



Overland Data Reports Profit of 6 Cents per Share on Record Net Sales of \$27.5 Million for Second Quarter of Fiscal Year 2000

January 20, 2000

SAN DIEGO--(BUSINESS WIRE)--Jan. 20, 2000--Overland Data Inc. (Nasdaq:OVRL) today reported operating results for the second quarter of its fiscal year 2000, including record net sales driven largely by a 129 percent year-over-year increase in sales to Compaq Computer (NYSE:CPQ).

Although a shift in the company's product sales mix and lower selling prices contributed to a lower gross margin and reduced net income as compared with the same quarter of last year, Overland continued to demonstrate sequential improvement in its operating results over the previous two quarters.

For the second fiscal quarter ended Dec. 31, 1999, Overland reported net sales of \$27,469,000, compared with net sales of \$24,240,000 for the second quarter of fiscal year 1999. Net income for the second quarter of fiscal year 2000 totaled \$609,000, or 6 cents per share, compared with net income of \$1,315,000, or 12 cents per share, for the comparable quarter last year.

For the six-month period ended Dec. 31, 1999, the company reported net sales of \$50,314,000, compared with \$48,612,000 for the same period last year. Net income for the first six months of fiscal year 2000 was \$648,000, or 6 cents per share, compared with \$2,663,000, or 25 cents per share, for the first half of fiscal year 1999.

Overland stated that OEM sales to Compaq during the second quarter of fiscal year 2000 totaled \$11.9 million, or 43 percent of total sales. Record sales were achieved despite a year-over-year reduction of \$3.6 million in revenue from the company's maturing 36-track products and its discontinued 9-track and 18-track products.

The decline in net income for the quarter compared with the prior year was primarily the result of a reduction in the company's gross margin from 30.2 percent to 25.4 percent due to a larger percentage of net sales to Compaq, a shift in the Compaq sales mix to lower-margin configurations of Overland's products, reduced sales of mature and discontinued products with higher margins, and lower prices on Overland's branded products due in part to Y2K-related pricing pressures.

Although flat as a percentage of revenues, operating expenses increased primarily because of higher research and development expenditures relating to the company's joint development with Tecmar Technologies in support of the company's growth strategy targeting the entry-level tape backup market.

Commented Scott McClendon, Overland Data president and chief executive officer: "We are pleased with our level of sales for the second quarter of fiscal year 2000, and with the sequential improvement in our operating results during the first half of fiscal year 2000.

"While our margins were low, we anticipated that margins on sales to Compaq would start at a low level and ramp up over the initial quarters as we begin to benefit from the leverage of higher-volume manufacturing levels. We expect to achieve those higher-volume manufacturing levels and the resulting lower per-unit production costs as we move into the fourth quarter.

"Operating margins declined due to lower gross margin and continued investment in research and development for new-product development. While we plan to continue to invest in these future growth opportunities for our business, we recognize that we need to maintain operating expenditures in line with gross margin trends in order to achieve our operating margin goals.

"Based on the rate at which Compaq orders have continued to grow during the second quarter," added McClendon, "we continue to see significant potential in our expanded relationship with Compaq over the remainder of fiscal year 2000 and beyond.

"In fact, at midyear, we are on track to achieving our goal of more than doubling fiscal year 1999 Compaq sales of \$19 million. And, beginning in our third fiscal quarter, our sales are already benefiting from the completion of the phase-out of the predecessor Compaq product replaced by Overland's LibraryXpress(TM).

"To augment our position in the DLT business," stated McClendon, "during the quarter we introduced our new LibraryPro, the industry's first scalable Advanced Intelligent Tape(TM) (AIT) library, as well as our new SLR100 autoloader for entry-level to midrange applications.

"The value of our proprietary VR2 technology continued to grow as Tandberg Data announced shipment of its new flagship product, the SLR100, with VR2, and as we licensed VR2 to Seagate Technology for inclusion in future-generation tape drive offerings.

"In addition, we announced an agreement with Tecmar Technologies to jointly develop and manufacture VR2-enhanced Travan backup products, and have subsequently announced an agreement to acquire Tecmar's operating assets."

Added McClendon: "The proposed acquisition of Tecmar's assets is expected to accelerate our entry into the low-cost, entry-level data storage backup market, and to have an immediate positive impact on our revenue and earnings upon the closing of the transaction.

"Given the potential contribution of this pending acquisition, coupled with our growing sales to Compaq and the VR2 royalty stream, we continue to believe that we can achieve another profitable record revenue year in fiscal year 2000."

About Overland

Overland Data is a global supplier of innovative data storage and storage automation solutions for computer networks. The company's award-winning DLT LibraryXpress(TM) SmartScale Storage(R) architecture has set new standards for intelligent automated storage and scalability and established Overland as a leader in the midrange tape storage market.

Today, Overland is broadening its product line and technology offerings to address additional segments of the storage market, including the entry-level small-business market as well as the higher-end enterprise environment.

Overland's patented Variable Rate Randomizer (VR2) data encoding technology, capable of substantially increasing the capacity and throughput of linear tape formats, is being applied by the company to Travan tape drives, and has been licensed to Seagate Technology, Tandberg Data and Imation Corp. for inclusion in next-generation tape drives.

Overland products, acclaimed for their quality and reliability, are sold worldwide through leading OEMs, including Compaq, IBM, Fujitsu Siemens Computers and Groupe Bull, and commercial distributors such as Ingram Micro, Tech Data Corp. and Bell Microproducts, as well as 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 and its competitors, general competition and price pressures in the marketplace, and the company's ability to control costs and expenses, as well as its ability to complete the acquisition of the Tecmar assets and successfully deploy those assets in the execution of its entry-level market initiative. 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.

Note to Editors: DLT and DLTtape are registered trademarks of Quantum Corp. worldwide. AIT is a registered trademark of Sony Corp. -0-

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OVERLAND DATA INC.
Consolidated Statement of Operations
(In thousands, except per-share data)
(Unaudited)

	Three months ended		Six months ended	
	Dec. 31,		Dec. 31,	
	1999	1998	1999	1998
Net sales	\$27,469	\$24,240	\$50,314	\$48,612
Cost of goods sold	20,493	16,927	37,096	33,883
Gross profit	6,976	7,313	13,218	14,729
Operating expenses:				
Sales and marketing	3,244	3,015	6,376	5,803
Research and development	1,646	1,219	3,245	2,587
General and administrative	1,346	1,208	2,964	2,529
Total expenses	6,236	5,442	12,585	10,919
Operating income (loss)	740	1,871	633	3,810
Interest income, net	199	221	374	457
Other income (loss), net	68	77	64	112
Income before income taxes	1,007	2,169	1,071	4,379
Income taxes	398	854	423	1,716
Net income	\$ 609	\$1,315	\$ 648	\$2,663
Earnings per share:				
Basic	\$ 0.06	\$ 0.13	\$ 0.06	\$ 0.26
Fully diluted	\$ 0.06	\$ 0.12	\$ 0.06	\$ 0.25

OVERLAND DATA INC.
Selected Balance Sheet Information
(In thousands)

	Dec. 31,	June 30,
	1999	1999
(Unaudited)		
Assets:		
Cash and equivalents	\$17,992	\$16,199

Accounts receivable, net	16,528	13,885
Inventories	14,411	17,704
Other current assets	3,186	3,511
Total current assets	52,117	51,299
Property, plant and equipment, net	4,172	4,657
Other assets	355	274
Total assets	\$56,644	\$56,230
Liabilities and equity:		
Current liabilities	\$10,060	\$10,318
Long-term debt	--	--
Other liabilities	1,314	1,105
Shareholders' equity	45,270	44,807
Total liabilities and equity	\$56,644	\$56,230

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