SIERRA WIRELESS INC
Form 6-K
May 12, 2008

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

Report of Foreign issuer

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

For the Month of May 2008

(Commission File. No 0-30718).

SIERRA WIRELESS, INC., A CANADIAN CORPORATION

(Translation of registrant s name in English)

13811 Wireless Way

Richmond, British Columbia, Canada V6V 3A4

(Address of principal executive offices and zip code)

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

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

Form 20-F o 40-F x

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

Yes: o No: x

SIGNATURES

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

Sierra Wireless, Inc.

By: /s/ David G. McLennan

David G. McLennan, Chief Financial Officer and Secretary

Date: May 12, 2008

SIERRA WIRELESS, INC.

FIRST QUARTER REPORT

FOR THE THREE MONTHS MARCH 31, 2008

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SIERRA WIRELESS, INC.

REPORT TO SHAREHOLDERS

Our momentum continued to build in the first quarter of 2008 as we achieved record quarterly revenue, despite a challenging component supply environment and seasonality in some parts of our business. Record quarterly sales of our PC adapter products, including our successful line of USB modems, along with continued growth in our embedded module sales were key factors in these results. We also benefited from the expansion in our mobile and machine-to-machine (M2M) product family achieved through last year s acquisition of AirLink Communications.

Q1 2008 Results Compared to Q1 2007

For the three months ended March 31, 2008, our revenue increased by 66% to $141.9 million, from $85.4 million in 2007, reflecting the sales achievements noted above. As a percentage of revenue, gross margin was 27.7%, compared to 27.3% in Q1 2007. The slight increase results primarily from a lower cost structure of our newer PC adapter products relative to our previous models and sales of higher margin mobile and M2M products acquired from AirLink. First quarter operating expenses increased to $28.0 million, compared to $17.8 million in Q1 2007, reflecting new product launch and development expenses, as well as the continued expansion of distribution channels. Net earnings increased 84% to $9.7 million (diluted earnings per share of $0.31), from $5.3 million (diluted earnings per share of $0.20 per share) in the first quarter of 2007.

Q1 2008 Results Compared to Guidance

Revenue of $141.9 million was $5.9 million higher than our guidance of $136.0 million. Earnings from operations of $11.4 million were in line with our guidance of $11.3 million. Net earnings of $9.7 million (diluted earnings per share of $0.31) were better than our guidance of net earnings of $9.4 million (diluted earnings per share of $0.30).

Business Developments

The first quarter of 2008 included a number of business and product developments:

- We introduced two new embedded module products: the MC8785V for HSPA networks and the MC5727 for EV-DO Revision A networks.

- We also introduced two new PC adapter products for HSPA networks: the AirCard® 885E ExpressCard and the Compass 885 USB modem. These compact, full-featured products offer the latest high-speed mobile broadband technology for use worldwide.

- We announced the availability of the AirLink line of intelligent Mobile and M2M devices throughout Europe. Initial commercial shipments are expected to begin in the second quarter of 2008.

- LANCOM selected our MC8780 embedded module to provide mobile broadband connectivity for the LANCOM 1751 UMTS router.

- Fujitsu Siemens Computers selected our embedded modules to provide HSPA network connectivity to select models in its LIFEBOOK line of professional notebook computers. The new models are expected to roll out throughout 2008.

- Becker Marine Systems integrated our MC8780 and the MC5725 embedded modules into its umc.connect communication server, which provides a critical link for mariners worldwide.

- NEC announced the availability of its LaVie G type J notebook computer with integrated Sierra Wireless MC8780 embedded module for use on the NTT DoCoMo network in Japan.

- On April 1, 2008, we announced the launch of the Compass 597, the nation s smallest USB modem, for Sprint s EV-DO Revision A mobile broadband network. This product is now available for purchase through Sprint sales channels.

Acquisition of CradlePoint, Inc.

Subsequent to the quarter end, we achieved an important strategic milestone with the announcement of a definitive agreement to acquire CradlePoint, an innovative supplier of wireless networking products and docking solutions for mobile enterprise, industrial and consumer applications. We believe the addition of CradlePoint s solutions extends our offering and value proposition to mobile operators and vertical OEM customers.

Under the terms of the definitive agreement, we will pay cash consideration of $21.8 million and will issue 462,963 shares of Sierra Wireless to the shareholders of CradlePoint. Completion of the acquisition is expected in July 2008 and is conditional upon, among other things, regulatory and CradlePoint shareholder approval.

Share Repurchase

On April 7, 2008, we announced our intention to seek regulatory approval for a share repurchase. If obtained, this approval will allow us to purchase up to 1,567,378 (approximately 5% of our common shares outstanding as of April 7, 2008) of our common shares by way of a normal course issuer bid on the Toronto Stock Exchange and the NASDAQ Global Market.

Outlook

We are encouraged by the continued strong growth in our market segments, our proven ability to execute in a competitive environment and the strategic opportunities that lay ahead. While we are aware of the overall macro economic uncertainty, and realistic about its potential future impact on our business, our expectations for 2008 are for continued revenue growth, improving profitability and further business diversification.

/s/ Jason W. Cohenour

Jason W. Cohenour

President and Chief Executive Officer

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Certain statements in this report that are not based on historical facts constitute forward-looking statements or forward-looking information within the meaning of applicable securities laws (forward-looking statements). These forward-looking statements are not promises or guarantees of future performance but are only predictions that relate to future events, conditions or circumstances or our future results, performance, achievements or developments and are subject to substantial known and unknown risks, assumptions, uncertainties and other factors that could cause our actual results, performance, achievements or developments in our business or in our industry to differ materially from those expressed, anticipated or implied by such forward-looking statements. Forward-looking statements include disclosure regarding possible events, conditions, circumstances or results of operations that are based on assumptions about future economic conditions, courses of action and other future events. We caution you not to place undue reliance upon any such forward-looking statements, which speak only as of the date they are made. These forward-looking statements appear in a number of different places in this report and can be identified by words such as may , estimates , projects , expects , intends , believes , plans , anticipates , or their negatives or other comparable words. Forward-looking statements include statements regarding the outlook for our future operations, plans and timing for the introduction or enhancement of our services and products, statements concerning strategies or developments, statements about future market conditions, supply conditions, end customer demand conditions, channel inventory and sell through, revenue, gross margin, operating expenses, profits, forecasts of future costs and expenditures, the outcome of legal proceedings, and other expectations, intentions and plans that are not historical fact. The risk factors and uncertainties that may affect our actual results, performance, achievements or developments are many and include, amongst others, our ability to develop, manufacture, supply and market new products that we do not produce today that meet the needs of customers and gain commercial acceptance, our reliance on the deployment of next generation networks by major wireless operators, the continuous commitment of our customers, and increased competition. These risk factors and others are discussed in our Annual Information Form, which may be found on SEDAR at www.sedar.com and on EDGAR at www.sec.gov, and in our other regulatory filings with the Securities and Exchange Commission in the United States and the Provincial Securities Commissions in Canada. Many of these factors and uncertainties are beyond the control of the Company. Consequently, all forward-looking statements in this report are qualified by this cautionary statement and there can be no assurance that actual results, performance, achievements or developments anticipated by the Company will be realized. Forward-looking statements are based on management s current plans, estimates, projections, beliefs and opinions and the Company does not undertake any obligation to update forward-looking statements should the assumptions related to these plans, estimates, projections, beliefs and opinions change.

MANAGEMENT S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our consolidated financial condition and results of operations, as of May 2, 2008, has been prepared in accordance with accounting principles generally accepted in the United States (GAAP) and, except where otherwise specifically indicated, all amounts are expressed in United States dollars.

Additional information related to Sierra Wireless, Inc., including our Annual Information Form, may be found on SEDAR at www.sedar.com and on EDGAR at www.sec.gov.

Overview

We provide leading edge wireless wide area modem solutions for the mobile computing, rugged mobile and machine-to-machine (M2M) markets. We develop and market a range of products that include wireless modems for mobile computers, embedded modules for original equipment manufacturers, or OEMs, and high value fixed and mobile wireless data solutions for industrial, commercial and public safety applications. We also offer professional services to OEM customers during their product development, leveraging our expertise in wireless design and integration to provide built-in wireless connectivity for mobile computing devices and other solutions. Our products and solutions connect people, their mobile computers and fixed terminals to wireless voice and mobile broadband networks around the world.

We believe that wide area wireless for mobile computing is a rapidly growing market. We believe that the key growth enablers for this market include the continued deployment of mobile broadband networks around the world, aggressive promotion of mobile broadband services by wireless operators, attractive mobile broadband rate plans and growing customer awareness of mobile broadband.

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

Our rugged mobile and M2M products are primarily used in the public safety, energy, industrial, transportation and transaction processing markets.

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

In 2007, we achieved record annual revenue of $439.9 million, driven by the launch of nine new products for both UMTS/HSPA and CDMA EV-DO Rev A networks across all of our product lines. We expanded our product footprint with key existing customers such as AT&T and Sprint and significantly grew our European and Asia-Pacific business, while maintaining profitability.

On May 25, 2007, we completed the acquisition of AirLink Communications, Inc. (AirLink), a privately held developer and supplier of high value fixed and mobile wireless data solutions in the M2M segment. The acquisition is consistent with our strategy of renewing and strengthening our emphasis on higher gross margin products and solutions. The acquisition of AirLink also strengthens our position in the rugged mobile and M2M product segments. We paid cash consideration of $12.0 million and issued approximately 1.3 million common shares of Sierra Wireless to the shareholders of AirLink.

In the first quarter of 2008, our revenue increased 66% to a quarterly record of $141.9 million, compared to $85.4 million in the same period of 2007. Gross margin for the first quarter of 2008 was 27.7%, compared to 27.3% in the same period of 2007. Earnings from operations in the first quarter of 2008 were $11.4 million, or 8% of revenue, compared to $5.5 million, or 6.5% of revenue in the same period of 2007. Net earnings increased 84% to $9.7 million, or diluted earnings per share of $0.31 in the three months ended March 31, 2008, compared to net earnings of $5.3 million, or diluted earnings per share of $0.20 in the same period of 2007. Net earnings for the first quarter of 2008 include stock-based compensation expense of $1.6 million and acquisition amortization of $1.0 million, compared to $0.9 million and $0.3 million, respectively, in the same period of 2007.

On April 7, 2008, we announced a definitive agreement to acquire CradlePoint, Inc. (CradlePoint), a privately-held developer and supplier of wireless networking products and docking solutions for mobile enterprise, industrial and consumer applications. Under the terms of the definitive agreement, we will pay cash consideration of $21.8 million and will issue 462,963 shares to the shareholders of CradlePoint. Completion of the acquisition is expected in July, 2008 and is conditional upon, among other things, regulatory and CradlePoint shareholder approval.

Our balance sheet remains strong, with $209.5 million of cash, cash equivalents and short and long-term investments at March 31, 2008, compared to $196.4 million at December 31, 2007. For the three months ended March 31, 2008, cash of $17.0 million was provided by operations, compared to cash provided by operations of $10.0 million in the same period of 2007.

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

Our robust product line, expanded roster of sales channels, the addition of AirLink and strong market growth underpin our expectation of solid revenue growth and continued profitability in 2008. Specific product development and business development initiatives include:

PC Adapter Products

In the first quarter of 2008, sales of our PC adapter products increased 64% to $105.4 million, compared to $64.4 million in the same period of 2007. USB wireless modems now dominate the composition of our PC adapter product line, generating $63.1 million of revenue in the first quarter of 2008. Continued success with our PC adapter products will depend in part on our ability to develop products that meet our customers evolving design, schedule and price requirements.

AirCards: In North America, we continued to have a strong position with AT&T following the launch of our HSUPA AirCard 881 in the third quarter of 2007. HSUPA AirCards offer significant speed advantages over our HSDPA AirCards with a maximum theoretical downlink speed of up to 7.2 Mbps and uplink speed of up to 2 Mbps. During the first quarter of 2008, we also maintained a solid position at Sprint with sales of our CDMA EV-DO Rev A AirCard 595 and our AirCard 597E ExpressCard.

In Europe, we continued to supply our UMTS/HSPA PC cards to several wireless operators. We expect quarterly revenue in this region to increase as we launch new products and expand distribution channels.

In the Asia-Pacific region, we had commenced shipments of our HSUPA ExpressCard to Telstra in the third quarter of 2007 and continued shipments during the first quarter of 2008.

During the first quarter of 2008, we introduced our new AirCard 885E ExpressCard for HSUPA networks that features a more compact design and is upgradeable to 5.76 Mbps uplink as future improvements become available. We expect the AirCard 885E to be commercially available in mid 2008.

USB Wireless Modems: Our USB wireless modems plug into the USB ports of both notebook and desktop computers. In the first half of 2007, we began commercial shipments of our USB modems for HSDPA and CDMA EV-DO Rev A networks and began shipping our HSUPA USB modems during the fourth quarter of 2007. During the first quarter of 2008, we continued to have a strong position with AT&T and Telstra with shipments of our HSUPA USB modems and with Sprint with shipments of our CDMA EV-DO Rev A USB modems.

During the first quarter of 2008, we introduced the Compass 885, our new USB modem for HSUPA networks that is smaller in volume than any other current counterpart, is upgradeable to 5.76 Mbps uplink and is expected to be commercially available in Q3 2008. On April 1, 2008, we also launched our new CDMA EV-DO Rev A USB modem with Sprint, the Compass 597, which is significantly smaller than previous models, and will be commercially available early in the second quarter of 2008. We believe that form factor and industrial design are important differentiators among USB products. We expect that the timing of the introduction of new USB form factors by ourselves and our competitors may lead to volatility in our revenue on a quarterly basis, as new form factors enter the market at different times.

Embedded Module Products

We have two types of embedded module customers, notebook computer manufacturers (PC OEM) and non-PC OEM customers who provide solutions for a variety of applications, including fixed wireless terminal solutions (vertical OEM).

In the first quarter of 2008, sales of our embedded module products increased 56% to $28.1 million, compared to $18.1 million in the same period of 2007. Of the $28.1 million, approximately $19.7 million was from sales to PC OEMs and $8.4 million was from sales to vertical OEMs. Our vertical OEM customers were negatively impacted by product allocation decisions which favored our higher volume customers.

We currently have embedded module design wins with several PC OEMs. Our design wins span multiple generations of both CDMA EV-DO and HSDPA/HSUPA technologies. PC OEM customers award design wins for the integration of wide area wireless embedded modules on a platform by platform basis. While we have been successful in securing design wins, we are not guaranteed future design wins. The PC OEM market has become more competitive during 2008 with the entrance of both the Ericsson and Qualcomm Gobi solutions for PC OEMs. Both Ericsson and Qualcomm have secured design wins for next generation platforms, including PC OEMs with whom we have design wins for current platforms. We expect this will put pressure on our revenue from PC OEMs in the second half of 2008. Our ability to secure new design wins will depend on being successful in developing products and offering services that meet our customers design, schedule and price requirements.

During the first quarter of 2008, we introduced two new embedded modules, the MC8785V for HSUPA networks and the MC5727 for EV-DO Rev A networks. During the first quarter of 2008, Fujitsu Siemens Computers again selected our HSPA modules to provide network connectivity to selected models in their LIFEBOOK product line of professional notebook computers. In addition, NEC integrated our HSPA embedded module in their LaVie G type J notebook computer that now operates on the NTT DoCoMo HSDPA network in Japan.

We continue to have a solid position with our vertical OEM customers. In the first quarter of 2008, we announced that LANCOM Systems selected our embedded module to provide broadband connectivity for its UMTS router and that Becker Marine Systems Communication has integrated our embedded modules into its communication server. We also have design wins with Cisco, Ericsson, Digi and others for fixed wireless terminal and router solutions. We believe that there are good growth opportunities in the vertical OEM market and are investing to expand our position.

Mobile and M2M Products

Our rugged mobile and M2M products are sold to public safety, transportation, field service, energy, industrial and financial organizations and are among our highest gross margin products. We significantly strengthened our position in these high margin segments by adding AirLink s high value fixed and mobile wireless data solutions to our product portfolio with the completion of the AirLink acquisition on May 25, 2007. During the first quarter of 2008, we introduced and shipped the AirLink Raven XT in North America. We also introduced the Raven XT, the MP880W and PinPoint X in-vehicle modems and the Raven X into the European market. Commercial shipments are expected to begin for these products in Europe during the second quarter of 2008.

In the first quarter of 2008, revenue from mobile and M2M products increased to $6.7 million from $0.8 million in the same period of 2007. The increase is a result of the acquisition of AirLink.

Results of Operations

The following table sets forth our operating results for the three months ended March 31, 2008, expressed as a percentage of revenue:

Three months ended March 31,	**2008**	**2007**
Revenue	100.0%	100.0%
Cost of goods sold	72.3	72.7
Gross margin	27.7	27.3
Expenses		
Sales and marketing	5.5	4.8
Research and development	9.7	11.5
Administration	3.6	3.7
Amortization	0.9	0.8
	19.7	20.8
Earnings from operations	8.0	6.5
Other income	1.7	1.5
Earnings before income taxes	9.7	8.0
Income tax expense	2.9	1.8
Net earnings	6.8%	6.2%

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

Three months ended March 31,	**2008**	**2007**
Revenue by product		
PC adapters	74%	76%
Embedded modules	20	21
Mobile and M2M	5	1
Other	1	2
	100%	100%
Revenue by distribution channel		
Wireless carriers	61%	57%
PC OEM	14	12
Vertical OEM	5	10
Resellers	20	21
	100%	100%
Revenue by geographical region		
Americas	68%	62%
Europe, Middle East and Africa (EMEA)	10	19
Asia-Pacific	22	19
	100%	100%

Results of Operations   Three Months Ended March 31, 2008 Compared to Three Months Ended March 31, 2007

Revenue

Revenue amounted to a record $141.9 million for the three months ended March 31, 2008, compared to $85.4 million in the same period of 2007, an increase of 66%. The increase in revenue was primarily a result of the launch of our new mobile broadband USB modems, an increase in sales of embedded modules and the addition of mobile and M2M product revenue from the AirLink acquisition.

Our revenue from customers in the Americas, EMEA and the Asia-Pacific region comprised 68%, 10% and 22%, respectively, of our total revenue in the first quarter of 2008, compared to 62%, 19% and 19%, respectively, in the same period of 2007. Our North American business increased by 83% compared to the first quarter of 2007 primarily as a result of an increase in sales of our UMTS/HSPA and CDMA EV-DO Rev A AirCards and USB modems and sales of our M2M products. In Europe, revenue decreased by 14% compared to the first quarter of 2007 primarily as a result of lower sales of our UMTS/HSPA AirCards and sales of embedded modules to OEM customers. Our business in the Asia-Pacific region increased 90% in the first quarter of 2008, compared to the same period in 2007, due primarily to an increase in sales of our UMTS/HSPA USB modems and AirCards and sales of embedded modules to PC OEM customers.

In the first quarter of 2008, AT&T and Sprint each accounted for more than 10% of our revenue and, in the aggregate, these two customers represented approximately 53% of our revenue. In the first quarter of 2007, AT&T and Verizon each accounted for more than 10% of our revenue and, in the aggregate, these two customers represented approximately 45% of our revenue.

Recent product launches and expected new product launches, combined with a growing market and anticipated further channel expansion underpin our expectation of revenue growth throughout 2008.

Gross margin

Gross margin amounted to $39.3 million for the three months ended March 31, 2008, or 27.7% of revenue, compared to $23.3 million, or 27.3% of revenue, in the same period of 2007. The increase in gross margin percentage resulted primarily from a lower cost structure of our newer AirCard products, product cost reductions in our embedded module products and sales of mobile and M2M products acquired from AirLink that yield higher margins. Gross margin included $0.1 million of stock-based compensation expense in each of the first quarters of 2008 and 2007.

During 2008, we expect that our gross margin percentage will fluctuate from quarter to quarter depending on product mix, competitive selling prices, our ability to reduce product costs and increased sales volumes.

Sales and marketing

Sales and marketing expenses were $7.8 million for the first quarter of 2008, compared to $4.1 million in the same period of 2007, an increase of 91%. The increase in sales and marketing costs is due primarily to the costs associated with new product launches, investments in channel expansion, as well as the addition of staff and costs from the AirLink acquisition. Sales and marketing expense included $0.3 million of stock-based compensation expense in the first quarter of 2008, compared to $0.1 million in the same period of 2007. Sales and marketing expenses as a percentage of revenue increased to 5.5% in the three months ended March 31, 2008, compared to 4.8% in the same period of 2007. While managing sales and marketing expenses relative to revenue, we expect to continue to make selected investments in sales and marketing as we introduce new products, market existing products, expand our distribution channels and focus on key customers around the world.

Research and development

Research and development expenses amounted to $13.8 million for the three months ended March 31, 2008, compared to $9.9 million in the same period of 2007, an increase of 39%. The increase is due to the significant investment in new products being developed and launched in both CDMA EV-DO and HSPA technologies, the addition of staff from the AirLink acquisition and an increase in repayments of repayable government research and development funding. Included in research and development expense was $0.3 million of stock-based compensation expense in the first quarter of 2008, compared to $0.2 million in the same period of 2007.

Research and development expenses, excluding government research and development funding repayments, were $12.0 million, or 8.5% of revenue for the three months ended March 31, 2008, compared to $9.1 million, or 10.6% of revenue in the same period of 2007. The decrease in research and development costs as a percentage of revenue is primarily due to the increase in revenue in the first quarter of 2008.

We expect research and development expenses to grow during 2008 as we continue to invest in new product development.

Administration

Administration expenses amounted to $5.1 million, or 3.6% of revenue, for the three months ended March 31, 2008, compared to $3.1 million, or 3.7% of revenue, in the same period of 2007. The increase in administration costs is primarily due to an increase in costs to support our corporate growth, the addition of staff from the AirLink acquisition and $0.9 million of stock-based compensation expense in the first quarter of 2008, compared to $0.5 million in the same period of 2007.

Other income

Other income was $2.5 million in the first quarter of 2008, compared to $1.2 million in the same period of 2007. Other income includes interest income, interest expense and foreign exchange gains and losses. The increase is primarily due to an increase in interest income as a result of an increase in cash from our common share public offering completed in October 2007, cash generated from operations and a foreign exchange gain of $0.6 million in the first quarter of 2008, compared to a gain of $0.1 million in the same period of 2007.

Income tax expense

Income tax expense was $4.1 million in the first quarter of 2008, compared to $1.5 million in the same period of 2007. The increase in income tax expense is due to an increase in taxable income in 2008 and the reduction of available loss carry forwards.

Net earnings

Our net earnings amounted to $9.7 million, or diluted earnings per share of $0.31, for the three months ended March 31, 2008, compared to net earnings of $5.3 million, or diluted earnings per share of $0.20, in the same period of 2007. Included in net earnings is $1.6 million of stock-based compensation in the first quarter of 2008, compared to $0.9 million in the same period of 2007.

The weighted average diluted number of shares outstanding increased to 31.4 million for the three months ended March 31, 2008, compared to 26.0 million in 2007. The increase is primarily due to the issuance of 1.3 million shares for the acquisition of AirLink Communications, Inc. on May 25, 2007 and the issuance of 3.8 million shares for our October 2, 2007 public offering.

Acquisition of AirLink Communications, Inc.

On May 25, 2007, we acquired 100 percent of the outstanding securities of AirLink Communications, Inc. (AirLink), a privately held supplier of high value fixed and mobile wireless data solutions for industrial and public safety applications. The results of AirLink s operations have been included in our consolidated financial statements since that date.

The acquisition combined AirLink, a leading provider of fixed, portable and mobile wireless connectivity devices, embedded software and remote device management software, with Sierra Wireless, a leading provider of mobile broadband solutions for mobile computing. The acquisition was consistent with our strategy of renewing and strengthening our emphasis on higher gross margin products and solutions and we believe positions the combined entity to be a leader in mobile computing as well as rugged, intelligent mobile and M2M connectivity solutions.

The aggregate purchase price was $31.2 million, including cash consideration of $12.0 million, 1,309,880 common shares valued at $17.6 million and costs related to the acquisition of $1.6 million. The value of the common shares issued was determined based on the average market price of our common shares over the two-day period before and after March 6, 2007, which was the date the terms of the acquisition were agreed to and announced.

Legal Proceedings

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

Subsequent Events

Acquisition of CradlePoint, Inc.

On April 7, 2008, we announced a definitive agreement to acquire 100 percent of the outstanding securities of CradlePoint, a privately-held developer and supplier of wireless networking products and docking solutions for mobile enterprise, industrial and consumer applications. Under the terms of the definitive agreement, we will pay cash consideration of $21.8 million and will issue 462,963 shares to the shareholders of CradlePoint. Completion of the acquisition is expected in July, 2008 and is conditional upon, among other things, regulatory and CradlePoint shareholder approval.

We expect that the acquisition will establish an immediate presence in the emerging, and potentially high growth, mobile broadband networking category. In addition, we believe that adding CradlePoint s mobile broadband networking and docking solutions to our product portfolio extends our offering and value proposition to mobile operators and vertical OEMs. The acquisition is consistent with our strategy of strengthening our differentiation and expanding our position in the mobile computing value chain.

Normal Course Issuer Bid

On April 7, 2008, we announced our intention to seek regulatory approval which, if obtained, will allow us to purchase up to 1,567,378 of our common shares by way of a normal course issuer bid on the TSX and the NASDAQ, representing approximately 5% of the common shares outstanding as of April 7, 2008. Purchases of the common shares may commence on the date that is five days after the date of acceptance by the TSX and it is expected that the purchases will terminate not more than one year after commencement. Purchased common shares will be cancelled.

Critical Accounting Estimates

We prepare our consolidated financial statements in accordance with accounting principles generally accepted in the United States and we make 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 revenue recognition, adequacy of allowance for doubtful accounts, adequacy of inventory reserve, valuation of goodwill and intangible assets, income taxes, adequacy of warranty reserve, royalty obligations, lease provision, contingencies and stock-based compensation. 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 may differ from our estimates. Senior management has discussed with our audit committee the development, selection and disclosure of accounting estimates used in the preparation of our consolidated financial statements.

During the three months ended March 31, 2008, we did not adopt any new accounting policies or make changes to existing accounting policies that had a material impact on our consolidated financial statements.

The following critical accounting policies affect our more significant estimates and assumptions used in preparing our consolidated financial statements:

- We recognize revenue from sales of products and services upon the later of transfer of title or upon shipment of the product to the customer or rendering of the service, so long as collectibility is reasonably assured. Customers include resellers, original equipment manufacturers, wireless operators and end-users. We record deferred revenue when we receive cash in advance of the revenue recognition criteria being met.

A significant portion of our revenue is generated from sales to resellers. We recognize revenue on the portion of sales to certain resellers that are subject to contract provisions allowing various rights of return and stock rotation, upon the earlier of when the rights have expired or the products have been reported as sold by the resellers.

Revenues from contracts with multiple-element arrangements, such as those including technical support services, are recognized as each element is earned based on the relative fair value of each element and only when there are no undelivered elements that are essential to the functionality of the delivered elements.

Revenue from licensed software is recognized at the inception of the license term and in accordance with Statement of Position 97-2, Software Revenue Recognition . Revenue from software maintenance, unspecified upgrades and technical support contracts is recognized over the period such items are delivered or services are provided. Technical support contracts extending beyond the current period are recorded as deferred revenue.

Funding from research and development agreements, other than government research and development arrangements, is recognized as revenue when certain criteria stipulated under the terms of those funding agreements have been met and when there is reasonable assurance the funding will be received. Certain research and development funding will be repayable only on the occurrence of specified future events. If such events do not occur, no repayment would be required. We recognize the liability to repay research and development funding in the period in which conditions arise that would cause research and development funding to be repayable. Government research and development arrangements are recognized as a reduction of the related expense when the criteria stipulated under the terms of the agreements have been met and when there is reasonable assurance the funding will be received.

- We maintain an allowance for doubtful accounts for estimated losses that may arise if any of our customers are unable to make required payments. We consider the following factors when determining whether collection is reasonably assured: customer credit-worthiness, past transaction history with the customer, insured amounts, if any, current economic industry trends and changes in customer payment terms. If we have no previous experience with the customer, we typically obtain reports from credit organizations to ensure that the customer has a history of paying its creditors. We may also request financial information, including financial statements, to ensure that the customer has the means of making payment. If these factors indicate collection is not reasonably assured, revenue is deferred until collection becomes reasonably assured, which is generally upon receipt of cash. If the financial condition of any of our customers deteriorates, we may increase our allowance.

- We value our inventory at the lower of cost, determined on a first-in-first-out basis, and estimated net realizable value. We assess the need for an inventory writedown and/or an accrual for estimated losses on inventory purchase commitments based on our assessment of estimated market value using assumptions about future demand and market conditions. Our reserve requirements generally increase as our projected demand requirements decrease, due to market conditions, technological and product life cycle changes and longer than previously expected usage periods. If market conditions are worse than our projections, we may further writedown the value of our inventory or increase the accrual for estimated losses on inventory purchase commitments.

- We currently have intangible assets of $17.0 million and goodwill of $32.0 million generated from our acquisitions of AirLink in May 2007 and AirPrime in August 2003. Goodwill and intangible assets are assessed for impairment annually, or more often, if an event or circumstance indicates that an impairment loss may have been incurred.

We assessed the realizability of goodwill related to the AirLink reporting unit during the fourth quarter of 2007 and determined that the fair value did not have to be re-computed because the components of the reporting unit had not changed since the fair value computation completed at May 25, 2007, the date of acquisition, the previous fair value amount exceeded the carrying amount of the reporting unit by a substantial margin and no evidence exists to indicate that the current fair value of the reporting unit would be less than its current carrying amount.

We assessed the realizability of goodwill related to the AirPrime reporting unit during the fourth quarter of 2007 and determined that the fair value exceeded the carrying amount of the reporting unit by a substantial margin. Therefore, the second step of the impairment test that measures the amount of an impairment loss by comparing the implied fair market value of the reporting unit goodwill with the carrying amount of the goodwill was not required. There was no impairment of goodwill during 2007 or 2006.

- Effective January 1, 2007, we have adopted the provisions of FIN 48 to account for and report income tax uncertainties. Accordingly, we recognize and measure each tax position related to income tax positions subject to FASB Statement No. 109, Accounting for Income Taxes taken or expected to be taken in a tax return. We have reviewed our tax positions to determine which should be recognized and measured them according to the more likely than not threshold requirement in FIN 48. The tax benefits recognized in the financial statements are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate resolution.

If the realization of a tax position is not considered more likely than not, we provide for a valuation allowance. The ultimate realization of our deferred tax assets is dependent upon the generation of future taxable income during the periods in which temporary differences become deductible. We consider projected future taxable income and tax planning strategies in making our assessment. If our assessment of our ability to realize our deferred tax assets changes, we may make an adjustment to our deferred tax assets that would be charged to income.

- We accrue product warranty costs in accrued liabilities to provide for the repair or replacement of defective products. Our accrual is based on an assessment of historical experience and management s estimates. If there is a change in the quality of our products, we will adjust our accrual accordingly.

- Under license agreements, we are committed to 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 finalized, we have recognized our current best estimate of the obligation in accrued liabilities. When the agreements are finalized, the estimate will be revised accordingly.

- We recorded a lease provision during 2002 that has been subsequently adjusted as a result of changes in our assumptions used to estimate the net present value of the future cash outflows over the remaining lease period. The estimate was based on various assumptions, including the obtainable sublease rates and the time it would take to find a suitable tenant or for us to use the space. These assumptions are influenced by market conditions and the availability of similar space nearby. As market conditions change, we will adjust our provision accordingly.

- If we are engaged in legal actions, we estimate the range of liability related to pending litigation where the amount and range of loss can be reasonably estimated. We record our best estimate of a loss when the loss is considered probable. As additional information becomes available, we assess the potential liability relating to our pending litigation and revise our estimates.

- Effective January 1, 2006, we recognize stock-based compensation expense for all stock-based compensation awards based on the grant date fair value estimated in accordance with the provisions of FASB Statement No. 123R Share-Based Payments (FAS No. 123R). Under the fair value recognition provisions of FAS No. 123R, we recognize stock-based compensation expense for those shares expected to vest on a straight-line basis over the requisite service period of the award.

Determining the appropriate fair value model and calculating the fair value of share-based payment awards requires the input of subjective assumptions. The assumptions used in calculating the fair value of share-based payment awards represent management s best estimates, but these estimates involve inherent uncertainties and the application of management s judgment. As a result, if factors change and we use different assumptions, our stock-based compensation expense could be materially different in the future.

Liquidity and Capital Resources

Operating Activities

Cash provided by operating activities was $17.0 million in the first quarter of 2008, compared to cash provided by operating activities of $10.0 million in the first quarter of 2007. The source of cash in operating activities in the first quarter of 2008 primarily resulted from net earnings of $9.7 million adjusted for non-cash items of $5.4 million as well as changes in other operating assets and liabilities of $1.9 million.

Investing Activities

Cash provided by investing activities was $2.9 million in the first quarter of 2008, compared to cash used by investing activities of $20.7 million in the same period of 2007. Cash provided by investing activities in the first quarter of 2008 was due primarily to net proceeds from maturities of short-term investments of $8.6 million, compared to the use of cash, net of maturities, to purchase short and long-term investments of $17.3 million in the same period of 2007. Expenditures on fixed and intangible assets were $4.9 million and $0.3 million, respectively, for the three months ended March 31, 2008, compared to $2.8 million and $0.2 million, respectively, in the same period of 2007. Capital expenditures were primarily for production and tooling equipment, research and development equipment, computer equipment and software, while intangible assets were primarily for patents and software licenses.

We do not have any trading activities that involve any type of commodity contracts that are accounted for at fair value but for which a lack of market price quotations necessitate the use of fair value estimation techniques.

Financing Activities

Cash provided by financing activities was nil in the first quarter of 2008, compared to a use of cash of $0.4 million in the same period of 2007. We received cash from the proceeds on the exercise of stock options of $0.1 million in each of the first quarters of 2008 and 2007, offset by repayments of long-term liabilities of $0.1 million in the first quarter of 2008 and $0.5 million in the same period of 2007.

As of March 31, 2008, we did not have any off-balance sheet finance or special purpose entities.

Cash Requirements

Our near-term cash requirements are primarily related to funding our operations, capital expenditures and other obligations discussed below. We believe our cash, cash equivalents and short and long-term investments of $209.5 million and cash generated from operations will be sufficient to fund our expected working capital requirements for at least the next twelve months based on current business plans. Our capital expenditures during the second quarter of 2008 are expected to be primarily for research and development equipment, tooling, software licenses and patents. However, we cannot assure that our actual cash requirements will not be greater than we currently expect.

The following table quantifies our future contractual obligations as of March 31, 2008:

Payments due in fiscal		**Operating Leases**
2008	$	2,644
2009		2,823
2010		2,817
2011		1,436
2012		109
Thereafter		
Total	$	9,829

As of March 31, 2008, we had tax obligations for uncertain tax positions of $4.4 million.

We have entered into purchase commitments totaling approximately $144.0 million with certain contract manufacturers under which we have committed to buy a minimum amount of designated products. In certain of these agreements, we may be required to acquire and pay for such products up to the prescribed minimum or forecasted purchases. The terms of the commitment may require us to purchase approximately $144.0 million of product from certain contract manufacturers between April 2008 and June 2008.

Sources and Uses of Cash

We have an unsecured revolving demand facility for $10.0 million that bears interest at prime per annum. The balance at March 31, 2008 was nil (2007 nil).

During 2007 we obtained letters of credit to ensure the performance of a third party in accordance with specified terms and conditions. At March 31, 2008, we had no amounts outstanding (December 31, 2007 - $6.0 million) under the letters of credit, which approximates the fair value. Our obligations under these financial instruments expired in February 2008 and have been replaced by a standby irrevocable letter of credit.

Our business continues to be driven predominantly by short lead time purchase orders from channels and end customers rather than by long-term, large volume commitments. Our customers typically are under no contractual obligation to purchase our products. If they do not make such purchases, our future operating cash flow will be negatively impacted. We may have a risk of impairment to our liquidity should there be any significant interruption to our business operations.

The source of funds for our future capital expenditures and commitments includes cash, short and long-term investments, accounts receivable, borrowings and cash from operations, as follows:

- Net cash and short and long-term investments amounted to $209.5 million at March 31, 2008, compared to $196.4 million at December 31, 2007.
- Accounts receivable amounted to $100.7 million at March 31, 2008, compared to $83.0 million at December 31, 2007.
- We have a $10.0 million unsecured revolving demand facility with a Canadian chartered bank that bears interest at prime per annum. At March 31, 2008, there were no borrowings under this facility.
- On October 2, 2007 we closed a bought deal that raised gross proceeds of $85.1 million from the sale of 3.8 million common shares at a price of US$22.40 per share.

Market Risk Disclosure

Our risk from currency fluctuations between the Canadian and U.S. dollar is reduced by purchasing inventory, other costs of sales and many of our services in U.S. dollars. We are exposed to foreign currency fluctuations because a significant amount of our research and development, marketing, and administration costs are incurred in Canada. We monitor our exposure to fluctuations between the Canadian and U.S. dollars.

With respect to operations in Europe and the Asia-Pacific region, we transact business in additional foreign currencies and the potential for currency fluctuations is increasing. As our business expands in Europe, we expect that we will be increasingly exposed to risks associated with the Euro. To date we have not entered into any futures contracts. To manage our foreign currency risks, we may enter into such contracts should we consider it to be advisable to reduce our exposure to future foreign exchange fluctuations.

Currently, we do not have any hedging activities or derivative instruments.

We have available funds and very little debt, accordingly, we have not been materially adversely affected by significant interest rate fluctuations.

Related Party Transactions

During the three months ended March 31, 2008, there were no material related party transactions.

Changes in Internal Controls Over Financial Reporting

There have been no changes in our internal controls over financial reporting during the first quarter of 2008 that have materially affected, or are reasonably likely to materially affect, our internal controls 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. There can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

Quarterly Results of Operations

The following tables set forth certain unaudited consolidated statements of operations data for each of the nine most recent quarters that, in management s opinion, have been prepared on a basis consistent with the audited consolidated financial statements contained in our fiscal 2007 Annual Report. The unaudited consolidated statements of operations data 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 operating results are not necessarily indicative of results for any future period. You should not rely on them to predict our future performance.

(Amounts are expressed in thousands of United States dollars except per share amounts and number of shares.)

Quarter ended		Mar 31 2008
Revenue	$	141,949
Cost of goods sold		102,614
Gross margin		39,335
Expenses:		
Sales and marketing		7,835
Research and development		13,769
Administration		5,084
Amortization		1,281
		27,969
Earnings from operations		11,366
Other income		2,459
Earnings before income taxes		13,825
Income tax expense		4,148
Net earnings	$	9,677
Earnings per share:		
Basic	$	0.31
Diluted	$	0.31
Weighted average number of shares (in thousands):		
Basic		31,341
Diluted		31,427

2007		Mar 31		Jun 30		Quarter Ended Sep 30		Dec 31		Year 2007
Revenue	$	85,428	$	107,379	$	111,515	$	135,581	$	439,903
Cost of goods sold		62,111		78,383		78,446		97,821		316,761
Gross margin		23,317		28,996		33,069		37,760		123,142
Expenses:										
Sales and marketing		4,097		4,923		5,963		7,237		22,220
Research and development		9,885		11,606		9,692		11,865		43,048
Administration		3,141		3,448		4,508		4,281		15,378
Amortization		668		889		1,271		1,092		3,920
		17,791		20,866		21,434		24,475		84,566
Earnings from operations		5,526		8,130		11,635		13,285		38,576
Other income		1,249		758		743		2,045		4,795
Earnings before income taxes		6,775		8,888		12,378		15,330		43,371
Income tax expense		1,518		2,218		3,343		3,833		10,912
Net earnings	$	5,257	$	6,670	$	9,035	$	11,497	$	32,459
Earnings per share:										
Basic	$	0.20	$	0.25	$	0.33	$	0.37	$	1.17
Diluted	$	0.20	$	0.25	$	0.33	$	0.37	$	1.16
Weighted average number of shares (in thousands):										
Basic		25,720		26,405		27,355		31,217		27,696

Diluted	25,955	26,722	27,674	31,389	27,956

2006	Quarter Ended Mar 31	Jun 30	Sep 30	Dec 31	Year 2006
Revenue	$ 45,224	$ 55,223	$ 52,535	$ 68,303	$ 221,285
Cost of goods sold	28,567	36,366	36,651	50,524	152,108
Gross margin	16,657	18,857	15,884	17,779	69,177
Expenses:					
Sales and marketing	3,750	3,726	2,820	3,418	13,714
Research and development	7,528	8,905	8,830	8,824	34,087
Administration	2,747	3,301	3,427	3,404	12,879
Amortization	759	748	697	705	2,909
	14,784	16,680	15,774	16,351	63,589
Earnings from operations	1,873	2,177	110	1,428	5,588
Other income	1,175	1,306	1,146	1,627	5,254
Earnings before income taxes	3,048	3,483	1,256	3,055	10,842
Income tax expense (recovery)	461	(287)	188	684	1,046
Net earnings	$ 2,587	$ 3,770	$ 1,068	$ 2,371	$ 9,796
Earnings per share:					
Basic	$ 0.10	$ 0.15	$ 0.04	$ 0.09	$ 0.38
Diluted	$ 0.10	$ 0.15	$ 0.04	$ 0.09	$ 0.38
Weighted average number of shares (in thousands):					
Basic	25,492	25,602	25,660	25,681	25,609
Diluted	25,736	25,959	25,874	25,856	25,857

Our quarterly results may fluctuate from quarter to quarter because our operating expenses are determined based on anticipated sales, are generally fixed and are incurred throughout each fiscal quarter. The impact of significant items incurred during the first three interim periods of each fiscal year are discussed in more detail and disclosed in our quarterly reports on Form 6-K. Items affecting our annua