



SIERRA
WIRELESS®

Q3 2021 | Third Quarter Report

For the three and nine months ended September 30



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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 and nine month periods ended September 30, 2021 and up to and including November 10, 2021. This MD&A should be read together with our unaudited interim consolidated financial statements and the accompanying notes for the three and nine month periods ended September 30, 2021 and September 30, 2020, respectively, and our audited annual consolidated financial statements and the accompanying notes for the year ended December 31, 2020 (collectively, "the consolidated financial statements"). The consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP" or "GAAP"). Except where otherwise specifically indicated, all amounts in this MD&A are expressed in United States dollars ("USD").

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 2020 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 fourth quarter fiscal 2021 guidance; our expectations regarding customer demand, our supply chain, manufacturing capacity (including manufacturing shutdowns or slowdowns) and the potential impact of COVID-19 in these areas; our ability to meet customer demand and our financial results; expectations regarding post-COVID-19 recovery; expectations regarding the Company's cost savings initiatives; 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; the impact of the ransomware incident on our business operations; our work to review and evaluate additional security measures and the ability that they will have to protect our IT systems; 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. We do not intend to update or revise our forward-looking statements except as required by applicable securities laws.

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”, “guidance”, “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:

- new management changes;*
- 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 globally;*
- expected component supply constraints and manufacturing capacity;*
- logistical constraints impacting our ability to receive supply from our suppliers and deliver product to our customers;*
- 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 and restructuring 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 further ransomware or cyber security attacks;
- 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;*
- *cyber-attacks or other breaches of our and our vendors' information technology security;*
- *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;*
- *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;*
- *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 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 in 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 is a leading IoT solutions provider. By combining edge devices, connectivity services and cloud software into simple, integrated IoT solutions, we enable organizations to unlock value in the connected economy.

Customers start with Sierra because we offer a broad portfolio of edge-to-cloud solutions, comprised of embedded and networking devices seamlessly integrated with network connectivity services and cloud software. Original Equipment Manufacturers ("OEMs"), industrial companies, public safety agencies and enterprises worldwide rely on our expertise to deliver these fully integrated solutions to reduce complexity, turn data into intelligence, and get connected products and services quickly to market.

Our products and solutions enable businesses of any size to improve operational efficiency, create better customer experiences, improve their business models and create new revenue streams. Whether it is an integrated solution to help a business securely connect edge devices to the cloud, or a software/application programming interface ("API") service to help manage processes associated with connected assets, or a platform to extract real-time data to make the best business decisions, Sierra Wireless works to develop the right industry-specific solution for our customers next IoT endeavor.

We have been the first to market with many technology solutions in the wireless IoT space, including the world's fastest, lowest power, and smallest cellular modules; intelligence at the edge with integrated embedded processing and an open source application framework; cloud-managed fourth generation ("4G") Long-Term Evolution ("LTE") routers and gateways; embedded smart subscriber identification modules ("SIMs") with flexible connectivity options, and the world's first multi-network fifth generation ("5G") vehicle router. We hold over 220 patents in wireless technologies.

Our business, comprised of our recurring connectivity services, cloud platform, gateways, and embedded cellular modules, has a history of innovation. With R&D centers in North America, Europe, and Asia and our continued focus on technology leadership, we remain dedicated to developing innovative IoT solutions that connect thousands of businesses to critical data, and millions of people to information.

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.

COVID-19 Impact

In light of the ongoing COVID-19 pandemic, we have continued to focus on the health of our employees, partners, and customers. Maintaining the continuity of our business operations while ensuring the health and safety of our teams has been critical. We have also worked to develop and promote products and solutions that we believe will best serve communities as they deal with the challenges of COVID-19, including the transformation of medical care with connectivity.

As COVID-19 continues to significantly impact economies around the world, it creates 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, with some of our customers 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, including adjusting order lead-times for our industrial customers and distributors.

We see global supply chain tightness from key suppliers and manufacturing challenges that are constraining our ability to fully deliver and meet demand. We do not expect the global supply chain tightness to alleviate in the near term. During the third quarter we experienced manufacturing capacity constraints in Vietnam as a result of

COVID-19, which are improving in the fourth quarter. While our manufacturing capacity has improved in the fourth quarter to date and we expect to build and ship more modules and gateways including from our new Mexico manufacturing site, the ongoing potential impact of Covid-19 and tight supply chain makes for an uncertain operating environment. See "Risks and Uncertainties - Our business, financial condition, and results of operations have been and will continue to be adversely affected by the ongoing COVID-19 pandemic" below.

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 of 2020 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 and (other than as discussed above) without major interruptions, and have also taken measures to reduce our operating expenditures.

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 (including new variants of concern), the duration of the outbreak, business closures or business disruptions, public health restrictions on travel and in-person interactions, and the effectiveness of vaccination campaigns and other actions to contain and treat the disease in North America, 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 "Risks and Uncertainties – Our business, financial condition, and results of operations have been and will continue to be adversely affected by the ongoing COVID-19 pandemic" below.

Ransomware Incident

On March 20, 2021, Sierra Wireless was the subject of a ransomware incident affecting our internal IT systems and corporate website. As a result of the incident, we temporarily halted production at our manufacturing sites. We immediately engaged a leading team of external legal counsel and forensic investigators to support us with our investigation, and identify, isolate and address the incident.

We have since enhanced our security and monitoring tools with an added layer of protection that is intended to detect and identify malicious activity and assist us in cleaning any potentially compromised systems. While initially suspended, our factory production resumed less than a week after the incident was discovered. Our internal teams continued to work with our external advisors to review, evaluate, and implement additional security measures to further protect our systems. Ensuring the safety and security of our systems remains one of our top priorities. The investigation into the impact of the ransomware incident has been completed. However, there can be no assurance that further impacts to our internal controls or operations will not be identified.

See also "Risks and Uncertainties - Cyber-attacks or other breaches of information technology security could have an adverse impact on our business" below.

Contributing to our Global Community

Throughout the COVID-19 pandemic, a number of our products and solutions have been used to both improve patient and worker safety, and provide and maintain much needed connectivity throughout the world. Some of these products and solutions are mentioned below and include:

- Our AirLink® range of cellular routers and gateways which have allowed paramedics in Germany to provide real-time video and data streaming to and from patients, enabling remote patient diagnosis and treatment. They have also enabled the remote monitoring of other medical equipment such as blood analysis machines.
- Our Ready-to-Connect LTE Cat-1 module with Smart Connectivity has helped to enable automated sanitization for hotels, restaurants and offices keeping consumers and workers safe.
- Wireless Fidelity (“Wi-Fi”) hotspots using our routers were set up in Los Angeles to help reduce the infection rates of COVID-19 among the homeless population.
- Our AirLink® routers have also been helping to keep cancer patients safe during the pandemic by enabling remote tumor treatment for patients, minimizing patient interactions with medical staff which could expose the cancer patients and increase their risk of infection.
- Our AirLink® LX40 routers and Smart Connectivity service has been used to help improve pandemic management enabling rapid COVID-19 tests in the United Kingdom through a new genetic testing service. This new testing service gives a result in just over an hour and is able to be remotely monitored.
- Our products have also helped to improve patient safety in Korea by enabling a monitoring system for ventilators which allows multiple ventilators to be monitored at the same time, remotely.
- Our modules are helping to keep people safe by connecting robotic scrubbers in San Diego, California as a cleaning solution for airports, malls and retail spaces. This is helping to ensure that workers are not put at risk of infection while having to clean these spaces.
- In the City of Tucson, our AirLink® RV55 routers have enabled underserved communities’ access to online education, employment and family services. More than 20,000 families in Tucson, Arizona, United States of America lacked broadband access for school and work, with the pandemic compounding the issue exponentially.
- With schools and students having limited internet access during the pandemic, our AirLink® MP70 routers have enabled students to continue learning throughout the pandemic with remote internet access hotspots, and have equipped homes throughout the United States of America to better enable distance learning.
- With most schools also having to give lessons online to students at home during the pandemic, we were able to help keep schools online with reliable connectivity in New South Wales, Australia so that they remained operational during network outages. Our AirLink® RV55X router ensured the schools had 4G failover and minimal downtime in case an outage should occur.

In addition, 7 out of the top 10 State Police Agencies in the U.S. use Sierra Wireless’ connectivity, and more than half of the top 100 police departments in the U.S. rely on Sierra Wireless’ routers in cruisers and incident response vehicles.

This is just a snapshot of some of the ways that Sierra Wireless’ products and solutions have been contributing to communities around the world, particularly throughout the pandemic.

Change in Reportable Segments

For 2020 and 2019, we operated our business under two reportable segments (i) IoT Solutions and (ii) Embedded Broadband. During the first quarter of 2021, we revised our reportable segments to better reflect the way the Company manages its business and reorganized our reportable segments to align our various businesses for future growth and to streamline operations. We now classify our operations into the following two reportable segments: (i) IoT Solutions (New) and (ii) Enterprise Solutions. We have retroactively restated prior period information to align with this new segmentation.

IoT Solutions (New)

Our new IoT Solutions segment includes our cellular wireless IoT module solutions, IoT connectivity services, and embedded broadband solutions.

Our world-class and market leading portfolio of cellular wireless IoT modules provide OEMs with 5G, 4G LTE, third generation/second generation ("3G/2G"), Low Power Wide Area ("LPWA"), Wi-Fi, Bluetooth and Global Navigation Satellite System ("GNSS") connectivity with simple, scalable and secure solutions that accelerate product development and deployment. This portfolio of secure IoT modules feature built-in edge-to-cloud connectivity and both cloud and industrial APIs. These and other advanced features enable OEMs to simplify product development, integration, and deployment, helping them quickly prototype and deliver new connected products to market. All Sierra Wireless modules feature built-in security, minimizing risk for customers and reducing the time and resources they need to invest in meeting certification requirements.

Furthermore, for connecting industrial assets, we have Octave®, an all-in-one edge-to-cloud solution that enables customers to securely extract, orchestrate, and act on data from their equipment to the cloud. With Octave, customers can focus on their data, simplify IoT application development and de-risk their IoT deployments. Octave was named the winner of Mobile Breakthrough's 'IoT Innovation of the Year' award in 2020.

We also offer IoT connectivity services that help customers simplify their IoT journey, whether their machines or other connected assets are regionally located or globally dispersed. Our Enhanced Carrier Connectivity service optimizes and simplifies North American deployments, with multi-carrier options for IoT deployments in the US, Canada, and Mexico and a single point of accountability for connectivity management. Our Smart Connectivity service accelerates global IoT deployments, while making it easy for customers to maintain a secure connection to assets anywhere in the world. Both services leverage Sierra Wireless' 24/7/365 Global Network Operation Center based in Atlanta, Georgia and our partnerships with more than 600 networks in more than 190 countries.

Our embedded broadband solutions are comprised of our industrial-grade modules that provide unprecedented speed, bandwidth and network performance for connecting to the world's 5G and 4G networks. These high-speed modules are typically used in non-industrial applications, namely mobile computing, and enterprise networking.

In the second quarter of 2021, we announced our new HL78 Series Long-Term Evolution for Machines and Narrowband Internet of Things modules. The HL78 Series includes the HL7845 module for smart energy solutions, and the HL7810 and HL7812 for battery powered and low power deployments that require deep area coverage such as smart city applications, asset tracking, commercial buildings, manufacturing, healthcare, and agriculture. These modules offer best-in-class power consumption and the highest level of security, while minimizing the risk of industrial IoT deployment.

With our first-to-market fifth generation new radio ("5G NR"), Sub-6 Gigahertz, millimeter wave 5G IoT modules, we enable many new applications that require secure connectivity worldwide, and in the second quarter of 2021 we announced our next generation of 5G modules, the EM92 Series. These new 5G modules feature 3rd Generation Partnership Project ("3GPP") Release 16 standard capabilities, and provide secure connectivity worldwide at the highest possible speeds and with low latency for mobile computing, routers, gateways, industrial automation, commercial video surveillance, healthcare, public safety, and new IoT applications.

Sierra Wireless has a successful track record of pioneering wireless innovations and we are committed to delivering new 5G solutions to support network rollouts. Our expertise, portfolio of integrated end-to-end solutions, and strong partnerships help customers move past the complexities of IoT to drive new revenue streams, new services and new business models. We have a strong customer base, and we make it simple for our customers to embed high-speed cellular technologies and manage these devices through our IoT cloud platform. Our 5G EM Series modules have been designed to connect to 5G networks around the world, and our EM91 Series modules have already been certified to operate by 5G mobile network operators in North America, Europe, and Asia.

Enterprise Solutions

Our Enterprise Solutions include our range of Sierra Wireless AirLink® routers, IoT gateways, IoT applications and advanced network management, managed connectivity services, and mobility applications. These secure 4G LTE and 5G NR networking solutions support mission critical applications in key industries such as retail, financial services, field service, smart grid/ smart metering, oil and gas, transportation, and public safety. We have a broad range of cellular gateways and routers complemented by our cloud-based services and software for secure management.

In the fourth quarter of 2020, we launched the world's first multi-network 5G vehicle router primarily for the transportation and public safety industries. The MG90 5G provides secure, always-on mobile connectivity for mission-critical first responder, field service and transit applications, and is purpose-built for demanding high-speed multi-network vehicle needs. The AirLink® MG90 5G delivers the best-in-class user experience, performance, and reliability that the top public safety agencies rely on to ensure safety and save lives.

In the second quarter of 2021, we launched our most advanced 5G router portfolio, the XR Series. The first two routers in the XR Series, the XR90 and the XR80, enable customers to leverage the higher data speeds and lower latency of 5G, required for real-time video streaming and voice communications in mission-critical environments and high performance business-critical 5G applications. The XR Series delivers the full performance of 5G across any network (5G, Wi-Fi 6, Ethernet) whether used for mobile applications or primary, temporary, or backup fixed wireless connectivity.

Our gateway solutions address a broad range of 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, GNSS, and FirstNet.

We offer asset, fleet, and cargo tracking; offender and remote monitoring; and alarm communications. These solutions and services also benefit from our IoT cloud platform services, which customers can use to help connect devices to mobile networks, manage their devices and build new IoT applications. These applications are market-ready and include all the components of an IoT solution, including edge-to-cloud devices, connectivity, and software applications, with a quick time to market and easy deployment in the field.

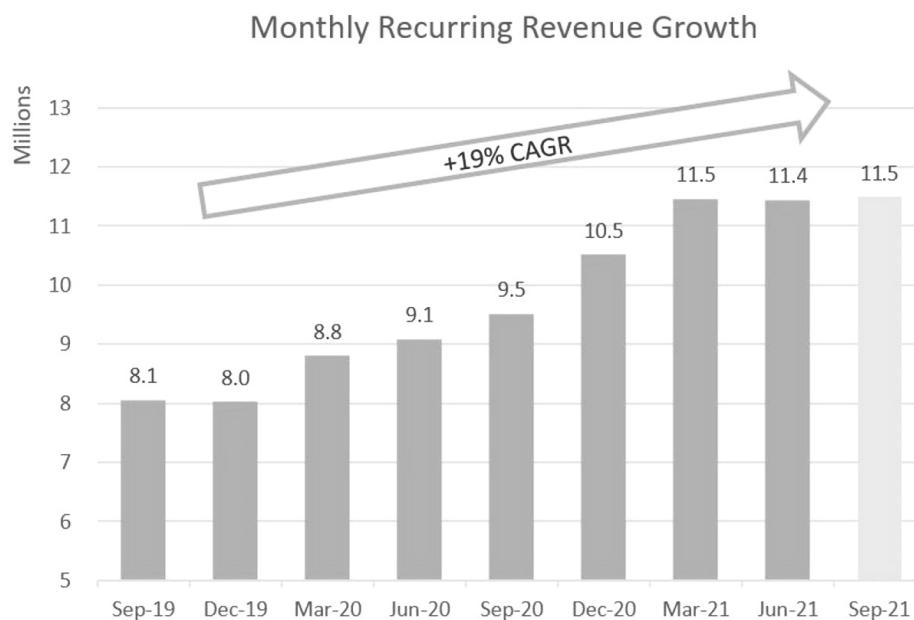
In the second quarter of 2021, we launched Acculink™, a new managed IoT solution for asset tracking which offers advanced capabilities to track the location and condition of high-value and sensitive assets anywhere in the world. Acculink™ has also been integrated with Microsoft Azure IoT Central, providing a managed solution bundling both the hardware and platform bringing simplicity, extra functionality, and capabilities for customers.

Our managed connectivity solutions provide customers with reliable and secure wireless broadband connectivity when and where they need it, by combining our industry-leading hardware portfolio with multi-network connectivity access. With the solution expertly installed by certified installers and managed 24/7/365 by our team of wireless professionals, we provide customers with everything they need for connectivity, with a single monthly price and guaranteed service levels.

We also provide a cloud platform that includes advanced reporting and analytics. Our AirLink® cellular routers and IoT gateway solutions are integrated tightly with our AirLink® management service. These and other industry-leading capabilities have enabled us to achieve a leading position in the global cellular wireless IoT gateway market.

Key Performance Metric

In the first quarter of 2021, we introduced a key performance metric to measure our performance and growth in our recurring revenue, both to help investors better understand and assess the performance of our business and also because our mix of revenue generated from recurring sources has increased in recent years. Monthly Recurring Revenue ("MRR"²), is defined as the monthly subscription revenue, including usage fees from current subscribers.



(1) CAGR is the compounded annual growth rate over the time period specified.

(2) MRR does not have any standardized meaning and is therefore unlikely to be comparable to similarly titled measures presented by other companies. MRR should be viewed independently of revenue and deferred revenue and is not intended to be combined with or to replace either of those items. MRR is not a forecast.

Third Quarter Overview

Key highlights for the third quarter of 2021:

Corporate:

- On July 12, 2021, we announced that our Board of Directors has appointed Philip Brace as our new President and CEO, effective July 26, 2021. Our former President and CEO, Kent Thexton, stayed on at Sierra Wireless until August 13, 2021 to complete the transition.
- On November 8, 2021, we announced a series of organizational changes to further streamline and improve the overall business performance of the company. Pravin Desale has been appointed as our SVP Engineering. Roy McLean, whose previous role was SVP Customer Experience and Quality, has been appointed SVP Operations. Jim Ryan, whose previous role was SVP Partnerships, Marketing, and GM for IoT Solutions, has been appointed SVP Product, Partnerships, and Marketing. Steve Harmon, whose previous role was SVP Americas Sales, has been appointed SVP Global Sales. Philippe Guillemette (CTO), Marc Overton (CSO and SVP EMEA and APAC Sales), James Armstrong (SVP and GM Enterprise Solutions), and Stefan Hockley (VP Global Human Resources) will be leaving the organization.

Enterprise Solutions:

- On July 13, 2021, we announced that our managed IoT solution, Acculink™, has been successfully integrated with Microsoft Azure IoT Central. Acculink™ helps companies to track the location and condition of high-value and sensitive assets.

IoT Solutions:

- On July 8, 2021, we announced that our EM9190 5G NR embedded module has been integrated into Mobile Viewpoint's new Agile Ultra 5G mobile encoder. Mobile Viewpoint is among the first companies to bring to market a 5G mobile encoder able to remotely transmit live 4K Ultra-High-Definition (UHD) video from sporting, news, and other outside events.
- On September 21, 2021, we announced that our EM9191 5G New Radio module has been integrated into mobile video encoders from AVIWEST, a leading provider of live and recorded video contribution systems.
- On October 14, 2021, we announced with STMicroelectronics an agreement that will enable the STM32 microcontroller (MCU) user community to leverage flexible cellular IoT connectivity and edge-to-cloud solutions from us.
- On October 20, 2021, we announced the availability of our 5G managed network service in the United States, offering customers the superior speed and ultra-low latency of 5G cellular wireless connectivity for their business-critical applications.

CONSOLIDATED RESULTS OF OPERATIONS

The following table sets forth our consolidated statements of operations for the three and nine months ended September 30, 2021 and 2020. We have retroactively restated prior period information to align with our new segmentation.

(In thousands of U.S. dollars, except where otherwise stated)	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Revenue				
IoT Solutions	53,657	79,345	218,544	225,356
Enterprise Solutions	28,793	34,026	104,753	102,754
	82,450	113,371	323,297	328,110
Cost of sales				
IoT Solutions	42,981	56,757	161,357	161,553
Enterprise Solutions	15,320	17,162	53,833	51,172
	58,301	73,919	215,190	212,725
Gross margin	24,149	39,452	108,107	115,385
<i>Gross margin %</i>	29.3 %	34.8 %	33.4 %	35.2 %
Expenses				
Sales and marketing	18,574	20,072	59,818	64,818
Research and development	16,238	17,699	50,652	61,151
Administration	10,410	11,199	37,534	35,111
Restructuring	369	3,089	4,663	3,940
Acquisition-related and integration	(26)	140	255	325
Impairment	11,544	—	11,544	—
Amortization	4,294	5,040	13,307	15,755
	61,403	57,239	177,773	181,100
Loss from operations	(37,254)	(17,787)	(69,666)	(65,715)
Foreign exchange (loss) gain	(2,601)	3,659	(5,717)	4,269
Other expense	(463)	(988)	(2,352)	(1,463)
Loss before income taxes	(40,318)	(15,116)	(77,735)	(62,909)
Income tax recovery	(1,912)	(633)	(755)	(3,925)
Net loss from continuing operations	(38,406)	(14,483)	(76,980)	(58,984)
Net earnings (loss) from discontinued operations	459	2,456	(778)	8,687
Net loss	(37,947)	(12,027)	(77,758)	(50,297)
Basic and diluted net earnings (loss) per share (in dollars)				
Continuing operations	(1.03)	(0.40)	(2.08)	(1.62)
Discontinued operations	0.01	0.07	(0.02)	0.24
	(1.02)	(0.33)	(2.10)	(1.38)
Weighted average number of shares of shares (in thousands) - basic and diluted	37,196	36,417	36,976	36,345
Product revenue	47,207	83,560	219,191	244,688
Connectivity, software and services	35,243	29,811	104,106	83,422
Non-GAAP Financial Measures⁽¹⁾:				
Adjusted EBITDA	(14,958)	(7,094)	(15,021)	(32,036)
Adjusted loss from continuing operations	(20,678)	(11,724)	(31,419)	(43,961)
Basic and diluted adjusted loss per share from continuing operations (in dollars)	(0.56)	(0.32)	(0.85)	(1.21)

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

DISCUSSION OF QUARTERLY CONSOLIDATED RESULTS OF OPERATIONS

On November 18, 2020, we completed the sale of our Automotive Business. Results of operations described below exclude operating results of our Automotive Business as they are classified as discontinued operations.

Three and Nine Months Ended September 30, 2021 Compared to Same Periods of 2020

Revenue from continuing operations

Revenue decreased by \$30.9 million, or 27.3%, to \$82.5 million in the third quarter of 2021 compared to the same period of 2020. The decrease was primarily attributable to manufacturing capacity constraints in Vietnam as previously discussed, partially offset by the growth of IoT connectivity services.

Revenue decreased by \$4.8 million, or 1.5%, to \$323.3 million in the first nine months of 2021 compared to the same period of 2020. The decrease was primarily attributable to manufacturing capacity constraints in Vietnam as previously discussed, partially offset by continued growth in IoT connectivity services.

(In thousands of U.S. dollars, except where otherwise stated)	Three months ended September 30,				Nine months ended September 30,			
	2021		2020		2021		2020	
	\$	% of Revenue	\$	% of Revenue	\$	% of Revenue	\$	% of Revenue
Product	47,207	57.3 %	83,560	73.7 %	219,191	67.8 %	244,688	74.6 %
Connectivity, software, and services	35,243	42.7 %	29,811	26.3 %	104,106	32.2 %	83,422	25.4 %
	82,450	100.0 %	113,371	100.0 %	323,297	100.0 %	328,110	100.0 %

Product revenue decreased by \$36.4 million, or 43.5%, to \$47.2 million in the third quarter of 2021 compared to the same period of 2020. Product revenue decreased by \$25.5 million, or 10.4%, to \$219.2 million in the first nine months of 2021 compared to the same period of 2020. The decreases were primarily due to manufacturing capacity constraints in Vietnam as previously discussed.

Connectivity, software, and services revenue increased by \$5.4 million, or 18.2%, to \$35.2 million in the third quarter of 2021 compared to the same period of 2020. Connectivity, software, and services revenue increased by \$20.7 million, or 24.8%, to \$104.1 million in the first nine months of 2021 compared to the same period of 2020. The increases were primarily due to growth in IoT connectivity services.

(In thousands of U.S. dollars, except where otherwise stated)	Three months ended September 30,				Nine months ended September 30,			
	2021		2020		2021		2020	
	\$	% of Revenue	\$	% of Revenue	\$	% of Revenue	\$	% of Revenue
Americas	39,900	48.4 %	47,293	41.7 %	145,205	44.9 %	147,620	45.0 %
Europe, Middle East and Africa	13,332	16.2 %	18,586	16.4 %	55,235	17.1 %	56,534	17.2 %
Asia-Pacific	29,218	35.4 %	47,492	41.9 %	122,857	38.0 %	123,956	37.8 %
	82,450	100.0 %	113,371	100.0 %	323,297	100.0 %	328,110	100.0 %

Revenue to the Americas decreased by \$7.4 million, or 15.6%, to \$39.9 million in the third quarter of 2021 compared to the same period of 2020. Revenue to the Americas decreased by \$2.4 million, or 1.6%, to \$145.2 million in the first nine months of 2021 compared to the same period of 2020. The decreases were primarily due to manufacturing capacity constraints in Vietnam as previously discussed.

Revenue to Europe, Middle East and Africa decreased by \$5.3 million, or 28.3%, to \$13.3 million in the third quarter of 2021 compared to the same period of 2020. Revenue to Europe, Middle East and Africa decreased by \$1.3 million, or 2.3%, to \$55.2 million in the first nine months of 2021 compared to the same period of 2020. The decreases were primarily due to manufacturing capacity constraints in Vietnam as previously discussed.

Revenue to Asia-Pacific decreased by \$18.3 million, or 38.5%, to \$29.2 million in the third quarter of 2021 compared to the same period of 2020. Revenue to Asia-Pacific decreased by \$1.1 million, or 0.9%, to \$122.9 million in the first nine months of 2021 compared to the same period of 2020. The decreases were primarily due to manufacturing capacity constraints in Vietnam as previously discussed.

We operate our business under two reportable segments: (i) IoT Solutions (New) and (ii) Enterprise Solutions. In the first quarter of 2021, we transitioned to these two reportable segments from the two segments we were reporting on previously. See "Business Overview - Change in Reportable Segments" for more details.

IoT Solutions revenue

IoT Solutions segment revenue decreased by \$25.7 million, or 32.4% to \$53.7 million in the third quarter of 2021 compared to the same period of 2020. IoT Solutions segment revenue decreased by \$6.8 million, or 3.0% to \$218.5 million in the first nine months of 2021 compared to the same period of 2020. The decreases were primarily due to manufacturing capacity constraints in Vietnam as previously discussed.

Enterprise Solutions revenue

Enterprise Solutions segment revenue decreased by \$5.2 million, or 15.4% to \$28.8 million in the third quarter of 2021 compared to the same period of 2020. The decrease was primarily due to manufacturing capacity constraints in Vietnam as previously discussed.

Enterprise Solutions segment revenue increased by \$2.0 million, or 1.9% to \$104.8 million in the first nine months of 2021 compared to the same period of 2020. The increase was primarily due to improved sales enterprise gateway products in the first six months of 2021, partially offset by manufacturing capacity constraints in Vietnam as previously discussed.

Gross margin

Gross margin for the third quarter of 2021 was 29.3% as compared to 34.8% for the same period of 2020. Gross margin for the first nine months was 33.4% compared to 35.2% for the same period of 2020. The decreases were primarily impacted by fixed costs spread over lower production volumes, increased component costs, and certain non-recurring COVID-19 costs in Vietnam.

IoT Solutions gross margin for the third quarter of 2021 was 19.9% compared to 28.5% for the same period of 2020. IoT Solutions gross margin for the first nine months of 2021 was 26.2% compared to 28.3% for the same period of 2020. These decreases were due to factors described previously.

Enterprise Solutions margin was 46.8% in the third quarter of 2021 compared to 49.6% in the same period of 2020. Enterprise Solutions margin was 48.6% in the first nine months of 2021 compared to 50.2% in the same period of 2020. These decreases were due to factors described previously.

Sales and marketing

Sales and marketing expense decreased by \$1.5 million, or 7.5%, to \$18.6 million in the third quarter of 2021 compared to the same period of 2020. Sales and marketing expense decreased by \$5.0 million, or 7.7%, to \$59.8 million in the first nine months of 2021 compared to the same period of 2020. The decreases were primarily driven by various restructuring initiatives we commenced in the third quarter of 2020 to reduce operating expenses in

conjunction with the sale of our Automotive Business in the fourth quarter of 2020 and lower stock based compensation costs.

Sales and marketing expense included stock-based compensation and related social taxes of \$0.3 million and \$1.6 million in the third quarter of 2021 and 2020, respectively, and \$2.6 million and \$3.5 million in the first nine months of 2021 and 2020, respectively.

Research and development

R&D expense decreased by \$1.5 million, or 8.3%, to \$16.2 million in the third quarter of 2021 and by \$10.5 million, or 17.2%, to \$50.7 million in the first nine months of 2021 compared to the same periods of 2020. The decreases were primarily driven by various restructuring initiatives as described above, partially offset by lower government subsidies.

R&D expense included stock-based compensation and related social taxes of \$0.4 million and \$1.0 million in the third quarter of 2021 and 2020, respectively, and \$2.3 million and \$2.5 million in the first nine months of 2021 and 2020, respectively.

Administration

Administration expense decreased by \$0.8 million, or 7.0%, to \$10.4 million in the third quarter of 2021 compared to the same period in 2020. The decrease was primarily driven by various restructuring initiatives as described above and lower stock based compensation costs.

Administration expense increased by \$2.4 million, or 6.9%, to \$37.5 million in the first nine months of 2021 compared to the same period in 2020. The increase was primarily due to separation costs related to our CEO's retirement and search, including higher stock-based compensation in connection with accelerated vesting of equity awards, partially offset by the favorable impact of restructuring initiatives as described above.

Administration expense included stock-based compensation and related social taxes of \$1.0 million and \$2.4 million in the third quarter of 2021 and 2020, respectively, and \$8.3 million and \$5.4 million in the first nine months of 2021 and 2020, respectively.

Restructuring

Restructuring expense of \$0.4 million and \$4.7 million in the third quarter and first nine months of 2021, respectively, and \$3.1 million and \$3.9 million in the third quarter and first nine months of 2020, respectively, were primarily related to our initiative announced in the third quarter of 2020 to reduce operating expenses in conjunction with the sale of our Automotive Business and other initiatives.

Impairment

During the third quarter and first nine months of 2021, the Company recorded an impairment expense of \$11.5 million resulting from the expected sunset of 2G/3G networks in Sweden which will impact the connectivity offering of our Maingate group. Our Maingate group is part of our IoT Solutions reportable segment. As the carrying value of the Swedish connectivity asset group was higher than the estimated fair value, which was based on discounted future cash flows, an impairment expense was recognized.

Amortization

Amortization expense decreased by \$0.7 million, or 14.8%, and by \$2.4 million, or 15.5%, in the third quarter and first nine months of 2021, respectively, compared to the same periods of 2020. The decreases were primarily due to fully depreciated acquisition related assets.

Foreign exchange gain (loss)

Foreign exchange loss for the third quarter and first nine months of 2021 was \$2.6 million and \$5.7 million, respectively, due to the decrease in the value of the Euro compared to the U.S. dollar. Foreign exchange gain for the third quarter and first nine months of 2020 was \$3.7 million and \$4.3 million, respectively, due to the increase in the value of the Euro and the Australian dollar compared to the U.S. dollar.

Income tax recovery

Income tax recovery of \$1.9 million and \$0.8 million in the third quarter and first nine months of 2021, respectively, included a tax recovery of \$2.4 million from the impairment of intangible assets as described previously.

Income tax recovery of \$0.6 million and \$3.9 million in the third quarter and first nine months of 2020, respectively, included a tax recovery of \$nil and \$2.3 million under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which was enacted March 27, 2020 in the United States and a notional income tax recovery (corresponding notional income tax expense recorded under discontinued operations) of \$0.9 million and \$3.2 million, respectively, as a result of the sale of our Automotive Business.

Net loss from continuing operations

In the third quarter of 2021, net loss from continuing operations was \$38.4 million compared to \$14.5 million in the same period of 2020. The increase in net loss was primarily attributable to lower revenue, lower gross margin, impairment expense, and foreign exchange loss, partially offset by lower sales and marketing, research and development, administration, and restructuring costs as described above.

In the first nine months of 2021, net loss from continuing operations was \$77.0 million compared to \$59.0 million in the same period of 2020. The increase in net loss was primarily attributable to lower gross margin, higher administration, impairment expense, and foreign exchange loss, partially offset by lower sales and marketing and research and development as described above.

Net earnings (loss) from discontinued operations

Net earnings from discontinued operations was \$0.5 million and net loss of \$0.8 million in the third quarter and first nine months of 2021, respectively, compared to net earnings of \$2.5 million and \$8.7 million in the same periods of 2020. We completed the sale of our Automotive Business in November 2020.

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, except as indicated in section "Impact of Accounting Pronouncements Affecting Current Period". 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)	2021				2020				2019
	Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1	Q4
Revenue	82,450	132,785	108,062	448,588	120,478	113,371	111,718	103,021	125,107
Cost of sales	58,301	86,554	70,335	289,837	77,112	73,919	70,710	68,096	80,347
Gross margin	24,149	46,231	37,727	158,751	43,366	39,452	41,008	34,925	44,760
<i>Gross margin %</i>	29.3 %	34.8 %	34.9 %	35.4 %	36.0 %	34.8 %	36.7 %	33.9 %	35.8 %
Expenses									
Sales and marketing	18,574	21,423	19,821	86,481	21,663	20,072	21,192	23,554	21,070
Research and development	16,238	16,930	17,484	82,029	20,878	17,699	22,065	21,387	20,787
Administration	10,410	11,025	16,099	48,513	13,402	11,199	12,122	11,790	11,273
Restructuring	369	1,720	2,574	8,740	4,800	3,089	245	606	2,251
Acquisition-related and integration	(26)	72	209	440	115	140	185	—	274
Impairment	11,544	—	—	—	—	—	—	—	877
Amortization	4,294	4,389	4,624	20,584	4,829	5,040	5,324	5,391	5,356
	61,403	55,559	60,811	246,787	65,687	57,239	61,133	62,728	61,888
Loss from operations	(37,254)	(9,328)	(23,084)	(88,036)	(22,321)	(17,787)	(20,125)	(27,803)	(17,128)
Foreign exchange (loss) gain	(2,601)	1,143	(4,259)	8,003	3,734	3,659	3,544	(2,934)	1,661
Other expense	(463)	(1,246)	(643)	(2,027)	(564)	(988)	(283)	(192)	(111)
Loss before income tax	(40,318)	(9,431)	(27,986)	(82,060)	(19,151)	(15,116)	(16,864)	(30,929)	(15,578)
Income tax (recovery) expense	(1,912)	605	552	(11,909)	(7,984)	(633)	427	(3,719)	(262)
Net loss from continuing operations	(38,406)	(10,036)	(28,538)	(70,151)	(11,167)	(14,483)	(17,291)	(27,210)	(15,316)
Net earnings (loss) from discontinued operations	459	85	(1,322)	20,810	12,123	2,456	1,684	4,547	4,398
Net earnings (loss)	(37,947)	(9,951)	(29,860)	(49,341)	956	(12,027)	(15,607)	(22,663)	(10,918)
Basic and diluted net earnings (loss) per share (in dollars)									
Continuing operations	\$ (1.03)	\$ (0.27)	\$ (0.78)	\$ (1.93)	\$ (0.31)	\$ (0.40)	\$ (0.48)	\$ (0.75)	\$ (0.42)
Discontinued operations	0.01	—	(0.04)	0.57	0.33	0.07	0.05	0.13	0.12
	\$ (1.02)	\$ (0.27)	\$ (0.81)	\$ (1.36)	\$ 0.03	\$ (0.33)	\$ (0.43)	\$ (0.62)	\$ (0.30)
Weighted average number of shares (in thousands) - basic and diluted	37,196	36,992	36,736	36,393	36,534	36,417	36,341	36,277	36,222
Product revenue	47,207	97,595	74,389	332,544	87,856	83,560	84,820	76,308	99,024
Connectivity, software and services	35,243	35,190	33,673	116,044	32,622	29,811	26,898	26,713	26,083
Non-GAAP Financial Measures⁽¹⁾:									
Adjusted EBITDA	(14,958)	4,334	(4,397)	(34,930)	(2,894)	(7,094)	(8,734)	(16,208)	(3,193)
Adjusted earnings (loss) from continuing operations	(20,678)	(1,116)	(9,625)	(50,967)	(7,006)	(11,724)	(13,023)	(19,214)	(6,883)
Basic and diluted adjusted earnings (loss) per share from continuing operations (in dollars)	\$ (0.56)	\$ (0.03)	\$ (0.26)	\$ (1.40)	\$ (0.19)	\$ (0.32)	\$ (0.36)	\$ (0.53)	\$ (0.19)

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

See "Consolidated Results of Operations" in this MD&A, for details of our results for the third quarter of 2021 compared to results for the third quarter of 2020.

Our quarterly results may fluctuate from quarter to quarter, driven by variation in sales volume, product mix, the combination of variable and fixed operating expenses, as well as the impact of acquisitions completed in the current and prior quarters and other factors.

LIQUIDITY AND CAPITAL RESOURCES

Selected Consolidated Financial Information:

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

	Three months ended September 30,		Nine months ended September 30,	
(In thousands of U.S. dollars)	2021	2020	2021	2020
Cash flows provided by (used in):				
Operating activities	\$ (48,448)	\$ (7,682)	\$ (83,576)	\$ (8,435)
Investing activities	(4,275)	(2,891)	(16,158)	(32,256)
Financing activities	10,205	19,110	5,184	33,077
Free Cash Flow ⁽¹⁾	(52,774)	(10,601)	(99,505)	(22,552)

⁽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 \$40.8 million to \$48.4 million in the third quarter of 2021 compared to the same period of 2020. Cash used in operating activities before changes in working capital was \$17.0 million in the third quarter of 2021 compared to cash used of \$2.2 million in the same period of 2020, primarily driven by the impact of manufacturing constraints in Vietnam as previously discussed. Cash used by changes in working capital was \$31.4 million in the third quarter of 2021 compared to cash used of \$5.5 million in the same period of 2020. Working capital requirements were higher due to investments in inventory given the industry-wide supply constraints.

Cash used in operating activities increased by \$75.1 million to \$83.6 million in the first nine months of 2021 compared to the same period of 2020. Cash used in operating activities before changes in working capital was \$25.5 million in the first nine months of 2021 compared to \$16.8 million in the same period of 2020, primarily driven by the impact of manufacturing constraints in Vietnam as previously discussed. Cash used by changes in working capital was \$58.1 million in the first nine months of 2021 compared to cash provided by changes in working capital of \$8.4 million in the same period of 2020. Non-cash working capital was impacted negatively in the first nine months of 2021 by higher working capital requirements due to investments in inventory given the industry-wide supply constraints.

Investing Activities

Cash used in investing activities increased by \$1.4 million to \$4.3 million in the third quarter of 2021 compared to the same period of 2020, primarily due higher capital expenditures.

Cash used in investing activities decreased by \$16.1 million to \$16.2 million in the first nine months of 2021 compared to the same period of 2020. The decrease in cash used was primarily due to the acquisition of M2M Group for \$18.4 million in 2020, partially offset by higher capital expenditures due to the purchase of 5G research and development equipment.

Capital expenditures of \$4.3 million and \$15.9 million in the third quarter and first nine months of 2021, respectively, were primarily for research and development equipment, production and computer equipment, software licenses, and network equipment.

Financing Activities

Cash provided by financing activities was \$10.2 million in the third quarter of 2021 compared to \$19.1 million in the same period of 2020. Net cash provided by financing activities in the third quarter of 2021 included \$9.9 million proceeds from the term loan described below, while 2020 included net drawings from our Revolving Facility described below of \$10.0 million and a term loan of \$9.4 million.

Cash provided by financing activities was \$5.2 million in the first nine months of 2021 compared \$33.1 million in the same period of 2020. The decrease was primarily due to \$25.0 million proceeds from our Revolving Facility in 2020 and an increase in purchase of treasury shares for RSU distribution in 2021.

Free Cash Flow

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

Free cash flow for the third quarter and first nine months of 2021 were deficits of \$52.8 million and \$99.5 million, respectively, compared to deficits of \$10.6 million and \$22.6 million, respectively, in the same periods of 2020. The increases in deficits were primarily due to the increases in cash used in operating activities described previously.

Cash Requirements

Our near-term cash requirements are primarily related to funding our operations, including inventory and other working capital items, capital expenditures, restructuring expenditures, and other obligations. Due to COVID-19 related impacts on manufacturing at our third party manufacturer in Vietnam as described previously (see "Business Overview - COVID-19 Impact") our electronic components inventory increased in the third quarter of 2021, which increased our capital requirement for working capital. In addition, cash will be used for share purchases to settle certain restricted share units ("RSU") and may also be used to finance acquisitions of businesses in line with our strategy. 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 September 30, 2021, our Revolving Facility (as defined below) with the Canadian Imperial Bank of Commerce ("CIBC") had a credit limit of \$30 million as discussed below. Borrowings greater than \$10 million under the Revolving Facility would require a waiver due to a financial covenant related to trailing profitability. On September 29th, we added a \$12.5 million Canadian term loan. See "Credit Facilities" below for details.

We continue to believe our cash and cash equivalents balance of \$72.3 million as at September 30, 2021, combined with our undrawn availability under our Revolving Facility and receivable purchase facility, will be sufficient to fund our expected working capital, purchases of shares for future RSU settlement, capital expenditures, and restructuring expenditures for at least the next twelve months based on current business plans. Total market RSUs outstanding as at September 30, 2021 was 2,624,209, vesting 62% in 2022, 22% in 2023 and 16% in 2024.

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, 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 September 30, 2021:

<i>Payments due by period (in thousands of U.S. dollars)</i>	Total	Remaining 2021	2022	2023	2024	2025	Thereafter
Operating lease obligations	\$ 20,983	\$ 1,236	\$ 2,980	\$ 3,349	\$ 1,915	\$ 1,608	\$ 9,895
Finance lease obligations	62	13	15	15	10	7	2
Purchase obligations - Contract Manufacturers ⁽¹⁾	120,220	120,220	—	—	—	—	—
Purchase obligations - Mobile Network Operators ⁽²⁾	5,059	2,399	1,659	934	67	—	—
Purchase obligation - Cloud Computing Service ⁽³⁾	1,744	654	1,090	—	—	—	—
Other long-term liabilities	385	—	385	—	—	—	—
Total	\$ 148,453	\$ 124,522	\$ 6,129	\$ 4,298	\$ 1,992	\$ 1,615	\$ 9,897

(1) Purchase obligations represent obligations with certain contract manufacturers and suppliers to buy a minimum amount of designated products between October 2021 and March 2022. 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 October 2021 and August 2024.

(3) Purchase obligation represents obligation with a supplier to purchase a minimum amount of cloud computing services between October 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.

<i>(in thousands of U.S. dollars)</i>	2021			2020			
	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
Cash and cash equivalents	\$ 72,346	\$ 113,747	\$ 110,052	\$ 160,560	\$ 68,943	\$ 60,111	\$ 70,334
Unused committed revolving credit facility ⁽¹⁾	30,000	30,000	30,000	50,000	25,000	35,000	5,000
Total	\$ 102,346	\$ 143,747	\$ 140,052	\$ 210,560	\$ 93,943	\$ 95,111	\$ 75,334

(1) Borrowings greater than \$10 million under the Revolving Facility would require a waiver due to a financial covenant related to trailing profitability.

As at September 30, 2021, we have committed capital expenditures of \$2.9 million (Dec 31, 2020 - \$5.6 million). Our capital expenditures during the fourth quarter of 2021 are expected to be primarily for production, computer equipment, and software.

Credit Facilities

We have a committed senior secured revolving credit facility (the “Revolving Facility”) with CIBC as sole lender and as Administrative Agent. On February 17, 2021, we entered into an amending agreement to the Revolving Facility with CIBC, which reduced the total borrowing capacity under the Revolving Facility to \$30 million from \$50 million. The Revolving Facility matures on April 30, 2023 and may 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 not subject to a borrowing base. The Revolving Facility contains customary affirmative, negative and financial covenants. Borrowings greater than \$10 million under the Revolving Facility would require a waiver due to a financial covenant related to trailing profitability. As at September 30, 2021, there were no outstanding borrowings under the Revolving Facility (December 31, 2020 - \$nil).

On September 29, 2021, we 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 plus 2.50% per annum. 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, September 29, 2026. Under the terms, the proceeds from the Loan are to be used to exclusively fund the operational cash flow needs of the Company, including normal scheduled principal and interest payments on the CIBC credit facilities. As at September 30, 2021, we had \$9.9 million (Cdn\$ 12.5 million) outstanding on the Loan of which \$0.2 million is in the current portion.

Letters of Credit

We have access to a standby letter of credit facility of \$2.0 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 September 30, 2021, letters of credit issued against the revolving standby letter of credit facility were for a total value of \$1.25 million (December 31, 2020 - \$1.35 million).

Accounts Receivables Purchase Agreement

We have an uncommitted Receivables Purchase Agreement (the “RPA”) with CIBC, as purchaser, to increase our liquidity. 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 \$32.1 million and \$77.0 million Receivables in the three and nine months ended September 30, 2021, respectively (three and nine months ended September 30, 2020 - \$42.5 million and \$128.9 million). As at September 30, 2021, \$14.1 million remained outstanding to be remitted to CIBC (December 31, 2020 - \$19.4 million), including \$3.1 million we collected from Receivables that we previously sold and have not remitted to CIBC due to timing of settlement dates (December 31, 2020 - \$0.8 million). We recorded \$3.1 million in *Restricted cash* in the consolidated balance sheets with a corresponding increase in accrued liabilities. Discount fees, which are included in *Other expense* in the consolidated statements of operations, were \$38,000 and \$96,000 for the three and nine months ended September 30, 2021, respectively (three and nine months ended September 30, 2020 - \$78,000 and \$349,000).

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, CEO retirement/search, impairment, the ransomware incident, COVID-19 factory constraint incremental costs, 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, CEO retirement/search, impairment, the ransomware incident, COVID-19 factory constraint incremental costs, 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 be available to 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 provides a reconciliation of the non-GAAP financial measures to U.S. GAAP results for the three and nine months ended September 30, 2021 and 2020:

(in thousands of U.S. dollars, except where otherwise stated)	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Net loss from continuing operations - GAAP	\$ (38,406)	\$ (14,483)	\$ (76,980)	\$ (58,984)
Stock-based compensation and related social taxes	1,820	5,085	13,555	11,541
Phantom RSU (recovery) expense	(69)	261	706	476
Restructuring	369	3,089	4,663	3,940
Acquisition-related and integration	(26)	140	255	325
COVID-19 government relief	(168)	(6,298)	(3,233)	(6,298)
CEO retirement/search	42	—	2,097	—
Impairment	11,544	—	11,544	—
Ransomware incident	271	—	1,939	—
COVID-19 factory constraint incremental costs	1,135	—	1,135	—
Other non-recurring costs	349	299	1,169	538
Amortization	7,208	8,030	21,783	23,579
Interest and other expense, net	192	988	413	1,463
Foreign exchange loss (gain), net of realized gain/loss on hedge contracts	2,693	(3,572)	6,688	(4,691)
Income tax recovery	(1,912)	(633)	(755)	(3,925)
Adjusted EBITDA	\$ (14,958)	\$ (7,094)	\$ (15,021)	\$ (32,036)
Net loss from continuing operations - GAAP	\$ (38,406)	\$ (14,483)	\$ (76,980)	\$ (58,984)
Stock-based compensation and related social taxes	1,820	5,085	13,555	11,541
Phantom RSU (recovery) expense	(69)	261	706	476
Restructuring	369	3,089	4,663	3,940
Acquisition-related and integration	(26)	140	255	325
COVID-19 government relief	(168)	(6,298)	(3,233)	(6,298)
CEO retirement/search	42	—	2,097	—
Impairment	11,544	—	11,544	—
Ransomware incident	271	—	1,939	—
COVID-19 factory constraint incremental costs	1,135	—	1,135	—
Other non-recurring costs	349	299	1,169	538
Acquisition-related amortization	2,776	3,555	8,801	11,330
Foreign exchange loss (gain), net of realized gain/loss on hedge contracts	2,693	(3,572)	6,688	(4,691)
Income tax (recovery) expense adjustment	(3,008)	200	(3,758)	(2,138)
Adjusted loss from continuing operations	\$ (20,678)	\$ (11,724)	\$ (31,419)	\$ (43,961)
Weighted average number of shares (in thousands) - basic and diluted	37,196	36,417	36,976	36,345
Basic and diluted adjusted net loss per share from continuing operations (in dollars)	\$ (0.56)	\$ (0.32)	\$ (0.85)	\$ (1.21)

The following table 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)	2021			2020				2019
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Net loss from continuing operations - GAAP	\$(38,406)	\$(10,036)	\$(28,538)	\$(11,167)	\$(14,483)	\$(17,291)	\$(27,210)	\$(15,316)
Stock-based compensation and related social taxes	1,820	3,807	7,928	6,461	5,085	3,256	3,200	1,773
Phantom RSU (recovery) expense	(69)	569	206	691	261	141	74	35
Restructuring	369	1,720	2,574	4,800	3,089	245	606	2,251
Acquisition-related and integration	(26)	72	209	115	140	185	—	274
COVID-19 government relief	(168)	(1,016)	(2,049)	(954)	(6,298)	—	—	—
CEO retirement/search	42	400	1,655	—	—	—	—	—
Impairment	11,544	—	—	—	—	—	—	877
Ransomware incident	271	1,135	533	—	—	—	—	—
COVID-19 factory constraint incremental costs	1,135	—	—	—	—	—	—	—
Other non-recurring costs	349	521	299	330	299	152	87	795
Amortization	7,208	7,267	7,308	7,054	8,030	7,823	7,726	7,849
Interest and other expense, net	192	111	110	564	988	283	192	111
Foreign exchange loss (gain), net of realized gain/loss on hedge contracts	2,693	(821)	4,816	(2,804)	(3,572)	(3,955)	2,836	(1,580)
Income tax (recovery) expense	(1,912)	605	552	(7,984)	(633)	427	(3,719)	(262)
Adjusted EBITDA	\$(14,958)	\$ 4,334	\$ (4,397)	\$ (2,894)	\$ (7,094)	\$ (8,734)	\$(16,208)	\$ (3,193)
Net loss from continuing operations - GAAP	\$(38,406)	\$(10,036)	\$(28,538)	\$(11,167)	\$(14,483)	\$(17,291)	\$(27,210)	\$(15,316)
Stock-based compensation and related social taxes	1,820	3,807	7,928	6,461	5,085	3,256	3,200	1,773
Phantom RSU (recovery) expense	(69)	569	206	691	261	141	74	35
Restructuring	369	1,720	2,574	4,800	3,089	245	606	2,251
Acquisition-related and integration	(26)	72	209	115	140	185	—	274
COVID-19 government relief	(168)	(1,016)	(2,049)	(954)	(6,298)	—	—	—
CEO retirement/search	42	400	1,655	—	—	—	—	—
Impairment	11,544	—	—	—	—	—	—	877
Ransomware incident	271	1,135	533	—	—	—	—	—
COVID-19 factory constraint incremental costs	1,135	—	—	—	—	—	—	—
Other non-recurring costs	349	521	299	330	299	152	87	795
Acquisition-related amortization	2,776	2,890	3,135	3,306	3,555	3,886	3,889	3,593
Foreign exchange loss (gain), net of realized gain/loss on hedge contracts	2,693	(821)	4,816	(2,804)	(3,572)	(3,955)	2,836	(1,580)
Income tax (recovery) expense adjustment	(3,008)	(357)	(393)	(7,784)	200	358	(2,696)	415
Adjusted loss from continuing operations	\$(20,678)	\$ (1,116)	\$ (9,625)	\$ (7,006)	\$(11,724)	\$(13,023)	\$(19,214)	\$ (6,883)
Weighted average number of shares (in thousands) - basic and diluted	37,196	36,992	36,736	36,534	36,417	36,341	36,277	36,222
Basic and diluted adjusted net loss per share from continuing operations (in dollars)	\$ (0.56)	\$ (0.03)	\$ (0.26)	\$ (0.19)	\$ (0.32)	\$ (0.36)	\$ (0.53)	\$ (0.19)

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

<i>(in thousands of U.S. dollars)</i>	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Cash flows used in operating activities	\$ (48,448)	\$ (7,682)	\$ (83,576)	\$ (8,435)
Capital expenditures and increase in intangible assets	(4,326)	(2,919)	(15,929)	(14,117)
Free Cash Flow	\$ (52,774)	\$ (10,601)	\$ (99,505)	\$ (22,552)

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 three and nine months ended September 30, 2021.

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. On an ongoing basis, we evaluate our estimates and judgments, including those related to business combinations, revenue recognition, valuation of goodwill and intangible assets (see the consolidated financial statements note 2), income taxes, royalty obligations, 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 discussion on the accounting policies and estimates that require management's most difficult, subjective and complex judgments, and which are subject to a degree of measurement uncertainty, can be found in our 2020 annual MD&A, a copy of which is available on SEDAR at www.sedar.com and the SEC's website at www.sec.gov.

OUTSTANDING SHARE DATA

As of November 9, 2021, we had 37,654,515 common shares issued and outstanding, 872,585 stock options outstanding exercisable into common shares at a weighted average exercise price of \$17.94 and 1,337,756 restricted treasury share units (42,463 of which include performance-based vesting at a multiple not to exceed 200%) outstanding that could result in the issuance of up to 1,380,219 common shares. The 1,337,756 restricted treasury share units include 946,180 units which were converted from our market based restricted share unit plan to our treasury restricted share unit plan subsequent to September 30, 2021.

IMPACT OF ACCOUNTING PRONOUNCEMENTS AFFECTING CURRENT PERIOD

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 adopted ASU 2019-12 on January 1, 2021 and applied the new standard in determining tax expense

for the three and nine months ended September 30, 2021. The adoption of this standard did not have a material impact on our consolidated financial statements and notes thereto and prior periods were not impacted.

IMPACT OF ACCOUNTING PRONOUNCEMENTS AFFECTING FUTURE PERIODS

In March 2020, the FASB issued an update to ASU 2020-04 *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, which addresses the effects of reference rate reform on financial reporting. ASU 2020-04 is effective for all entities as of March 12, 2020 through to December 31, 2022. This would apply to companies meeting certain criteria that have contracts, hedging relationships and other transactions that reference London Interbank Offered Rate (LIBOR) or another reference rate expected to be discontinued because of reference rate reform. This change will impact our Revolving Facility and RPA with CIBC, and requires a mutual agreement between the Company and CIBC on a successor rate once the LIBOR ceases being published. The Company is currently assessing the potential impact of the foregoing on its consolidated financial statements.

INTERNAL CONTROL OVER FINANCIAL REPORTING

As a result of the ransomware incident, we made changes to certain internal controls during the first and second quarter of 2021. Certain controls and procedures were temporarily modified in order to resume production during the period that our internal systems were impacted. Following the restoration of certain internal systems, we believe that our internal control environment is operating similar to the period prior to the ransomware incident. The investigation into the impact of the ransomware incident has been completed. However, there can be no assurance that further impacts to our internal controls or operations will not be identified.

Other than the modifications to the internal control environment described above, which we believe to be temporary, we did not make any significant changes in our internal control over financial reporting during the three and nine months ended September 30, 2021 that materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting. The design of any system of controls and procedures is based in part upon certain assumptions about the likelihood of certain events occurring. There can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

During 2021, certain of our employees continue to work from home as the COVID-19 situation evolves in each jurisdiction. Management has concluded that these work from home arrangements have not materially affected the Company's internal controls in the three and nine months ended September 30, 2021. 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, and accounts payable and accrued liabilities.

We have exposure to the following financial 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. See “Business Overview - COVID-19 Impact” above.

Financial instruments that potentially subject us to concentrations of credit risk are primarily accounts receivable. We perform on-going credit evaluations of our customers' 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 September 30, 2021, we had foreign currency forward contracts totaling \$35.1 million Canadian dollars to purchase Canadian dollars with an average forward rate of 1.2769, maturing between October 2021 and December 2022.

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.

RISKS AND UNCERTAINTIES

Sierra Wireless and its future business, operations, and financial condition are subject to various risks and uncertainties. Except as set forth below, certain of these risks and uncertainties are under the heading "Risk Factors" under Sierra Wireless' 2020 Annual Information Form, which is available on SEDAR at www.sedar.com and on EDGAR at www.sec.gov.

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

As discussed above, on March 20, 2021, we were the subject of a ransomware incident on our internal IT systems. 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 in the future cause disruptions to our operations including the ability to manufacture and deliver products and 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 or conducting ransomware attacks, such as the ransomware incident that we experienced during Q1 of this year. 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, the loss, theft or unauthorized processing of personal information, or disruption of our operations or 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.

Our business, financial condition, and results of operations have been and will continue to be adversely affected by the ongoing 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 and other factors outside of our control also affected our manufacturing and component supplier partners globally due to factory closures, employees working remotely and logistical challenges, as well as varying employee vaccination rates and vaccine effectiveness against emerging variants of concern. 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. In particular, during our third quarter, our contract device manufacturer in Vietnam faced COVID-related interruptions, resulting in production interruptions and reduced output. While production has resumed at the Vietnam facility and we increased our resilience by adding additional capacity at multiple locations, including our new Mexico site for gateways and routers, the ongoing impact of these interruptions is highly uncertain. Further, logistics supporting the transportation of goods remains a challenge.

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 availability from our partners and suppliers;
- logistical constraints impacting our ability to receive supply from our suppliers and deliver product to our customers; 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 (including new

variants of concern), the duration of the outbreak, business closures or business disruptions, public health restrictions on travel and in-person interactions, and the effectiveness of vaccination campaigns and other actions to contain and treat the disease in North America, 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.

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

	<i>Three months ended September 30,</i> <i>(note 1)</i>		<i>Nine months ended September 30,</i> <i>(note 1)</i>	
	2021	2020	2021	2020
Revenue (note 6)				
IoT Solutions	\$ 53,657	\$ 79,345	\$ 218,544	\$ 225,356
Enterprise Solutions	28,793	34,026	104,753	102,754
	82,450	113,371	323,297	328,110
Cost of sales (note 6)				
IoT Solutions	42,981	56,757	161,357	161,553
Enterprise Solutions	15,320	17,162	53,833	51,172
	58,301	73,919	215,190	212,725
Gross margin	24,149	39,452	108,107	115,385
Expenses				
Sales and marketing	18,574	20,072	59,818	64,818
Research and development	16,238	17,699	50,652	61,151
Administration	10,410	11,199	37,534	35,111
Restructuring (note 7)	369	3,089	4,663	3,940
Acquisition-related and integration	(26)	140	255	325
Impairment (note 8)	11,544	—	11,544	—
Amortization	4,294	5,040	13,307	15,755
	61,403	57,239	177,773	181,100
Loss from operations	(37,254)	(17,787)	(69,666)	(65,715)
Foreign exchange (loss) gain	(2,601)	3,659	(5,717)	4,269
Other expense (note 9)	(463)	(988)	(2,352)	(1,463)
Loss before income taxes	(40,318)	(15,116)	(77,735)	(62,909)
Income tax recovery (note 10)	(1,912)	(633)	(755)	(3,925)
Net loss from continuing operations	\$ (38,406)	\$ (14,483)	\$ (76,980)	\$ (58,984)
Net earnings (loss) from discontinued operations (note 5)	459	2,456	(778)	8,687
Net loss	\$ (37,947)	\$ (12,027)	\$ (77,758)	\$ (50,297)
Other comprehensive income (loss):				
Foreign currency translation adjustments, net of taxes of \$nil	(960)	2,670	(2,627)	2,122
Comprehensive loss	\$ (38,907)	\$ (9,357)	\$ (80,385)	\$ (48,175)
Basic and diluted net earnings (loss) per share (in dollars)(note 12)				
Continuing operations	\$ (1.03)	\$ (0.40)	\$ (2.08)	\$ (1.62)
Discontinued operations	0.01	0.07	(0.02)	0.24
	\$ (1.02)	\$ (0.33)	\$ (2.10)	\$ (1.38)
Weighted average number of shares outstanding (in thousands) (note 12)				
Basic	37,196	36,417	36,976	36,345
Diluted	37,196	36,417	36,976	36,345

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)
(unaudited)

	<i>September 30, 2021</i>	<i>December 31, 2020</i>
Assets		
Current assets		
Cash and cash equivalents	\$ 72,346	\$ 160,560
Restricted cash	3,193	10,864
Accounts receivable (notes 13 and 14)	52,457	68,575
Inventories (note 15)	71,191	32,815
Prepays and other (note 16)	26,003	11,933
	225,190	284,747
Property and equipment, net	31,945	31,412
Operating lease right-of-use assets	15,849	20,068
Intangible assets, net (note 8)	57,355	78,081
Goodwill	169,619	175,545
Deferred income taxes	1,072	1,135
Other assets	8,103	10,383
	\$ 509,133	\$ 601,371
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (notes 5, 7, and 17)	137,750	162,138
Deferred revenue (note 14)	10,671	9,862
Current portion of long-term debt (note 20(b))	246	—
	148,667	172,000
Long-term obligations (notes 5 and 18)	42,534	45,646
Operating lease liabilities	15,457	17,054
Long-term debt (note 20(b))	9,662	—
Deferred income taxes	7,340	10,258
	223,660	244,958
Equity		
Shareholders' equity		
Common stock: no par value; unlimited shares authorized; issued and outstanding: 37,238,177 shares (December 31, 2020 - 36,619,439 shares)	452,350	441,999
Preferred stock: no par value; unlimited shares authorized; issued and outstanding: nil shares	—	—
Treasury stock: at cost; 8,542 shares (December 31, 2020 – 46,505 shares)	(136)	(542)
Additional paid-in capital	50,557	49,489
Retained deficit	(209,091)	(128,953)
Accumulated other comprehensive loss (note 19)	(8,207)	(5,580)
	285,473	356,413
	\$ 509,133	\$ 601,371

Commitments and contingencies (note 21)

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

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

Three and nine months ended September 30, 2021

	Common Stock		Treasury Stock		Additional paid-in capital	Retained deficit	Accumulated other comprehensive income/(loss)	Total
	# of shares	\$	# of shares	\$				
Balance as at December 31, 2020	36,619,439	\$ 441,999	46,505	\$ (542)	\$ 49,489	\$ (128,953)	\$ (5,580)	\$ 356,413
Stock option exercises	205,554	3,997	—	—	(1,195)	—	—	2,802
Stock-based compensation	—	—	—	—	8,515	—	—	8,515
Purchase of treasury shares for RSU distribution	—	—	201,000	(3,933)	—	—	—	(3,933)
Distribution of vested RSUs	66,292	1,019	(132,659)	2,420	(3,428)	(957)	—	(946)
Net loss	—	—	—	—	—	(29,860)	—	(29,860)
Foreign currency translation adjustments, net of tax	—	—	—	—	—	—	(2,900)	(2,900)
Balance as at March 31, 2021	36,891,285	\$ 447,015	114,846	\$ (2,055)	\$ 53,381	\$ (159,770)	\$ (8,480)	\$ 330,091
Stock option exercises	58,064	1,134	—	—	(336)	—	—	798
Stock-based compensation	—	—	—	—	3,722	—	—	3,722
Purchase of treasury shares for RSU distribution	—	—	228,500	(3,530)	—	—	—	(3,530)
Distribution of vested RSUs	214,393	2,970	(301,581)	5,073	(6,943)	(1,219)	—	(119)
Net loss	—	—	—	—	—	(9,951)	—	(9,951)
Foreign currency translation adjustments, net of tax	—	—	—	—	—	—	1,233	1,233
Balance as at June 30, 2021	37,163,742	\$ 451,119	41,765	\$ (512)	\$ 49,824	\$ (170,940)	\$ (7,247)	\$ 322,244
Stock option exercises (note 11)	34,589	686	—	—	(206)	—	—	480
Stock-based compensation (note 11)	—	—	—	—	1,767	—	—	1,767
Purchase of treasury shares for RSU distribution	—	—	7,000	(111)	—	—	—	(111)
Distribution of vested RSUs	39,846	545	(40,223)	487	(828)	(204)	—	—
Net loss	—	—	—	—	—	(37,947)	—	(37,947)
Foreign currency translation adjustments, net of tax	—	—	—	—	—	—	(960)	(960)
Balance as at September 30, 2021	37,238,177	\$ 452,350	8,542	\$ (136)	\$ 50,557	\$ (209,091)	\$ (8,207)	\$ 285,473

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

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

Three and nine months ended September 30, 2020

	Common Stock		Treasury Stock		Additional paid-in capital	Retained deficit	Accumulated other comprehensive income/(loss)	Total
	# of shares	\$	# of shares	\$				
Balance as at December 31, 2019 as previously reported	36,233,361	\$ 435,532	44,487	\$ (370)	\$ 38,212	\$ (78,833)	\$ (13,216)	\$ 381,325
Effect of adoption of ASC 326	—	—	—	—	—	(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-based compensation	—	—	—	—	3,182	—	—	3,182
Purchase of treasury shares for RSU distribution	—	—	3,600	(26)	—	—	—	(26)
Distribution of vested RSUs	103,431	1,927	(42,280)	348	(2,851)	—	—	(576)
Net loss	—	—	—	—	—	(22,663)	—	(22,663)
Foreign currency translation adjustments, net of tax	—	—	—	—	—	—	(4,866)	(4,866)
Balance as at March 31, 2020	36,336,792	\$ 437,459	5,807	\$ (48)	\$ 38,543	\$ (102,275)	\$ (18,082)	\$ 355,597
Stock-based compensation	—	—	—	—	3,276	—	—	3,276
Purchase of treasury shares for RSU distribution	—	—	23,000	(194)	—	—	—	(194)
Distribution of vested RSUs	8,899	149	(18,533)	156	(354)	—	—	(49)
Net loss	—	—	—	—	—	(15,607)	—	(15,607)
Foreign currency translation adjustments, net of tax	—	—	—	—	—	—	4,318	4,318
Balance as at June 30, 2020	36,345,691	\$ 437,608	10,274	\$ (86)	\$ 41,465	\$ (117,882)	\$ (13,764)	\$ 347,341
Stock option exercises	81,516	1,241	—	—	(358)	—	—	883
Stock-based compensation (note 11)	—	—	—	—	5,667	—	—	5,667
Purchase of treasury shares for RSU distribution	—	—	45,000	(544)	—	—	—	(544)
Distribution of vested RSUs	64,145	1,154	(11,295)	122	(1,841)	—	—	(565)
Net loss	—	—	—	—	—	(12,027)	—	(12,027)
Foreign currency translation adjustments, net of tax	—	—	—	—	—	—	2,670	2,670
Balance as at September 30, 2020	36,491,352	\$ 440,003	43,979	\$ (508)	\$ 44,933	\$ (129,909)	\$ (11,094)	\$ 343,425

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)
(unaudited)

	<i>Three months ended September 30,</i>		<i>Nine months ended September 30,</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
Cash flows provided by (used in):				
Operating activities				
Net loss	\$ (37,947)	\$ (12,027)	\$ (77,758)	\$ (50,297)
Items not requiring (providing) cash				
Amortization	7,208	8,269	21,783	25,292
Stock-based compensation (note 11)	1,767	5,667	14,004	12,125
Deferred income tax (recovery) expense	(2,378)	153	(2,381)	144
Impairment (note 8)	11,544	—	11,544	—
Unrealized foreign exchange loss (gain)	2,841	(4,278)	7,002	(3,917)
Other	(45)	54	292	(153)
Changes in non-cash working capital				
Accounts receivable	22,049	(27,524)	14,853	(1,236)
Inventories	(24,375)	9,330	(38,610)	(2,225)
Prepays and other	(928)	8,273	(12,012)	2,614
Accounts payable and accrued liabilities	(28,532)	4,589	(23,037)	10,622
Deferred revenue	348	(188)	744	(1,404)
Cash flows used in operating activities	(48,448)	(7,682)	(83,576)	(8,435)
Investing activities				
Additions to property and equipment	(3,187)	(2,416)	(11,868)	(12,143)
Additions to intangible assets	(1,139)	(503)	(4,061)	(1,974)
Proceeds from sale of property and equipment	51	28	90	252
Acquisition of M2M Group, net of cash acquired (note 4(a))	—	—	—	(18,391)
Acquisition of M2M New Zealand, net of cash acquired (note 4(b))	—	—	(319)	—
Cash flows used in investing activities	(4,275)	(2,891)	(16,158)	(32,256)
Financing activities				
Issuance of common shares, net of issuance cost	481	883	4,082	883
Purchase of treasury shares for RSU distribution	(111)	(544)	(7,574)	(764)
Taxes paid related to net settlement of equity awards	—	(565)	(1,057)	(1,191)
Decrease in other long-term obligations	(73)	(47)	(175)	(234)
Proceeds from short-term borrowings (note 20(b))	—	10,000	—	25,000
Proceeds from long-term debt (note 20(b))	9,908	9,383	9,908	9,383
Cash flows provided by financing activities	10,205	19,110	5,184	33,077
Effect of foreign exchange rate changes on cash and cash equivalents	(429)	978	(1,335)	503
Cash, cash equivalents and restricted cash, (decrease) increase in the period	(42,947)	9,515	(95,885)	(7,111)
Cash, cash equivalents and restricted cash, beginning of period	118,486	62,457	171,424	79,083
Cash, cash equivalents and restricted cash, end of period	\$ 75,539	\$ 71,972	\$ 75,539	\$ 71,972

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

SIERRA WIRELESS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(In thousands of U.S. dollars, except where otherwise stated)
(unaudited)

1. BASIS OF PRESENTATION

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles ("U.S. GAAP"), on a basis consistent with those followed in the December 31, 2020 audited annual consolidated financial statements, except as indicated in note 2 and note 6. These unaudited interim consolidated financial statements do not include all information and note disclosures required by U.S. GAAP for annual financial statements, and therefore should be read in conjunction with the December 31, 2020 audited consolidated financial statements and the notes thereto. The accompanying interim financial information reflects all adjustments, consisting of normal recurring adjustments, which, in the opinion of management, are necessary for a fair presentation of results for the interim period.

The unaudited interim consolidated financial statements include the accounts of Sierra Wireless, Inc. and its subsidiaries, all of which are wholly-owned, from their respective dates of acquisition of control. All intercompany transactions and balances have been eliminated on consolidation. In these notes to the unaudited interim consolidated financial statements, unless the context otherwise requires, references to the "Company", "Sierra Wireless", "we", "us" and "our" refer to Sierra Wireless, Inc. and its subsidiaries.

In these unaudited interim consolidated financial statements, unless otherwise indicated, all dollar amounts are expressed in United States dollars (U.S. dollars). The term dollars and the symbol "\$" refer to U.S. dollars.

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, a consortium led by Fibocom Wireless Inc. of Shenzhen. In accordance with U.S. GAAP, the results of operations of the automotive business have been presented as discontinued operations in the Company's consolidated statements of operations and comprehensive loss for the three and nine months ended September 30, 2021 and 2020.

COVID-19 Impact

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. As COVID-19 continues to significantly impact economies around the world, it creates significant uncertainty regarding the nearer term outlook for the markets where we provide our products and services. In future periods, the effects of the pandemic may have material impacts on our financial results and the recoverable amount of our reporting units.

Ransomware Incident

On March 20, 2021, Sierra Wireless was the subject of a ransomware incident on our internal IT systems and corporate website. As a result of the incident, we temporarily halted production at our manufacturing sites. Certain controls and procedures were temporarily modified in order to resume production during the period that our internal systems were impacted. The investigation into the impact of the ransomware incident has been completed. However, there can be no assurance that further impacts to our internal controls or operations will not be identified.

SIERRA WIRELESS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2. ACCOUNTING STANDARDS

Recently implemented 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 adopted ASU 2019-12 on January 1, 2021 and applied the new standard in determining tax expense for the three and nine months ended September 30, 2021. The adoption of this standard did not have a material impact on our consolidated financial statements and notes thereto and prior periods were not impacted.

Changes in future accounting standards

In March 2020, the FASB issued an update to ASU 2020-04 *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, which addresses the effects of reference rate reform on financial reporting. ASU 2020-04 is effective for all entities as of March 12, 2020 through to December 31, 2022. This would apply to companies meeting certain criteria that have contracts, hedging relationships and other transactions that reference London Interbank Offered Rate (LIBOR) or another reference rate expected to be discontinued because of reference rate reform. This change will impact our Revolving Facility and RPA with CIBC and requires a mutual agreement between the Company and CIBC on a successor rate once the LIBOR ceases being published. The Company is currently assessing the potential impact upon adoption of the foregoing on its consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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.

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. 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.

Following the Company's reorganization of its reporting structure (see note 6), the composition of our reporting units have changed. The Company has reassigned assets and liabilities to the new reporting units and has reassigned goodwill to the new reporting units using a relative fair value allocation approach. As at January 1, 2021, the carrying value of goodwill of our new IoT Solutions and Enterprise Solutions reporting unit is \$78.4 million and \$97.1 million, respectively.

We performed two goodwill impairment tests, one immediately before and one after January 1, 2021, the effective date the Company reorganized its reporting structure. We assessed the recoverability of goodwill as at January 1, 2021 for each of the identified reporting units and determined that the fair value of each of the reporting units exceeded its carrying value under both scenarios. We did not identify any indicators of

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impairment for the three and nine months ended September 30, 2021 that would require an interim goodwill impairment test.

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.

During the third quarter of 2021, due to the sunset of the 2G/3G networks in Sweden which will impact our Swedish connectivity offering under our Maingate group, we performed a recoverability test and recorded an impairment expense (note 8).

Comparative Figures

Certain comparative figures presented in the interim consolidated financial statements have been reclassified to conform with current period presentation. We reclassified certain *Accounts Payable and Accrued Liabilities* balances previously presented as of December 31, 2020. From 'Other' we reclassified \$11,073 to 'Trade payables and accruals' and \$8,897 to 'Sales credits' to better reflect the nature of balances (see note 17).

4. ACQUISITIONS

(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.

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

	<i>Amount</i>
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

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:

	<i>Estimated useful life</i>		<i>Amount</i>
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 \$4,005, comprised of cash consideration to the shareholders of \$3,605 for 100% of the equity of M2M New Zealand, of which \$319 related to a tax holdback that we paid to the sellers in June 2021, plus a \$400 cash holdback amount to be released to the sellers on December 15, 2021 to secure 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.

SIERRA WIRELESS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(In thousands of U.S. dollars, except where otherwise stated)
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The following table summarizes the preliminary values assigned to the assets acquired at the acquisition date:

	<i>Amount</i>
Assets acquired	
Cash	\$ 218
Net working capital	42
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	\$ 4,005

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.

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

	<i>Estimated useful life</i>	<i>Amount</i>
Customer relationships	10 years	\$ 1,542
Brand	5 years	311
		\$ 1,853

5. 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* at December 31, 2020 and were released on January 8, 2021.

As at September 30, 2021, we retained \$11,451 royalty accruals relating to the Automotive Business of which \$1,076 is included in *Accounts payable and accrued liabilities* and \$10,375 is included in *Long-term obligations*. As at September 30, 2021, we retained product warranties of \$1,528 relating to the Automotive Business, which is included in *Accounts Payable and accrued liabilities*.

SIERRA WIRELESS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(In thousands of U.S. dollars, except where otherwise stated)
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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:

	<i>Three months ended September 30,</i>		<i>Nine months ended September 30,</i>	
	2021	2020	2021	2020
Revenue	\$ —	\$ 66,942	\$ —	\$ 153,841
Cost of sales	—	57,162	—	130,537
Gross margin	—	9,780	—	23,304
(Recovery) expense	(459)	6,423	778	11,371
Earnings (loss) before income taxes	459	3,357	(778)	11,933
Income tax expense	—	901	—	3,246
Net earnings (loss) from discontinued operations	\$ 459	\$ 2,456	\$ (778)	\$ 8,687

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

	<i>Three months ended September 30,</i>		<i>Nine months ended September 30,</i>	
	2021	2020	2021	2020
Cash flows provided by (used in) discontinued operations				
Net cash provided by (used in) operating activities	\$ 161	\$ 1,176	\$ (1,067)	\$ (7,950)
Net cash used in investing activities	—	(406)	—	(1,277)
Net cash provided by (used in) discontinued operations	\$ 161	\$ 770	\$ (1,067)	\$ (9,227)

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.

Our segments have changed from those reported at December 31, 2020. Following the sale of our Automotive Business in November 2020, the Company initiated certain strategic, organizational and operational structure changes to better reflect the reduced size of our businesses. We revised our reportable segments to better reflect the way the Company manages its business, operating under two reportable segments: (i) IoT Solutions and (ii) Enterprise Solutions. We have retroactively restated prior period information to align with this new segmentation.

IoT Solutions (New)

Our new IoT Solutions segment includes our cellular wireless IoT module solutions, IoT connectivity services, and embedded broadband solutions.

SIERRA WIRELESS, INC.
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Enterprise Solutions

Our Enterprise Solutions include our range of Sierra Wireless AirLink routers, IoT gateways, IoT applications and advanced network management, managed connectivity services, and mobility applications.

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.

	<i>Three months ended September 30,</i>		<i>Nine months ended September 30,</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
Revenue from continuing operations				
Product	\$ 47,207	\$ 83,560	\$ 219,191	\$ 244,688
Connectivity, software, and services ⁽¹⁾	35,243	29,811	104,106	83,422
	\$ 82,450	\$ 113,371	\$ 323,297	\$ 328,110

⁽¹⁾ previously called 'Recurring and other services'

REVENUE BY GEOGRAPHICAL REGION

	<i>Three months ended September 30,</i>		<i>Nine months ended September 30,</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
Revenue from continuing operations				
Americas	\$ 39,900	\$ 47,293	\$ 145,205	\$ 147,620
Europe, Middle East and Africa	13,332	18,586	55,235	56,534
Asia-Pacific	29,218	47,492	122,857	123,956
	\$ 82,450	\$ 113,371	\$ 323,297	\$ 328,110

We sell certain products through resellers, original equipment manufacturers and wireless service providers, who sell these products to end-users. We did not have any customers during the three and nine months ended September 30, 2021 or 2020 that accounted for more than 10% of total revenue. As at September 30, 2021, we had one customer that accounted for 11% and no customer as at December 31, 2020 that accounted for more than 10% of total Trade Accounts Receivable. We had one customer as at September 30, 2021 that accounted for 25% and two customers as at December 31, 2020 that accounted for 22% and 15% of total Contract Assets.

7. RESTRUCTURING

On April 30, 2019, we announced certain initiatives related to the acceleration of our transformation to a Device-to-Cloud IoT solutions company. During the three and nine months ended September 30, 2021, we recovered \$0.2 million relating to these initiatives (three and nine months ended September 30, 2020 – recovery of \$0.4 million and expense of \$0.5 million, respectively). As at September 30, 2021, outstanding liability of \$0.7 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.

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In the third quarter of 2020, we took the first step to initiate actions to reduce our operating expenses, in conjunction with the sale of our Automotive Business in the fourth quarter of 2020. We implemented certain organizational changes, including consolidation of our engineering resources resulting in a reduction of our engineering team in Hong Kong. These actions are part of our transformation to a Device-to-Cloud IoT solutions company. This initiative to September 30, 2021 affected 148 employees in various locations and functions within the Company. During the three and nine months ended September 30, 2021, approximately 2 and 28 employees were impacted, respectively, and we recorded \$0.4 million and \$3.9 million, respectively, for severances and related costs (three and nine months ended September 30, 2020 – \$5.2 million). As at September 30, 2021, the outstanding liability of \$0.3 million for this initiative is included in *Accounts Payable and accrued liabilities* and is expected to be paid by the end of February 2022.

In addition, we expensed \$0.2 million and \$1.0 million under a separate initiative during the three and nine months ended September 30, 2021 and the outstanding liability of this initiative was \$0.4 million as at September 30, 2021. On November 8, 2021, the Company announced changes to the executive leadership team, resulting in the departure of the Chief Technology Officer, Chief Solutions Officer and Senior Vice President EMEA and APAC Sales, Senior Vice President and General Manager Enterprise Solutions, and Vice President Global Human Resources.

The following table provides the activity in the restructuring liability:

	<i>Three months ended September 30,</i>		<i>Nine months ended September 30,</i>	
	2021	<i>2020</i>	2021	<i>2020</i>
Balance, beginning of period	\$ 2,433	\$ 2,507	\$ 5,750	\$ 8,655
Expensed- continuing operations	369	3,089	4,663	3,940
Expensed- discontinued operations	—	1,732	—	1,741
Disbursements	(1,378)	(1,583)	(8,985)	(8,481)
Foreign exchange	(4)	77	(8)	(33)
	\$ 1,420	\$ 5,822	\$ 1,420	\$ 5,822

<i>As at September 30,</i>	
2021	<i>2020</i>
Classification:	
Accounts payable and accrued liabilities	1,420 5,822
	\$ 1,420 \$ 5,822

By restructuring initiative:	
April 2019	677 1,546
Q3 2020	320 4,276
Other	423 —
	\$ 1,420 \$ 5,822

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8. INTANGIBLE ASSETS

During the three and nine months ended September 30, 2021, the Company recorded an impairment expense of \$11.5 million resulting from the expected sunset of 2G/3G networks in Sweden which will impact the connectivity offering of our Maingate group. Our Maingate group is part of our IoT Solutions reportable segment (see note 6). As the carrying value of the Swedish connectivity asset group was higher than the estimated fair value, which was based on expected future cash flows discounted at 13%, an impairment expense was recognized. The fair value is a level 3 measurement which required significant judgment. The components of intangible assets are as follows:

As at September 30, 2021			
	Cost	Accumulated amortization	Net book value
Patents and trademarks	\$ 15,826	\$ 14,232	\$ 1,594
Licenses	58,088	51,741	6,347
Intellectual property	29,931	27,402	2,529
Customer relationships	126,489	87,945	38,544
Brand	15,082	6,773	8,309
Research and development	10,192	10,160	32
	\$ 255,608	\$ 198,253	\$ 57,355

As at December 31, 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

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

Remaining 2021	\$ 3,043
2022	11,582
2023	9,772
2024	9,264
2025	6,580

The weighted-average remaining useful lives of intangible assets was 5.5 years as at September 30, 2021.

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9. OTHER EXPENSE

The components of other expense for the three and nine months ended September 30, 2021 were as follows:

	<i>Three months ended September 30,</i>		<i>Nine months ended September 30,</i>	
	2021	2020	2021	2020
Interest income	\$ (8)	\$ (92)	\$ (71)	\$ (95)
Interest expense	27	338	133	537
Discount fees	38	78	96	349
Financing costs	168	565	225	573
Ransomware incident insurance recovery (note 1)	(410)	—	(7,090)	—
Ransomware incident expense (note 1)	681	—	9,029	—
Other	(33)	99	30	99
	\$ 463	\$ 988	\$ 2,352	\$ 1,463

10. INCOME TAXES AND GOVERNMENT ASSISTANCE

Income tax recovery of \$1,912 and \$755 in the three and nine months ended September 30, 2021, respectively, included a tax recovery of \$2,378 from the impairment of the Swedish connectivity asset group (see note 8). Income tax recovery of \$633 and \$3,925 for the three and nine months ended September 30, 2020, respectively, included a tax recovery of \$nil and \$2,288 under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which was enacted March 27, 2020 in the United States and a notional income tax recovery (corresponding notional income tax expense recorded under discontinued operations) of \$901 and \$3,246, respectively, as a result of the sale of our Automotive Business.

In the three and nine months ended September 30, 2021, the Company recorded government assistance as follows:

	<i>Three months ended September 30,</i>		<i>Nine months ended September 30,</i>	
	2021	2020	2021	2020
Cost of sales	\$ 2	\$ 168	\$ 59	\$ 168
Sales and marketing	34	1,381	765	1,381
Research and development	113	3,627	1,859	3,627
Administration	19	1,122	550	1,122
	\$ 168	\$ 6,298	\$ 3,233	\$ 6,298

Government Assistance by Type

Canada Emergency Wage Subsidy	\$ 65	\$ 5,564	\$ 2,888	\$ 5,564
Canada Emergency Rent Subsidy	103	—	260	—
Other COVID-19 related subsidies	—	734	85	734
	\$ 168	\$ 6,298	\$ 3,233	\$ 6,298

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11. STOCK-BASED PAYMENTS

Stock-based compensation expense:

	<i>Three months ended September 30,</i>		<i>Nine months ended September 30,</i>	
	2021	2020	2021	2020
Cost of sales	\$ 60	\$ 91	\$ 245	\$ 205
Sales and marketing	337	1,562	2,646	3,507
Research and development	403	1,041	2,271	2,438
Administration	967	2,385	8,255	5,343
Continuing operations	\$ 1,767	\$ 5,079	\$ 13,417	\$ 11,493
Discontinued operations	—	588	587	632
	\$ 1,767	\$ 5,667	\$ 14,004	\$ 12,125
Stock option plan	\$ 299	\$ 561	\$ 1,096	\$ 1,690
Restricted stock plan	1,468	5,106	12,908	10,435
	\$ 1,767	\$ 5,667	\$ 14,004	\$ 12,125

As at September 30, 2021, the unrecognized compensation expense related to non-vested stock options and restricted share units was \$1,507 and \$22,219 (December 31, 2020 – \$2,763 and \$30,055), respectively, which is expected to be recognized over weighted average periods of 2.0 and 2.0 years (December 31, 2020 – 2.4 and 1.8 years), respectively.

During the three and nine months ended September 30, 2021, \$2.2 million and \$3.2 million of stock-based compensation expense, respectively, was reversed as a result of changes of estimated achievement of service revenue target relating to PSUs.

Stock option plan

The following table presents stock option activity for the period:

	<i>Three months ended September 30,</i>		<i>Nine months ended September 30,</i>	
Number of Options	2021	2020	2021	2020
Outstanding, beginning of period	950,116	1,364,678	1,361,111	1,588,143
Granted	—	273,889	—	282,754
Exercised	(34,589)	(81,516)	(298,207)	(81,516)
Forfeited/expired	(28,014)	(50,463)	(175,391)	(282,793)
Outstanding, end of period	887,513	1,506,588	887,513	1,506,588
Exercisable, beginning of period	600,535	889,567	826,756	824,073
Exercisable, end of period	598,235	853,371	598,235	853,371

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Under the terms of our Stock Option Plan (the "Plan"), our Board of Directors may grant stock options to employees, officers and directors. At the Company's Annual General Meeting of Shareholders on June 2, 2021, 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 9.7% (increased from 8.9%) of the number of issued and outstanding common shares from time to time, provided that in no event will more than 7,000,000 common shares be issued as "incentive stock options intended to qualify under Section 422 of the United States Internal Revenue Code". 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 9.7% (increased from 8.9%) of the number of issued and outstanding common shares from time to time.

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 our 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 full succeeding month thereafter. We determine 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 intrinsic value of outstanding and exercisable stock options is calculated as the stock market price of the stock at the balance sheet date, or date of exercise, less the exercise price of the stock option. The aggregate intrinsic value of stock options exercised in the three and nine months ended September 30, 2021 was \$123 and \$1,046, respectively (three and nine months ended September 30, 2020 - \$182).

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

	<i>Three months ended September 30,</i>		<i>Nine months ended September 30,</i>	
	2021	2020	2021	2020
Risk-free interest rate	N/A	0.28%	N/A	0.31%
Annual dividends per share	N/A	Nil	N/A	Nil
Expected stock price volatility	N/A	53%	N/A	53%
Expected option life (in years)	N/A	4.0	N/A	4.0
Average fair value of options granted (in dollars)	N/A	\$5.22	N/A	\$5.16

There is no dividend yield because we do not pay, and do not plan to pay, cash dividends on our common shares. The expected stock price volatility is based on the historical volatility of our daily stock closing prices over a period equal to the expected life of each stock 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 stock options being valued. The expected life of stock 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. We did not issue any stock options in the three and nine months ended September 30, 2021.

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Restricted share plans

The following table summarizes the restricted share units ("RSUs") activity for the period:

	<i>Three months ended September 30,</i>		<i>Nine months ended September 30,</i>	
<i>Number of RSUs</i>	2021	2020	2021	2020
Outstanding, beginning of period	3,553,053	2,417,572	3,791,283	1,815,759
Granted	169,509	1,924,214	952,273	2,852,604
Vested / settled	(80,069)	(119,691)	(856,488)	(362,865)
Forfeited	(292,508)	(82,101)	(538,653)	(165,504)
Added by performance factor	78,365	—	79,935	—
Outstanding, end of period	3,428,350	4,139,994	3,428,350	4,139,994
Outstanding – vested and not settled	565,936	185,232	565,936	185,232
Outstanding – unvested	2,862,414	3,954,762	2,862,414	3,954,762
Outstanding, end of period	3,428,350	4,139,994	3,428,350	4,139,994

We have a market based restricted share unit plan and a treasury based restricted share unit plan with awards outstanding (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 Meeting of Shareholders on June 2, 2021, 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 9.7% (increased from 4.6%) of the number of issued and outstanding shares from time to time. In addition, the maximum number of shares issuable pursuant to all of our security-based compensation arrangements is 9.7% (increased from 8.9%) of the number of issued and outstanding shares. With respect to the market-based RSP, 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 September 30, 2021, there were 2,624,209 market RSUs outstanding.

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 to two years. 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.

We include a performance-based component to certain grants of units under our RSPs ("PSUs"). We have two types of PSUs, depending on their performance-based metric. PSUs, with a market condition, are measured against an external benchmark index. The fair value of these PSUs at date of grant are determined using the Monte Carlo simulation model. PSUs, with a performance condition, are measured against an internal performance benchmark based on achieving connectivity, software, and service revenue targets or cost savings initiatives or profitability targets. The fair value of these PSUs is based on the Company's stock

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price on the date of grant adjusted for expected attainment with changes to expected attainment recorded in subsequent periods. All PSUs have a three year cliff-vesting.

In 2021, the Board of Directors approved the issuance of PSUs that are measured against financial metrics that are determined by the Company at the beginning of each fiscal year for the performance period. The determination of the number of awards that will be attained at vesting is based on achieving the financial metric target in each of three individual fiscal years. Each tranche contains an independent annual performance condition and cliff vest on the third anniversary date. Since the financial metric for each tranche is determined at the beginning of each fiscal year in the performance period, each tranche has a separate grant date and the fair value of the PSUs is determined at each grant date using the Company's stock price on grant date adjusted for expected attainment with changes to expected attainment recorded in subsequent periods. In 2021, the Company issued a total of 52,669 PSUs (of this type) of which 17,558 are considered granted, representing the first tranche, as the performance condition (profitability target) for the first tranche has been established and communicated to employees. Since the performance conditions for the second and third tranche are not initially known and communicated to employees, 35,111 PSUs are not considered granted and are excluded in the above RSU continuity table.

The aggregate intrinsic value of RSUs that vested and settled in the three and nine months ended September 30, 2021 \$1,257 and \$13,629, respectively (three and nine months ended September 30, 2020 – \$1,521 and \$3,719).

12. EARNINGS (LOSS) PER SHARE

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

	<i>Three months ended September 30,</i>		<i>Nine months ended September 30,</i>	
	2021	2020	2021	2020
Net earnings (loss)				
Net loss from continuing operations	\$ (38,406)	\$ (14,483)	\$ (76,980)	\$ (58,984)
Net earnings (loss) from discontinued operations	459	2,456	(778)	8,687
	\$ (37,947)	\$ (12,027)	\$ (77,758)	\$ (50,297)
Weighted average shares used in computation of:				
Basic	37,196	36,417	36,976	36,345
Diluted	37,196	36,417	36,976	36,345
Basic and diluted net earnings (loss) per share (in dollars):				
Continuing operations	\$ (1.03)	\$ (0.40)	\$ (2.08)	\$ (1.62)
Discontinued operations	0.01	0.07	(0.02)	0.24
	\$ (1.02)	\$ (0.33)	\$ (2.10)	\$ (1.38)

In loss periods, potential common shares are not included in the computation of diluted net earnings (loss) per share, because to do so would be anti-dilutive.

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13. ACCOUNT RECEIVABLES

The movement in the allowance for expected credit losses during the nine months ended September 30, 2021 was as follows:

	<i>Nine months ended September 30, 2021</i>
Balance, beginning of period	\$ 3,631
Current-period provision (recoveries) for expected credit losses	(296)
Write-offs charged against allowance for credit losses	(744)
Recoveries of amounts previously written off	32
Foreign exchange	(56)
Balance, end of period	\$ 2,567

14. CONTRACT BALANCES

The following table provides the changes in contract balances:

	<i>September 30, 2021</i>	<i>December 31, 2020</i>	<i>Change</i>
Contract assets	\$ 2,219	\$ 2,132	\$ 87
Deferred revenue - current	10,671	9,862	809
Deferred revenue - noncurrent (note 18)	6,775	7,863	(1,088)

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

During the three and nine months ended September 30, 2021, \$2,069 and \$8,308, respectively, of deferred revenue was recognized in revenue that was included in the deferred revenue balance as at December 31, 2020 (three and nine months ended September 30, 2020 - \$1,799 and \$7,390).

15. INVENTORIES

The components of inventories were as follows:

	<i>September 30, 2021</i>	<i>December 31, 2020</i>
Electronic components	\$ 57,120	\$ 19,468
Finished goods	14,071	13,347
	\$ 71,191	\$ 32,815

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16. PREPAIDS AND OTHER

The components of prepaids and other were as follows:

	<i>September 30, 2021</i>	<i>December 31, 2020</i>
Inventory advances	\$ 11,457	\$ 1,434
Insurance and licenses	576	873
Deposits	5,564	2,665
Contract acquisition and fulfillment costs	1,889	1,850
Other	6,517	5,111
	\$ 26,003	\$ 11,933

In the three and nine months ended September 30, 2021, \$435 and \$1,313, respectively, of deferred contract acquisition and fulfillment costs were expensed to *Sales and marketing* and *Cost of sales* (three and nine months ended September 30, 2020 - \$347 and \$889).

17. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	<i>September 30, 2021</i>	<i>December 31, 2020</i>
Trade payables and accruals	\$ 69,769	\$ 78,323
Inventory commitment reserve	2,059	475
Accrued royalties	6,498	10,698
Accrued payroll and related liabilities	18,733	21,244
Professional services	7,895	5,329
Taxes payable (including sales taxes)	4,358	4,979
Product warranties (note 21 (a)(iii))	4,970	5,804
Sales credits	13,317	19,629
Restructuring liability (note 7)	1,420	5,750
Operating lease liabilities	3,246	7,376
Finance lease liabilities	20	171
Other	5,465	2,360
	\$ 137,750	\$ 162,138

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18. LONG-TERM OBLIGATIONS

The components of long-term obligations were as follows:

	<i>September 30, 2021</i>	<i>December 31, 2020</i>
Accrued royalties	\$ 31,332	\$ 33,218
Deferred revenue	6,775	7,863
Finance lease liabilities	54	8
Other	4,373	4,557
	\$ 42,534	\$ 45,646

Remaining performance obligations

As at September 30, 2021, we had \$31,943 of remaining performance obligations to be recognized (December 31, 2020 - \$21,608), of which we expect to recognize approximately 11% in 2021 and 58% in 2022, and 31% 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.

19. ACCUMULATED OTHER COMPREHENSIVE LOSS

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

	<i>Three months ended September 30,</i>		<i>Nine months ended September 30,</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
Balance, beginning of period	\$ (7,247)	\$ (13,764)	\$ (5,580)	\$ (13,216)
Foreign currency translation adjustments	717	(135)	1,179	(503)
(Loss) gain on long term intercompany balances	(1,677)	2,805	(3,806)	2,625
Balance, end of period	\$ (8,207)	\$ (11,094)	\$ (8,207)	\$ (11,094)

20. FINANCIAL INSTRUMENTS

(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:

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- 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 long-term debt and long-term obligations 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 and options 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 September 30, 2021, we were committed to foreign currency forward contracts totaling \$35.1 million Canadian dollars to purchase Canadian dollars with an average forward rate of 1.2769 maturing between October 2021 and December 2022. We recorded unrealized loss of \$233 and \$530 in *Foreign exchange gain (loss)* for those outstanding contracts in the three and nine months ended September 30, 2021, respectively (three and nine months ended September 30, 2020 - unrealized gain of \$162 and \$418).

(b) Credit facilities

We have a committed senior secured revolving credit facility (the “Revolving Facility”) with the Canadian Imperial Bank of Commerce (“CIBC”) as sole lender and as Administrative Agent. On February 17, 2021, we entered into an amending agreement to the Revolving Facility with CIBC, which reduced the total borrowing capacity under the Revolving Facility to \$30 million from \$50 million. The Revolving Facility matures on April 30, 2023 and may 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 not subject to a borrowing base. The Revolving Facility contains customary affirmative, negative and financial covenants. Borrowings greater than \$10 million under the Revolving Facility would require a waiver due to a financial covenant related to trailing profitability. As at September 30, 2021, there were no outstanding borrowings under the Revolving Facility (December 31, 2020 - \$nil).

On September 29, 2021, we 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 plus 2.50% per annum. Repayment is interest

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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, September 29, 2026. Under the terms, the proceeds from the Loan are to be used to exclusively fund the operational cash flow needs of the Company, including normal scheduled principal and interest payments on the CIBC credit facilities. As at September 30, 2021, we had \$9.9 million (Cdn\$ 12.5 million) outstanding on the Loan of which \$0.2 million is in the current portion.

(c) Letters of credit

We have access to a standby letter of credit facility of \$2.0 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 September 30, 2021, letters of credit issued against the revolving standby letter of credit facility were for a total value of \$1.25 million (December 31, 2020 - \$1.35 million).

(d) Accounts Receivables Purchase Agreement

We have an uncommitted Receivables Purchase Agreement (the "RPA") with CIBC, as purchaser, to increase our liquidity. 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 \$32,114 and \$76,964 Receivables in the three and nine months ended September 30, 2021, respectively (three and nine months ended September 30, 2020 - \$42,523 and \$128,888). As at September 30, 2021, \$14,068 remained outstanding to be remitted to CIBC (December 31, 2020 - \$19,388), including \$3,093 we collected from Receivables that we previously sold and have not remitted to CIBC due to timing of settlement dates (December 31, 2020 - \$764). We recorded \$3,093 in *Restricted cash* in the consolidated balance sheets with a corresponding increase in accrued liabilities. Discount fees, which are included in *Other expense* in the consolidated statements of operations, were \$38 and \$96 for the three and nine months ended September 30, 2021, respectively (three and nine months ended September 30, 2020 - \$78 and \$349).

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

21. 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 is 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:

	<i>Three months ended September 30, 2021</i>	<i>Nine months ended September 30, 2021</i>
Balance, beginning of period	\$ 5,106	\$ 5,804
Provisions	306	962
Expenditures	(442)	(1,796)
Balance, end of period	\$ 4,970	\$ 4,970

(b) Other commitments

We have purchase commitments totaling approximately \$120,220 (December 31, 2020 - \$93,865), with certain contract manufacturers and suppliers under which we have committed to buy a minimum amount of designated products between October 2021 and March 2022. In certain of these agreements, we are required to acquire and pay for such products up to the prescribed minimum or forecasted purchases.

We have purchase commitments totaling approximately \$5,059 (December 31, 2020 - \$2,836) with certain mobile network operators under which we have committed to buy a minimum amount of wireless data and wireless data services between October 2021 and August 2024.

We also have purchase commitment totaling approximately \$1,744 (December 31, 2020 - \$2,458) with a supplier under which we have committed to buy a minimum amount of cloud computing services between October 2021 and May 2022.

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(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 June 2021, American Patents LLC filed a patent infringement lawsuit in the United States District Court for the Western District of Texas asserting patent infringement by us in respect of four patents allegedly related to interactions between smart devices and communications networks. The lawsuit was dismissed with prejudice in September 2021.

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 made certain allegations concerning the alleged use of data transmission error checking technology in our wireless products. The lawsuit was dismissed with prejudice in April 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 April 2017, M2M Solutions assigned the patent-in-suit to Blackbird Tech LLC, and they became a plaintiff in the lawsuit in June of that year. In May 2021, the Court entered final judgement in favor of Sierra Wireless, which judgment was not appealed by the plaintiff. In April 2021, Sierra filed a motion for attorneys' fees; the Court's ruling on this motion is pending.

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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 allegedly related to technology for 2G, 3G and 4G cellular communications networks. In May 2020, the First Suit Plaintiffs together with 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 allegedly related to technology for 3G and 4G cellular communications networks. The allegations in both lawsuits have been made in relation to certain of our customer's products, which may include products which utilize modules sold to them by us. Inter Partes Review ("IPR") petitions filed by us and others with the United States Patent and Trademark Office have been instituted with respect to eleven of the patents involved in the First Suits and five of the patents involved in the Second Suits. The United States Patent and Trademark Office decisions regarding three of the Second Suit patents are pending. Sisvel has stipulated to a stay of both the First Suits and the Second Suits pending the results of the IPR procedure. We do not admit that Sierra owes indemnity in response to any of the customer requests with respect to the above matters.

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.



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