SIERRA WIRELESS INC
Form 6-K
August 12, 2009

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

Report of Foreign issuer

Pursuant to Rule 13a-16 or 15d-16 of the

Securities Exchange Act of 1934

For the Month of August 2009

(Commission File. No 0-30718).

SIERRA WIRELESS, INC., A CANADIAN CORPORATION

(Translation of registrant s name in English)

13811 Wireless Way

Richmond, British Columbia, Canada V6V 3A4

(Address of principal executive offices and zip code)

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

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

Form 20-F o 40-F x

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

Yes: o No: x

SIGNATURES

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

Sierra Wireless, Inc.

By: /s/ David G. McLennan

David G. McLennan, Chief Financial Officer and Secretary

Date: August 12, 2009

Q2 2009

UNITED STATES GAAP

SECOND QUARTER REPORT

FOR THE THREE AND SIX MONTHS JUNE 30, 2009

SIERRA WIRELESS, INC.

REPORT TO SHAREHOLDERS

While market conditions remained challenging in the second quarter, we experienced solid revenue, record unit volume shipments, strong cash flow, significant improvement in gross margin and achieved positive non-GAAP earnings from operations earlier than expected. Early synergies from the Wavecom acquisition, combined with good cost management throughout our business, were key factors in the 720 basis point sequential improvement in our gross margins and better-than-expected non-GAAP earnings from operations.

As part of the Wavecom integration, we have announced a new-look executive team, implemented organizational structure changes, taken significant cost-reduction steps, captured early product cost synergies and leveraged our combined resources to secure OEM design wins and achieve market share gains. We have also begun to realize some of the diversification benefits of the Wavecom acquisition, with a reduction in our customer concentration and improved product line and geographical diversification. Overall, the Wavecom integration is going well and is on track.

Non-GAAP Q2 2009 Results Compared to Q2 2008

Our non-GAAP results exclude transaction costs related to the acquisition of Wavecom, restructuring costs, integration costs, stock-based compensation expense, acquisition-related amortization and foreign exchange gains and losses related to the Wavecom acquisition.

For the three months ended June 30, 2009, revenue decreased by 13% to $135.3 million, from $155.7 million in the second quarter of 2008. This decrease primarily reflects lower AirCard sales and reduced sales of embedded modules to PC OEM customers, partially offset by a $33.4 million revenue contribution from the Wavecom acquisition. Non-GAAP gross margin was 34.9% of revenue in Q2 2009, compared to 27.8% of revenue in Q2 2008. The improvement in gross margin percentage reflects product cost reductions, early synergies from the Wavecom acquisition as well as the addition of higher-margin products from the Wavecom acquisition. Non-GAAP operating expenses were $44.5 million in Q2 2009, compared to $25.7 million in Q2 2008. Non-GAAP earnings from operations were $2.8 million in Q2 2009, compared to $17.7 million in Q2 2008. Non-GAAP net earnings were $1.5 million, or diluted earnings per share of $0.05 in Q2 2009, compared to $13.3 million, or diluted earnings per share of $0.42 per diluted share in the second quarter of 2008.

Non-GAAP Q2 2009 Results Compared to Guidance

Second quarter 2009 revenue of $135.3 million was lower than our guidance of $139.0 million. Non-GAAP earnings from operations of $2.8 million exceeded our guidance of a loss from operations of $2.0 million. Non-GAAP net earnings of $1.5 million, or diluted earnings per share of $0.05, were better than our guidance of a net loss of $2.0 million, or loss per share of $0.06.

Business Developments

The second quarter of 2009 included the following business developments:

- We launched our Sierra Wireless USB 598 modem on Telus EV-DO Rev A network. Telus is the first operator in North America using our TRU-Update feature, a managed service providing automatic firmware, driver and application updates.

- We commenced commercial shipments of our AirCard 402 for EV-DO Rev A networks with Sprint. The AirCard 402 is a 2-in-1 mobile broadband card designed to fit both PC card and ExpressCard slots.

- Our new Q26 Elite Wireless CPU® for CDMA 1X passed all regulatory and interoperability testing and was approved for use on the Verizon Wireless, Sprint and Aeris networks. The Q26 Elite is ruggedized for extreme environmental conditions and supports GPS, making it suitable for fleet management and tracking applications.

- We announced the availability of our new MC5728V embedded module for EV-DO Rev A networks. This module enables the integration of mobile broadband connectivity into a variety of devices, including notebook computers, networking equipment and industrial handheld devices.

- We announced a collaboration initiative with Meta System Spa to provide a platform for automotive telematics, with a focus on emergency calls, stolen vehicle tracking, remote diagnostics and fleet management.

- We announced that our ALEOS embedded software platform will be available on our MP line of rugged in-vehicle mobile routers. With the addition of ALEOS, our MP product line will now share a common software platform with all of our AirLink gateways and routers, simplifying device management and support.

Corporate Developments

We announced changes to our leadership team during the second quarter, including the appointment of former Wavecom executives to our combined executive team. The appointments include Didier Dutronc as Senior Vice President, Marketing, Philippe Guillemette as Senior Vice President, Advanced Technology, Pierre Teyssier as Senior Vice President, Engineering and Emmanuel Walckenaer as Senior Vice President and General Manager, Solutions and Services.

Acquisition Synergies and Cost Reduction Plans

We are currently implementing an action plan that we expect will capture significant product and operating cost savings both independent of, and related to, our acquisition of Wavecom.

With respect to operating expenses, we have already implemented several cost reduction activities that have been previously disclosed. We believe that our expense reduction plan will enable us to achieve a quarterly reduction of $8.9 million by Q1 2010 from the pre-acquisition combined Q4 2008 non-GAAP operating expenses of Wavecom and Sierra Wireless of $48.9 million.

A number of the synergy-related initiatives are already underway, including staff rationalization and common component supplier price negotiations. We believe that additional product cost savings will be achieved over time through a combination of phased actions including manufacturing facility rationalization, consolidation of logistics activities and product platform harmonization which increases component commonality. We believe that these synergy actions will result in a per-unit product cost reduction of approximately 3% to 4% by the end of 2010.

With respect to revenue, we believe that the improved market position of the combined company will result in incremental revenue gains over time. As a combined company, we believe we have the broadest product portfolio and global technical support capability in our industry, as well as scale and product cost advantages relative to our peers. We believe that these enhanced market position advantages have already resulted in OEM design wins that represent market share gains.

In the second quarter of 2009, we incurred a pre-tax charge of approximately $8.9 million related to the cost reduction initiatives already implemented.

Outlook

Moving forward, we will continue to focus on strong business execution in a challenging environment and on completing our successful integration with Wavecom. We remain confident that when the business environment strengthens, we will be well positioned with a broad and diversified product line, a long list of blue chip customers and partners, a strong global presence, a strong balance sheet and an excellent team.

/s/ Jason W. Cohenour

Jason W. Cohenour
President and Chief Executive Officer

Certain statements in this report that are not based on historical facts constitute forward-looking statements or forward-looking information within the meaning of the U.S. Private Securities Litigation Reform Act of 1995 and applicable Canadian securities laws (forward-looking statements). These forward-looking statements are not promises or guarantees of future performance but are only predictions that relate to future events, conditions or circumstances or our future results, performance, achievements or developments and are subject to substantial known and unknown risks, assumptions, uncertainties and other factors that could cause our actual results, performance, achievements or developments in our business or in our industry to differ materially from those expressed, anticipated

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

MANAGEMENT S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management s Discussion and Analysis of Financial Condition and Results of Operations (MD&A) provides information for the three and six months ended June 30, 2009, and up to and including August 10, 2009. This MD&A should be read together with our unaudited consolidated financial statements and the accompanying notes for the three and six months ended June 30, 2009 (the consolidated financial statements). The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP). Except where otherwise specifically indicated, all amounts in this MD&A are expressed in United States dollars.

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

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

Additional information related to Sierra Wireless, Inc., including our consolidated financial statements, our audited consolidated financial statements for the fiscal year ended December 31, 2008 and our Annual Information Form, may be found on SEDAR at www.sedar.com and on EDGAR at www.sec.gov.

Overview

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

Our recent acquisition of Wavecom S.A. (Wavecom) on February 27, 2009 enhances our product and service offering in the global M2M market by adding highly sophisticated wireless module platforms and solutions which integrate all of the necessary software and hardware on embedded devices that can be used for a wide variety of applications. The acquisition of Wavecom also enhances our capabilities in key markets with proven development tools and an innovative services platform for delivering device management and application services. Our consolidated results include Wavecom s results for the period since February 27, 2009 to June 30, 2009.

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

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

Our expanded line-up of embedded wireless solutions is used by a wide range of OEMs to wirelessly enable their products and solutions. Our OEM customers cover a broad range of industries including mobile computing, networking equipment, automotive OEM and aftermarket, energy, security, transaction processing, industrial control and monitoring and mobile resource management.

Our rugged mobile and M2M gateway solutions are used primarily in the public safety, energy, industrial, transportation, automotive and transaction processing markets. We believe the mobile and M2M gateway markets we serve offer attractive opportunities for long term profitable growth.

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

In the second quarter of 2009, our revenue decreased 13% to $135.3 million, compared to $155.7 million in the same period of 2008. Gross margin for the second quarter of 2009 was 34.8%, compared to 27.8% in the same period of 2008. We incurred a loss from operations for the three months ended June 30, 2009 of $16.2 million, compared to earnings from operations of $14.4 million in the same period of 2008. Our net loss was $5.9 million, or loss per share of $0.19, for the second quarter of 2009, compared to net earnings of $11.0 million, or diluted earnings per share of $0.35, in the same period of 2008.

On December 2, 2008, we announced an all-cash offer to purchase all of the common shares and OCEANE convertible bonds (OCEANEs) of Wavecom, a global leader in wireless M2M solutions headquartered in Issy-les-Moulineaux, France. The total value of the transaction was approximately   218.0 million. We made a cash offer of   8.50 per share of Wavecom and   31.93 per OCEANE. The transaction was implemented by way of concurrent but separate public tender offers in both France and the United States for all Wavecom shares, all American Depository Shares (ADSs) representing Wavecom s shares and all OCEANEs issued by Wavecom. On February 27, 2009, we completed our acquisition of 84.32% of the outstanding shares and 99.97% of the outstanding OCEANEs of Wavecom, representing 90.57% of the voting rights of Wavecom. Following a statutory re-opening of the tender offer and our purchase of Wavecom shares on the market, we increased our ownership of the voting rights of Wavecom from 90.57% to 95.4% and, on April 29, 2009, completed our acquisition of all of the remaining Wavecom shares and OCEANEs by way of a squeeze-out. The Wavecom shares and OCEANEs have been delisted from the Euronext and the ADSs have been delisted from the Nasdaq.

We expect the combination of Sierra Wireless and Wavecom will create a global leader that will be uniquely positioned to benefit from the anticipated growth in the wireless mobile computing and M2M markets. We expect the acquisition to significantly expand and diversify our position in the global M2M market, broaden our product offerings and increase our scale and capabilities in Europe and Asia.

Prior to our acquisition of Wavecom, Wavecom announced a cost savings program and a proposed reorganization. The first portion of this plan, related to its operations in the United States, began in late 2008. In the second quarter of 2009, the staff reduction program in France related to this reorganization was implemented. A total of 77 positions in France were impacted, with 21 of these positions remaining to be phased out by the end of 2009.

On January 29, 2009, also prior to the acquisition of Wavecom, Sierra Wireless implemented an expense reduction program that is expected to reduce labor costs by approximately $5.5 million on an annualized basis. This program, which was completed during the first quarter of 2009, included the elimination of approximately 56 positions, representing 10% of our workforce. In the first quarter of 2009, we incurred a pre-tax charge of approximately $1.6 million related to the program, which includes $0.5 million of stock-based compensation expense.

On May 15, 2009, we announced further cost reduction initiatives related to the integration of Wavecom with Sierra Wireless that included combining the R&D and product operations of both organizations. As a result, the Wavecom location in Research Triangle Park, North Carolina, will be closed in the fourth quarter of 2009. R&D activities from this location will be transitioned primarily to the Sierra Wireless location in Carlsbad, California. The cost reduction initiatives in the U.S. and France are expected to be completed by the end of 2009. In the second quarter of 2009, we incurred a pre-tax charge of approximately $8.9 million related to these initiatives, which includes $0.4 million of stock-based compensation expense.

During the second quarter of 2008, we received regulatory approval allowing us to purchase up to 1,567,378 of our common shares (approximately 5% of our common shares outstanding as of May 21, 2008) by way of a normal course issuer bid (the Bid) on the Toronto Stock Exchange (TSX) and the NASDAQ Global Market (Nasdaq). As of May 25, 2009, we had purchased and cancelled 407,700 shares under the Bid. As of May 25, 2009, the Bid was terminated.

Our balance sheet remains strong, with $131.5 million of unrestricted cash, cash equivalents and short-term investments at June 30, 2009. At December 31, 2008, we had $272.7 million of cash, cash equivalents and short term investments, of which $191.5 million was restricted cash provided as security for a letter of credit issued in connection with our acquisition of Wavecom. For the three months ended June 30, 2009, cash provided by operations was $18.5 million, compared to $14.6 million in the same period of 2008.

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

With the acquisition of Wavecom, we have a significantly expanded product line and global roster of sales channels. However, the state of the global economy causes us to continue to be cautious regarding revenue trends in the near term. We expect that Q3 2009 revenue will remain stable compared to Q2 2009 for both our mobile computing and M2M businesses. Specific product and business development initiatives include:

AirCard Product Family

Our AirCard product family includes our AirCard branded PC cards and USB modems. In the second quarter of 2009, sales of our AirCard products decreased 25% to $77.7 million, compared to $104.1 million in the same period of 2008.

Our AirCards plug into the PC card, ExpressCard or USB ports of notebook and desktop computers, as well as other products such as network routers. Our AirCard products support EV-DO and HSPA technologies and are sold to wireless operators around the world. During the second quarter of 2009, we continued to have a particularly strong position with AT&T and Telstra with shipments of our HSPA AirCards and with Sprint with shipments of our EV-DO Rev A AirCards.

During the second quarter of 2009, Telstra announced an upgrade to its Next G network, allowing peak network uplink speeds of 5.8Mbps. The Next G Turbo 21 modem, also known as the Sierra Wireless USB 306, is our new AirCard USB modem for HSPA+ networks that is commercially available in Telstra s retail stores. The Next G Turbo 21 modem can be upgraded to take advantage of the new enhanced upload speeds. Our AirCard 402 for EV-DO Rev A networks, a 2-in-1 mobile broadband card designed to fit both PC card and ExpressCard slots, was introduced in the first quarter of 2009 and began commercially shipping early in the second quarter of 2009. Our Sierra Wireless USB 598 modem for EV-DO Rev A networks was launched with Telus, which is the first CDMA operator using our TRU-Update feature, a managed service providing automatic firmware, driver and application updates.

During the first quarter of 2009, CSL Limited, a mobile network operator in Hong Kong, selected two of our modems to provide high-speed wireless connectivity for notebook users on the CSL network. The 1010 Next G Express 7, an HSPA USB modem, also known as the Sierra Wireless Compass 889, became available in the first quarter of 2009 and the 1010 Next G Express 21, an HSPA+ USB modem, also known as the Sierra Wireless USB 306, became available in April 2009 through CSL s retail and enterprise channels.

We believe that the market for our AirCard products continues to have robust growth prospects. Competition in this market continues to be intense and our future success in this market will depend in part on our ability to continue to develop products that meet our customers evolving technology, design, schedule and price requirements.

Embedded Module Products

Our expanded line-up of embedded wireless solutions is used by a wide range of OEMs to wirelessly enable their products and solutions. Our OEM customers cover a broad range of industries including mobile computing, networking equipment, automotive, security, transaction processing, fleet management and energy.

In the second quarter of 2009, sales of our embedded module products increased 10% to $44.8 million, compared to $40.7 million in the same period of 2008. Of the $44.8 million, approximately $1.6 million was from sales to PC OEMs and $43.2 million was from sales to M2M OEMs.

With the acquisition of Wavecom, we have significantly expanded our global position in wireless embedded solutions for M2M. In the second quarter of 2009, we announced that our Q26 Elite Wireless CPU passed all FCC and CDG 1 & 2 testing and is Safe for Network on the Verizon Wireless, Sprint and Aeris networks. The Q26 Elite is ruggedized for extreme environmental conditions and supports GPS which makes it suitable for fleet management and tracking applications. We are also collaborating with Meta System Spa to provide a platform for automotive telematics, with a focus on emergency calls, stolen vehicle tracking, remote diagnostics and fleet management. In addition, with Meta System Spa, we are also developing an optimized telematics on-board unit for the insurance market. During the second quarter, we commenced commercial volume shipments of a customized wireless communication module to Denso, a leading supplier of automotive electronics to Japanese and global auto manufacturers. We believe the long-term growth and profitability prospects in the embedded M2M markets are strong. We plan to continue to invest to expand our leadership position.

The PC OEM market became more competitive during 2008 with the entrance of both the Ericsson and Qualcomm solutions for PC OEMs. Both Ericsson and Qualcomm have secured PC OEM design wins, including PC OEMs with whom we have had design wins. As expected, this increased competition continued to put pressure on our revenue from PC OEMs during the first half of 2009. During the first quarter of 2009, we were awarded our first GOBI design wins with two of our existing PC OEM customers. During the second quarter, we secured additional GOBI design wins with notebook computer and netbook manufacturers. We are continuing to promote the GOBI solution to select PC OEMs and expect to see revenue contribution from our design wins by the end of 2009. Our ability to secure additional design wins in the PC OEM market will depend on being successful in developing products and offering services that meet our customers technology, design, schedule and price requirements.

During the second quarter of 2009, we introduced our new MC5728V embedded module for EV-DO Rev A networks, that provides added flexibility to OEMs integrating mobile broadband connectivity into a variety of devices, including networking equipment and industrial handheld devices. The MC5728V is the first EV-DO product with our TRU-Flow data traffic management technology that optimizes overall upload and download modem performance, even with a VPN.

Mobile and M2M Intelligent Gateway Solutions

Our rugged mobile and M2M intelligent gateway solutions are sold to public safety, transportation, field service, energy, industrial and financial organizations and are among our highest gross margin products. We believe that there are strong profitable growth prospects for our mobile and M2M intelligent gateway solutions and intend to capture these opportunities through segment, product line and geographical expansion.

In the second quarter of 2009, revenue from mobile and M2M gateway solutions increased to $10.2 million from $8.3 million in the same period of 2008 primarily as a result of our acquisition of Wavecom products.

During the second quarter of 2009, we announced that our ALEOS embedded intelligence platform will be available on our MP line of rugged in-vehicle mobile routers. The addition of ALEOS to our MP product line simplifies device management and support. During the second quarter of 2009, we also received technical approvals for our PinPoint XT gateway, MP881 gateway and Helix RT router on several wireless operator networks.

Results of Operations

The following table sets forth our operating results for the three and six months ended June 30, 2009, expressed as a percentage of revenue:

	Three months ended June 30,		Six months ended June 30,	
	2009	**2008**	**2009**	**2008**
Revenue	100.0%	100.0%	100.0%	100.0%
Cost of goods sold	65.2	72.2	68.5	72.3
Gross margin	34.8	27.8	31.5	27.7
Expenses				
Sales and marketing	11.1	5.1	9.7	5.3
Research and development	16.9	9.0	15.4	9.3
Administration	7.2	3.6	6.4	3.6
Acquisition costs	0.6		3.0	
Restructuring costs	6.6		4.3	
Integration costs	0.7		0.4	
Amortization	3.7	0.8	3.0	0.8
	46.8	18.5	42.2	19.0
Earnings (loss) from operations	(12.0)	9.3	(10.7)	8.7
Foreign exchange gain	8.1		0.4	0.2
Other income (expense)		0.7	(1.6)	1.0
Earnings (loss) before income taxes	(3.9)	10.0	(11.9)	9.9
Income tax expense	0.9	3.0	0.4	3.0
Net earnings (loss) before non-controlling interest	(4.8)	7.0	(12.3)	6.9
Less: Non-controlling interest	0.5		0.3	
Net earnings (loss)	(4.3)%	7.0%	(12.0)%	6.9%

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

	Three months ended June 30,		Six months ended June 30,	
	2009	**2008**	**2009**	**2008**
Revenue by product				
AirCard products	57%	67%	62%	71%
Embedded solutions	33	26	28	23
Mobile and M2M	8	5	8	5
Other	2	2	2	1
	100%	100%	100%	100%
Revenue by distribution channel				
Wireless carriers	48%	57%	52%	59%
PC OEM	1	16	2	15
M2M OEM	20	9	17	7
Resellers	31	18	29	19
	100%	100%	100%	100%

Revenue by geographical region				
Americas	59%	67%	63%	68%
Europe, Middle East and Africa (EMEA)	20	9	17	9
Asia-Pacific	21	24	20	23
	100%	100%	100%	100%

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 income, 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. We refer to revenue, gross margin, earnings (loss) from operations, net earnings (loss) and earnings (loss) per share adjusted for specific items that affect comparability as non-GAAP earnings (loss) from operations, non-GAAP net earnings (loss) and non-GAAP diluted earnings (loss) per share, respectively. We disclose non-GAAP amounts as we believe that these measures provide better information on actual operating results and assist in comparisons from one period to another.

Readers are cautioned that non-GAAP financial measures do not have any standardized meaning prescribed by U.S. GAAP and therefore may not be comparable to similar measures presented by other companies.

The following table provides a reconciliation of the non-GAAP financial measures for the three months ended June 30, 2009 and 2008 to our U.S. GAAP results:

(in millions of U.S. dollars)	Q2 2009 Sierra Non-GAAP	Q2 2009 Wavecom Non-GAAP	Q2 2009 Consolidated Non-GAAP	Q2 2008 Consolidated Non-GAAP
Revenue GAAP and Non-GAAP	$ 101.9	$ 33.4	$ 135.3	$ 155.7
Gross margin GAAP and Non-GAAP(1)	$ 32.9	$ 14.2	$ 47.1	$ 43.2
Earnings (loss) from operations GAAP	$ 5.0	$ (21.2)	$ (16.2)	$ 14.4
Transaction costs	0.8		0.8	0.7
Restructuring costs	0.6	7.9	8.5	
Integration costs	0.7	0.2	0.9	
Acquisition related amortization	0.6	5.6	6.2	0.9
Earnings from operations Non-GAAP(2)	$ 7.7	$ (7.5)	$ 0.2	$ 16.0
Net earnings (loss) GAAP			$ (5.9)	$ 11.0
Transaction, restructuring, integration and acquisition amortization costs, net of tax			16.2	1.1
Unrealized foreign exchange loss			(11.0)	
Non-controlling interest			(0.4)	
Net earnings Non-GAAP(3)			$ (1.1)	$ 12.1
Diluted earnings (loss) per share GAAP			$ (0.19)	$ 0.35
Diluted earnings per share Non-GAAP(3)			$ (0.04)	$ 0.38

(1) Includes $0.1 million of stock-based compensation expense in each of Q2 2009 Sierra Non-GAAP, Q2 2009 Consolidated Non-GAAP and Q2 2008 Consolidated Non-GAAP

(2) Includes $2.0 million of stock-based compensation expense in Q2 2009 Sierra Non-GAAP, $0.6 million in Q2 2009 Wavecom Non-GAAP, $2.6 million in Q2 2009 Consolidated Non-GAAP and $1.6 million in Q2 2008

(3) Includes $2.6 million of stock-based compensation expense in Q2 2009 and $1.2 million in Q2 2008

Results of Operations Three Months Ended June 30, 2009 Compared to Three Months Ended June 30, 2008

Revenue

Revenue amounted to $135.3 million for the three months ended June 30, 2009, compared to $155.7 million in the same period of 2008, a decrease of 13%. The decrease in revenue was primarily a result of a decrease in sales of our AirCards and sales of embedded modules to PC OEM customers, partially offset by an increase in revenue from the Wavecom acquisition. Our second quarter revenue included Wavecom revenue of $33.4 million.

Our revenue from customers in the Americas, EMEA and the Asia-Pacific region comprised 59%, 20% and 21%, respectively, of our total revenue in the second quarter of 2009, compared to 67%, 9% and 24%, respectively, in the same period of 2008. Our business in North America decreased by 23% compared to the second quarter of 2008 due primarily to a decrease in sales of our AirCards and embedded modules. Our business in EMEA increased by 82% compared to the second quarter of 2008 due primarily to the increase in revenue from the Wavecom acquisition, partially offset by a decrease in sales of our AirCards. Our business in the Asia-Pacific region decreased 23% compared to the second quarter of 2008 due primarily to a decrease in sales of embedded modules to PC OEM customers, partially offset by the increase in revenue from the Wavecom acquisition.

In the second quarter of 2009, AT&T and Sprint each accounted for more than 10% of our revenue and, in the aggregate, these two customers represented approximately 42% of our revenue. In the second quarter of 2008, these same two customers each accounted for more than 10% of our revenue and, in the aggregate, these two customers represented approximately 48% of our revenue.

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