of the pandemic may have material impacts on our anticipated revenue levels and the recoverable amount of our reporting units.

(u) **Impairment of long-lived assets**

Long-lived assets, including property and equipment, and intangible assets other than goodwill, are assessed for potential impairment when there is evidence that events or changes in circumstances indicate that the carrying amount of an asset may not be recovered. An impairment loss is recognized when the carrying amount of the long-lived asset is not recoverable and exceeds its fair value. The carrying amount of a long-lived asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. Any required impairment loss is measured as the amount by which the carrying amount of a long-lived asset exceeds its fair value and is recorded as a reduction in the carrying value of the related asset and a charge to operating results. Intangible assets with indefinite lives are tested annually for impairment and in interim periods if certain events occur indicating that the carrying value of the intangible assets may be impaired. We did not identify any indicators of impairment for the year ended December 31, 2020.

(v) **Comprehensive income (loss)**

Comprehensive income (loss) includes net earnings (loss) as well as changes in equity from other non-owner sources. The other changes in equity included in comprehensive income (loss) are comprised of foreign currency cumulative translation adjustments.

(w) **Investment tax credits**

In Canada and the United States, investment tax credits are accounted for using the flow-through method whereby such credits are accounted for as a reduction of income tax expense in the period in which the credit arises. In France, the investment tax credits are reported as a reduction of cost as the credits are refundable irrespective of taxable income.

(x) **Comparative figures**

Certain figures presented in the consolidated financial statements have been reclassified to conform to the current year presentation.

(y) **Discontinued Operations**

We report a disposal of a component or a group of components as discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect of the Company's operations and financial results when the components meet the criteria to be classified as held for sale. At the time an operation qualifies for held-for-sale accounting, the operation is evaluated to determine whether or not its carrying amount exceeds its fair value less cost to sell. Any loss as a result of carrying amounts in excess of fair value less cost to sell is recorded in the period the operation qualifies for held-for-sale accounting. Assets, once classified as held for sale, are not subject to depreciation or amortization, and both the assets and any liabilities directly associated with the assets held for sale are classified as current in the Company’s consolidated balance sheets. When a portion of a reporting unit that constitutes a business is disposed of, goodwill associated with that business is included in the carrying amount of the business in determining the gain or loss on disposal. The amount of goodwill is based on the relative fair values of the business to be disposed of and the portion of the reporting unit that will be retained. Management judgment is required to (i) assess the criteria required to qualify for held-for-sale accounting and (ii) estimate fair value. Our automotive business is presented as discontinued operations for all periods and as assets or liabilities held for sale for the year ended December 31, 2019. Our consolidated statements of cash flows include discontinued operations. See note 5, *Disposition of Automotive Business*. Supplemental cash flow information relating to discontinued operations is disclosed separately in the note disclosure.

(z) **Business Combination**

We account for our business combinations using the acquisition method. Under this method, estimates we make to determine the fair values of acquired assets and liabilities assumed include judgments in our determinations of acquired intangible assets and assessment of the fair value of existing property and equipment. Assumed liabilities can include litigation and other contingency reserves existing at the time of the acquisition. Goodwill is recognized as of the acquisition date as the excess of the fair value of consideration transferred over the estimated fair values of net identifiable assets acquired and liabilities assumed at their acquisition date. Acquisition related expenses are separately recognized from business combination and are expensed as incurred.

When establishing fair values, we make significant estimates and assumptions, especially with respect to intangible assets. Intangible assets acquired and recorded by us may include patents, intellectual property, customer relationships, brand, backlog and in-process research and development. Estimates include but are not limited to the forecasting of future cash flows and discount rates. From time to time, we may engage third-party firms to assist us in determining the fair value of assets and liabilities assumed. Our estimates of fair values are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable. As a result, actual results may differ from estimates impacting our earnings.

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

3. RECENTLY IMPLEMENTED ACCOUNTING STANDARDS

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses, Measurement of Credit Losses on Financial Instruments ("ASC 326"),* replacing the incurred loss impairment model that recognizes losses when a probable threshold is met with a requirement to recognize lifetime expected credit losses immediately when a financial asset is originated or purchased. The standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The new guidance on the current expected credit loss ("CECL") impairment model requires an estimate of expected credit loss, measured over the contractual life of an asset, that considers reasonable and supportable forecasts of future economic conditions in addition to historical experience and current conditions. The objective is to present the entity's estimate of the net amount expected to be collected on the financial assets. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, net investment in leases recognized by lessor and off-balance sheet credit exposures not accounted for as insurance. In addition, ASC 326 made changes to the accounting for available for sale debt securities.

On January 1, 2020, the Company adopted ASC 326 using the modified retrospective method. Results for reporting periods beginning after January 1, 2020 are presented under ASC 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP. The Company recorded a net decrease to retained earnings of $779 as of January 1, 2020 for the cumulative effect of adopting ASC 326 as a result of measuring expected credit losses on trade accounts receivable.

The cumulative effect is allocated between continuing and discontinued operations as follows:

Effect of adoption of ASC 326		**Amount**
Continuing operations	**$**	**917**
Discontinued operations		**(138)**
	$	**779**

In January 2017, FASB issued ASU 2017-04, *Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*. This new guidance simplifies the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test. Under the new guidance, entities will perform goodwill impairment tests by comparing fair value of a reporting unit with its carrying amount and recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value. The standard is effective for fiscal years beginning after December 15, 2019 and we adopted it on January 1, 2020. The standard did not have any impact on our consolidated statements at adoption.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* and subsequent amendments to the initial guidance: ASU 2017-13, ASU 2018-10, ASU 2018-11, ASU 2018-20 and ASU 2019-01 (collectively, Topic 842). This update is to improve transparency and comparability among organizations by requiring lessees to recognize ROU assets and lease liabilities on the balance sheet and requiring additional disclosure about leasing arrangements. The standard is effective for fiscal years beginning after December 15, 2018. We adopted the standard effective January 1, 2019, applying the optional transition method permitted under ASU 2018-11, which relieves entities from restating comparative financial statements, allowing entities to apply and adopt the new lease standard as at the effective date, rather than as of the first date of the earliest period presented. We elected the package of practical expedients provided under the guidance, which applies to expired or existing leases and allows the Company not to reassess whether a contract contains a lease, the lease classification, and any initial direct costs incurred. We also elected the practical expedient to expense short term leases (12 months or less) on a straight-line basis over the lease term, and to not separate the lease and non-lease components for all of our leases. See note 20, *Leases*.

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

Upon adoption of Topic 842 effective January 1, 2019, we recognized operating lease liabilities of $31.5 million and corresponding ROU assets of $27.0 million. The $4.5 million difference between operating lease liabilities and right-of-use assets recognized is due to deferred rent and exit cost accruals recorded under prior lease accounting standards. Topic 842 requires such balances to be reclassified against ROU assets at transition. In future periods such balances will not be presented separately. Our accounting for finance leases remains substantially unchanged.

4. CHANGES IN FUTURE ACCOUNTING STANDARDS

In December 2019, the FASB issued ASU 2019-12 *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes* (ASU 2019-12), which simplifies the accounting for income taxes, including the methodology for calculating taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. ASU 2019-12 is effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. The Company is currently assessing the impact of ASU 2019-12 on its consolidated financial statements and will implement the new standard prospectively starting in the first quarter of 2021.

5. ACQUISITIONS AND DISPOSALS

(a) Acquisition of M2M Group

On January 7, 2020, we completed the acquisition of M2M Connectivity Pty Ltd, M2M One Pty Ltd and

D-Square Innovation Pty Ltd (collectively, the "M2M Group") in Australia. Total purchase consideration for the acquisition of the M2M Group was $21,102, comprised of cash consideration to the shareholders of $19,587 for 100% of the equity of the M2M Group, plus approximately $1,343 for the retirement of certain obligations and $172 for normal course working capital adjustments. The purchase consideration has been fully paid and settled during the second quarter of 2020.

We accounted for the transaction using the acquisition method and accordingly, recorded the tangible and intangible assets acquired and liabilities assumed on the basis of our estimates of their respective preliminary fair values as at January 7, 2020. The excess of the purchase price over the final value assigned to the net assets acquired is recorded as goodwill. The allocation of the purchase price was finalized as of June 30, 2020.

The following table summarizes the final values assigned to the assets acquired at the acquisition date:

	Amount
Assets acquired	
Cash	$ 2,712
Net working capital	(640)
Deferred revenue	(914)
Identifiable intangible assets	16,064
Goodwill	8,699
Deferred income tax liability	(4,819)
Fair value of net assets acquired	**$ 21,102**

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

Goodwill of $8,699 resulting from the acquisition consists largely of the expectation that the acquisition will expand the Company's IoT Solutions business in the Asia-Pacific region. Goodwill is not deductible for tax purposes.

The following table provides the components of the identifiable intangible assets acquired that are subject to amortization:

	Estimated useful life		Amount
Customer relationships	**10 years**	**$**	**14,646**
Brand	**5 years**		**1,418**
		$	**16,064**

There was no significant impact on the Company's revenue and net earnings on a pro forma basis for all periods presented.

(b) Acquisition of M2M New Zealand

On December 15, 2020, we completed the acquisition of M2M One NZ Ltd ("M2M New Zealand") in New Zealand. Total purchase consideration for the acquisition of M2M New Zealand was $3,686, comprised of cash consideration to the shareholders of $3,286 for 100% of the equity of M2M New Zealand, plus a $400 cash holdback amount to be released to the seller on December 15, 2021 to secure the the purchaser's rights of indemnification under the share purchase agreement.

We accounted for the transaction using the acquisition method and accordingly, recorded the tangible and intangible assets acquired and liabilities assumed on the basis of our estimates of their respective preliminary fair values as at December 15, 2020. The excess of the purchase price over the preliminary value assigned to the net assets acquired is recorded as goodwill.

The preliminary fair value of tangible and intangible assets acquired were based upon preliminary valuations. Our estimates and assumptions reflected in such preliminary valuations are subject to change within the measurement period (up to one year from the acquisition date). The primary areas that remain preliminary relate to the fair values of intangible assets, deferred income taxes and goodwill.

The following table summarizes the preliminary values assigned to the assets acquired at the acquisition date:

		Amount
Assets acquired		
Cash	**$**	**218**
Net working capital		**(277)**
Tangible assets		**3**
Deferred revenue		**(5)**
Identifiable intangible assets		**1,853**
Goodwill		**2,377**
Deferred income tax liability		**(483)**
Fair value of net assets acquired	**$**	**3,686**

Preliminary goodwill of $2,377 resulting from the acquisition consists largely of the expectation that the acquisition will expand the Company's IoT Solutions business in the Asia-Pacific region. Goodwill is not deductible for tax purposes.

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

The following table provides the components of the preliminary identifiable intangible assets acquired that are subject to amortization:

	Estimated useful life		Amount
Customer relationships	**10 years**	**$**	**1,542**
Brand	**5 years**		**311**
		$	**1,853**

(c) Disposition of Automotive Business

On November 18, 2020, we completed the sale of substantially all of the assets and operations related to our Shenzhen, China-based automotive embedded module product line ("Automotive Business") to Rolling Wireless (H.K.) Limited for total gross proceeds of $165,000 in cash, subject to adjustments to working capital, including $10,000 of proceeds held in escrow that we recorded in restricted cash and were released on January 8, 2021.

The automotive embedded module product line is part of our Embedded Broadband reportable segment. Pursuant to the sale transaction, approximately 150 employees became employees of Rolling Wireless, of which approximately 120 employees are located in Mainland China and 30 are located in Europe or the Asia-Pacific region.

The gain on sale of the Automotive Business consists of the following:

		Amount
Total gross proceeds	**$**	**165,000**
Transaction costs		**(4,011)**
Working capital adjustment		**(11,122)**
Net proceeds		**149,867**
Net assets disposed (including cash sold of $5,711)		**(122,730)**
Gain on disposal before income taxes		**27,137**
Income tax expense		**(11,914)**
Gain on disposal, net of taxes	**$**	**15,223**

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

The assets and liabilities held for sale were as follows:

	November 18, 2020	December 31, 2019
Cash and cash equivalents	$ 5,711	$ 4,290
Accounts receivable	64,885	36,941
Inventories	11,521	17,957
Prepaids and other	289	8,398
Property and equipment, net	12,439	12,347
Operating lease right-of-use assets	—	143
Goodwill	54,497	53,214
Deferred income taxes	488	317
Assets held for sale	$ 149,830	$ 133,607
Accounts payable and accrued liabilities	$ 25,877	$ 23,960
Deferred revenue	794	1,420
Long term obligations	429	367
Liabilities held for sale	$ 27,100	$ 25,747

Classification:

	November 18, 2020	December 31, 2019
Current assets held for sale	$ 149,830	$ 67,586
Long-term assets held for sale	—	66,021
Assets held for sale	$ 149,830	$ 133,607
Current liabilities held for sale	$ 27,100	$ 25,380
Long-term liabilities held for sale	—	367
Liabilities held for sale	$ 27,100	$ 25,747

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

The results related to the Automotive business have been presented as discontinued operations in the consolidated statements of operations and comprehensive loss and were as follows:

		2020		2019
Revenue	$	**196,609**	$	166,237
Cost of sales		**169,108**		143,733
Gross margin		**27,501**		22,504
Expenses		**19,878**		16,337
Gain on sale of Automotive Business		**(27,137)**		—
Earnings before income taxes		**34,760**		6,167
Income tax expense on gain of sale of Automotive Business		**(11,914)**		—
Income tax expense		**(2,036)**		(2,042)
Net earnings from discontinued operations	**$**	**20,810**	$	4,125

The cash flows related to the Automotive business included in the consolidated statements of cash flows were as follows:

		2020		2019
Cash flows provided by (used in) discontinued operations				
Net cash provided by (used in) operating activities	**$**	**(2,919)**	$	27,395
Net cash used in investing activities[1]		**(1,277)**		(3,220)
Net cash provided by (used in) discontinued operations	**$**	**(4,196)**	$	24,175

(1) Net cash used in investing activities does not include proceeds from sale of the Automotive Business.

6. SEGMENTED INFORMATION

We disaggregate our revenue from contracts with customers into reportable segments (see consolidated statements of operations and comprehensive loss), type and geographical region.

We operate our business under two reportable segments (i) IoT Solutions and (ii) Embedded Broadband:

IoT Solutions

Our IoT Solutions segment is focused on end-to-end IoT solutions that include recurring connectivity services, cloud management software, and cellular modules and gateways targeted primarily at enterprises and OEMs in the IoT space. Our primary focus is on three key markets: (i) Industrial Edge for manufacturing asset monitoring; (ii) Mobile Edge for mobile asset tracking; and (iii) Infrastructure Edge for commercial infrastructure and building monitoring.

Embedded Broadband

Our Embedded Broadband segment is comprised of our high-speed cellular embedded modules that are typically used in non-industrial applications, namely Mobile Computing and Enterprise Networking markets. The products in this segment are typically high-speed 4G LTE and LTE-Advanced, and 5G cellular modules that are ordered in larger volumes. In this segment, we have limited opportunities to provide connectivity services or IoT solutions to the OEM customer.

As our chief operating decision maker does not evaluate the performance of our operating segments based on segment assets, management does not present asset information on a segmented basis.

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

REVENUE BY TYPE

	2020	2019
Revenue		
Product	$ 332,544	$ 449,063
Recurring and other services	116,044	98,213
	$ 448,588	$ 547,276

REVENUE BY GEOGRAPHICAL REGION

	2020	2019
Americas	$ 199,472	$ 235,896
Europe, Middle East and Africa	76,500	85,243
Asia-Pacific	172,616	226,137
	$ 448,588	$ 547,276

PROPERTY AND EQUIPMENT BY GEOGRAPHICAL REGION

	2020	2019
Americas	$ 23,357	$ 19,075
Europe, Middle East and Africa	5,237	5,212
Asia-Pacific	2,818	3,290
	$ 31,412	$ 27,577

We sell certain products through resellers, original equipment manufacturers and wireless service providers who sell these products to end-users. In 2020, we did not have any customers that accounted for more than 10% of total revenue. In 2019, we had one customer that accounted for 10.2% of total revenue.

7. RESEARCH AND DEVELOPMENT

The components of research and development costs consist of the following:

	2020	2019
Gross research and development	$ 82,320	$ 79,014
Government tax credits	(291)	(253)
	$ 82,029	$ 78,761

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

8. RESTRUCTURING

On April 30, 2019, we announced two initiatives related to the acceleration of our transformation to a Device-to-Cloud IoT solutions company: (i) Consolidation of engineering resources and the transfer of certain functions to lower cost locations resulting in a significant reduction in our engineering team in Issy-Les-Moulineaux, outside of Paris, France; and (ii) outsourcing of a select group of general and administrative transaction-based activities to a global outsourcing partner. Transition activities commenced in the third quarter of 2019 and are substantially completed. During the year ended December 31, 2020, we expensed $0.4 million relating to these two initiatives (2019 - $26.5 million). As at December 31, 2020, outstanding liability of $1.3 million is included in *Accounts payable and accrued liabilities.* The liability relates to outplacement and training costs where employees have up to 30 months from their termination notices to submit the claim. In addition, during the year ended December 31, 2019, we recorded $1.7 million for severance and other related costs as a result of previous restructuring initiatives.

During the third quarter of 2020, we took the first step to initiate actions to reduce our operating expenses, in conjunction with the expected closing of the sale of our automotive business in the fourth quarter of 2020. We implemented some organizational changes, including consolidation of our engineering resources resulting in a reduction in our engineering team in Hong Kong. These actions are part of our transformation to a Device-to-Cloud IoT solutions company. During the year ended December 31, 2020, approximately 120 employees were impacted, and we recorded $10.2 million for severances and related costs, of which $1.7 million is included in discontinued operations. As at December 31, 2020, the outstanding liability of $4.5 million for this initiative is included in *Accounts Payable and accrued liabilities* and is expected to be paid by the end of February 2022.

The following table provides the activity in the restructuring liability:

	2020	2019
Balance, beginning of period	**$ 8,655**	$ 2,486
Reclassification from long-term obligations	**—**	1,617
Expensed - continuing operations	**8,740**	26,262
Expensed - discontinued operations	**1,741**	1,898
Disbursements	**(13,475)**	(23,424)
Foreign exchange	**89**	(184)
	$ 5,750	$ 8,655
Classification:		
Accounts payable and accrued liabilities (note 21)	**5,750**	8,655
	$ 5,750	$ 8,655
By restructuring initiative:		
April 2019	**1,254**	8,655
Q3 2020	**4,496**	—
	$ 5,750	$ 8,655

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

9. OTHER EXPENSE

The components of other income (expense) for the years ended December 31 were as follows:

	2020	2019
Interest income	$ 131	$ 429
Interest expense	(818)	(269)
Discount fees (note 25(d))	(414)	(347)
Financing costs	(695)	—
Other	(231)	(120)
	$ (2,027)	$ (307)

10. INCOME TAXES

The components of earnings (loss) before income taxes consist of the following:

	2020	2019
Continuing operations		
Canadian	$ (24,872)	$ (23,451)
Foreign	(57,188)	(42,334)
	$ (82,060)	$ (65,785)

The income tax expense (recovery) consists of:

	2020	2019
Canadian:		
Current	$ (8,349)	$ 126
Deferred	—	8,706
	$ (8,349)	$ 8,832
Foreign:		
Current	$ (2,410)	$ 41
Deferred	(1,150)	5
	$ (3,560)	$ 46
Total:		
Current	$ (10,759)	$ 167
Deferred	(1,150)	8,711
	$ (11,909)	$ 8,878

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

The reconciliation of income taxes calculated at the statutory rate to the actual income tax provision for the years ended December 31 was as follows:

		2020		2019
Income tax expense (recovery) at Canadian statutory income tax rates of 26.99% (2019 -26.99%)	**$**	**(22,148)**	$	(17,755)
Increase (decrease) in income taxes for:				
Permanent and other differences		**1,353**		2,007
Investment tax credits		**(2,396)**		(3,494)
Foreign exchange and tax rates differential		**(7,434)**		976
Change in valuation allowance		**20,221**		34,230
Stock-based compensation expense		**894**		1,263
Change in estimate		**(2,399)**		(8,349)
Income tax expense (recovery)	**$**	**(11,909)**	$	8,878

Deferred tax assets and liabilities

The tax effects of temporary differences that give rise to significant deferred tax assets and deferred tax liabilities were as follows at December 31:

		2020		2019
Deferred income tax assets (liabilities)				
Property and equipment	**$**	**(4,801)**	$	(3,515)
Non capital loss carry-forwards		**114,744**		101,340
Capital loss carry-forwards		**2,160**		3,284
Scientific research and development expenses and credits		**28,932**		25,437
Reserves and other		**24,533**		19,777
Investments		**(1,309)**		(1,106)
Acquired intangibles		**(9,468)**		(6,591)
Lease liabilities		**4,219**		6,144
		159,010		144,770
Valuation allowance		**168,133**		147,912
	$	**(9,123)**	$	(3,142)

		2020		2019
Classification:				
Assets				
Non-current	**$**	**1,135**	$	1,779
Liabilities				
Non-current		**(10,258)**		(4,921)
	$	**(9,123)**	$	(3,142)

At December 31, 2020, we have provided for a valuation allowance on our deferred tax assets of $168,133 (2019 - 147,912)

At December 31, 2020, we have Canadian allowable capital loss carry-forwards of $8,626 that are available, indefinitely, to be deducted against future Canadian taxable capital gains. In addition, we have Canadian SR&ED expenditure carry-forwards of $6,989 that are available, indefinitely, to be deducted against future Canadian taxable income, tax credits of $23,500 and $10,724 available to offset future Canadian federal and provincial income taxes payable, respectively. The investment tax credits expire between 2024 and 2039. At December 31, 2020, our U.S. subsidiary has $6,445 of California research & development tax credits which may be carried forward indefinitely.

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

At December 31, 2020, net operating loss carry-forwards for our foreign subsidiaries were $78,406 for U.S. income tax purposes, of which, $22,417 may be carried forward indefinitely, and $55,989 expires between 2021 and 2037, $876 for Sweden income tax purposes, $25 for Norway income tax purposes, $90,874 for Luxembourg income tax purposes, of which, $38,763 may be carried forward indefinitely, and $52,111 expires from 2035, and $275,430 for French income tax purposes. The Sweden, Norway, and French net operating loss carry-forward may be carried forward indefinitely. Our foreign subsidiaries may be limited in their ability to use foreign net operating losses in any single year depending on their ability to generate significant taxable income. In addition, the utilization of the U.S. net operating losses is also subject to ownership change limitations provided by U.S. federal and specific state income tax legislation. The amount of French net operating losses deducted each year is limited to €1.0 million plus 50% of French taxable income in excess of €1.0 million. Our French net operating losses carry-forward is subject to the "continuity of business" requirement. Our French subsidiaries also have research tax credit carried forward of $3,226 and employment tax credit carried forward of $119 as at December 31, 2020. The French tax credits may be used to offset against corporate income tax and if any tax credits are not fully utilized within a three-year period following the year the tax credits are earned, it may be refunded by the French tax authorities. Tax loss and tax credits carry-forwards are denominated in the currency of the countries in which the respective subsidiaries are located and operate. Fluctuations in currency exchange rates could reduce the U.S. dollar equivalent value of these tax loss and research tax credit carry forwards in future years.

We estimated utilizing $3,291 of Canadian allowable capital loss to offset the capital gain resulting from the divestiture of the automotive business.

In assessing the realizability of our deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during periods in which temporary differences become deductible and the loss carry-forwards or tax credits can be utilized. Management considers projected future taxable income and tax planning strategies in making our assessment.

Accounting for uncertainty in income taxes

At December 31, 2020, we had gross unrecognized tax benefits of $4,474 (2019 — $4,628). Of this total, $559 (2019 — $447) represents the amount of unrecognized tax benefits that, if recognized, would favorably impact our effective tax rate.

Below is a reconciliation of the total amounts of unrecognized tax benefits for the years ended December 31:

		2020		2019
Unrecognized tax benefits, beginning of year	**$**	**4,628**	$	4,482
Increases — tax positions taken in prior periods		**70**		49
Increases — tax positions taken in current period		**—**		—
Settlements and lapses of statute of limitations		**(224)**		97
Unrecognized tax benefits, end of year	**$**	**4,474**	$	4,628

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

We recognize interest expense and penalties related to unrecognized tax benefits within the provision for income tax expense on the consolidated statement of operations. At December 31, 2020, we had increased $50 (2019 - increased $56) for accruals of interest and penalties.

In the normal course of business, we are subject to audit by the Canadian federal and provincial taxing authorities, by the U.S. federal and various state taxing authorities and by the taxing authorities in various foreign jurisdictions. Tax years ranging from 2007 to 2020 remain subject to examination in Canada, the United States, the United Kingdom, France, Germany, Australia, New Zealand, China, Hong Kong, Brazil, South Africa, Japan, Korea, Taiwan, Italy, Sweden, Norway, India, Spain, and Luxembourg.

The Company regularly engages in discussions and negotiations with tax authorities regarding tax matters in various jurisdictions. The Company believes it is reasonably possible that certain tax matters may be concluded in the next 12 months. The Company estimates that the unrecognized tax benefits at December 31, 2020 could reduce by approximately $833 in the next 12 months.

Deferred taxes on foreign earnings

No provision for taxes has been provided on undistributed foreign earnings, as it is the Company's intention to indefinitely reinvest undistributed earnings of its foreign subsidiaries. It is not practical to estimate the income tax liability that might be incurred if there is a change in management's intention in the event that a remittance of such earnings occur in the future.

Government Subsidies

Government grant is recognized when there is reasonable assurance that (a) the Company will comply with eligible requirements attached to the grant and (b) the grant will be received. Government grant is recorded as a reduction in the cost of the related expenditures.

In 2020, the Company recorded government grants under the Canada Emergency Wage Subsidy of $6,332 and other COVID-19 related subsidies of $920.

		2020
Cost of sales	$	**180**
Sales and marketing		**1,588**
Research and development		**4,186**
Administration		**1,298**
	$	**7,252**

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

11. STOCK-BASED COMPENSATION PLANS

(a) Stock-based compensation expense:

		2020		2019
Cost of goods sold	$	319	$	167
Sales and marketing		5,241		3,644
Research and development		4,014		2,752
Administration		8,379		5,988
Continuing operations	$	17,953	$	12,551
Discontinued operations		1,987		379
		19,940		12,930
Stock option plan		2,361		2,890
Restricted stock plan		17,579		10,040
	$	19,940	$	12,930

(b) Stock option plan

Under the terms of the Company's Stock Option Plan (the "Plan"), the Board of Directors may grant stock options to employees, officers and directors. At the Company's Annual General and Special Meeting of Shareholders on May 21, 2020, shareholders approved a resolution to amend and restate the terms of the Plan. The amendments increased the maximum number of shares issuable pursuant to the Plan to the lesser of 8.9% (increased from 8.1%) of the number of issued and outstanding common shares from time to time or 7,000,000 common shares. In addition, the maximum number of shares issuable pursuant to the Plan, together with any shares issuable pursuant to other security-based compensation arrangements, shall not exceed 8.9% of the number of issued and outstanding common shares from time to time. Based on the number of shares outstanding as at December 31, 2020, stock options exercisable into 720,871 common shares are available for future allocation under the Plan.

The Plan provides that the exercise price of a stock option will be determined on the date of grant and will not be less than the closing market price of the Company's stock at that date. Stock options generally vest over four years, with the first 25% vesting at the first anniversary date of the grant and the balance vesting in equal amounts at the end of each month thereafter. The Company determines the expiry date of each stock option at the time it is granted, which cannot be more than five years after the date of the grant.

The fair value of stock options was estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions:

	2020	2019
Risk-free interest rate	0.31 %	2.03 %
Annual dividends per share	Nil	Nil
Expected stock price volatility	53 %	54 %
Expected option life (in years)	4.0	4.0
Average fair value of options granted (in dollars)	$5.26	$5.38

There is no dividend yield as the Company does not pay, and does not plan to pay cash dividends on their common shares. The expected stock price volatility is based on the historical volatility of the Company's average monthly stock closing prices over a period equal to the expected life of each option grant. The risk-free interest rate is based on yields from risk-free instruments with a term equal to the expected term of the options being valued. The expected life of options represents the period of time that the options are expected to be outstanding based on historical data of option holder exercise and termination behavior. Forfeitures are accounted for in compensation expense as they occur.

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

The following table presents stock option activity for the years ended December 31:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
	Outstanding	$	In Years	$
Outstanding, December 31, 2018	1,378,348	19.64	2.8	822
Granted	462,937	12.34		
Exercised	(47,231)	10.43		80
Forfeited	(205,911)	20.31		
Outstanding, December 31, 2019	1,588,143	18.14	2.6	30
Granted	**289,518**	**13.01**		
Exercised	**(178,223)**	**11.36**		**497**
Forfeited	**(338,327)**	**21.95**		
Outstanding, December 31, 2020	**1,361,111**	**17.27**	**2.4**	**1,399**

The intrinsic value of outstanding and exercisable stock options is calculated as the quoted market price of the stock at the balance sheet date, or date of exercise, less the exercise price of the option.

The following table summarizes the stock options outstanding and exercisable at December 31, 2020:

	Options Outstanding			Options Exercisable	
Range of	Number of Options	Weighted Average Remaining Option Life	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Exercise Prices	Outstanding	(years)	$	Exercisable	$
$8.46 - $12.73	**258,201**	**2.5**	**11.40**	**139,893**	**11.42**
$12.74 - $13.38	**273,330**	**3.8**	**12.99**	**69,333**	**13.03**
$13.39 - $16.23	**269,416**	**3.3**	**14.74**	**101,628**	**15.93**
$16.24 - $25.15	**299,304**	**1.4**	**21.09**	**265,989**	**21.43**
$25.16 - $25.82	**260,860**	**1.1**	**25.81**	**249,913**	**25.81**
	1,361,111	**2.4**	**17.27**	**826,756**	**19.68**

The options outstanding at December 31, 2020 expire between March 12, 2021 and November 17, 2025.

As at December 31, 2020, the unrecognized stock-based compensation cost related to the non-vested stock options was $2,763 (2019 — $4,548), which is expected to be recognized over a weighted average period of 2.4 years (2019 — 2.6 years).

(c) Restricted share plans

The Company has two market based restricted share unit plans: one for U.S. employees and one for all non-U.S. employees, and a treasury based restricted share unit plan (collectively, the “RSPs”). The RSPs support our growth and profitability objectives by providing long-term incentives to employees and also encourage our objective of employee share ownership through the granting of RSUs. There is no exercise price or monetary payment required from the employees upon the grant of an RSU or upon the subsequent delivery of our common shares (or, in certain jurisdictions, cash in lieu at the option of the Company) to settle vested RSUs. The form and timing of settlement is subject to local laws.

At the Company's Annual General and Special Meeting of Shareholders on May 21, 2020, shareholders approved a resolution to amend the treasury based restricted share unit plan (the "Treasury Plan"). The amendments increased the maximum number of shares issuable pursuant to outstanding awards under the Treasury Plan to 4.6% (increased from 3.7%) of the number of issued and outstanding shares and the maximum number of shares issuable pursuant to all of our security-based compensation arrangements is 8.9% (increased from 8.1%) of the number of issued and outstanding shares. Based on the number of shares outstanding as at December 31, 2020, 341,142 share units are available for future allocation under the Treasury Plan. With respect to the two market-based RSPs, independent trustees purchase Sierra Wireless common shares over the facilities of the Toronto Stock Exchange and Nasdaq, which are used to settle vested RSUs. The existing trust funds are variable interest entities and are included in these consolidated financial statements as treasury shares held for RSU distribution. As at December 31, 2020, there were 2,614,135 market RSUs outstanding.

The Company includes a performance-based component to certain grants of units under our RSPs ("PSUs"). The current outstanding PSUs (market condition) have a performance-based three year cliff-vesting criteria measured against a benchmark index. The fair value of the PSUs at date of grant are determined using the Monte Carlo simulation model.

In February 2019, the Board of Directors approved the issuance of PSUs that are measured against an internal performance benchmark based on achieving service revenue targets or cost savings initiatives as well as PSUs measured against a benchmark index. The fair value of the PSUs (performance condition) that are measured against an internal performance benchmark based on achieving service revenue targets or cost savings initiatives is the Company's stock price on the date of grant. The fair value of the PSUs that are measured against a benchmark index at date of grant is determined using the Monte Carlo simulation model. These outstanding PSUs have a performance-based three year cliff-vesting criteria measured against a benchmark index, service revenue or cost savings targets and the associated performance conditions are probable of being achieved.

Generally, non-performance based RSUs vest over three years, in equal one-third amounts on each anniversary date of the grant and some cliff vest in one year. RSU grants to employees who are resident in France for French tax purposes will not vest before the second anniversary from the date of grant, and any shares issued are subject to an additional two year tax hold period.

In February 2020, the Company issued certain non-performance based RSUs that cliff-vest in two years.

The intrinsic value of outstanding RSUs is calculated as the quoted market price of the stock at the balance sheet date. The intrinsic value of vested/settled RSUs is calculated as the quoted market price of the stock at date of vesting.

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

The following table summarizes the RSU activity for the years ended December 31:

	Number of RSUs	Weighted Average Grant Date Fair Value $	Weighted Average Remaining Contractual Life In years	Aggregate Intrinsic Value $
Outstanding, December 31, 2018	1,046,275	19.24	2.6	13,289
Granted	1,222,131	12.44		
Vested / settled	(333,865)	18.22		4,607
Forfeited	(118,782)	15.20		
Outstanding, December 31, 2019	1,815,759	15.42	2.3	17,310
Granted	**2,865,042**	**12.80**		
Vested / settled	**(586,343)**	**16.30**		**6,569**
Forfeited	**(303,175)**	**12.83**		
Outstanding, December 31, 2020	**3,791,283**	**13.61**	**2.0**	**55,242**
Outstanding – vested and not settled	**168,028**			
Outstanding – unvested	**3,623,255**			
Outstanding, December 31, 2020	**3,791,283**			

As at December 31, 2020, the total remaining unrecognized compensation cost associated with the RSUs totaled $30,055 (2019 — $14,871), which is expected to be recognized over a weighted average period of 1.8 years (2019 — 1.9 years).

12. EARNINGS (LOSS) PER SHARE

The following table provides the reconciliation between basic and diluted earnings (loss) per share:

	2020	2019
Net earnings (loss)		
Net loss from continuing operations	**$ (70,151)**	$ (74,663)
Net earnings from discontinued operations	**20,810**	4,125
	$ (49,341)	$ (70,538)
Weighted average shares used in computation of:		
Basic	**36,393**	36,166
Diluted	**36,393**	36,166
Basic and diluted net earnings (loss) per share (in dollars):		
Continuing operations	**$ (1.93)**	$ (2.06)
Discontinued operations	**0.57**	0.11
	$ (1.36)	$ (1.95)

As the Company incurred losses for the years ended December 31, 2020 and 2019, all equity awards for those years were anti-dilutive and were excluded from the diluted weighted average shares.

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

13. ACCOUNTS RECEIVABLE

The components of accounts receivable at December 31 were as follows:

		2020		2019
Trade receivables	$	53,213	$	81,612
Less: allowance for doubtful accounts		(3,631)		(2,975)
		49,582		78,637
Sales taxes receivable		4,419		3,341
R&D tax credits		3,350		3,816
Financing receivables		342		959
Contract assets (note 2(c))		2,132		1,688
Other receivables		8,750		6,050
	$	68,575	$	94,491

The movement in the allowance for expected credit losses during the years ended December 31 was as follows:

		2020		2019
Balance, beginning of year	$	2,975	$	2,968
Effect of adoption of ASC 326 (note 3)		917		
		3,892		
Current period provision for expected credit losses		418		490
Write-offs charged against allowance for credit losses		(792)		(285)
Recoveries of amounts previously written off		15		—
Foreign exchange		98		(3)
Assets held for sale		—	$	(195)
	$	3,631	$	2,975

14. Contract Balances

		2020		2019		Change
Contract assets	$	2,132	$	1,688	$	444
Deferred revenue - current		9,862		9,190		672
Deferred revenue - noncurrent		7,863		8,078		(215)

Contract assets are included in *Accounts receivable* in our consolidated balance sheets.

For the year ended December 31, 2020, $8,813 of deferred revenue was recognized in revenue that was included in the contract liability balance as of December 31, 2019 (2019 - $5,756).

15. INVENTORIES

The components of inventories at December 31 were as follows:

		2020		2019
Electronic components	$	19,468	$	17,504
Finished goods		13,347		18,830
	$	32,815	$	36,334

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

16. PREPAIDS AND OTHER

The components of prepaids and other at December 31 were as follows:

	2020	2019
Inventory advances	**$ 1,434**	$ 2,338
Insurance and licenses	**873**	292
Deposits	**2,665**	2,120
Contract acquisition and fulfillment costs	**1,850**	1,529
Other	**5,111**	4,579
	$ 11,933	$ 10,858

In 2020, $1,276 of deferred contract acquisition and fulfillment costs were expensed to *Sales and marketing and Cost of sales* (2019 - $357).

17. PROPERTY AND EQUIPMENT

The components of property and equipment at December 31 were as follows:

		2020	
	Cost	**Accumulated amortization**	**Net book value**
Furniture and fixtures	**$ 3,467**	**$ 2,163**	**$ 1,304**
Research and development equipment	**33,583**	**21,770**	**11,813**
Production equipment and tooling	**31,999**	**23,466**	**8,533**
Computer equipment	**5,608**	**4,610**	**998**
Software	**7,608**	**5,838**	**1,770**
Leasehold improvements	**7,719**	**5,940**	**1,779**
Leased vehicles	**392**	**390**	**2**
Office equipment	**1,172**	**1,045**	**127**
Monitoring equipment	**6,141**	**2,455**	**3,686**
Network equipment	**6,417**	**5,017**	**1,400**
	$ 104,106	**$ 72,694**	**$ 31,412**

		2019	
	Cost	Accumulated amortization	Net book value
Furniture and fixtures	$ 3,189	$ 1,948	$ 1,241
Research and development equipment	31,085	22,623	8,462
Production equipment and tooling	28,665	20,052	8,613
Computer equipment	9,274	7,748	1,526
Software	9,854	7,727	2,127
Leasehold improvements	7,319	5,124	2,195
Leased vehicles	584	560	24
Office equipment	1,184	996	188
Monitoring equipment	1,852	1,117	735
Network equipment	6,780	4,314	2,466
	$ 99,786	$ 72,209	$ 27,577

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

Amortization expense relating to property and equipment was $15,129, including $1,712 related to discontinued operations for the year ended December 31, 2020 (2019 - $16,257, including $2,944 related to discontinued operations).

18. INTANGIBLE ASSETS

The components of intangible assets at December 31 were as follows:

	2020		
	Cost	**Accumulated amortization**	**Net book value**
Patents and trademarks	**$ 16,300**	**$ 14,649**	**$ 1,651**
Licenses	**57,480**	**53,153**	**4,327**
Intellectual property	**28,916**	**26,095**	**2,821**
Customer relationships	**140,892**	**83,858**	**57,034**
Brand	**17,070**	**5,631**	**11,439**
Research and development	**11,158**	**10,349**	**809**
	$ 271,816	**$ 193,735**	**$ 78,081**

	2019		
	Cost	Accumulated amortization	Net book value
Patents and trademarks	$ 15,416	$ 13,540	$ 1,876
Licenses	52,517	48,912	3,605
Intellectual property	27,824	22,326	5,498
Customer relationships	116,576	69,883	46,693
Brand	14,613	3,727	10,886
Research and development	10,274	8,760	1,514
	$ 237,220	$ 167,148	$ 70,072

Estimated annual amortization expense for the next 5 years ended December 31 is as follows:

	Amount
2021	15,691
2022	11,882
2023	11,242
2024	10,399
2025	8,779

Amortization expense relating to intangible assets was $17,216, and $16,920 for the years ended December 31, 2020, and 2019, respectively.

The weighted-average remaining useful lives of intangible assets was 6.2 years as at December 31, 2020.

At December 31, 2020 and 2019, substantially all intangible assets were subject to amortization.

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

19. GOODWILL

The changes in the carrying amount of goodwill for the years ended December 31 were as follows:

		2020		2019
Balance at beginning of year	$	154,381	$	211,074
Goodwill allocated to discontinued operations (note 5(c))		—		(53,214)
Adjusted balance at beginning of year		154,381		157,860
Goodwill acquired (note 5(a) and 5(b))		11,076		—
Foreign currency translation adjustments		10,088		(3,479)
	$	175,545	$	154,381
IoT Solutions	$	138,630	$	121,429
Embedded Broadband		36,915		32,952
	$	175,545	$	154,381

We assessed the recoverability of goodwill as at October 1, 2020 for each of the identified reporting units and determined that the fair value of each of the two reporting units exceeded its carrying value. There was no impairment of goodwill during the years ended December 31, 2020, and 2019.

20. LEASES

The components of lease expenses were as follows:

		2020		2019
Operating lease cost	$	8,616	$	9,610
Finance lease cost		130		345
Short-term lease cost		2,020		1,961
ROU asset impairment		—		877
		10,766		12,793
Sublease income		(1,534)		(1,032)
Total lease expenses	$	9,232	$	11,761

We have operating leases for offices, data centers and certain office equipment. Our leases have remaining lease terms of 0.1 years to 11.0 years (2019 - 0.2 years to 12.0 years years). We sublease certain offices to third parties.

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

Supplemental Balance Sheet information related to leases was as follows:

		2020		2019
Operating Leases				
Operating lease right-of-use assets	**$**	**20,068**	$	25,466
Accounts payable and accrued liabilities	**$**	**7,376**	$	5,793
Operating lease liabilities		**17,054**		25,154
Total operating lease liabilities	**$**	**24,430**	$	30,947
Finance Leases				
Property and equipment, gross	**$**	**1,111**	$	1,362
Accumulated depreciation		**(1,084)**		(1,192)
Property and equipment, net	**$**	**27**	$	170
Accounts payable and accrued liabilities	**$**	**171**	$	379
Long-term obligations		**8**		188
Total finance lease liabilities	**$**	**179**	$	567
Weighted Average Remaining Lease Term				
Operating leases		**6.9**		7.1
Finance leases		**1.2**		1.6
Weighted Average Discount Rate				
Operating leases		**2.6 %**		2.6 %
Finance leases		**3.8 %**		3.5 %

Supplemental cash flow information related to leases was as follows:

		2020		2019
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows from operating leases	**$**	**6,152**	$	7,860
Financing cash flow from finance leases		**405**		535
New lease assets obtained in exchange for lease liabilities (non-cash):				
Operating leases	**$**	**678**	$	6,782
Financing leases		**—**		38

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

Maturities of lease liabilities were as follows:

	Operating Leases	Finance Leases	Total
2021	$ 7,447	$ 181	$ 7,628
2022	2,063	14	2,077
2023	3,190	14	3,204
2024	2,268	1	2,269
2025	2,002	—	2,002
Thereafter	10,254	—	10,254
Total lease payments	27,224	210	27,434
Less: imputed interest	(2,794)	(31)	(2,825)
Total lease liabilities	$ 24,430	$ 179	$ 24,609

21. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The components of accounts payable and accrued liabilities at December 31 were as follows:

	2020	2019
Trade payables and accruals	$ 67,250	$ 55,796
Inventory commitment reserve	475	767
Accrued royalties	10,698	11,870
Accrued payroll and related liabilities	21,244	13,825
Professional services	5,329	4,415
Taxes payable (including sales taxes)	4,979	4,847
Product warranties (note 27(a)(iii))	5,804	6,743
Sales credits	10,732	8,814
Restructuring liability (note 8)	5,750	8,655
Operating lease liabilities (note 20)	7,376	5,793
Finance lease liabilities (note 20)	171	379
Other	22,330	27,692
	$ 162,138	$ 149,596

22. LONG-TERM OBLIGATIONS

The components of long-term obligations at December 31 were as follows:

	2020	2019
Accrued royalties	$ 33,218	$ 30,988
Deferred revenue	7,863	8,078
Finance lease liabilities (note 20)	8	188
Other	4,557	4,153
	$ 45,646	$ 43,407

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

Remaining performance obligations

As at December 31, 2020, we had $21,608 of remaining performance obligations to be recognized (December 31, 2019 - $24,173), of which we expect to recognize approximately 45% in 2021, 29% in 2022, and 26% in subsequent years.

We do not disclose the value of remaining performance obligations for: (i) contracts with an original expected length of one year or less, and (ii) contracts for which we recognize revenue at the amount to which we have the right to invoice for services performed.

23. ACCUMULATED OTHER COMPREHENSIVE LOSS

The changes by component in accumulated other comprehensive loss, net of taxes, were as follows:

		2020		2019
Balance, beginning of period	**$**	**(13,216)**	$	(9,146)
Foreign currency translation adjustments		**1,914**		(3,241)
Loss on long term intercompany balances		**5,722**		(829)
Balance, end of period	**$**	**(5,580)**	$	(13,216)

24. SUPPLEMENTAL CASH FLOW INFORMATION

The following table summarizes supplemental cash flow information and non-cash activities:

		2020		2019
Net income taxes paid	**$**	**3,333**	$	616
Net Interest (received) paid		**739**		(202)
Discount fees paid (note 25 (d))		**414**		347
Non-cash property and equipment additions		**—**		485

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position that sum to the total of the same such amounts shown in the statement of cash flows:

		2020		2019
Cash and cash equivalents	**$**	**160,560**	$	71,164
Restricted cash		**10,864**		3,629
Assets held for sale		**—**		4,290
Total cash, cash equivalents, and restricted cash shown in the statements of cash flows	**$**	**171,424**	$	79,083

As at December 31, 2020, $10,000 was held in escrow related to the divestiture of the Automotive Business and $100 is held in escrow related to certain vendor obligations. We collected $764 from trade receivables sold to CIBC under our Accounts Receivable Purchase Agreement which have not been remitted to CIBC as at December 31, 2020. See note 25(d). As at December 31, 2019, *Assets held for sale* included cash of $4,290. See note 5(c).

25. FAIR VALUE MEASUREMENT

(a) Fair value presentation

An established fair value hierarchy requires the Company to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is available and significant to the fair value measurement. There are three levels of inputs that may be used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than quoted prices in active markets for identical assets and liabilities, such as quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Inputs that are generally unobservable and are supported by little or no market activity and that are significant to the fair value determination of the assets or liabilities.

The carrying value of cash and cash equivalents, restricted cash, accounts receivable, accounts payable and accrued liabilities approximate their fair value due to the immediate or short-term maturity of these financial instruments. Based on borrowing rates currently available to us for loans with similar terms, the carrying values of our obligations under capital leases, long-term obligations and other long-term liabilities approximate their fair values.

Derivatives, such as foreign currency forward and options contracts, may be used to hedge the foreign exchange risk on cash flows from commitments denominated in a foreign currency. Derivatives are recorded in *Accounts receivable* or *Accounts payable and accrued liabilities* and measured at fair value at each balance sheet date. Any resulting gains and losses from changes in the fair value are recorded in *Foreign exchange gain (loss)*.

Fair value of the foreign currency forward contracts are based on observable market inputs such as forward rates in active markets, which represents a Level 2 measurement within the fair value hierarchy.

As at December 31, 2020, we were committed to foreign currency forward contracts totaling $28.8 million Canadian dollars with an average forward rate of 1.3140, maturing between January and December 2021. We recorded unrealized gain of $485 in *Foreign exchange gain (loss)* for those outstanding contracts in the year ended December 31, 2020 (2019 — Foreign exchange gain of $1,421).

(b) Credit Facilities

On April 30, 2020, we amended the revolving credit agreement (the "Revolving Facility") with the Canadian Imperial Bank of Commerce ("CIBC") as sole lender and as Administrative Agent, which increased our total borrowing capacity to $50 million and extended the maturity date to April 30, 2023. The amendments also included revising the availability under the Revolving Facility to be subject to a borrowing base related to eligible accounts receivable and inventory and is the lesser of the facility size or borrowing base. The Revolving Facility is secured by a pledge against substantially all of our assets. The Revolving Facility will be used for general corporate purposes, including, but not limited to, capital expenditures, working capital requirements and/or certain acquisitions permitted under the Revolving Facility. Borrowings under the Revolving Facility may bear interest at US Base Rate or LIBOR plus applicable margin. The Revolving Facility contains a financial covenant that requires the Company to be below a maximum total leverage ratio.

As at December 31, 2020, there were no outstanding borrowings under the Revolving Facility (2019 — nil). In 2020, we recorded interest expense of $578 (2019-nil).

On July 22, 2020, we amended the Revolving Facility and added a $12.5 million Canadian dollar term loan facility (the "Loan") with CIBC. The Loan is backed by the Government of Canada under the Business Credit Availability Program ("BCAP"); specifically, 80% of the principal of the Loan is guaranteed by the Business Development Bank of Canada ("BDC"). The Loan bears interest at CIBC's Prime Lending rate or Bankers Acceptance rate plus applicable margin. Repayment is interest only for the first 12 months, followed by regular quarterly payments of principal based on a ten-year amortization schedule plus interest. The outstanding amount owing plus accrued interest and fees are repayable on the maturity date, July 22, 2025. Under the terms of the BCAP, the proceeds must be used to finance operations, may not be used to refinance existing debt obligations, pay dividends or other distributions to shareholders, make shareholder contributions or shareholder loans, buy back shares and includes certain restrictions on executive compensation payouts. During 2020, we borrowed and fully repaid $9.4 million (Cdn $12.5 million) under the Loan. In 2020, we recorded interest expense of $161 (2019 - nil).

On February 17, 2021, we entered into an additional amending agreement to the revolving credit agreement (the "Amended Revolving Facility") with CIBC as sole lender and as Administrative Agent, which reduced the total borrowing capacity under the Revolving Facility to $30 million from $50 million. The Revolving Facility will be used for general corporate purposes, including, but not limited to, capital expenditures, working capital requirements and/or certain acquisitions permitted under the Revolving Facility. Borrowings under the Revolving Facility may bear interest at US Base Rate or LIBOR plus applicable margin. Availability under the Amended Revolving Facility is no longer subject to a borrowing base. The Amended Revolving Facility contains customary affirmative, negative and financial covenants.

(c) Letters of credit

We have access to a standby letter of credit facility of $1.5 million from Toronto Dominion Bank. The credit facility is used for the issuance of letters of credit and guarantees and is guaranteed by Export Development Canada. As of December 31, 2020, letters of credit issued against the revolving standby letter of credit facility were for a total value of $1.35 million (2019 — $0.1 million).

(d) Accounts Receivable Purchase Agreement

We have an uncommitted Receivables Purchase Agreement (the "RPA") with CIBC, as purchaser, to improve our liquidity during high working capital periods. Under the RPA, the Company may offer to sell certain eligible accounts receivable (the "Receivables") to CIBC, which may accept such offer, and purchase the offered Receivables. Under the RPA, up to $75.0 million of Receivables may be sold and remain outstanding at any time. Receivables are sold at 100% face value less discount with a 10% limited recourse to the Company arising from certain repurchase events. The RPA is on an uncommitted basis with no expiry date and carries a discount rate of CDOR (for purchased receivables in CAD) and LIBOR (for purchased receivables in USD) plus an applicable margin. After the sale, the Company does not retain any interests in the Receivables, but continues to service and collect, in an administrative capacity, the outstanding receivables on behalf of CIBC.

The Company accounts for the sold Receivables as a sale in accordance with FASB ASC 860, *Transfers and Servicing*. Proceeds from the sale reflect the face value of the Receivables less discount fees charged by CIBC and one-time legal costs. The discount fees are recorded in *Other expense* in the Company's consolidated statements of operations. Net proceeds are classified under operating activities in the consolidated statements of cash flows.

Pursuant to the RPA, the Company sold and de-recognized $163,354 Receivables in 2020 (2019 - $86,856). As at December 31, 2020, $19,388 remained outstanding to be collected from customers and remitted to CIBC (2019 - $18,174). Discount fees of $414 for 2020 are included in *Other expense* in the consolidated statements of operations (2019 - discount fees of $347 and administration expense of $129). As at December 31, 2020, we collected $764 from Receivables that we previously sold and that have not been remitted to CIBC due to timing of settlement dates. We recorded the amount in *Restricted cash* in the consolidated balance sheets with a corresponding increase in accrued liabilities (2019 - $3,408).

26. FINANCIAL INSTRUMENTS

Financial Risk Management

Financial instruments consist primarily of cash and cash equivalents, restricted cash, accounts receivable, derivatives such as foreign currency forward and option contracts, accounts payable and accrued liabilities.

We have exposure to the following business risks:

We maintain substantially all of our cash and cash equivalents with major financial institutions or invest in government instruments. Our deposits with banks may exceed the amount of insurance provided on such deposits.

We outsource manufacturing of our products to third parties and, accordingly, we are dependent upon the development and deployment by third parties of their manufacturing abilities. The inability of any supplier or manufacturer to fulfill our supply requirements could impact future results. We have supply commitments to our contract manufacturers based on our estimates of customer and market demand. Where actual results vary from our estimates, whether due to execution on our part or market conditions, we are at risk.

Financial instruments that potentially subject us to concentrations of credit risk are primarily accounts receivable. We perform on-going credit evaluations of our customer's financial condition and require letters of credit or other guarantees whenever deemed appropriate.

Although a significant portion of our revenues are in U.S. dollars, we incur operating costs that are denominated in other currencies. Fluctuations in the exchange rates between these currencies could have a material impact on our business, financial condition and results of operations.

To manage our foreign currency risks, we enter into foreign currency forward contracts and options contracts to reduce our exposure to future foreign exchange fluctuations. See note 25(a).

We are subject to risks typical of an international business including, but not limited to, differing economic conditions, changes in political climate, differing tax structures other regulations and restrictions and foreign exchange rate volatility. Accordingly, our future results could be materially affected by changes in these or other factors.

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

27. COMMITMENTS AND CONTINGENCIES

(a) Contingent liability on sale of products

(i) Under license agreements, we are committed to make royalty payments based on the sales of products using certain technologies. We recognize royalty obligations as determinable in accordance with agreement terms. Where agreements are not in place, we have recognized our current best estimate of the obligation under accrued liabilities and long-term obligations. When agreements are finalized or the obligation becomes statute barred, the estimate will be revised accordingly.

(ii) We are a party to a variety of agreements in the ordinary course of business under which we may be obligated to indemnify a third party with respect to certain matters. Typically, these obligations arise as a result of contracts for sale of our products to customers where we provide indemnification against losses arising from matters such as potential intellectual property infringements and product liabilities. The impact on our future financial results is not subject to reasonable estimation because considerable uncertainty exists as to whether claims will be made and the final outcome of potential claims. To date, we have not incurred material costs related to these types of indemnifications.

(iii) We accrue product warranty costs to provide for the repair or replacement of defective products. Our accrual is based on an assessment of historical experience and on management's estimates. Changes in the liability for product warranties were as follows:

	2020	2019
Balance, beginning of year	**$ 6,743**	$ 7,914
Provisions	**4,834**	3,686
Expenditures	**(5,773)**	(2,673)
Liability held for sale	**—**	(2,184)
Balance, end of year	**$ 5,804**	$ 6,743

(b) Other commitments

We have purchase commitments totaling approximately $93,865 (December 31, 2019 — $128,146, including $51,587 related to the automotive business), with certain contract manufacturers and suppliers under which we have committed to buy a minimum amount of designated products between January and June 2021. In certain of these agreements, we are required to acquire and pay for such products up to the prescribed minimum or forecasted purchases.

We also have purchase commitments totaling approximately $2,836 (December 31, 2019 — $7,110) with certain mobile network operators, under which we have committed to buy a minimum amount of wireless data and wireless data services between January 2021 and October 2022.

We have a purchase commitment totaling approximately $2,478 (December 31, 2019 - $2,458) with a supplier under which we have committed to buy a minimum amount of cloud computing services between January 2021 and May 2022.

(c) Legal proceedings

We are from time to time involved in litigation, certain other claims and arbitration matters arising in the ordinary course of our business. We accrue for a liability when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Significant judgment is required in both the determination of probability and the determination as to whether a loss is reasonably estimable. These accruals are reviewed at least quarterly and adjusted to reflect the impacts of negotiations, settlements, rulings, advice of legal counsel and technical experts and other information and events pertaining to a particular matter. To the extent there is a reasonable possibility (within the meaning of ASC 450, Contingencies) that the losses could exceed the amounts already accrued for those cases for which an estimate can be made, management believes that the amount of any such additional loss would not be material to our results of operations or financial condition.

In some instances, we are unable to reasonably estimate any potential loss or range of loss. The nature and progression of litigation can make it difficult to predict the impact a particular lawsuit will have on the Company. For instance, in the case of patent litigation, there are many reasons why we cannot make these assessments, including, among others, one or more of the following: in the early stage of a proceeding, the claimant is not required to specifically identify the manner in which the patent has allegedly been infringed; damages sought that are unspecified, unsupportable, unexplained or uncertain; discovery not having been started or being incomplete; the complexity of the facts that are in dispute (e.g., the analysis of the patent and a comparison to the activities of the Company is a labor-intensive and highly technical process); the difficulty of assessing novel claims; the parties not having engaged in any meaningful settlement discussions; the possibility that other parties may share in any ultimate liability; and the often slow pace of patent litigation.

We are required to apply judgment with respect to any potential loss or range of loss in connection with litigation. While we believe we have meritorious defenses to the claims asserted against us in our currently outstanding litigation, and intend to defend ourselves vigorously in all cases, in light of the inherent uncertainties in litigation there can be no assurance that the ultimate resolution of these matters will not significantly exceed the reserves currently accrued by us for those cases for which an estimate can be made. Losses in connection with any litigation for which we are not presently able to reasonably estimate any potential loss or range of loss could be material to our results of operations and financial condition.

In March 2020, Sunset Licensing LLC filed a patent infringement lawsuit in the United States District Court for the District of Delaware, which lawsuit makes certain allegations concerning our GNX-3 LTE devices. The lawsuit has been dismissed without prejudice.

In November 2019, Stormborn Technologies LLC filed a patent infringement lawsuit in the United States District Court for the District of Delaware, which lawsuit makes certain allegations concerning our FX and GL series devices. The lawsuit has been dismissed with prejudice.

In January 2017, Koninklijke KPN N.V. filed a patent infringement lawsuit in the United States District Court for the District of Delaware asserting patent infringement by us and our U.S. subsidiary. The lawsuit makes certain allegations concerning the alleged use of data transmission error checking technology in our wireless products. In March 2018, the Court granted our motion for judgment on the pleadings that the plaintiff’s patent is invalid. The plaintiff appealed this invalidity ruling to the Federal Circuit, and in November 2019, the Federal Circuit reversed the District Court’s invalidity ruling. In April 2019, the United States Patent and Trial Appeal Board rendered its final decision in our petition for *Inter Partes* Review of the patent-in-suit, and the instituted claims were not proved to be unpatentable. In April 2020, the District Court granted summary judgment to the plaintiffs with respect to our counterclaims alleging that the plaintiff had breached its commitments to standard setting organizations. The Court rendered its claim construction order in September 2020. A stipulated motion to stay filed by the parties was granted by the Court in February 2021.

In August 2014, M2M Solutions LLC filed a patent infringement lawsuit against us in District Court for the District of Delaware asserting patent infringement by us and our US subsidiary. The lawsuit makes certain allegations concerning our wireless products with respect to US Patent No. 8,648,717. In March 2017, the United States Patent and Trial Appeal Board issued its decisions in the instituted *Inter Partes* Review proceedings filed by us and other defendants, invalidating all independent claims and several dependent claims in the single patent-in-suit. In April 2017, M2M Solutions assigned the patent-in-suit to Blackbird Tech LLC ("Blackbird"), and they became a plaintiff in the lawsuit in June of that year. In September 2018, the court denied a motion to dismiss the lawsuit. Blackbird was granted leave to identify additional asserted claims and accused products with respect to the patent-in-suit. In November 2019, the Judge issued a claim construction order finding two of the remaining five claims in the patent-in-suit to be indefinite and therefore invalid. In December 2020, a Report and Recommendation of the Magistrate was filed recommending that the Court grant our motion for summary judgment of non-infringement. The Court's ruling on this matter is pending. Trial in our case has been continued and is not currently scheduled.

Intellectual Property Indemnification Claims

We have been notified by certain of our customers in the following matter that we may have an obligation to indemnify them in respect of the products we supply to them:

In June 2019, Sisvel International S.A. and 3G Licensing S.A. (together, "First Suit Plaintiffs"), filed patent infringement lawsuits (the "First Suits") in the United States District Court for the District of Delaware against one or more of our customers alleging patent infringement with respect to a portfolio of 12 patents purportedly owned by Sisvel and obtained from Nokia Corporation (5 patents) and Blackberry, Ltd. (7 patents), that First Suit Plaintiffs allege relate to technology for cellular communications networks including, but not limited to 2G, 3G and 4G/LTE. The allegations have been made in relation to certain of our customer's products, which may include products which utilize modules sold to them by us. Following successful motions to dismiss filed by several defendants, the First Suit Plaintiffs have filed amended complaints, dropping 6 of the 7 Blackberry patents from the allegations against certain of the defendants, including at least one of our customers. *Inter Partes* Review petitions have been filed by us and other defendants with respect to all of the patents involved in the First Suits, eleven of which have been instituted and one has been denied. The First Suits are in the discovery stage and a first trial against one of the defendants is scheduled for November 2022. In May 2020, Sisvel International S.A., 3G licensing S.A. and Sisvel S.p.A. (collectively, the "Second Suit Plaintiffs") filed patent infringement lawsuits (the "Second Suits") in the United States District Court for the District of Delaware, against one or more of our customers alleging patent infringement with respect to a portfolio of 9 patents purportedly owned by the Second Suit Plaintiffs and obtained from Nokia Corporation (1 patent), Blackberry, Ltd. (2 patents) and LG Electronics Inc. (6 patents), that the Second Suit Plaintiffs allege relate to technology for cellular communications networks including, but not limited to 3G and 4G. The allegations have been made in relation to certain of our customers' products, which may include products which utilize modules sold to them by us. The Second Suits are in the scheduling stage.

Although there can be no assurance that an unfavorable outcome would not have a material adverse effect on our operating results, liquidity or financial position, we believe the claims made in the foregoing legal proceedings are without merit and intend to defend ourselves and our products vigorously in all cases.

We are engaged in certain other claims, legal actions and arbitration matters, all in the ordinary course of business, and believe that the ultimate outcome of these claims, legal actions and arbitration matters will not have a material adverse effect on our operating results, liquidity or financial position.

28. SUBSEQUENT EVENT

Change in Reportable Segments

We have revised our reportable segments to align with changes in how we report our financial results and manage our business. Commencing in the first quarter of 2021, we classify our operations into two reportable segments: IoT Solutions and Enterprise Solutions. Our new IoT Solutions segment is comprised of our portfolio of cellular modules from LPWA through to high-speed embedded 5G broadband modules with IoT connectivity, solutions and software. The Enterprise Solutions segment is comprised of our gateways, asset tracking and monitoring business, and our Enterprise connectivity, solutions and software.

Exhibit 1.3

SIERRA WIRELESS, INC.
MANAGEMENT’S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended December 31, 2020

DATED March 17, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

Table of Contents

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 years ended December 31, 2020, 2019 and 2018 and up to and including March 17, 2021. This MD&A should be read together with our audited consolidated financial statements and the accompanying notes for the year ended December 31, 2020 ("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" or "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 "Cautionary Note Regarding Forward-Looking Statements" in this MD&A and should not place undue reliance on any such 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 our results of operations as they provide additional measures of our performance and assist in comparisons from one period to another. 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".

In this MD&A, unless the context otherwise requires, references to "the Company", "Sierra Wireless", "we", "us" and "our" refer to Sierra Wireless, Inc. and its subsidiaries.

Additional information about our 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

This MD&A contains certain statements and information that 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 (collectively, "forward-looking statements") and may include statements and information relating to our mission, vision and values; our strategy; 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 recent divestiture of the automotive product line (the "Sale Transaction") and the Company's exit from automotive applications; timing expectations regarding expected earnings of the M2M Group (as defined below) and ability to expand our market presence in Australia and Southern Asia; 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 and gateways. Forward-looking statements are provided to help you understand our 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.

Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, identified by words or phrases such as "outlook", "expects", "is expected", "anticipates", "believes", "plans", "projects", "estimates", "assumes", "intends", "strategy", "goals", "objectives", "potential", "possible", or variations thereof, or stating that certain actions, events, conditions or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved, or the negative of any of these terms and similar expressions) are not statements of historical fact and may be forward-looking statements. Forward-looking statements are not promises or guarantees of future performance. They represent our current views and may change significantly. 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 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.*

Forward-looking statements are subject to a variety of known and unknown risks, uncertainties and other factors that could cause actual events or results to differ significantly from those expressed or implied in our forward-looking statements, including, without limitation:

- *prolonged negative impact from COVID-19;*
- *our access to capital, if required;*
- *competition from new or established competitors or from those with greater resources;*
- *our reliance on single source suppliers for certain components used in our products;*
- *our dependence on a limited number of third party manufacturers;*
- *natural catastrophes or public health epidemics that 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 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 fluctuations;*
- *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 hire and transition in a timely manner experienced and qualified additional executive officers and key employees as needed to achieve our business objectives, including a replacement for our departing Chief Executive Officer;*
- *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 the M2M Group and M2M New Zealand 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;*
- *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.*

This list is not exhaustive of the factors that may affect any of our forward-looking statements. Forward-looking statements are statements about the future and are inherently uncertain, and our actual achievements or other future events or conditions may differ materially from those reflected in the forward-looking statements due to a variety of risks, uncertainties and other factors, including, without limitation, those referred to our 2020 Annual Information Form under "Risk Factors" and those referred to 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.

Our forward-looking statements are based on the beliefs, expectations and opinions of management on the date the statements are made, and we do not assume any obligation to update forward-looking statements if circumstances or management's beliefs, expectations or opinions should change, except as required by applicable law. For the reasons set forth above, investors should not place undue reliance on forward-looking statements.

OVERVIEW

Business Overview

Sierra Wireless provides leading solutions for the Internet of Things (“IoT”) comprised of our recurring connectivity services, cloud platform, gateways and embedded cellular modules. Enterprises, industrial companies, public safety agencies and Original Equipment Manufacturers ("OEMs") worldwide rely on our expertise to digitize their assets by connecting their equipment and products from the edge of the cellular network to the cloud. Our Device-to-Cloud solutions reduce the complexity of IoT and allow our customers to scale their deployments quickly and securely. We continue to seek opportunities to partner, acquire or invest in businesses, products and technologies that will help us drive our growth strategy forward and expand our leading position in the IoT market.

Divestiture of Automotive Embedded Module Product Line

On July 23, 2020, we entered into a definitive agreement with Rolling Wireless (H.K.) Limited ("Rolling Wireless"), a consortium led by Fibocom Wireless Inc. of Shenzhen to divest our Shenzhen, China-based automotive embedded module product line ("Automotive Business"). On November 18, 2020, we completed the Sale Transaction for total gross proceeds of $165.0 million in cash, subject to working capital adjustments, including $10.0 million of proceeds held in escrow that we recorded in restricted cash and was released on January 8, 2021.

The Company exited the automotive business but will continue to invest in other products in its Embedded Broadband segment, specifically high-speed cellular modules typically used in Enterprise applications. Approximately 150 employees become employees of Rolling Wireless, of which approximately 120 employees are located in Mainland China and 30 are located in Europe or the Asia-Pacific region.

The Sale Transaction is expected to enable us to strengthen our focus on device-to-cloud IoT solutions, driving high-value recurring revenue and allowing us to invest further in fifth generation ("5G") embedded modules and routers. The Sale Transaction has strengthened our balance sheet by providing additional liquidity.

In accordance with U.S. GAAP, assets and liabilities associated with the Automotive Business have been recorded as 'held for sale' in our consolidated balance sheets as at December 31, 2019 and the results of operations of the Automotive Business as discontinued operations in our consolidated statements of operations and comprehensive loss for the years ended December 31, 2020 and 2019. All results of operations of the Automotive Business are classified as discontinued operations in all periods presented in this MD&A.

COVID-19 Impact

COVID-19 continues to significantly impact economies around the world, creating significant uncertainty regarding the nearer term outlook for the markets where we provide our products and services. Our products serve companies across a broad range of industries. Some of our customers are seeing demand delays while others are seeing significant improvements in their businesses. We have been partnering with our customers to address many of these changes and to manage their planned shipments and production allocations. Central to improving our ability to meet our customer expectations has been an adjustment to order lead-times for industrial customers and distributors.

After experiencing the most significant impact of COVID-19 in the second quarter of 2020 with the temporary shutdown of automotive manufacturers, demand for our automotive cellular modules recovered materially following the reopening of production facilities in the third quarter of 2020. Although we saw increased demand for certain wireless broadband connected devices as we helped businesses and workers stayed connected and productive during the pandemic, other areas of our business were impacted by COVID-19. Our financial results in the third and fourth quarter were affected by supply shortages impacting our ability to obtain inventory, manufacture and deliver products and services to our customers. We continue to see global supply chain tightness from key suppliers that are constraining our ability to fully deliver and meet demand. We do not expect this global supply chain tightness to alleviate in the near term.

We have taken actions with respect to how we operate our business to ensure we comply with government restrictions and guidelines as well as best practices to protect the health and well-being of our employees. Internally, since mid-March and subject to certain exceptions relating to employees that require specialized equipment for the development and testing of products, our employees have been working from home. We have been able to operate our business effectively without major interruptions. We have also taken measures to reduce our operating expenditures through initiatives such as deferring salary increases and curtailing discretionary spending.

The COVID-19 pandemic continues to rapidly evolve, and we will continue to monitor the effects of COVID-19 on our business in all regions that we serve. The extent to which COVID-19 may impact our business will depend on future developments, which are highly uncertain and cannot be predicted with confidence, such as the geographic spread of the disease, the duration of the outbreak, business closures or business disruptions, public health restrictions on travel and in-person interactions, and the effectiveness of action to contain and treat the disease in the United States, Europe and the Asia-Pacific region. We cannot presently predict with accuracy the duration, scope and severity of any potential business closures or disruptions, or the overall effects of COVID-19 on our business over time. Continued shutdowns or other business interruptions could result in material and negative effects on our ability to conduct our business in the manner and on the timelines presently planned, which could have a material adverse impact on our business, results of operation, and financial condition. See "Risk Factors - Our business, financial condition and results of operations have been and will continue to be adversely affected by the recent COVID-19 outbreak." in our 2020 Annual Information Form.

For 2020 and 2019, we operated our business under two reportable segments (i) IoT Solutions and (ii) Embedded Broadband:

IoT Solutions

Our IoT Solutions segment is focused on end-to-end IoT solutions that include recurring connectivity services, cellular modules and gateways, and a cloud platform targeted primarily at enterprises and OEMs in the IoT space. Our primary focus is on three key markets: (i) Industrial Edge for manufacturing asset monitoring; (ii) Mobile Edge for mobile asset tracking; and (iii) Infrastructure Edge for commercial infrastructure and building monitoring. We believe the IoT opportunities we are focusing on have a high potential to generate recurring services to the customer along with our cloud platform, devices and management tools.

In this segment, we provide Device-to-Cloud IoT solutions that include: (i) our global cellular connectivity services, that are subscription-based and include our flexible Smart SIM and core network platforms; (ii) our cloud platform for deploying and managing subscriptions, over-the-air updates, devices and applications; and (iii) our unified data orchestration called Octave to provide enhanced data management from the edge of the network to the cloud.

Our embedded devices in this reporting segment are comprised of IoT embedded cellular wireless modules that include Low Power Wide Area ("LPWA") technologies, third generation ("3G"), and fourth generation ("4G") Long-Term Evolution ("LTE") products. We have launched our 5G cellular embedded modules in Europe and North America. We also have a broad offering of cellular gateways and routers complemented by cloud-based services and software for secure management. We launched our first 5G router this past quarter primarily for the transportation and public safety segments of the market.

Our gateway solutions address a broad range of vertical market applications within the mobility, industrial, and enterprise market segments. Our products are known for their technical capability and high reliability in mission-critical applications. These gateways leverage our expertise in wireless technologies and offer the latest capabilities in LTE networking, including Wi-Fi, Bluetooth, Global Navigation Satellite System ("GNSS") and FirstNet capability. We also provide a cloud platform that includes advanced reporting and analytics.

Embedded Broadband

Our Embedded Broadband segment is comprised of our high-speed cellular embedded modules that are typically used in non-industrial applications, namely Mobile Computing, Enterprise Networking and the Automotive market (the latter is now reported in discontinued operations). The products in this segment are typically high-speed 4G LTE, LTE-Advanced, and 5G cellular modules that are ordered in larger volumes. In this segment, we have limited opportunities to provide connectivity services or IoT solutions to the OEM customer. We have a strong customer base in the Embedded Broadband business and we make it simple for our customers to embed high-speed cellular technologies and manage these devices through our IoT cloud platform.

In the Mobile Computing market, we have secured a number of 5G design wins with existing customers and new customers. The design cycle in the Mobile Computing market is approximately one year. Our portfolio also includes our embedded application framework called Legato, which is an open source, Linux-based platform.

Change in Reportable Segments

During the first quarter of 2021, we revised our reportable segments to better reflect the way the Company manages its business. We reorganized our reportable segments in order to better align our various businesses for future growth and streamline operations. We will classify our operations into the following two reportable segments: IoT Solutions and Enterprise Solutions. Our new IoT Solutions segment will be comprised of our portfolio of cellular modules from LPWA through to high-speed embedded 5G broadband modules with IoT connectivity, solutions and software. The Enterprise Solutions segment will be comprised of our gateways, asset tracking and monitoring business, and our Enterprise connectivity, solutions and software.

Our Mission, Vision and Values

Our Mission is to be the leading IoT solutions provider for companies, combining devices, cloud platforms, software and connectivity to accelerate digital transformation. Our vision is to enable the connected world with intelligent wireless solutions that allows businesses to reimagine their future in the connected world. Our core values are:

- Innovation: We develop intelligent IoT solutions based on superior technology that provides value to our customers.
- Execution: We deliver on our commitments together as a team, and focus on quality and excellence in everything we do.
- Trust: We are responsive and collaborative with our customers to help them grow their businesses.

Our Strategy

The global IoT market is growing significantly and new IoT applications are helping people and organizations to lower operating costs and generate new revenue streams by providing new or evolved value-added services to their customers. An integral factor in the growth of IoT applications is cellular connectivity, which enables the transmission of data from connected devices (things) at the edge, through advanced mobile networks to cloud services such as advanced analytics and enterprise applications. Cellular connectivity supports applications such as connected industrial assets, smart buildings and cities, and the smart electrical grid. There is also a growing need for remote connectivity that supports individuals working from home during the COVID-19 pandemic as well as students who are studying online. There is also increasing demand for reliable mobile connectivity in public transportation networks such as buses and trains, and shared community places. Adoption of IoT solutions is driven by a number of factors, including lower wireless connectivity costs, higher wireless connection speeds, new wireless technologies designed specifically for IoT, lower computational and data storage costs, new tools to simplify application development and higher levels of focus on data analytics, artificial intelligence and machine learning.

We believe these factors will continue to create attractive growth opportunities for the Company going forward. We are widely recognized as an innovation leader in the IoT sector. We are also a leading provider of gateway and router solutions for industrial, enterprise and mobile applications.

We are seeking to leverage our strong position in cellular embedded modules and gateways to grow and enhance our IoT connectivity and services business and accordingly, our corporate strategy is to drive growth and value creation by:

- Solidifying our leadership position in IoT devices;
- Accelerating our IoT connectivity and cloud businesses by growing subscription-based recurring revenue globally; and
- Leveraging our leading position in IoT devices to build and scale our Device-to-Cloud solutions business.

In 2020, we continued to deliver on our corporate strategy through the following:

- Growing adoption of our first embedded cellular modules for the LPWA market;
- Scaling our Smart SIM technology to enable the delivery of highly differentiated connectivity services;
- Growing adoption of our Octave all-in-one, edge-to-cloud data orchestration solution for connecting IoT industrial assets;
- Growing adoption of our Ready-To-Connect technology that equips our wireless cellular modules with out-of-the-box connectivity;
- Securing new recurring revenue wins with Industrial and Enterprise customers primarily in Europe and North America;
- Increasing our total number of IoT connected devices, including our cloud management platform;
- Maturing our relationships with ecosystem partners, including a preferred partnership with Microsoft Azure to collaborate on IoT solutions;
- Continuing to invest in leading edge embedded modules, gateways and routers, including cellular embedded 5G technology;
- Acquired M2M Group in Australia and M2M One in New Zealand to increase our connectivity services in those markets; and
- Divested our auto business to focus resources and attention on growing our core IoT business.

Annual Overview

Key highlights for the year ended December 31, 2020:

Corporate:

- On January 7, 2020, we completed the acquisition of M2M Connectivity Pty Ltd, M2M One Pty Ltd and D-Square Innovation Pty Ltd (collectively, the "M2M Group") in Australia. Total purchase consideration for the acquisition of the M2M Group was $21.1 million, comprised of cash consideration to the shareholders of $19.6 million for 100% of the equity of the M2M Group, plus approximately $1.3 million for the retirement of certain obligations and $0.2 million for normal course working capital adjustments. The purchase consideration was fully paid in 2020. The M2M Group is focused on IoT connectivity services and cellular devices in Australia, and the acquisition expands the Company's IoT Solutions business in the Asia-Pacific region.
- On March 23, 2020, we announced the appointment of Gregory L. Waters to the Company's Board of Directors. Mr. Waters is an experienced corporate director, CEO and advisor, having led three companies through successful transformations.
- On April 13, 2020, we announced that Samuel Cochrane would join as Chief Financial Officer on May 6, 2020. Mr. Cochrane is an experienced financial executive, most recently serving as a Vice President of Motorola Solutions Inc. ("Motorola") and before that as the CFO of Avigilon, which was acquired by Motorola in 2018. Mr. Cochrane took over the CFO role from David McLennan, whose planned retirement was announced in December 2019. Mr. McLennan retired on June 30, 2020 upon completion of the transition of the CFO duties to Mr. Cochrane.
- On April 16, 2020, we announced that the Company entered into an agreement with Lion Point Capital, LP ("Lion Point"), an investment firm which controls approximately 6.0% of the Company's total shares outstanding, regarding the membership and composition of the Sierra Wireless Board of Directors (the "Board") and its committees, as well as certain customary standstill restrictions. Under the terms of the agreement with Lion Point, (i) Mr. Paul C. Cataford and Ms. Joy Chik, stepped down from the Board and two new independent directors, Mr. Jim Anderson and Ms. Karima Bawa, were appointed to the Board on April 16, 2020 and (ii) we agreed to propose and recommend for approval at our annual and special meeting of shareholders (the "Meeting") a special resolution providing for an increase in the maximum size of the Board from nine (9) to twelve (12) directors (the "Board Expansion Resolution"). Following the approval of the Board Expansion Resolution at the Meeting, we announced on May 22, 2020, that the Board of Directors appointed Thomas K. Linton, Martin Mc Court, and Mark Twaalfhoven as independent directors of the Company.
- On May 11, 2020, Steve Harmon joined the Company as Senior Vice President, Americas Sales following six years at Blackberry in senior sales roles. Mr. Harmon is responsible for all sale and delivery activities in the Americas and reports directly to Kent Thexton, President and CEO of Sierra Wireless.
- On November 18, 2020, we announced the completion of the sale of our Shenzhen, China-based automotive embedded module product line to Rolling Wireless as described in the "Business Overview" section above.
- On December 15, 2020, we completed the acquisition of M2M One NZ Ltd ("M2M New Zealand") in New Zealand. Total purchase consideration for the acquisition of M2M New Zealand was $3.7 million, comprised of cash consideration to the shareholders of $3.3 million for 100% of the equity of M2M New Zealand, plus a $0.4 million cash holdback amount to be released to the seller on December 15, 2021, to secure the purchaser's rights of indemnification under the share purchase agreement.
- On January 7, 2021, we announced the appointment of James Armstrong as Senior Vice President and General Manager, Enterprise Solutions to lead Sierra's Enterprise business. Mr. Armstrong reports directly to Kent Thexton, President and CEO of Sierra Wireless. Mr. Armstrong most recently served a Chief Operating Officer and EVP, Products at Spirent Communications Plc.

- On January 21, 2021, we announced the planned retirement of Kent Thexton from his position as President & CEO. Kent has committed to remain with the Company until June 30th to allow his successor to be hired and to support an orderly transition. The Board of Directors have commenced a process to find Kent's successor and have engaged a top tier executive search firm to undertake a search for his replacement.

IoT Solutions:

- On February 12, 2020, we announced our Ready-to-Connect Series of embedded modules to simplify IoT development, reduce costs, and accelerate time to market. The RC series modules deliver all of the key elements needed for an IoT application - cellular module, integrated SIM that is pre-connected to global mobile networks, IoT management platform, and end-to-end security-in-one integrated bundle.
- On March 11, 2020, Liveable Cities, a division of Canada-based LED Roadway Lighting, selected our LPWA solution to enable smart city applications. Liveable Cities is using our Wireless Ready-to-Connect HL78 modules for its SilQ Luminaire streetlight and the tool-less Sensor Platform ANSI Controller, which can add radar, pollution, and noise sensors to transform any streetlight into a network that provides data to cities to help them reduce pollution and keep citizens safe.
- On June 22, 2020, we announced a new collaboration with New Boundary Technologies, a leading provider of innovative Internet of Things and Machine-to-Machine applications to simplify the development and deployment of IoT applications for industrial OEMs, distributors, and IoT solution providers. New Boundary Technologies' RemoteAware™ IoT Application Service now integrates with Octave™, Sierra's all-in-one edge-to-cloud solution for connecting industrial assets to the cloud.
- On October 19, 2020, we announced the availability of our AirLink MG90 5G platform, the industry's first multi-network 5G vehicle networking solution that provides secure, always-on mobile connectivity for mission-critical public safety, field service and transit applications.
- On November 11, 2020, we announced that our Octave solution has been selected as winner of the "IoT Innovation of the Year" award in the fourth annual Mobile Breakthrough Awards program conducted by Mobile Breakthrough, a leading independent market intelligence organization that recognizes top companies, technologies, and products in the global wireless and mobile market.
- On December 17, 2020, we announced that Thermigas Chauffage Industriel S.A.S. ("Thermigas"), a worldwide leader in decentralized liquid-heating products for industrial processes, is using Octave, the Company's all-in-one edge-to-cloud solution to increase uptime and reduce maintenance costs for industrial water heaters. Using Octave, IoT services and strategy consulting firm Oxelar developed and deployed a preventive maintenance Industrial IoT application for Thermigas in less than two months.
- On January 13, 2021, we announced that LUCI, a hardware and software platform that uses stereo vision, infrared, ultrasonic, and radar to enable power wheelchairs to 'see' their environment, was recently named one of Time Magazine's best inventions of 2020, as well as one of the greatest innovations of 2020 in the Popular Science Best of What's New 2020 list. LUCI uses the Company's LPWA solution, including HL7800 modules and Enhanced Carrier Connectivity services, to make power wheelchairs smarter and safer, helping wheelchair users avoid collisions, drop-offs, and falls, and giving them more freedom and independence.
- January 27, 2021, we announced that Virocom has selected our AirLink end-to-end networking solution to enable smart locker applications. Virocom is using Sierra Wireless' ready-to-connect AirLink LX60 routers and Smart Connectivity Services integrated with its Ascension Cloud portal, to provide connected intelligent cabinets and returns kiosks with 100 percent uptime. Smart lockers are a key tool enabling retailers to provide contactless, 24/7 service options for customers during the COVID-19 pandemic.

Embedded Broadband:

- On February 24, 2020, we announced the an expanded portfolio of mobile broadband embedded modules for mobile computing, routers, gateways, industrial automation, and new IoT applications, such as robotics, drones and private networks. Sierra's first-to-market 5G EM919x and 4G LTE Cat-20 EM769x embedded modules are sampling to OEMs and system integrators requiring secure connectivity and the highest possible speeds to deploy cellular on their mobile computing, networking, and IoT platforms worldwide.
- On August 19, 2020, we announced commercial availability of our first-to-market EM919x 5G NR Sub-6 GHz and mmWave embedded modules that will enable OEMs to deploy secure connectivity worldwide at the highest possible speeds with ultra-low latency for mobile computing, routers, gateways, industrial automation, and many new Industrial IoT applications.

CONSOLIDATED ANNUAL RESULTS OF OPERATIONS

The following table sets forth our consolidated statements of operations for the years ended December 31, 2020, 2019 and 2018.

(In thousands of U.S. dollars, except where otherwise stated)	2020	2019	2018
Revenue			
IoT Solutions	327,323	377,808	373,937
Embedded Broadband	121,265	169,468	262,232
	448,588	547,276	636,169
Cost of sales			
IoT Solutions	205,419	237,650	234,335
Embedded Broadband	84,418	112,140	165,809
	289,837	349,790	400,144
Gross margin	158,751	197,486	236,025
Gross margin %	*35.4 %*	*36.1 %*	*37.1 %*
Expenses			
Sales and marketing	86,481	87,185	82,687
Research and development	82,029	78,761	82,032
Administration	48,513	47,127	59,696
Restructuring	8,740	26,262	6,844
Acquisition-related and integration	440	974	3,962
Impairment	—	877	—
Loss on disposal of iTank business	—	—	2,064
Amortization	20,584	20,554	25,780
	246,787	261,740	263,065
Loss from operations	(88,036)	(64,254)	(27,040)
Foreign exchange gain (loss)	8,003	(1,224)	(5,345)
Other income (expense)	(2,027)	(307)	46
Loss before income taxes	(82,060)	(65,785)	(32,339)
Income tax expense (recovery)	(11,909)	8,878	(1,739)
Net loss from continuing operations	(70,151)	(74,663)	(30,600)
Net earnings from discontinued operations	20,810	4,125	5,990
Net loss	(49,341)	(70,538)	(24,610)
Basic and diluted net earnings (loss) per share (in dollars)			
Continuing operations	$ (1.93)	$ (2.06)	$ (0.85)
Discontinued operations	0.57	0.11	0.17
	$ (1.36)	$ (1.95)	$ (0.68)
Weighted average number of shares of shares (in thousands) - basic and diluted	36,393	36,166	36,019
Product revenue	332,544	449,063	541,702
Recurring and other services revenue	116,044	98,213	94,467
Non-GAAP Financial Measures[(1)]:			
Adjusted EBITDA	(34,930)	9,833	44,266
Adjusted earnings (loss) from continuing operations	(50,967)	(6,047)	26,109
Basic and diluted adjusted earnings (loss) per share from continuing operations (in dollars)	$ (1.40)	$ (0.17)	$ 0.72

(1) Refer to the section titled "Non-GAAP Financial Measures" for reconciliations to the applicable U.S. GAAP financial measures.

DISCUSSION OF CONSOLIDATED ANNUAL RESULTS OF OPERATIONS

Results of operations described below exclude operating results of our Automotive Business as they are classified as discontinued operations.

Fiscal Year 2020 Compared to Fiscal Year 2019

Revenue

Revenue decreased by $98.7 million, or 18.0%, to $448.6 million in 2020 compared to 2019. This decrease was primarily attributable to reduced revenue from each of our Embedded Broadband and IoT Solutions segments.

(In thousands of U.S. dollars, except where otherwise stated)	**2020**		**2019**	
	$	**% of Revenue**	**$**	**% of Revenue**
Product	332,544	74.1 %	449,063	82.1 %
Recurring and other services	116,044	25.9 %	98,213	17.9 %
	448,588	100.0 %	547,276	100.0 %

Product revenue decreased by $116.5 million, or 25.9%, to $332.5 million in 2020 compared to 2019. The decrease was primarily due to lower revenue from Enterprise gateway products, Integrated IoT Solutions modules, and mobile computing and networking customers, partially offset by higher LPWA IoT module sales. Recurring and other services revenue increased by $17.8 million, or 18.2%, to $116.0 million in 2020 compared to 2019 driven by growth in connected devices, in particular growth in the offender monitoring segment, and the addition of M2M Group revenue, acquired in January 2020.

For 2020 and 2019, we operated our business under two reportable segments (i) IoT Solutions and (ii) Embedded Broadband:

IoT Solutions Revenue

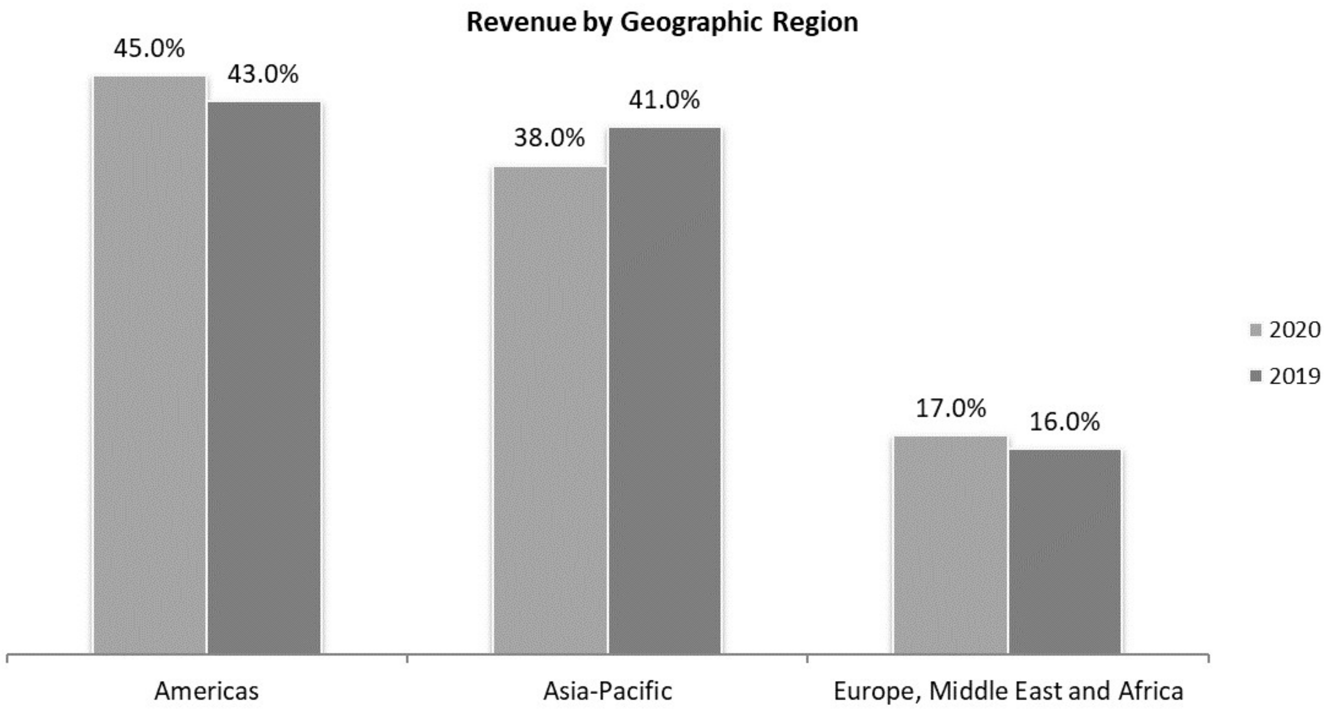
In 2020 compared to 2019, IoT Solutions segment revenue decreased by $50.5 million, or 13.4%, to $327.3 million due to lower hardware sales in Enterprise gateway products and Integrated IoT Solutions modules as a result of entering the first quarter of 2020 with higher than normal inventory in the distribution channel, impact of COVID-19, competitive pressure in hardware-only segments, and a transition to lower device ASPs with increasing sales of LPWA technologies, partially offset by stronger recurring and other services revenue, and the addition of revenue from the M2M Group.

Embedded Broadband Revenue

Embedded Broadband revenue decreased by $48.2 million, or 28.4%, to $121.3 million, reflecting lower volume in mobile computing and networking sales due to previously communicated design losses of two higher-margin mobile computing customers. The fourth quarter of 2020 is the last period impacted by these design losses.

Revenue by Geographical Region

Our geographic revenue mix for the years ended December 31, 2020 and 2019 was as follows:



We sell certain products through resellers, OEMs, and wireless service providers who sell these products to end-users. In 2020, we did not have any customers that accounted for more than 10% of total revenue. In 2019, we had one customer that accounted for 10.2% of total revenue.

Gross margin

Gross margin was 35.4% of revenue in 2020 compared to 36.1% in 2019. In 2020, gross margin was impacted by a less favorable shift in product and customer mix. Embedded Broadband gross margin was 30.4% in 2020 compared to 33.8% in 2019. The decrease in gross margin percentage was due to lower sales of higher-margin percentage mobile computing and networking embedded modules as previously discussed. The fourth quarter of 2020 is the last period impacted by these design losses. Gross margin percentage of 37.2% in our IoT Solutions segment in 2020 was consistent year-over-year.

Gross margin included stock-based compensation expense and related social taxes of $0.3 million and $0.2 million in 2020 and 2019, respectively.

Sales and marketing

Sales and marketing expense decreased by $0.7 million, or 0.8%, to $86.5 million in 2020 compared to 2019, primarily driven by lower travel-related expenses and tradeshows due to COVID-19 restrictions and lower sales commissions, partially offset the addition of expenses from M2M Group.

Sales and marketing expense included stock-based compensation and related social taxes of $5.3 million in 2020 compared to $3.8 million in 2019.

Research and development

Research and development ("R&D") expense increased by $3.3 million, or 4.1%, to $82.0 million in 2020 compared to 2019. This increase was mainly driven by higher investment in R&D resources in 5G projects, development and certification costs, partially offset by contributions from COVID-19 related government subsidies.

R&D expense included stock-based compensation and related social taxes of $4.0 million in 2020 compared to $2.9 million in 2019. R&D expense also included acquisition-related amortization of $0.3 million in each of 2020 and 2019.

Administration

Administration expense increased by $1.4 million, or 2.9%, to $48.5 million in 2020 compared to 2019, primarily due to higher consulting and professional fees mostly related to a now settled lawsuit and costs relating to the divestiture of the Automotive Business.

Administration expense included stock-based compensation and related social taxes of $8.4 million in 2020 compared to $6.0 million in 2019.

Restructuring

Restructuring expense of $8.7 million in 2020 related to our new initiative we announced in the third quarter of 2020 to reduce operating expenses in conjunction with the expected sale of our Automotive Business in the fourth quarter of 2020.

Restructuring expense of $26.3 million in 2019 related to restructuring activities to accelerate our transformation to a Device-to-Cloud IoT solutions company which started in late 2018 and throughout 2019.

Acquisition-related and integration

Acquisition-related and integration costs decreased by $0.5 million, or 54.8%, to $0.4 million in 2020 compared to 2019 as we have substantially completed integration activities of Numerex, partially offset by acquisition-related costs of the M2M Group and M2M New Zealand.

Impairment

We recorded a right-of-use asset impairment of $0.9 million in 2019 related to an office lease in France as we cease to use and then sublease part of the building. No impairment charges were recorded in 2020.

Amortization

Amortization expense of $20.6 million in 2020 is consistent year-over-year. Amortization expense in 2020 included $14.4 million of acquisition-related amortization compared to $14.3 million in 2019.

Foreign exchange gain (loss)

Foreign exchange gain was $8.0 million in 2020 compared to foreign exchange loss of $1.2 million in 2019. The foreign exchange gain in 2020 was primarily driven by the strengthening of the value of the Euro and the Australian dollar compared to the U.S. dollar.

Income tax expense (recovery)

Income tax recovery was $11.9 million in 2020 compared to income tax expense of $8.9 million in 2019. In 2020, income tax recovery was mainly due to a notional income tax recovery (corresponding notional income tax expense recorded under discontinued operations) as a result of the sale of our Automotive Business and a tax recovery of $3.0 million under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. In 2019, income tax expense was mainly due to a decrease in the realizability of tax assets.

Net loss from continuing operations

Net loss from continuing operations was $70.2 million in 2020 compared to $74.7 million in 2019. The decrease was primarily attributable to lower restructuring expense, tax recovery, and more favorable foreign exchange movement, partially offset by lower gross margin and higher R&D expense.

Net loss from continuing operations in 2020 included stock-based compensation expense and related social taxes of $18.0 million and acquisition related amortization of $14.6 million, respectively. Net loss from continuing operations in 2019 included stock-based compensation expense and related social taxes $12.8 million and acquisition-related amortization of $14.5 million, respectively.

Net earnings from discontinued operations

Net earnings from discontinued operations was $20.8 million in 2020 compared to $4.1 million in 2019. The increase was mainly due to gain on sale of the Automotive Business (net of taxes), higher revenue and gross margin, partially offset by higher operating expenses.

Net earnings from discontinued operations in 2020 included stock based compensation expense and related social taxes of $2.0 million compared to $0.4 million in 2019.

Weighted average number of shares

The weighted average basic and diluted shares outstanding were 36.4 million for the year ended December 31, 2020 and 36.2 million for the year ended December 31, 2019.

The number of shares outstanding was 36.6 million at December 31, 2020, compared to 36.2 million at December 31, 2019.

Fiscal Year 2019 Compared to Fiscal Year 2018

Revenue

Revenue decreased by $88.9 million, or 14.0%, to $547.3 million in 2019 compared to 2018. This decrease was primarily driven by reduced revenue from or Embedded Broadband segment, partially offset by modest growth in our IoT Solutions segment.

(In thousands of U.S. dollars, except where otherwise stated)	**2019**		**2018**	
	$	**% of Revenue**	**$**	**% of Revenue**
Product	449,063	82.1 %	541,702	85.2 %
Recurring and other services	98,213	17.9 %	94,467	14.8 %
	547,276	100.0 %	636,169	100.0 %

Product revenue decreased by $92.6 million, or 17.1%, in 2019 compared to 2018. The decrease was primarily due to lower revenue from mobile computing and networking customers and lower revenue from 2G/3G Integrated

IoT Solutions modules, offset by higher revenue from Enterprise gateway products. Recurring and other services revenue increased by $3.7 million, or 4.0%, to $98.2 million in 2019 compared to 2018, primarily driven by growth in connected devices.

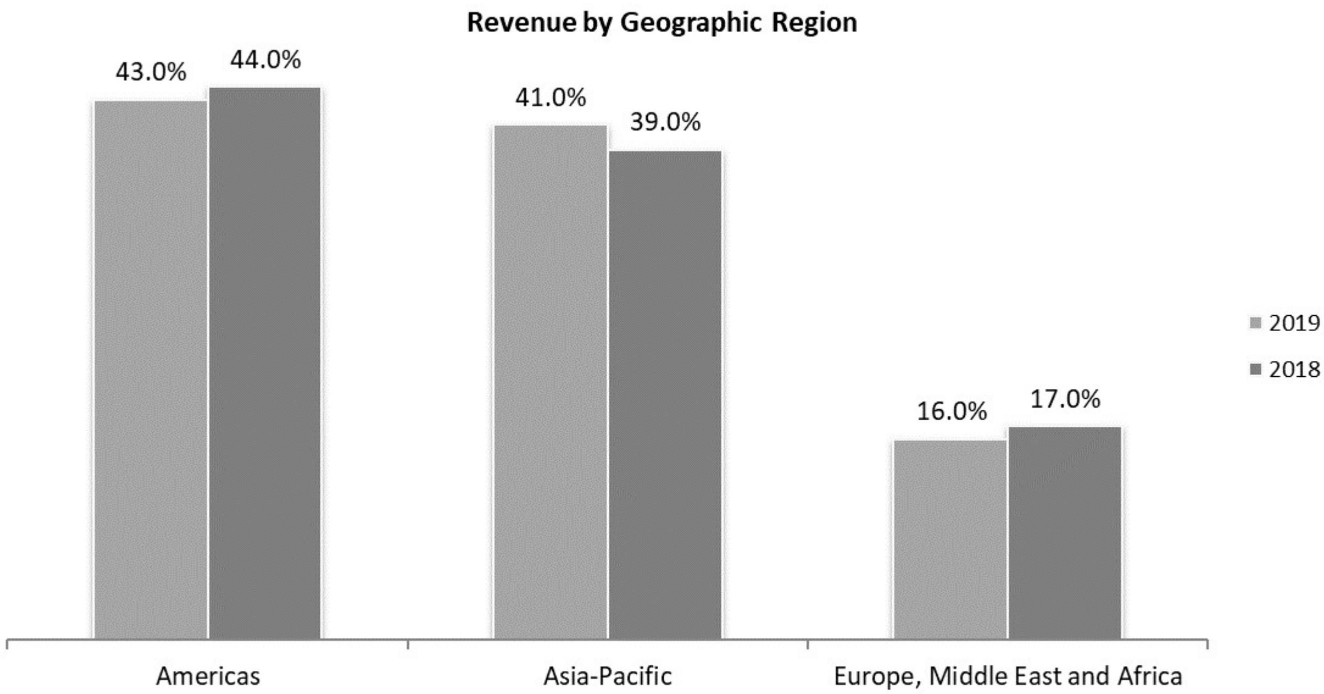
IoT Solutions Revenue

In 2019, compared to 2018, IoT Solutions segment revenue increased modestly by $3.9 million, or 1.0%, to $377.8 million. This increase was primarily due to strong contributions from our recurring and other services, as well as our Enterprise gateway products, partially offset by lower revenue from 2G/3G Integrated IoT solutions modules.

Embedded Broadband Revenue

Embedded Broadband revenue decreased by $92.8 million, or 35.4%, to $169.5 million, primarily due to lower volume in mobile computing and networking sales due to previously communicated design losses of two higher-margin mobile computing customers.

Our geographic revenue mix for the years ended December 31, 2019 and 2018 was as follows:



In 2019, we had one customer that accounted for 10.2% of total revenue. In 2018, we did not have any customers that accounted for more than 10% of total revenue.

Gross margin

Gross margin was 36.1% of revenue in 2019 compared to 37.1% in 2018. In 2019, gross margin was impacted by a less favorable shift in product and customer mix. Embedded Broadband gross margin was 33.8% in 2019 compared to 36.8% in 2018. The decrease in gross margin percentage was due to lower sales of higher-margin percentage mobile computing and networking embedded module sales from design losses of two higher-margin mobile computing customers. Gross margin percentage of 37.1% in our IoT Solutions segment in 2019 was consistent year-over-year.

Gross margin included stock-based compensation expense and related social taxes of $0.2 million and $0.5 million in 2019 and 2018, respectively.

Sales and marketing

Sales and marketing expenses in 2019 increased by $4.5 million, or 5.4%, to $87.2 million compared to 2018, primarily driven by higher investments in our sales force and corporate marketing initiatives to accelerate our transformation to a Device-to-Cloud IoT solutions company.

Sales and marketing expenses include stock-based compensation and related social taxes of $3.8 million in 2019 compared to $2.8 million in 2018.

Research and development

Research and development expenses in 2019 decreased by $3.3 million, or 4.0%, to $78.8 million compared to 2018. This decrease was mainly driven by various cost reduction initiatives we commenced in the fourth quarter of 2018 and through 2019 to accelerate our transformation to a Device-to-Cloud IoT solutions company, combined with lower certification costs and the completion of certain large development projects in 2019.

R&D expenses included stock-based compensation and related social taxes of $2.9 million in 2019 compared to $2.4 million in 2018. R&D expenses also included acquisition-related amortization of $0.3 million in each of 2019 and 2018.

Administration

Administration expenses in 2019 decreased by $12.6 million, or 21.1%, to $47.1 million compared to 2018. Administration expense in 2018 included one-time separation costs related to our former CEO's retirement, including higher stock-based compensation expense in connection with accelerated vesting of equity awards and higher consulting fees.

Administration expenses included stock-based compensation expense and related social taxes of $6.0 million in 2019 compared to $6.8 million in 2018.

Restructuring

In late 2018 and the second quarter of 2019, we commenced various initiatives to accelerate our transformation to a Device-to-Cloud IoT solutions company, including consolidation of our engineering programs and sites, consolidation of product management resources, outsourcing activities of certain general and administrative functions, and certain organizational structure changes. In 2019, we recorded $26.3 million in severance and other related costs associated with these initiatives. In 2018, we recorded $2.0 million in severance and other related costs associated with these initiatives.

In the first quarter of 2018, we commenced various efficiency and effectiveness initiatives focused on capturing synergies related to the integration of Numerex into our business as well as other initiatives designed to produce efficiency gains in other areas of our business. In 2018, we recorded $4.8 million in severance and other related costs associated with this initiative.

Acquisition-related and integration

Acquisition-related and integration costs decreased by $3.0 million, or 75.4%, to $1.0 million in 2019 compared to 2018. The decrease in integration costs reflects lower levels of integration activities for Numerex as we substantially completed the integration in the second quarter of 2019. In the fourth quarter of 2019, we recorded acquisition costs of $0.1 million related to the acquisition of M2M Group which we completed in January 2020.

Impairment

We recorded a right-of-use asset impairment of $0.9 million in 2019 related to an office lease in France as we cease to use and then sublease part of the building. No impairment charges were recorded in 2018.

Loss on disposal

In 2018, we recorded a loss on disposal of $2.1 million from the sale of our remote tank monitoring business, iTank.

Amortization

Amortization expense decreased by $5.2 million, or 20.3%, to $20.6 million in 2019 compared to 2018 due to completion of amortization on certain older acquisition-related intangible assets and other assets. Amortization expense in 2019 included $14.3 million of acquisition-related amortization compared to $18.3 million in 2018.

Foreign exchange gain (loss)

Foreign exchange loss was $1.2 million in 2019 compared to $5.3 million in 2018. Foreign exchange loss decreased in 2019 due to strengthening of the value of the Euro compared to the U.S. dollar in 2018.

Income tax expense (recovery)

Income tax expense was $8.9 million in 2019 compared to a recovery of $1.7 million in 2018 due to changes in the realizability of tax assets in certain jurisdictions.

Net loss from continuing operations

We incurred a net loss from continuing operations of $74.7 million in 2019 compared to $30.6 million in 2018. This increase was primarily attributable to lower revenue and gross margin, higher restructuring expense, and higher income tax expense, partially offset by lower administration and R&D expense.

Net loss in 2019 included stock-based compensation expense and related social taxes of $12.8 million and acquisition-related amortization of $14.5 million. Net earnings in 2018 included stock-based compensation expense and related social taxes of $12.6 million and acquisition-related amortization of $18.6 million.

Net earnings from discontinued operations

Net earnings from discontinued operations was $4.1 million in 2019 compared to $6.0 million in 2018. The decrease was mainly due to lower gross margin, partially offset by lower operating expenses.

Net earnings from discontinued operations included stock based compensation expense and related social taxes of $0.4 million in each of 2019 and 2018.

Weighted average number of shares

The weighted average basic and diluted shares outstanding were 36.2 million for the year ended December 31, 2019 and 36.0 million for the year ended December 31, 2018.

The number of shares outstanding was 36.2 million at December 31, 2019, compared to 36.1 million at December 31, 2018.

SUMMARY OF QUARTERLY CONSOLIDATED RESULTS OF OPERATIONS

The following table highlights selected consolidated 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, 2020. The selected consolidated 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)	2020 Q4	2020 Q3	2020 Q2	2020 Q1	2019 Q4	2019 Q3	2019 Q2	2019 Q1
Revenue	120,478	113,371	111,718	103,021	125,107	136,695	145,665	139,809
Cost of sales	77,112	73,919	70,710	68,096	80,347	87,071	92,684	89,688
Gross margin	43,366	39,452	41,008	34,925	44,760	49,624	52,981	50,121
Gross margin %	*36.0 %*	*34.8 %*	*36.7 %*	*33.9 %*	*35.8 %*	*36.3 %*	*36.4 %*	*35.8 %*
Expenses								
Sales and marketing	21,663	20,072	21,192	23,554	21,070	22,286	22,514	21,315
Research and development	20,878	17,699	22,065	21,387	20,787	18,796	19,275	19,903
Administration	13,402	11,199	12,122	11,790	11,273	11,496	12,388	11,970
Restructuring	4,800	3,089	245	606	2,251	4,588	18,083	1,340
Acquisition-related and integration	115	140	185	—	274	291	314	95
Impairment	—	—	—	—	877	—	—	—
Amortization	4,829	5,040	5,324	5,391	5,356	5,013	4,954	5,231
	65,687	57,239	61,133	62,728	61,888	62,470	77,528	59,854
Loss from operations	(22,321)	(17,787)	(20,125)	(27,803)	(17,128)	(12,846)	(24,547)	(9,733)
Foreign exchange gain (loss)	3,734	3,659	3,544	(2,934)	1,661	(2,929)	851	(807)
Other income (expense)	(564)	(988)	(283)	(192)	(111)	(122)	(105)	31
Loss before income tax	(19,151)	(15,116)	(16,864)	(30,929)	(15,578)	(15,897)	(23,801)	(10,509)
Income tax expense (recovery)	(7,984)	(633)	427	(3,719)	(262)	3,864	5,160	116
Net loss from continuing operations	(11,167)	(14,483)	(17,291)	(27,210)	(15,316)	(19,761)	(28,961)	(10,625)
Net earnings (loss) from discontinued operations	12,123	2,456	1,684	4,547	4,398	(460)	785	(598)
Net earnings (loss)	956	(12,027)	(15,607)	(22,663)	(10,918)	(20,221)	(28,176)	(11,223)
Basic and diluted net earnings (loss) per share (in dollars)								
Continuing operations	$ (0.31)	$ (0.40)	$ (0.48)	$ (0.75)	$ (0.42)	$ (0.55)	$ (0.80)	$ (0.29)
Discontinued operations	0.33	0.07	0.05	0.13	0.12	(0.01)	0.02	(0.02)
	$ 0.03	$ (0.33)	$ (0.43)	$ (0.62)	$ (0.30)	$ (0.56)	$ (0.78)	$ (0.31)
Weighted average number of shares (in thousands) - basic and diluted	36,534	36,417	36,341	36,277	36,222	36,179	36,156	36,106
Product revenue	87,856	83,560	84,820	76,308	99,024	112,177	120,859	117,003
Recurring and other services revenue	32,622	29,811	26,898	26,713	26,083	24,518	24,806	22,806
Non-GAAP Financial Measures[(1)]:								
Adjusted EBITDA	(2,894)	(7,094)	(8,734)	(16,208)	(3,193)	3,532	5,739	3,755
Adjusted earnings (loss) from continuing operations	(7,006)	(11,724)	(13,023)	(19,214)	(6,883)	(289)	1,548	(423)
Basic and diluted adjusted earnings (loss) per share from continuing operations (in dollars)	$ (0.19)	$ (0.32)	$ (0.36)	$ (0.53)	$ (0.19)	$ (0.01)	$ 0.04	$ (0.01)

(1) Refer to the section titled "Non-GAAP Financial Measures" for reconciliations to the applicable U.S. GAAP financial measures.

DISCUSSION OF QUARTERLY RESULTS OF OPERATIONS

Fourth Quarter of 2020 Compared to Fourth Quarter of 2019

- Revenue decreased by $4.6 million, or 3.7% to $120.5 million in the fourth quarter of 2020 compared to the fourth quarter of 2019, driven by lower revenues from each of our IoT Solutions and Embedded Broadband segments.
- In the fourth quarter of 2020, compared to the same period of 2019, Embedded Broadband segment revenue decreased by $1.3 million, or 3.8%, due to weaker sales from mobile computing and networking customers. IoT Solutions segment revenue decreased by $3.3 million, or 3.7%, in the fourth quarter of 2020, compared to the same period of 2019 due to lower hardware sales in Enterprise gateway products and Integrated IoT Solutions modules. Within the IoT Solutions segment, recurring and other services revenue was up 25.1% in the fourth quarter of 2020 compared to the same period of 2019 due to growth in connected devices and the addition of the M2M Group in Australia.
- Gross margin was 36.0% in the fourth quarter of 2020 compared to 35.8% in the same period of 2019. The modest increase was driven by changes in product and customer mix in our Embedded Broadband and IoT Solutions segment. IoT Solutions gross margin was 38.5% in the fourth quarter of 2020 compared to 37.0% in the same period of 2019 due to higher volume in connected devices. Embedded Broadband margin was 29.3% in the fourth quarter of 2020 compared to 32.5% in the same period of 2019 due to lower volume in higher-margin percentage mobile computing and networking sales due to previously communicated design losses of two mobile computing customers. The fourth quarter of 2020 is the last period impacted by these design losses.
- Operating expenses were $65.7 million in the fourth quarter of 2020 compared to $61.9 million in the same period of 2019. In the fourth quarter of 2020, we recorded COVID-19 related government grants of $1.0 million.
- Net loss from continuing operations was $11.2 million in the fourth quarter of 2020 compared to $15.3 million in the same period of 2019 due to higher tax recovery and foreign exchange gain, partially offset by higher restructuring and administration expenses.
- Net earnings from discontinued operations was $12.1 million in the fourth quarter of 2020 compared to $4.4 million in the same period of 2019 primarily driven by gain on sale of the Automotive Business, partially offset by higher income tax, higher operating expenses and lower revenue and gross margin.
- Cash and cash equivalents and restricted cash at the end of the fourth quarter of 2020 were $171.4 million, an increase of $99.4 million compared to $72.0 million (including cash held for sale) at the end of the third quarter of 2020. The increase in cash was mainly due to net proceeds from the sale of our Automotive Business, partially offset by repayment of short-term borrowings and long-term debt, acquisition of M2M New Zealand, purchase of treasury shares for RSU distribution and capital expenditures.

Comparison of Quarterly Results of 2020 and 2019

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, as well as from the impact of acquisitions completed in the quarter. The impact of significant items incurred during the first three interim periods of the year ended December 31, 2020 are discussed in more detail and disclosed in our quarterly reports and management's discussion and analysis. Certain of the factors that affected our quarterly results are listed below.

- In the fourth quarter of 2020, net earnings was $1.0 million compared to net loss of $12.0 million in the third quarter of 2020, primarily driven by gain on sale of the Automotive Business, higher revenue and gross margin, higher income tax recovery, partially offset by higher operating expenses and restructuring costs.
- In the third quarter of 2020, net loss was $12.0 million compared to net loss of $15.6 million in the second quarter of 2020, primarily driven by lower operating expenses due to contributions from COVD-19 government subsidies, partially offset by higher restructuring costs.

- In the second quarter of 2020, net loss was $15.6 million compared to $22.7 million in the first quarter of 2020, primarily attributable to higher revenue and gross margin, foreign exchange gain, lower sales and marketing costs, partially offset by higher income tax expense.
- In the first quarter of 2020, net loss was $22.7 million compared to net loss of $10.9 million in the fourth quarter of 2019, mainly due to a lower revenue and gross margin, higher sales and marketing costs, higher foreign exchange loss, partially offset by higher income tax recovery and lower restructuring costs.
- In the fourth quarter of 2019, net loss was $10.9 million compared to $20.2 million in the third quarter of 2019 due to lower income tax expense and more favorable foreign exchange movement, partially offset by lower revenue and gross margin.
- In the third quarter of 2019, net loss was $20.2 million compared to $28.2 million in the second quarter of 2019, primarily driven by lower restructuring costs, administration expense and income tax expenses, partially offset by unfavorable foreign exchange loss.
- In the second quarter of 2019, net loss was $28.2 million compared to $11.2 million in the first quarter of 2019, mainly due to higher restructuring costs related to the consolidation of our engineering programs and sites, outsourcing activities, and other organizational changes we implemented in late 2018 and higher income tax expense, partially offset by higher revenue and gross margins.
- In the first quarter of 2019, net loss was $11.2 million compared to $3.8 million in the fourth quarter of 2018, primarily due to lower revenue and gross margins, higher tax expense, partially offset by the absence of loss on disposal of iTank business, lower administration, restructuring, and foreign exchange loss.

LIQUIDITY AND CAPITAL RESOURCES

Selected Consolidated Financial Information:

The following table and discussion includes cash flows from continuing and discontinued operations.

(in thousands of U.S. dollars)	2020	2019	2018
Cash flows provided by (used in):			
Operating activities	$ (7,767)	$ 6,862	$ 47,230
Investing activities	100,603	(16,372)	(16,006)
Financing activities	(2,773)	(1,662)	(5,927)
Free Cash Flow [1]	$ (29,742)	$ (13,411)	$ 26,131

[1] *See section titled "Non-GAAP Financial Measures" for a reconciliation to the applicable U.S. GAAP financial measure.*

Operating Activities

Cash used in operating activities increased by $14.6 million to $7.8 million in 2020 compared to 2019. Cash used in operating activities before changes in non-cash working capital increased by $21.6 million to $34.1 million in 2020 compared to 2019. Changes in non-cash working capital between 2020 and 2019 had a positive impact of $7.0 million. Non-cash working capital was impacted by a reduction in inventory and prepaids and an increase in accounts payable and accrued liabilities.

Investing Activities

Cash provided by investing activities increased by $117.0 million to $100.6 million in 2020 compared to 2019. In 2020, we received $144.2 million proceeds, net of cash, from the sale of our Automotive Business, which was partially offset by the acquisitions of the M2M Group of $18.4 million and M2M New Zealand of $3.5 million (both net of cash acquired).

Capital expenditures of $22.0 million in 2020 were primarily for R&D equipment, networking and monitoring equipment, including replacement of certain equipment that was sold in the sale of our Automotive Business, while cash used for intangible assets was primarily for capitalized software costs.

Financing Activities

Net cash used in financing activities increased by $1.1 million to $2.8 million in 2020 compared to 2019, mainly due to higher purchase of treasury shares for Restricted Share Unit ("RSU") distribution and higher taxes paid related to net settlement of equity awards, partly offset by higher proceeds received from stock option exercises.

Free Cash Flow

Free cash flow is defined and calculated under "Non-GAAP Financial Measures" section below.

Free cash flow in 2020 decreased by $16.3 million compared to 2019, mainly as a result of the increase in cash used in operating activities discussed previously.

Cash Requirements

Our near-term cash requirements are primarily related to funding our operations, including restructuring expenditures, inventory and other working capital items, capital expenditures, and other obligations. Cash will be used for share purchases to settle certain restricted share units distribution and may also be used to finance acquisitions of businesses in line with our strategy. As at November 18, 2020, we reclassified $55.7 million of working capital relating to the Automotive Business to assets/liabilities held for sale and transferred the amount to Rolling Wireless upon closing of the Sale Transaction. In light of the current COVID-19 environment, we have taken actions to manage our cash flow by limiting hiring to key replacements and selected investment areas as well as exercising general austerity measures. As at December 31, 2020, our credit facility with CIBC had a credit limit of $50 million as discussed below. On February 17, 2021 we further amended our credit facility with CIBC. See "Credit Facilities" below for details.

We continue to believe our cash and cash equivalents balance of $160.6 million plus the $10.0 million escrow included in restricted cash as at December 31, 2020, combined with undrawn availability under our Amended Revolving Facility (as defined below) and receivable purchase facility, will be sufficient to fund our expected working capital, purchases of shares for future RSU settlement, capital expenditure, restructuring, and acquisition requirements for at least the next twelve months based on current business plans. Total market RSUs outstanding as at December 31, 2020 was 2,614,135, vesting 13% in 2021, 64% in 2022 and 23% in 2023.

However, we cannot be certain that our actual cash requirements will not be greater than we currently expect. In addition, our ability to achieve our business and cash generation plans is based on a number of assumptions which involve significant judgment and estimates of future performance, our ability to realize the anticipated benefits of the Sale Transaction, borrowing capacity and credit availability which cannot at all times be assured. See "Cautionary Note Regarding Forward-Looking Statements".

The following table presents the aggregate amount of future cash outflows for contractual obligations as of December 31, 2020.

Payments due by period (in thousands of U.S. dollars)	Total	2021	2022	2023	2024	2025	Thereafter
Operating lease obligations	$ 27,224	$ 7,447	$ 2,063	$ 3,190	$ 2,268	$ 2,002	$ 10,254
Finance lease obligations	210	181	14	14	1		
Purchase obligations - Contract Manufacturers(1)	93,865	93,865	—	—	—	—	—
Purchase obligations - Mobile Network Operators (2)	2,836	2,365	471	—	—	—	—
Purchase obligation - Cloud Computing Service (3)	2,478	1,749	729	—	—	—	—
Other long-term liabilities	421	13	408	—	—	—	—
Total	**$ 127,034**	**$ 105,620**	**$ 3,685**	**$ 3,204**	**$ 2,269**	**$ 2,002**	**$ 10,254**

(1) Purchase obligations represent obligations with certain contract manufacturers and suppliers to buy a minimum amount of designated products between January 2021 and June 2021. 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) Purchase obligations represent obligations with certain mobile network operators to purchase a minimum amount of wireless data and wireless data services between January 2021 and October 2022.

(3) Purchase obligation represents obligation with a supplier to purchase a minimum amount of cloud computing services between January 2021 and May 2022.

Capital Resources

The source of funds for our future capital expenditures and commitments includes cash, cash from operations, and borrowings under our credit facilities.

	2020				**2019**			
(in thousands of U.S. dollars)	**Dec 31**	**Sep 30**	**Jun 30**	**Mar 31**	**Dec 31**	**Sep 30**	**Jun 30**	**Mar 31**
Cash and cash equivalents	$160,560	$ 68,943	$ 60,111	$ 70,334	$ 75,454	$ 86,900	$ 84,769	$ 74,143
Unused committed revolving credit facility	50,000	25,000	35,000	5,000	30,000	30,000	30,000	30,000
Total	**$210,560**	**$ 93,943**	**$ 95,111**	**$ 75,334**	**$ 105,454**	**$ 116,900**	**$ 114,769**	**$ 104,143**

As at December 31, 2020, we have committed capital expenditures of $5.6 million (Dec 31, 2019 - $5.8 million). Our capital expenditures during the first quarter of 2021 are expected to be primarily for R&D equipment, production equipment, and networking equipment.

As at December 31, 2020, $10.0 million was held in escrow related to the divestiture of the Automotive Business that we recorded in restricted cash and was released on January 8, 2021.

Credit Facilities

On April 30, 2020, we amended the revolving credit agreement (the "Revolving Facility") with the Canadian Imperial Bank of Commerce ("CIBC") as sole lender and as Administrative Agent, which increased our total borrowing capacity to $50 million and extended the maturity date to April 30, 2023. The amendments also included revising the availability under the Revolving Facility to be subject to a borrowing base related to eligible accounts receivable and inventory and is the lesser of the facility size or borrowing base. The Revolving Facility is secured by a pledge against substantially all of our assets. The Revolving Facility will be used for general corporate purposes, including, but not limited to, capital expenditures, working capital requirements and/or certain acquisitions permitted under the Revolving Facility. Borrowings under the Revolving Facility may bear interest at US Base Rate or LIBOR plus applicable margin. The Revolving Facility contains a financial covenant that requires the Company to be below a maximum total leverage ratio. As at December 31, 2020, there were no outstanding borrowings under the Revolving Facility (2019 — nil). In 2020, we recorded interest expense of $578 (2019-nil).

On July 22, 2020, we amended the Revolving Facility and added a $12.5 million Canadian dollar term loan facility (the "Loan") with CIBC. The Loan is backed by the Government of Canada under the Business Credit Availability Program ("BCAP"); specifically, 80% of the principal of the Loan is guaranteed by the Business Development Bank of Canada ("BDC"). The Loan bears interest at CIBC's Prime Lending rate or Bankers Acceptance rate plus applicable margin. Repayment is interest only for the first 12 months, followed by regular quarterly payments of principal based on a ten-year amortization schedule plus interest. The outstanding amount owing plus accrued interest and fees are repayable on the maturity date, July 22, 2025. Under the terms of the BCAP, the proceeds must be used to finance operations, may not be used to refinance existing debt obligations, pay dividends or other distributions to shareholders, make shareholder contributions or shareholder loans, buy back shares, and includes certain restrictions on executive compensation payouts. During 2020, we borrowed and fully repaid $9.4 million (Cdn $12.5 million) under the Loan. In 2020, we recorded interest expense of $161 (2019 - nil).

On February 17, 2021, we entered into an additional amending agreement to the revolving credit agreement (the "Amended Revolving Facility") with CIBC as sole lender and as Administrative Agent to rightsize the facility following the sale of the Automotive Business. We reduced the total borrowing capacity under the Revolving Facility to $30 million from $50 million. The Revolving Facility will be used for general corporate purposes, including, but not limited to, capital expenditures, working capital requirements and/or certain acquisitions permitted under the Revolving Facility. Borrowings under the Revolving Facility may bear interest at US Base Rate or LIBOR plus applicable margin. Availability under the Amended Revolving Facility is no longer subject to a borrowing base. The Amended Revolving Facility contains customary affirmative, negative, and financial covenants.

We have access to a standby letter of credit facility of $1.5 million from Toronto Dominion Bank. The credit facility is used for the issuance of letters of credit and guarantees and is guaranteed by Export Development Canada. As of December 31, 2020, letters of credit issued against the revolving standby letter of credit facility were for a total value of $1.4 million (2019 — $0.1 million).

Accounts Receivables Purchase Agreement

We have an uncommitted Receivables Purchase Agreement (the "RPA") with CIBC, as purchaser, to improve our liquidity during high working capital periods. Under the RPA, the Company may offer to sell certain eligible accounts receivable (the "Receivables") to CIBC, which may accept such offer, and purchase the offered Receivables. Under the RPA, up to $75.0 million of Receivables may be sold and remain outstanding at any time. Receivables are sold at 100% face value less discount with a 10% limited recourse to us arising from certain repurchase events. The RPA is on an uncommitted basis with no expiry date and carries a discount rate of Canadian Dollar Offered Rate (CDOR) for purchased Receivables in Canadian dollars and London Inter-Bank Offered Rate (LIBOR) for purchased Receivables in U.S. dollars, plus an applicable margin. After the sale, we do not retain any interests in the Receivables, but continue to service and collect, in an administrative capacity, the outstanding Receivables on behalf of CIBC.

We account for the sold Receivables as a sale in accordance with Financial Accounting Standards Board ("FASB") ASC 860, *Transfers and Servicing*. Proceeds from the sale reflect the face value of the Receivables less discount fees charged by CIBC and one-time legal costs and are classified under operating activities in the consolidated statements of cash flows.

Pursuant to the RPA, the Company sold and de-recognized $163.4 million Receivables in 2020 (2019 - $86.9 million). As at December 31, 2020, $19.4 million remained outstanding to be collected from customers and remitted to CIBC (2019 - $18.2 million). Discount fees of $0.4 million for 2020 are included in *Other expense* in the consolidated statements of operations (2019 - discount fees and administration expense of $0.5 million). As at December 31, 2020, we collected $0.8 million from Receivables that we previously sold and that have not been remitted to CIBC due to timing of settlement dates. We recorded the amount in *Restricted cash* in the consolidated balance sheets with a corresponding increase in accrued liabilities (2019 - $3.4 million).

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 adjusted net earnings (loss) from continuing operations, adjusted basic and diluted net earnings (loss) per share from continuing operations, adjusted EBITDA (earnings before interest, taxes, depreciation, and amortization), and free cash flow.

Adjusted net earnings (loss) from continuing operations excludes the impact of stock-based compensation expense and related social taxes, phantom RSU expense which represents expenses related to compensation units settled in cash based on the stock price at vesting, restructuring costs, acquisition-related and integration costs, government grants related to COVID-19 relief, impairment, loss on disposal of iTank business, certain other non-recurring costs or recoveries, acquisition-related amortization, the impact of foreign exchange gains or losses on translation of certain balance sheet accounts, foreign exchange gains or losses on forward contracts, and certain tax adjustments.

Adjusted EBITDA from continuing operations is defined as net earnings (loss) from continuing operations plus stock-based compensation expense and related social taxes, phantom RSU expense which represents expenses related to compensation units settled in cash based on the stock price at vesting, restructuring costs, acquisition-related and integration costs, government grants related to COVID-19 relief, impairment, loss on disposal of iTank business, certain other non-recurring costs or recoveries, amortization, interest and other income (expense), foreign exchange gains or losses on translation of certain balance sheet accounts, unrealized foreign exchange gains or losses on forward contracts, and income tax expense (recovery). Adjusted EBITDA is a metric used by investors and analysts for valuation purposes and is an important indicator of our operating performance and our ability to generate liquidity through operating cash flow that will fund future working capital needs and fund future capital expenditures.

Free cash flow is defined as cash flow from operating activities less capital expenditures and increases in intangibles. We believe that disclosure of free cash flow provides a good measure of our ability to internally generate cash that can be used for investment in the business and is an important indicator of our financial strength and performance. We also believe that certain investors and analysts use free cash flow to assess our business.

We use the above-noted non-GAAP financial measures for planning purposes and to allow us to assess the performance of our business before including the impacts of the items noted above as they affect the comparability of our financial results. These non-GAAP measures are reviewed regularly by management and the Board of Directors as part of the ongoing internal assessment of our operating performance.

We disclose these non-GAAP financial measures as we believe they provide useful information to investors and analysts to assist them in their evaluation of our operating results and to 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.

We strongly encourage investors to review our financial information in its entirety and not to rely on a single financial measure. We therefore believe that despite these limitations, it is appropriate to supplement the U.S. GAAP measures with certain non-GAAP measures defined in this section of our MD&A.

The following table[1] provides a reconciliation of the non-GAAP financial measures to U.S. GAAP results for years ended December 31:

(in thousands of U.S. dollars, except where otherwise stated)	2020	2019	2018
Net earnings (loss) from continuing operations - GAAP	**$ (70,151)**	**$ (74,663)**	**$ (30,600)**
Stock-based compensation and related social taxes	18,002	12,815	12,559
Phantom RSU expense	1,167	210	280
Restructuring	8,740	26,262	6,844
Acquisition-related and integration	440	974	3,962
COVID-19 government relief	(7,252)	—	—
Impairment	—	877	—
Loss on disposal of iTank business	—	—	2,064
Other non-recurring costs	868	2,903	9,421
Amortization	30,633	30,233	36,738
Interest and other (income) expense, net	2,027	307	(46)
Foreign exchange loss (gain), net of realized gain/loss on hedge contracts	(7,495)	1,037	4,783
Income tax expense (recovery)	(11,909)	8,878	(1,739)
Adjusted EBITDA	**$ (34,930)**	**$ 9,833**	**$ 44,266**
Net earnings (loss) from continuing operations - GAAP	**$ (70,151)**	**$ (74,663)**	**$ (30,600)**
Stock-based compensation and related social taxes	18,002	12,815	12,559
Phantom RSU expense	1,167	210	280
Restructuring	8,740	26,262	6,844
Acquisition-related and integration	440	974	3,962
COVID-19 government relief	(7,252)	—	—
Impairment	—	877	—
Loss on disposal of iTank business	—	—	2,064
Other non-recurring costs	868	2,903	9,421
Acquisition-related amortization	14,636	14,514	18,575
Foreign exchange loss (gain), net of realized gain/loss on hedge contracts	(7,495)	1,037	4,783
Income tax expense (recovery) adjustment	(9,922)	9,024	(1,779)
Adjusted earnings (loss) from continuing operations	**$ (50,967)**	**$ (6,047)**	**$ 26,109**
Weighted average number of shares (in thousands) - basic and diluted	36,393	36,166	36,019
Basic and diluted adjusted net earnings (loss) per share from continuing operations (in dollars)	**$ (1.40)**	**$ (0.17)**	**$ 0.72**

(1) Prior periods have been adjusted to include phantom RSU expense.

The following table[1] provides a quarterly reconciliation of the non-GAAP financial measures to our most directly comparable U.S. GAAP results:

(in thousands of U.S. dollars, except where otherwise stated)	2020				2019			
	Q4	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Net earnings (loss) from continuing operations - GAAP	**$ (11,167)**	**$ (14,483)**	**$ (17,291)**	**$ (27,210)**	**$ (15,316)**	**$ (19,761)**	**$ (28,961)**	**$ (10,625)**
Stock-based compensation and related social taxes	6,461	5,085	3,256	3,200	1,773	3,763	3,979	3,300
Phantom RSU expense	691	261	141	74	35	55	76	44
Restructuring	4,800	3,089	245	606	2,251	4,588	18,083	1,340
Acquisition-related and integration	115	140	185	—	274	291	314	95
COVID-19 government relief	(954)	(6,298)	—	—	—	—	—	—
Impairment	—	—	—	—	877	—	—	—
Other non-recurring costs	330	299	152	87	795	279	662	1,167
Amortization	7,054	8,030	7,823	7,726	7,849	7,378	7,355	7,651
Interest and other (income) expense, net	564	988	283	192	111	122	105	(31)
Foreign exchange loss (gain), net of realized gain/loss on hedge contracts	(2,804)	(3,572)	(3,955)	2,836	(1,580)	2,953	(1,034)	698
Income tax expense (recovery)	(7,984)	(633)	427	(3,719)	(262)	3,864	5,160	116
Adjusted EBITDA	**$ (2,894)**	**$ (7,094)**	**$ (8,734)**	**$ (16,208)**	**$ (3,193)**	**$ 3,532**	**$ 5,739**	**$ 3,755**
Net earnings (loss) from continuing operations - GAAP	**$ (11,167)**	**$ (14,483)**	**$ (17,291)**	**$ (27,210)**	**$ (15,316)**	**$ (19,761)**	**$ (28,961)**	**$ (10,625)**
Stock-based compensation and related social taxes	6,461	5,085	3,256	3,200	1,773	3,763	3,979	3,300
Phantom RSU expense	691	261	141	74	35	55	76	44
Restructuring	4,800	3,089	245	606	2,251	4,588	18,083	1,340
Acquisition-related and integration	115	140	185	—	274	291	314	95
COVID-19 government relief	(954)	(6,298)	—	—	—	—	—	—
Impairment	—	—	—	—	877	—	—	—
Other non-recurring costs	330	299	152	87	795	279	662	1,167
Acquisition-related amortization	3,306	3,555	3,886	3,889	3,593	3,610	3,624	3,687
Foreign exchange loss (gain), net of realized gain/loss on hedge contracts	(2,804)	(3,572)	(3,955)	2,836	(1,580)	2,953	(1,034)	698
Income tax expense (recovery) adjustment	(7,784)	200	358	(2,696)	415	3,933	4,805	(129)
Adjusted earnings (loss) from continuing operations	**$ (7,006)**	**$ (11,724)**	**$ (13,023)**	**$ (19,214)**	**$ (6,883)**	**$ (289)**	**$ 1,548**	**$ (423)**
Weighted average number of shares (in thousands) - basic and diluted	36,534	36,417	36,341	36,277	36,222	36,179	36,156	36,106
Basic and diluted adjusted net earnings (loss) per share from continuing operations (in dollars)	**$ (0.19)**	**$ (0.32)**	**$ (0.36)**	**$ (0.53)**	**$ (0.19)**	**$ (0.01)**	**$ 0.04**	**$ (0.01)**

(1) Prior periods have been adjusted to include phantom RSU expense.

The following table provides a reconciliation of the non-GAAP free cash flow measure to similar U.S. GAAP terms:

(In thousands of U.S. dollars)		2019	2018	2017
Cash flows from operating activities	$	(7,767) $	6,862 $	47,230
Capital expenditures and increase in intangible assets		(21,975)	(20,273)	(21,099)
Free Cash Flow	$	(29,742) $	(13,411) $	26,131

OFF-BALANCE SHEET ARRANGEMENTS

We have the RPA in place that allows us to sell, with limited recourse, qualifying Receivables. Details are outlined in the "Liquidity and Capital Resources - Accounts Receivable Purchase Agreement" section above.

TRANSACTIONS BETWEEN RELATED PARTIES

We did not undertake any transactions with related parties during the years ended December 31, 2020 and 2019.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We prepare our consolidated financial statements in accordance with U.S. GAAP and we make certain estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses and the related disclosure of contingent liabilities. Note 2, *Summary of significant accounting policies*, in the December 31, 2020 consolidated financial statements includes a summary of the significant accounting policies used in the preparation of our consolidated financial statements. While all of the significant accounting policies are important to the annual consolidated financial statements, some of these policies may be viewed as involving a high degree of judgment.

On an ongoing basis, we evaluate our estimates and judgments, including those related to business combinations, revenue recognition, valuation of goodwill and intangible assets, income taxes, adequacy of warranty reserve, royalty costs, contingencies, stock-based compensation, and discontinued operations. We base our estimates on historical experience, anticipated results and trends and on various other assumptions that we believe are reasonable under the circumstances. By their nature, estimates are subject to an inherent degree of uncertainty. Actual results could differ materially from our estimates.

The following critical accounting policies require management's most difficult, subjective and complex judgments, and are subject to measurement uncertainty.

Business combinations

We account for our business combinations using the acquisition method. Under this method, estimates we make to determine the fair values of acquired assets and liabilities assumed include judgments in our determinations of acquired intangible assets and assessment of the fair value of existing property and equipment. Assumed liabilities can include litigation and other contingency reserves existing at the time of the acquisition. Goodwill is recognized as of the acquisition date as the excess of the fair value of consideration transferred over the estimated fair values of net identifiable assets acquired and liabilities assumed at their acquisition date. Acquisition related expenses are separately recognized from business combination and are expensed as incurred.

When establishing fair values, we make significant estimates and assumptions, especially with respect to intangible assets. Intangible assets acquired and recorded by us may include patents, intellectual property, customer relationships, brand, backlog and in-process research and development. Estimates include but are not limited to the forecasting of future cash flows and discount rates. From time to time, we may engage third-party firms to assist us in determining the fair value of assets and liabilities assumed. Our estimates of fair values are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable. As a result, actual results may differ from estimates impacting our earnings.

Revenue recognition

Product revenue includes sales from embedded cellular modules, short range and GNSS wireless modules, intelligent routers and gateways, asset tracking and vertical market smart devices, antennas and accessories, and Smart SIMs. Recurring and other services revenue includes sales from cloud services, cellular connectivity services, managed connectivity and application services, software licenses, technical support services, extended warranty services, solution design and consulting services.

We recognize revenues when we satisfy performance obligations by transferring the control of promised products or services to customers. Product revenue is recognized at a point in time when a good is shipped or delivered to the customer. Recurring and other services revenue is recognized over time as the service is rendered or at a point in time upon completion of a service. Our customer contracts can include various combinations of products and services, which are generally capable of being distinct and accounted for as separate performance obligations. Revenue is recognized net of allowances for returns and any taxes collected from customers.

Our products are generally highly dependent on, and interrelated with, the underlying firmware and cannot function without the firmware. In these cases, the hardware and the firmware are accounted for as a single performance obligation and revenue is recognized at the point in time when control is transferred to resellers and distributors, OEMs, or directly to end customers.

Certain customers may receive cash-based incentives or credits, which are accounted for as variable consideration. We estimate the amount of incentives or credits to be provided to customers and reduce revenue recognized. The variable consideration is included in the transaction price to the extent that a significant reversal in the amount of cumulative revenue recognized is not expected to occur when the uncertainty associated with the variable consideration is subsequently resolved.

The expected costs associated with assurance-type warranty are recognized as expense when products are sold. Warranty service that is in addition to the assurance that the product complies with agreed upon specifications is a separate performance obligation; its revenue is recognized ratably over the service period.

Cloud and connectivity services are provided on either a subscription or consumption basis. Revenue related to cloud and connectivity services provided on a subscription basis is recognized ratably over the contract period. Revenue related to cloud and connectivity services provided on a consumption basis is recognized based on the customer utilization of such resources. Revenues from SIM activation and initial application setup are deferred and recognized over the estimated customer life on a straight-line basis.

Licenses for on-premise software provide the customer with a right to use the software as it exists when made available to the customer. Revenue from distinct on-premise licenses are recognized upfront at the point in time when the software is made available to the customer. Revenue from software maintenance, unspecified upgrades and technical support contracts are recognized over the period such items are delivered or services are provided. Technical support contracts extending beyond the current period are deferred and revenue is recognized over the applicable earning period.

Revenue from solution design and consulting services are recognized as services are being provided.

Contract acquisition and fulfillment costs

We recognize an asset for the incremental costs of obtaining or fulfilling a contract with a customer if we expect the benefit of those costs to be longer than one year. We have determined that certain sales incentive bonuses and initial setup costs of managed IoT services meet the requirements to be capitalized. We applied a practical expedient to expense costs as incurred for costs to obtain a contract with a customer when the amortization period would have been one year or less.

The incremental costs of obtaining or fulfilling a contract with a customer are deferred and amortized over the estimated life of the customer relationship. We classify these deferred contract costs as current or non-current based on the timing of when we expect to recognize the expense. The current and non-current portions of deferred contract costs are included in *Prepaids and other* current assets and *Other assets* respectively in our consolidated balance sheets.

Significant judgment

We determine the transaction price of a customer contract by multiplying the unit price of a good or service with the committed order volume or service period.

Certain customers may receive cash-based incentives or credits, which are accounted for as variable consideration. We estimate the expected amount to be provided to customers and exclude it from the transaction price. Sales credits are included in *Accounts payable and accrued liabilities* in our consolidated balance sheets.

Our customer contracts can include various combinations of products and services. When a customer contract includes multiple performance obligations, we allocate the transaction price to each performance obligation on a relative standalone selling price basis. We generally determine standalone selling prices based on the price charged to customers or a combination of expected cost, plus a margin and residual methods.

Product revenue is recognized at a point in time when a good is shipped or delivered to the customer as it represents the transfer of control of the promised good to a customer. Cloud, connectivity, and managed service revenues are recognized over time as the customer simultaneously receives and consumes the benefits provided by our performance as we perform. Other service revenue is recognized at a point in time upon completion of a service.

Contract Balances

Receivables - We recognize a right to consideration as a receivable when only the passage of time is required before payment of that consideration is due.

Contract Assets - We recognize a right to consideration in exchange for goods or service that we have transferred to a customer as contract assets. Contract assets are comprised mainly of accrued revenue related to monthly IoT service subscriptions, which may include connectivity, cloud applications, and managed services. Contract assets are included in *Accounts receivable* in our consolidated balance sheet.

Deferred Revenue - We recognize an obligation to transfer goods or services to a customer for which we have received consideration from the customer as deferred revenue. Deferred revenue consists of advance payments and billings in excess of revenue recognized, which includes support, extended warranty, cloud application services, and activation fees.

Payment terms and conditions vary by contract type, although terms generally include a requirement of payment within 30 to 60 days.

Goodwill and intangible assets

We performed an annual Goodwill impairment test on October 1, 2020. In addition, goodwill and intangible assets are assessed for impairment whenever circumstances indicate that the carrying value of the goodwill and intangible assets might be impaired. Circumstances may include an adverse change in business climate, legal factors, operating performance indicators, competition or sale or disposition of a significant portion of a reporting unit. On at least a quarterly basis, we assess whether such circumstances exist. An evaluation of recoverability of goodwill requires judgment, including the identification of reporting units, assigning assets and liabilities to reporting units, assigning goodwill to reporting units, and determining the estimated fair value of each reporting unit. Significant judgments that are required on our part to estimate the fair value of reporting units include estimating future cash flows, determining appropriate discount rates, consideration of appropriate control premium, market conditions, and other assumptions. Changes in these estimates and assumptions could materially affect the determination of fair value for each reporting unit and may result in impairment charges in future periods.

At December 31, 2020, our goodwill balance was $175.5 million. We determined that there was no impairment as the fair values of each of our reporting units exceeded their respective carrying values as at October 1, 2020. Our analysis took into consideration an income valuation approach using the expected discounted cash flows for each reporting unit. The principal factors used in the discounted cash flow analysis were the projected results of operations, the discount rate based on our estimated weighted average cost of capital, and terminal value assumptions for each reporting unit. The discounted cash flow model used was based on our business plan. For years subsequent to those contained in our business plan, we analyzed third party forecasts and other macro-economic indicators that impact our reporting units to provide a reasonable estimate of revenue growth in future periods. Our gross margins and operating expense estimates reflect anticipated changes in our business mix as we transform to incorporate more recurring services in our business mix. We also developed assumptions for the amount of working capital and capital expenditures needed to support each reporting unit.

In addition to the discounted cash flow valuation approach noted above, we reconciled the implied enterprise value from the discounted cash flow analysis to our market capitalization, which was approximately $408 million at October 1, 2020. We then prepared an alternative valuation analysis based on transaction and trading revenue multiples. The analysis confirmed our conclusion that the fair value exceeded the carrying value.

In March 2020, the World Health Organization declared a global pandemic caused by the outbreak of the novel coronavirus specifically identified as COVID-19. It is not possible to reliably estimate the length or severity of these developments and the impact on the financial results of the Company in the future. There are significant uncertainties with respect to future development and impact to the Company related to COVID-19, including the duration, severity and scope of the outbreak and the measures taken by governments and businesses to contain the pandemic. We did not identify any indicators of impairment for the year ended December 31, 2020. The COVID-19 pandemic and its impact on the economy is constantly evolving and presents many variables and contingencies for modeling.

In future periods, the effects of the pandemic may have material impacts on our anticipated revenue levels and the recoverable amount of our reporting units.

Income taxes

We recognize and measure each tax position related to income tax positions taken or expected to be taken in a tax return. We have reviewed our tax positions to determine which should be recognized and measured according to the more likely than not threshold requirement. The tax benefits recognized in the financial statements are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate resolution. If the realization of a tax position is not considered more likely than not, we provide for a valuation allowance. The ultimate realization of our deferred tax assets is dependent upon the generation of future taxable income during the periods in which temporary differences become deductible. We consider projected future taxable income from operations, tax planning strategies and transactions in making our assessment. If our assessment of our ability to realize our deferred tax assets changes, we may make an adjustment to our deferred tax assets that would be charged to income (loss).

We do not provide for taxes on foreign earnings as it is our intention to indefinitely reinvest undistributed earnings of our foreign subsidiaries. It is not practical to estimate the income tax liability that might be incurred if there is a change in management's intention in the event that a remittance of such earnings occurs in the future.

The ultimate amount of future income taxes and income tax provision could be materially different from those recorded, as it is influenced by our future operating results and our tax interpretations.

Royalty costs

Under certain license agreements we are committed to royalty payments based on the sales of products using certain technologies. We recognize royalty costs as determinable in accordance with agreement terms.

Where agreements are not in place, we recognize our current best estimate of the royalty obligation in cost of goods sold, accrued liabilities and long-term liabilities. We base our estimate on the smallest saleable unit ("SSU") principle (i.e., the principle that any royalty obligations should be no more than a portion of the profits for a component within the product that implements the patented technology) as the appropriate methodology for determining FRAND standard essential patent ("SEP") royalties. Using this principle, the royalty accrual on our products is based on the value of the patented technology in the chipset, representing the SSU that implements the technology.

Contingencies

We are from time to time involved in litigation, certain other claims and arbitration matters arising in the ordinary course of our business, including IP matters. We accrue for a liability when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Significant judgment is required in both the determination of probability and the determination as to whether an amount of a loss is reasonably estimable. These accruals are reviewed at least quarterly and adjusted to reflect the impacts of negotiations, settlements, rulings, advice of legal counsel and technical experts and other information and events pertaining to the particular matter. To the extent there is a reasonable possibility (within the meaning of ASC 450, *Contingencies*) that the losses could exceed the amounts already accrued, management believes that the amount of any such additional loss would not be material to our results of operations or financial condition.

In some instances, we are unable to reasonably estimate any potential loss or range of loss. The nature and progression of litigation can make it difficult to predict the impact a particular lawsuit will have on the Company. There are many reasons why we cannot make these assessments, including, among others, one or more of the following: in the early stage of a proceeding related to IP matters, the claimant is not required to specifically identify the patent that has allegedly been infringed; damages sought that are unspecified, unsupportable, unexplained or uncertain; discovery not having been started or being incomplete; the complexity of the facts that are in dispute (e.g., once a patent is identified, the analysis of the patent and a comparison to our activities is a labour-intensive and highly technical process); the difficulty of assessing novel claims; the parties not having engaged in any meaningful settlement discussions; the possibility that other parties may share in any ultimate liability; and the often slow pace of patent litigation.

We are required to apply judgment with respect to any potential loss or range of loss in connection with litigation. While we believe we have meritorious defenses to the claims asserted against us in our currently outstanding litigation, and intend to defend ourselves vigorously in all cases, in light of the inherent uncertainties in litigation there can be no assurance that the ultimate resolution of these matters will not significantly exceed the reserves currently accrued by us for those cases for which an estimate can be made. Losses in connection with any litigation for which we are not presently able to reasonable estimate any potential loss or range of loss could be material to our results of operations and financial condition.

Stock-based compensation

We recognize stock-based compensation expense for all stock-based compensation awards based on the fair value at grant date. We recognize stock-based compensation expense on a straight-line basis over the requisite service period of the award and account for forfeitures as they occur.

Determining the appropriate fair value model and calculating the fair value of share-based payment awards requires subjective assumptions. The assumptions used in calculating the fair value of share-based payment awards represent management's best estimates, but these estimates involve inherent uncertainties and the application of management's judgment. As a result, if factors change and we use different assumptions, our stock-based compensation expense could be materially different in the future.

Discontinued operations

We report a disposal of a component or a group of components as discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect of the Company's operations and financial results when the components meet the criteria to be classified as held for sale. At the time an operation qualifies for held-for-sale accounting, the operation is evaluated to determine whether or not its carrying amount exceeds its fair value less cost to sell. Any loss as a result of carrying amounts in excess of fair value less cost to sell is recorded in the period the operation qualifies for held-for-sale accounting. Assets, once classified as held for sale, are not subject to depreciation or amortization, and both the assets and any liabilities directly associated with the assets held for sale are classified as current in the Company's consolidated balance sheets. When a portion of a reporting unit that constitutes a business is disposed of, goodwill associated with that business is included in the carrying amount of the business in determining the gain or loss on disposal. The amount of goodwill is based on the relative fair values of the business to be disposed of and the portion of the reporting unit that will be retained. Management judgment is required to (i) assess the criteria required to qualify for held-for-sale accounting and (ii) estimate fair value. Our Automotive Business is presented as discontinued operations for all periods and as assets or liabilities held for sale for the year ended December 31, 2019. Our consolidated statements of cash flows include discontinued operations. Supplemental cash flow information relating to discontinued operations is disclosed separately in the note disclosure.

OUTSTANDING SHARE DATA

As of March 16, 2021, we had 36,879,903 common shares issued and outstanding, 1,102,364 stock options exercisable into common shares at a weighted average exercise price of $17.91 and 1,055,172 restricted treasury share units (166,204 of which include performance-based vesting at a multiple not to exceed 200%) outstanding that could result in the issuance of up to 1,221,376 common shares.

IMPACT OF ACCOUNTING PRONOUNCEMENTS AFFECTING CURRENT PERIOD

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses, Measurement of Credit Losses on Financial Instruments ("ASC 326"),* replacing the incurred loss impairment model that recognizes losses when a probable threshold is met with a requirement to recognize lifetime expected credit losses immediately when a financial asset is originated or purchased. The standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The new guidance on the current expected credit loss ("CECL") impairment model requires an estimate of expected credit loss, measured over the contractual life of an asset, that considers reasonable and supportable forecasts of future economic conditions in addition to historical experience and current conditions. The objective is to present the entity's estimate of the net amount expected to be collected on the financial assets. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, net investment in leases recognized by lessor and off-balance sheet credit exposures not accounted for as insurance. In addition, ASC 326 made changes to the accounting for available for sale debt securities.

On January 1, 2020, we adopted ASC 326 using the modified retrospective method. Results for reporting periods beginning after January 1, 2020 are presented under ASC 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP. We recorded a net decrease to retained earnings of $779 as of January 1, 2020 for the cumulative effect of adopting ASC 326 as a result of measuring expected credit losses on trade accounts receivable.

In January 2017, FASB issued ASU 2017-04, *Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*. This new guidance simplifies the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test. Under the new guidance, entities will perform goodwill impairment tests by comparing fair value of a reporting unit with its carrying amount and recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value. The standard is effective for fiscal years beginning after December 15, 2019 and we adopted this standard on January 1, 2020. The standard did not have any impact on our consolidated statements at adoption.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* and subsequent amendments to the initial guidance: ASU 2017-13, ASU 2018-10, ASU 2018-11, ASU 2018-20 and ASU 2019-01 (collectively, Topic 842). This update is to improve transparency and comparability among organizations by requiring lessees to recognize ROU assets and lease liabilities on the balance sheet and requiring additional disclosure about leasing arrangements. The standard is effective for fiscal years beginning after December 15, 2018. We adopted the standard effective January 1, 2019, applying the optional transition method permitted under ASU 2018-11, which relieves entities from restating comparative financial statements, allowing entities to apply and adopt the new lease standard as at the effective date, rather than as of the first date of the earliest period presented. We elected the package of practical expedients provided under the guidance, which applies to expired or existing leases and allows the Company not to reassess whether a contract contains a lease, the lease classification, and any initial direct costs incurred. We also elected the practical expedient to expense short term leases (12 months or less) on a straight-line basis over the lease term, and to not separate the lease and non-lease components for all of our leases.

Upon adoption of Topic 842 effective January 1, 2019, we recognized operating lease liabilities of $31.5 million and corresponding ROU assets of $27.0 million. The $4.5 million difference between operating lease liabilities and right-of-use assets recognized is due to deferred rent and exit cost accruals recorded under prior lease accounting standards. Topic 842 requires such balances to be reclassified against ROU assets at transition. In future periods such balances will not be presented separately. Our accounting for finance leases remains substantially unchanged.

IMPACT OF ACCOUNTING PRONOUNCEMENTS AFFECTING FUTURE PERIODS

In December 2019, the FASB issued ASU 2019-12 *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes* (ASU 2019-12), which simplifies the accounting for income taxes, including the methodology for calculating taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. ASU 2019-12 is effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. The Company is currently assessing the impact of ASU 2019-12 on its consolidated financial statements and will implement the new standard prospectively starting in the first quarter of 2021.

DISCLOSURE CONTROLS AND PROCEDURES

Our management is responsible for establishing and maintaining adequate disclosure controls and procedures for the Company. Our disclosure controls and procedures are designed to ensure that information required to be disclosed in our reports filed with securities regulatory authorities is recorded, processed, summarized and reported within time periods specified in applicable securities regulations, and is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

We conducted an evaluation of the effectiveness of our disclosure controls and procedures, which was carried out under the supervision of, and with the participation of, our management, including our Chief Executive Officer and our Chief Financial Officer, as of December 31, 2020. Based on that evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of December 31, 2020 to ensure that information required to be disclosed by us in the reports we file or submit under applicable securities laws and regulations is recorded, processed, summarized, and reported within the time periods specified thereby.

We do not expect that our disclosure controls and procedures will prevent all errors and all fraud. Control procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control procedures are met. Because of the inherent limitations in all control procedures, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. We considered these limitations during the development of our disclosure controls and procedures and will periodically re-evaluate them to ensure they provide reasonable assurance that such controls and procedures are effective.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the U.S. Securities Exchange Act of 1934 and has designed such internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP.

Our internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements on a timely basis. Also, projections of any evaluation of effectiveness of internal control over financial reporting to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of our Chief Executive Officer and our Chief Financial Officer, management conducted an evaluation of the effectiveness of our internal control over financial reporting, as of December 31, 2020, based on the framework set forth in *Internal Control-Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on its evaluation under this framework, management concluded that our internal control over financial reporting was effective as of that date.

Ernst & Young LLP ("EY"), an independent registered public accounting firm, who audited and reported on our consolidated financial statements as at and for the year ended December 31, 2020, has issued an attestation report on our internal control over financial reporting as of December 31, 2020. Their attestation report is included with our consolidated financial statements.

There were no changes in our internal control over financial reporting during the year ended December 31, 2020 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

During 2019, we initiated outsourcing of a select group of general and administrative transaction-based activities to a global outsourcing partner. Transition activities commenced in the third quarter of 2019 and were substantially completed in the third quarter of 2020. Management has assessed the impact and concluded that the outsourcing did not materially affect the Company's internal controls in 2020.

Over the course of fiscal 2020, our employees have transitioned to working from home as the COVID-19 situation has evolved in each jurisdiction. Management has concluded that these work from home arrangements have not materially affected the Company's internal controls in 2020. Management will continue to assess the impact of COVID-19 on the Company's internal controls over financial reporting.

FINANCIAL RISK MANAGEMENT

Financial instruments consist primarily of cash and cash equivalents, restricted cash, accounts receivable, derivatives such as foreign currency forward and option contracts, accounts payable and accrued liabilities.

We have exposure to the following business risks:

We maintain substantially all of our cash and cash equivalents with major financial institutions or invest in government instruments. Our deposits with banks may exceed the amount of insurance provided on such deposits.

We outsource manufacturing of our products to third parties and, accordingly, we are dependent upon the development and deployment by third parties of their manufacturing abilities. The inability of any supplier or manufacturer to fulfill our supply requirements could impact future results. We have supply commitments to our contract manufacturers based on our estimates of customer and market demand. Where actual results vary from our estimates, whether due to execution on our part or market conditions, we are at risk.

Financial instruments that potentially subject us to concentrations of credit risk are primarily accounts receivable. We perform on-going credit evaluations of our customer's financial condition and require letters of credit or other guarantees whenever deemed appropriate.

Although a significant portion of our revenues are in U.S. dollars, we incur operating costs that are denominated in other currencies. Fluctuations in the exchange rates between these currencies could have a material impact on our business, financial condition and results of operations.

To manage our foreign currency risks, we enter into foreign currency forward contracts and options contracts to reduce our exposure to future foreign exchange fluctuations. Foreign currency forward and options contracts are recorded in *Accounts receivable* or *Account payable and accrued liabilities*. As at December 31, 2020, we had foreign currency forward contracts totaling $28.8 million Canadian dollars with an average forward rate of 1.3140, maturing between January and December 2021.

We are subject to risks typical of an international business including, but not limited to, differing economic conditions, changes in political climate, differing tax structures other regulations and restrictions and foreign exchange rate volatility. Accordingly, our future results could be materially affected by changes in these or other factors.

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the reference to our Firm under the caption “Experts”, and to the incorporation by reference in the Registration Statement (No. 333-210315) on Form S-8 of Sierra Wireless, Inc. and the use herein of our reports dated March 17, 2021, with respect to the consolidated balance sheets as at December 31, 2020 and 2019, and the related consolidated statements of operations and comprehensive loss, equity and cash flows for each of the years in the two year period ended December 31, 2020, and the effectiveness of internal control over financial reporting of Sierra Wireless, Inc. as of December 31, 2020, included in this Annual Report on Form 40-F.

Vancouver, Canada	/s/ Ernst & Young LLP
March 17, 2021	Chartered Professional Accountants

EXHIBIT 31.1

CERTIFICATION PURSUANT TO
RULE 13a-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, Kent P. Thexton, certify that:

1. I have reviewed this annual report on Form 40-F of Sierra Wireless, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

    - Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    - Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    - Evaluated the effectiveness of the issuer’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    - Disclosed in this report any change in the issuer’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer’s internal control over financial reporting; and

5. The issuer’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer’s auditors and the audit committee of the issuer’s board of directors (or persons performing the equivalent functions):

    - All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer’s ability to record, process, summarize and report financial information; and

    - Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer’s internal control over financial reporting.

Date: March 17, 2021

/s/ Kent P. Thexton

Kent P. Thexton
Chief Executive Officer

CERTIFICATION PURSUANT TO
RULE 13a-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, Samuel Cochrane, certify that:

1. I have reviewed this annual report on Form 40-F of Sierra Wireless, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

    - Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    - Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    - Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    - Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer’s internal control over financial reporting; and

5. The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

    - All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

    - Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: March 17, 2021

/s/ Samuel Cochrane

Samuel Cochrane
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATE OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report of Sierra Wireless, Inc. (the “Corporation”) on Form 40-F for the fiscal year ending December 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Kent P. Thexton, Chief Executive Officer of the Corporation, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

Dated at Richmond, British Columbia, Canada this March 17, 2021.

/s/ Kent P. Thexton
Kent P. Thexton
Chief Executive Officer

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Corporation for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

CERTIFICATE OF THE CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report of Sierra Wireless, Inc. (the "Corporation") on Form 40-F for the fiscal year ending December 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Samuel Cochrane, Chief Financial Officer of the Corporation, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

Dated at Richmond, British Columbia, Canada this March 17, 2021.

/s/ Samuel Cochrane

Samuel Cochrane
Chief Financial Officer

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Corporation for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.