February 3, 2014

Westell Technologies Reports Third Quarter Revenue of $25 million

Wireless products drive strong gross margins to 48.5% and GAAP EPS to 3 cents

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 third quarter ended December 31, 2013.

Consolidated revenue was $25.2 million, led by $14.7 million in sales of intelligent site management solutions, as well as continued strong demand for tower mounted amplifiers (TMAs) and distributed antenna systems (DAS) interface panels.

On a GAAP basis, the Company recorded net income in the quarter ended December 31, 2013, of $1.9 million or $0.03 per share, compared to a net loss of $2.0 million or $0.03 per share in the year-ago quarter. On a non-GAAP basis, the Company recorded net income of $4.2 million or $0.07 per share, compared to a non-GAAP net loss of $1.0 million or $0.02 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 $86.8 million at December 31, 2013, compared to $81.5 million at September 30, 2013. Improved net income and working capital contributed to the increased cash position.

"Despite the typical seasonal aspects of the December quarter, we continued to experience strong demand for our wireless products, which exceeded 70% of revenue in the third fiscal quarter. Our financial results also included consolidated gross margins of 48.5% and GAAP earnings of 3 cents per share," said Chairman and CEO Rick Gilbert. "We believe our results for this quarter position us to achieve our financial goals for fiscal 2014. We also expect our recently announced new product offerings, including Mobile Applications for the Optima Management System and the Kentrox Remote RMC-700, to drive further growth into fiscal 2015."

Kentrox Segment

Kentrox segment revenue was $14.7 million in the quarter ended December 31, 2013, down 9% from $16.1 million in the fiscal 2014 second quarter ended September 30, 2013. While revenues remained strong this quarter, the sequential decrease was primarily due to the project-based nature of the business which resulted in record high revenues achieved in the

prior quarter. Gross profit was $8.8 million and gross margin was 59.8% compared to $8.1 million and 50.4% in the prior quarter. Gross profit and gross margin improvements were due to a lower impact of fair value inventory adjustments from the Kentrox acquisition and a more favorable mix. Kentrox R&D expenses were $0.9 million in both the third and second quarters of fiscal 2014. As a result, Kentrox segment profit was $7.9 million, compared to $7.3 million in the second quarter.

Westell Segment

Westell segment revenue was $10.5 million in the quarter ended December 31, 2013, down 24% from $13.9 million in the prior quarter, but up 19% compared to the year-ago quarter. While demand continued to be strong for new wireless products in this segment, the sequential revenue decrease was primarily due to seasonal variations that are typical in the December quarter, including lower revenue of TMAs, which were at record high revenues in the prior quarter. Gross profit was $3.4 million and gross margin was 32.6%, compared to $4.3 million and 31.1% in the prior quarter. While gross profit decreased as a result of the lower revenue, the margin increased due primarily to lower excess and obsolete inventory costs. Westell R&D expenses were $1.6 million, compared to $1.8 million last quarter. As a result, Westell segment profit was $1.8 million, compared to $2.6 million in the second quarter.

Conference Call Information

Management will address financial and business results during its third quarter conference call on Tuesday, February 4, 2014, 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 +1 (888) 206 4065 no later than 9:15 AM Eastern Time and using confirmation number 36322318. International participants may dial +1 (630) 827 5974.

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 +1 (888) 843 7419 or +1 (630) 652 3042 and entering 8083387.

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 December 31,		Nine Months Ended December 31,	
	2013	2012	**2013**	2012
Revenue	**$ 25,236**	$ 8,873	**$ 77,652**	$ 28,145
Gross profit	**12,235**	3,090	**33,434**	9,312
Gross margin	**48.5 %**	34.8 %	**43.1 %**	33.1 %
Operating expenses:				
Sales & marketing	**3,508**	1,862	**10,812**	5,568
Research & development	**2,527**	1,375	**7,845**	4,372
General & administrative	**3,402**	2,135	**10,200**	6,837
Restructuring	**38**	—	**273**	149
Intangibles amortization	**737**	234	**3,588**	652

Total operating expenses	**10,212**	5,606	**32,718**	17,578
Operating income (loss)	**2,023**	(2,516)	**716**	(8,266)
Other income (expense)	**(31)**	43	**(63)**	134
Income (loss) before income taxes and discontinued operations	**1,992**	(2,473)	**653**	(8,132)
Income tax benefit (expense)	**(38)**	1,295	**(125)**	3,219
Net income (loss) from continuing operations	**1,954**	(1,178)	**528**	(4,913)
Income (loss) from discontinued operations, net of income tax [(1)]	**(29)**	(787)	**(39)**	(967)
Net income (loss)	**$1,925**	$(1,965)	**$489**	$(5,880)
Basic earnings per share:				
Net income (loss) from continuing operations	**$0.03**	$(0.02)	**$0.01**	$(0.08)
Net income (loss) from discontinued operations	**—**	(0.01)	**—**	(0.02)
Net income (loss)	**$0.03**	$(0.03)	**$0.01**	$(0.10)
Diluted earnings per share:				
Net income (loss) from continuing operations	**$0.03**	$(0.02)	**$0.01**	$(0.08)
Net income (loss) from discontinued operations	**—**	(0.01)	**—**	(0.02)
Net income (loss)	**$0.03**	$(0.03)	**$0.01**	$(0.10)
Average number of common shares outstanding:				
Basic	**58,834**	58,693	**58,678**	60,541
Diluted	**60,650**	58,693	**59,765**	60,541

(1) In the first quarter of fiscal year 2014, the Company discontinued the operations of its Customer Networking Solutions (CNS) segment. The Company sold ConferencePlus on December 31, 2011. In the quarter ended December 31, 2012, the Company recorded an after-tax charge of $0.9 million for a pending indemnification claim related to the ConferencePlus sale transaction and an unrelated tax benefit of $0.3 million that resulted from finalizing income tax filings related to the sale.

Westell Technologies, Inc.

Condensed Consolidated Balance Sheet

(Amounts in thousands)

(Unaudited)

	December 31, 2013	March 31, 2013
Assets:		
Cash and cash equivalents	**$ 69,649**	$ 88,233
Restricted cash	**—**	2,500
Short-term investments	**17,159**	24,349
Accounts receivable, net	**12,357**	6,689
Inventories	**20,544**	12,223
Prepaid expenses and other current assets	**1,991**	1,804
Assets available-for-sale	**1,044**	—
Total current assets	**122,744**	135,798
Property and equipment, net	**1,267**	1,081
Goodwill	**8,025**	—
Intangibles, net	**17,447**	5,063
Other non-current assets	**435**	495
Total assets	**$ 149,918**	$ 142,437
Liabilities and Stockholders' Equity:		
Accounts payable	**$ 6,471**	$ 4,126
Accrued expenses	**7,322**	3,953
Deferred revenue	**236**	—
Total current liabilities	**14,029**	8,079
Deferred revenue long-term	**738**	—
Contingent consideration long-term	**785**	2,333
Other long-term liabilities	**1,108**	948
Total liabilities	**16,660**	11,360
Total stockholders' equity	**133,258**	131,077
Total liabilities and stockholders' equity	**$ 149,918**	$ 142,437

Westell Technologies, Inc.

Condensed Consolidated Statement of Cash Flows

(Amounts in thousands)

(Unaudited)

	Nine months ended December 31,	
	2013	2012

Cash flows from operating activities:		
Net income (loss)	**$ 489**	$ (5,880)
Reconciliation of net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	**4,034**	1,023
Stock-based compensation	**1,293**	1,062
Restructuring	**273**	149
Deferred taxes	**—**	(3,696)
Other	**99**	(7)
Changes in assets and liabilities:		
Accounts receivable	**(1,614)**	772
Inventory	**(3,276)**	(1,286)
Accounts payable and accrued expenses	**633**	1,064
Deferred revenue	**(1,989)**	(102)
Other	**749**	(1,304)
Net cash provided by (used in) operating activities	**691**	(8,205)
Cash flows from investing activities:		
Net purchases of short-term investments and debt securities	**7,190**	(10,768)
Payment for business acquisitions, net	**(28,945)**	(2,524)
Purchases of property and equipment, net	**(399)**	(305)
Changes in restricted cash	**2,500**	3,347
Net cash provided by (used in) investing activities	**(19,654)**	(10,250)
Cash flows from financing activities:		
Purchase of treasury stock	**(319)**	(12,642)
Proceeds from stock options exercised	**718**	85
Net cash provided by (used in) financing activities	**399**	(12,557)
Effect of exchange rate changes on cash	**(20)**	3
Net increase (decrease) in cash	**(18,584)**	(31,009)
Cash and cash equivalents, beginning of period	**88,233**	120,832
Cash and cash equivalents, end of period	**$ 69,649**	$ 89,823

Westell Technologies, Inc.

Segment Statement of Operations[1]

(Amounts in thousands)

(Unaudited)

	Three Months Ended December 31, 2013		
	Kentrox	**Westell**	**Total**
Revenue	**$ 14,705**	**$ 10,531**	**$ 25,236**
Cost of goods sold	**5,906**	**7,095**	**13,001**
Gross profit	**8,799**	**3,436**	**12,235**
Gross margin	**59.8 %**	**32.6 %**	**48.5 %**
Operating expenses:			
Research & development	**912**	**1,615**	**2,527**
Segment profit (loss)	**$ 7,887**	**$ 1,821**	**9,708**
Sales & marketing			**3,508**
General & administrative			**3,402**
Restructuring			**38**
Intangible amortization			**737**
Operating profit (loss)			**2,023**
Other income (loss)			**(31)**
Income tax benefit (expense)			**(38)**
Net income (loss) from continuing operations			**$ 1,954**

	Three Months Ended December 31, 2012	
	Westell	Total
Revenue	$ 8,873	$ 8,873
Cost of goods sold	5,783	5,783
Gross profit	3,090	3,090
Gross margin	34.8 %	34.8 %
Operating expenses:		
Research & development	1,375	1,375
Segment profit (loss)	$ 1,715	1,715
Sales & marketing		1,862
General & administrative		2,135
Restructuring		—
Intangible amortization		234
Operating profit (loss)		(2,516)
Other income (loss)		43
Income tax benefit (expense)		1,295
Net income (loss) from continuing operations		$ (1,178)

(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 excludes these expenses from segment profit. Segment profit, therefore is defined as gross profit less research and development expenses. Segment profit excludes 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)

	Nine Months Ended December 31, 2013		
	Kentrox	**Westell**	**Total**
Revenue	**$ 42,812**	**$ 34,840**	**$ 77,652**
Cost of goods sold	**20,686**	**23,532**	**44,218**
Gross profit	**22,126**	**11,308**	**33,434**
Gross margin	**51.7 %**	**32.5 %**	**43.1 %**
Operating expenses:			
Research & development	**2,757**	**5,088**	**7,845**
Segment profit (loss)	**$ 19,369**	**$ 6,220**	**25,589**
Sales & marketing			**10,812**
General & administrative			**10,200**
Restructuring			**273**
Intangible amortization			**3,588**
Operating profit (loss)			**716**
Other income (loss)			**(63)**
Income tax benefit (expense)			**(125)**
Net income (loss) from continuing operations			**$ 528**

Nine Months Ended December 31, 2012

	Westell		Total	
Revenue	$ 28,145		$ 28,145	
Cost of goods sold	18,833		18,833	
Gross profit	9,312		9,312	
Gross margin	33.1	%	33.1	%
Operating expenses:				
Research & development	4,372		4,372	
Segment profit (loss)	$ 4,940		4,940	
Sales & marketing			5,568	
General & administrative			6,837	
Restructuring			149	
Intangible amortization			652	
Operating profit (loss)			(8,266	)
Other income (loss)			134	
Income tax benefit (expense)			3,219	
Net income (loss) from continuing operations			$ (4,913	)

(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 excludes these expenses from segment profit. Segment profit, therefore is defined as gross profit less research and development expenses. Segment profit excludes 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 December 31,		Nine Months Ended December 31,	
	2013	2012	**2013**	2012
GAAP net income (loss)	**$ 1,925**	$ (1,965)	**$ 489**	$ (5,880)
Adjustments:				
Inventory fair value step-up [1]	**82**	—	**1,327**	—

Deferred revenue adjustment [1]	**825**	—	**1,920**	—
Amortization of intangibles [2]	**737**	234	**3,588**	652
Income tax benefit [3]	**—**	(1,394)	—	(3,409)
Restructuring [4]	**38**	—	**273**	149
Stock based compensation [5]	**553**	326	**1,293**	1,044
(Income) loss from discontinued operations, pre-tax [6]	**29**	1,777	**39**	2,065
Total adjustments	**2,264**	943	**8,440**	501
Non-GAAP net income (loss)	**$ 4,189**	$ (1,022)	**$ 8,929**	$ (5,379)
GAAP net income (loss) per common share:				
Basic	**$ 0.03**	$ (0.03)	**$ 0.01**	$ (0.10)
Diluted	**$ 0.03**	$ (0.03)	**$ 0.01**	$ (0.10)
Non-GAAP net income (loss) per common share:				
Basic	**$ 0.07**	$ (0.02)	**$ 0.15**	$ (0.09)
Diluted	**$ 0.07**	$ (0.02)	**$ 0.15**	$ (0.09)
Average number of common shares outstanding:				
Basic	**58,834**	58,693	**58,678**	60,541
Diluted	**60,650**	58,693	**59,360**	60,541

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2013	2012	**2013**	2012
GAAP operating expense	**$ 10,212**	$ 5,606	**$ 32,718**	$ 17,578
Adjustments:				
Amortization of intangibles [2]	**(737)**	(234)	**(3,588)**	(652)
Restructuring [4]	**(38)**	—	**(273)**	(149)
Stock based compensation [5]	**(534)**	(322)	**(1,258)**	(1,024)
Total adjustments	**(1,309)**	(556)	**(5,119)**	(1,825)
Non-GAAP operating expense	**$ 8,903**	$ 5,050	**$ 27,599**	$ 15,753

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 nine months ended December 31, 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. The Company sold ConferencePlus on December 31, 2011. In the quarter ended December 31, 2012, the Company recorded an after-tax charge of $0.9 million for a pending indemnification claim related to the ConferencePlus sale transaction and an unrelated tax benefit of $0.3 million that resulted from finalizing income tax filings related to the sale. Historical results of operations of the CNS division and ConferencePlus are presented as discontinued operations.

Westell Technologies, Inc.
Tom Minichiello, Chief Financial Officer
+1 (630) 375 4740
tminichiello@westell.com

Source: Westell Technologies, Inc.