



Overland Data Posts 74% Increase in Revenues and Six-Fold Increase in Earnings for Fiscal 1999 First Quarter

October 20, 1998

SAN DIEGO--(BUSINESS WIRE)--Oct. 20, 1998--Overland Data, Inc. (NASDAQ/NMS:OVRL) today reported that revenues for its first fiscal quarter ended September 30, 1998 grew 74% to \$24.4 million compared to \$14.0 million in the same period of the prior year. Net income for the quarter amounted to \$1.3 million compared to \$177,000 in the prior year, and on a per share basis amounted to \$.12, a six-fold increase from \$.02 in the prior year.

Breaking a pattern over the past few years of seasonally slow first quarter sales, revenues for the quarter were almost level with the immediately preceding fourth quarter. The Company attributed this to continued strong demand from its OEM customers. Sales of its DLT-based LibraryXpress family of products doubled compared to the prior year quarter and sales of its 36-track products grew by a factor of three. The gains were partially offset by declines in sales of the Company's more mature 9-track and 18-track product lines, which together comprised less than 6% of revenues for the quarter.

The Company's gross margin for the quarter was down compared to the prior year because of a stronger OEM sales mix, but was improved slightly compared to the immediately preceding quarter due to a favorable product mix. The Company reported that, based on the strength of the quarter, it incurred incremental sales and marketing expenses which are expected to benefit future quarters. As a result, operating expenses increased from 21.8% of sales last quarter to 22.5% in the current quarter, but were significantly reduced from the prior year level of 32.7%. The Company also noted that strong shipments early in the quarter resulted in a reduction of the ending receivable balances and helped generate \$4 million in positive cash flow.

Scott McClendon, Overland's President and CEO, commented on the results: "When we announced our fourth quarter results, we noted that our backlog going into this first quarter gave us optimism about expected results. We are pleased that the demand from our OEM customers continued to be strong. In addition, sales to our new commercial distribution channel are ramping nicely. Given this strength, we took the opportunity to make investments in future quarters by adding to our direct sales force and increasing advertising and promotions. We also bolstered our investment in research and development for new products, but have reduced spending in the general and administrative area. Management is excited about the many opportunities that lie ahead. We continue to work hard to satisfy the growing requirements of our OEM customers, and are working on new ways to serve them. Our new LoaderXpress product has won two more awards, and we expect that our expanded sales force is now well equipped to grow sales of this product. Our joint development with Tandberg Data to implement Overland's VR2 technology on Tandberg's line of SLR and MLR tape drives continues on track for a launch in the first calendar quarter of 1999 and our engineering team is working on a number of new automation products."

Overland is a global supplier of storage automation solutions and related technologies designed to meet and surpass the critical requirements of high-availability network computing environments, from entry level to the enterprise. The Company is a recognized leader in technology innovation and product reliability. Its award-winning products meet the critical needs of end users, distributors and OEMs in industries worldwide.

Except for the factual statements made herein, the information contained in this press release consists of forward looking statements that involve risks, uncertainties and assumptions that are difficult to predict. Words and expressions reflecting optimism and satisfaction with current prospects, as well as words such as "believe," "intends," "expects," "plans," "anticipates," and variations thereof, identify forward-looking statements, but their absence does not mean that a statement is not forward-looking. Such forward-looking statements are not guarantees of performance, and the Company's actual results could differ materially from those contained in such statements. Factors that could cause or contribute to such differences include unexpected shortages of critical components, rescheduling or cancellation of customer orders, the timing and market acceptance of new product introductions by the Company and its competitors, general competition and price pressures in the marketplace, and the Company's ability to control costs and expenses. Reference is also made to other factors set forth in the Company's filings with the Securities and Exchange Commission including the "Risk Factors", "Management's Discussion and Analysis" and other sections of the Company's Form 10-K for the most recently completed fiscal year. These forward-looking statements speak only as of the date of this release, and the Company undertakes no obligation to publicly update any forward-looking statements to reflect new information, events or circumstances after the date of this release.

Overland Data, Inc.
Consolidated Statements of Operation
(In thousands, except per share data)
(Unaudited)

	Three months ended	
	September 30,	
	1998	1997
Net sales	\$ 24,372	\$ 13,998
Cost of goods sold	16,956	9,338
Gross profit	7,416	4,660

Operating expenses:		
Sales and marketing	2,788	2,106
Research and development	1,368	946
General and administrative	1,321	1,532
Total expenses	5,477	4,584
Operating income	1,939	76
Interest income, net	236	243
Other income (expense), net	35	(33)
Income before income taxes	2,210	286
Income taxes	862	109
Net income	\$ 1,348	\$ 177
Earnings per share:		
Basic	\$ 0.13	\$ 0.02
Fully diluted	\$ 0.12	\$ 0.02
Shares used in computing earnings per share:		
Basic	10,540	10,458
Fully diluted	10,961	11,061

Overland Data, Inc.
Selected Balance Sheet Information
(In thousands)

	Sept. 30, 1998 (unaudited)	June 30, 1998
ASSETS		
Cash and cash equivalents	\$ 19,518	\$ 15,550
Accounts receivable, net	12,646	15,683
Inventories, net	16,604	16,077
Other current assets	2,399	2,431
Total current assets	51,167	49,741
Property, plant and equipment, net	4,062	4,207
Other assets	96	48
Total assets	\$ 55,325	\$ 53,996
LIABILITIES & EQUITY		
Current liabilities	\$ 10,487	\$ 10,243
Long-term debt	--	--
Other liabilities	517	386
Shareholders' equity	44,321	43,367
Total liabilities and equity	\$ 55,325	\$ 53,996

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