



## Overland Data Beats Earnings Estimates; Reports Record Net Income in Third Quarter Fiscal Year 2002; Announces New Software Business Unit

April 23, 2002

SAN DIEGO, Apr 23, 2002 (BUSINESS WIRE) -- Overland Data Inc. (Nasdaq:OVRL) today reported its fiscal 2002 third quarter and nine-month year-to-date results, and also formally announced the launch of a new software business unit by the company.

Third quarter revenues for fiscal 2002 grew 15.7 percent reaching \$42.8 million, compared to \$37.0 million in the third quarter of fiscal 2001. Net income for the third quarter of fiscal 2002 was up nearly 150 percent, hitting a record \$2.1 million, or \$0.18 per fully diluted share, compared to \$850,000, or \$0.08 per fully diluted share in the third quarter of fiscal 2001.

Revenues for the nine-month period ended March 31, 2002 were \$128.4 million compared to revenues of \$118.3 million during the same period of the prior fiscal year. Net income for the first nine months of fiscal 2002 amounted to \$5.1 million, or \$0.46 per fully diluted share, compared to net income of \$4.0 million, or \$0.37 per fully diluted share, for the corresponding period in fiscal 2001.

Christopher Calisi, president and CEO of Overland Data, said, "In this challenging corporate and economic environment and in a seasonally slower quarter, we are extremely pleased to report record net income and an earnings per share number that exceed analysts' earnings estimates by \$0.02 per share. We continue to be pleased with the market traction of our Neo family of automated tape libraries, including the Neo 4000 that we introduced in January 2002. Although disappointed by the softening of Compaq sales at the end of the quarter, it was not surprising given the distractions created by its merger-related activities.

"As we indicated last quarter, we have significantly expanded our branded sales force to capitalize on the strength of our Neo products, and we are beginning to see a return on that investment. Compared to the third quarter of the fiscal 2001, branded sales this quarter grew faster than our sales to Compaq. As a result, the concentration of our business with Compaq fell this quarter to 60 percent of revenues versus 66 percent in the second quarter of fiscal 2002, and 61 percent in the third quarter of fiscal 2001. Correspondingly, the contribution to gross profit from Compaq sales fell to 47 percent in the third quarter fiscal 2002 from 50 percent in the second quarter fiscal 2002 and 53 percent in the third quarter fiscal 2001.

"We are also pleased with the improvement in our gross margin to 28.0 percent this quarter compared to 25.7 percent in the same quarter of the prior fiscal year and 25.9 percent in the second quarter of this fiscal year. The improved margin reflects our continued cost cutting efforts, as well as the improved branded sales channel mix and continued contribution of revenues and royalties related to our VR2 technology. Operating expenses were up over third quarter 2001, but were down as a percent of sales. The decrease in R&D expenses incident to the completion in March 2001 of the Neo product design phase and the sale last June of our low-end tape drive business, have been reinvested in our expanded sales force and in additional marketing resources to capitalize on the success of Neo.

"Included in other income for the third quarter of fiscal 2001 was a one-time pre-tax gain of \$810,000 resulting from the sale of Overland's SLR Loader design and related assets to Tandberg Data. On an after-tax basis, this gain amounted to \$491,000, or \$0.04 per fully diluted share. The third quarter of fiscal 2002 includes an adjustment of our annual effective income tax rate that decreased the rate for the quarter from 38 percent to 28 percent to account for a greater benefit from export sales and increased R&D credits. We expect that our effective tax rate for the fourth quarter and full fiscal year 2002 will be approximately 34 percent."

Calisi continued, "My goal when arriving at Overland a year ago was to capitalize on the Company's success and broaden the scope of our business. As previously reported, our Neo product family represents the most successful product launch in the Company's history. Recently, Freeman Reports identified Overland as the market leader and fastest growing mid-range tape automation vendor, citing an increase in market share from 37 percent in 2000 to 57 percent in 2001.

"Today we are excited to officially announce the formation of a new software business unit. Our new unit will continue Overland's focus on the mid-market storage space, where we have experienced major success with our hardware products. The software products we will soon launch will be completely unrelated to our existing tape library business, and unrelated to backup and virtualization products, two areas that we believe are or will be market-dominated by other companies. Our goal is to become the market leader in what industry analysts predict could be a \$4 billion market by 2005.

"We expect to launch an exciting, new family of three storage management software products with first product availability commencing in June 2002. All of our products will be based on an open-system architecture designed to run on the widest choice of operating systems and capable of managing almost any storage device. The products are in three areas as follows:

- Overland Storage Resource Manager -- allows users to efficiently and effectively inventory, monitor and manage their existing storage assets.
- Overland Storage Planner -- allows users to analyze their current storage environment with a goal of rationalization, redeployment, upgrade or Storage Area Network (SAN) design to meet their performance requirements.
- Overland Storage Area Network Manager -- enables users to provide improved service level management of SANs through

graphical visualization, event correlation and alert generation.

"These Overland software products have been co-developed with leading software companies and will have stand-alone functionality, enabling customers to select the best product that fits their needs. Our packaged software is designed for rapid integration with existing storage systems, providing an immediate return on investment to the end-user. We will leverage our current and expanding VAR network to sell this exciting new family of products. Our goal is to both define the Open-Enterprise Storage Resource Management (ESRM) market, and to become the market leader.

"The launch of our new software business unit in the fourth quarter of fiscal 2002 represents an investment in Overland's future. We expect to spend approximately \$0.05 per share on this effort during the quarter. Additionally, we remain cautious due to what we see as a continued transitional climate at Compaq, as well as uncertain economic conditions overall. At this point, we expect fourth quarter revenues to be up approximately 15 percent compared to the prior year. We expect gross margins to be in the range of 25 to 26 percent due to lower than previously anticipated volumes and the planned discontinuation of our more profitable 36-track and LibraryXpress products. Therefore, net income in the fourth quarter of fiscal 2002 should be in the range of \$0.05 to \$0.07 per share compared to pro forma net income, as described in our earnings release dated August 9, 2001, of \$0.06 per share in the fourth quarter of fiscal 2001."

Calisi concluded, "Our outlook on our core business remains strong. Neo maintains its outstanding market leadership position. We are encouraged by our branded sales channel, and expect continued market penetration. We see expanded potential in the OEM space for our automated tape libraries. Our software family places us on the threshold of a new business breakthrough, tapping into the huge software market. We are truly excited about the opportunities that lie ahead."

Overland Data is a global supplier of innovative data storage and storage automation solutions for computer networks. The company's reputation for delivering high availability products sets the standard for intelligent automated storage and scalability. Overland is the market leader in the mid-range tape automation market and sells its products worldwide through leading OEMs, commercial distributors, storage integrators and value-added resellers.

Except for the factual statements made herein, the information contained in this news 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, loss of a major customer, the timing and market acceptance of new product introductions by the company, including the launch of the company's new software business unit, its competitors or its licensees, the timing and amount of licensing royalties, 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.

Webcast: A live audio Webcast of Overland Data's management conference call discussing second quarter fiscal year 2002 results and outlook will be held beginning at 10:30 a.m. EST, April 23, 2002, and will be posted at [www.overlanddata.com](http://www.overlanddata.com). Please provide adequate time to log on. Following the broadcast, the conference call will be archived for future access on Overland's Web site.

OVERLAND DATA INC.				
CONSOLIDATED STATEMENT OF OPERATIONS				
(In thousands, except per share data)				
	Three Months Ended		Nine Months Ended	
	March 31,		March 31,	
	2002	2001	2002	2001
	(Unaudited)		(Unaudited)	
Net revenues	\$42,839	\$37,018	\$128,427	\$118,331
Cost of revenues	30,826	27,502	95,294	86,708
Gross profit	12,013	9,516	33,133	31,623
Operating expenses:				
Sales and marketing	5,435	4,038	14,359	12,068
Research and development	1,649	2,675	5,162	7,553
General and administrative	2,134	2,088	6,336	6,132
Total expenses	9,218	8,801	25,857	25,753
Operating income	2,795	715	7,276	5,870
Interest income, net	57	158	241	350
Other income, net	66	532	265	395

Income before income taxes	2,918	1,405	7,782	6,615
Income taxes	816	555	2,664	2,613
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Net income	\$2,102	\$850	\$5,118	\$4,002
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Earnings per share:				
Basic	\$0.20	\$0.08	\$0.48	\$0.39
	=====	=====	=====	=====
Diluted	\$0.18	\$0.08	\$0.46	\$0.37
	=====	=====	=====	=====
Shares used in computing earnings per share:				
Basic	10,645	10,385	10,564	10,371
Diluted	11,685	10,971	11,108	10,931

OVERLAND DATA INC.  
SELECTED BALANCE SHEET INFORMATION  
(In thousands)

	March 31, 2002	June 30, 2001
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ASSETS		
Cash and equivalents	\$19,410	\$10,844
Accounts receivable, net	25,926	24,090
Inventories	19,694	23,329
Other current assets	5,360	6,376
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Total current assets	70,390	64,639
Property, plant and equipment, net	9,144	4,795
Other assets	749	737
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Total assets	\$80,283	\$70,171
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LIABILITIES & EQUITY		
Current liabilities	\$17,892	\$17,640
Long-term debt	4,112	--
Other long-term liabilities	757	852
Shareholders' equity	57,522	51,679
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Total liabilities and equity	\$80,283	\$70,171
	=====	=====

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