

May 18, 2016



## Westell Technologies Reports Fiscal Fourth Quarter 2016 Results

**Year-over-year revenue grew 12% to \$20.9 million**

AURORA, Ill.--(BUSINESS WIRE)-- Westell Technologies, Inc. (NASDAQ: WSTL), a leading provider of in-building wireless, intelligent site management, cell site optimization, and outside plant solutions, today announced results for its fiscal 2016 fourth quarter ended March 31, 2016 (4Q16). Management will host a conference call to discuss financial and business results tomorrow, Thursday, May 19, 2016 at 9:30 AM Eastern Time (details below).

Consolidated revenue for 4Q16 was \$20.9 million, up 12% year-over-year and 3% on a sequential quarter basis, and consisted of \$5.8 million from the In-Building Wireless (IBW) segment and \$15.1 million from the Communication Solutions Group (CSG) segment. Consolidated revenue for fiscal year 2016 (FY16) grew 5% to \$88.2 million. More significantly, gross margin increased year-over-year from 31.9% in FY15 to 39.1% in FY16.

“CSG delivered strong 4Q16 results, with segment revenue up 31% on both a year-over-year and sequential quarter basis, led by solid performances from our Intelligent Site Management (ISM) and Outside Plant (OSP) product areas. While IBW was affected by the integration of our Distributed Antennas System (DAS) Conditioner products into larger network elements, we anticipate future IBW growth from our new ClearLink DAS and from enhancements to our Repeater product line,” said Tom Gruenwald, Chairman, CEO, and President of Westell Technologies.

“FY16 was a year of powerful change for Westell, during which we successfully launched our multi-phase ‘fix-build-expand’ turnaround plan. Under new leadership, we gained positive momentum in transforming several key areas of the business, most notably a significant upgrade of our sales organization, a more effective supply chain, and the establishment of a CTO (Chief Technology Office) function. While we face headwinds with the decline of some of our late-lifecycle products, we are firmly focused on returning the Company to profitability through continued scrutiny of expenses and structure, and the introduction of new products,” Gruenwald said.

Total cash and short-term investments were \$29.7 million at March 31, 2016, compared to \$34.8 million at December 31, 2015. The use of cash increased when compared to each of the three previous quarters primarily due to a revenue pattern weighted more towards the latter part of the quarter, resulting in a higher customer receivable balance at March 31, 2016.

## 4Q16 Performance

	4Q16	3Q16	4Q15	4Q16	4Q16
	3 months	3 months	3 months	vs.	vs.
	ended	ended	ended		
	03/31/16	12/31/15	03/31/15	3Q16	4Q15
Consolidated Revenue	\$20.9M	\$20.2M	\$18.6M	+3%	+12%
Gross Margin	37.8%	39.4%	25.1%	-1.6%	+12.7%
Net Income (Loss)	(\$5.1M)	(\$4.8M)	(\$13.0M)	(\$0.3M)	\$7.9M
Earnings (Loss) Per Share	(\$0.08)	(\$0.08)	(\$0.22)	\$—	\$0.14
Non-GAAP Earnings (Loss) Per Share <sup>(1)</sup>	(\$0.04)	(\$0.05)	(\$0.09)	\$0.01	\$0.05

(1) Please refer to the schedule at the end of this press release for a complete GAAP to non-GAAP reconciliation and other information related to non-GAAP financial measures.

## FY16 Performance

	FY16	FY15	FY16
	12 months ended	12 months ended	vs.
	03/31/16	03/31/15	FY15
Consolidated Revenue	\$88.2M	\$84.1M	+5%
Gross Margin	39.1%	31.9%	+7.2%
Net Income (Loss)	(\$16.2M)	(\$58.9M)	\$42.7M
Earnings (Loss) Per Share	(\$0.27)	(\$0.98)	\$0.71
Non-GAAP Earnings (Loss) Per Share <sup>(1)</sup>	(\$0.14)	(\$0.20)	\$0.06

(1) Please refer to the schedule at the end of this press release for a complete GAAP to non-GAAP reconciliation and other information related to non-GAAP financial measures.

## In-Building Wireless (IBW) Segment

IBW's 4Q16 revenue performance year-over-year and on a sequential quarter basis was largely indicative of a market shifting away from stand-alone DAS conditioners, as the function served by these devices are increasingly integrated into larger network elements. IBW's 4Q16 gross margin improvement compared to 4Q15 was primarily due to lower excess and obsolete inventory costs, and decrease compared to 3Q16 was principally a result of the change in segment revenue.

4Q16	3Q16	4Q15	4Q16	4Q16
3 months	3 months	3 months	vs.	vs.
ended	ended	ended		
03/31/16	12/31/15	03/31/15	3Q16	4Q15

IBW Segment Revenue	\$5.8M	\$8.7M	\$7.1M	-33%	-18%
IBW Segment Gross Margin	35.6%	38.2%	23.0%	-2.6%	+12.6%
IBW Segment R&D Expense	\$2.4M	\$2.7M	\$2.3M	(\$0.3M)	\$0.1M
IBW Segment Profit (Loss)	(\$0.3M)	\$0.6M	(\$0.7M)	(\$0.9M)	\$0.4M

### Communication Solutions Group (CSG) Segment

CSG's 4Q16 year-over-year revenue growth was due to increased ISM revenue and significantly higher OSP revenue, while the same growth level on a sequential quarter basis was due to the significantly higher OSP revenue and increased sales of Tower Mounted Amplifiers. OSP achieved its highest quarterly revenue level since the June 2013 quarter, driven predominately by sales of Integrated Cabinets. CSG's 4Q16 gross margin improvement compared to 4Q15 was primarily due to lower excess and obsolete inventory costs, and decrease compared to 3Q16 was mainly due to a less favorable mix.

	4Q16 3 months ended 03/31/16	3Q16 3 months ended 12/31/15	4Q15 3 months ended 03/31/15	4Q16 vs. 3Q16	4Q16 vs. 4Q15
CSG Segment Revenue	\$15.1M	\$11.5M	\$11.5M	+31%	+31%
CSG Segment Gross Margin	38.6%	40.3%	26.4%	-1.7%	+12.2%
CSG Segment R&D Expense	\$2.3M	\$2.2M	\$1.9M	\$0.1M	\$0.4M
CSG Segment Profit (Loss)	\$3.5M	\$2.5M	\$1.1M	\$1.0M	\$2.4M

### Conference Call Information

Management will discuss financial and business results during the quarterly conference call on Thursday, May 19, 2016, at 9:30 AM Eastern Time. Investors may quickly register online in advance of the call at <https://www.conferenceplus.com/westell>. After registering, participants receive dial-in numbers, a passcode and a registration ID that is used to uniquely identify their presence and automatically join them into the audio conference. A participant may also register by telephone on May 19 by dialing 888-206-4073 no later than 9:15 AM Eastern Time and providing the operator confirmation number 41589143.

This news release and related information that may be discussed on the conference call, will be posted on the Investor Relations section of Westell's website: <http://www.westell.com>. A digital recording of the entire conference will be available for replay on Westell's website by approximately 1:00 PM Eastern Time after the call ends.

## About Westell

Westell Technologies, Inc. is a leading provider of in-building wireless, intelligent site management, cell site optimization, and outside plant solutions focused on innovation and differentiation at the edge of telecommunication networks, where end users connect. The Company's comprehensive set of products and solutions enable service providers and network operators to improve network performance and reduce operating expenses. With millions of products successfully deployed worldwide, Westell is a trusted partner for transforming networks into high quality, reliable systems. For more information, please visit [www.westell.com](http://www.westell.com).

### "Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995

Certain statements contained herein that are not historical facts or that contain the words "believe," "expect," "intend," "anticipate," "estimate," "may," "will," "plan," "should," or derivatives thereof and other words of similar meaning are forward-looking statements that involve risks and uncertainties. Actual results may differ materially from those expressed in or implied by such forward-looking statements. Factors that could cause actual results to differ materially include, but are not limited to, product demand and market acceptance risks, customer spending patterns, need for financing and capital, economic weakness in the United States ("U.S.") economy and telecommunications market, the effect of international economic conditions and trade, legal, social and economic risks (such as import, licensing and trade restrictions), the impact of competitive products or technologies, competitive pricing pressures, customer product selection decisions, product cost increases, component supply shortages, new product development, excess and obsolete inventory, commercialization and technological delays or difficulties (including delays or difficulties in developing, producing, testing and selling new products and technologies), the ability to successfully consolidate and rationalize operations, the ability to successfully identify, acquire and integrate acquisitions, the effect of the Company's accounting policies, retention of key personnel and other risks more fully described in the Company's SEC filings, including the Form 10-K/A for the fiscal year ended March 31, 2015, under Item 1A - Risk Factors. The Company undertakes no obligation to publicly update these forward-looking statements to reflect current events or circumstances after the date hereof, or to reflect the occurrence of unanticipated events, or otherwise.

Financial Tables to Follow:

### **Westell Technologies, Inc.** **Condensed Consolidated Statement of Operations**

(Amounts in thousands, except per share amounts)

(Unaudited)

Three months ended

Twelve months ended

	March 31,	December	March 31,	March 31,	March 31,
	2016	2015	2015	2016	2015
Revenue	\$ 20,904	\$ 20,215	\$ 18,613	\$ 88,203	\$ 84,127
Gross profit	7,893	7,963	4,666	34,516	26,810
Gross margin	37.8 %	39.4 %	25.1 %	39.1 %	31.9 %
Operating expenses:					
Research & development	4,713	4,893	4,220	19,317	17,348
Sales & marketing	4,608	3,900	3,343	15,817	12,407
General & administrative	1,747	2,627	5,547	9,836	14,678
Intangibles amortization	1,305	1,418	1,520	5,554	6,377
Restructuring	731	(1) —	3,188	(2) 748	(1) 3,243 (2)
Goodwill impairment (3)	—	—	—	—	31,997
Total operating expenses	13,104	12,838	17,818	51,272	86,050
Operating income (loss) from continuing operations	(5,211 )	(4,875 )	(13,152 )	(16,756 )	(59,240 )
Other income (expense), net	107	85	(18 )	169	(2 )
Income (loss) before income taxes and discontinued operations	(5,104 )	(4,790 )	(13,170 )	(16,587 )	(59,242 )
Income tax benefit (expense)	27	(7 )	31	102	201
Net income (loss) from continuing operations	(5,077 )	(4,797 )	(13,139 )	(16,485 )	(59,041 )
Income (loss) from discontinued operations, net of income tax (4)	1	—	139	273	139
Net income (loss)	\$ (5,076 )	\$ (4,797 )	\$ (13,000)	\$ (16,212)	\$ (58,902)
Basic and diluted net income (loss) per share:					
Basic and diluted net income (loss) from continuing operations	\$ (0.08 )	\$ (0.08 )	\$ (0.22 )	\$ (0.27 )	\$ (0.98 )

Basic and diluted net income (loss) from discontinued operations	—	—	—	—	—
Basic and diluted net income (loss)	<b>\$(0.08 )</b>	\$(0.08 )	\$(0.22 )	<b>\$(0.27 )</b>	\$(0.98 )
Weighted-average number of shares outstanding:					
Basic and diluted	<b>60,847</b>	60,810	60,286	<b>60,786</b>	59,985

- (1) The Company recorded restructuring expense primarily relating to severance costs for terminated employees.
- (2) The Company recorded restructuring expense relating to severance costs for terminated employees and abandonment of excess office space at its headquarters.
- (3) The Company recorded a non-cash charge of \$32.0 million to record an impairment of the full carrying amount of goodwill.
- (4) Income from discontinued operations resulted from the expiration of indemnity periods and release of contingency reserves related to the sale of ConferencePlus.

### Westell Technologies, Inc. Condensed Consolidated Balance Sheets

(Amounts in thousands)

<b>Assets:</b>	<b>March 31, 2016 (Unaudited)</b>	March 31, 2015
Cash and cash equivalents	<b>\$ 19,169</b>	\$ 14,026
Short-term investments	<b>10,555</b>	23,906
Accounts receivable, net	<b>16,361</b>	11,845
Inventories	<b>13,498</b>	16,205
Prepaid expenses and other current assets	<b>1,900</b>	3,285
Land held-for-sale	—	264
Total current assets	<b>61,483</b>	69,531
Property and equipment, net	<b>3,977</b>	3,603
Intangible assets, net	<b>20,388</b>	25,942
Other non-current assets	<b>183</b>	258
Total assets	<b>\$ 86,031</b>	\$ 99,334
<b>Liabilities and Stockholders' Equity:</b>		
Accounts payable	<b>\$ 7,856</b>	\$ 4,011
Accrued expenses	<b>5,932</b>	5,576
Accrued restructuring	<b>1,537</b>	1,161
Contingent consideration	<b>311</b>	1,184
Deferred revenue	<b>1,601</b>	2,415

Total current liabilities	<b>17,237</b>	14,347
Deferred revenue non-current	<b>1,236</b>	751
Net deferred income tax liability	<b>10</b>	46
Accrued restructuring non-current	<b>550</b>	1,642
Contingent consideration non-current	<b>—</b>	400
Other non-current liabilities	<b>314</b>	409
Total liabilities	<b>19,347</b>	17,595
Total stockholders' equity	<b>66,684</b>	81,739
Total liabilities and stockholders' equity	<b>\$ 86,031</b>	\$ 99,334

## **Westell Technologies, Inc.**

### **Condensed Consolidated Statement of Cash Flows**

(Amounts in thousands)

	Twelve Months Ended March 31,	
	<b>2016</b> <b>(Unaudited)</b>	2015
<b>Cash flows from operating activities:</b>		
Net income (loss)	<b>\$ (16,212</b>	) \$(58,902)
Reconciliation of net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	<b>7,098</b>	7,416
Goodwill impairment	<b>—</b>	31,997
Stock-based compensation	<b>1,265</b>	2,605
Restructuring	<b>748</b>	3,243
Deferred taxes	<b>(36</b>	) (127 )
Impairment loss or loss (gain) on sale of fixed assets	<b>14</b>	117
Exchange rate loss (gain)	<b>(38</b>	) 23
Changes in assets and liabilities:		
Accounts receivable	<b>(4,476</b>	) 3,986
Inventories	<b>2,707</b>	8,186
Accounts payable and accrued expenses	<b>2,192</b>	(6,912 )
Other	<b>1,131</b>	(919 )
Net cash provided by (used in) operating activities	<b>(5,607</b>	) (9,287 )
<b>Cash flows from investing activities:</b>		
Net purchases of short-term investments and debt securities	<b>13,351</b>	(8,322 )
Acquisitions, net of cash acquired	<b>—</b>	(304 )
Proceeds from sale of land	<b>264</b>	—
Purchases of property and equipment	<b>(1,932</b>	) (2,137 )
Net cash provided by (used in) investing activities	<b>11,683</b>	(10,763 )
<b>Cash flows from financing activities:</b>		

Payment of contingent consideration	<b>(808)</b>	) (1,104 )
Purchases of treasury stock	<b>(108)</b>	) (863 )
Proceeds from stock options exercised	<b>—</b>	257
Net cash provided by (used in) financing activities	<b>(916)</b>	) (1,710 )
<b>Gain (loss) of exchange rate changes on cash</b>	<b>(17)</b>	) (7 )
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>5,143</b>	(21,767 )
<b>Cash and cash equivalents, beginning of period</b>	<b>14,026</b>	35,793
<b>Cash and cash equivalents, end of period</b>	<b>\$ 19,169</b>	\$ 14,026

**Westell Technologies, Inc.**  
**Segment Statement of Operations**

(Amounts in thousands)

(Unaudited)

**Sequential Quarter Comparison**

	Three months ended March 31, 2016			Three Months Ended December 31, 2015			
	IBW	CSG	Total	IBW	CSG	Total	
Revenue	\$ 5,838	\$ 15,066	\$ 20,904	\$ 8,680	\$ 11,535	\$ 20,215	
Cost of revenue	3,761	9,250	13,011	5,361	6,891	12,252	
Gross profit	2,077	5,816	7,893	3,319	4,644	7,963	
Gross margin	35.6	% 38.6	% 37.8	% 38.2	% 40.3	% 39.4	%
Research & development	2,421	2,292	4,713	2,701	2,192	4,893	
Segment profit (loss)	\$ (344 )	\$ 3,524	\$ 3,180	\$ 618	\$ 2,452	\$ 3,070	

**Year-over-Year Quarter Comparison**

	Three months ended March 31, 2016			Three months ended March 31, 2015			
	IBW	CSG	Total	IBW	CSG	Total	
Revenue	\$ 5,838	\$ 15,066	\$ 20,904	\$ 7,082	\$ 11,531	\$ 18,613	
Cost of revenue	3,761	9,250	13,011	5,456	8,491	13,947	
Gross profit	2,077	5,816	7,893	1,626	3,040	4,666	
Gross margin	35.6	% 38.6	% 37.8	% 23.0	% 26.4	% 25.1	%
Research & development	2,421	2,292	4,713	2,315	1,905	4,220	
Segment profit (loss)	\$ (344 )	\$ 3,524	\$ 3,180	\$ (689 )	\$ 1,135	\$ 446	

## Full Year Comparison

	Twelve months ended March 31, 2016			Twelve months ended March 31, 2015			
	IBW	CSG	Total	IBW	CSG	Total	
Revenue	\$ 34,407	\$ 53,796	\$ 88,203	\$ 37,714	\$ 46,413	\$ 84,127	
Cost of revenue	20,463	33,224	53,687	23,999	33,318	57,317	
Gross profit	13,944	20,572	34,516	13,715	13,095	26,810	
Gross margin	40.5	% 38.2	% 39.1	% 36.4	% 28.2	% 31.9	%
Research & development	11,059	8,258	19,317	8,955	8,393	17,348	
Segment profit (loss)	\$ 2,885	\$ 12,314	\$ 15,199	\$ 4,760	\$ 4,702	\$ 9,462	

## Westell Technologies, Inc.

### Reconciliation of GAAP to non-GAAP Financial Measures

(Amounts in thousands, except per share amounts)

(Unaudited)

	Three months ended			Twelve months ended	
	March 31, 2016	December 31, 2015	March 31, 2015	March 31, 2016	March 31, 2015
GAAP net income (loss)	\$ (5,076 )	\$ (4,797 )	\$ (13,000 )	\$ (16,212 )	\$ (58,902 )
Adjustments:					
Inventory fair value step-up <sup>(1)</sup>	—	—	36	—	576
Deferred revenue adjustment <sup>(1)</sup>	63	73	64	281	386
Amortization of intangibles <sup>(2)</sup>	1,305	1,418	1,520	5,554	6,377
Restructuring, separation and transition <sup>(3)</sup>	799	—	4,989	1,022	5,044
Stock-based compensation <sup>(4)</sup>	291	264	977	1,265	2,605
Land impairment	—	—	108	—	108
Goodwill impairment <sup>(5)</sup>	—	—	—	—	31,997
(Income) loss from discontinued operations <sup>(6)</sup>	(1 )	—	(139 )	(273 )	(139 )
Total adjustments	2,457	1,755	7,555	7,849	46,954
Non-GAAP net income (loss)	\$ (2,619 )	\$ (3,042 )	\$ (5,445 )	\$ (8,363 )	\$ (11,948 )

GAAP net income (loss) per common share:					
Basic and diluted	<b>\$ (0.08 )</b>	\$ (0.08 )	\$ (0.22 )	<b>\$ (0.27 )</b>	\$ (0.98 )
Non-GAAP net income (loss) per common share:					
Basic and diluted	<b>\$ (0.04 )</b>	\$ (0.05 )	\$ (0.09 )	<b>\$ (0.14 )</b>	\$ (0.20 )
Average number of common shares outstanding:					
Basic and diluted	<b>60,847</b>	60,810	60,286	<b>60,786</b>	59,985

	Three months ended			Twelve months ended	
	March 31, 2016	December 31, 2015	March 31, 2015	March 31, 2016	March 31, 2015
GAAP operating expenses	<b>\$ 13,104</b>	\$ 12,838	\$ 17,818	<b>\$ 51,272</b>	\$ 86,050
Adjustments:					
Amortization of intangibles <sup>(2)</sup>	<b>(1,305 )</b>	(1,418 )	(1,520 )	<b>(5,554 )</b>	(6,377 )
Restructuring, separation and transition <sup>(3)</sup>	<b>(799 )</b>	—	(4,989 )	<b>(1,022 )</b>	(5,044 )
Stock-based compensation <sup>(4)</sup>	<b>(320 )</b>	(251 )	(953 )	<b>(1,270 )</b>	(2,516 )
Land impairment	—	—	(108 )	—	(108 )
Goodwill impairment <sup>(5)</sup>	—	—	—	—	(31,997)
Total adjustments	<b>(2,424 )</b>	(1,669 )	(7,570 )	<b>(7,846 )</b>	(46,042)
Non-GAAP operating expense	<b>\$ 10,680</b>	\$ 11,169	\$ 10,248	<b>\$ 43,426</b>	\$ 40,008

	Three months ended March 31, 2016			Three months ended March 31, 2015		
	Revenue	Gross Profit	Gross Margin	Revenue	Gross Profit	Gross Margin
GAAP - consolidated	<b>\$ 20,904</b>	<b>\$ 7,893</b>	<b>37.8 %</b>	\$ 18,613	\$ 4,666	25.1 %
Deferred revenue adjustment <sup>(1)</sup>	<b>63</b>	<b>63</b>		64	64	
Inventory fair value step-up <sup>(1)</sup>	—	—		—	36	
Stock-based compensation <sup>(4)</sup>	—	<b>(29 )</b>		—	24	

Non-GAAP - consolidated **\$ 20,967** **\$ 7,927** **37.8** % **\$ 18,677** **\$ 4,790** 25.6 %

	Twelve months ended March 31, 2016			Twelve months ended March 31, 2015		
	Revenue	Gross Profit	Gross Margin	Revenue	Gross Profit	Gross Margin
GAAP - consolidated	<b>\$ 88,203</b>	<b>\$ 34,516</b>	<b>39.1</b> %	<b>\$ 84,127</b>	<b>\$ 26,810</b>	<b>31.9</b> %
Deferred revenue adjustment <sup>(1)</sup>	<b>281</b>	<b>281</b>		386	386	
Inventory fair value step-up <sup>(1)</sup>	—	—		—	576	
Stock-based compensation <sup>(4)</sup>	—	<b>(5 )</b>		—	89	
Non-GAAP - consolidated	<b>\$ 88,484</b>	<b>\$ 34,792</b>	<b>39.3</b> %	<b>\$ 84,513</b>	<b>\$ 27,861</b>	<b>33.0</b> %

The Company conforms to U.S. Generally Accepted Accounting Principles (GAAP) in the preparation of its financial statements. The schedules above reconcile the Company's non-GAAP financial measures to the most directly comparable GAAP measure. The adjustments share one or more of the following characteristics: they are unusual and the Company does not expect them to recur in the ordinary course of its business; they do not involve the expenditure of cash; they are unrelated to the ongoing operation of the business in the ordinary course; or their magnitude and timing is largely outside of the Company's control. Management believes that the non-GAAP financial information provides meaningful supplemental information to investors. Management also believes the non-GAAP financial information reflects the Company's core ongoing operating performance and facilitates comparisons across reporting periods. The Company uses these non-GAAP measures when evaluating its financial results. Non-GAAP measures should not be viewed as a substitute for the Company's GAAP results.

On April 1, 2013 and on March 1, 2014, the Company purchased Kentrox and CSI.

These acquisitions required the step-up of certain assets to fair value, which resulted in

(1) cost that will not recur once those assets have fully settled. The adjustments remove the increased costs associated with the third-party sales of inventory that was stepped-up and the step-down on acquired deferred revenue that was recognized in the periods presented.

(2) Amortization of intangibles is a non-cash expense arising from the acquisition of intangible assets.

Restructuring expenses are not directly related to the ongoing performance of our

(3) fundamental business operations. This adjustment also includes severance benefits related to the departure of certain former executives.

- (4) Stock-based compensation is a non-cash expense incurred in accordance with share-based compensation accounting.
- (5) The Company recorded a non-cash charge of \$32.0 million during fiscal 2015 to record the impairment of the full carrying value of the Company's goodwill.
- (6) Income from discontinued operations resulted from the expiration of indemnity periods and release of contingency reserves related to the sale of ConferencePlus.

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Source: Westell Technologies, Inc.