



Overland Data Reports Record Results for Fiscal Year 1999, as Revenues Grow 23% and Net Income Per Share Increases 48%

August 5, 1999

Business Editors

SAN DIEGO--(BUSINESS WIRE)--Aug. 5, 1999--Overland Data Inc. (NASDAQ/NMS:OVRL) Thursday reported that revenues for fiscal year 1999 increased to \$92.2 million, up 23% from revenues of \$75.2 million in fiscal year 1998.

Net income for the fiscal year ended June 30, 1999, increased to \$4.0 million, compared with \$2.8 million in fiscal year 1998, and on a per share basis grew to \$0.37 per share, up 48% from \$0.25 per share in the prior fiscal year.

Overland attributed the revenue growth in fiscal year 1999 primarily to strong sales of its DLT-based LibraryXpress(tm) family of products, which accounted for 57% of total revenues and grew 41% over the prior year.

Sales of the company's 36-track products, up 24% over fiscal year 1998, also contributed to the growth in revenue. These gains were partially offset by declines in sales of the company's more mature 18-track and 9-track product lines, which accounted for only 4% of revenues for the year.

Gross margin of 30% for fiscal year 1999 was down slightly from 31% in fiscal year 1998 due to a higher level of sales to OEM customers. Total operating expenses, however, were reduced from 26% of sales last year to 24% of sales in fiscal year 1999, due primarily to a reduction in general and administrative expenses.

For the fourth quarter of fiscal year 1999, Overland reported net income of \$583,000, or \$0.05 per share, on revenues of \$21.4 million, compared with net income of \$1.3 million, or \$0.12 per share, on revenues of \$24.4 million in the fourth quarter of 1998.

The decline in fourth-quarter sales was due primarily to lower OEM sales and sales of its 36-track product to non-OEM customers, and to lower sales of 18-track and 9-track products which have been phased out.

Gross margin for the fourth quarter was up slightly year-to-year due to the decline in OEM sales but was offset by higher operating expenses resulting from investments in sales and marketing and research and development.

Overland believes the falloff in fourth-quarter OEM sales was due primarily to a new inventory management system implemented as part of Overland's recently signed OEM agreement with Compaq (NYSE:CPQ).

More specifically, under the new contract, the inventory management system changed from a traditional OEM model, wherein Overland recorded revenues when product was shipped to DEC, to a just-in-time system of regional hubs wherein Overland does not recognize revenues until products are released to Compaq's customers.

Sales of LibraryXpress products to customers other than Compaq during the fourth quarter 1999 were up 42% over the same quarter last year.

"We are pleased with our record performance in fiscal year 1999," stated Scott McClendon, president and chief executive officer of Overland, "and with the market's continued strong acceptance of our award-winning DLT-based LibraryXpress products.

"We are also excited about the most significant event of the year

-- our signing of our OEM agreement with Compaq -- which we expect to contribute to another record year in fiscal year 2000.

"At the same time," added McClendon, "it is unfortunate that the change in the inventory management system negatively impacted our level of OEM sales in the fourth quarter. The impact of this change was greater than expected due to the fact that the start of our new OEM supply relationship with Compaq, which was originally planned to begin in April, did not commence until mid-June.

"We currently expect Compaq sales to begin to ramp up during the first quarter of the current fiscal year as Compaq's focus shifts to the Overland-supplied product line. Based on current order indications and market forecasts, our outlook for OEM sales to Compaq for full-year fiscal 2000 is higher than we originally expected.

"We are extremely encouraged by Compaq's strong market support of our LibraryXpress-based products, and by its leadership position in the storage market.

"In addition to anticipated higher sales to Compaq," stated McClendon, "our goal is to generate additional revenue in fiscal year 2000 and beyond by continuing to strengthen our automation product line by introducing new products and technologies, by establishing additional distribution partnerships, and by pursuing potential strategic initiatives targeting emerging storage market opportunities.

"Over the past year, we successfully introduced several new products, including our MinilibraryXpress(tm) for the midrange-server market, and a new software technology called Web TLC(tm) that enables remote operation and management of our tape libraries and autochangers from anywhere in the world over the Internet.

"We entered the enterprise storage market through the introduction of our EnterpriseXpress(tm), and through our fibre- channel-connectivity and

storage-area-network initiatives.

"On the technology-development front, our Variable Rate Randomizer (VR2(tm)) development program with Tandberg, although late, continued to advance with the expectation that this collaboration will generate royalty revenue by the end of calendar year 1999, and we entered a joint development agreement with Imation Corp. (NYSE:IMN) to bring VR2 technology into the next-generation Travan NS platform.

"In addition, we have introduced a SLR loader product, and have the technical capability to deliver robotics for other tape formats such as AIT, LTO and SDLT. We believe this capability, coupled with our recent acquisition of optical storage robotics technology, positions us well to respond to emerging opportunities in the marketplace.

"And," commented McClendon, "we have strengthened our commercial distribution channel in support of our current and future product offerings through the addition of Ingram Micro (NYSE:IM) as a major new distributor of Overland Data 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 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 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 OPERATIONS
(In thousands, except per share data)

	Three Months Ended June 30,		Twelve Months Ended June 30,	
	1999	1998	1999	1998
	(Unaudited)			
Net sales:				
Product sales	\$ 21,117	\$ 24,436	\$ 91,777	\$ 75,164
Royalty	235	-	450	-
Total net sales	21,352	24,436	92,227	75,164
Cost of goods sold	14,712	17,070	64,336	51,965
Gross profit	6,640	7,366	27,891	23,199
Operating expenses:				
Sales and marketing	3,056	2,701	11,825	9,245
Research and development	1,481	1,130	5,373	4,093
General and administrative	1,268	1,500	5,079	6,221
Total expenses	5,805	5,331	22,277	19,559
Operating income	835	2,035	5,614	3,640
Interest income, net	165	230	810	940
Other income, net	(11)	(88)	157	(37)
Income before income taxes	989	2,177	6,581	4,543
Income taxes	406	852	2,599	1,751
Net income	\$ 583	\$ 1,325	\$ 3,982	\$ 2,792
Earnings per share:				
Basic	\$ 0.06	\$ 0.13	\$ 0.39	\$ 0.27
Diluted	\$ 0.05	\$ 0.12	\$ 0.37	\$ 0.25
Shares used in computing earnings per share:				
Basic	10,120	10,564	10,222	10,525

Diluted	10,648	11,052	10,652	11,069
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OVERLAND DATA INC.
 SELECTED BALANCE SHEET INFORMATION
 (In thousands)

	June 30, 1999 Audited	June 30, 1998 Audited
ASSETS		
Cash and equivalents	\$ 16,199	\$ 15,550
Accounts receivable, net	13,885	15,683
Inventories	17,704	16,077
Other current assets	3,511	2,431
Total current assets	51,299	49,741
Property, plant and equipment, net	4,657	4,207
Other assets	274	48
Total assets	\$ 56,230	\$ 53,996
LIABILITIES & EQUITY		
Current liabilities	10,318	10,243
Long-term debt	-	-
Long-term liabilities	1,105	385
Shareholders' equity	44,807	43,368
Total liabilities and shareholders' equity	\$ 56,230	\$ 53,996

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KEYWORD: CALIFORNIA
 INDUSTRY KEYWORD: COMPUTERS/ELECTRONICS COMED EARNINGS