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NEWS

NEW FREEMAN STUDY PROJECTS MAJOR SHIFTS IN COMPACT TAPE INDUSTRY

Growth in Units, Revenue Seen

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OJAI, California, July 1, 2004—Major shifts are occurring in the compact tape market as the industry responds to the improving economic environment. A new study just released by Freeman Reports projects steady growth through 2009 following three consecutive years of decline for the compact tape industry. “This positive outlook is due to a number of other factors in addition to the recovering global economy,” declares Robert C. Abraham, author of the new edition of the Freeman Report: *Compact Tape Outlook*. “The devil is in the details. A new set of forces is shaping the future of compact tape, and includes new demands for long-term data retention, the trend toward storage consolidation, increased use of automation, enhanced backup architectures such as disk-to-disk-to-tape, continuing growth in network storage requirements, and surprising resilience in the entry server segment. These forces will cause dramatic changes within the industry.” Major shifts between tape technologies are predicted as the trend toward network storage accelerates, resulting in the centralization of tape and driving the need for high-performance super drives, including SDLT, LTO, SAIT, and high-end 8-millimeter. Super drives comprised 22% of unit shipments and 59% of revenues in 2003—up from 14% and 45% in 2002—and will comprise 46% of unit shipments and 77% of revenue in 2009.

The report shows that unit shipments of compact tape drives declined by 4% in 2003. This decline was lead by continued heavy declines in the desktop and entry level segments. Increased super drive shipments nearly offset those declines. LTO drive shipments jumped from 175,000 units in 2002 to 262,000 in 2003 while SDLT drive shipments increased from 109,000 units in 2002 to 152,000 units in 2003. Super drives serve mid-range open systems and low-end enterprise systems. All super drive categories will experience significant growth each year through 2009. The desktop and entry level server segments, served primarily by Travan, SLR, DAT, and low-end 8-millimeter and DLT drives tallied 1.61 million devices in 2003, down from its peak of 3.7 million units in 1999. “The declines in these sectors underscore the shift in the industry—the paradigm shift from desktop backup to network backup,” says Abraham. “Within the network storage space, super tape drives are one of the biggest success stories.”

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Despite the decline in unit shipments, combined OEM revenue for all classes of compact tape drives increased from \$1.71 billion in 2002 to \$1.82 billion in 2003, reflecting the shift to higher-cost super drives. Revenue was down in every entry category and up in every super drive class. Industry revenue will rise to \$2.09 billion in 2004 and \$3.39 billion in 2009, a compound rate of growth of 11%, with super drives leading the increases. According to Abraham, "The shift in product mix from desktop and low-cost drives to higher-priced network-oriented devices will continue. Excellent growth opportunities for high-end tape drives exist due to evolving storage architectures. Despite the continued squeeze in the low-end tape market, selected opportunities exist for these products as well."

Drive Market Shares

On the basis of very strong LTO sales, Hewlett-Packard moved ahead of Quantum into the number one position based on drive revenue in 2003 with an 28% share, while Quantum dropped to the number two position with a 27% share. IBM moved ahead of Certance into third position with a 17% share on the strength of its LTO sales. Certance dropped to fourth place with a 13% share of revenue. Sony maintained fifth place with a 10% share. Three other tape manufacturers shared the remaining 5% of revenue in 2003. "The winners moved swiftly and decisively with new product introductions—not surprisingly, time-to-market proved to be the critical factor for market success," asserts Abraham.

Report Analyzes Tape Drive and Autoloader Markets

The new *Compact Tape Outlook* report presents an in-depth analysis of the markets and detailed forecasts of shipments, revenues, and installed bases for thirteen classes of compact tape drives and ten classes of related autoloaders from 2003 through 2009. Summary specifications are given for all classes of tape drives and autoloaders. Pricing trends are analyzed, and expected technology shifts and future product directions are identified. The report is reinforced by 79 illustrations and 94 tables and is oriented to issues and opportunities in this dynamic market.

The 240 page report is available now from Freeman Reports, based in Ojai, California, at a price of \$3,495. Additional copies for the use by the same buyer are priced at \$350 each. Freeman Reports also publishes analyses of other tape storage markets, including *Tape Library Outlook*, which assesses the market for tape libraries, and *Performance Tape Outlook*, which assesses the market for high performance enterprise tape drives.

FORECAST SUMMARIES ATTACHED (Copyrighted, please credit)

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WORLDWIDE MARKET PROJECTIONS COMPACT TAPE DRIVES

<i>UNIT SHIPMENTS (THOUSANDS)</i>			
	<i>2003</i>	<i>2004</i>	<i>2009</i>
Cartridge	298	286	458
DAT	939	902	765
8-MM	168	195	273
SAIT	1	4	38
DLT/SDLT	406	452	805
LTO	262	343	610
TOTAL UNITS	2,074	2,182	2,949

<i>REVENUE (MILLION)</i>			
	<i>2003</i>	<i>2004</i>	<i>2009</i>
Cartridge	\$67	\$69	\$94
DAT	\$421	\$415	\$362
8-MM	\$129	\$143	\$218
SAIT	\$5	\$19	\$124
DLT/SDLT	\$503	\$559	\$1,125
LTO	\$693	\$886	\$1,463
TOTAL REVENUE	\$1,818	\$2,091	\$3,386