



Digi International Reports Fiscal 2000 First Quarter Results

January 19, 2000

MINNEAPOLIS--(BUSINESS WIRE)--Jan. 19, 2000--Digi International(R) Inc. (Nasdaq: DGII) announced today that its net sales for the fiscal first quarter ended December 31, 1999, totaled \$40.1 million, in line with Digi's previously announced net revenue range of \$39 million to \$41 million. Net income for the fiscal first quarter ended December 31, 1999, totaled \$1.0 million, or \$0.07 per diluted share, versus \$0.5 million, or \$0.03 per diluted share, in the year-ago period, which was at the high end of Digi's previously announced earnings per share range of \$0.03 to \$0.07.

"While we were disappointed with the effect of Y2K-related purchasing patterns on overall revenue, the strength of our new Remote Access Server (RAS) products is a validation of our RAS strategy," stated president and CEO, Joseph Dunsmore. "I continue to believe that our new RAS product line will be an engine of future growth for Digi. In addition, we continue to exceed our internal cost control measures and increased cash \$4.3 million during the quarter to \$39 million."

Income, excluding amortization of intangible assets acquired through business combinations, charges for acquired in-process research and development and related deferred tax benefits, increased 17.5% to \$2.9 million, or \$0.19 per diluted share, in the fiscal first quarter of 2000, from \$2.4 million, or \$0.17 per diluted share, in the comparable quarter a year ago.

Gross margin for the period ended December 31, 1999, rose 1.2% to 55.2% from 54.0% for the quarter ended September 30, 1999, and rose 3.7% from 51.5% for the year earlier quarter. The quarter-over-quarter gain is primarily attributable to an increased proportion of sales from higher gross margin server-based communications products.

Sales and marketing expenses decreased approximately \$700,000 from the quarter ended September 30, 1999, relative to the quarter ended December 31, 1999, but rose to 19.9% of net sales primarily due to lower revenue. Continuing cost control measures helped reduce sales and marketing expenses as a percentage of net revenue by 3.4% over the comparable quarter last year.

Research and development expenses for the quarter ended December 31, 1999, rose to 16.2% of net sales from 13.1% of net sales for the quarter ended September 30, 1999, and from 12.6% of net sales for the quarter ended December 31, 1998.

Digi's effective income tax rate decreased from 58.7% for the quarter ended September 30, 1999, to 48.0% for the quarter ended December 31, 1999. The effective tax rate exceeds the U.S. statutory income tax rate primarily due to amortization related to the 1998 acquisitions of ITK and Central Data.

Versus the prior quarter, book value per share was down slightly to \$8.37, tangible book value per share rose slightly to \$5.43, and net cash and marketable securities per share increased \$0.24 to \$2.54. The increase in days sales outstanding (DSOs) from 53 days for the quarter ended September 30, 1999, to 59 days in the quarter ended December 31, 1999, was in line with Digi's expectations.

About Digi International

Digi International, based in Minneapolis, is a leading worldwide provider of voice and data communications hardware and software that delivers seamless connectivity solutions for open systems, server-based remote access and LAN markets. The company markets its products through a global network of distributors and resellers, system integrators and original equipment manufacturers (OEMs). For more information, visit Digi's Web site at www.digi.com or call 800-344-4273 (U.S.) or 612-912-3444 (international).

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This press release contains statements that constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which generally can be identified by the use of forward-looking terminology such as "anticipate," "believe," "target," "estimate," "may," "will," "expect," "plan," "project," "should," or "continue" or the negative thereof or other variations thereon or similar terminology. Such statements are based on information available to management as of the time of such statements and relate to, among other things, expectations of the business environment in which the Company operates, projections of future performance, perceived opportunities in the market and statements regarding the Company's mission and vision. Such statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions, including risks related to the highly competitive market in which the Company operates; rapid changes in technologies that may displace products sold by the Company, declining prices of networking products, the Company's reliance on distributors, delays in the Company's product development efforts, uncertainty in consumer acceptance of the Company's products, and changes in the Company's level of revenue or profitability. These and other risks, uncertainties and assumptions identified from time to time in the Company's filings with the Securities and Exchange Commission, including without limitation, its annual reports on Form 10-K and its quarterly reports on Form 10-Q, could cause the Company's future results to differ materially from those expressed in any forward-looking statements made by or on behalf of the Company. Many of such factors are beyond the Company's ability to control or predict. These forward-looking statements speak only as of the date for which they are made. The Company disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise. -0-

(unaudited)

	Three months ended December 31,	
	1999	1998
Net sales	\$ 40,140,205	\$ 51,395,021
Cost of sales	17,965,228	24,904,313
Gross margin	22,174,977	26,490,708
Operating expenses:		
Sales and marketing	7,994,988	11,974,080
Research and development	6,494,124	6,476,216
General and administrative	6,190,939	6,414,486
Total operating expenses	20,680,051	24,864,782
Operating income	1,494,926	1,625,926
Other income (expense), net	461,825	(209,786)
Income before income taxes	1,956,751	1,416,140
Provision for income taxes	939,240	941,595
Net income	\$ 1,017,511	\$ 474,545
Net income per common share, basic	\$ 0.07	\$ 0.03
Net income per common share, assuming dilution	\$ 0.07	\$ 0.03
Weighted average common shares, basic	14,967,793	14,572,022
Weighted average common shares, assuming dilution	15,337,788	14,701,519

Net income and net income per diluted share excluding
acquisition-related amortization of intangible assets,
and related deferred tax benefit.

	(unaudited) Three months ended December 31	
	1999	1998
Net income	\$ 1,017,511	\$ 474,545
Amortization of acquisition-related intangible assets	2,457,608	2,571,078
Deferred tax benefit	(596,700)	(596,700)

Net income excluding acquisition-related amortization of intangible assets and related deferred tax benefit	\$ 2,878,419	\$ 2,448,923
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Net income per diluted share, excluding acquisition-related amortization on intangible assets and related deferred tax benefit	\$ 0.19	\$ 0.17
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Weighted average common shares, assuming dilution	15,337,788	14,701,519
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DIGI INTERNATIONAL INC.
CONDENSED BALANCE SHEET DATA
AS OF DECEMBER 31, 1999, AND SEPTEMBER 30, 1999

	As of	
	December 31, 1999	September 30, 1999
	----- (unaudited)	
ASSETS		
Current assets:		
Cash and marketable securities	\$ 39,025,065	\$ 34,678,029
Accounts receivable, net	30,160,668	33,955,669
Inventories	22,288,232	22,446,667
Other	5,497,950	5,394,346
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Total current assets	96,971,915	96,474,711
Property, equipment and improvements, net	29,191,497	30,242,877
Intangible assets, net	45,132,628	47,804,611
Other assets	2,066,525	1,807,829
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Total assets	\$ 173,362,565	\$ 176,330,028
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LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Borrowing's under line of credit agreement	\$ 4,518,654	\$ 4,759,095
Current portion of long-term debt	304,525	330,028
Accounts payable and accrued expenses	28,639,369	31,439,492
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Total current assets	33,462,548	36,528,615
Long-term liabilities	11,505,310	12,637,051
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Total liabilities	44,967,858	49,165,666
Total stockholders' equity	128,394,707	127,164,362
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Total liabilities and stockholders' equity	\$ 173,362,565	\$ 176,330,028
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CONTACT: Digi International Inc., Minneapolis
S. (Kris) Krishnan, 612-912-3125
s_krishnan@digi.com
or
Don De Laria, 612-912-3126
don_delaria@digi.com