SIERRA WIRELESS INC
Form 6-K
November 06, 2015

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 November 2015

(Commission File. No 0-30718).

SIERRA WIRELESS, INC., A CANADIAN CORPORATION
(Translation of registrant's name in English)

13811 Wireless Way
Richmond, British Columbia, Canada V6V 3A4
(Address of principal executive offices and zip code)

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

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

Form 20-F o 40-F ý

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

Yes: o No: ý

SIGNATURES

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

Sierra Wireless, Inc.

By: /s/ David G. McLennan

David G. McLennan, Chief Financial Officer and Secretary

Date: November 6, 2015

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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 months ended September 30, 2015, and up to and including November 5, 2015. This MD&A should be read together with our unaudited interim consolidated financial statements for the three and nine month periods ended September 30, 2015 and September 30, 2014, respectively, and our audited annual consolidated financial statements and the accompanying notes for the year ended December 31, 2014 (collectively, "the consolidated financial statements"). The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States ("U.S. GAAP"). Except where otherwise specifically indicated, all amounts in this MD&A are expressed in United States dollars.

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

Certain statements in this MD&A constitute forward-looking statements or forward-looking information within the meaning of applicable securities laws. You should carefully read "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 the Company's results of operations as they provide additional measures of its 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" and "Liquidity and Capital Resources".

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 the Company, including our most recent consolidated financial statements and our 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 ("forward-looking statements"), including our business outlook for the short and longer term and statements regarding our strategy, plans and future operating performance. Forward-looking statements are provided to help you understand our views of our short and longer term plans, expectations and prospects. We caution you that forward-looking statements may not be appropriate for other purposes.

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 "expects", "is expected", "anticipates", "believes", "plans", "projects", "estimates", "assumes", "intends", "stra "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:

- our ability to develop, manufacture and sell new products and services that meet the needs of our customers and gain commercial acceptance;
- our ability to continue to sell our products and services in the expected quantities at the expected prices and expected times;
- expected cost of goods sold;
- expected component supply constraints;
- our ability to "win" new business;
- our ability to integrate acquired businesses and realize expected benefits;
- expected deployment of next generation networks by wireless network operators;
- our operations not being adversely disrupted by component shortages or other development, operating or regulatory risks; and
- expected tax rates 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 from those reflected in the forward-looking statements, including, without limitation:

- competition from new or established service providers or from those with greater resources;
- higher than anticipated costs; disruption of, and demands on, our ongoing business; and diversion of management's time and attention in connection with acquisitions or divestitures;
- we may experience difficulty responding to changing technology, industry standards and customer requirements;
- the loss of any of our significant customers;
- cyber-attacks or other breaches of our information technology security;
- our reliance on single source suppliers for certain components used in our products;
- failures of our products or services due to design flaws and errors, component quality issues, manufacturing defects or other quality issues;
- we may be found to infringe on intellectual property rights of others;
- we may not be able to obtain necessary rights to use software or components supplied by third parties;
- we may be unable to enforce our intellectual property rights;
- our ability to attract or retain key personnel;

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- risks related to contractual disputes with counterparties;
- our financial results are subject to fluctuation;
- difficult or uncertain global economic conditions;
- unanticipated costs associated with litigation or settlements;
- our dependence on a limited number of third party manufacturers;
- our dependence on wireless network carriers to promote and offer acceptable wireless data services;
- we are subject to governmental regulation;
- the transmission, use and disclosure of user data and personal information could give rise to liability or additional costs; and
- we have operations outside of North America and therefore are subject to risks inherent in foreign jurisdictions.

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 below under "Risks and Uncertainties" 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 building the Internet of Things ("IoT") with intelligent wireless solutions that empower organizations to innovate in the connected world. We offer the industry’s most comprehensive portfolio of second generation ("2G"), third generation ("3G") and fourth generation ("4G") cellular embedded wireless modules and gateways, seamlessly integrated with our secure cloud and connectivity services. OEMs and enterprises worldwide trust our innovative solutions to get their connected products and services to market faster.

We operate the Company under two reportable segments: OEM Solutions and Enterprise Solutions.

Our OEM Solutions segment includes cellular embedded modules, software and tools for OEM customers to integrate wireless cellular connectivity into products and solutions across a broad range of industries, including automotive, transportation, enterprise networking, energy, sales and payment, mobile computing, security, industrial monitoring, field services, healthcare and others. Within our OEM Solutions segment, the AirPrime Embedded Wireless Modules product portfolio spans 2G, 3G, and 4G cellular technologies. It also includes remote device management capability and support for on-board embedded applications using the OpenAT application framework and our new open source, Linux-based application framework, Legato.

Our Enterprise Solutions segment includes AirLink intelligent gateways and tools that provide plug-and-play mission-critical connectivity for enterprise customers. Our 2G, 3G and 4G LTE intelligent wireless gateways are designed for use where reliability and security are essential, and are used in transportation, public safety, field services, energy, industrial, and enterprise networking applications worldwide. AirLink gateways can be easily configured for specific customer applications, and also support on-board embedded applications using our ALEOS application framework.

Our Enterprise Solutions segment also includes cloud and connectivity services, which provide a secure and scalable cloud based platform for deploying and managing IoT applications. Our IoT Acceleration Platform can be used to collect and store machine data, and process and schedule events from any number of devices, across any network operator around the world. IoT solution developers can use the latest cloud application programming interface standards to quickly integrate machine data with their own enterprise applications and back-end systems. These services can be used to centrally deploy and monitor IoT devices at the edge of the network, including configuring device settings, delivering firmware and embedded application updates over the air, and administering airtime subscriptions across global networks.

During 2015 we made three acquisitions to further strengthen our cloud and connectivity services offering and to advance our device to cloud strategy. On January 16, 2015 we acquired all of the outstanding shares of Wireless Maingate AB ("Maingate") for $91.6 million. Maingate is one of the leading providers of managed connectivity services in Europe. Maingate has its own core network and is a fully licensed mobile network operator with its own SIMs, billing, and other capabilities.

On June 18, 2015, we completed the acquisition of substantially all of the assets of Accel Networks LLC ("Accel") for $9.3 million in cash with contingent consideration of up to an additional $1.5 million under a performance-based earnout formula. Accel is a provider of 4G LTE managed connectivity services in the United States with more than 300 enterprise customers in sectors such as retail, finance, security, energy, and hospitality.

On September 2, 2015, we completed the acquisition of all the outstanding shares of MobiquiThings SAS ("MobiquiThings") for €13.4 million in cash with contingent consideration of up to an additional €12 million under a performance-based earnout formula. MobiquiThings is a European provider of managed connectivity services for the IoT. This acquisition provides us with an advanced core network and technology platform that complements our AirVantage cloud and Maingate wireless services offering.

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We continue to seek opportunities to acquire or invest in businesses, products and technologies that expand, complement or otherwise relate to our business.

Third Quarter Overview

Revenue of $154.6 million in the third quarter and $463.0 million in the first nine months of 2015, respectively, represents an increase of 7.9% and 15.9%, respectively, compared to the same periods of 2014. This increase was mainly driven by the OEM Solutions segment and contributions from the recently acquired Maingate and Accel businesses within our Enterprise Solutions segment. Our OEM Solutions segment revenue increased by 5.1% to $130.7 million in the third quarter and increased by 15.8% to $401.9 million in the first nine months of 2015, compared to the same periods of 2014. Our Enterprise Solutions segment revenue increased by 26.3% to $23.9 million in the third quarter of 2015 and increased by 16.7% to $61.1 million in the first nine months of 2015, compared to the same periods of 2014. For the third quarter of 2015, gross margin was 31.7%, compared to 32.8% in the third quarter of 2014.

Foreign exchange rate changes impacted our Euro denominated revenue and Canadian dollar and Euro denominated operating expenses. We estimate that changes in exchange rates between the third quarter of 2015 and the same period of 2014 reduced our gross margin in the third quarter of 2015 by approximately $0.7 million and reduced our operating expenses in the third quarter of 2015 by approximately $4.0 million.

Financial highlights for the third quarter of 2015:

GAAP:

- Revenue was $154.6 million, an increase of 7.9%, compared to $143.3 million in the third quarter of 2014.
- Gross margin was 31.7%, compared to 32.8% in the third quarter of 2014.
- Earnings from operations were $4.2 million, compared to $2.9 million in the third quarter of 2014.
- Net earnings were $3.3 million, or $0.10 per diluted share, compared to a net loss of $2.9 million, or $0.09 per diluted share, in the third quarter of 2014.
- Cash and cash equivalents at the end of the third quarter of 2015 were $88.4 million, a decrease of $8.1 million, compared to the end of the second quarter of 2015.

NON-GAAP(1):

- Gross margin was 31.8%, compared to 32.9% in the third quarter of 2014.
- Earnings from operations were $9.5 million, compared to $8.4 million in the third quarter of 2014.
- Adjusted EBITDA was $12.1 million, compared to $11.8 million in the third quarter of 2014.
- Net earnings were $7.4 million, or $0.23 per diluted share, compared to net earnings of $7.7 million, or $0.24 per diluted share in the third quarter of 2014.

(1) Non-GAAP financial measures exclude the impact of stock-based compensation expense and related social taxes, acquisition amortization, impairment, acquisition costs, integration costs, restructuring costs, foreign exchange gains or losses on translation of balance sheet accounts and certain tax adjustments. Refer to the section titled "Non-GAAP Financial Measures" for additional details.

Selected Consolidated Financial information:

(in thousands of U.S. dollars, except where otherwise stated)	2015			2014				
	Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1
Statement of Operations data:								
Revenue	$154,581	$157,965	$150,406	$548,523	$149,078	$143,270	$135,012	$121,163
Gross Margin								
- GAAP	$49,009	$50,947	$48,836	$178,979	$50,006	$47,055	$43,321	$38,597
- Non-GAAP (1)	49,155	51,094	49,084	179,534	50,137	47,189	43,451	38,757
Gross Margin %								
- GAAP	31.7%	32.3%	32.5%	32.6%	33.5%	32.8%	32.1%	31.9%
- Non-GAAP (1)	31.8%	32.4%	32.6%	32.7%	33.6%	32.9%	32.2%	32.0%
Earnings (loss) from operations								
- GAAP	$4,202	$4,112	$2,474	$(6,594)	$3,399	$2,943	$(6,264)	$(6,672)
- Non-GAAP (1)	9,475	10,725	8,846	22,794	10,033	8,381	3,660	720
Adjusted EBITDA(1)	$12,110	$13,148	$11,308	$35,411	$12,732	$11,781	$6,813	$4,085
Net earnings (loss)								
- GAAP	$3,286	$4,076	$(9,653)	$(16,853)	$(1,701)	$(2,904)	$(8,243)	$(4,005)
- Non-GAAP (1)	7,419	8,637	7,182	19,848	9,093	7,682	2,590	483
Revenue by Segment:								
OEM Solutions	$130,653	$138,133	$133,040	$476,650	$129,580	$124,329	$116,579	$106,162
Enterprise Solutions	23,928	19,832	17,366	71,873	19,498	18,941	18,433	15,001
Share and per share data:								
Basic net earnings (loss) per share (in dollars)								
- GAAP	$0.10	$0.13	$(0.30)	$(0.53)	$(0.05)	$(0.09)	$(0.26)	$(0.13)
- Non-GAAP (1)	$0.23	$0.27	$0.22	$0.63	$0.29	$0.24	$0.08	$0.02

Diluted net earnings (loss) per share (in dollars)								
- GAAP	$0.10	$0.12	$(0.30)	$(0.53)	$(0.05)	$(0.09)	$(0.26)	$(0.13)
- Non-GAAP (1)	$0.23	$0.26	$0.22	$0.63	$0.29	$0.24	$0.08	$0.02
Common shares (in thousands)								
At period-end	32,263	32,205	32,133	31,869	31,869	31,673	31,511	31,432
Weighted average - basic	32,231	32,166	31,983	31,512	31,759	31,582	31,466	31,235
Weighted average - diluted	32,823	32,915	31,983	31,512	31,759	31,582	31,466	31,235

(1) Non-GAAP financial measures exclude the impact of stock-based compensation expense and related social taxes, acquisition amortization, impairment, acquisition costs, integration costs, restructuring costs, foreign exchange gains or losses on translation of balance sheet accounts and certain tax adjustments. Refer to the section titled “Non-GAAP Financial Measures” for additional details.

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

Other key business highlights for the third quarter of 2015:

- We introduced the IoT Acceleration Platform, the industry's first integrated service platform that combines cloud, IoT hardware, and managed connectivity services for worldwide deployments.

- We announced that Iskraemeco, one of the leading providers of Advanced Metering Management (AMM) systems in the world, has selected our AirPrime HL Series to enable cellular connectivity in smart metering deployments worldwide.

- We announced that Itron has selected our AirPrime HL Series modules to enable cellular connectivity in its latest line of smart gas meters.

Outlook

In the fourth quarter of 2015, compared to the third quarter of 2015, we expect revenue to be down slightly, primarily reflecting a short term situation with an Automotive customer. We expect gross margin percentage to be slightly lower, resulting from a higher cost end of life component used in some of our legacy OEM products; and operating expenses to increase slightly, driven by targeted investment in Sales and R&D.

We believe that the market for wireless IoT solutions has strong long-term growth prospects. We anticipate strong growth in the number and type of devices being wirelessly connected, driven by a number of enablers such as lower wireless connectivity costs, faster wireless connection speeds, new devices and tools to simplify the development of IoT applications, and increased focus and investment from large ecosystem players. More importantly, we see strong customer demand emerging in many of our market segments driven by increasing recognition of the value created by deploying IoT solutions, such as new revenue streams and cost efficiencies.

Key factors that we expect will affect our results in the near term are:

- the strength of our competitive position in the market;
- the timely ramp up of sales of our new products recently launched or currently under development;
- the availability of components from key suppliers;
- the level of success our OEM customers achieve with sales of connected solutions to end users;
- our ability to secure future design wins with both existing and new customers;
- fluctuations in foreign exchange rates;
- wireless technology transitions and the timing of deployment of new, higher speed networks by wireless operators;
- contributions from acquisitions;
- the successful implementation of our device-to-cloud strategy;
- general economic conditions in the markets we serve; and
- seasonality in demand.

We expect that product and price competition from other wireless device manufacturers will continue to play a role in the IoT market. As a result of these factors, we may experience volatility in our results on a quarter-to-quarter basis. Gross margin percentage may fluctuate from quarter-to-quarter depending on product and customer mix, competitive selling prices and product costs.

See "Cautionary Note Regarding Forward-Looking Statements".

CONSOLIDATED RESULTS OF OPERATIONS

(in thousands of U.S. dollars, except where otherwise stated)	Three months ended September 30				Nine months ended September 30			
	2015		2014		2015		2014	
	$	% of Revenue	$	% of Revenue	$	% of Revenue	$	% of Revenue
Revenue	154,581	100.0 %	143,270	100.0 %	462,952	100.0 %	399,445	100.0 %
Cost of goods sold	105,572	68.3 %	96,215	67.2 %	314,160	67.9 %	270,472	67.7 %
Gross margin	49,009	31.7 %	47,055	32.8 %	148,792	32.1 %	128,973	32.3 %
Expenses								
Sales and marketing	13,856	9.0 %	12,633	8.8 %	39,829	8.6 %	37,794	9.5 %
Research and development	17,987	11.6 %	19,887	13.9 %	55,481	12.0 %	59,925	15.0 %
Administration	9,416	6.1 %	9,006	6.3 %	30,928	6.7 %	28,019	7.0 %
Restructuring	39	— %	71	— %	750	0.2 %	1,058	0.3 %
Acquisition and integration	443	0.3 %	356	0.2 %	2,561	0.5 %	1,397	0.3 %
Impairment	—	— %	—	— %	—	— %	3,756	0.9 %
Amortization	3,066	2.0 %	2,159	1.5 %	8,455	1.8 %	7,017	1.8 %
	44,807	29.0 %	44,112	30.7 %	138,004	29.8 %	138,966	34.8 %
Earnings (loss) from operations	4,202	2.7 %	2,943	2.1 %	10,788	2.3 %	(9,993)	(2.5)%
Foreign exchange loss	(102)		(8,039)		(10,445)		(8,538)	
Other income	13		317		131		608	
Earnings (loss) before income taxes	4,113		(4,779)		474		(17,923)	
Income tax expense (recovery)	827		(1,875)		2,765		(2,771)	
Net earnings (loss)	3,286		(2,904)		(2,291)		(15,152)	
Basic and diluted net earnings (loss) per share (in dollars)	$0.10		$(0.09)		$(0.07)		$(0.48)	

Revenue

Revenue increased by $11.3 million, or 7.9%, in the third quarter of 2015 and by $63.5 million, or 15.9%, in the first nine months of 2015 compared to the same periods of 2014. The increase was mainly driven by growth in OEM Solutions, with solid contributions from automotive, energy, and enterprise networking customers as well as contributions from the acquired Maingate and Accel businesses. This increase was partially offset by the continued unfavorable foreign exchange impact on Euro denominated revenue and weaker year-over-year gateway revenue.

Gross margin

Gross margin was 31.7% in the third quarter of 2015 compared to 32.8% in the same period of 2014. This decrease was primarily the result of a shift in product mix due to higher sales volume of lower margin products and higher product costs related to last time buys for an end of life component. Gross margin for the first nine months of 2015 was 32.1% compared to 32.3% for the same period of 2014. This decrease in gross margin was driven mainly by a shift in product mix due to higher sales volume of lower margin products.

In the third quarter of 2015 and 2014, gross margin included stock-based compensation expense and related social taxes of $0.1 million. In the first nine months of both 2015 and 2014, gross margin included stock-based compensation expense and related social taxes of $0.5 million.

Sales and marketing
Sales and marketing expenses increased by $1.2 million, or 9.7%, in the third quarter of 2015 and increased by $2.0 million, or 5.4%, in the first nine months of 2015 compared to the same periods of 2014. This increase was primarily a result of the recent acquisitions of Maingate and Accel and targeted investments in resources to support our go-to-market strategy. This increase was partially offset by the favorable impact of foreign exchange.

Sales and marketing expenses included stock-based compensation expense and related social taxes of $0.7 million and $0.5 million in the third quarter of 2015 and 2014, respectively, and $2.0 million and $1.7 million in the first nine months of 2015 and 2014, respectively.

Research and development
Research and development (“R&D”) expenses decreased by $1.9 million, or 9.6%, in the third quarter of 2015 and by $4.4 million, or 7.4%, in the first nine months of 2015 compared to the same periods of 2014. The decrease in R&D expenses was primarily related to lower acquisition related amortization costs in the third quarter and first nine months of 2015, compared to the same periods of 2014, and the favorable impact of foreign exchange, partially offset by higher certification costs and investment in R&D resources.

R&D expenses included stock-based compensation expense and related social taxes of $0.4 million and $0.5 million in the third quarter of 2015 and 2014, respectively. R&D expenses included stock-based compensation expense and related social taxes of $1.2 million and $1.6 million in the first nine months of 2015 and 2014, respectively. R&D expenses also included acquisition amortization of $0.1 million and $1.1 million in the third quarter of 2015 and the first nine months of 2015, respectively, compared to $1.4 million and $4.4 million in the same periods of 2014, respectively.

Administration
Administration expenses increased by $0.4 million, or 4.6%, in the third quarter of 2015 compared to the same period of 2014 primarily due to additional costs as a result of recent acquisitions and higher bad debt provisions partially offset by the favorable impact of foreign exchange. Administration expenses increased by $2.9 million, or 10.4%, in the first nine months of 2015 compared to the same period of 2014. This increase was a result of our acquisitions of Maingate and Accel, as well as higher corporate development, partially offset by the favorable impact of foreign exchange.

Administration expenses included stock-based compensation expense and related social taxes of $1.3 in each of the third quarters of 2015 and 2014, and $4.3 million in each of the first nine months of 2015 and 2014.

Restructuring
Restructuring costs in the third quarter of 2015 were nominal and decreased by $0.3 million in the first nine months of 2015 compared to the same period of 2014. Restructuring costs in 2015 were related to implementation of a plan to realign responsibilities within our Enterprise Solutions segment to reflect the evolution of our business and to provide dedicated focus on our AirLink gateways business and on integrating recent acquisitions with our AirVantage cloud and connectivity capabilities. Restructuring costs in 2014 were related to our decision to reduce the scope of 2G chipset development activities.

Acquisition and integration
In the third quarter and first nine months of 2015, we incurred acquisition and integration costs of $0.4 million and $2.6 million, respectively, compared to $0.4 million and $1.4 million for the same periods of 2014. This increase was driven by the additional acquisition activity in the first nine months of 2015, compared to the same period of 2014.

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Amortization
Amortization expense increased by $0.9 million and by $1.4 million, in the third quarter and the first nine months of 2015, respectively, compared to the same periods of 2014 mainly due to increased acquisition related amortization. Amortization expense for the third quarter and the first nine months of 2015 included $2.1 million and $5.8 million of acquisition amortization, respectively, compared to $1.2 million and $4.2 million in the same periods of 2014, respectively.

Foreign exchange loss
Foreign exchange loss was $0.1 million for the third quarter of 2015, compared to a foreign exchange loss of $8.0 million in the same period of 2014. Commencing in the second quarter of 2015, we classified an intercompany Euro denominated loan ("Intercompany Loan") as part of a net investment in a foreign subsidiary which resulted in the foreign exchange gain or loss from revaluation of the Intercompany Loan being recognized in other comprehensive income on a prospective basis. Prior to the second quarter of 2015, we had the intention to repay the Intercompany Loan and, as such, the foreign exchange fluctuations from the revaluation of the Intercompany Loan were recognized through foreign exchange gain or loss as part of net earnings.

Foreign exchange loss was $10.4 million for the first nine months of 2015, compared to a loss of $8.5 million in the same period of 2014. The additional loss was primarily due to unrealized foreign exchange loss, recognized in the first quarter of 2015, on revaluation of the Intercompany Loan to a foreign subsidiary driven by the decline in the value of the Euro relative to the U.S. dollar in the first quarter of 2015, compared to the same period of 2014.

Income tax expense (recovery)
In the third quarter of 2015, income tax expense was $0.8 million, compared to an income tax recovery of $1.8 million in the same period of 2014. The additional expense was due to higher earnings and the impact of a shift of earnings between jurisdictions. The recovery in the third quarter of 2014 was primarily driven by changes in deferred income tax assets.

In the first nine months of 2015, income tax expense was $2.8 million, compared to a recovery of $2.8 million in the same period of 2014. The additional expense was due to higher earnings and the impact of a shift of earnings between jurisdictions. The recovery in the first nine months of 2014 was primarily driven by changes in deferred income tax assets and the release of a FASB Interpretation No. 48 provision which had become statute barred.

Net earnings (loss)
In the third quarter of 2015, net earnings were $3.3 million compared to a net loss of $2.9 million in the same period of 2014. The improvement was primarily a result of stronger earnings from operations and a lower foreign exchange loss partially offset by higher income tax expenses.

In the first nine months of 2015, net loss decreased by $12.9 million compared to the same period of 2014. This reflects improved earnings from operations, partially offset by an increase in foreign exchange loss and higher income tax expenses.

Net earnings (loss) in the third quarter and the first nine months of 2015 included stock-based compensation expense and related social taxes of $2.6 million and $8.0 million, respectively, and acquisition amortization of $2.2 million and $6.9 million, respectively. Net loss in the third quarter and the first nine months of 2014 included stock-based compensation expense and related social taxes of $2.4 million and $8.0 million, respectively, and acquisition amortization of $2.6 million and $8.5 million, respectively.

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