November 6, 2013

Westell Technologies Reports Second Quarter Revenue of $30 million

Strong sales of new products drive revenue growth and profitability

AURORA, Ill.--(BUSINESS WIRE)-- Westell Technologies, Inc. (NASDAQ: WSTL), a global leader of intelligent site and outside plant solutions, today announced results for its fiscal 2014 second quarter ended September 30, 2013.

Consolidated revenue was $30.0 million, driven by record quarterly sales of intelligent site management solutions, tower mounted amplifiers (TMAs), and distributed antenna systems (DAS) interface panels.

On a GAAP basis, the Company recorded net income in the quarter ended September 30, 2013, of $1.3 million or $0.02 per share, compared to a net loss of $2.2 million or $0.04 per share in the year-ago quarter. On a non-GAAP basis, the Company recorded net income of $4.0 million or $0.07 per share, compared to a non-GAAP net loss of $1.6 million or $0.03 per share in the year-ago quarter. Please refer to the schedule at the end of this release for a complete GAAP to non-GAAP reconciliation, and other information related to non-GAAP measures.

Cash and short-term investments were $81.5 million at September 30, 2013, compared to $82.9 million at June 30, 2013. Revenue growth in the quarter drove increased working capital requirements.

"We are pleased with our revenue and profitability performance in the fiscal second quarter," said Chairman and CEO Rick Gilbert. "Our success during the first half of the fiscal year continues to validate our strategic focus on intelligent site management and wireless products. We believe we are well-positioned to achieve our financial goals for this fiscal year."

Kentrox Segment

Kentrox segment revenue was $16.1 million in the quarter ended September 30, 2013, up 34% from $12.0 million in the fiscal 2014 first quarter ended June 30, 2013. The sequential revenue growth was driven primarily by increased demand for large deployments with domestic customers. Gross profit was $8.1 million and gross margin was 50.4% compared to $5.2 million and 43.5% in the prior quarter. The margin improvement was due to the higher revenues and a more favorable product mix. Kentrox R&D expenses were $0.9 million, compared to $1.0 million last quarter. As a result, Kentrox segment profit was $7.3 million,

compared to $4.2 million in the first quarter.

Westell Segment

Westell segment revenue was $13.9 million in the quarter ended September 30, 2013, up 33% from $10.5 million in the prior quarter, driven by increased wireless product revenue, primarily TMAs and DAS panels. Gross profit was $4.3 million and gross margin was 31.1%, compared to $3.6 million and 34.0% in the last quarter. While gross profit improved due to the revenue increase, the margin decreased due to higher amounts recorded this quarter for excess and obsolete inventory. Westell R&D expenses were $1.8 million, compared to $1.7 million last quarter. As a result, Westell segment profit was $2.6 million, compared to $1.8 million in the first quarter.

Conference Call Information

Management will address financial and business results during its second quarter conference call on Thursday, November 7, 2013, at 9:30 AM Eastern Time. Participants may register for the call at http://www.conferenceplus.com/westell. After doing so, they will receive a dial-in number, a passcode, and a personal identification number (PIN) that automatically joins them to the audio conference. Those who do not wish to register may participate in the call by dialing 888-206-4073 no later than 9:15 AM Eastern Time and using confirmation number 35883407. International participants may dial 847-413-9014.

This news release and related information that may be discussed on the conference call will be posted on the Investor News section of Westell's website: http://www.westell.com. An archive of the entire call will be available on the site via Digital Audio Replay by approximately 1:00 PM Eastern Time after the call ends. The replay of the conference also may be accessed by dialing 888-843-7419 or 630-652-3042 and entering 7777976.

About Westell Technologies

Westell Technologies, Inc., headquartered in Aurora, Illinois, is a global leader of intelligent site and outside plant solutions focused on the high value/growth edge and access networks. The comprehensive solutions Westell provides enable service providers, industrial customers, tower operators, home network users, and other network operators to reduce operating costs while improving network performance. 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.

“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, 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 for the fiscal year ended March 31, 2013, 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 September 30,		Six Months Ended September 30,	
	2013	2012	**2013**	2012
Revenue	**$ 29,960**	$ 9,854	**$ 52,416**	$ 19,272
Gross profit	**12,423**	3,449	**21,199**	6,222
Gross margin	**41.5 %**	35.0 %	**40.4 %**	32.3 %
Operating expenses:				
Sales & marketing	**3,886**	1,831	**7,304**	3,706
Research & development	**2,619**	1,480	**5,318**	2,997
General & administrative	**3,226**	2,123	**6,798**	4,702
Restructuring	**169**	57	**235**	149
Intangibles amortization	**1,229**	210	**2,851**	418
Total operating expenses	**11,129**	5,701	**22,506**	11,972
Operating income (loss)	**1,294**	(2,252)	**(1,307)**	(5,750)
Other income (expense)	**98**	7	**(32)**	91
Income (loss) before income taxes and discontinued operations	**1,392**	(2,245)	**(1,339)**	(5,659)
Income tax benefit (expense)	**(68)**	677	**(87)**	1,924
Net income (loss) from continuing operations	**1,324**	(1,568)	**(1,426)**	(3,735)

Income (loss) from discontinued operations, net of income tax [1]	**4**	(607)	**(10)**	(180)
Net income (loss)	**$1,328**	$(2,175)	**$(1,436)**	$(3,915)
Basic earnings per share:				
Net income (loss) from continuing operations	**$0.02**	$(0.03)	**$(0.02)**	$(0.06)
Net income (loss) from discontinued operations	**—**	(0.01)	**—**	—
Net income (loss)	**$0.02**	$(0.04)	**$(0.02)**	$(0.06)
Diluted earnings per share:				
Net income (loss) from continuing operations	**$0.02**	$(0.03)	**$(0.02)**	$(0.06)
Net income (loss) from discontinued operations	**—**	(0.01)	**—**	—
Net income (loss)	**$0.02**	$(0.04)	**$(0.02)**	$(0.06)
Average number of common shares outstanding:				
Basic	**58,681**	60,420	**58,601**	61,465
Diluted	**59,740**	60,420	**58,601**	61,465

(1) In the first quarter of fiscal year 2014, the Company discontinued the operations of its Customer Networking Solutions (CNS) segment.

Westell Technologies, Inc.

Condensed Consolidated Balance Sheet

(Amounts in thousands)

(Unaudited)

	September 30, 2013	March 31, 2013
Assets:		
Cash and cash equivalents	**$ 68,751**	$ 88,233
Restricted cash	**460**	2,500
Short-term investments	**12,320**	24,349
Accounts receivable, net	**21,369**	6,689
Inventories	**17,670**	12,223
Prepaid expenses and other current assets	**2,065**	1,804
Assets available-for-sale	**1,044**	—

Total current assets	**123,679**	135,798
Property and equipment, net	**1,252**	1,081
Goodwill	**8,025**	—
Intangibles, net	**18,184**	5,063
Other non-current assets	**478**	495
Total assets	**$ 151,618**	$ 142,437
Liabilities and Stockholders' Equity:		
Accounts payable	**$ 10,502**	$ 4,126
Accrued expenses	**6,649**	3,953
Deferred revenue	**1,116**	—
Total current liabilities	**18,267**	8,079
Deferred revenue long-term	**669**	—
Contingent consideration long-term	**1,212**	2,333
Other long-term liabilities	**1,117**	948
Total liabilities	**21,265**	11,360
Total stockholders' equity	**130,353**	131,077
Total liabilities and stockholders' equity	**$ 151,618**	$ 142,437

Westell Technologies, Inc.

Condensed Consolidated Statement of Cash Flows

(Amounts in thousands)

(Unaudited)

	Six months ended September 30,	
	2013	2012
Cash flows from operating activities:		
Net income (loss)	**$ (1,436)**	$ (3,915)
Reconciliation of net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	**3,148**	666
Stock-based compensation	**740**	731
Restructuring	**235**	149
Deferred taxes	**—**	(1,993)
Other	**64**	(8)
Changes in assets and liabilities:		
Accounts receivable	**(10,455)**	(234)
Inventory	**(402)**	243
Accounts payable and accrued expenses	**4,497**	(436)

Deferred revenue	**(1,179)**	(77)
Other	**461**	(993)
Net cash provided by (used in) operating activities	**(4,327)**	(5,867)
Cash flows from investing activities:		
Net purchases of short-term investments and debt securities	**12,029**	(8,677)
Payment for business acquisitions, net	**(28,945)**	(2,524)
Purchases of property and equipment, net	**(234)**	(156)
Changes in restricted cash	**2,040**	2,613
Net cash provided by (used in) investing activities	**(15,110)**	(8,744)
Cash flows from financing activities:		
Purchase of treasury stock	**(297)**	(9,826)
Proceeds from stock options exercised	**269**	29
Net cash provided by (used in) financing activities	**(28)**	(9,797)
Effect of exchange rate changes on cash	**(17)**	3
Net increase (decrease) in cash	**(19,482)**	(24,405)
Cash and cash equivalents, beginning of period	**88,233**	120,832
Cash and cash equivalents, end of period	**$ 68,751**	$ 96,427

Westell Technologies, Inc.

Segment Statement of Operations[1]

(Amounts in thousands)

(Unaudited)

	Three Months Ended September 30, 2013		
	Kentrox	**Westell**	**Total**
Revenue	**$ 16,103**	**$ 13,857**	**$ 29,960**
Cost of goods sold	**7,995**	**9,542**	**17,537**
Gross profit	**8,108**	**4,315**	**12,423**
Gross margin	**50.4 %**	**31.1 %**	**41.5 %**
Operating expenses:			

Research & development	**858**	**1,761**	**2,619**
Segment profit (loss)	**$ 7,250**	**$ 2,554**	**9,804**
Sales & marketing			**3,886**
General & administrative			**3,226**
Restructuring			**169**
Intangible amortization			**1,229**
Operating profit (loss)			**1,294**
Other income (loss)			**98**
Income tax benefit (expense)			**(68)**
Net income (loss) from continuing operations			**$ 1,324**

	Three Months Ended September 30, 2012	
	Westell	Total
Revenue	$ 9,854	$ 9,854
Cost of goods sold	6,405	6,405
Gross profit	3,449	3,449
Gross margin	35.0 %	35.0 %
Operating expenses:		
Research & development	1,480	1,480
Segment profit (loss)	$ 1,969	1,969
Sales & marketing		1,831
General & administrative		2,123
Restructuring		57
Intangible amortization		210
Operating profit (loss)		(2,252)
Other income (loss)		7
Income tax benefit (expense)		677
Net income (loss) from continuing operations		$ (1,568)

(1) In connection with the Kentrox acquisition, the Company completed the integration of the marketing, sales, customer service, and administrative functions into single organizations that now operate across the whole Company. In as much as these organizations are no longer solely dedicated to any one segment and are managed separately at the corporate level, the Company has excluded these expenses from segment profit. Segment profit, therefore is defined as gross profit less research and development expenses. Segment profit excluded sales and marketing expenses, general and administrative expenses, the amortization of acquired intangible assets, and restructuring.

Westell Technologies, Inc.

Segment Statement of Operations[1]

(Amounts in thousands)

(Unaudited)

	Six Months Ended September 30, 2013		
	Kentrox	**Westell**	**Total**
Revenue	**$ 28,107**	**$ 24,309**	**$ 52,416**
Cost of goods sold	**14,780**	**16,437**	**31,217**
Gross profit	**13,327**	**7,872**	**21,199**
Gross margin	**47.4 %**	**32.4 %**	**40.4 %**
Operating expenses:			
Research & development	**1,845**	**3,473**	**5,318**
Segment profit (loss)	**$ 11,482**	**$ 4,399**	**15,881**
Sales & marketing			**7,304**
General & administrative			**6,798**
Restructuring			**235**
Intangible amortization			**2,851**
Operating profit (loss)			**(1,307)**
Other income (loss)			**(32)**
Income tax benefit (expense)			**(87)**
Net income (loss) from continuing operations			**$ (1,426)**

	Six Months Ended September 30, 2012	
	Westell	Total
Revenue	$ 19,272	$ 19,272
Cost of goods sold	13,050	13,050

Gross profit	6,222		6,222	
Gross margin	32.3	%	32.3	%
Operating expenses:				
Research & development	2,997		2,997	
Segment profit (loss)	$ 3,225		3,225	
Sales & marketing			3,706	
General & administrative			4,702	
Restructuring			149	
Intangible amortization			418	
Operating profit (loss)			(5,750	)
Other income (loss)			91	
Income tax benefit (expense)			1,924	
Net income (loss) from continuing operations			$ (3,735	)

(1) In connection with the Kentrox acquisition, the Company completed the integration of the marketing, sales, customer service, and administrative functions into single organizations that now operate across the whole Company. In as much as these organizations are no longer solely dedicated to any one segment and are managed separately at the corporate level, the Company has excluded these expenses from segment profit. Segment profit, therefore is defined as gross profit less research and development expenses. Segment profit excluded sales and marketing expenses, general and administrative expenses, the amortization of acquired intangible assets, and restructuring.

Westell Technologies, Inc.

Reconciliation of GAAP to non-GAAP Financial Measures

(Amounts in thousands, except per share amounts)

(Unaudited)

	Three Months Ended September 30,		Six Months Ended September 30,	
	2013	2012	**2013**	2012
GAAP net income (loss)	**$ 1,328**	$ (2,175)	**$ (1,436)**	$ (3,915)
Adjustments:				
Inventory fair value step-up [1]	**479**	—	**1,245**	—
Deferred revenue adjustment [1]	**448**	—	**1,095**	—
Amortization of intangibles [2]	**1,229**	210	**2,851**	418
Income tax benefit [3]	**—**	(1,031)	—	(2,015)

Restructuring [4]	**169**	57	**235**	149
Stock based compensation [5]	**389**	343	**740**	718
(Income) loss from discontinued operations, pre-tax [6]	**(4)**	989	**10**	288
Total adjustments	**2,710**	568	**6,176**	(442)
Non-GAAP net income (loss)	**$ 4,038**	$ (1,607)	**$ 4,740**	$ (4,357)
GAAP net income (loss) per common share:				
Basic	**$ 0.02**	$ (0.04)	**$ (0.02)**	$ (0.06)
Diluted	**$ 0.02**	$ (0.04)	**$ (0.02)**	$ (0.06)
Non-GAAP net income (loss) per common share:				
Basic	**$ 0.07**	$ (0.03)	**$ 0.08**	$ (0.07)
Diluted	**$ 0.07**	$ (0.03)	**$ 0.08**	$ (0.07)
Average number of common shares outstanding:				
Basic	**58,681**	60,420	**58,601**	61,465
Diluted	**59,740**	60,420	**59,360**	61,465

	Three Months Ended September 30,		Six Months Ended September 30,	
	2013	2012	**2013**	2012
GAAP operating expense	**$ 11,129**	$ 5,701	**$ 22,506**	$ 11,972
Adjustments:				
Amortization of intangibles [2]	**(1,229)**	(210)	**(2,851)**	(418)
Restructuring [4]	**(169)**	(57)	**(235)**	(149)
Stock based compensation [5]	**(380)**	(344)	**(724)**	(701)
Total adjustments	**(1,778)**	(611)	**(3,810)**	(1,268)
Non-GAAP operating expense	**$ 9,351**	$ 5,090	**$ 18,696**	$ 10,704

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 these non-GAAP results provide meaningful supplemental information to investors and indicate the Company's core performance and that they facilitate comparison of results 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.

(1) On April 1, 2013, the Company purchased Kentrox which required the step-up of certain assets to fair value, which resulted in 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 three and six months ended September 30, 2013.

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

(3) The Company is in a full valuation allowance in fiscal year 2014. The adjustment removes the tax benefits recorded in fiscal year 2013 to reflect the tax result had the Company been in a full valuation allowance in fiscal year 2013.

(4) Restructuring expenses are not directly related to the ongoing performance of our fundamental business operations.

(5) Stock-based compensation is a non-cash expense incurred in accordance with share-based compensation accounting.

(6) In the first quarter of fiscal year 2014, the Company discontinued the operations of the CNS segment. Historical results of operations of the CNS division are presented as discontinued operations.

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Source: Westell Technologies, Inc.