

COMPANY PROFILE

Iron Mountain Incorporated

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COMPANY OVERVIEW

Iron Mountain Incorporated (Iron Mountain or “the company”) is a storage and information management company that provides records management services, data management solutions and information destruction services. It provides storage in physical and electronic records in a variety of information media formats. The company’s solutions help its clients to protect their information, lower storage rental costs, enable corporate disaster recovery, and comply with regulations. It serves clients in various industries, including energy, entertainment, commercial, legal, financial, healthcare, insurance, life sciences, energy, businesses services and government organizations. The company operates in North America, Europe, Latin America and Asia Pacific. Iron Mountain is headquartered in Boston, Massachusetts, the US.

The company reported revenues of (US Dollars) US\$3,845.6 million for the fiscal year ended December 2017 (FY2017), an increase of 9.5% over FY2016. In FY2017, the company’s operating margin was 14.8%, compared to an operating margin of 14% in FY2016. In FY2017, the company recorded a net margin of 4.7%, compared to a net margin of 2.9% in FY2016.

The company reported revenues of US\$1,042.5 million for the first quarter ended March 2018, an increase of 5.2% over the previous quarter.

KEY FACTS

Head Office	Iron Mountain Incorporated 1 Federal St Boston Massachusetts Boston Massachusetts USA
Phone	1 617 5354781
Fax	1 302 6365454
Web Address	www.ironmountain.com
Revenue / turnover (USD Mn)	3,845.6
Financial Year End	December
Employees	24,000
New York Stock Exchange Ticker	IRM

SWOT ANALYSIS

Iron Mountain Incorporated (Iron Mountain or “the company”) is a storage and information management company that provides records management services, data management solutions and information destruction services. Robust real estate portfolio, diversified customer base and strong financial performance are the company’s major strengths, whereas significant debt obligation remains the cause for concern. Strategic acquisitions and launch of new services are likely to offer growth opportunities to the company. However, intense competition, obsolete technology and data security issues could affect its business operations.

<p>Strength</p> <p>Financial performance Robust real estate portfolio Diversified customer base</p>	<p>Weakness</p> <p>Significant debt obligations</p>
<p>Opportunity</p> <p>Strategic acquisitions Positive outlook for global cloud computing market Launh of new services</p>	<p>Threat</p> <p>Obsolete technology Data security issues Intense competition</p>

Strength

Financial performance

The company’s financial performance improved in FY2017. Strong financial performance enables the company in providing higher returns to its shareholders, thereby attracts further investments. It also enhances the company’s ability to allocate adequate funds for its future growth prospects and expansion plans. In FY2017, Iron Mountain reported revenue of US\$3,845.6 million as compared to US\$3,511.5 million in FY2016, an annual growth of 9.5%. The growth in revenue was primarily due to the positive impact of acquisitions/divestitures and favorable foreign exchange fluctuations. In FY2017, the company’s operating margin was 14.8% as compared to 13.9% in FY2016. Improving operating performance indicates the company’s focus towards efficient cost management. Iron Mountain’s operating cost as a percentage of sales declined from 86% in FY2016 to 85.2% in FY2017. Similarly, the company’s net profit margin grew from 2.9% in FY2016 to 4.7% in FY2017. Iron Mountain’s return on equity grew from 5.3% in FY2016 to 7.9% in FY2017.

Robust real estate portfolio

The company has a robust real estate portfolio with facilities operating in 53 countries across North America, Europe, Latin America and Asia Pacific. At the end of FY2017, the company conducted operations through 1,131 leased facilities and 307 owned facilities. These facilities contain a total of 87.5

million square feet of space. The leased facilities typically have initial lease terms of five to 10 years with one or more renewal options. In addition, some of the leases contain either a purchase option or a right of first refusal upon the sale of the property. Furthermore, the company's facilities have high utilization rates. At the end of FY2017, the company's total building utilization and total racking utilization were approximately 85% and 92%, respectively, for its records and information management business, while total building utilization and total racking utilization were approximately 69% and 82%, respectively, for its data management business. The company's robust real estate portfolio across geographies coupled with high utilization rates enhances its revenue base and operational margins.

Diversified customer base

Iron Mountain has a diverse customer base operating across a range of industries with no single client accounting for more than 1% of consolidated revenue. The company has more than 225,000 customers in a variety of industries around the world. In addition, Iron Mountain's customers include 95% of Fortune 1000 companies. Iron Mountain offers its products and services to various clients across various industries including energy, entertainment, commercial, legal, financial, healthcare, insurance, life sciences, energy, businesses services and government organizations. The company's diversified customer base reduces its business risks arising out of downturn in the activities of individual customers or in a particular industry and provides incremental growth opportunities across verticals.

Weakness

Significant debt obligations

The company has substantial amount of debt, which could restrict its financing and operating flexibility. At the end of FY2017, the company had total long term debt of approximately US\$7.1 billion, as compared to US\$6.3 billion in FY2016. Due to the high debt, the company incurred interest expenses of US\$353.6 million. In addition, the company's debt instruments include restrictive covenants which restrict or limit its ability to, among other things incur additional indebtedness; pay dividends or make other restricted payments; make asset dispositions; create or permit liens; and make acquisitions and other investments. The company's increased debt service obligations could have an adverse effect on its earnings and cash flows for as long as the indebtedness is outstanding, which could reduce the availability of cash flow to fund working capital, capital expenditures, acquisitions and other general corporate purposes. The high debt position renders the company at a disadvantage as raising finance for further expansion at feasible rates might prove to be difficult.

Opportunity

Strategic acquisitions

The company has concluded a number of acquisitions in the recent years to enhance its scale of operations. In May 2018, the company acquired EvoSwitch Netherlands B.V and EvoSwitch Global Services B.V., companies that provide multi-tenant data center space. The acquisition provides an opportunity for the company to extend relationships with its existing customers by providing data center

expansion capacity in key continental European markets, and the potential to provide capacity in the important Amsterdam region to Iron Mountain's legacy data center customer base. In March 2018, Iron Mountain acquired Artex Fine Arts Services, a company that provides fine art transportation, storage, crating/packing, and collection management to museum, gallery, private and commercial clients. Through this acquisition, the company can position itself as the leading fine arts service provider in North America. In January 2018, the company acquired the US operations of IO Data Centers LLC, a leading provider of provider data center services. This acquisition enhances the company's geographic diversification with expansion capacity in key markets in the US. In December 2017, Iron Mountain acquired OEC Records Management, providers of records management, imaging services and offsite storage of media. Through this acquisition, the company can expand its presence in emerging markets like India. In October 2017, the company acquired Bonded Services group of companies, providers of media asset management services for global entertainment and media companies. This acquisition enables Iron Mountain to meet the customer challenges on a global level, while leveraging its combined strengths of storage and logistics capabilities. Such strategic acquisitions will further expand the company's subscriber base and also expand its geographic footprint, thus enhancing scale of operations and reducing business risks.

Positive outlook for global cloud computing market

The company stands to benefit from the positive outlook for global cloud computing market. Cloud-based operations enable enterprises to scale their operations instantly, handle demand fluctuations, and access systems and services over a variety of devices at a lower cost. According to in-house research, the global cloud computing market generated revenue of US\$ 18,687.2 million in 2017. The US accounted for 58.3% of the global cloud computing sector value. The global cloud computing market is forecast to grow at a CAGR of 28.3% during 2017-2022 to reach US\$64,929.6 million in 2022. The Asia-Pacific and the US is expected to grow with CAGRs of 29.9% and 26% respectively, over the same period, to reach US\$8,832.9 million and US\$34,586 million, respective in 2022.

Launh of new services

Iron Mountain has introduced several new services. In May 2018, the company launched Iron Mountain Iron Cloud Critical Protection and Recovery (CPR), a managed data protection solution to safeguard and restore critical data, providing confidence in recovery in the event of malicious denial of access attack. In April 2018, the company introduced Iron Mountain Iron Cloud for Video, a secure cloud-based solution that enables organizations to manage their rapidly growing volumes of video data and other content while ensuring availability, compliance and integrity. In September 2017, the company introduced Iron Mountain Iron Cloud, an enterprise-class cloud storage platform and services offering for comprehensive data protection, preservation, restoration and recovery.

Threat

Obsolete technology

The company's business faces the risks of obsolescence as customers shift from paper and tape storage to alternative technologies. Iron Mountain derives most of its revenues from rental fees for the storage of paper documents and computer backup tapes and from storage related services. This storage requires

significant physical space, which the company provides through owned and leased facilities. Alternative storage technologies exist, many of which require significantly less space than paper documents and tapes. These technologies include computer media, microform, CD-ROM and optical disk and use of the cloud for electronic data. In addition, as alternative technologies are adopted, storage related services may decline as the physical records or tapes it stores become less active and more archived. The adoption of alternative technologies may also result in decreased demand for services related to the paper documents and tapes it stores. A significant shift by Iron Mountain's customers to storage of data through non-paper or tape based technologies, whether now existing or developed in the future, could adversely affect its businesses. Inability to upgrade to new technologies may impact the company's competitiveness and the results of operations. The rate at which new technologies are emerging exposes the company to technology obsolescence risks.

Data security issues

The company's operations are subject to laws and regulations relating to data privacy, security and protection of information. Governmental and customer focus on data security could increase its costs of operations, which the company may not be able to fully offset through increases in rates. Almost all the US states have adopted breach of data security statutes or regulations that require notification to consumers if the security of their personal information, such as social security numbers, is breached. In addition, certain federal laws and regulations affecting financial institutions, health care providers and plans and others impose requirements regarding the privacy and security of information maintained by those institutions as well as notification to persons whose personal information is accessed by an unauthorized third party. Some of these laws and regulations provide for civil fines in certain circumstances and require the adoption and maintenance of privacy and information security programs. The company's failure to be in compliance with any such programs may adversely affect its business. Continued governmental focus on data security may lead to additional legislative actions. For example, in the past the US Congress has considered legislation that would expand the federal data breach notification requirement beyond the financial and medical fields. In addition, the European Commission proposed a regulation and directive that will, if adopted, supersede Directive 95/46/EC, which has governed the processing of personal data since 1995. The proposed regulation will significantly alter the security and privacy obligations of entities, such as Iron Mountain, that process data of residents of members of the European Union and substantially increase penalties for violations. Also, an increasing number of countries have introduced and/or increased enforcement of comprehensive privacy laws, or are expected to do so. Incidents in which the company fails to protect its customers' information against security breaches could result in monetary damages and could otherwise damage its reputation and adversely impact its results of operations.

Intense competition

The company operates in an intensely competitive industry. The physical storage and information management services industry is highly competitive and includes a number of competitors in North America and around the world. Iron Mountain competes with a number of storage and information management services providers in all geographic areas where it operates. The company also competes with current and potential customers' internal storage and information management services capabilities. It also competes with other storage and information management services providers. Some of its competitors may possess substantial financial and other resources. If any such competitor were to devote

additional resources to pursue such acquisition candidates or focus its strategy on the company's international markets, the purchase price for potential acquisitions or investments could rise, competition in international markets could increase and its results of operations could be adversely affected. Intense completion may impact the overall profitability and business growth of the company.

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