



Overland Data Reports Fourth Quarter and Fiscal Year 2001 Results

August 9, 2001

SAN DIEGO, Aug 9, 2001 (BUSINESS WIRE) -- Overland Data, Inc. (Nasdaq:OVRL) today reported revenue for its fourth fiscal quarter ended June 30, 2001 of \$37,365,000, slightly ahead of analyst expectations. Revenue for the same quarter of the prior year was \$38,311,000. Pro forma net income for the fourth fiscal quarter, which also was ahead of the First Call consensus estimate, totaled \$655,000, or \$.06 per diluted share, compared to \$1,297,000, or \$.12 per share, in the fourth quarter of fiscal year 2000.

For the full 2001 fiscal year, revenue of \$155,696,000 rose 27% over fiscal 2000 revenue of \$122,979,000. Pro forma earnings for fiscal 2001 rose 34% to \$4,165,000, or \$.38 per share, compared to \$3,106,000, or \$.29 per share, in fiscal 2000.

Pro forma earnings in the fiscal 2001 fourth quarter exclude several one-time items. On an after-tax basis, they are: (1) a \$1.5 million charge (\$.14 per share) for inventory reserves and related expenses incident to the Company's exit of the entry-level tape drive business as announced on June 18, 2001; (2) a \$420,000 (\$.04 per share) charge for severance expenses related to employment reductions effected during the quarter; and (3) a \$241,000 (\$.02 per share) charge for the write-off of an optical product design and lawsuit settlements. Pro forma earnings for the full 2001 fiscal year exclude these fourth quarter items as well as a one-time gain in the third fiscal quarter of \$492,000 (\$.04 per share) related to the sale by the Company of its SLR Loader design to Tandberg Data.

Pro forma earnings in the fourth quarter of the prior year and the full fiscal 2000 year exclude a \$1.0 million after-tax charge (\$.10 per share) for the writeoff of the Ditto product line.

The Company noted that, excluding sales of its low-end Tecmar tape drive products, sales for the fiscal 2001 fourth quarter were actually slightly ahead of the prior year quarter. On a pro forma basis, the decline in the gross margin from 26.6% in the fourth quarter of the prior fiscal year to 25.4% in the current year quarter was primarily the result of increased manufacturing costs during new product startup and costs related to discontinuance of older products. Operating expenses during the current quarter were 22.5% of sales compared to 20.9% of sales in the same quarter of the prior year, but were down from 23.8% in the immediately preceding third quarter of fiscal 2001. The increased expenses versus the prior year were the result of higher R&D material costs for new product development as well as higher recruiting fees and expenses for the Company's new President & CEO.

For the full 2001 fiscal year on a pro forma basis, the 27% revenue growth was primarily the result of strong growth in the Company's OEM business. The gross margin for the year of 26.4% was slightly ahead of the 26.2% margin in fiscal 2000 and operating expenses grew slower than the pace of revenues. As a percent of sales, operating expenses in fiscal 2001 were 21.9% compared to 22.5% in fiscal 2000.

Christopher Calisi, who joined Overland in March 2001 as the Company's President & CEO, stated, "We are pleased with our performance for the quarter in light of the difficult economic conditions. We held sales level with those of the March quarter, and we are seeing encouraging signs that our newly introduced Neo(TM) tape library system is being well received in the marketplace. It contains features not enjoyed by any other competitive products and its density, scalability and low initial price point make it a natural choice in these times when our customers' IT purchases are being closely scrutinized. We intend to capitalize on this opportunity and are redirecting our spending to grow our branded product sales force over the next few quarters.

"We are also pleased that we succeeded during the fourth quarter in lowering our cost structure and operating expenses. The sale of our entry-level tape drive designs and the exit of an under-performing line of business were key factors in this effort. We also wish to thank our employees who have remained committed and dedicated in the face of difficult times to making Overland a more efficient operation and to improving the predictability of our earnings. We expect to see the full effect of these actions in the first quarter of fiscal year 2002. Our actions will help us fund the expansion of our sales force in our efforts to take market share from our competitors in the mid-range tape automation market.

"Although our business is stable, the lack of public confidence in the economy and other uncertainties force us to be conservative in our forward guidance and to limit it to a single quarter," added Calisi. "Although the September quarter is normally seasonally slow, we expect first quarter fiscal 2002 revenues to be flat sequentially with the fourth quarter of 2001. We expect pressure on our gross margin down to the 23-24% range due to lower initial margins on ramping sales and production volumes of our new products. Reduced margins should be offset by expense reductions and net income for the quarter should be flat with the pro forma earnings of the fourth quarter.

"We have eliminated a number of distractions in our business and are intensely focused on the opportunities before us," continued Calisi. "We intend to be more aggressive in the marketplace and to capitalize on the strength of our new products in the mid-range tape automation space. We believe that the 'management' of storage is becoming as important as the actual storage devices themselves, and in the future we will look to deliver more intelligent solutions that can better serve that customer need."

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 or future 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 economic conditions and technology spending levels, 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.

Webcast: A live audio Webcast of Overland Data's quarterly management conference call on fourth quarter fiscal year 2001 results and outlook will be held beginning at 2 p.m. PDT (5 p.m. EDT) today, August 9, 2001, and will be posted at www.overlanddata.com. Please provide adequate time to log on. Following the broadcast, the conference call will be archived for future access at Overland's Web site.

OVERLAND DATA, INC.				
PRO FORMA UNAUDITED CONSOLIDATED STATEMENT OF OPERATIONS				
(In thousands, except per share data)				
	Three Months Ended		Twelve Months Ended	
	June 30,		June 30,	
	2001	2000	2001	2000
	(Unaudited)		(Unaudited)	
Net sales	\$ 37,365	\$ 38,311	\$ 155,696	\$ 122,979
Cost of goods sold	27,862	28,118	114,570	90,743
Gross profit	9,503	10,193	41,126	32,236
Operating expenses:				
Sales and marketing	4,259	4,309	16,327	14,272
Research and development	2,128	1,981	9,681	7,253
General and administrative	2,023	1,719	8,155	6,183
Total expenses	8,410	8,009	34,163	27,708
Operating income	1,093	2,184	6,963	4,528
Interest income, net	123	169	473	714
Other expense, net	(162)	(210)	(581)	(109)
Income before income taxes	1,054	2,143	6,855	5,133
Income taxes	399	846	2,690	2,027
Net income	\$ 655	\$ 1,297	\$ 4,165	\$ 3,106
Earnings per share:				
Basic	\$ 0.06	\$ 0.13	\$ 0.40	\$ 0.31
Diluted	\$ 0.06	\$ 0.12	\$ 0.38	\$ 0.29
Shares used in computing earnings per share:				
Basic	10,494	10,152	10,382	10,123
Diluted	10,704	10,960	10,884	10,688

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CONSOLIDATED STATEMENT OF OPERATIONS				
(In thousands, except per share data)				
	Three Months Ended		Twelve Months Ended	
	June 30,		June 30,	
	2001	2000	2001	2000
Net sales	\$ 37,365	\$ 38,311	\$ 155,696	\$ 122,979
Cost of goods sold	29,954	29,835	116,662	92,460
Gross profit	7,411	8,476	39,034	30,519
Operating expenses:				
Sales and marketing	4,324	4,309	16,392	14,272
Research and development	2,540	1,981	10,093	7,253
General and administrative	2,718	1,719	8,850	6,183
Total expenses	9,582	8,009	35,335	27,708
Operating (loss) income	(2,171)	467	3,699	2,811
Interest income, net	123	169	473	714
Other expense, net	(550)	(210)	(155)	(109)
(Loss) income before income taxes	(2,598)	426	4,017	3,416
Income taxes	(1,091)	168	1,522	1,349
Net (loss) income	\$ (1,507)	\$ 258	\$ 2,495	\$ 2,067
(Loss) earnings per share:				
Basic	\$ (0.14)	\$ 0.03	\$ 0.24	\$ 0.20

Diluted	\$ (0.14)	\$ 0.02	\$ 0.23	\$ 0.19
Shares used in computing earnings per share:				
Basic	10,494	10,152	10,494	10,123
Diluted	10,494	10,960	10,884	10,688

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

	June 30, 2001	June 30, 2000
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ASSETS		
Cash and equivalents	\$10,844	\$15,774
Accounts receivable, net	24,090	22,798
Inventories	23,329	22,108
Other current assets	6,376	5,075
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Total current assets	64,639	65,755
Property, plant and equipment, net	4,795	5,033
Other assets	737	595
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Total assets	\$70,171	\$71,383
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LIABILITIES & EQUITY		
Current liabilities	\$17,640	\$22,498
Long-term debt	--	--
Other long-term liabilities	852	1,388
Shareholders' equity	51,679	47,497
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Total liabilities and equity	\$70,171	\$71,383
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