SIERRA WIRELESS INC
Form 6-K
May 07, 2013

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

Report of Foreign issuer
Pursuant to Rule 13a-16 or 15d-16 of the
Securities Exchange Act of 1934

For the Month of May 2013

(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 ý

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: ý

SIGNATURES

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

Sierra Wireless, Inc.

By: /s/ David G. McLennan

David G. McLennan, Chief Financial Officer and Secretary

Date: May 7, 2013

Report to Shareholders

I am pleased to report that we completed the sale of the assets and operations of our AirCard® business to Netgear, Inc. on April 2nd. This divestiture is a major milestone for the company, establishing Sierra Wireless as the world's leading pure play, machine-to-machine ("M2M") company, with a global market share of 33%. With this transaction, we are able to focus all of our efforts and resources on pursuing the exciting secular growth opportunity in M2M.

We believe in the vision of a connected world - a world where every device that can deliver value from being connected, will be connected. We see increased focus and investment from large industry leaders such as Cisco, Ericsson and Verizon, which has clearly helped to enhance global awareness of the value of connected machines. In addition, new growth enablers are emerging - new service pricing models, new business models, and new tools and software - that make M2M solutions easier to build, deploy and manage. We expect all these factors will combine to accelerate the market opportunity.

In addition to leading global market share, our business boasts a blue-chip customer base, unmatched innovation, and the industry's broadest product line. We believe we are very well positioned to capture the M2M growth opportunity.

Our financial performance in the first quarter was solid. Revenue increased to $101.4 million, up 10% year-over-year. Additionally, our continued focus on product cost reduction and favorable product mix combined to drive a significant improvement in gross margin.

Revenue from our OEM Solutions product line was $89.2 million in the first quarter, an increase of 11% compared to the first quarter of 2012. Growth was driven by a strong contribution from Sagemcom, which we acquired in August last year. Revenue from our Enterprise Solutions product line was $12.2 million in the first quarter, flat compared to the same period last year. Overall demand for our Enterprise Solutions was solid during the quarter; however we experienced delays in transitioning some customers to our new 4G AirLink platforms which dampened revenue.

Looking forward, we expect to see stronger revenue growth and non-GAAP profitability in the second quarter of 2013. Over the longer term, our goal is to continue to drive revenue growth and improving profitability as we leverage our leadership position, capture market share and expand into new segments and geographies. With the proceeds from the AirCard divestiture, we are also well positioned to accelerate growth and shareholder value creation through acquisitions.

Longer term, we believe that M2M represents a great secular growth opportunity. As the clear global leader, we are exceptionally well positioned to capture this opportunity, and drive sustainable, profitable growth. We believe all the elements are in place to accelerate value creation in 2013 and beyond.

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I thank you for your continued confidence and look forward to reporting to you on our achievements over the coming quarters.

Jason W. Cohenour
President and Chief Executive Officer

Cautionary Note Regarding Forward-Looking Statements

Certain statements in this letter constitute forward-looking statements or forward-looking information and, in this regard, you should read carefully the "Cautionary Note Regarding Forward-Looking Statements" in the attached Management's Discussion & Analysis.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") provides information for the three months ended March 31, 2013, and up to and including May 6, 2013. This MD&A should be read together with our unaudited interim consolidated financial statements for the three months period ended March 31, 2013 and March 31, 2012, and our audited annual consolidated financial statements and the accompanying notes for the year ended December 31, 2012 ("the consolidated financial statements"). The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States ("U.S. GAAP"). Except where otherwise specifically indicated, all amounts in this MD&A are expressed in United States dollars.

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

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

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 the Company's financial condition and results of operations as they provide additional measures of its performance. 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".

Additional information about the Company, including our most recent consolidated financial statements and our Annual Information Form, is available on our website at www.sierrawireless.com, or on SEDAR at www.sedar.com and on EDGAR at www.sec.gov.

Cautionary Note Regarding Forward-looking Statements

Certain statements and information in this MD&A 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 ("forward-looking statements"), including our business outlook for the short and longer term and our strategy, plans and future operating performance. Forward-looking statements are provided to help you understand our views of our short and longer term prospects. We caution you that forward-looking statements may not be appropriate for other purposes. We will not update or revise our forward-looking statements unless we are required to do so by securities laws. Forward-looking statements:

- Typically include words and phrases about the future such as "outlook", "may", "estimates", "intends", "believes", "plans", "anticipates" and "expects";
- Are not promises or guarantees of future performance. They represent our current views and may change significantly;
- Are based on a number of material assumptions, including those listed below, which could prove to be significantly incorrect:
  - Our ability to develop, manufacture and sell new products and services that meet the needs of our customers and gain commercial acceptance;
  - Our ability to continue to sell our products and services in the expected quantities at the expected prices and expected times;
  - Expected cost of goods sold;
  - Expected component supply constraints;
  - Our ability to "win" new business;
  - Expected deployment of next generation networks by wireless network operators;
  - Our operations are not adversely disrupted by component shortages or other development, operating or regulatory risks; and
  - Expected tax rates and foreign exchange rates.
- Are subject to substantial known and unknown material risks and uncertainties. Many factors could cause our actual results, achievements and developments in our business to differ significantly from those expressed or implied by our forward-looking statements, including, without limitation, the following factors which are discussed in greater detail under "Risks and Uncertainties" and 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.
  - We may experience higher than anticipated costs; disruption of, and demands on, our ongoing business; diversion of management's time and attention; adverse effects on existing business relationships with suppliers and customers and employee issues in connection with the divestiture of the AirCard assets and operations;
  - Actual sales volumes or prices for our products and services may be lower than we expect for any reason including, without limitation, continuing uncertain economic conditions, price and product competition, different product mix, the loss of any of our significant customers, or competition from new or established wireless communication companies;
  - The cost of products sold may be higher than planned or necessary component supplies may not be available, are delayed or are not available on commercially reasonable terms;
  - We may be unable to enforce our intellectual property rights or may be subject to litigation that has an adverse outcome;
  - The development and timing of the introduction of our new products may be later than we expect or may be indefinitely delayed; and
  - Transition periods associated with the migration to new technologies may be longer than we expect.

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

OVERVIEW

On April 2, 2013, we completed the sale of substantially all of the assets and operations related to our AirCard business for $138 million in cash plus assumed liabilities. The transaction was first announced on January 28, 2013. In accordance with U.S. GAAP, assets and liabilities associated with the sale have been recorded as “held for sale” in our consolidated balance sheet as at March 31, 2013 and the results of operations of the AirCard business as discontinued operations in our consolidated statements of operations for the three months ended March 31, 2013 and 2012. The selected financial information has been retrospectively adjusted to reflect the presentation of the AirCard business as discontinued operations (refer to the section on “Disposition of AirCard business” for additional details).

Business Overview

Sierra Wireless Inc. (“Sierra Wireless” or the “Company”) is the global leader in machine-to-machine ("M2M") devices and cloud services, delivering intelligent wireless solutions that simplify the connected world. We offer the industry's leading portfolio of wireless M2M devices, including embedded modules, modems and gateways, seamlessly integrated with secure M2M cloud services. Our M2M solutions provide a simple, scalable, and secure platform for OEMs, enterprises and mobile network operators to bring connected products and services to market faster and at lower cost.

As a result of the sale of our AirCard business, our segments and product lines have changed from those reported at December 31, 2012. Effective January 1, 2013, we have one reportable segment with two product lines. The OEM Solutions product line includes embedded wireless modules and tools for OEM customers, and the Enterprise Solutions product line includes intelligent gateways, modems and tools for enterprise customers including a cloud-based infrastructure for building, deploying, and managing M2M applications.

Our OEM Solutions lineup of embedded wireless modules are used to integrate wireless connectivity into products and solutions made by OEM customers, which cover a broad range of industries, including automotive, networking equipment, energy, security, sales and payment, industrial control and monitoring, fleet management, field service, healthcare, and consumer electronics and include leading PC and tablet manufacturers globally. The AirPrime™ Embedded Wireless Modules product portfolio spans 2G, 3G, and 4G technologies and includes robust remote device management capability, as well as support for on-board embedded applications with the OpenAT® Application Framework.

Our Enterprise Solutions portfolio, comprising AirLink® Intelligent Gateways and the AirVantage® M2M Cloud, offers customers value-added plug-and-play hardware, software, and cloud services to get their M2M applications up and running quickly.

AirLink devices are rugged, intelligent wireless gateways and modems that provide mission-critical connectivity for industrial, enterprise, and transportation applications around the world. They are designed for use where reliability and security are essential, and are sold to public safety, transportation, field service, energy, industrial, and financial enterprises and organizations around the world. The AirLink product portfolio includes 2G, 3G and 4G LTE terminals, supported by cloud-based remote device management tools. AirLink gateways can be easily configured for almost any type of application, and also support on-board embedded applications with the ALEOS Application Framework.

The AirVantage M2M Cloud provides a secure, scalable infrastructure for M2M applications. The AirVantage Enterprise Platform can be used to collect, transmit, and store machine data, and process and schedule events, from any number of devices, across any network operator around the world. M2M solution developers can use the latest cloud API standards to quickly integrate that machine data with their own enterprise applications and back-end systems. The AirVantage Management Service can be used to centrally deploy and monitor M2M devices, including configuring device settings, delivering firmware and embedded application updates, and administering airtime subscriptions across global networks.

First Quarter Overview

In the first quarter of 2013, our business delivered solid year-over-year growth, with revenue up 9.8% and in line with guidance. This revenue growth was driven by our OEM Solutions product line with strong contribution from the acquired Sagemcom business, offset by more normalized seasonal sales patterns and more product transitions in Q1 of this year compared to a year ago. Revenue from our Enterprise Solutions product line was flat year-over-year as we worked through certain product transitions related to our 4G platforms. Solid revenue and gross margin led to a non-GAAP loss from operations that was slightly better than expected in the quarter.

Compared to an exceptionally strong fourth quarter of 2012, revenue was down sequentially, as we expected. Gross margin was aligned with fourth quarter 2012 levels, and operating expenses increased as a result of higher new product certification costs combined with the negative impact of a strengthening Euro. Fourth quarter 2012 operating expenses benefited from project funding from a partner, which offset certain research and development expenses.

Financial highlights for the three months ended March 31, 2013:

- Revenue was $101.4 million, down 7.3% compared to $109.4 million in the fourth quarter of 2012.
- Gross margin was 32.9% , compared to 33.1% in the fourth quarter of 2012.
- Non-GAAP loss from operations was $1.4 million, compared to Non-GAAP earnings of $3.7 million in the fourth quarter of 2012.
- Net loss from continuing operations of $7.9 million and loss per share of $0.26 compared to net earnings from continuing operations of $15.5 million and diluted earnings per share of $0.50 in the fourth quarter of 2012. A favorable income tax recovery contributed to the prior quarter net earnings.
- Non-GAAP net loss from continuing operations was $0.7 million, or $0.02 per diluted share, compared to Non-GAAP net earnings from continuing operations of $4.5 million, or $0.15 per diluted share in the fourth quarter of 2012.
- Net loss including discontinued operations was $6.1 million, or loss per share of $0.20, compared to net earnings including discontinued operations of $19.6 million, or $0.64 per diluted share in the fourth quarter of 2012.

Selected Financial information:
(in thousands of U.S. dollars, except where otherwise stated)

	2013	2012 [2]				
	Q1	Total	Q4	Q3	Q2	Q1
Statement of Operations data:						
Revenue (GAAP and Non-GAAP)	$101,401	$397,321	$109,405	$100,183	$95,398	$92,335
Gross Margin						
- GAAP	$33,378	$125,274	$36,233	$31,086	$30,081	$27,874
- Non-GAAP [1]	33,453	125,578	36,294	31,168	30,159	27,957
Gross Margin %						
- GAAP	32.9 %	31.5 %	33.1 %	31.0 %	31.5 %	30.2 %
- Non-GAAP [1]	33.0 %	31.6 %	33.2 %	31.1 %	31.6 %	30.3 %
Earnings (loss) from operations						
- GAAP	$(6,884)	$(22,206)	$(1,516)	$(6,728)	$(6,558)	$(7,404)
- Non-GAAP [1]	(1,412)	898	3,721	334	(360)	(2,797)
Net earnings (loss) from continuing operations						
- GAAP	$(7,938)	$(4,202)	$15,523	$(3,612)	$(8,868)	$(7,245)
- Non-GAAP [1]	(709)	(444)	4,490	1,251	(3,375)	(2,810)
Net earnings from discontinued operations						
- GAAP	$1,863	$31,401	$4,083	$7,279	$12,449	$7,590
- Non-GAAP [1]	3,596	33,796	5,779	7,512	12,682	7,823
Net earnings (loss)						
- GAAP	$(6,075)	$27,199	$19,606	$3,667	$3,581	$345
- Non-GAAP [1]	2,887	33,352	10,269	8,763	9,307	5,013
Revenue by Product Line:						
OEM Solutions	$89,232	$346,543	$94,874	$88,270	$83,299	$80,100
Enterprise Solutions	12,169	50,778	14,531	11,913	12,099	12,235
	$101,401	$397,321	$109,405	$100,183	$95,398	$92,335
Share and per share data:						
Basic and diluted earnings (loss) per share (in dollars)						
- GAAP	$(0.20)	$0.88	$0.64	$0.12	$0.12	$0.01
- Non-GAAP [1]	$0.09	$1.08	$0.33	$0.29	$0.30	$0.16
Common shares (in thousands)						
At period-end	30,791	30,592	30,592	30,590	30,562	30,910
Weighted average - basic	30,695	30,788	30,591	30,573	30,817	31,175
Weighted average - diluted	30,695	30,788	30,774	30,573	30,817	31,175

(1) Non-GAAP results exclude the impact of stock-based compensation expense, acquisition amortization, impairment, acquisition and disposition costs, integration costs, restructuring costs, foreign exchange gains or losses on foreign currency contracts and translation of balance sheet accounts, and certain tax adjustments. Refer to the section on “Non-GAAP financial measures” for additional details.
(2) Selected financial information for 2012 has been retrospectively adjusted to reflect the presentation of the AirCard business as discontinued operations.

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

Other key business highlights for the three months ended March 31, 2013:

- We introduced the next generation of AirPrime modules, first in the world to combine a powerful multicore processor, built-in connectivity to secure cloud services, and open application framework to offer an entire M2M ecosystem on a module. This entire M2M ecosystem on a module is a major step forward in simplifying the integration of embedded wireless communications, enabling developers to spend more time developing their core application and business model, and spend less time on the challenges of integrating wireless communication.

- Early in April 2013, we launched a compact 3G intelligent gateway, the AirLink LS300, an all-in-one successor to the market-leading AirLink Raven line of rugged gateways. The AirLink LS300 is quick to deploy, simple to manage, and stands up for years in the harshest environments. It provides all the benefits customers have come to rely on in the AirLink product line, including best-in-class network connectivity, rugged military-spec design and ALEOS ™ embedded intelligence.

Outlook

In the second quarter of 2013, we expect solid sequential and year-over-year revenue growth. We expect gross margin percentage and operating expenses to be similar to first quarter of 2013 levels.

Macroeconomic pressure in Europe continues to dampen near-term growth in our business. However, we continue to believe that the market for wireless M2M solutions has strong growth prospects. We anticipate growth in the number and type of devices being wirelessly connected, driven by a number of enablers, such as lower wireless connectivity costs, faster wireless connection speeds, new devices and tools to simplify development of M2M applications, and increased focus and investment from network operators, infrastructure vendors and other wireless ecosystem players. More importantly, we see strong customer demand in many of our target verticals driven by increasing recognition of the value created by deploying M2M solutions, such as new revenue streams, cost efficiencies, and better customer awareness.

Key factors that we expect will affect our results in the near term are the timely ramp up of sales of our new products recently launched or currently under development; the level of success our OEM customers achieve with sales of embedded solutions to end users; our ability to secure future design wins with both existing and new customers; wireless technology transitions and the timing of deployment of mobile broadband networks by wireless operators; competition; the availability of components from key suppliers; general economic conditions in the markets we serve; and seasonality in demand. We expect that product and price competition from other wireless device manufacturers will continue to play a role in the M2M market. As a result of these factors, we may experience volatility in our results on a quarter to quarter basis. Gross margin percentage may fluctuate from quarter to quarter depending on product and customer mix, average selling prices and product costs.

Disposition of AirCard Business

On April 2, 2013, we completed the sale of substantially all of the assets and operations related to our AirCard business to Netgear, Inc. (“Netgear”) for $138 million in cash plus assumed liabilities. The purchase price is subject to customary working capital adjustments. Approximately 160 employees, primarily in sales, marketing and research and development were transferred to Netgear, as well as certain facilities in Carlsbad, California and Richmond, British Columbia. We expect to realize net cash proceeds of approximately $100 million from the divestiture after related taxes, expenses, retention for the purposes of indemnification, and final inventory adjustments. The Company intends to use a substantial portion of the net proceeds from the transaction to continue its acquisition strategy in the M2M market, as well as re-purchase shares of the Company pursuant to its Normal Course Issuer Bid approved by the Toronto Stock Exchange in February 2013.

In accordance with U.S. GAAP, assets and liabilities associated with the sale have been recorded as “held for sale” in our consolidated balance sheet as at March 31, 2013 and the results of operations of the AirCard business as discontinued operations in our consolidated statements of operations for the three months ended March 31, 2013 and 2012. The historical consolidated statements of operations and related selected financial information have been retrospectively adjusted to distinguish between continuing operations and discontinued operations.

Summarized results from discontinued operations were as follows:

	Three months ended March 31, 2013		Three months ended March 31, 2012	
Revenue	$45,049		$57,931	
Cost of goods sold	32,908		41,039	
Gross margin	$12,141		$16,892	
Gross margin %	27.0	%	29.2	%
Expenses	9,642		9,146	
Earnings from operations	2,499		7,746	
Net earnings from discontinued operations	$1,863		$7,590	

During the three months ended March 31, 2013, AT&T accounted for 12% of our aggregated revenue, from continuing and discontinued operations. During the three months ended March 31, 2012, Sprint and AT&T each accounted for more than 10% of our aggregated revenue, from continuing and discontinued operations, and on a combined basis, accounted for 29% of the aggregated revenue.

CONSOLIDATED RESULTS OF OPERATIONS

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

	2013		2012 [1]	
	$	% of Revenue	$	% of Revenue
Revenue	101,401	100.0 %	92,335	100.0 %
Cost of goods sold	68,023	67.1 %	64,461	69.8 %
Gross margin	33,378	32.9 %	27,874	30.2 %
Expenses				
Sales and marketing	10,356	10.2 %	9,321	10.1 %
Research and development	18,363	18.1 %	14,931	16.2 %
Administration	8,123	8.0 %	8,459	9.1 %
Restructuring	117	0.1 %	180	0.2 %
Integration	27	— %	—	— %
Amortization	3,276	3.3 %	2,387	2.6 %
	40,262	39.7 %	35,278	38.2 %
Loss from operations	(6,884)	(6.8)%	(7,404)	(8.0)%
Foreign exchange gain (loss)	(2,370)		206	
Other expense	(132)		(171)	
Loss before income taxes	(9,386)		(7,369)	
Income tax recovery	1,448		124	
Net loss from continuing operations	(7,938)		(7,245)	
Net earnings from discontinued operations	1,863		7,590	
Net earnings (loss)	(6,075)		345	
Net earnings (loss) per share - Basic and diluted (in dollars)				
Continuing operations	$(0.26)		$(0.23)	
Discontinued operations	0.06		0.24	
	$(0.20)		$0.01	

(1) Financial information has been retrospectively adjusted to reflect the presentation of the AirCard business as discontinued operations.

Three Months Ended March 31, 2013 Compared to Three Months Ended March 31, 2012

Revenue

Revenue in the three months ended March 31, 2013 increased by $9.1 million, or 9.8%, compared to the same period of 2012. The increase was driven by contribution from the acquisition of M2M business of Sagemcom in August 2012.

Our geographic revenue mix for the three months ended March 31, 2013 and 2012 were as follows:
Gross margin
Gross margin was 32.9% of revenue for the three months ended March 31, 2013, compared to gross margin of 30.2% of revenue in the same period of 2012. The increase in gross margin was primarily related to product cost reductions and favorable product mix. Gross margin included $0.1 million of stock-based compensation expense in each of the three month periods ended March 31, 2013 and March 31, 2012.

Sales and marketing
Sales and marketing expenses increased $1.0 million, or 11.1% , to $10.4 million in the three months ended March 31, 2013, compared to the same period of 2012. The increase in sales and marketing expenses was due to higher expenses incurred as a result of the Sagemcom acquisition. Sales and marketing expenses included $0.3 million of stock-based compensation expense in each of the first three month periods of 2013 and 2012, respectively.

Research and development
Research and development (“R&D”) expenses increased by $3.4 million, or 23.0%, to $18.4 million in the three months ended March 31, 2013, compared to the same period of 2012. The increase in R&D expenses was primarily related to the additional R&D expenses we incurred as a result of the Sagemcom acquisition as well as higher product development costs.

R&D expenses for the three months ended March 31, 2013 included stock-based compensation expense of $0.3 million and acquisition amortization of $1.4 million. R&D expenses for the three months ended March 31, 2012 included stock-based compensation expense of $0.3 million and acquisition amortization of $1.6 million.

Administration
Administration expense decreased by $0.3 million, or 4.0%, in the three months ended March 31, 2013, compared to the same period of 2012. Administration expenses included stock-based compensation expense of $0.9 million and $0.7 million in each of the first three month periods of 2013 and 2012, respectively.

Restructuring
Restructuring costs were $0.1 million for the three months ended March 31, 2013 compared to $0.2 million in the same period of 2012. Restructuring costs in the first three months of 2013 related to our Newark, California facility that was closed effective December 31, 2012 to drive greater efficiency and leverage. Restructuring costs in the first three months of 2012 were primarily related to organizational changes in R&D designed to streamline operations and reduce the number of sites handling product development activities.

Integration costs
Integration costs were less than $0.1 million for the three months ended March 31, 2013 and were primarily related to integrating the Sagemcom business acquired in August 2012. Integration costs for the three months ended March 31, 2012 were $Nil.

Amortization
Amortization expense increased by $0.9 million, or 37.2%, in the three months ended March 31, 2013 compared to the same period of 2012. Amortization expense in the three-month period ended March 31, 2013 included $2.0 million of acquisition amortization compared to $1.4 million in the same period of 2012. The increase in acquisition amortization was related to the Sagemcom acquisition.

Foreign exchange gain (loss)
Foreign exchange loss was $2.4 million during the three months ended March 31, 2013 compared to a gain of $0.2 million in the same period of 2012. Foreign exchange loss for the three months ended March 31, 2013 included a net foreign exchange loss of $1.8 million on revaluation of an intercompany loan to a self-sustaining subsidiary.

Foreign exchange rate changes also impacted our Euro and Canadian dollar denominated revenue and operating expenses. We estimate that changes in exchange rates between 2013 and 2012 positively impacted our first quarter 2013 revenues by approximately $0.1 million; this was more than offset by a negative impact on operating expenses of approximately $0.2 million.

Income tax recovery
Income tax recovery increased by $1.3 million to $1.4 million in the three months ended March 31, 2013 compared to the same period of 2012, primarily driven by changes in relative taxable earnings amongst the different tax jurisdictions in which we operate.

Net loss from continuing operations
Net loss from continuing operations increased by $0.7 million to a net loss of $7.9 million in the three months ended March 31, 2013 compared to the same period of 2012. This increase reflects improved earnings from operations and higher income tax recovery, offset by the impact of a foreign exchange loss.

Net loss from continuing operations in the three months ended March 31, 2013 included stock-based compensation expense of $1.6 million and acquisition amortization of $3.4 million. Net loss from continuing operations in the three months ended March 31, 2012 included stock-based compensation expense of $1.4 million, and acquisition amortization of $3.0 million.

Net earnings (loss)
Net loss increased by $6.4 million to net loss of $6.1 million in the three months ended March 31, 2013, compared to the same period of 2012. The loss reflects the decrease in earnings from discontinued operations which fell from $7.6 million in the three months ended March 31, 2012 to $1.9 million in the same quarter of 2013.

Weighted average number of shares
The weighted average basic and diluted number of shares outstanding was 30.7 million for the three months ended March 31, 2013, compared to 31.2 million for the three months ended March 31, 2012.
The number of shares outstanding was 30.8 million at March 31, 2013, compared to 30.9 million at March 31, 2012. The reduction in number of shares outstanding was primarily due to purchases of 124,300 of the Company's common shares on the Toronto Stock Exchange (“TSX”) and NASDAQ during the first quarter of 2013, under our normal course issuer bid approved February 13, 2013.

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SUMMARY OF QUARTERLY RESULTS OF OPERATIONS

The following tables highlight selected 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, 2012. The selected 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)

	2013	2012 (1)				2011 (1)		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue	$101,401	$109,405	$100,183	$95,398	$92,335	$82,391	$85,363	$85,863
Cost of goods sold	68,023	73,172	69,097	65,317	64,461	57,206	57,855	60,713
Gross margin	33,378	36,233	31,086	30,081	27,874	25,185	27,508	25,150
Gross margin %	32.9%	33.1%	31.0%	31.5%	30.2%	30.6%	32.2%	29.3%
Expenses								
Sales and marketing	10,356	10,176	8,572	8,998	9,321	8,886	9,082	9,318
Research and development	18,363	16,294	15,886	14,674	14,931	14,801	15,528	14,873
Administration	8,123	7,743	8,013	8,562	8,459	7,694	8,346	8,635
Restructuring costs	117	42	498	1,531	180	(19)	881	(350)
Integration costs	27	—	—	—	—	—	121	765
Acquisition costs	—	387	2,196	599	—	—	—	—
Impairment of intangible asset	—	—	—	—	—	11,214	—	—
Amortization	3,276	3,107	2,649	2,275	2,387	2,620	2,447	2,794
	40,262	37,749	37,814	36,639	35,278	45,196	36,405	36,035
Operating income (loss) from continuing operations	(6,884)	(1,516)	(6,728)	(6,558)	(7,404)	(20,011)	(8,897)	(10,885)
Foreign exchange gain (loss)	(2,370)	1,608	1,176	336	206	(507)	(154)	(221)
Other income (expense)	(132)	35	(70)	10	(171)	20	68	(13)
Earnings (loss) from continuing operations before income tax	(9,386)	127	(5,622)	(6,212)	(7,369)	(20,498)	(8,983)	(11,119)
Income tax expense (recovery)	(1,448)	(15,396)	(2,010)	2,656	(124)	(68)	(1,632)	(327)
Net earnings (loss) from continuing operations	(7,938)	15,523	(3,612)	(8,868)	(7,245)	(20,430)	(7,351)	(10,792)
Net earnings from discontinued operations	1,863	4,083	7,279	12,449	7,590	6,668	6,353	4,013
Net earnings (loss)	(6,075)	19,606	3,667	3,581	345	(13,762)	(998)	(6,779)
Non-controlling interest	—	—	—	—	—	—	—	(13)
Net earnings (loss) attributable to the Company	$(6,075)	$19,606	$3,667	$3,581	$345	$(13,762)	$(998)	$(6,766)
Earnings (loss) per share - GAAP in dollars								

Basic	$(0.20)	$0.64	$0.12	$0.12	$0.01	$(0.44)	$(0.03)	$(0.22)
Diluted	$(0.20)	$0.64	$0.12	$0.12	$0.01	$(0.44)	$(0.03)	$(0.22)
Weighted average number of shares (in thousands)								
Basic	30,695	30,591	30,573	30,817	31,175	31,298	31,297	31,267
Diluted	30,695	30,774	30,573	30,817	31,175	31,298	31,297	31,267

(1) Quarterly information has been retrospectively adjusted to reflect the presentation of the AirCard business as discontinued operations.

See section on "Overview", for details of our first quarter of 2013 results compared to our first quarter of 2012 results.

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.

LIQUIDITY AND CAPITAL RESOURCES

Selected Financial Information

(in thousands of U.S. dollars)

	Three months ended March 31		
	2013	2012	Change
Cash flows provided before changes in non-cash working capital:	$5,837	$8,135	$(2,298)
Changes in non-cash working capital			
Accounts receivable	(6,643)	613	(7,256)
Inventories	7,354	3,224	4,130
Prepaid expense and other	(9,044)	716	(9,760)
Accounts payable and accrued liabilities	(3,079)	(7,085)	4,006
Deferred revenue and credits	28	(480)	508
	(11,384)	(3,012)	(8,372)
Cash flows provided by (used in):			
Operating activities	(5,547)	5,123	(10,670)
Investing activities	(2,847)	5,032	(7,879)
Capital expenditures and increase in intangible assets	(2,858)	(4,374)	1,516
Net change in short-term investments	—	9,345	(9,345)
Financing activities	100	(4,652)	4,752
Issue of common shares	2,104	14	2,090
Repurchase of common shares for cancellation	(1,377)	(3,037)	1,660
Purchase of treasury shares for RSU distribution	—	(987)	987

Operating Activities
Cash used by operating activities increased $10.7 million during the three months ended March 31, 2013, compared to the same period of 2012. The increase in cash used was primarily due to higher working capital requirements during the first three months of 2013 compared to the same period of 2012.

Investing Activities
Cash used by investing activities increased $7.9 million during the three months ended March 31, 2013, compared to the same period of 2012. The increase in investing activities was largely related to the net change in short-term investments, partially offset by lower capital expenditures in the three months ended March 31, 2013.

Cash used for the purchase of capital equipment was primarily for production and tooling equipment, research and development equipment, computer equipment and software, while cash used for intangible assets was driven primarily by patent registration costs and software licenses.

Financing Activities
Cash generated from financing activities increased $4.8 million during the three months ended March 31, 2013, compared to the same period of 2012. The increase in cash was primarily related to the issue of common shares in connection with higher number of stock option exercises, and reduced common share repurchases under our

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normal course issuer bid compared to a year earlier. In the three months ended March 31 2013, we purchased 124,300 common shares compared to 400,000 common shares in the same period of 2012.

Cash Requirements

Our near-term cash requirements are primarily related to funding our operations, capital expenditures, intellectual property ("IP") licenses, and other obligations discussed below. We continue to believe our cash and cash equivalents balance of $55.9 million at March 31, 2013 and cash generated from continuing operations will be sufficient to fund our expected working capital requirements for at least the next twelve months based on current business plans. Our capital expenditures during the second quarter of 2013 are expected to be primarily for research and development equipment, tooling, leasehold improvements, software licenses and patents. However, we cannot be certain that our actual cash requirements will not be greater than we currently expect. With the completion of the sale of the AirCard business on April 2, 2013, we expect to continue to purchase our common shares under our Normal Course Issuer Bid approved by the Toronto Stock Exchange on February 13, 2013.

The following table presents the aggregate amount of future cash outflows for contractual obligations as of March 31, 2013.

Payments due by period (In thousands of dollars)	2013	2014