

STEADY REVENUE GROWTH FORECAST

DETAILED STOCK REPORT



**SIERRA
WIRELESS®**

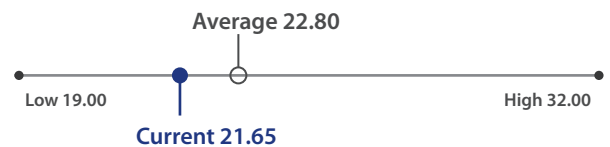
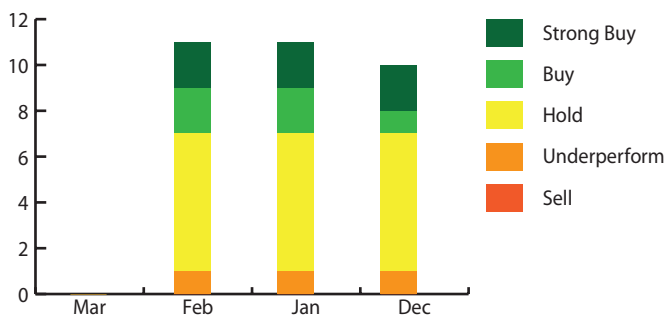
13811 Wireless Way
Richmond, BC V6V 3A4
Canada

Key Statistics

Last Close	Avg Daily Vol	52-Week High	Change % on Day	52-Week Change	ROE	Beta 5Y
21.65 (CAD)	0.09 M	28.23	0.8%	196.58%	(19.02%)	2.01
21 Mar, 2021	Market Cap	52-Week Low	Forward P/E	Diluted EPS	ROA	Avg Rev Growth
	797.44 M	7.02	434.5	(2.41)	(8.68%)	1%

Recommendation Trends

Hold



Company Profile

Sierra Wireless, Inc., together with its subsidiaries, provides device-to-cloud Internet of Things (IoT) solutions in the Americas, Europe, the Middle East, Africa, and the Asia Pacific. The IoT Solutions segment offers recurring connectivity services, cloud management software, and cellular modules and gateways.

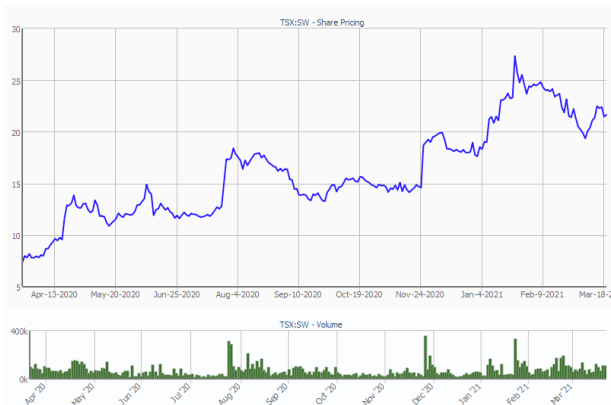
Some highlighted technologies include 5G, LTE networking, Wi-Fi, Bluetooth, Global navigation satellite system, and etc.

Key Financials

	12 Months Dec-31-2018	12 Months Dec-31-2019	12 Months Dec-31-2020	12 Months Dec-31-2021	12 Months Dec-31-2022
Total Revenue	1,082.90	709.84	571.59	592.78	650.79
Growth Over Prior Year	14.9%	(31.0%)	(18.0%)	5.6%	9.8%
Gross Profit %	33.3%	36.1%	35.3%	35.7%	36.8%
EBITDA Margin %	4.3%	(0.5%)	(12.0%)	0.5%	4.1%
Net Income Margin %	(3.1%)	(12.9%)	(11.0%)	(3.8%)	(0.0%)
Diluted EPS	(0.93)	(2.68)	(2.46)	(0.62)	(0.05)

Price and Volume Charts

1-Year Price Volume Chart



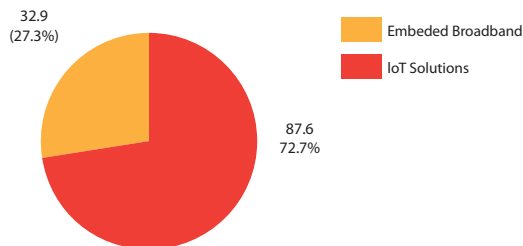
5-Year Price Volume Chart



Executive Summary

Sierra Wireless ("SW" or the "Company") was founded in 1993 in Richmond, Canada. It focuses on multinational wireless communications equipment services. The major selling revenues from 2020 concentrated on IoT Solutions and Embedded Broadband products.

Figure 1 (Q4 2020) Retail Segment Revenues (\$ in Millions)



Investment Recommendation

We issue a **Hold** recommendation on SW with a 12-month target price \$7.54 using DCF analysis. There was a significant drop in revenues due to the Covid-19 crisis, and the Company is still trying to make more revenues by selling more competitive products. The results were not bad, but compared to other companies, it was not impressive enough.

Investment Thesis and Outline

Backed by a outstanding industry outlook, SW is well positioned for a growth and market recognition of the IT Solution company. After evaluating the company's risks and associated similar Canadian companies in the market, we have arrived a **Hold** recommendation.

- **High-end 5G Technology Application**, as 5G technology will be widely implemented in the near future, its popularity will lead SW to a relatively high demanding in 5G hardware installations, thus more revenues generating
- **Slow Revenue Growth**, based on the history revenue analysis, the expected revenue growth rate is only 1.00% 1 year from now, and 1.02% 2 years from now, which demonstrates a relatively poor growing rate.
- **Similar Complementary Companies**, there are many other similar types of companies selling similar types of products just like SW, and some other companies show a generally lower EV/EBITDA ratios than SW. This somehow explains that the Company is overpriced in terms of stock price.
- **Investment Risks**, due to the uncertain risks associated with Covid-19, the risks of largely investing in SW remains relatively high as the stock price tends to fluctuate and it does not generally represent a growing trend.

Business Descriptions

SW is an Internet of Things ("IoT") pioneer empowers businesses and industries to transform and thrive in the connected economy. They provide integrated Device-to-Cloud IoT solutions that are comprised of our recurring connectivity services, their IoT cloud platform, and their embedded cellular modules and gateways. Enterprises, industrial companies and Original Equipment Manufacturers ("OEMs") worldwide rely on our expertise to deliver fully-integrated IoT solutions to reduce complexity, gather intelligent edge data and enable connected IoT products and services. SW now only have two reportable segments:

IoT Solutions

The IoT Solutions segment is focused on integrated end-to-end IoT solutions that include recurring connectivity services, cloud management software, and cellular modules and gateways targeted primarily at enterprises and OEMs in the IoT space.

Embedded Broadband

Our Embedded Broadband segment is comprised of our high-

speed cellular embedded modules that are typically used in non-industrial applications, namely Automobile, Mobile Computing and Enterprise Networking markets.

The products in this segment are typically high-speed 4G LTE and LTE-Advanced cellular modules that are ordered in larger volumes.

Shareholder Base

SW only issued common shares in Toronto Stock Exchange as well as Nasdaq. It is a public company that received fundings from many investment companies. About 47.17% of the Company's shares are owned by the public, and 37.29% of the shares are owned by investment institutions.

Among the top five holders of SW, Trigan Investment Inc owns 14.27% (\$98.8 M market value) of total shares outstanding, followed by Brandes Investment Partners LP, who owns 8.78% (\$60.8 M market value) of total shares outstanding. Over the first quarter in 2020, 4 buying transactions have been made, while 10 selling transactions happened from total of 115 holders.

Figure 2 Ownership Summary of Common Stocks

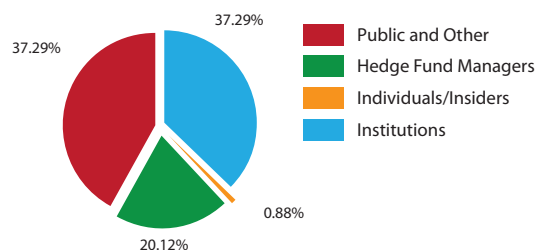
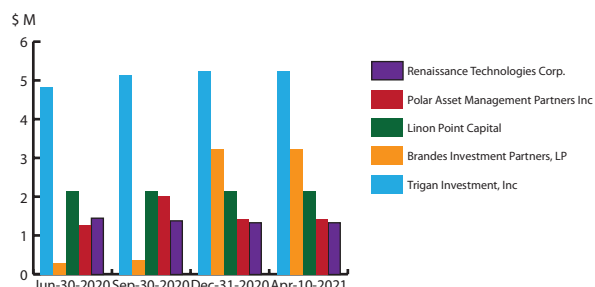


Figure 3 Current Top Holders Activity



Management's Shareholder Value Generating Initiatives

SW's mission is to be the preferred IoT solutions provider for leading brands, combining devices, software and services to accelerate digital transformation and our vision is to enable the connected world with intelligent wireless solutions and enable businesses to reimagine their future in the connected world.

The core values include

- **Innovation**: develop intelligent IoT solutions based on superior technology that provides value to customers.
- **Execution**: deliver on commitments together as a team, and focus on quality and excellence in everything they do
- **Trust**: responsive and collaborative with customers to help them grow their businesses.

Initiatives Outcomes

On April 30, 2019, SW have announced two initiatives related to the acceleration of their transformation to a Device-to-Cloud IoT solutions company

- Consolidation of engineering resources and the transfer of certain functions to lower cost locations resulting in a significant reduction in our engineering team in Issy-Les-Moulineaux, outside of Paris, France.
- Outsourcing of a select group of general and administrative transaction-based activities to a global outsourcing partner.

Overall, the two initiatives have impacted approximately 128 posi-

tions, of which 97 positions were in France. In 2019, they recorded \$18.6 million in severance and \$7.9 million in transitional costs relating to these two initiatives.

Acquisition of M2M Group

On January 7, 2020, SW completed the acquisition of M2M group of companies ("M2M Group") in Australia. Total cash consideration paid to the shareholders of M2M Group was \$19.6 million for 100% of the equity plus approximately \$1.4 million for the retirement of certain obligations, subject to normal working capital adjustments.

The M2M Group's revenue in the last twelve months was US\$17.9 million, of which \$9.2 million was recurring subscription-based revenue. It is expected that the acquisition to be accretive to earnings immediately following closing.

Competitive Positioning

Industry Overview

Industry Overview

The communication equipment businesses have reached \$772.8 M average revenue in 2018, making it 67.3% profitability compared to other industries. The number of ongoing businesses in Canada is 191 and the market size has surprisingly \$2 B. Some typical industry products and services include

- Radio station equipment
- Wireless networking equipment
- Other communications systems and equipment, including GPS
- Broadcast, studio and related electronic equipment

Some industry activities have

- Cable TV transmission and receiving equipment manufacturing
- GPS equipment manufacturing
- Space satellite communications equipment manufacturing

Economical Overview

Some key findings in this industry

- The industry's contribution represents 3.7% of Canada's overall annual GDP in 2019
- Every telecommunications job results in 2.3 jobs supported in the Canadian economy, and every \$1 million in telecommunications sales results in 4.2 new jobs supported in the Canadian economy
- In 2019, capital investments into wireless and wireline connectivity by the private sector totaled more than \$10 billion, which is part of the more than \$50 billion in wireless capex, and \$20 billion in spectrum licenses invested by facilities-based service providers since 1987 and more than \$150 billion in wireline capex invested since 1996.

Expected Slowdown in Revenues

Although there are a variety of services and products available in the communication equipment industry, this industry is likely to be slightly impacted as a result of the global Covid-19 pandemic

- Revenue for the Communications Equipment Manufacturing industry in Canada is expected to decline 0.5% over 2020, underscored in part by the ongoing spread of COVID-19 across the globe.
- Since this industry is heavily reliant on Chinese imports, total industry imports are projected to decline 1.6% over 2020 due to the effects of COVID-19 on China's manufacturing sector.
- Demand from communication service providers is expected to decline due to the possibility of supply chain shortages as a result of COVID-19.