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SIERRA WIRELESS INC
Form 6-K
October 23, 2003

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 October 2003

(Commission File. No 0-30718).

SIERRA WIRELESS, INC., A CANADA 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 40-F
 --- ---

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: No:
 --- ---

NEWS RELEASE TRANSMITTED BY CCN DISCLOSURE
FOR: Sierra Wireless, Inc.

TSX: SW
Nasdaq: SWIR

October 22, 2003

SIERRA WIRELESS REPORTS THIRD QUARTER 2003 RESULTS

VANCOUVER, BRITISH COLUMBIA - Sierra Wireless, Inc. (NASDAQ: SWIR, TSX: SW)

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is reporting better than expected third quarter results, including revenue of \$26.2 million, a lower-than-expected loss and positive cash flow.

Our results are reported in US dollars and are prepared in accordance with United States generally accepted accounting principles. For the three months ended September 30, 2003, our revenue was \$26.2 million, operating expenses were \$11.5 million, our net loss was \$0.9 million and our loss per share was \$0.05. During the third quarter of 2003, we incurred restructuring and integration costs of \$2.2 million related to the acquisition of AirPrime; these costs were lower than expected. In addition, we received and recorded an additional recovery of \$0.2 million from Metricom. Our results, where described as adjusted, exclude these amounts.

"We are pleased to report that, for the fifth consecutive quarter, we grew revenues over the comparable quarter, generated positive cash flow and produced an operating profit. During the third quarter, we closed on the AirPrime acquisition and commenced integration activities. Sales of AirCards and embedded modules were strong and North American revenues were up significantly during the quarter", said David Sutcliffe, Chairman and Chief Executive Officer. "Looking ahead, we have strong fourth quarter demand for 2.5G AirCards and embedded modules, we plan to complete the AirPrime business integration and to bring our recently-announced Voq professional phone to market. We expect overall economic and industry conditions to continue to be challenging. Our business operating premise is profitable growth and our priorities remain expansion of our distribution channels, sell through to end customers and investment in new products for future growth."

Results for the third quarter of 2003, relative to company guidance provided on July 17, 2003:

Third quarter revenue for 2003 of \$26.2 million was better than our guidance range of \$24.0 to \$25.0 million. Gross margin was 40.8%, better than our guidance of approximately 39.0%. Our adjusted operating expenses were \$9.5 million, higher than our guidance range of \$8.4 to \$8.7 million. Our net loss of \$0.9 million, or loss per share of \$0.05, was better than our guidance range of a net loss of \$2.9 to \$3.0 million, or loss per share of \$0.17. Our adjusted net earnings were \$1.1 million, better than our guidance range of adjusted net earnings of \$0.9 to \$1.0 million. We had a positive cash flow of \$1.4 million that was better than our guidance of negative cash flow of \$4 million.

Results for the third quarter of 2003, compared to the third quarter of 2002:

Our revenue for the third quarter of 2003 increased by 24.2% to \$26.2 million, from \$21.1 million for the same period in 2002. Gross margin improved to 40.8% from 39.2%. Operating expenses increased to \$11.5 million and adjusted operating expenses increased to \$9.5 million, in each case compared to \$7.9 million in 2002. Net loss for the third quarter of 2003 was \$0.9 million or loss per share of \$0.05, compared to net earnings of \$0.5 million, or diluted earnings per share of \$0.03, in the third quarter of 2002. Adjusted net earnings for the third quarter of 2003 increased to \$1.1 million or adjusted diluted earnings per share of \$0.06.

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Results for the third quarter of 2003, compared to the second quarter of 2003:

Revenue for the three months ended September 30, 2003 amounted to \$26.2 million, compared to \$20.7 million in the second quarter of 2003, an increase of 26.6%.

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Gross margins were \$10.7 million or 40.8% in the third quarter of 2003, compared to \$8.3 million or 40.3% in the second quarter of 2003. Our gross margin percentage improved slightly compared to the previous quarter due to product cost reductions which were partially offset by changes in product mix.

Adjusted operating expenses were \$9.5 million, compared to \$7.8 million in the previous quarter. This increase is a result of the addition of staff and projects related to the AirPrime acquisition, development and marketing costs of the Voq professional phone and decreased funding from research and development funding agreements. Our gross research and development investments were \$4.7 million in the third quarter of 2003 compared to \$3.1 million in the second quarter of 2003.

Adjusted net earnings were \$1.1 million for the three months ended September 30, 2003, compared to \$0.6 million for the three months ended June 30, 2003. Our adjusted diluted earnings per share were \$0.06 for the third quarter of 2003, compared to adjusted diluted earnings per share of \$0.04 for the second quarter of 2003.

Acquisition of AirPrime, Inc.

On August 12, 2003, we completed our acquisition of AirPrime, Inc., a privately-held supplier of high-speed CDMA wireless products located in Carlsbad, California. The results of AirPrime's operations have been included in our consolidated financial results since that date. The combined entity is expected to be a well-positioned market leader with a broad product line, innovative engineering, blue chip customers, global channels and a strong balance sheet.

Third Quarter Highlights Included:

- o In July, AirPrime announced that Handspring, an innovator in personal communication products, had selected the EM3400 series as the CDMA wireless engine to power their recently announced Treo 600 product line.
- o Together with Citrix Systems, Inc., QUALCOMM, Sprint and Trio Teknologies, we announced the launch of a four-city series of Mobile Access Technology Workshops designed to instruct enterprise organizations on how to improve anytime, anywhere, any-application, any-device wireless access for field professionals. The program represents one of the largest free pilots of 3G CDMA2000 1X technology for enterprise users to date.
- o We signed a distribution agreement with Cedros, a specialist for communication, web and groupware solutions. Cedros will distribute our products to the German marketplace including the Sierra Wireless AirCard(R) 750, a wide area wireless PC Card, and the new MP 750 rugged wireless modem for GSM/GPRS cellular networks.
- o Lucent Technologies demonstrated third-generation (3G) mobile applications with several of the industry's leading companies at the Association of Public Safety Communications Officials' (APCO) 2003 Conference & Symposium. Lucent is collaborating with companies such as Padcom(R) and Sierra Wireless to highlight how 3G mobile high-speed data networks can be utilized by public safety personnel.
- o We announced the commercial availability of the MP 555 GPS rugged wireless modem, the second product available in our next generation MP Series. We also announced the first North American implementation of

the new MP 555 GPS with the Ontario Provincial Police in Canada. By outfitting its patrol cars with a new wireless system that combines the MP 555 GPS wireless modem and Panasonic Toughbook notebook computers, officers will have the ability to access provincial and national databases and improve the efficiency of the dispatch and arrest process.

- o Dr. Norman Toms, our Chief Technical Officer, won the Cecil Green Award for Technology Entrepreneurship, which is awarded by The Science Council of BC to an individual who has started or developed a knowledge-based company that has demonstrated ability to profitably create and sell world-class products over time.
- o Along with CompassCom Inc., we were selected by the City of Aurora in Colorado to migrate its Public Works Department to next generation technology. CompassCom Inc.'s Automatic Vehicle Location suite of products and our new rugged wireless modem, the MP 750 GPS, have been implemented to help the city track, monitor, and dispatch its vehicles over a broader coverage area with high-speed mobility.
- o In October 2003, we announced the Voq line of professional phones and value-added software for business users. New Voq-branded professional phones will be based on Microsoft Windows Mobile software for Smartphones and will feature both a familiar phone keypad and a unique flip-open QWERTY thumbpad. The first Voq model will support global markets by operating over the GSM and GPRS wireless networks and is expected to be commercially available in the first half of 2004.

Financial Guidance

We first provided guidance for the fourth quarter ending December 31, 2003 on July 17, 2003. We are updating our fourth quarter guidance to reflect our current business indicators and expectations. Inherent in this guidance is higher than normal risk resulting from uncertainty associated with the integration of AirPrime, the timing of volume shipments to channels and with the rate of end customer adoption of newer products. All figures are estimates based on management's current beliefs and assumptions and are subject to change. Our actual results could differ materially from those presented below.

We expect to continue to incur AirPrime related integration costs in Q4 2003. We expect integration activities and costs to be substantially completed by year-end.

	Q4 2003 Previous Guidance	Q4 2003 Updated Guid
	-----	-----
Revenue	\$28 - \$30 million	\$30 - \$32 million
Gross margin	38% - 39%	39% - 40%
Operating expenses	\$9.8 - \$10.4 million	\$10.5 - \$11.8 million
Restructuring and other charges	Nil	Nil
Integration costs	\$1.1 - \$1.5 million	\$1.4 - \$1.6 million
Net earnings (loss)	\$(0.2) - \$(0.3) million	\$(0.2) - \$(0.3) million
Diluted earnings (loss) per share	\$(0.01)	\$(0.01)

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Net earnings (loss), excluding restructuring and integration costs	\$0.8 - \$1.3 million	\$1.0 - \$1.3 million
Diluted earnings (loss) per share, excluding restructuring and integration costs	\$0.04 - \$0.06	\$0.05 - \$0.06
Cash flow	Neutral	Positive \$1 million

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Management Retirement

Dr. Norman Toms, 59, will be retiring from his role as Chief Technical Officer and will transition to an ongoing, part time advisory role. We expect that this transition will be completed by March 2004 and that other members of the management team will assume Dr. Toms' responsibilities. Dr. Toms founded Sierra Wireless in May 1993, served as its first Chief Executive Officer, became the Chief Technical Officer in May 1995 following the appointment of David Sutcliffe as Chief Executive Officer. Dr. Toms deferred earlier retirement plans in order to provide technical guidance to the development of the first Voq professional phone.

Forward-Looking Statements

This press release contains forward-looking statements that involve risks and uncertainties. These forward-looking statements relate to, among other things, plans and timing for the introduction or enhancement of our services and products, statements about future market conditions, supply conditions, channel and end customer demand conditions, revenues, gross margins, operating expenses, profits, and other expectations, intentions, and plans contained in this press release that are not historical fact. Our expectations regarding future revenues and earnings depend in part upon our ability to successfully integrate AirPrime into our business and our ability to develop, manufacture, and supply products that we do not produce today and that meet defined specifications. When used in this press release, the words "plan", "expect", "believe", and similar expressions generally identify forward-looking statements. These statements reflect our current expectations. They are subject to a number of risks and uncertainties, including, but not limited to, changes in technology and changes in the wireless data communications market. In light of the many risks and uncertainties surrounding the wireless data communications market, you should understand that we cannot assure you that the forward-looking statements contained in this press release will be realized.

About Sierra Wireless

Sierra Wireless is a leader in delivering highly differentiated wireless solutions that enable our customers to improve their productivity and lifestyle. Sierra Wireless develops and markets AirCard, the industry-leading wireless PC card line for portable computers; embedded modules for OEM wireless applications; the MP line of rugged vehicle-mounted connectivity solutions and Voq, a line of professional phones with easy-to-use, secure software solutions for mobile professionals. For more information on Sierra Wireless, visit our web site at www.sierrawireless.com. For more information on Voq professional phones, visit our web site at www.voq.com.

"AirCard" and "Voq" are trademarks of Sierra Wireless, Inc. Other product or service names mentioned herein may be the trademarks of their respective

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owners.

Conference Call and Instant Replay

We will host a conference call to review our results on October 22, 2003 at 2:30 PM PDT, 5:30 PM EDT. To participate in this conference call, please dial the following toll free number approximately five minutes prior to the commencement of the call:

1-888-458-1598 Passcode: 38226#

Should you be unable to participate, Instant Replay will be available for seven business days following the conference call by dialing:

1-877-653-0545 Passcode: 188344#

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We look forward to having you participate in our call.

FOR FURTHER INFORMATION PLEASE CONTACT:

Sierra Wireless, Inc.
 Peter W. Roberts, CA, CPA
 Chief Financial Officer
 (604) 231-1192
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 Email: proberts@sierrawireless.com
 INDUSTRY: CMT
 SUBJECT: ERN

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SIERRA WIRELESS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

(Expressed in thousands of United States dollars,
 except per share amounts)

(Prepared in accordance with United States generally accepted
 accounting principles (GAAP))
 (Unaudited)

	Three Months Ended September 30,		Nine Months September	
	2003	2002	2003	
Revenue.....	\$ 26,170	\$ 21,068	\$ 66,930	\$
Cost of goods sold.....	15,486	12,802	39,975	
Gross margin.....	10,684	8,266	26,955	
Expenses				
Sales and marketing.....	2,653	2,801	7,972	

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Research and development, net	4,677	3,217	10,373
Administration.....	1,331	1,331	4,399
Restructuring and other charges	1,220	--	1,220
Integration costs	1,026	--	1,026
Amortization.....	590	529	1,689
	-----	-----	-----
	11,497	7,878	26,679
	-----	-----	-----
Earnings (loss) from operations.....	(813)	388	276
Other income (expense).....	(74)	124	197
	-----	-----	-----
Earnings (loss) before income taxes.....	(887)	512	473
Income tax expense.....	54	9	143
	-----	-----	-----
Net earnings (loss).....	(941)	503	330
Deficit, beginning of period.....	(72,293)	(75,375)	(73,564)
	-----	-----	-----
Deficit, end of period.....	\$ (73,234)	\$ (74,872)	\$ (73,234)
	-----	-----	-----
	-----	-----	-----
Earnings (loss) per share for the period:			
Basic.....	\$ (0.05)	\$ 0.03	\$ 0.02
Diluted.....	\$ (0.05)	\$ 0.03	\$ 0.02
	-----	-----	-----
	-----	-----	-----
Weighted average number of shares (in thousands)			
Basic.....	18,409	16,314	17,054
Diluted.....	18,409	16,539	17,564
	-----	-----	-----
	-----	-----	-----

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SIERRA WIRELESS, INC.

CONSOLIDATED BALANCE SHEETS

(Expressed in thousands of United States dollars)
(Prepared in accordance with United States GAAP)

	September 30, 2003	December 31, 2002
	----- (Unaudited)	----- (Audited)
ASSETS		
Current assets		
Cash and cash equivalents.....	\$ 30,690	\$ 34,841
Short-term investments.....	8,753	--
Accounts receivable.....	18,891	13,865
Inventories.....	2,929	6,673
Prepaid expenses.....	848	864
	-----	-----
	62,111	56,243

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Fixed assets.....	5,752	7,198
Deferred income taxes.....	500	500
Intangible assets.....	18,477	6,907
Goodwill.....	16,057	--
Other.....	241	241
	-----	-----
	\$103,138	\$ 71,089
	-----	-----
	-----	-----
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable.....	\$ 1,690	\$ 3,017
Accrued liabilities.....	23,831	12,431
Deferred revenue and credits.....	429	297
Current portion of long-term liabilities.....	3,114	2,803
Current portion of obligations under capital lease.....	228	831
	-----	-----
	29,292	19,379
Long-term liabilities.....	1,998	2,896
Obligations under capital lease.....	27	60
Shareholders' equity		
Share capital.....	145,784	123,047
Deficit.....	(73,234)	(73,564)
Accumulated other comprehensive income		
Cumulative translation adjustments.....	(729)	(729)
	-----	-----
	71,821	48,754
	-----	-----
	\$103,138	\$ 71,089
	-----	-----
	-----	-----

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SIERRA WIRELESS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in thousands of United States dollars)
 (Prepared in accordance with United States GAAP)
 (Unaudited)

	Three Months Ended September 30,		Nine Mont Septemb
	2003	2002	2003
	-----	-----	-----
Cash flows from operating activities:			
Net earnings (loss) for the period.....	\$ (941)	\$ 503	\$ 330
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities			
Amortization.....	1,672	1,280	4,393
Non-cash restructuring and other charges.....	895	--	895

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Loss on disposal.....	--	2	2
Deferred income taxes.....	--	--	--
Accrued warrants.....	--	41	329
Changes in operating assets and liabilities			
Accounts receivable.....	(453)	509	(2,537)
Inventories.....	2,146	146	4,460
Prepaid expenses.....	167	157	288
Accounts payable.....	(6,432)	694	(4,051)
Accrued liabilities.....	6,873	(790)	6,691
Deferred revenue and credits.....	201	(467)	132
	-----	-----	-----
Net cash provided by (used in) operating activities...	4,128	2,075	10,932
Cash flows from investing activities:			
Business acquisitions.....	666	--	(126)
Proceeds on disposal.....	--	--	4
Purchase of fixed assets.....	(618)	(388)	(975)
Increase in intangible assets.....	(2,614)	(167)	(3,928)
Purchase of short-term investments.....	52	(3,031)	(10,170)
Proceeds on maturity of short-term investments.....	1,417	5,521	1,417
	-----	-----	-----
Net cash provided by (used in) investing activities...	(1,097)	1,935	(13,778)
Cash flows from financing activities:			
Issue of common shares.....	319	16	360
Repayment of long-term liabilities.....	(507)	(301)	(1,665)
	-----	-----	-----
Net cash used in financing activities.....	(188)	(285)	(1,305)
Net increase (decrease) in cash and cash equivalents....	2,843	3,725	(4,151)
Cash and cash equivalents, beginning of period.....	27,847	23,133	34,841
	-----	-----	-----
Cash and cash equivalents, end of period.....	\$30,690	\$26,858	\$ 30,690
	-----	-----	-----

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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/ Peter W. Roberts

Peter W. Roberts, Chief Financial Officer

Date: October 23, 2003

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