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# Quantum Provides Update on Business, COVID-19 Response and Supply Chain

## Quantum CEO Reiterates Viable Supply Chain and Core Position with Customers

SAN JOSE, Calif., March 23, 2020 /PRNewswire/ -- Quantum Corporation (NASDAQ: QMCO) today published a letter to employees, customers, suppliers, partners and shareholders as the Company responds to the turmoil related to the COVID-19 pandemic.



Dear Valued Quantum Stakeholders,

Together as a society, we are taking unprecedented actions to stand in solidarity with each other; to protect our health, our families, our businesses, and our communities. As we navigate the rapidly changing economic landscape of the pandemic, the quarantines and the resulting business realities, I am convinced that while today's challenges are significant, Quantum is well equipped to continue its execution of the long term strategic plan. In fact, the Company is stronger today, than we were in 2018. At that point, we were highly leveraged with a deteriorating business and an SEC investigation, we were out of compliance with multiple loan covenants, saddled with ongoing fines, a delisting of our shares, shareholder lawsuits and addressing a multi-year financial restatement. We were able to renegotiate our loans, from a position of relative weakness, and since then, we have meaningfully turned the business around, regained profitability, revitalized our product line, and returned to a national listing. This management team has proven it can navigate through challenging and uncertain economic periods by focusing on our disciplined operational and strategic execution.

In the near term, Quantum has taken the necessary actions and precautions to keep our employees and business operations safe during these unprecedented times. For example:

- As part of our commitment to flatten the curve of COVID-19 and keep communities safe, Quantum employees around the world are working from home and in almost all cases, they have the requisite IT infrastructure to remain productive using our collaboration tools, cloud-based software, and global networking infrastructure. For many of our employees, working from home is business as usual, and we have the systems and processes in place to operate at full capacity from these remote locations.
- Our core data center continues to operate, albeit with a select group of essential personnel to keep our sites sterile while maintaining 24x7 global customer support. Our engineers are productive and inventing new software defined storage features and other innovations.
- We are providing ongoing service and support to ensure business continuity for our customers. Quantum was founded on disaster recovery solutions; we were built to handle moments like this. Our relentless commitment to our customers' success is stronger than ever.
- Our manufacturing partners in the U.S. and Mexico are staffed and running, and our supply chain is generally healthy.

While we have not experienced any major supply chain issues to date and believe our responses thus far have been adequate, we are preparing for disruptions and anticipate some customers may pause purchases as we navigate this crisis. Given this backdrop it is important to remember the following:

- Quantum has over \$130 million of annual recurring high gross margin revenue from our service business / installed base, and approximately \$20 million annually from LTO royalties.
- Quantum's data protection solutions are core to many of our customers' business continuity foundation. In a time when maintaining business continuity is paramount, these solutions remain vital. We have contracts with the world's top television networks, national governments around the world, the US Navy, US Air Force, NASA, National Institutes of Health, and many of the Fortune 100.
- Without our file management products, many of the world's top news outlets could not broadcast. The vast majority of our solutions are not discretionary. Quantum equipment is relied on in disaster and crisis situations, so if our customers seek costs to eliminate, we believe that our products - being critical to their operations and their business continuity programs - will not be affected.
- Quantum's Storage-as-a-Service offerings deliver the kind of flexibility and scalability many companies seek to weather an uncertain business climate.

We continue to maintain a productive and positive dialogue with our lenders. We have worked with them to reach accommodations in the past, when we were in a far weaker position. Now that we have achieved profitability and built a positive track record with our lenders, we believe we are in a far better position today to work with them as necessary to navigate the current environment.

As such, I remain confident that Quantum is a strong company with a sustainable business model, even during these tough times. Clearly, we are better positioned today than we were just 18 months ago. While we have successfully navigated challenging situations in the recent past, we continue to evaluate the current environment and are planning for a myriad of scenarios so that we have pre-set plans in case the global economy continues to

deteriorate. This is the team that eliminated \$70 million of expenses on an annual basis, and while we have strategically pivoted to focus on growth initiatives, we continue to be disciplined in our execution and are prepared to streamline costs further as necessary. Quantum is woven into the fabric of our society; we are focused on running the company for the long term.

This crisis, like all crises, will end. Our goal is to find every opportunity during this crisis to advance our mission to lead our industry in video solutions. We will tackle the challenges in front of us head on, make tough decisions, persevere, and be relentless in our pursuit of our long term strategy to provide technology and services to help customers capture, create and share digital content and preserve and protect it for decades.

As many of you know, our quarterly results can depend significantly on our sales activities in the later part of each quarter. This quarter is no different from prior quarters in that regard; however, we are beginning to see a slow down in our sales process for many of our deals scheduled toward the end of the current quarter. As a result, we believe some transactions will be delayed. Although our team is working diligently toward reaching the original financial targets we previously announced, it is possible that we may fall short of our goals for this quarter as a result of sales being delayed. I look forward to providing a more specific update in the coming weeks and ahead of the planned release of our fourth quarter earnings results. We will know more once our quarter comes to a close. Until then, may our employees, customers, suppliers, partners and investors around the world remain safe and vigilant. I firmly believe we will emerge from this episode stronger and better positioned to lead in video solutions.

Sincerely,  
Jamie Lerner, President and CEO

### **About Quantum**

Quantum technology and services help customers capture, create and share digital content – and preserve and protect it for decades. With solutions built for every stage of the data lifecycle, Quantum's platforms provide the fastest performance for high-resolution video, images, and industrial IoT. That's why the world's leading entertainment companies, sports franchises, researchers, government agencies, enterprises, and cloud providers are making the world happier, safer, and smarter on Quantum. See how at [www.quantum.com](http://www.quantum.com).


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### **Forward-Looking Statements**

This press release contains "forward-looking" statements. Quantum advises caution in reliance on forward-looking statements. If the risks or uncertainties ever materialize or the assumptions prove incorrect, the results of Quantum Corporation and its consolidated subsidiaries ("Quantum") may differ materially from those expressed or implied by such forward-looking statements and assumptions. All statements other than statements of historical fact are statements that could be deemed forward-looking statements, including but not limited to statements regarding the potential impact of COVID-19 on the Company's business, the Company being well-equipped to continue to operate a sustainable business

under current market conditions, its intent to continue to operate at full capacity while all employees are working from remote locations, the productivity of the Company's engineers, the Company's relationship with its lenders and its ability to work with them to navigate the current environment, the Company's expectations with respect to its supply chain including the continued operations of its manufacturing partners, the continued importance of the Company's products and services under current market conditions, the statement that the Company may fall short of its previously announced financial targets for the fourth fiscal quarter, and the Company's intent to continue to achieve its goal to provide technology and services to help customers capture, create and share digital content and preserve and protect it for decades. Risks, uncertainties and assumptions include public health requirements in response to the outbreak of COVID-19 and the impact on the Company's business and operations, which is evolving and beyond the Company's control, and the timing of customer orders and product shipments; members of the Company's management team or a significant number of its global employee base becoming ill with COVID-19; changes in government regulations and mandates to address COVID-19 that may adversely impact Quantum's ability to continue to operate without disruption; a significant decline in global macroeconomic conditions that have an adverse impact on the Company's business and financial results; challenges to the Company's infrastructure because of the number of employees working from remote locations, a cyberattack or other issues associated with remote connectivity; business interruptions related to the Company's supply chain; the Company's ability to manage its business and expenses if customers cancel or delay orders; the Company's ability to meet its debt covenants or obtain appropriate waivers from its lenders, if necessary; and other risks that are described herein, including but not limited to the items discussed in "Risk Factors" in Quantum's filings with the Securities and Exchange Commission, including its Form 10-K filed with the Securities and Exchange Committee on August 6, 2019. Quantum expressly disclaims any obligation to update or alter its forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law.

<b>Public Relations Contact:</b>	<b>Investor Relations Contact</b>
Bob Wientzen	Rob Fink
Quantum Corp.	FNK IR
+1 (720) 201-8125	(646) 809-4048
<a href="mailto:bob.wientzen@quantum.com">bob.wientzen@quantum.com</a>	<a href="mailto:rob@fnkir.com">rob@fnkir.com</a>

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