PARTICIPANTS

Corporate Participants

Melissa Marsden – Senior Vice President-Investor Relations and Corporate Communications, Iron Mountain, Inc.
William Leo Meaney – President, Chief Executive Officer & Director, Iron Mountain, Inc.
Patrick John Keddy – Executive Vice President & General Manager-North America and Western Europe, Iron Mountain (UK) Ltd.
Eileen Sweeney – Senior VP & General Manager-Data Management, Iron Mountain, Inc.
Mark Kidd – Senior Vice President & General Manager - Data Centers, Iron Mountain, Inc.
Ernest W. Cloutier – EVP and GM-International, Iron Mountain, Inc.
Deirdre J. Evens – Executive Vice President & Chief People Officer, Iron Mountain, Inc.
Stuart B. Brown – Chief Financial Officer & Executive Vice President, Iron Mountain, Inc.
Theodore Maclean – Chief Marketing Officer, Iron Mountain, Inc.

Other Participants

George K. F. Tong – Analyst, Piper Jaffray & Co.
Kevin McVeigh – Analyst, Deutsche Bank Securities, Inc.
Andrew Charles Steinerman – Analyst, JPMorgan Securities LLC
Justin P. Hauke – Analyst, Robert W. Baird & Co., Inc.
Shlomo Rosenbaum – Analyst, Stifel, Nicolaus & Co., Inc.
Karin Ford – Analyst, MUFG Securities America, Inc.

MANAGEMENT DISCUSSION SECTION

Unverified Participant

Ladies and gentlemen, please welcome Senior Vice President, Investor Relations and Corporate Communications, Melissa Marsden.

Melissa Marsden, Senior Vice President-Investor Relations and Corporate Communications, Iron Mountain, Inc.

Good morning. Welcome, everyone, and thank you for joining us at Iron Mountain's Investor Day. We know that first quarter reporting is beginning to rev up. So, we sincerely appreciate the time that you're spending with us today.

At Iron Mountain, safety is our number one priority. Before we get underway today, I would like to introduce Joe Dorey (00:31) from the JW Marriott to provide a short safety briefing.

Unverified Participant

Thank you, and good morning, folks. Welcome, Iron Mountain. Appreciate you guys using this venue as your event today – as your meeting today. I mean, the area that we're in is very simple. If there was an emergency, first of all, we have a state-of-the-art fire command panel. You would hear announcements. Just listen to the announcements. 99% of the time, it's nothing urgent. But listen to the announcements, it will instruct you where to go.

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To the rear is the [indiscernible] (01:05) need to rush that way or you need to rush here right through the main doors here. And that would – that basically have a fire alarm. It would work if there was. There's no testing planned today, so we should be fine. All our staff is CPR-certified, so we're covered there – management as well. We have a defibrillator on property. Police department is on the 54th Street, very quick response. Fire department is right on 58th Street, I think. So, we're in good hands. So, I don't know if you anticipate any issues today. My office is right out here up on the second floor. For any questions, welcome. Any questions? Have a nice meeting.

Melissa Marsden, Senior Vice President-Investor Relations and Corporate Communications, Iron Mountain, Inc.

Thank you, Joe. Also, before we begin today, I would like to remind everyone that today's presentation will contain forward-looking statements. For a list of the factors that could cause the actual results to be different than those discussed today, I would refer you to the Safe Harbor language on this slide, as well as the complete list of risk factors available in our Form 10-K. Also, today, we will be using some non-GAAP financial metrics. And in accordance with Reg G, we do provide the reconciliation to those non-GAAP metrics in the appendix of the handouts that you have.

I see a lot of familiar faces here, but I also see some new ones. So, let me just take a moment to introduce you to Iron Mountain. Iron Mountain is the leading global provider of information management storage and services. We're the trusted guardian of our customers' most precious assets. So, if you like most of us, have taken out a loan, entered into a legal agreement, listened to an audio recording, you probably have the original documentation or the media associated with that activity stored somewhere with us throughout our system. The chances are pretty good at that. Our customers trust us to retain that information and to return it to them in the same condition that they gave it to us. And importantly, when they do ask for that, we have seven 9s of reliability in our accuracy of retrieving that information. That's 99.99999% accuracy, which is an enviable record that a lot of companies would like to be able to replicate.

Let me talk a little bit about the composition of the business. Iron Mountain has more than $3.7 billion of annualized revenue, and the composition is about 75% of that comes from our records and information management business, the storage and services associated with what you might think of as the core, or the box, business; 15% comes from our data management business which is the storage and services associated with the digital information primarily in the form of computer backup tapes; and then 10% is our shredding business, which includes both the revenue from the actual destruction of material, as well as the sale of that shredded material to paper recyclers.

We have a very diversified business. We serve more than 230,000 customers around the globe. And importantly, no single one of them represents more than 1% of total revenue. Included in that 230,000 are 95% of the Fortune 1000. And it's those deep customer relationships that support very strong customer retention of 98%-plus. So, what that translates into is that a customer stays with us on average for 50 years. That's five-zero.

Our expansive global platform covers 47 countries on six continents. And that platform is underpinned by a global real estate network of more than 86 million square feet in more than 1,400 facilities around the globe. And that real estate platform has very attractive characteristics. Again, with 2% turnover every year, it's rare that a customer leaves us. But, when they do, we incur no tenant improvements to ready our space to bring in that next customer. So, our turnover costs are very, very low.

Our maintenance capital expenditures are also very low, and we have extremely low volatility in the business. If we look back at what occured during the great financial crisis, many property types experienced both declines in occupancy rate and declines in rental rate. However, our internal

storage rental revenue growth remained positive even through that challenging economic environment. So, very durable business.

We also have a strong track record of enhancing shareholder value, which we have done through a series of share buybacks, initiating a dividend, converting to a REIT and subsequently increasing the dividend payout substantially. And we're also very committed to corporate responsibility. Increasingly, we're integrating more wind and solar power into our platform, and that does more than just lower our power costs, it also helps our customers who increasingly are looking at ways that they can green their own supply chain.

Let me cover a couple of quick housekeeping items and give you a little sense of how the day will progress. As you can see, we've got a very full agenda and we're featuring a broad range of our executive management to talk about different parts of the business.

We will ask you to please hold your Q&A until the end of the prepared remarks. And then, after the Q&A, we're going to invite you to join us on the second floor for our innovation showcase. And what's meant by the innovation showcase is we are going to break the group up into four different groups. So, on the back of your nametags you should have color highlights. At the conclusion of the meeting, we'll ask you to join the person at the back of the room who has a flag of the corresponding color and roughly 1/4 of the group will go into one of four breakout rooms and then be rotated through in approximately 12-minute increments so, you will all have an opportunity to see all four of those.

I don't want to steal any thunder from those, so I will just briefly give you a little hint as to what those innovation showcase presentations are about. One of them will be Ted MacLean, who heads up our Adjacent Business area. He will talk about our unique twist on valet self-storage and how we're helping customers to better manage their stuff.

Then Steve Formica will talk about policy center and how we help our customers to better understand and comply with the ever-changing landscape of regulatory and retention requirements around the globe.

Jeff Anthony from Iron Mountain Entertainment Services will talk about how we help our customers to monetize the inherent value in the digital media that we store for them and the old analog recordings that we store for them, mainly in the areas of film and sound.

Jeremy Suratt will also talk about our library moves and in that particular showcase you learn more about how we're helping even universities and other organizations, who store large precious collections to move out those volumes that don't need to be accessed that frequently and free up real estate for higher and better use.

So, before turning the presentation over to Bill Meaney, we're going to show you a short video to illustrate in the words of our partners and our customers how the strength of the Iron Mountain brand and our reputation as the trusted guardian of our customers' most precious assets. We're going to show you how that allows us to expand our offerings and extend the durability of the business.

[Video Presentation] (09:33-14:41)

Unverified Participant

Ladies and gentlemen, please welcome President and Chief Executive Officer, Bill Meaney.

William Leo Meaney, President, Chief Executive Officer & Director, Iron Mountain, Inc.

Good morning, everyone. Just to extend Melissa's welcome to all of you and I appreciate you taking time to spend the morning with us.

Before I start my part of the conversation, I think, those of you here last time when we had a similar video that we started with which was more speaking from our customers' view and the trust that they have in us and how that turns into the durability of the business both today and in the future. And the other part of that story is that same trust that we have the customers is the thing that allows us to attract the kind of partnerships that were highlighted in the video today. And it's those partnerships together with our customers that really drive, again, both the durability today, but also give us more options on how to extend our franchise into the future.

So, before I really start off, let's put a line under the durability. I think that it's important to understand that, as a company, our strategic intent is to not only protect the durability of the business, which makes the cash flow certain. But also to grow that into the future because it's that durability around cash flow and the growth of the dividends [ph] that is something that (16:03) drives value for a company like Iron Mountain.

So, how do we think about that durability when we look at our business from different angles? We think about both maintaining and growing the durability of the cash flow in the business and dividends into the future around three different lenses. The first lens we look at is the here and now, and that's mainly the developed markets which are the engine of our business today and generate by far the most cash. So, we make sure that, that business, we maintain a focus on that business, we maintain it in a healthy fashion because it's the cash from that business that pays your dividends today, will grow those dividends in the near future. In addition, that's the cash that gives us license to extend that franchise into new geographies and new adjacent businesses.

The second lens we look at when we are looking at how do we actually deploy our cash on this mission of durability is we say, where can we take that same business model that we're doing in the developed markets today with 75%-plus gross margins in storage? And how do we extend that into geographies where quite frankly it's a new category in some of those markets, and these are typically fast-growing emerging markets. That's the natural extension in terms of where we invest money beyond what we pay back into dividends to extend the business even further out in the future as these countries are just starting to pumping up to the outsourcing of their records storage and records management.

And then, the third leg of extending the durability of the business is saying – going back to what Melissa said, that 95% of the Fortune 1000. So, 950 of the Fortune 1000 are our customers, and that customer relationship is built on trust. And when I say trust, it's on average, when they give us something to store, it stays with us for 15 years. When you think about something that is strategically valuable to either defend a customer in the litigation or to make sure that they have control of their intellectual property or a number of categories, they give that to us and they know that it's in safekeeping, and any time they need it back they can get it back and on average it's with us for 15 years.

So, that relationship, that level of trust with 95% of the Fortune 1000 is the thing that gives us not just the license. But any time, it's a mandate from the customer to actually do more and new things with them based on that relationship and or knowhow that we have as a company And that we call our adjacent businesses and innovation side. So, what has that done to you both in the recent past and what do we expect that to do for you in the future as an investor from a cash return basis to our shareholders?

So, if we look at since 2013, when we actually started this journey with the new strategy, you can see that, with our shareholders, we've returned $2.2 billion back to our shareholders. And this is on

a company with an enterprise value a little bit shy of $16 billion. So, for a company with an enterprise value of, say, $16 billion, that since 2013 executing the strategy that we laid out to you about 3.5 years ago, we have returned $2.2 billion in cash or securities or in kind in the way of dividends.

Now on a go-forward basis, what do we expect to do? We've already guided that in 2017 we've increased our dividend which was effectively a 9.7% increase in our dividend in 2017 as you can see on the right-hand side of the slide. You'll recall in Q4 of 2016, we increased the dividend at 13%, so this is the effective increase for 2017 as we roll that forward. We've also said that in 2018 we'll increase the dividend another 7%, and I'll talk about what's the fuel in the tank that's driving these dividend increases in a minute. And then beyond that, when you see Iron Mountain more as, what I would say, on its own power without the impact of transformation, without the impact of the Recall acquisition which together provide about $230 million of benefit to the company, is that our business plan calls for an EBITDA growth in excess of 4%, more in the neighborhood of around 5% at that point, which comfortably provides the cash that we need to grow dividends in the 4%-plus region. And you benchmark that against what expected inflation is during this period of time, you can see the dividend growth in the company is well in excess of dividend.

So let me go back a little bit and see if we're looking at the business this way. What is it that we are doing and how are we driving this cash flow across the different business units or this different piece of the strategy?. So you'll recall again, when we laid out the strategy about three and a half years ago, we looked at the strategy across three different pillars of the business: getting more out of developed markets which is the, again, the bulk of where the cash comes from today; expanding our presence in the emerging markets, those faster growing businesses or geographies that I mentioned previously; and then going into new areas where we have a license to hunt. So let's look at how we've been growing the cash flow and we'll start with sales as the top line indicator using our strategy to execute across those three pillars.

First, I want to call your attention to the bottom of the graph and let's look at internal revenue growth, so this is before acquisitions. Each of those businesses on a standalone basis, healthy and well. If you look at the most mature markets and the developed markets, we had positive growth in our core document storage business of 0.2% in the developed markets. That's actually understated from a storage standpoint because as most of you have been following the story, this is total internal revenue growth which includes both service and storage.

Storage is growing in the 2% range, service has been in decline and we'll talk about that a little bit later in the presentation and specifically both Eileen Sweeney in the data management side and Patrick Keddy on the developed market side. We'll go in a little bit more detail in terms of both what has happened in the service business but more importantly what we're doing to retool them. But it's fair to say that's dragged down the internal revenue growth. But all that being said, the core business in terms of on an internal basis, bringing in paper documents and storing that, continues to grow on an internal basis. If we go to the emerging markets, as we said year and a half ago and even more in the past when we launched the strategy, we expected that market to grow in the high single to low double-digit range on an internal basis in those fast growing emerging markets. From 2013 to 2016, we achieved 9% growth.

If we go to the adjacent businesses which includes things like our data center which Mark Kidd will speak to later, is we said we also thought that would grow in the low double-digit range. Actually, we're achieving about, in this period of time, we achieved about 22% growth on a compounded basis from 13% to 16% on an internal basis. So let's go up a notch and say, well, what do those growth rates look like after M&A activity? And looking at after M&A activity, I would call your attention to two things. One is the way Iron Mountain has historically, and continues to, build value for our customers is also through M&A. And the company was successfully built through a roll up, and we're able to do accretive acquisitions pretty much in year one. So acquisitions in and of itself is a lever to create value for our shareholders.

But the other important thing is if you go back to about three and a half years ago when we started on this journey, we said that we had a strategic intent to bias our M&A dollars to grow the faster portion of the business, emerging markets and adjacent businesses, faster than the developed markets so that we could effectively shift the business mix to the higher growth areas. And the effect of that, obviously, is over time it builds wind at our back to accelerate the growth on an internal basis to the company and to our shareholders.

So how are we doing on that? If you look at in developed markets, we grew it in total at 4% when we include M&A. But more importantly, if you look at emerging markets and adjacent businesses, we grew at 30% and 65% respectively, saying that we both found the opportunities and we were able to execute on our strategic intent to grow those parts of the business faster and, hence, move ourself forward with more wind at our backs. So this is kind of looking back in the rearview mirror on a historic basis. But at the end of the day, are we building momentum as we exited 2016 that's going to carry the company forward across our various lines of business? So how would we look at the momentum that we've built over the last two or three years as we enter into 2017 and beyond?

So to look at momentum, what we did is we took our revenue growth and we did it on a rolling three-year basis to smooth it out and to see if we're accelerating or decelerating our growth of the business. As you can see, if you look at total internal revenue growth we kicked-off the strategy late 2013, early 2014 and you can see 2014 was the bottom of that range. On an internal basis, we grew 0.2%. Since 2014, we've steadily built the momentum in the business to exit 2016 at a 1.2% internal revenue growth rate. So far so good.

If we decouple that or decompose that into its two principal components, how are we doing on storage versus how are we doing on service? And just to kind of rewind a little bit, storage represents about 60% of our revenue, service represents 40% of our revenue, but more importantly storage represents over 80% of the profits of the business. So if we look at our lifeblood storage, you can see that we've been fairly steady in the low-2% to mid-2% range on an internal basis. So, again, strong performance even though a number of people keep predicting the demise of the paper document business.

If we look at service, now there's been a lot of discussion about service on the calls and in other conferences and in one-on-one discussions, and some of you are familiar with the story. On the service businesses where Patrick and Eileen will give you more detail, we have been going through a retooling. The service portfolio is this tale of two stories, it's a decline in what was historically the bulk of our service business which was around transportation of the documents which is in decline as our business becomes more archival, i.e. it becomes more about proof than use. And we're rebuilding new services to replace that. So how are we doing? What type of momentum are we building in our service portfolio to rebuild or replace the revenue that we've been losing around the transportation side? There we're not out of the woods yet, but you can see the positive momentum that we've been building from 2013 to 2016. We were minus 2.5% going down to minus 2.8% in 2014 as the strategy took hold. You can see that we exited 2016 at just under 0% or 0.6%. So, again, making progress.

So this is all at a sales level. Question is how does that translate to profitability? Again, on the left-hand side of the chart, it puts it altogether from a sales standpoint. So you add up all the maths, you get 8.3% compounded annual growth rate in terms of sales. On an adjusted EBITDA basis, this is the real story, is that we're able to accelerate that growth into an 11.3% compounded annual growth rate. So how do we do that? First, it's leveraging our scale. As Melissa said, we're the leading document management company in the world. In fact, we're the only document management company in the world that has a global platform. So we use that scale to derive incremental benefit from increased sales on a compounded basis.

The other two factors are the transformation and the integration of Recall that I mentioned before which over a two to three-year period will build $230 million of bottom line benefit to the company. Transformation has been running for a while, so I think most of you who follow that story can realize that we've already built-in $100 million of benefit, $20 million we've reinvested this year. But overall, we're on track to deliver the $125 million transformation program, and you've been seeing that flow through our P&L. The Recall story is a little bit more recent. We closed Recall at the beginning of May 2016. So what benefits are we starting to see from Recall? Are we seeing any green shoots?

If we look at Recall as a way of trying to measure the impact and how well we're executing against our plan to extract that $105 million worth of synergy value from Recall, you can see on the slide behind me is that we issued on a weighted basis, given we closed only for eight months in 2016, we issued 17% more shares during the financial year of 2016. That has translated into an EBITDA growth of 20% and AFFO growth of 22% during that period of time, and we increased the dividend, as I said earlier, by 13%. So you can see the financial benefit from the Recall acquisition is already coming through. And this is not even just speaking to the strategic benefit as I said earlier. Now with Recall, we have assembled not only a much larger global platform, not only have we filled in some with where Iron Mountain wasn't in a market leadership position such as Southeast Asia, but we now have the only global platform in our industry.

Now if we look beyond 2016, how does this translate going forward if we look at the fundamental changes that we've been making in the core business as well as the benefit from transformation and integrating Recall? If you look at 2018 to 2020, we expect EBITDA growth to be in the 8% range. AFFO growth growing even faster at 9%, again, tapping into the efficiencies that we can get from using the larger platform. And overall, we're very comfortable with our guidance that, based on those types of financial metrics, we can grow dividends in excess of 4% a year.

Now the other part of the story that I started at the beginning and we talked about a year and half ago is part of this thing, is where do we exit 2020 from in terms of the business mix that we have, the type of returns on invested capital, and what does that do to our internal growth rate. Again, are we building wind at our back to extend the durability of that dividend and allow it to grow faster in the future? So how are we doing during this period of time in terms of changing that business mix?

This slide you're familiar with from the past, those of you who've attended a year and half ago. So we ended Q4 2016 making steady progress against changing that mix. So when we look at Q4 of 2016, you look on the left-hand of the slide, 80% of our business was still in the developed market portfolio and we're achieving about 2% organic or internal EBITDA growth or 80% of the business than before acquisitions. During that same period of time, don't forget, is when we started this journey three and half years ago, only 10% of our business was in the faster growing areas between emerging markets and adjacent businesses. Today, that's 20% of the mix and that's growing EBITDA on an internal basis at about 10%. You put those two things together, and it says that our internal growth rate of EBITDA as we stand here today and exited Q4 2016 is about 3% with a ROIC of 12%.

Now it's important to add is we generally added between 1% to 1.5% , let's say, of EBITDA growth on top of that through M&A. So when you look at our total growth rates, you can add usually around a point to that and we're able to do that on a slightly delevering basis. Obviously, we issued debt as part of that M&A activity. But if you look at it over time, we're growing EBITDA faster than we're adding debt to bring those new businesses in line.

So if we look at the momentum in the business, the progress that we've made today, and you look at the 2020 updated plan, where do we expect to land at the end of 2020? The end of 2020, we still maintain our guidance that we expect to be 75% developed markets, 25% emerging markets and adjacent businesses. This is not to say that developed markets are not growing, it's just that we're putting more capital at work in the emerging markets and adjacent businesses in accelerating the growth and the mix in that area.

You put the math back together and you get continued 10% growth in EBITDA for the growth portfolio. At that point, some of the things that Patrick will take you through, he's made steady progress already in improving the internal growth rate through margin expansion and growth of the top line on his core business. And you'll see that the expectation is we'll be at about 3% when we exit 2020 in terms of the internal growth rate of EBITDA. But together, what that means at the end of 2020 it gives us, before acquisitions, about a 4% growth of EBITDA and a ROIC around 13%. Again, you add about a point for acquisitions and that means after acquisitions we'll be roughly around 5% EBITDA growth.

So let's talk about a little bit what you're going to hear today on how we're going to go from here to 2020 in terms of some of the activities in each of the three pillars of the strategy. So Patrick will come up in a minute and he'll talk about some of the tooling and retooling that he is doing in what is today and will still be our largest single business line, the developed markets. Things such as sales force effectiveness, focus on the un-vended customer opportunities. I know it's very counterintuitive to a lot of people because people think the good old box ain't what it used to be.

You'll actually see what Patrick is talking about, is that somewhere about 60% in the North American market alone is still un-vended. Not saying that this is easy to get to, but it is an addressable market. Beyond that, the federal government is probably one of our largest un-vended opportunities and we're making steady progress and we've made real investments to make sure we have the right people and the right products to address federal government needs. In addition to that, we've spoken a number of times about the mid market, and the Recall acquisition gives us real opportunities to really go after the mid market in a different way, and again Patrick will speak to that. And I already mentioned that he'll talk about some of the retooling that we're doing in the service area.

On the emerging markets, Ernie Cloutier who took over from Marc Duale recently will talk about his focus on building further scale in some of our most promising emerging markets such as Brazil, Southeast Asia, and India. He'll also touch upon some of the markets that we think are future opportunities where we can start and then build a market-leading position over time. And last but not least is we'll have people come up and talk about the adjacent business areas, not just in the innovation lab. But Mark Kidd specifically will come up and talk about the steady progress that we're making in the data center space, and what we see is real opportunity there.

Let me just pause for a moment and go into a little bit more of a preview of what you're going to hear from Mark Kidd on data center. When I say we're making steady progress, first of all, just taking a North American view alone and the potential for data centers is beyond just North America. But that's where we're starting today.

So, the segment of the market you'll hear from Mark that we're addressing in North America with our data center business, which is mainly colocation or retail, depending which term you want to use, mainly focused at federal government or government I should say, healthcare, financial services, heavily regulated industry where our brand resonates very strongly, that market is about $350 million to $400 million worth of revenue up for grabs each year based on the growth of those customers and their needs.

What you'll also hear is being focused on mainly that market over the last three or four years, we've been outstripping the growth in the market. And he'll give you some of the reasons why we've been outstripping the growth in the market, albeit on a small base. But it's clear that our brand and our know-how and our approach to those customers is really resonating, where we're growing on average about 25% in a market that's growing 10% to 15%, making good progress.

Beyond that, the plan that you're seeing today actually has built into it, expanding our EBITDA by about 6 or 7 times based on capacity that we have and capacity that we're building out in Northern

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Virginia. What's not in the plan is we're not saying that there is an even future or faster growth opportunities for us in the data center market. But we're taking it a step at a time, and we look at those opportunities, but we haven't built further opportunities in the plan. So, we stop at building a $40 million EBITDA business in the plan, but that's not to say that we think the opportunity for us ends there.

Before I wrap up, I want to just speak a little bit more about innovation because innovation starts with capital allocation and a strong capital allocation line, so I think it is worth speaking a little bit more broadly on how we approach and think about innovation in a way that creates value. But as I said, it starts with a disciplined capital allocation. And then what we look at it against with three lenses is it, first, does that innovation or adjacency help us with our core business to either extend the durability or provide it more – to be more compelling with our customers or provide it in a more efficient manner. That's the first call on innovation dollar, protect the core and to protect our relationship with 950 of the Fortune 1000 companies.

The second area is, can we actually do something more, is there a need that the customer has today that's not being fully addressed. Give you a good example of that is, Eileen will come up later and talk about the Iron Cloud, which is really about what we call air gap internally. It's how do we address the increasing cybercrime that our customers are wrestling with especially around ransomware.

That would be an example of a new product, which, by the way, going back to our video at the beginning is, we're not doing it as a standalone. We are a great believer when you look at these technical solutions, you have to find the right technical ecosystem, and we're doing that with Dell EMC.

And then the third area is saying, does that trust that we have with the customer give us a license or a mandate to provide them a new service in a adjacent area such as data center or does they give us in-depth knowledge that we feel that we can take that knowledge and bring it to a new customer base. So, those are the three lenses that we look at and then bring our overall financial discipline to say, does that actually resonate with customers, but not just resonate with customers, but drive returns.

So, before I hand it over to Patrick, I want to come back to the present. About a few months ago, I was with some of our carriers and records people in Northern New Jersey, and I said, don't diss the box or don't disrespect the box. At the end of the day, the thing that's paying for the lights in this room is going to grow the dividend between now and 2020 is the continued organic growth of our box business and the durability of that.

So, some of you have seen this slide before. You can say, well, it's a slope going down. It doesn't look very durable. It isn't lined up to the story. So, let me first say, during the course of the morning, 20,000 boxes will come into our facilities around the world. Those boxes on average will stay in our facility for 15 years. So, think of it this way. That's about a $1 million annuity during the course of the morning that we filled by sitting here, so maybe we should do this every day. It's a very gradual decline.

But the other half of the story besides the durability and the nature of how long people put things in our facilities is the boxes are coming in faster than they're going out, and that's the next slide. You can see if we look from 2013 to 2016, we had a bump up in 2014 as we were catching up and getting caught up on what I would say taking our eye off the ball on customer retention. And we were able to make good progress on that in 2014. But if you look at the 2013 to 2016, we've made steady progress to go from the mid-7s in terms of millions of cubic feet coming in on an organic basis, and this is going up to around 9 million cubic feet by 2016.

So, remember, don't disrespect the box. It stays with us on average for 15 years. And counter to what a lot of people believe, on an organic basis, they are coming in faster than they're going out.

So, with that, I'd like to turn it over to Patrick.

Unverified Participant

Please welcome Executive Vice President and General Manager of North America & Western Europe, Patrick Keddy.

Patrick John Keddy, Executive Vice President & General Manager-North America and Western Europe, Iron Mountain (UK) Ltd.

Thank you, Bill, and good morning, everyone. When I last spoke to you, I referenced our intention to increase the annual revenue growth of our developed markets plus maintaining the exceptional profitability, that is characteristic of these businesses. Now, I'm very pleased to be able to report this morning, we've done just that. And as Bill referenced in his remarks, the really important thing is this is being secured in the context of a highly durable, very predictable business. We have and we'll continue to grow both top and bottom line performance in these relatively mature markets through continuous optimization of our business model.

Let's take a look of what that looks like in financial terms. We're delivering, as you can see here, consistent financial performance, which we've enhanced through our global structure and our ability to leverage the scale that comes with that global structure. Both of our core businesses are continuing to perform very positively, and together, as you can see, that's driving a 4.5% revenue CAGR through 2017.

In records management, progress is mainly driven by our storage revenue, again, as Bill referenced, slightly offset by those declines in core service activity but with strong growth in special projects, secure destruction, digitization services, and our newly formed information governance solutions group.

In data management, we also see strong year-on-year growth, again despite some declines in core services. Many large customers continue to see tape as a cheap, highly reliable, and very secure part of their archiving strategy. And we're augmenting those core data management services with attractive new offerings.

If I turn to our EBITDA performance, both records management and data management gross margins have been maintained at very attractive levels. We've also been able to stabilize our records management service margins led by efficiencies, again, strong performance in destruction services and improvements within digitization and special projects. More on that to come later in my remarks.

Our newer data management solutions are also providing good margin growth as they begin to mature. And right across developed markets, our efforts to better align our pricing strategy to the value that we provide is being carefully and successfully managed. Finally and adding very significant bottom line value are our successful implementations of transformation and Recall integration within developed markets. All of these components together, as you can see, leverage our revenue CAGR at a factor of roughly 1.5 times to bring us to a EBITDA CAGR of some 7%, and they see our expectations for EBITDA margins moving up to 43% in 2017 in the current year.

I'd like to spend a little time going a bit deeper into the storage components of both businesses, as Bill said, the real driver of our businesses both short and long term. And I'll begin with records and

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information management. As you can see, we've continued to add to net storage volumes despite a small decline in the rate of growth from existing customers. I should note here that 2017 figures for expectations do not include any allowance for anticipated acquisition.

We progressively improved also our internal storage revenue growth. And as Bill referenced, on a run rate basis, that is now at a 2% level on a quarter-by-quarter basis. We have and continued to enjoy unrivaled customer loyalty, and we're able to leverage those relationships to both new and traditional services. So, in aggregate, more storage from existing customers plus strong new sales performance plus a great tuck-in pipeline, continue to outpace terminations and destructions, providing the net growth that you can see here.

And on top of that, we've made great strides in more successfully managing the price, volume, value equation. And you can clearly see the results here on the right-hand side of this slide of our more sophisticated approach to revenue management. We've carefully segmented our customer portfolio to identify previously underperforming sectors based on the quality of services we're providing, fair pricing and value for money. And as a result, we are seeing significant opportunity to capture additional revenue on a fair and rational basis. We're being very careful also to balance opportunity with sustainability. So, we are going to realize these new benefits over time to make them both palatable and consistent.

It is probably worth spending a couple of moments here just pointing out the apparent dichotomy between the volume growth movement between 2015, 2016 and 2017 and the revenue growth in those equivalent years. Simply put, with the Recall acquisition almost 12 months ago now, the whole of the volume benefit landed in the year 2016, whereas the revenue benefit flows in eight months first in 2016, followed by a full 12 months in 2017. But the additional growth you see here in 2017 is also driven by that leverage we are getting from the revenue management programs that I just mentioned.

I'd like to take a quick look at our data management storage. I've included this to provide a more complete developed market story. But I'm not going to go into great detail here because my colleague, Eileen Sweeney, will do so immediately following. So, this is clearly not the whole of the data management story, but I think it's important to reflect the ongoing progress of the core type business.

Looking here at North America data tape and tape equivalents. Similar to the records management story, we see storage revenue growth leveraged up by value-based revenue management to drive consistent storage revenue improvement. Our data management storage volumes continue to grow as tape does become more archival and retains its attraction as the best value and most secure long-term medium. Cybersecurity breaches further enhance tape's proposition as the last line of defense against disruptive hacking, and newer data management cloud-based storage partnerships of tape-out as an additional level of security. In both of those cases is the offline nature of tape storage, isolated recovery, or air gap as we call it, which makes it so attractive, affordable, and effective.

So, that's my overview of ongoing progress within developed markets. Let me take a look at some of the key drivers. And I'd like to start here by looking back to our previous Investor Day of 18 months ago in 2015. In our business, I regard continuity as a very good thing. So, it's pleasing for me to note that all of the items that I referenced back 18 months ago remain high on today's developed markets agenda. In the meantime, our 2015 forward-looking goals, storage volume growth, for revenue management, for service revenue and profit, and for return on invested capital have all been delivered completely or in part. So, simply put, these programs we set out 18 months ago have produced the desired outcomes as evidenced in Bill's remarks and in my prior slides just now.

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So, how did our 2017 view of life either vary or stay the same given that background? Well, as you'd expect from these high-performing mature businesses, there is much more evolution here than revolution. Adjustments and course corrections were subtle, and they result largely from increasing customer understanding that then enables us to focus on key benefit areas that are really important to our customers and carefully and selectively reduce emphasis on those that have become or are becoming less differentiating.

So, three pillars of focus in the 2017 plan, backed up and underpinned by two key enablers. Firstly, on the left, continuity, literally just continuing to do the things that have brought us to a very solid state of current progress. Secondly, moving the dial, kind of the same as continuity but areas where we think with some more investment, we can ramp up the pace of progress and the pace of growth. Then thirdly, taking advantage of our scale, which in developed markets very much includes leveraging our footprint across those markets as well as delivering on very significant transformation and further integration synergy opportunities.

Then the two key enablers that underpin these three pillars, firstly, customer intimacy and segmentation. And I will go on to say quite a lot more about this because it is absolutely key to us and in our future growth and our future ability to drive margin improvements that we have the best possible understanding of our customers pain points. And finally, innovation, which we're looking to drive throughout our business in every sense, in sales, in marketing, in process management. In every sense, innovation is key to our future.

So, let me begin with what stays in place from the previous plan. As previously discussed, these are four very important strategy continuations, and they've proven their value and relevance. These four key areas embrace a lot of initiatives and actions, and many of these play across more than one of these factors: emphasis on storage growth, strong customer retention, further enterprise account penetration, and sales force effectiveness. Some of the activities underpinning these have a very strong emphasis on improving the customer experience to maintain and, if possible, still increase our very strong customer retention, 98%, on an annual basis and also the employment of predictive analytics to determine which accounts are at risk and what we need to do to retain them.

We're managing price elasticity and segmenting the customer portfolio and markets and identifying those underperforming elements. And we're increasingly equipping our sales force to sell the full value of the Iron Mountain relationship across lines of business. We've also made further improvements to the effectiveness of our go-to-market models with a focus on account profiling, careful targeting, and on variable coverage models. And we're moving relevant customer sectors as part of that go-to-market strategy to low-cost channels, testing the boundaries and our customers' appetite to be served through those channels.

Sales productivity has been absolutely key, and we drive that through a series of rigorous sales management disciplines, incentives, and through the elimination or transfer of non-productive work outside the sales arena. And our vertical organizations are leveraging deep customer insights, typically in regulated sectors of industry and commerce to drive real benefit from that customer [indiscernible] (58:51).

So, there are the continuity items. Let me now move on to those where we see real opportunities to drive acceleration through investment. Three facets I'd like to feature here. And the first comprises two further but different examples of segmentation and customer focus, U.S. federal government and mid-market. The second is a more complete and holistic program approach to addressing all of the components of our service revenue mix. And the third consists of a further ramping up of that comprehensive view of all aspects of the price and value equation that I have already referenced.

Before I go on to look at those though, I'd like to show you something which underpins both our continuity and move the dial pillars of activity. And this is an analysis which shows substantial remaining opportunity, as Bill referenced a little earlier, in these markets we nonetheless continue

to consider as mature. This recent study from BCG, Boston Consulting Group, focused on the private sector, i.e. non-public sector in North America, had some very interesting findings. The private sector businesses in North America with more than 250 employees, the currently vended storage by all players in the market represents less than 40% of the total opportunity. So, yes, we call these and I call these mature markets, but that's a really important statistic, less than 40% currently vended. Very interestingly, those customers who have chosen to vend at least part of their storage requirements have another 25% of the total storage opportunity still held in-house. And thirdly, the same volume of storage opportunity is with completely un-vended customers as is today vended. So, real opportunity out there still for us, again, even though we call these mature businesses.

Naturally, the DPU-penetrated market, the more difficult it becomes to identify true potential from what is just background noise and hence the game, the importance we are placing throughout the business on customer market knowledge and on segmentation based upon that [ph] knowledge (01:01:09).

Here's a snapshot of our vertical segmentation approach, and I think it explains why it's so important. For identified market sectors, primarily those based on regulatory governance and the importance of compliance, we have formed up teams with a full complement of functions led by dedicated account support and dedicated sales resource.

We then began by truly getting to know the customer base, which enables us to crystallize the challenges our customers are facing and realize the strategies that our vertical team can then employ to best penetrate those customer accounts. That in turn enables us to determine the key challenges that we can help to solve. And this customer insight allows us to refine our messaging delivered through thought leadership with subject matter expertise to ensure that we are simply speaking to customers in their language, tuning our message to their frequency. To enhance knowledge of our customer and their industry, we can then deliver innovative solutions and services designed to appeal to the key personas and key buyers within our target markets and our target customers.

And by doing so, we're on a path to transforming our customers' perception of us from a service provider to having true strategic relevance. Our customers will look to us as a thought leader, a trusted advisor, and a partner with the operational ability and expertise to help them manage their information lifecycle critically in both the physical and the digital worlds. And this approach continues to serve us well for our enterprise level customers. What about mid-market? How do we propose to continue to ramp up our success in that space?

We discussed with you previously the context of our mid-market opportunity. There is many more targets. It's tougher to identify which ones will actually deliver business for us. There are fewer individuals in these smaller businesses specifically assigned information management responsibilities, but – and it's a big but – they represent more un-vended storage, typically at higher price points. And our share historically in this market sector we estimate to be in the 10% to 15% range, again, married up with that BCG study, indicative of enormous opportunity going forward.

Now, historically, we've typically treated mid-market as something of a homogenous market. But now, we've conducted a very detailed study incorporating data from both external sources as well as combining years of Iron Mountain and now also years of Recall experience. And as a result, we've narrowed an initial list of some 45 potential buying variables to just 12 where we can prove the high significance terms of determining propensity to buy.

We then cross-referenced that with our mid-market industry segment analysis to determine which sectors contain those 12 characteristics, those 12 key indicators of propensity to buy and were large enough to target and were within the now expanded Iron Mountain footprint. As a result, we have a refined and much more manageable list of some 37,000 customers who are deemed

directly serviceable by Iron Mountain in North America . We're not dismissing other sectors, but we need to narrow our focus to make a truly effective job of managing ourselves ph] also on an economic basis. These 37,000 customers in North America represent some 300 million cubic feet of storage opportunity, equivalent roughly to an annual revenue of approximately $1 billion. It's also a very nice juxtaposition here between science and folklore.

We've looked also at how our top leading market salespeople perform and succeed, especially those who succeed year after year. And we found in perhaps a slightly less scientific way those top sales people have done exactly the same thing. They've looked to their geography. They've looked to their presence. They've looked to their capabilities, and they've identified market sectors which continue to provide them with strong returns with their investment of time and effort.

Two good examples from two of our very top performing salespeople are auto dealers and cruise lines. And basically, these two individuals have made their business very successfully in the last two years by focusing on those. If I just think about auto dealers, for example, they create many types of information that has value, needs to be stored, needs to be kept private in many cases in addition to the normal churn of business documents such as tax and other return documents. So, for example, insurance documents, license tag documents, credit agreements, credit applications, sales agreements, all of these have value and need to be retained for a period of time. So, by focusing on auto dealers, our individual salesperson made a terrific business which sustained in for two to three years before he really ran that one dry and needed to look elsewhere.

So, they use a slightly more easy-to-follow format perhaps, but the key target industry sectors we've identified. And at the heart of this analysis is our traditional friend, compliance. Not surprisingly, a need for an emphasis on a person responsible for compliance in a business is the biggest single predictor of propensity to vend. In response, we've already made changes to our sales organization, learning from this valuable research. We've changed training routines. We've changed incentives. We've changed routines and disciplines through which we manage the sales force. And we're also building the specialist resources behind our sales force to be able to give them the knowledge they need to really access each of these target groups without the need to fully verticalize, which would be very expensive from a coverage perspective given the scale of geography and the number of customers that occupy this space.

We also had good experience to draw on from other markets. Our business in France, for example, is almost wholly based within the mid-market sector. And we've retained the Recall sales leadership that specialize in the mid-market space and are now doing the tremendous job forward within the combined Iron Mountain. And we are already starting to see and we expect continued significant upside from mid-market as a result of these changes. Remember, from our target 37,000 customers, every 1% of those that we penetrate represents $1 million annually and around about 3 million cubic feet of additional storage opportunity.

Staying with our moving the dial pillar, I'd now like to move on and talk to you about our progress in penetrating U.S. federal government. And again, as you know, we've been working to build a position in this space for some time now, and we've had some good successes. We've also had success in the public sectors in a number of other countries within developed markets, including the UK, Germany, and Switzerland, but winning this type of business requires an approach that is very specific to each country, very deep knowledge of how things get done around here.

By its nature, we had no expectation this would be an overnight sensation. But over the past 18 months, we've comprehensively overhauled every aspect of our approach. Our investments here have included a new General Manager with deep sector experience, a dedicated proposal team, specific marketing and positioning campaigns, and the engagement of specialist outside advisors.

Very importantly, we have a revised go-to-market strategy for U.S. federal government, which has replaced a single direct sales channel with a multi-channel approach, leveraging small business

partners and large federal system integrators. And as a result, on the right-hand side here, you can see we're already seeing increases in business wins and in the build of pipeline. Also important to see that these business wins were across our lines of business. They're covering records management, data management, and data center businesses.

So, what's this space? Lots more to come we think from this very attractive, mostly un-vended to-date sector. Bill has previously referenced our service progress and I'd like to spend a little bit of time on what we've been able to do within developed markets in this respect, focused here on our progress on driving gross profit dollars from our various lines of service. There's two key components of activity in this space. One is ongoing efficiency within our service operation, reducing costs, removing duplication, being as effective as we can be in a way we deliver services. And the second component has been our ability to change the mix of lines of service which makes up the whole of our service revenue.

Just touching briefly on optimization, we've been driving through a whole range of activities and opportunities, including optimization, process redesign within our facilities to increase productivity, the repackaging of many of our service offerings and the service level agreements that go with them to really focus on changing customer demands, and segmenting services and pricing accordingly. We've done a lot of work on boosting optimization and the use of third-party logistics, especially for smaller deliveries and we have a rigorous use of telematics solutions throughout our operations in order to drive benefits such as fuel consumption and insurance cost.

We've also introduced a number of variable driver, labor, and contract types which enable us to get better productivity and more manageable cost in this space. And we've been repackaging our surcharges with transport and fuel costs and for high cost routes such as surcharges for deliveries and collections in high density metro areas.

The other part of this program which I have mentioned is rebalancing our portfolio, and here you can see some significant changes in the mix over the years 2014 to 2016. Particularly, I draw your attention to progress in our shredding and secured destruction business, where we've seen very strong revenue growth and the dedicated management team.

We've also driven very strong margin growth, particularly through a program of focusing on route density and acquiring customers down distinct routes and therefore increasing the productivity we get from each load, each route driven daily. Also our digitization and information governance solutions have almost doubled in their gross profit contribution over these two year period. We're also seeing other services maintain a reasonable level of contribution.

So you can see at the bottom part of this chart here, the ongoing decline in the core activities, again as Bill referenced in his opening remarks, but now you can see it offset by both our optimization, our efficiency program and by our ability to drive new lines of service to replace those that are in decline, very important change for our business and expect to see more improvements as we go forward into these programs.

Third pillar I referenced, was to leverage our scale. And again there's three key opportunities I draw your attention to here. Our global accounts program has gone from strength to strength by leveraging the desire of our largest multi-nationally based customers to be served and advised on a consistent basis with single points of contact, dedicated account management, and simplified processes aligned to their business need.

We see really further opportunity to consolidate these approaches. More and more of our customers are asking for a similar approach whether they're truly global or just multinational in nature. They like what they get from our global accounts program, and we'll continue to expand it.

Our transformation and integration of Recall programs have been extremely successful in developed markets. They've helped us drive that bottom-line margin improvement and there's more to come. Some of the countries such as France within developed markets due to the nature of labor loss, specifically in that country, the program is only just beginning. It will roll out through 2017. So, we're not at the end benefit from integration synergies or indeed from ongoing transformation.

And thirdly, I'd like to touch on a great example of both leveraging our scale and innovation, which is our investment in information governance. We've seen that our customers, as you can see here, suffer from a dangerous dichotomy between the apparent maturity of their records management program, and the availability to manage them. And all this gets far more complex in the context of a digital world.

Put simply, Iron Mountain can remove or simplify the complexities of information compliance in this hard copy and digital world that we now occupy. The Iron Mountain Governance, Risk and Compliance service provides immediate access to online records, retention schedules and automation geared to market geography and wallet, risk assessment tools, education curriculum to train our customers' employees, and four levels of service from a single platform, which enables us to span every size of customer from the SMB right through to our largest enterprise customers.

We've evolved to give our customers the solutions they need to meet the new challenges of this mixed world. And we're uniquely experienced in this space. We enable our customers therefore to effectively govern, utilize and gain maximum value from the information that they hold or that we hold on their behalf. We're also uniquely experienced in retention policy development, and we've built a policy everywhere strategy through a cloud-based policy center platform to automate the application of retention and privacy policy to electronic and paper information.

This is an industry-first cloud-based retention and privacy management system, and we currently cover some 160 jurisdictions and growing as a mix of countries and different industry and commerce sectors within those countries, so in total 160 jurisdictions. And again I think it's important to emphasize that this platform allows us to access all 230,000 of our customers over time with these new services.

So, I hope I've been able to give you a good snapshot, a good level of detail of the progress we made within developed markets and the way in which we expect to continue our growth and in fact accelerate that growth into the future. I think you'll agree, this is a compelling mix of proven sustainable performance factors as well as exciting new and expanding opportunities, mainly driven by innovation in one fold or another.

And this gives us good reason to expect the continuation of revenue growth and a further leverage of that growth to see already strong EBITDA margins still further improves over time, as you can see left and right hand sides of my final slide here.

Thank you very much for your time and attention this morning. I'd now like to hand over to my colleague, Eileen Sweeney. Thank you.

Unverified Participant

Please welcome Senior Vice President and General Manager of Data Management, Eileen Sweeney.

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Eileen Sweeney, Senior VP & General Manager-Data Management, Iron Mountain, Inc.

Good morning, everyone. How are you? I know, it feels like you need a break. But I'm standing between you and the break and so is Mark Kidd. I want to introduce myself because I joined Iron Mountain two and a half years ago to run this global data management business. And I'm actually excited about this business because it is a growing business. And what I'm going to talk to you about is the core business that you've seen before from tape on a shelf that we've been talking about to transforming our portfolio of solutions and services to make sure we stay relevant with our customers as technology changes, and the use case of tape changes. And I'm also going to talk to you around the need to use partners in an ecosystem to do more than what we can do by ourselves as Iron Mountain.

But first of all, just let me give you a little bit about my background. I've come from the technology and solution space. For the last 18 years, I was with Computer Sciences Corporation where I ran the gamut of those services in terms of authoring, consulting and systems integration solutions, technology business solutions to people, to outsourcing business solutions to customers. So I have this technology bent. I started as an engineer with GE Aircraft Engines, actually walking the manufacturing floor and building those aircraft engines. In fact, today I still get on planes and I can tell you exactly what those engines are and what some of those design characteristics are.

So, I talked about our evolving portfolio. But what I want to do is remind you what we've got today. It's our traditional portfolio. We put tape on a shelf. Our trucks run over the roads, picking them up, stopping at our customers, that's the service revenue that you see. Also intrinsic in this portfolio is the disaster recovery services that we offer. We are part of several business continuity plans across all of those organizations that we serve.

So when there's a natural disaster, like Superstorm Sandy a couple of years ago in the New York City area, we ran several disaster recovery events so businesses could get back up and running, because they were down because of Superstorm Sandy. That's the type of mission-critical services that we deliver to customers today and that's our traditional portfolio.

To put that in perspective, we have 205 plus vaults around the globe in all those countries that Melissa referenced before. We handle 85 million to 89 million pieces of media every year, piece of media, 89 million handles of this and this is where we get our inventory accuracy of 99.99999%. We're better than some other bigger providers in terms of logistics carriers.

We have 700 vehicles that drive everyday for this. So this is an example of our existing portfolio. Now, Bill and Patrick also alluded to the new portfolio that we're transforming and evolving and I'm going to get into what all of these solutions are in a minute. But when I put solutions together and we put them together for the marketplace, there are two key attributes and actually I would say three key attributes that I look at, when my team and I were looking at how we do this. The first are what are the challenges facing our CIO's, right? Because they're not going to buy anything from you if you don't have a relevant solution in the marketplace.

So some of the broad spectrum CIO challenges are, data in their enterprise is exploding, everybody knows that, and their IT budgets are either flat or shrinking. So from a CIO perspective, how do I store more data and provide value to the enterprise and do it with less money from a CIO perspective. That's a customer challenge that we like to figure out how to solve that challenge for them.

The second thing I look at is where does Iron Mountain have ability to play? Where does our brand give us permission to play and the solutions that we offer into the marketplace, how do we add a compelling value proposition that no one else can have in the marketplace to do that? And the third one, how do we make money at it, right, because customers will take anything for free, but we need to be able to make money at it. So those are kind of the elements that I look at when we look at

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expanding the portfolio and I'll get into these solutions in a little bit. But first what I want to talk to you about is the core business, I told you it is growing, so here you go.

Data management, we've grown 8% from 2013 to 2016. Now, North America's growth is 5.6% with an organic growth of 3.4%. The rest of the world is growing at 20%. And let me tell you why. One, we've got global customers who are expanding globally and Iron Mountain's presence in the world, we are their natural provider of tape vaulting services. And, the second reason is and you'll hear it from an acquisition perspective in Ernie's portfolio, acquisition is a major key tenet and key thread of growth and we've had Recall growth as well as other acquisitions in those marketplaces. So, the business is growing from a revenue perspective.

Now, what about a volume perspective? The numbers that I'm showing you here are just Iron Mountain volume. It is not Recall volume, and we've grown 4% compounded annual growth since 2013. North America is growing at 2.2% and you can see the rest of the world is growing at 10.7%. Now, what I can tell about this volume and a DPU is kind of an inventory measurement, I don't want to go into the calculation. But from a REIT perspective, this is how we measure volume in inventory, it's the equivalent of a cubic foot in the RM business.

So, what I can tell about our inventory, what's fueling this growth is open slotted media, single tapes on shelf, but a lot of them. And this tells me as Bill alluded to and Patrick has alluded to, the role of tape in an infrastructure environment is becoming more archival. So our growth is fueled by our archival tapes.

Now, the other thing that you can put together in your head, all just stated over there. We've got organic storage revenue at 3.4%, you see what the volume growth, so you can show that price, we're getting good price in North America. And that goes back to Patrick's presentation earlier where we talked about revenue management initiatives to make sure we're pricing for value being delivered in the organization.

So CIOs, they don't measure their business and their storage business in data protection units. It's bytes and bits. So I wanted to share with you what our inventory looks like and how the amount of data we're storing is actually growing. Here we go. So this slide is actually measuring terabytes. You have terabytes, petabytes and exabytes. It's kind of a progression in thousands in engineering terms of how you measure storage volume.

And you can see we have significant growth because our customer's data is exploding. Tape is a great way to store that data in an economical form. So to put this in perspective, we have 41 million terabytes of data. 41,000 petabytes, 41 exabytes of data, but what does that really mean in a physical world? It means 1 terabyte, 34,500 boxes. It means it's 17,000 hours of digital music playing and it means it's 500 hours of digital movies.

So that in the context explains what we are doing. So what we've seen is, so far, our growing story of data management business, revenue, storage, the amount of data that we're actually storing in a tape. And what I want to take you into is a little bit from a technology perspective of what's happening in the world of tape. Tape is actually becoming more dense, yet the adoption of the technology is slow and therefore, we believe the older media will still stay around for quite a bit.

Now, let me talk to you about and unpack that statement for you. On the left-hand side of the screen is an LTO. LTO means nothing more than linear tape open and is the technical jargon on what a tape is. Different versions of that tape have evolved over time as the technology has improved. All the way from LTO 3 in 2005 and now we're up to an LTO 7 in 2015.

You can see the jump from capacity perspective on an LTO tape has gone from 4/10 of a terabyte to 6 Terabytes of data. So the tape has become the physics to writing data to the tape is improving. The read rates are improving. But what you're also finding is the tape is getting longer. So, in an

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LTO 5, you actually – or an LTO 6, it was 600 to 700 meters long and in an LTO 7, you're sitting at 900 meters. It just means that they're putting a little bit more tape on the spool that you're writing to.

Now, transition this to talk about what's happening in our inventory because we're able to calculate out what happens in our inventory. We have 50% of our inventory that's sitting at tape technologies before 2015. And you can see the newer technologies only represent on the bottom there, about 13% of the inventory. So the technology in the tape and the customers are slower to adopt to that tape technology. One, because I remember I said CIOs trying to do more with less. So, it's usually one of the last things that they really want to spend money on, one.

And two, when you jump to tape technologies from say an LTO 6 to an LTO 7, the backward compatibility of your ability to read your old data, to write to the old data and to read the old data diminishes because your backward compatibility for writing is just one generation and for reading it's two generations.

So, if you've jumped from an LTO-6 to an LTO-7, it now means you can no longer read any of your LTO 4 data. So this is the conundrum that CIOs have. How do I continue to access that data and information if I jump tape technologies? Typically, when they do jump tape technologies, they keep everything they had in place in case they have to go back and read and write it.

Now, I'm going to talk to you about why that's important in a little bit. So what you can see here is, information is growing. Our tape business is strong from a storage perspective, but the media or the use case for tape is changing. I told you our inventory, we're seeing more archive tapes come in versus the backup tapes.

This is evident with our transportation, right. Bill, referenced service headwinds as did Patrick. So the physical number of stops that we're making around the world because tapes are becoming more archival, we don't need to collect those every day. So, you can see where we're down across North America. Now, the rest of the world is still using a lot of backup tapes in their environment.

In some places we're seeing this service revenue grow. And in other places the decline is less. However, what I want to leave you with is this use case of backup tape is changing, which is affecting this service revenue. It's not affecting tape as a storage mechanism. And what I want to show you about that is here is revenue from our new services and how it's offsetting the service revenue headwinds that we've been talking about. So let me unpack this slide for you.

The yellow line in the middle is the trend that we've been seeing in terms of tape handling, tape revenue, service revenue. Now it flattens out from 2016 , you'll see, because a lot of that is Recall, okay. The bottom line are new services that we have started to introduce to stay relevant with our customer that they are buying. So almost non-existent in 2014 and then you start to see some of them ramp. Now there is 50% growth in those numbers and granted they are small and these are early days, but we are playing with relevant solutions in our customer base.

The services that we are providing become more project revenue based, so less predictable than the recurring service revenue that we had with the trucks running on a scheduled route on the road all the time. So that's why you see a little bit of a bump in 2015 and back in 2016. Not too much but it's project-based revenue as we move on to these services. So, you can see the new services from an overall contribution, there's 200 basis points difference and what the decline in overall services would have been of minus 4.5% to the 2.4%, because this is starting to make a difference as we offer new service revenue solutions that are relevant to our CIOs.

Now I talked about what CIOs are challenged with and what they have to do. And the last thing I want to show you is the little data. So here's a report from IDC that talks about the data explosion and the data growth that organizations are facing.

Now, a zettabyte, becomes more than the petabyte and the exabyte, it goes to zettabyte. So it's a thousand exabytes of data. With the big change in the data is structured versus unstructured data. Structured data is kind of the databases that are sitting in the back office running your ERP system. Unstructured kind of looks like an e-mail, it's also video and surveillance data. By the year 2020, there will be 2.5 exabytes of data produced daily from video surveillance whether it's street cameras, body cameras, hospital cameras and to put that in perspective for you, I did the math while I was thinking about this over there, that's on my hand.

Remember when I said there's 500 hours of video data in one terabyte? There's 500 million hours of video data in one exabyte, take that by two and a half and that's how much data is going to be produced, that companies are going to struggle with and figure out how they have to store it economically. Tape plays a role in that.

So let's go back to our new solutions portfolio that I want to talk about today. First of all, I want to provide technology-agnostic storage. We talked about tape, but there are other storage mechanisms out there as hard drive, spinning disks, flash, right? We want to be able to provide those types of solutions in the marketplace so we stay relevant with our customers and we can still provide services and storage solutions regardless of their architectural direction from an infrastructure perspective.

I don't want to lose the market if they want to move away from tape. We're going to be right there to be able to move with them. We are offering Iron Cloud, Bill talked about that. Backup and archive solutions partnered by EMC, Dell and Virtustream, an air gap or isolated recovery, which is a cloud-based solution with tape out on the back end that really fights from a ransomware perspective.

And inevitably, there's data out there that's emerging, but companies don't ever really talk about if they've been hit by ransomware, but there's been some pretty noticeable ones, especially with hospital systems and patient records and files, where they've been infiltrated and they can't access their data. What do they do? They pay.

Do you know how much it costs on the dark web to get ransomware code, anybody got a guess? Guess low, it's $400. Now the prohibiting factor for me is I wouldn't know how to get to the dark web, but there are really smart people who do and for $400 you can be in the ransomware business. It's compelling. Our solution in the marketplace will have that data available for them, and instead of paying the ransomware, we'll be able to give them the data back, similar as our disaster recovery has been working for 30 to 40 years in the tape business. Our Iron Cloud all has tape out on the back end for the last line of defense in terms of cybersecurity attacks or an issue.

The next area, I talked about being relevant with those CIOs, is restoration and migration. Remember I talked about backwards compatibility of an LTO, how do I get data off of like an old tape and I said most of the CIOs will actually keep it around. That costs money, to keep those old systems. What we're doing is we're actually offering a service that says, get rid of all that old equipment and we will be able to make the migratory jump for you from whatever you have in the past to whatever format you need in the future.

That's great if you're on a legal hold, when you've got old data or something. But let's fast-forward to what companies are doing today and a CIO's conundrum is, get me the data because I think there's gold in those hills called their data. And it's monetizing the assets and the information you have. So, let me just use an example to make this really easy.

This is a Beatles record album, vinyl. This is probably – this isn't the original, they'd kill me if I ever took it out of our vault but this is a vinyl record. A lot of people in this area going to – in this room remember vinyl. Then it went maybe to an 8-track, then it went to a cassette and went to a CD and now if I were allowed to have my iPhone up here, I'd hold up my iPhone and I'd just stream it off of

my iPhone. That is transformation and restoration of data from one format to another. Every time you download that same Beatles song on iTunes at $0.99, monetization of an asset.

One of the projects that we did in 2015 was helping a large engineering firm not monetize, but restore their engineering data from the 80s and the 70s such that newer engineers could go back and say what were some of the design principles and what did they use it for?. In product development, they actually found something from 1986 that actually allowed them to come to market with a new product six months earlier and save billions of dollars. That's the monetization of your assets and your data. Restoration services allows us to play in that world.

The final solution that I want to talk about is secure IT asset destruction. You actually heard the woman from CBRE talk about that solution. So the SITAD, this is really when your IT assets are at the end of their life, how do you get rid of them in a secure and compliant way?

Now, my husband is a techie. He gets a new monitor, it feels like every year. I have four monitors sitting in my closet. The CIO has that same problem from an enterprise perspective. How do I get rid of these assets, they're off of my books, but what do I do with them? Do I dispose of them and destroy them? Do I remarket them because there's still somebody out there who wants my monitor or my old iPhone or do I have it picked it apart and recycled for parts and pieces?

Our solution in the marketplace – by the way, this is about a $10 billion a year industry, growing at 6% to 8% compounded annual growth. So we've partnered with a partner who really understands the asset remarketing and recycling component of it, as a well as the compliant destruction. Because the last thing you want to do as a corporate CIO is find out you've given your monitor or your copier machines to somebody and they've been resold to China, but your data hasn't been wiped. So, we really look at how you take that data off of those assets before they're introduced back into a supply chain. What the one plus one equals three is for our solution, remember that reliability that I talked about, 99.99999% we don't lose stuff on 89 million pieces of media handled, we apply that same security and secured chain of logistics and custody to those IT assets.

I had a very interesting conversation with the CTO of a large bank and he goes, yeah, I've got my SITAD provider, I don't know why I need Iron Mountain. And these guys are relentless on us about transporting tape, security, vetting our people. I said, well, how do you get your assets to that provider? He didn't really know. But then he figured out, they put it on a FedEx truck and they lose all visibility of it. When I talk to them about our value proposition with our partner, it immediately started changing his mind and thinking about that's differentiated in the marketplace. So, those are the solution areas that we're looking at, growth and the needs of the services to stay relevant with our CIOs and our customers.

Let's talk about the use of the partners, because how do you know Iron Mountain? We're the boys and girls who put tape on a shelf and the trucks run on the road. I need partners in an ecosystem that have knowledge and knowhow, and that when I combine with I want to do with what they're doing in the marketplace, so one plus one equals three. As Bill mentioned, we're partnered with Dell EMC Virtustream for our Iron Cloud, and to provide non-tape storage solutions. For restoration, we use a company right here in New York called TDS, phenomenal engineering capabilities to be able to take that data off of old format and produces forward.

Restoration, we also do in our Entertainment Services business. In the innovation showcase, you are going to hear Jeff Anthony talk about a form of restoration and the monetization of assets that we do in the media and entertainment business. So, we do a combination in that world for restoration. And for SITAD, we have CloudBlue as our global reach and global partner for today. What I want to do now is I want to queue up a video of myself meeting with Kevin Reid. He was the Founder of Virtustream, President and CTO still today.

And Virtustream is a cloud company. You don't hear of them that often, because you know what, they have focused on enterprise applications that are mission critical. These are applications that any CIO probably would never put in a public cloud. And this is the market that they've chosen to go after because they run mission critical applications. And to run mission critical applications, what do you need? Security. You need performance. You need reliability. And this is what they've chosen to go after. And as we build out our Iron Cloud, we want reliability, security, compliance, ease of use.

So, this is an interview I did with Kevin a couple of days ago, talking about the Iron Mountain partnership and why it's valuable not just for us, but for them, too.
[Video Presentation] (01:44:04-01:48:53)

Unverified Participant

Ladies and gentlemen, please welcome Senior Vice President and General Manager of Data Centers, Mark Kidd.

Mark Kidd, Senior Vice President & General Manager - Data Centers, Iron Mountain, Inc.

Good morning. I'm very excited to be here today to talk about what we've been doing in the Data Center business so far. First, for those of you that don't know me, I've been with the company 13 years, holding a number of different roles. Prior to the Data Center business, I ran the corporate strategy team for four to five years. And before that, I held a number of different roles in finance. Why that matters, particularly related to this discussion today, is as we think about extending into new areas like data centers, the real question is how do we take the best of Iron Mountain, what differentiates us in the market, apply that to a new area as we think about extending and driving that leap forward.

As it relates to the data center markets specifically, we're very, very excited about the opportunity in front of us. We truly believe that we have the opportunity to not only hit, but exceed the plan that we're going to lay out here today. There is really three primary reasons for that. First, the multi-tenant data center market globally is enormous. It's a $30 billion market growing greater than 12% per year. Second, we spent the last few years carving out a very targeted segment of the market, where we have the ability to disproportionately win and deliver customer value. Third, over the last few years, we've taken a very measured approach to capital allocation that's been repeatable in nature, and has driven greater than industry growth and returns on the investments that we've made so far.

In combination, we think this puts together a very compelling package. Let's take a minute and just talk about the market. It is a big market after all. I don't know if it's that big, but it's big. So, again, just to kind of reframe and get us all using the same terminology, a global market from multi-tenant data center, and again, when we talk about multi-tenant data center, that's a large facility with power and connectivity where multiple customers go into the same place. So truly, the real estate. It is not a single tenant use so it doesn't include people like Amazon and Apple that are off building their own stuff. This is the multi-tenant market.

The U.S. portion of that market is about $13 billion. As Bill alluded to earlier, we do see opportunity globally, but today, we have a very small platform that is focused on the U.S. Specifically, we focus on the segment that is enterprise oriented that really is about control-oriented buyers; folks that need to have control, view their assets as, effectively, the crown jewels, and decide the data center that really run their businesses, and a high degree of trust, security and compliance related to that. That segment, it's growing a little slower than the market overall, around 10%, and we sort of break it up into two pieces. One is the actual enterprise itself, financial services, healthcare. The second

is the managed services providers that actually serve that targeted group of customers. So, for us, they're effectively the same user because the story that we have around compliance and security resonates to the end user through the managed service provider. So we see that as a repeatable way to win as we think about that target group.

So again, very, very focused there, and that's what we've built the business around. It's important though – I think everybody ask questions about how is cloud disrupting the data center opportunity, what's happening. We're reading about the enormous growth, the cloud industry itself is growing over 30% a year. These numbers here are least 20% per year growth. And so what is that doing to the enterprise, is it all disappearing? How does that really impact us, our potential story in the segment that we started with?

There are really two important facts to think about as it relates to the cloud segment. First, there isn't an executive team today that I know of that hasn't had the conversation about what is going to the cloud inside my company. The good news is, is because it's starting at the executive level, it's driving the behavior change in the IT organization to actually take and move applications, which historically, they weren't as quick to give up, and move them off to the cloud. That disruption then changes the propensity in terms of what they're doing with the internal data center. 60% to 70% of corporate data centers are still in-sourced today. The number is going to change quickly. So part of that workload, part of those applications go off to Amazon and Azure and Google. The remaining part, they wake up, and there's suddenly been an event where they have extra capacity, they realize they are going to be changing what they're doing. They take that, and they've have a much higher propensity to outsource it. So, one, the cloud is actually accelerating the outsourcing trend of the enterprise data center. Second, cloud users themselves, due to the extraordinary demand and complexity of their environments, have actually – not only have they built a lot of what they're doing themselves, they can't keep pace with the demand in the market, and they've realized that using third parties in certain instances is an opportunity for them in terms of speed to market. There's an interesting story where Microsoft made a comment, oh, we're probably 35 data centers behind this year, and at the end of next year, we think we're going to be 45 data centers behind globally. And so you sort of see the overall strength of demand.

Now, this isn't our target segment. We recognize that the cloud buyer is very price conscious, demands very high scale. But what we do need to be cognizant of is when we enter markets, are we building at a price point where we can opportunistically capture some of that demand, when they're moving very quickly, launching their applications, and there's a constraint inside the market? That's really how we think about the cloud. Again, not where we focus and target, but very important to understand how it's impacting our business today.

Moving on to how we target our segment and differentiate, there's really three ways that we do that. First, we focus on the strong IT, and specifically, the IT infrastructure relationships that we have in the Data Management business. Eileen Sweeney just talked extensively about what we've done there. Just to sort of put it in context, today, the tape buyer, the person who makes the decision to procure from Eileen's team, sits in the IT infrastructure stack. The data center decision-maker is often that person's peer or is directly higher than them in the food chain. So we're not out seeking new people in the organization to sell to, they're right there together.

Interestingly, when you think about that, just the U.S. alone, we have 17,000 unique companies that we work with. We visit them, as Eileen pointed out, over 2 million times a year at 30,000 unique locations. So, what does that mean? It means that we're actually out at data centers in 30,000 unique locations in the U.S., picking up tapes. We know where every single one of our customers' data centers are, where they're producing information, and actually have better market intelligence than the others that we compete with and see in the industry. It gives us a lot of insight. And these are very sticky relationships.

Additionally, from a sales perspective, how do we re-chain and make sure we capture not just the existing customers, but, more broadly, the market? We do have a very small dedicated team that has deep domain expertise that came from the industry, but more importantly, we're able to leverage over 200 people across the rest of the North American Iron Mountain sales organization. Specifically, there's about 100 in the data management group, which might – as you expect, are out there calling directly into accounts. Further, we have the ability to work with the vertical teams. When you think about that, and Patrick alluded to this earlier, the Federal team, for instance, is great at opening up the doors. We've had very good growth in the Federal segment in the last couple of years.

Lastly, it really gets down to brand, trust and service delivery. So the chart's a little bit confusing here, but effectively, we had a third party go out and survey IT buyers, and what they did is they said, these are our three highest criteria in terms of outsourcing decision-making. And then we said, okay, go score us and the competition on these criteria. And so, we did it with more folks than are listed here. But in each case, Iron Mountain actually scored the highest on these criteria. And so to think about it, many of these are brand-related, and some of them are product enhancement related where things like asset tracking, which we do with hundreds of millions of assets around the globe today, had never been introduced commercially by a data center provider inside of a data center before. When we started this a few years ago, it was sort of mind blowing, in fact. So it's something that we do every day, just wasn't there. So RFID tagging, asset tracking, we mentioned also just in terms of support, the wind deal earlier today.

But how have these all come together in terms of results? Really, two primary ways. First, when we look at the customer base that we've assembled over the last few years, over 60% of them come from existing Iron Mountain clients already buying services from us. They were having a very high ability to reach into the relationships that we already have to sell. Further, in competitive situations where it's awarded to another party, and that could be starting from when the IT buyer is out talking to 10, 20 different firms to make a requirement, we have a 35% win rate in the competitive situations that are awarded. So we're disproportionately punching above our size. And it really, again, goes back to the outsourcing behaviors in the long trusted relationship.

So how does this translate into financial results? Really, it's a function of discipline of execution in capital allocation. As we've thought about it, the first phase here was to build the business in a handful of markets organically. In doing so and limiting the amount of capital that we've deployed to make sure we have a value proposition right and that we can execute well, we've seen very high growth. As Bill mentioned, it is off of a small base, but we've easily been sustaining over 25% CAGR, and as we look forward, which we'll talk about in a few minutes, we see our ability to do that just with the asset base we have today, including the Northern Virginia site, which will come online in a couple of months. That doesn't include additional opportunities in other markets. Again, something we'll talk about.

Further, as we look at this, we had very – we've done a very good job driving the returns off of the investment we've made. You can see relative to others' benchmarking with some analyst reports, we feel very confident in what we've been able to do. Now, to some degree, this is despite the fact that we're in subscale markets and our construction costs are slightly higher than larger public competitors who compete in the big markets. They're able to drive more scale at the campus level. So how do we keep our returns high? Really, it's about selling the value proposition and getting recognition in that in terms of value and price that the customers see for us. So we've been doing a very good job capturing value despite having a slightly higher basis.

As we look forward, we know it's important to keep basis in line relative to the markets that we build in. Thinking about the opportunity, there is some limit relative to the footprint we have today. And so part of it, the second step here, was after organic builds in Boston, Western Pennsylvania and Kansas, was looking towards the larger markets.

Quickly, this is a picture showing data center demand last year, showing all the global markets which consumed more than 10 megawatts of data center. For those that aren't familiar with the industry lingo, they talk about megawatts of power consumption as the underlying kind of unit of purchase, and that's because ultimately, that 80% of the cost structure in the real estate is tied to the power infrastructure and cooling infrastructure in it. And so the market reporting that CBRE and JLL, all your normal real estate firms, do actually talk not only in square feet, but also megawatts.

Here, we can see that globally, demand is very, very concentrated. Historically, before the new building that we have undergoing in Virginia today, we have not participated in any of the largest markets, which to some degree has created a demand – our ability to kind of meet demand more broadly despite the good growth that we've seen.

As we look forward, we really have focused initially on Northern Virginia. It is a bit of an unusually high year last year. Normally, that market's sort of been running in the 60 megawatt to 70 megawatt range. But it still is the largest market in the world. And so what makes a good data center market and why is it so concentrated? It's important to sort of understand that, is to think about investment and what's going on.

There's really a few different reasons. Ultimately, they're all related to cost. Generally, the sort of two big cost drivers which kind of decide these markets, either one is power cost, because the largest ongoing cost inside the data center is consumption of power. The second is network connectivity and availability, which translates into custom of data. So when you have interconnection, cloud, content providers having the data more proximate to us and our phones and every place we consume it, does become more important in terms of cost and network. A place like Northern Virginia, it was the largest network interconnection location, it still is today, that – as a function of the telco deregulation. It was actually the hand-off point between all the telcos, and that resulted in kind of the fiber network that's there today.

On top of that, it is very low power cost, relatively speaking, on the national basis. And lastly, what happened sort of as a third factor is states and counties have become very aggressive in terms of tax policies related to these investments. So in Northern Virginia, there's been about $7 billion to $8 billion of investment just in data center over the last six to seven years. And what's happened is as they waived sales and used tax, potentially taxes on electricity, construction and, most importantly, on the IT hardware that the end user puts in, that can drive up to 10% savings relative to some other markets.

So you kind of get a sense of what's happening. As we look at it, Northern Virginia is relatively close to this – markets that we operate at today. We do see a lot of demand there from the enterprise because all of these cost considerations in total drive enterprise awareness. And we do see upside in that market, making sure that we have the right cost position.

So, just quickly, a little bit about what we have going on in Northern Virginia today. As we think about the market, as I mentioned, we know it's very important to have scale position. So we were able to go out and procure a large piece of land with a lot of power and a lot of fiber connectivity. Land is relatively cheap, where we purchased it. But what it does is it enables you to build incrementally as you go, so you can capture campus development scale and, importantly, operating scale as you go. So we can deploy capital in very small increments, building, and then even the pieces within the building as we build out and meet demand as we go forward.

Interestingly and sort of important to point out, as we underwrote this model – a minute ago, we talked about sort of that 60 megawatts to 100 megawatts of demand in Northern Virginia. The underwriting that we executed on was only meeting 3 megawatts of demand in this building annually, and so – in the market.

And so, we feel very, very comfortable that once we get the facility online in Q3 this year, that as we look forward in 12-month of increments, we have very reasonable targets, ones that, based on what we've seen so far as we've started to get out and sell and commercialize, and really talk to the end user, that we have a high degree of confidence in. And when we talk about exceeding the plan in terms of the base business, this is certainly a source of potential upside that we look at.

Again, the returns, scalability, it's visible here. You're able to see kind of aggregate average returns kind of come out in the 13% range. But on an incremental basis, as you continue to grow or even put more square feet on this campus, which is a possibility, the incremental returns are wildly higher. So we like day one returns, but we see a path to doing even more as we go forward.

The plan, as Bill mentioned, does not call for any extension outside of existing sites. We do believe that there's a lot of demand in those markets, we've seen that as it relates to our business. If we think about sort of building out in the first three locations, then sort of extending into Northern Virginia, bigger scale, sort of the third piece that we would think about and apply the same disciplined approach to capital allocation would be additional greenfield or further market entry, potentially through some type of purchase.

We are very, very judicious in how we think about this. We recognize that valuations are high and there's trade-offs between the different approaches, we do also see the demand. So really, as Bill alluded to and as Stuart will talk about, capital allocation and really making sure we're very, very careful about what we're doing and generating returns, is key to the overall equation.

This is relatively self-explanatory, but new site development – seemingly, if you're able to be in a market, it's a very easy add-on, especially as you're adding common customers to grow very high returns on a relative basis. You do see, however, that it can take a while to stabilize those assets, which, in terms of getting to scale, can take a while, and the carrying cost can be high depending on how you structure that.

A couple of other alternatives we do see in the market today, the ability to do tenant sale / leasebacks. So, I mentioned that sort of cloud example earlier where people are changing their infrastructure. You might run to a case where a large bank, for instance, might have built out a very large facility, realized they're not going to fill it all up, say, hey, we'll sell this, but we'll be a tenant on a 15-year term or 30% to 40% of the capacity, giving someone the ability to fill it out further. Limited number of assets in good markets, but something to look for.

Further, there are acquisitions, sort of stabilized investments with a better growth opportunity in the space. They trade at very high multiples today, something that we're very cognizant of. And so understanding where the value is and how actionable they are is important. But again, something that we take very prudently in sort of how we think about it. Across all of these, we target low teens returns, and we really think about it in that construct.

But just to take a step back for a minute and sort of conclude, we are very, very excited about what's in front of us. This is a huge market, it's growing very, very quickly, the amount of incremental opportunity each year is enormous. We have a differentiated approach to the segment and the access to it that we have. And on top of that, we have a history of delivering what we said we're going to do and a very prudent capital allocation approach, driving higher than market growth and high-end of market returns. When we put all that together, we see a very good opportunity to continue to deploy capital in a very measured way, to take advantage of the growth opportunity. Thank you.

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We'll now be taking a 10 minute break. We'll see you back in 10 minutes. Thank you.

[Break] (02:10:30-02:23:47)

Ladies and gentlemen, please welcome Executive Vice President and General Manager of International, Ernest Cloutier.

Ernest W. Cloutier, EVP and GM-International, Iron Mountain, Inc.

Is my mic on? Okay, very good. Good morning, everybody and thank you for your time today. My name is Ernest Cloutier. I am the Executive Vice President for Other International Business segment. I'm excited to be talking to you today about our Emerging Markets business, which is a high growth part of our business.

Before we begin, a little bit about myself; so, I've been with Iron Mountain for over nine years. Most recently, I was responsible for our U.S. federal business under Patrick. In addition to that, I led our security risk and safety organization as well as our legal and compliance organization.

Today, I'm going to talk to you about the progress we've made in Emerging Markets over the last several years, which I think you'll find to be quite remarkable. I'll talk to you a bit about our approach to continuing to grow this business in a strong way, and then finally, I'll share with you our expectations for 2020 results.

But before I do let me level set a bit with you on what Emerging Markets include. So, Emerging Markets in Iron Mountain is a portfolio of about 32 countries, in our core business of records and data management. As you can see, it's 400 facilities, it's 30,000 customers. In 2016, it was about – it was just under $500 million in revenue. As you can see, there's been extraordinary growth in this business over the last four years, in part due to the Recall acquisition, but also really due to strong organic growth in the business. Revenue CAGR of 30% and even more extraordinary, adjusted EBITDA CAGR of 35%.

So, it's worth noting, just as a footnote for everyone, Emerging Markets at Iron Mountain does not include Australia, New Zealand, although it is within my span of responsibility. Patrick and Eileen have already talked a lot about our developed markets business, and so that strategy in Australia, New Zealand is much more akin to what they described.

So, let me now talk to you a little about our strategy and how we're delivering against our aggressive goals. So, some of you will recall and Bill alluded to it, in October 2015, we set a goal for the Emerging Markets business to represent 20% of enterprise revenue. And for those of you who have followed the company for a long time, you realize that's quite an ambitious goal, because in 2013, it was only 10%. Well so, the good news is, I'm happy to say, we're well on track to achieving that 20%.

So, what is our strategy for Emerging Markets? It's actually quite simple and it's the same strategy that we've had for a number of years. It's to grow in scale and leadership, in records management and data management, in attractive growth markets for information management outsourcing. By doing so, we expect to achieve superior returns over the long-term.

So, how are we doing this? Really, there are three key themes underpinning this strategy. One, as I've already alluded to, is strong organic growth, right. It all goes back to the core of our business and what we do. This is about storage volume and it's about storage rental revenue growth. We're driving and expect to continue to drive strong growth in the core. We're anticipating in excess of 6% growth over the next several years.

corrected transcript

Now, some of you may be saying, okay, but in Bill's presentation, in the prior several years, it was more like 9%. What I'll tell you is, is that the Recall acquisition did a lot of great things for Emerging Markets and I will tell more about that in terms of entering new markets, exciting higher growth markets. But one thing it also did is, it changed the mix of what is Emerging Markets at Iron Mountain. So, we have a little bit more revenue in some of the markets, which are still good growers, but are a bit little lower in terms of growth, an example being the Nordics, right. Recall had a very strong Nordics business; we were relatively small. So, that's the reason, but what I'll tell you is, continued strong growth in the core.

Second, we're going to continue to enhance and improve our margins in this business and we're anticipating over the next several years, a 300-basis-point improvement in our EBITDA margins. And I'll talk more about how we're going to do that for 2020 and even beyond. And then, finally, and I'll spend the most time on this, value-creating M&A. There is a very large opportunity that remains in records management and data management in Emerging Markets both from an organic perspective, but also from an M&A perspective.

This is really core to what we do. We do transactions quarterly and we'll continue to do that, that kind of routine M&A and these are – some of these are small transactions and we close transactions in the $2 million, $3 million dollars up to $15 million or $20 million. But when you think about that core strategy, what we're delivering, we're delivering north of 11% compound annual growth rate within our Emerging Markets business. So, you can see and I'll explain further how we're going to continue to deliver these results.

So, let me now dig in a little deeper for you and talk about each of those three key pillars of the strategy. The first is our focus on organic growth. And it really does start at the top, and it starts at what we talk about in meetings, how we lead our teams. So, we have a focus first and foremost in Emerging Markets on storage, right. Bill was saying earlier, don't diss the cube. We love the cube. The cube is the life blood for our business and we see really strong growth and we see very strong demand from customers across Emerging Markets. Realize in some of the markets that we're going into, this is somewhat new service, and so we're solving a real pain point and problem for our customers.

So, what are the key drivers for delivering strong organic growth? It starts with building high-performing teams, right. So it's about acquiring the right talent. It's about developing them, educating them on our industry, right, because there's not a lot of talent that we're approaching from other parts, other competitors in the industry. We're building frequently ourselves. It's also about empowering those teams, right. So these are – we're in 32 countries, right. So these are businesses were there may be differences in what some of the customer needs are. And so empowering the teams to execute on their strategies and deliver against the customer needs is very important. Obviously, performance management is also critical, right. You need to inspect that which you expect. And so, we have a regular performance management cadence to ensure we get the results that we expect from our team.

The other key – or one of the other key drivers that I'll say exist is, it's about our growth culture, right. It starts about what is the culture of the organization. Is it one that's about growth and I can say in Emerging Markets, that is absolutely the case. Our whole team, not just the sales team, our whole team has a tireless focus on selling and serving our customers. And so, how do we – those are words but sort of what we do, right.

It starts with the talent, it starts with the support we give them. It's also providing process and systems that help them deliver the outcomes that we're asking them to deliver, right. So, identifying the activities and behaviors we expect, measuring them, reporting back, showing them that those activities and behaviors will lead to the results, that lead to rewards for them. So, it's very important. Obviously, rewards, right. We need to incentivize folks to deliver storage and storage volume. And

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so, we put those programs in place for people to understand more volume at a good price will get me good financials.

Now, I won't go into each of these as deeply, all I will say is, whenever we provide value-added services to our customers, it's always with an eye towards driving more volume and more storage rental revenue, right. So, we're not scanning for the sake of scanning for any of our customers. We're participating in a key workflow that includes paper, always with the intent of storing that paper.

Patrick spoke as did Eileen about customer intimacy, equally important in Emerging Markets, right. You need to understand, you need to listen to what your customers want that drives better retention and it also drives more opportunity. And of course investing in the infrastructure to help this business effectively scale. Remember, when we enter a market, we may be a few million dollars of revenue, but we always have a view being much bigger. And so, you've got to invest at the outset, support that organic growth.

Next slide. So, revenue growth and volume growth, of course, is not enough, right. We need to deliver margin accretion and returns over the long term. And so, this is also an important management focus. We do this through prudent investment, we do this through leveraging our scale.

I do want to talk about a few key drivers, there are more than these, but I'll talk about these. Obviously, having a governance structure, over the top, that is focused on SG&A investments, that's focused on capital investments, both at the outset, in terms of assessing whether or not investment is prudent and necessary, but also on the back-end, to ensure that what you expected was actually delivered and both in terms of time and budget, but also in terms of outcomes. .

Let me talk about real estate. I mean, real estate is an area where – Iron Mountain, right, 60-year old organization, right. [indiscernible] (02:34:37) Bill knows the real estate statistics, but global footprint, right, huge real estate portfolio. A real strategic advantage for Iron Mountain, right. We have more expertise and knowhow in terms of real estate in our industry than anyone else in the world, and we use this to drive better margins and better returns.

Let me give you a few examples, I'm going to leave out the specifics, because I think these are a competitive advantage for Iron Mountain. But you've heard in prior Investor Days and you understand that our business, right, we lease space from an area or square foot, square meter perspective and then we turn around and we resell it to our customers on a volume or cubic meter or foot space perspective.

So, anything you can do that either increases density or reduces capital per cubic foot or cubic meter drives great enhancements and returns. And so, because we have over 1,400 facilities worldwide, because we have 60 years of experience, we're constantly innovating in real estate in different buildings, new buildings in Emerging Markets where we're constantly adding new facilities to improve density and reduce the capital cost per cubic meter. And as a result, our returns are better and, if you do it well, as it says up here, you can also improve labor productivity. So, very excited about that as a lever.

Finally, and as I said there are others, but there are other benefits to global scale that we can apply to Emerging Markets, right. So, information technology is one, global best practices, standard processes. These drive not only better performance where we can hopefully achieve the seven nines thatPatrick and Eileen mentioned earlier, but also better efficiency and serve our customers very well. So, driving margins and accretion is important.

Let me just quickly refer to the chart on the left. As you can see, the team and my predecessor, Marc Duale, before me have driven excellent results from an EBITDA margin improvement over the

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last several years. So, you can see it's marching up consistently and, as I said on the previous slide, we expect another 300 basis points of improvement over the next several years. I would like to also make the point that 2020 is not the end; it's just a continuing trajectory, right. Patrick's business, as he said, is in the low- to mid-40s and we think we can continue to march towards that number over time as we get more scale and leadership.

Let me now talk a little bit about value-creating M&A. And as I said, this is something we have very strong internal capabilities around and a long track record, but before I do, let's take a step back and talk about what 2016 was in Emerging Markets. So, 2016 was very much about the Recall acquisition and integration, right. They had a large Emerging Markets business. And so the good news is, where we stand today, we've integrated, we're almost complete with the integration, we've achieved the synergies at or slightly ahead of plan, and we've really built some interesting regions in Emerging Markets.

In particular China, Southeast Asia; we went from a relatively small business today, being over $100 million. So, now we have real scale. We're a meaningful, large competitor and leader in China and Southeast Asia. There are other parts, I mentioned the Nordics, they had a large business in Brazil and a smaller business in Mexico. So, they really did add to the scale of our business in Emerging Markets. And so, that's fantastic, and I applaud the team for its execution.

And so, while the Recall acquisition made us slow down a little bit, we did do some other transactions. We had a transaction with a business called Santa Fe in Southeast Asia, which added to our scale. Fantastic business that we got there. There are still some little bits coming through. In addition, we entered a few – we did a few other acquisitions. In India, I'll talk more later, but we acquired businesses in India. We added a business in Peru.

We entered a couple new markets. Most recently, we announced that we entered United Arab Emirates. I was there a few weeks ago with Bill; very, very dynamic market, very interesting, glad we're there. And in South Africa, we entered – in 2016, we entered [indiscernible] (02:39:10) So, very solid progress. What I'd like to say is, we're now turning back to our pipeline, and it's a pipeline of higher growth, attractive markets, markets that have strong storage rental, they have EBITDA and the opportunity to accrete EBITDA, and that are going to contribute market leadership and scale.

And so, I get out of the way here. One of the points that I think is important for everyone to understand is, as we think about investing in Emerging Markets going into the future and we look at our pipeline today, we're assuming approximately 80% or even maybe a little bit more is going to be invested in existing markets, the markets that we're already operating today.

So, why is that important? That's important for few reasons. One, we're already operating there, right, so the risk in terms of entering that market is greatly reduced, right. We have customers, we know the competitors, we already have a management team. So, it's much lower risk. But, two, and importantly, the synergies you get from acquiring a second business, third business, and a fourth business is much better and much quicker than new market entry.

So, as a result, we expect to have strong returns from those investments. That being said, there are a few markets that we're not in today that we'll continue to monitor. These are markets where we think there's strong growth storage and a path to leadership over the long-term. So, we're excited about our ability to create value through M&A.

So, very quickly, I'd like to share this chart with you. This is a chart which shows our interpretation of leadership and scale; in 2013 is the bottom half of the chart, and then 2017. And really, the headline message to all of you is, what great progress that team has made over the last several years in terms of building leadership and scale in all these different markets.

If you look in the bottom right, your bottom right. We're in five markets where we feel we have leadership and scale in 2013. If you look at 2017, so today, there are 18 markets. And so, I'll talk in a couple of slides about why that's important financially to our business. But I do want to call out the progress that the team has made before me in terms of driving leadership.

But next, let me show you a little bit of detail about our pipeline for M&A in the business. And so, key message here is, I think, people may question, is there a lot of opportunity in records and data management in Emerging Markets? I'll tell you the answer is an absolute yes, and it's growing. And so, as you can see from this chart, within our current pipeline, we have several hundred million dollars in revenue in identified opportunity, right? So, this chart over here on the right is revenue.

As I've already said, our focus will be on storage businesses, right. We're not going to go acquire unless it's a very, very strategic a business that's predominantly service. We're focused on businesses that have strong records and data management. And what we're going to do is what we've donein the past is, we're going to methodically invest approximately $100 million a year in capital against these businesses to grow leadership and scale in these different markets.

Now, for those of you quickly doing the math, this is about a six to eight times coverage ratio from pipeline to what we plan to execute on an annual basis. So, that clearly demonstrates that there's a lot of opportunities. What I'll also say is that while this is core to our strategy and it's something we do very routinely, these are $5 million, $10 million, $15 million acquisitions. There are a few larger opportunities out there, nothing like Recall. I'm talking about opportunities that are $50 million dollars. But those are out there, and we will monitor those and we will talk to these competitors. And if the opportunity presents itself, we may invest in some of these.

Let me now provide you with a little more data on what leadership and scale means for our business. Apologize – let me explain this chart for a second, it'll make more sense to everybody. So, this is a share growth matrix, right? Relatively simple.

X-axis is leadership and scale, so the further to the right you go, the more leadership and scale. The Y-axis is growth, right? So, the midline here is about 7% revenue growth and we've restructured it. Where on this chart you want to be, right? Bottom right has strong ROIC, very strong margins[audio gap] (02:44:11-02:46:46).

We've implemented a strategy where you see cube volume is growing 1% and revenue is growing at 4%, right? So, we're really focused on utilization, we're focused on pricing and yields of that business. But to me, what's most interesting is what's going on in the top, right? So, these are higher growth markets. And if you look, basically, the characteristics are virtually identical whether or not you have scale and leadership, but where you end up matters a lot.

So, upper right, these are some of the most dynamic markets we're in, right? India, Turkey. I mean, these are markets where the amount of paper that is still being held in archives is being outsourced. It's really quite extraordinary, right? So, I was in India a couple of weeks ago, and we're looking at the mix of our business . It's really kind of like the U.S. undeveloped market 30 years ago, right? So, you've got financial services outsourcing, but you don't have healthcare really outsourcing. You don't really have law firms outsourcing. You don't have – all of these, they're now talking about it and they're interested and they're saying, wait, you can save me a lot of money. But so these are very exciting markets.

On the left, equally exciting, but more work to do, right? So, South Africa is an example, right? We just entered that market. China, we've been in for some time, but it's a massive economy. And we're still battling to get to leadership, and it's such a larger economy, I mean, it's hard to get to scale.

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And so we'll continue to work on the markets that are on the top left to get them over to the top right. And as growth – as these scale, and if growth moderates, they'll end up over here. Obviously, we're very comfortable with the returns long-term. We expect this to continue to improve over time, not then – here, we'll continue to invest. Although, investment will be a lot less, right? Because growth rate is lower, the amount of capital you need to spend on new buildings is less. And so, now, you'll drive better margins. And, by the way, the FFO or cash flow out of this – those businesses is going to be very high. It's going to look more like what over here.

So, I hope that gives you a little bit of a flavor as to why we talk so much about leadership and scale in emerging markets and why really driving the business. Also you see [audio gap] (02:49:11).

So, let me talk about a couple of these in more detail to give you really specific examples. And so, our approach is the same around the world, right? We need local management owning the opportunity. We applied very robust corporate centralized rigor around the deal models. We use our best practices in terms of integration and due diligence, and then obviously we try to synergize and integrate very quickly.

Brazil is a great example of where the team has executed on its strategy very well, right? So, if you think back, driving very strong organic growth, has built very experienced disciplined team, and has synergized acquisitions. And so, if you look at this chart, I mean, they've basically – revenues increased 4x over the last six years in Brazil. Just to give you a flavor, it's not on the chart. In 2013, . we had EBITDA margins were less than 10%. This year, it will be more in the neighborhood of 28%. That gives you a flavor for the type of leverage we can drive in these businesses as we get more scale and as we get synergies from, obviously, the Recall acquisition.

Now, India, Bill mentioned, is a target market for emerging markets, really is a very large opportunity, very early days. As you can see, we had a very small business until recently. We've done a couple larger acquisitions in addition to Recall in that market and, let's say, largely where it's all relative [indiscernible] (02:50:51) markets [audio gap] (02:50:52) million dollar acquisitions.

We've assembled a world-class team, right? So, in India, we've actually, through acquisitions, acquired the CEOs of a bunch of our competitors, and we've retained them. So, we have a very strong team with a lot of experience, not just from India, from Africa as well. And so, that team is world-class. And what I'll also say about them is they've really driven on our core strategy around organic growth. I mean, the amount of volume they drive, it will be well north of 1.5 million cube this year. And they're very focused on setting a floor on price and driving price with it. So, I give that team a lot of credit, and you'll see us continuing to invest aggressively in the market.

So, let me now very quickly go through the growth outlook and on the theme of no good deed goes unpunished. What I'll try to do here is help you reconcile back to our other international reporting segment, but in doing so, I may have made this a little more complicated, so bear with me for one moment.

As you can see and as we've already discussed, revenue growth in emerging markets, which is the blue circle there, over the last several years and continuing at this 11% plus growth rate has really been extraordinary, about 22.5%, as has our adjusted EBITDA growth. And so what we've overlaid here and what the orange boxes include is Australia and New Zealand. And, as I mentioned before, Australia, New Zealand is a more mature market, more like developed markets. Australia also specifically, revenue growth there is a bit muted and will be for the next several years, and that's a result of the divestiture of our business there and also the regulatory review. We're basically limited to some degree in terms of who we could [audio gap] (02:52:55) the revenue in [audio gap] (02:52:55).That being said, we'll continue to drive great margin improvement in the market.

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So, overall, emerging markets in 2020, the revenue number there would include acquisitions, will be about $910 million to $960 million, and EBITDA margins you'll see continuing to drive towards 30%. So, very proud of the progress, and very confident in what we can deliver in emergingmarkets.

So, with that, as I hope you've heard, emerging markets both from an organic perspective, routine M&A and also some larger M&A perspective really presents a very compelling growth opportunity for Iron Mountain, and it's in our core business. We're talking about records management. We're going to continue to drive the growth for the enterprise. We're going to do so, as I said, through really three key principles. One is strong organic growth. Two is driving continuous improvement in our margins and returns. Third is the M&A opportunities possible.

I'd like to finish with one more thought, which the team has executed and proven – has a proven track record for delivering growth, as we've shown on several different slides. And so, I'm very excited about our ability to execute again. I'm confident that we're going to achieve it, and really appreciate your time today.

Operator: Please welcome Executive Vice President and Chief People Officer, Deirdre Evens.

Deirdre J. Evens, Executive Vice President & Chief People Officer, Iron Mountain, Inc.

Okay. Good morning, everyone. So, I joined Iron Mountain just about two years ago as the Chief People Officer for the company, and since that time I've taken on a couple of other responsibilities. So, I now also have our safety, risk and security function, I have our marketing function and I also have our transformation and integration program office which includes continuous improvement. And I'm particularly excited about transformation and integration because it brings me back to my roots as an engineer, and I started my career in manufacturing and operations management. So, things like Black Belt and Lean Sigma and Six Sigma, those are things that I grew up with and I'm very comfortable with, and hopefully can help support the business.

When I last presented at Investor Day in October of 2015, I did talk about transformation and integration, but we had just begun the planning phases for these major initiatives. What I'm happy to say is that we're well underway in the execution of each of these. Our progress is on, or in some cases, ahead of expectations. And these two programs will deliver $230 million in annualized savings toward our multi-year plan and our 2020 vision. These savings, some of which we are reinvesting to provide new products and services through innovation and, of course, these savings are key enablers to maintaining and sustaining dividend growth to our shareholders.

So, I'm going to begin by just the framework of how we view transformation integration, as well as our talent strategy and how they support our three growth pillars of developed markets, emerging markets and adjacent business. So, we view these as sort of horizontal platforms that are critical and enable each of our pillars.

Our transformation efforts are about simplifying our business processes, improving our processes, standardizing our business processes around the globe. Our strategy with Recall is to leverage Recall for global scale, also further improve our cost structure, get deeper market penetration in where we already have presence and also, obviously, to expand our global footprint, as Ernie just shared with you. And our talent strategy, it really follows our business strategy and it makes sure that we have the capabilities that we need to lead and execute, both today and in delivering our plans for the future.

So, I'll share with you progress on each of these three, and I'll begin with transformation. So, first of all, the transformation efforts that we announced, I think back in 2015, they spanned multiple functions around the company, they spanned multiple business processes around the company,

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and they spanned multiple markets around the company. So, they've really been all encompassing. We began this journey in 2015. Phase I of our transformation efforts was focused mostly on organizational spans and layers. We implemented it in the middle of 2015. That resulted in an annualized benefit of about $50 million. It was self-funded within the year. So, the full impact of that $50 million in savings was realized in 2016.

In 2016, the transformation efforts that we implemented were more systemic and more fundamental. They included things like strategic – significant improvement through strategic sourcing. They included things like restructuring our operating model in North America to be more efficient on how we go to market. Similarly, we did that in our – how we manage our IT function across the globe. We eliminated non-essential work. And we also put in place demand management processes, which is basically to say we're going to limit the supply of resources or investment that we have in any one given thing and make sure that we're focusing that limited supply on the investments that will have the most strategic return for the company.

So, those initiatives in 2016 also generated another $50 million of annualized savings. They were also funded in-year. So, coming into 2017, that's about a $100 million of annualized savings that we've been able to generate.

In 2017, this year, the major area of focus, and this will be about a $25 million additional improvement, is in a strategy around shared services. And what that is is we're redefining our service delivering model for IT, for finance and for HR, and we're outsourcing a lot of our transactional back office work to third-party service providers who are experts in those particular processes. These third-party service providers are global. They can scale up and down with us very quickly and they can do this work at a far lower cost than we can. So, that's the work that we are actioning this year.

In 2017, the costs will actually exceed the in-year benefits, and part of the reason for that is we've made a decision to take about $20 million of the savings that we've generated so far and apply that toward two things. One is the shared services model that I just described. We wanted to bring the savings in quicker, so we invested some towards that. And the other is to invest in some of the new innovations and products and services, some of which you've heard about today like air gap, but others of which you'll see in the innovation showcase later today. So, in total, these initiatives will drive about $125 million of savings, they'll deliver shareholder returns, and also allow us to continually invest in the business for innovation.

So, now, let me move on to the Recall integration. As Bill mentioned earlier, we are thrilled with the progress that has been made so far in just 11 months since we acquired Recall on May 2 of last year. That progress has been made in no small part due to the strong collaboration that we've had between the leadership teams at Iron Mountain and at Recall, which started well in advance of when the sale actually took place.

In addition, our two companies have pretty similar cultures. In fact, when you overlay the values that we hold at Iron Mountain and the values that we had at Recall, they are virtually identical, and both companies had a very, very strong discipline around operational excellence. So, that enables us to move very, very quickly.

So, some of the things that we've accomplished in that short period of time, we've consolidated many of our organizations, so the leadership around the globe has been consolidated, our sales team have been consolidated, all of our overhead functions have been consolidated. And, as you can imagine, quite a lot of savings, compensation-related savings has come from that. With that, we've been able to retain some really fantastic talent from Recall. And so, if you look at our leadership team, our global leadership team around the world, we all meet couple of times a year, about 150 of us, there's a significant portion of that team that is now from Recall.

In addition, we converted seven Recall countries to a REIT structure and we didn't skip a beat. We've met all of our compliance REIT requirements to maintain our status as a REIT. We've completed the divestitures that were required of us from the various regulatory authorities. We have mapped out and are well in the progress of consolidating all of our IT platforms. So, both for our corporate, financial platforms, our sales platforms, our people platforms, as well as our back office infrastructure. So, that's well underway.

The main portion of the remainder of the work, which will be done almost all of it by the end of this year, a little bit going into next year, is our operational consolidation in records management, in data management, in shred – actually, our shred is fully complete. And so those will take place through the end of this year and a little bit going into next year as well.

And then, finally, our rebranding efforts. That's whether you are on our website, whether it's customer collateral, marketing collateral, uniforms, truck, facilities, offices around the world, we're now all Iron Mountain. And as I visited a number of locations, India, South America, Northern and Eastern Europe, everywhere you go now, if you walk into what was a Recall facility, you wouldn't know that it hasn't been Iron Mountain. So, a lot of great work there.

So, the Recall synergies ultimately will deliver about $105 million of net savings and that is net of divestitures. So, you can imagine we had to take out even further costs in order to offset some of the divested gross margin that took place earlier.

So, the other thing I want to say about this is, taking together both the Recall integration and the transformation efforts, we've been able to deliver far more savings than we would have had we only done one by itself versus the other one by itself. And we now have global platforms that we can further leverage for further cost improvements over time. And I'll just spend a minute on why that's true.

So, first of all, let me talk about technology. Iron Mountain, as you know, has been a history of roll-ups. And as a result of that, Iron Mountain in and of itself prior to Recall had a number of different types of systems that we used to manage the business. In some places, we had technology capability, and in some places we didn't have technology capability.

But with the advantage of Recall as well as transformation in moving to our outsourced shared service providers, we now have a roadmap that will have a single global standardized technology platforms for finance, for HR, human resources, for sales and for our operating systems. And so, many of the things – many of our processes in some parts of the world that were manual will now be automated, as well as where we conduct business differently, we will now have processes standardized around the world, and that in and of itself will enable further cost improvements.

The second area is with our shared services providers. The vendors that we selected, they are best-in-class at what they do. They're global in their capabilities. And they have tremendous scale. As part of the contracts that we did with them, they guaranteed continuous cost savings improvements year-over-year that they'd pass along to us. In addition, they've committed to invest in innovation themselves about their processes, and those additional improvements are passed on to us as a client. So, we see continuous improvement that will come further from our shared services strategy.

And then, finally, in our organizational capabilities, we've either acquired or advanced, as a result of Recall, different types of internal capabilities that will continue to drive continuous improvement throughout the enterprise. And those are both top-down and bottom-up as well as move from the complex to the simple. So, for example, we've now got Black Belt and Yellow Belt and Green Belt leaders in the company who have been trained, and we deploy them to work on both revenue opportunities and cost improvement opportunities that will continue to make our business healthier.

Similarly, from the bottoms up, we have something that we call daily continuous improvement, which is our frontline who are in the record centers, in the vault, doing the routes in the customer locations, and they come back to us and give us ideas on what are ways that we can better do our work more efficiently and more effectively, and those ideas get implemented locally. So, we feel very good about our ability to deliver savings year-on-year-on-year even after the major elements of our transformation and Recall integration are complete.

So, now, I'll move on to our third critical enabler, which is our talent strategy. Our talent strategy is not just aligned with our business strategy, it results from our business strategy. On the left-hand side is an indication that we have systemic and widely adopted talent practices throughout the company that are – start from the senior executive team and go all the way down into the company.

So, just to give you an example of a couple of them. Leadership assessment. We have a very robust process by which where we assess, we develop, we deploy and build succession plans in place for our senior leaders at Iron Mountain. And we're in the process of actually bringing that down from just our Senior VP and VP level down to our Director level.

Another example is our High Potential program. We have two levels of curriculum where we take who we see as the future leaders in the company through a pretty robust multi-channel kind of development and training, and it prepares them to be future leaders in the company. And what we train them on are things that are directly in line with our different business strategy and results around the world, and we immediately then deploy them on different projects.

And then a third example is around our incentives. We have developed and improved, let's say, our incentive strategies for our senior leaders such that what they're measured on is tied to the business outcomes in the three different pillars that you've heard talked about today. So, those are several examples.

On the right-hand side of this chart is examples of new capabilities as a result of these processes that we put in place at Iron Mountain over the last, say, 12 to 18 months. And so just to give you some examples here, as you've heard Patrick talked about earlier, we now have a very core competency from a sales and marketing standpoint in going after that mid-market segment that he talked about earlier.

We recently announced that we have hired a Chief Technology Officer, Fidelma Russo, joins us from Dell EMC, and she is now going to be leading our technology efforts, not just to help us with our ongoing internal business processes, but to generate future growth from a commercial standpoint.

We have, in the last six months, put in place an innovation and product management function with an organization that supports it under one of our key senior leaders in the company. And as Eileen talked about earlier, our capabilities aren't necessarily those that are purely internal, but we've made strategic decisions to partner externally to bring services and products to market faster than we would be able to do on our own.

Underpinning all of our talent, as well as underpinning the three different pillars, is a very strong culture at Iron Mountain. We have a DNA that's based on a high degree of trust that we've earned in the marketplace, extraordinary integrity, a great deal of compliance and, certainly, operational excellence. And anywhere you go in the world, you will find that culture with all 25,000 plus of our employees. But we recognize that that DNA that has earned us our reputation as a market leader needs to evolve to be more externally-focused, more customer-focused, more innovative in order for us to continue to maintain that market leadership. And so that evolution of our culture has been championed, not just by the senior executive team, but all throughout the organization in many different ways. And so, we're seeing a lot of that innovation and continuous improvement and customer-focused mindset really everywhere that we go in the world. So I also have a numbers

slide and it's only one and it's my last slide so I will finally get to the numbers. So to reiterate, our transformation and integration efforts will deliver $230 million in savings in our multi-year plan. That's a very big number, that's almost $0.25 billion.

Let me just show you how we're going to get there. In 2016, these are end-year numbers. So in 2016, we delivered almost $70 million of that savings. You'll see that $19 million of that came from the Recall integration and I mentioned before that we were achieving that faster than expected. Our exit run rate for the integration is closer to $65 million. So you can see that we have a lot of confidence and we were able to get a lot done in just really seven months of owning Recall.

In 2017, there's $180 million of savings but $20 million of that, as I mentioned earlier, we've reinvested to accelerate shared services as well as to invest in our new products and services, and by 2020, we'll be at the full $230 million. This also brings our SG&A in line with the industry benchmarks. Before we started this work, our SG&A was about 28% of revenue. We're now in the low 20%s and we will be able to maintain or even improve on that further going into the out years.

So I also mentioned that through these efforts, we now have global platforms that will provide the foundation for future growth, so we're not finished. When we complete this work, we now have platforms that will enable continuous improvement in the out years. But more important, the savings that we're generating enable investment and ongoing innovation initiatives, also more important, these savings drive sustained dividend growth for our shareholders.

So, thank you very much for your attention and I will now turn it over to Stuart Brown.

Unverified Participant

Please welcome Executive Vice President and Chief Financial Officer, Stuart Brown.

Stuart B. Brown, Chief Financial Officer & Executive Vice President, Iron Mountain, Inc.

Thank you. Hello, everyone. This is like the final chapter of a great novel. I'm going to wrap it all up and put it all together for you here today. For those of you that are on the webcast, this is – I know we've been talking about the most exciting part. No disrespect to my colleagues, this really is the most exciting part. So if you can hear me okay, please wave your hands. Thank you very much. All right, great.

So I joined Iron Mountain about almost nine months ago, and like many of you, did a lot of due diligence before I joined the company. And as part of that due diligence, I would talk to people that are Chief Legal Officers, office managers, compliance people, and they understand the importance of records management, right? Okay, they need it for compliance, their insurance companies require it, you talk to HR people, yes, it keeps me out of trouble when somebody tries to sue me.

And when I talk to people that – friends of mine that are on Wall Street or investors, they're like paper is going away, why are you even thinking about going into paper. And so I realize that there was a disconnect and a big business – the base business that we have here is really underappreciated externally. And to paraphrase Mark Twain, I can tell you that the report of the decline of paper is greatly exaggerated. This business is very durable.

So what opportunities did I see when I came in, right? This is a very durable business. You've got – as my colleagues, my partners have talked about, you've got a growing top line revenue book organically, opportunity to create value for shareholders through acquisitions. And the facts are that we've had a track record of improving operating margins and steps coming in place today to continue to expand margins going forward. I saw those opportunities from the outside and I'll talk to

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you a little bit before I – I believe there's an opportunity here to really – to turn that underappreciation around because I've got some facts up here that I think will dispute some of the general categorization.

Since I've joined the company, what have I found? And the two things I would like to just point out, because when you're coming in from the outside, you don't know the people that, well the culture, is the leadership up and down the organization is incredibly impressive. And I'm not just talking about my peers, my colleagues up here. I'm talking about the people that are out running our facilities, the people that are driving our trucks, the people that are walking in and out of all of your offices everyday taking care of our customers, are really great and have a tremendous amount of pride for what they do. And that translates in the second thing that was really a pleasant surprise because I joined just as the Recall merger had happened and you always worry what that culture is going to be like, right? It could be a real mess, right, putting these two companies together.

And Deirdre had it exactly – it's been seamless. As I was walking in from the outside, you don't feel like us, them, there's no Recall, Iron Mountain. Everybody is trying to do the right thing to take care of the customers, and that culture is really important when you're trying to make the change on the sale side that Patrick talked about on the cost savings side. I think there's a lot of opportunity here. We'll go through some of the facts to back that up.

So what has the management team been able to accomplish if you look back for a second? If you look back at what the team's accomplished, obviously ongoing storage and volume growth, you've seen some of that data. I'll give you a few more facts around that as well.

From an operating performance, cash flow perspective, 8% revenue growth CAGR, EBITDA growth growing faster than that, again as we leveraged those fixed costs, we'll talk about that some more. Think about just the REIT conversion that there was some questions about when you're going from the outside and go back a few years, converting to a REIT. Accomplishing the Recall, there was a doubt to whether the company could get Recall actually acquired. And then – well they got it acquired, can they successfully integrate it? If you look at the third quarter and fourth quarter results post integration, very, very strong. Creating value with acquisitions, Iron Mountain was built through a series of roll ups, generating strong and durable cash flow. And then since the end of 2013, it's doubled the dividend. End of 2013, it's been able to double the dividend.

So I'm actually going to start with the punch line, and I'm going to come back to this a little bit at the end. Bill touched on this at the beginning. If one of our goals as an organization is to grow dividend per share faster than inflation, that's where the 4% comes from, give that return back to shareholders, how confident are we that we can do that? And the plan that we've laid out, and I'm going to put it altogether here in this final chapter, is AFFO growth of 9%.

So that's basically cash flow from the business after the maintenance cost that it takes to maintain the business, growing about 9% per year. Reported this – most of this is coming from EBITDA growth, 8% EBITDA growth. Looking forward, again I'll give you a little bit more detail on this, and then off a 5% revenue growth. Of that 5% revenue growth, about 60% of it is internal organic, and the remainder of it's through M&A and some of the opportunities.

So I'm going to – in my presentation, I'm going to talk about a few different things. First of all, why I joined and why I got really excited about the growth model in the storage business. I'm going to talk about our investment strategy overall and we talked about some of the different pieces of M&A, I'll pull all that together. Our capital structure, which is sound today, the leverage is a little bit higher post Recall than where we want it to be long-term, we'll continue to de-lever and then our outlook going forward, putting it altogether in terms of where we think we're going to be and what this management team can deliver over the next year.

So starting with the growth model that we have, and if you look at the slide it looks straight forward because it is straight forward. If you think you've seen it before it's because it's unchanged from what we've done before. At the heart of it is consistent cash flow growth. And where is the cash flow growth coming from? We've touched on different pieces. There's 676 million cubic feet of records. That's over 600 million boxes sitting in warehouses paying rent every month. It's hard to imagine the scale of what that is.

On the digital side, 89 million pieces of media out there paying rent every month. We've talked about our ability to continue to grow that through organic as well as through acquisition. That's really the heart of it, you get the story for revenue growth, you get the service gross profit that Patrick talked about, that's bringing new services that help our customer solve problems. As their businesses migrate and change, there's some services they need less and some they need more, so we're out there solution selling, working for our customers to grow gross profits.

The other big piece of that obviously is then improving the efficiencies of the business to drive margins, leveraging fixed costs and actively managing capital. It warms my heart to have my peers up here talking about how important capital is and how they manage the discipline around capital, makes my life very easy. But taking that cash flow that comes out if it, reinvesting a portion of that in other growth, keep investing in the business, keep planting new seeds, some of it short-term accretion with acquisitions, some of it long-term growth and some of the innovations and then funding the dividend per share growth. Straightforward.

Next slide, please. So this is – when I took a step back and joined the company, what really got me excited was this data. So this chart is organic growth of records volume, so this excludes acquisitions. And so when you think about the steady growth, it's modest, it's steady, some might call this actually boring, but the records management growth that comes into the business year-in, year-out has been proven.

So people that think, if we you forget that this is records storage for a second and put any other business or any other industry up there, this looks like a pretty healthy business, not one where you're worried about records going away. And if you look at what we continue to do, this trend is going to continue. If you add in, again if you add in acquisitions, we're 676 million cubic feet of records, that's 8 million cubic feet coming in every year.

Let's look at the sustainability a different way. Bill did a three-year rolling of records management growth, of storage growth. This is on an annualized basis, growth in the mid-2%s, again steady year-in, year-out. And if you look on the right side of the chart of the gross margin, 76% gross margin business. Coming from consumer retail, you could never even have dreamed of margins like that. Yes, there's some capital involved because you own real estate and things like that and the racking investments that go into it, but very steady consistent gross margins. In a couple of slides, you'll see what the impact is on EBITDA because we're growing EBITDA margins faster than storage gross margins.

So storage revenue is really the heart of the business. It's 60% of revenue and a 75% gross margin, so its 80% of our total gross profits come from storage, records, digital media. The other piece of it is the service revenue. As Patrick talked about, that mix is changing. It is a lower gross margin business. It's also lower capital, so we still like the returns on it, and this is what's really been supporting and giving our customers services and things that get to help them manage their information, manage their data better as we go out to them and try to solution sell.

And you think about, even as the example that Patrick talked about in a fairly innocuous industry and in auto dealerships, how many problems that they have to solve. If they want – companies outsource records management to us, because we can do it more efficiently, the reliability of us to be able to put those records back to them. When I talk to office managers and they're like, okay, yeah, I'm trying to get more people in the same-store footage, I need to get stuff out in of my office.

We can do it cheaper, we're storing records in warehouses that don't have air-conditioning, don't have heating. They're outside major metropolitan areas so they're not office rents.

So the storage and the revenue piece – just revenue piece, we feel very good about. It is really – if you think about the storage business that – the records managements chart as a deep reservoir, 676 million records, as a deep reservoir growing, more water coming into that reservoir every year than dissipating out. This is what else comes off that reservoir. We can sell hydroelectric power, we have recreation fees. So these are other things really tied. So when Bill talks about don't diss the box, I love the box. Some people may think it's boring, but it's really a great part of the business.

So then let's look forward in terms of what we're doing on EBITDA margins. Let's just start taking a look backwards first. So 2014 to 2017, we've been able to improve EBITDA margins 300 basis points, and that's despite acquiring Recall which had lower average margins, but we normalize for Recall even above that. Our projections going forward, when my peers talked about leveraging fixed cost, taking cost out of the business some of the shared service initiatives because we're going to improve gross margins another 200 basis points

Revenue management, leveraging the revenue growth on fixed cost, synergy transformation benefits, new improvement processes. And those are going to continue to flow through to the bottom line, as well as in the scale we did that Ernie talked about in the emerging markets as we grow scale there and do acquisitions there that continue [ph] marketing those (03:27:29).

So the next one we'll talk about capital deployment and the investments and what the opportunities are for us there. The majority of our capital – again, this is largely unchanged from what you've seen before. The majority of our capital is going into business acquisitions, $450 million to $600 million over '18 to '20, as well as into core growth racking. So as we – we have to do, as we bring new customers in that organic growth requires investment in racking in the buildings, and so those are really the main users of capital.

On the acquisition side, and a great track record of consolidating existing markets, as well as growing in emerging, the returns that we get are immediate like these are yielding acquisitions that we do day one. And so, we're talking about from a leverage standpoint in a few minutes, we know we're buying in existing markets and in developed markets, fairly low risk integration. One to three years they're stabilized. They typically stabilize pretty quickly, and if you've got to move some boxes and consolidate facilities, it may take a little bit longer.

On the core racking and data center development, in most of that $500 million is for growth racking, you get about $200 million of data center developments of which the most of that is the Northern Virginia Phase I of the facility that we're doing there. It shows up here under real estate development, again data center we talked about broadly as part of our adjacent business. In any adjacent businesses, $50 million to $100 million, those are investments in the areas like in terms of our storage, the Iron Cloud that Eileen talked about, we'll continue to make modest disciplined investments in those.

I'm going to go into a little bit of detail and give you few examples there. So on the Emerging Markets, again this is really unchanged from what we've talked about before. In Emerging Markets, $100 million to $150 million, projected IRR of 13% to 14%. I'm actually giving you an example of one that's north of that, that actually exceeds our normal targets, strong returns, increases exposure to markets that are growing faster, really to meet the strategic plan of where we're going to be in 2020. Developed markets with tuck-in deals, yeah, they're lower risk, they're a little bit lower return and they're very, very easy for us to integrate, very low risk.

So let me give you quick example. This is actually an acquisition that we've just recently signed a purchase and sale agreement for. So with the contract we signed, we haven't closed it yet, it should

close in the second quarter, it's a $16 million acquisition annual sales revenue about $6.5 million a year but a 15% IRR.

So it's about above our normal IRR. And how are we going to get that? In this case, it's actually a market where we have a very strong presence today and great infrastructure. So we're able to take all of the facilities, all the records management businesses being bought here, and the seller, by the way, is selling as this as non-core to their existing business and so they're selling this off to us. We're able to integrate into all of our existing facilities. It's going to take us a couple of years to get everything fully moved in, about $6.5 million. But if you think about from a cash-on-cash return standpoint, cash-on-cash return here is in the upper teens, almost 20%, then again a 15% IRR.

Goes back to what Ernie's point was in the first acquisition you do in a new market, when you're building the team, you're building infrastructures, lower return. The second one, the third one, those continue to accrete even more. Quick example on lease consolidation. This is – in the past, we've talked about we've been doing more lease conversions, I'll touch on that in just a second. While we continue to find opportunities, especially post-Recall, to consolidate in existing markets.

This is an example of a facility in Philadelphia where we had six existing lease facilities. We found some land and ability that this is sort of working closely with Patrick's team on operations to build one brand new industrial building and build-to-suit done for us. So we'll own the land and the building. 36-foot clear heights. We're going from 469 square feet leased to 182,000 square foot rented. Going back to how do we do that, how do we get a 13% return on real estate investment when real estate cap rates are – industrial cap rates are about 5%? It's because of the operational efficiencies. Those are the things that we talked about before, and our ability to lease it out on a cubic foot basis. Really focused on density and operational efficiency. We're able to go from six facilities to one and generate a 13% return, really, for this operation. This is in – this will be in Lehigh Valley. The building just completed. It'll take us the next few months just to start moving boxes in.

We haven't talked a lot in the past about capital recycling. This is something, again, given – in my real estate background, and again those 5% cap rates going on in real estate, we're looking at the portfolio to see, are there opportunities for us to take existing investments, existing real estate that may have a higher and better use. So this is in East London, it is a riverside facility. So it's in East London, it's a Class B warehouse. Actually, it's called a transportation hub, it's basically a cross-dock facility where boxes come in from London and they go out to other facilities. And working with Patrick's team, they were able to come and say, we don't really need that cross-dock facility. We can move those operations to other existing facilities. And put this – so we've put this on the market and the owner of the plot next door is a residential developer who wants to do sort of a master plan redevelopment.

So it's in planning now. We have a contract to sell it if the planning falls through so this is not guaranteed. We expect it to close late 2017, early 2018, but these are the type of opportunities we're looking for, are there – is the real estate in our portfolio, are there opportunities to harvest it when real estate valuations are really at near peak? We'll continue to look for opportunities to harvest.

We are – again, we've touched on this before. We are, again, investing in adjacent businesses. We're going back to some of this for immediate growth in terms of the – on the acquisition side, data center takes a little bit longer. When you're doing real estate development, it takes a while to stabilize. As Mark talked about, we've actually pro forma-ed a three-year stabilization period for the first building which we think is on the conservative side. We continue to have opportunities there at Iron Cloud. And on the innovation side, we also have great opportunities there where we really leverage the brand, the customer relationships we have, things that are largely adjacent to the business to sit down and say long-term, we want to have additional long-term growth vehicles, we want to be planting those seeds, watering those saplings, and I don't have any analogies that I can

use today, to continue to grow the business innovation. Again, we'll do it in a disciplined way, but we need to start doing it – we will continue to do that and we've got a number of great examples to keep going. You'll see those in the innovation showcase, just a handful of those.

Talk about then our balance sheet and our capital structure. Again, if you look at where our leverage is, we projected lease adjusted leveraged to be about 5.6 times at the end of 2017. Again, higher than what our long-term run rate, what we'd like that to be, so we're trending down towards 5. Just when I think about it and I think about where our rating is because we're not an investment grade company, again doing my research from the outside before I came in, and so that's not investment grade, it must be really risky. And then I want and looked for bonds trade, and if there's bondholders in the room you all really understand this already.

There are bonds traded on average, the liquid bonds are trading like 200 basis points over treasuries, which is pretty much right in line with investment grade. So from a rating agency standpoint, they look at us like we're a business services C-CORP, not like we're a real estate company where the average box stays on the shelf 15 years paying rent year-in, year-out.

So if you look at what our structure has been, first of all how we are going to fund the growth? This is really also largely unchanged. We've got $1 billion of liquidity available. Continue to grow those operating cash flows, puts us back into business to fund core growth racking some of the acquisitions, secured and unsecured borrowings remain available and then capital recycling is something we haven't talked a lot about. So we're going to continue to do that as well where it makes sense.

Debt structure is pretty much right on target with our long-term targets, 75% fixed, 25% floating is about our target. We're right there. Average interest rate, 5.2% with an average maturity of five years. You can right in line with what our long-term targets are. We do use some foreign denominated debt, try to manage – put a natural hedge in on the balance sheet, some tax management in there as well, that will continue. Lease adjusted leverage ratio, end of last year was 5.7 times taking that down to 5 times, and we won't – we're not necessarily done there but that's what the plan calls for right now.

We will – if there's opportunities that show up outside of the plan, the other acquisitions, real estate, whatever things – if the markets change, we are open to looking at other ways to fund that through joint ventures, co-investment, equity, including an ATM. So we've not, we – as a CFO, I want to keep all of the tools in the toolkit that I can. But for our current business plan, we can continue to fund the current business plan as it is because that growing EBITDA, the growing AFFO continues to fund acquisitions and allows us to de-lever.

Underpinning the balance sheet is a really strong real estate portfolio, and I'm not sure – if you haven't spent a lot of time through studying what we own and where we own, and I want to touch on this for just a second. We control 86 million square feet of real estate. We own almost a third of that. So why do we own and where do we own? We want to own real estate in land constrained markets, as well as particular buildings and particular assets where we think we can create value.

I want to lease in markets where the markets are quite liquid in terms of there's lots of buildings going on. Some markets tend to get overbuilt. There are certain jurisdictions that have tax incentives to increase industrial development. So those are not areas where I can create value – Iron Mountain can create value with those. We want to lease in those types of market. We'll control those buildings through long-term options through options that are mostly multiple-year options. We don't necessarily want to own in those markets.

So if you look at where we own, if you're an industrial real estate investor, these are all the key markets you want to be in. The top markets that we're in are Northern New Jersey outside of New York, Boston, Chicago, Dallas, L.A., all the top quality markets. From a real estate standpoint,

again cap rates in these markets are about 5% today. The total gross book value of these buildings including the racking in them, is $1.7 billion. So if you think about the NOI coming off from these buildings with a 76% gross margin, it's much higher than other industrial real estate companies get because of the nature of what we're able to provide to our customers. We get much higher returns on this real estate than a typical REIT owner will.

And again – and if you think about from a lease standpoint, most industrial leases are for 5, 7 years, 10 years, well we've got annual pricing on our boxes and I'll come back to that in just a couple of minutes. Those boxes are there for an average of 15 years. So top markets in the U.S. Internationally, similar picture. If you look at the markets where we own, top markets, Canada, UK, Brazil and within those markets, we'll be in the top sittings. Internationally, we own less, we own about $700 million. Recall leased almost all of their facilities so a percentage of what we owned internationally.

Let's talk about our outlook in terms of what – put this whole plan together. This is the great reveal. Some of this was talked about. Very confident from putting together all the different pieces from what my colleagues talked about. I'm going to start with revenue. Rolling this up. And the numbers here, when you look at developed markets, emerging markets, this is the midpoint of what Partrick and Ernie presented earlier. The total revenue growth between 2017 and 2020, about $300 million, so about a 5.3% CAGR. And again, about 60% of that organic, 40% of that coming from acquisitions. Base business growth about $70 million, again coming from the stabilization of Phase 1 of the data center, growth in the data management business, Iron Cloud that Eileen talked about is a big driver. So this is consistent growth to what we presented in our last 2020 vision – original 2020 vision.

If you look at from an EBITDA standpoint, growing at 7.6%. We've got margin expansion growing faster than what the revenue is growing, growing over that $300 million, about 50% flow through if we think about it that way. Again, the midpoint from the developed markets and emerging markets standpoint, adjacent business is the same thing. As the margins and data center are quite high because of the capital business, they get good flow through on the adjacent.

This is a little different. There's one thing I want to point out here, it's a little bit different than the original 2020 vision. And because the original 2020 vision had included in it that we would be deploying about $100 million a year in capital to convert these real estate to owned, which in certain cycles makes very good sense when cap rates of buying industrial real estate are at a five cap rate, now is not a great time for us to be putting capital to work there, because there's other places we can put capital work to get much higher returns. So we've taken that assumption out of the plan. If you adjust for that, from 2017 to 2020, it's the same growth rate as we had in the plan.

Starting from the right, it was adjusted to get 2016 year, adjusted for the new starting point post Recall acquisition, so the growth rate from the 2016 starting point, adjusting for that to growth rates on this. So if you look at what the impact is, again I touched on the revenue growth and EBITDA growth and the margin expansion, up 200 basis points of margin expansion in the plan. And if you look at then how that flows through, you've got faster AFFO growth over the same timeframe, AFFO will be growing around 8% and that's because of some efficiencies on maintenance CapEx, in particular. Maintenance CapEx today is a little bit elevated post Recall as we go through and do some catch up maintenance on what – with their buildings. And so that will get more efficiencies on the maintenance CapEx.

In that 8% AFFO – 8% AFFO growth funding in 2018, planned 7% dividend increase, and then 4% dividend increase thereafter, again growing the dividend year-in and year-out faster than inflation. And this also then leads to, when you think about the dynamics of the 8% AFFO growth and the dividend per year growth leads to the reduction in leverage over time, as we naturally delever the company.

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This is what gets me excited about being part of Iron Mountain. So, 2017 guidance is then here, it's unchanged. We've got earnings next week. So with earnings next week, we'll talk about it then, today we really want to focus on the strategic plan and where going with the company over time.

Before I wrap up my section, there's a couple of other points I want to make, and questions that I get from investors pretty regularly. So for those who on the webcast, now is the time to put your refocus back on the earnings call, the call here.

I get a question a lot around what's going to happen to Iron Mountain, where we get rising interest rates and rising inflation. And the short answer to that is, A, Ernie operates in those environments today, but we've got markets like that today that higher – high inflation, higher interest rates, we know how to operate in them.

What differentiates us from a lot of other companies out there, especially REITs, is again we've got annual pricing. So we reprice our contracts typically annually. Some of our contracts will have CPI base escalators throughout their fixed contracts, so we're able to offset it. But most of the real estate companies, we think about rising interest rate environment, don't have the ability to do that, because they've got these 5-year, 7-year, 10-year leases that are fixed term. So you can dig and get the business degradation, right, where interest rates to cost of capital is rising faster than you can pass that on. Well, we've got a high flow through, and we've got gross margin of 75%.

As a CFO, I love inflation because I can take my price up 2.5%, 3% and my costs are only going up 2.5% or 3%. The flow through on a dollar basis is great. I don't mind having inflation because I have the ability, we're much more nimble than a lot of other companies out there to be able to do that. And as Patrick touched on, this business doesn't have a lot of demand elasticity based on price. We're not going go out there and gouge customers, we're going to do it thoughtfully. People understand that when costs go up, we have to pass that on. So we've got the ability to pass on prices that make sense, and we got a relatively fixed cost base on the real estate side.

Other point I want to make is then really about the other thing that attracted me to Iron Mountain, and it comes back to ability to create wealth, right, because when we make career decisions, it's typically a little bit selfish, but I do think that Iron Mountain is incredibly, attractively valued. And it doesn't take a lot of it – going back to sort of the – we've been talking about facts before in terms of what's going in the volume of the business. When you look at the valuation of the company and where we are today, comparing Iron Mountain, look at our dividend yield of 6%, compared to REIT average of about 4%.

Payout ratio, pretty much right in line. The payout ratio will come down a little bit as we grow EBITDA, grow AFFO faster than the dividend. And we're growing faster, we're growing faster. If you look at price AFFO, there seems to be a disconnect there. Yeah, I want to – I need to acknowledge, I guess, we're different than other real estate companies and other companies out there. We don't own all of our real estate because I can get great returns not only in real estate, I want to put capital to work with highest and best use. I understand that Iron Mountain is more complicated. No other REIT has 24,000 employees out there to manage, right? We're also more complicated in the sense that we've gone through the REIT conversion, we've gone through the Recall acquisition.

I understand that it takes more time and more work. I understand that there's not a lot of benchmarks out there. But I do think that from a valuation perspective, that we continue to look very attractive.

So when I really go back and try to really wrap this up in terms of what it – not just what brought me here but what also the team are able to accomplish, willing to accomplish, what we're excited about delivering to our shareholders, right?

We've got a durable records management business. We know how to grow it. We've got plans in place. We talked about the pipeline. We know the acquisitions that we're looking at and the returns that we can get on them. We've got a pipeline. We don't know the exact timing of each of those, but we're actively working at every week. Great returns on those. We can create lot of value for shareholders just through acquisition.

Strong cash flow generation right from the existing core business. We can continue to improve the cash flow out of the existing core business by increasing margins. Getting more efficient, as Deirdre talked about. Running our business is better. We're looking at ways to continue to expand into newer, smaller markets. We talked about some of the innovation investments that we're working on to serve customers differently.

While a lot of businesses evolve, our business will evolve, but the rate of change in this business, the durability of this business is really unique. It's really exciting because we can take that cash flow, we can continue to provide great returns to shareholders, right? With dividends growing faster than inflation, we continue to invest back in the business. And I do think that it's incredibly attractively valued that for everybody here in the room and on the phone to determine for themselves, really excited.

With that, I want to thank you, all, very much for your time this morning, and we'll head into Q&A.

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Please welcome back Bill Meaney.

William Leo Meaney, President, Chief Executive Officer & Director, Iron Mountain, Inc.

They're just going to bring up some chairs so my colleagues can help me with the Q&A. But just to add to Stuart's very good summary at the end, I too – I didn't start at the beginning, but if you remember last time, for those of you here a year and a half ago, I started off saying I was even more excited the longer I'm at the company. And I can say that even more today. Because for those of you who've been following the story is that when I first joined the company, people said, are you going to become a REIT? Then we laid out the strategy and they said, yeah, but can paper documents really have organic growth and can you execute on that strategy? And then I heard things like, well, okay, you've got the REIT and you're still growing your paper document business, but can you walk and chew gum at the same time? Can you continue to invest in the business, continue to drive both organic and inorganic growth and pay the dividend that a REIT has?

And then we worked through all that and we had demonstrated points even a year and a half ago when we stood up here, and we still have the question and saying, well, are you going to close the Recall transaction? So it seems like it's the constant moving the goalpost to yet another question. And some of the people on our Board say, Bill, since you've been in the company, it's been very messy, because we see that the REIT conversion and Recall.

And the nice thing about being excited about today besides having a great team that I come to work with every day is that a lot of dust is settled and we now have three years of the strategy. So in spite of the naysayers, the core box business continues to grow organically, we continue to find acquisition opportunities that are both accretive very rapidly and extend that franchise both in the developed markets, but as well as Ernie's fast-growing emerging markets. And we've also been able to demonstrate that our brand and the trust that we developed with 950 to Fortune 1000 initially mainly around the box and the tape resonates when we talk to them about cybersecurity in air gap type solutions and new services. But more demonstratively recently is the rapid growth that we're seeing in data center.

So I think that the longer the train runs, so to speak, the momentum is building, and I think I've done a pretty good job keep a little of the dust down. So I haven't added a lot of turbulence in terms of another REIT conversion or another Recall acquisition.

So with that, I'd like to turn it over to Q&A and ask my colleagues to come up on the stage to join me. There is also one person, Ted – where is Ted MacLean? He's supposed to be joining us. Yeah, Ted, could you join us as well? So, Ted MacLean, who's our EVP in charge of adjacent businesses excluding data center – data center is a stand-alone business – as well as innovation, is also going to join us if there's any questions on that. And Ted will also be leading one of the innovation showcases later.

So with that, let me open it to questions. Yeah, I think there's – yeah. Thanks. George?

QUESTION AND ANSWER SECTION

<Q – George Tong – Piper Jaffray & Co.>: Hi. Thanks. George Tong with Piper Jaffray. Bill and Stuart, you're on track to achieve $180 million in run rate cost savings from Transformation Program and Recall synergies before reinvestments. At least $50 million before you get to your $230 million target by 2020, can you talk about the cadence of how you expect to achieve the remaining $50 million over that time period?

And then secondly, as it relates to reinvestments, do you anticipate additional required reinvestments in order to hit your growth objectives in the out years beyond the $20 million that you already have planned for this year?

<A – Bill Meaney – Iron Mountain, Inc.>: Thanks, George. Good question. Let me start with your last part of the question, and then I'm going to hand over the cadence to Stuart, so he can take you through a little bit of how that kind of ramps, is that we made a decision this year to recycle $20 million from that innovation program because we wanted to accelerate some of the – what I'll call the transitioning to the shared services that Deirdre went through as well as investing some of these showcase.

But what you can expect going forward is that $20 million will get reabsorbed back into the body or into the gross margins in terms of margin expansion. And then on a go-forward basis, the way that we've built our continuous improvement program beyond the $125 million Transformation Program is to have it just naturally drive margin expansion, and whether its Ernie's business, Mark's business or Patrick's and Eileen's businesses. So I'll let Stuart talk a little bit more...

<A – Stuart Brown – Iron Mountain, Inc.>: Yeah. I think you got it. You already touched on it, right? If you look at where the expense is going to come from from a margin standpoint, it's built in the guidance numbers that we have here. So to get a piece of it in 2018, some of it's coming from – because some of the changes that we're making in the business that Deirdre talked about from a shared service standpoint, combining back office systems, there's opportunities as we have immediate cost savings in terms of we'll be doing things more efficiently in more cost-effective areas. But also then the data and information is going to come out that are allowing us to make better decisions going faster. So it'll be spread in 2018 and 2019, and then some of that – there's more opportunities beyond that especially on the reinvestment opportunity.

When I came in, there's some things I'm really excited about. One of the big opportunities was a lot of the back office systems. The company has done such a nice job doing rollups and focusing on accuracy and accident and record management. Some of the other back office systems we got some catch-up to do, we're making a big push there.

Andrew?

<A – Bill Meaney – Iron Mountain, Inc.>: I always say – and Kevin, sorry, you don't have a microphone yet.

<Q – Kevin McVeigh – Deutsche Bank Securities, Inc.>: Hey Bill. Hey. So, congratulations obviously on the integration. There's a lot more behind the scenes in the market to give you credit for. And then just thinking about kind of the CapEx investments, if I do the math, it looks like the growth is about 6% over the next kind of 2018 to 2020 on average per year. If you put in maintenance, that's probably another 3.5 points to 9%. Historically, you've been 12% to 15%. I think that's a great indication and maybe an inflection point in terms of the run rate and CapEx as a percentage of revenue. Number one, is that the right way to think about it, and does that help fuel kind of the dividend growth going forward as well.

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<A – Bill Meaney – Iron Mountain, Inc.>: I'm going to let Stuart answer the question obviously. But the one thing just to tell you what's the driver because you're saying, are we actually running the business differently than we did previously? There is efficiency that's coming through in CapEx and you can see that why our AFFO growth is exceeding our EBITDA growth for that reason, right? And a lot of it comes down to some of the things that Ernie highlighted, as we build scale in some of these emerging markets but also scale in our developed markets, and a lot of that was turbocharged through the acquisition of Recall. We are able to operate things much more efficiently.

On top of that there is, what I'd loosely call, R&D in terms of that deep real estate knowledge that allows us to even make further efficiencies as we build out new facilities and add to existing facilities. You may want to...

<A – Stuart Brown – Iron Mountain, Inc.>: Right. And so the maintenance – it separates a little bit between the real estate maintenance and sort of back office maintenance costs. It's been running $150 million to $170 million a year. It's just that 2017 is 4.1% of revenue and that will come down a little bit over the next few years. All the other investments that we make, again largely the same guidance. We've actually taken the acquisition guidance up a little bit. It's all discretionary, right? When we find the right opportunities to grow the business and put that capital to work and get the right returns on it, we'll be making those investments. And some of it is going to be, I think be more of a – there's a little bit R&D-relate with focus on long-term growth. It's going to really depend upon the opportunities. But the discretionary capital spend on that is largely the same with what we had in the past.

<Q – Kevin McVeigh – Deutsche Bank Securities, Inc.>: Got it. And then just one more on the dividend real quick. It looks like the legacy business builds up 4% through 2020. Is that getting too specific on what the increase would be? What are the components beyond 2020, Bill or Stuart, in terms of your 75% kind of mature versus 25% growing? Any thoughts on where that dividend growth comes from?

<A – Bill Meaney – Iron Mountain, Inc.>: I think we're – there're just two parts to that. You'll notice that we actually have built in a bit of a cushion on dividend growth because EBITDA is growing faster than what we're guiding on the dividend side. So that gives us a little bit of buffer. And you can see that in some of the AFFO and leverage ratios coming down.

But the other thing you have to keep in mind, and we're not saying that we won't guide to a high number, but at the same time as the data center becomes a bigger portion, right, you're not going to go and fund growth by growing dividends and then having to put an ATM in place to actually fund that. So I think it's going to be based on how we see Mark's data center business development that we're really excited about the types of returns that we're able to get in that business, and what the demands are for capital in terms of how we look at growth going forward.

I think it's fair to say beyond 2020, I feel the 4% is still a very doable number to maintain in terms of the way we're generating cash with or without a rapid growth in the data center business. But if we look beyond that, and I think we want to look at the portfolio of the business and say, should we increase that even faster or should we maintain that kind of growth level. Yeah, Andrew?

<Q – Andrew Steinerman – JPMorgan Securities LLC>: Andrew Steinerman at JPMorgan. I think I detected more mentions of price realization, focus and analysis on price now than actually in years. My question is, why now, Bill? Is it because CPI is coming up or is it really a consorted effort, or maybe you know more about price? Why now?

<A – Bill Meaney – Iron Mountain, Inc.>: I'm smiling, Andrew. I was at a financial institution the other day visiting a customer, and I replayed your question from a year and a half ago to me on price and I think I'm going to bring Andrew with me next time. That is – sorry, that's it, I couldn't

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suppress my smile. But in fairness to that, I think that what we – and this – I don't want to tie this to the Recall acquisition, right, because I get that question all the time. And you and I have been talking about the retooling we've done on revenue management. And Ted may want to address it a little bit because in addition to doing innovation, whilst each of the businesses drives their pricing formulas, they get some of the backroom support from Ted's team in terms of probably analytical tools that drives that.

But it's fair to say that we've been probably not as forthright in terms of getting the full value in the service that we provide. And I think the shorthand is that we're much more forward in doing that. Again, not gouging our customers, but I would say asking what's our fair deal for the value that we're creating. I don't know, Ted, if you want to add anything to that?

<A – Ted Maclean – Iron Mountain, Inc.>: The only thing I'd add is that we're just being much more consistent in how we're going about – thinking about pricing, working closely with the businesses. And as Patrick alluded to earlier this morning, in terms of ensuring that our sales force is properly thinking about the value that we're delivering in exchange for the price that we're charging, we're working together between our revenue management teams and businesses to actually have a strategy and be structured and thoughtful about how we go about ensuring that we're charging right price for the services to the right customer. And I think it's been part of a journey we've been on for the last couple of years when this finally started and pays benefits to all of us.

<Q – Andrew Steinerman – JPMorgan Securities LLC>: Let me just finish. And the other vendors are also being sensible about price?

<A – Bill Meaney – Iron Mountain, Inc.>: Well, this is our comment. I'm not sure. I don't see ourselves having a direct competitor in many ways because what we provide is very different in lot of it. So I wouldn't even say, do they follow this or not. I mean, for instance, I'll tell you one thing, in the middle market generally, we are not the price leader.

<A – Ted Maclean – Iron Mountain, Inc.>: No, not at all.

<A – Bill Meaney – Iron Mountain, Inc.>: So if we just charge what our competitors do in the middle market, we will do very well. And I think on the enterprise level, if we spend a fair amount of time explaining the difference – so I'll just give you one specific example on this. If we have not marketed as probably – aggressively is the wrong word – but as broadly as we should, that in the financial service segment, we are the only vendor that is FFIEC-certified or in the FFIEC program, right?

So if you're a compliance officer in a bank, most banks when they realize that they say, well, look, A, they recognize it costs Iron Mountain to be part of FFIEC, and for those of you in financial services, you know our pain. And so it's costly to be involved now and I won't say it's a biad thing, but it costs you money. And the other thing, it does reduce the risk when we service that.

So I think that when we come to the, let's say, in the middle market, I'll be happy to get the price that our competitors get, and in the enterprise market is we are a part of what Ted is referring to is we're also describing or differentiating our services in ways that we probably haven't done as well in the past.

<Q>: My name is David Harris. I'm an investor. I have a couple of questions related to your overseas activity. If we look at today, what percentage of your total revenues is being generated non-dollar? And what does that suggest if we look forward into 2020 numbers? Can you give us an idea of the hedging you would associate with those revenues?

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<A – Bill Meaney – Iron Mountain, Inc.>: Okay, I'll let Stuart answer the question in more detail. But generally, we are pretty typical of an S&P 500 company in terms of if you look at our mix as kind of like the 60-40 type mix between U.S. dollars versus overseas. But the other thing that is different than us, and I'll let Stuart go in more detail on how we think about translation risk, but if we look at just pure margin risk, our revenues and our costs are matched in the countries. But there is a translation component that's independent. And so obviously we're taking U.S. dollars and investing them in overseas.

But if you look at – we don't have a manufacturing problem, where we're manufacturing in dollars and selling in another currency. Our cost and revenue are matched into the country. So, Stuart, you may want to comment about this?

<A – Stuart Brown – Iron Mountain, Inc.>: Yeah. So if you think what is the actual mix from a revenue standpoint, I think it's about 25% – 25% to 30% is denominated outside the U.S. dollar. More important from a hedging standpoint, what's important to remember is that our revenue will be in local currency and our expenses are in local currency as well. So we're not really exposed from a local market basis to changes in currency.

And so from a translation perspective, what we try to do from a balance sheet perspective is to match the level of debt with the level of cash flow coming out of the business. And in most of the emerging markets where we're reinvesting and growing back in those markets, we're not deploying cash out. So, we're trying to create a natural hedge in the balance sheet by having debt denominated in the local currency relative to the cash flow that gives you.

<Q>: Okay. So if we're 25%-30% today, what is it on your 2020 projection?

<A – Bill Meaney – Iron Mountain, Inc.>: It's a little bit more than 25% to 30% if you include Canada.

<A – Stuart Brown – Iron Mountain, Inc.>: Oh, yes. I'm sorry. Yeah. I apologize about that.

<A – Bill Meaney – Iron Mountain, Inc.>: For the Canadian.

<A – Stuart Brown – Iron Mountain, Inc.>: Yeah.

<Q>: Okay and 2020?

<A – Stuart Brown – Iron Mountain, Inc.>: 2020, I think you can add probably another – somewhere between 5% and 10% of the mix, I think, based on the acquisition growth rate that we've got.

<Q>: And then just another quick question, if I may. If we think about the U.S. REIT rules and if we look about your overseas expansion, is there any impediment to the signs of your overseas activities relative to the pace that was presented by – are you presumably paying tax on all your overseas activities?

<A – Stuart Brown – Iron Mountain, Inc.>: Yeah.

<A – Bill Meaney – Iron Mountain, Inc.>: Yeah. It's a great – let me start and then Stuart can add more detail if he wants to. It's a great question because actually it's a benefit rather than a drag. You're right to point out that in overseas operations, a lot of our overseas operations are non-qualified REIT assets. But we have converted a number of them into REIT assets. And we do that for two reasons. One, then it qualifies as part of the asset test. So when you're running a U.S. REIT, you can include in your asset test and your other tests or the REIT's test your overseas assets if you've actually demarcated those companies or operations between what's the qualified

REIT subsidiary, i.e., storage and real estate business, versus the service business. So that's point one. So that gives us a lot of flexibility in terms of making sure that we don't go on the wrong side of the REIT rules.

The second thing, what the REIT rules in the United States allow you to do is I call it the inverted inversion. So we don't have to become – do one of these overseas tax inversions to be able to efficiently repatriate cash to our shareholders through dividends. So, what they allow you to do is that you can take things from a qualified REIT subsidiary overseas back into the qualified REIT mother ship in the United States and pay that out to our shareholders without attracting two levels of tax. That's a huge benefit and we start – so we never have to feel like we've trapped cash overseas, which obviously a C corp does.

But your specific point is we don't enjoy, say in the UK, a REIT tax rate. We pay the normal corporation tax rate in the UK. And to Stuart's point, that's why we also not just to hedge the balance sheet from a translation respect, that's also why we put debt over there because we get more tax deductibility associated with that debt.

<Q>: Thanks.

<Q – Justin Hauke – Robert W. Baird & Co., Inc.>: Hi. Justin Hauke with Baird. So I guess I want to say, first of all, I get the plan and commend everything that you guys have been doing, you executed really well. I guess I just wanted to ask a little bit about the contingencies that are left in place for the 2020 plan. And the reason, why I ask that is two years ago or a year half ago, when we did this, the EBITDA for 2020 was $200 million higher, which at five times leverage is about $1 billion less than the capital capacity that you have, which obviously you've offset with the improvements in maintenance spend and some of the decisions about real estate reinvestment.

And I guess on the other side, I would say on the organic growth, well, the edge of the business, globally the storage volume has been stable, but you've grown the size of the international business, which is growing faster. And you've also done commendably all these initiatives to segment the business lines that you're going after that have enhanced the growth, you've been able to keep it flat.

So I guess the question that I have is, if things change, how much wiggle room is there in the numbers for you to be able to continue to hit the targets that you have, if anything was to change here?

<A – Bill Meaney – Iron Mountain, Inc.>: I think – let me try to answer your question in two parts. First of all, in terms of your – do we like to have contingency in our numbers? I mean, obviously we do, right. And you say, well, it didn't look like we have contingencies last time. A few things that have changed versus last time. Don't forget, when we were here a year and a half ago, I think you all would have lynched us if we had walked out of the room without giving you guidance on what we thought Recall was going to look on our numbers. So the big difference, the delta that you're talking about is that we had – and the last thing I was going to do was come in here a year and a half ago and say that the DOJ, the Canadian, the Brits and the ACCC were going to gang up on us because I wasn't going to encourage them, let me put it that way, right? So the big thing about the change in that was the three-letter code or an acronym or in the Australian's case four letters is they actually took a bigger pound of flesh than we expected in terms of the business. So that was the biggest change.

The only other change – so actually a very little changes to 2020 other than the other thing that Stuart alluded to, which was we have bad on us, but we have made a decision looking at where real estate cap rates are now and the frothiness of that market is we've said we don't think it would be wise to earmark $300 million of capital between now and 2020 to buy in a bunch of real estate on a conversion basis, which does take our EBITDA margin down, right?

So other than that, it's the same plan. I think the big miss, so to speak, is that the regulator was much more aggressive than we foretold. I mean, it's still a great deal. It's still driving a lot of accretion. So then you say, okay, what does that all mean in terms of management's attitude when we recap the 2020 plan is obviously we build in a little bit of buffer to make sure that we feel – I mean, I'm not saying that – when I say buffer is that we pick something what we call down the middle of the fairway, where we think that the risk, the upside and downside risk is evenly balanced, and that's how we put the plans together. But I think the big difference was the regulatory factors.

<A – Stuart Brown – Iron Mountain, Inc.>: Right. I just mean because the dividend hasn't changed since then. So it's not a miss. It's that there's things that impact negatively and then things that were positive. So it's...

<A – Bill Meaney – Iron Mountain, Inc.>: On your question, well, on the dividend side, and you can say it's a good point. If you look at our AFFO payout ratios and actually we're able to do the dividend a bit quicker. And how we've been able to do that is that we've got more margin. There was some contingency in the businesses that we always think we're going to try to do better than what we tell you in terms of margin expansion. And in fairness, Patrick and his business has done a very good job in the developed market, but you also saw in Ernie's business that the march has been a steeper pathway to pretty much say don't expect to – expect low 20s EBITDA margin in the emerging markets because we are constantly adding new businesses in that. And quite frankly, they've done a pretty good job on the margin expansion in the emerging markets as well as we're building out scale.

So there's been some upside in terms of the plan that we originally laid out, and that's what allowed us to pull the dividend forward a quarter early.

<Q – Shlomo Rosenbaum – Stifel, Nicolaus & Co., Inc.>: Thank you. It's Shlomo Rosenbaum from Stifel. Can you just talk a little bit about the assumptions for the services revenue in your 2020 plan? And are we talking about that continuing to be negative as a drag, like less of a drag, or has that become positive? What are your thoughts on that?

<A – Bill Meaney – Iron Mountain, Inc.>: So, I'll let Stuart and then Patrick wants to add color about how we're getting there on the 2020. But just to correct you on one thing, Shlomo, on that is that what we've guided for already in 2017 is to be plus or minus zero. So if you can see that we've gone from kind of – on a rolling three-year basis, it's kind of minus 2.5%. I think it was exactly the specific number. And on a point in time it was down over minus 3% three or four years ago. And we've marched that up to just under zero percent. And we've guided for already in 2017 will be plus or minus zero percent. So roughly about where we ended up in 2016 probably with a little bit of improvement, and then that will generally trend from there.

<A – Stuart Brown – Iron Mountain, Inc.>: Yeah. And from 2018, 2019 and 2020, largely in line with 2017, right, as the mix continues to change in some activity-based services declining offset with some of the new innovation that we're talking about in investing and in growing today.

<Q – Shlomo Rosenbaum – Stifel, Nicolaus & Co., Inc.>: It's really just to keep it assuming services are flat, any changes else other than they had come out on the storage business you should think about basically? And then on the pricing, I'm going to just focus a little bit more on that. Once you got into this, how much of the margin expansion should we assume? I know you don't want to get – wanted to quantitatively into this, but how much of your margin expansion going out to 2020 is really, hey, we have a pricing mechanism inside or internally we've focused on that? And how much of it is really all these efficiencies and back office systems? Is there really a...

<A – Bill Meaney – Iron Mountain, Inc.>: I think you're right. We don't want to. We don't want.

<A>: At that, I think we're out of time.

<Q – Shlomo Rosenbaum – Stifel, Nicolaus & Co., Inc.>: Okay, well then maybe it says it all right there. Okay, then I've been at these Analyst Days for a while, and I've heard middle market and federal each are a billion dollar opportunity or that maybe – Richard Reese mentioned them. Am I going to sit here in 2020 for the 2025 plan and talk about how they're each a billion dollar opportunity and when does that actually become recognized? I mean we've heard about this for a while, is this something that just a little dent on that would make a difference in your top line growth and is this just something that this opportunity has potential and always will?

<A – Bill Meaney – Iron Mountain, Inc.>: Yeah. Well, I'll say something that the Asian investors in the room will appreciate. When people used to ask me about should – when I was living in Asia, should I invest in China. And I said look, if you're saying to me, you don't need your money back for 20 years, you should absolutely invest in China. If you're asking me whether or not in five years, it's going to be the best, I can't tell you that because the timing isn't totally under my control. I would say the same thing with the federal government. If you're saying to me, do I think sanity will – I know this is – I'm totally undercutting my argument, sanity will find its way to Capitol Hill, I think that the opportunity is there. It's clear when we speak to the federal agencies that if you think about it. To think of it in another way is that when people say this, are you getting traction – has the Trump administration made a difference for us, and I get that question all the time. I say, actually the Trump administration hasn't made that much of a difference because the federal agencies before were very interested in procuring our services, because they actually have internal charging and they also have real service needs. And they're not getting pricing or service levels that they want and they know they could expect from us and some of our other private companies that compete with us.

So, it's definitely the demand, but Washington has its own ways to work. I do think we have a little bit of wind at our back right now, and I'm not being political about it, it's just that the back at the White House and the Congress are controlled by the same party in theory is that, that seems to be building a little bit more consensus around restructuring some things that the government has done in-house. But, I can't tell you if I'll still be talking about the billion dollar opportunity in 2020, but I do think that we're making good progress. And you saw, in Patrick slide, we have seen actually good uptick up in booking of small bases and also in terms of lead generation.

<Q – Shlomo Rosenbaum – Stifel, Nicolaus & Co., Inc.>: What about middle market Bill? I mean, middle market's also one of those things that – I mean maybe these people just don't want to outsource the same way and it's just – and it's been a large unvended opportunity and just stays that way.

<A – Bill Meaney – Iron Mountain, Inc.>: I think that on the middle market, I'm going to let Patrick talk about it. There's two parts of middle market. One is the unvended, exactly what you say and there, the opportunity is, is generally when we go to the middle market that – into small to middle market that's unvended we find that people don't understand the categories, little bit like India. When I go talk to Indian customers even very large enterprises, they don't know the category exists. So you spend quite a bit of time and what you have to understand is for a small to medium-sized business that's using a self-storage locker which is usually the alternative for them, is that if you do the rough math on a self-storage container, it typically turns out to be $1.25 to $1.75 a cube, right, in terms of cubic foot for the cost of that storage. So, that's what we're selling against and it's an education process, so – but, again those people do care about cost and they also care about not having to drive to a self-storage unit to find out it's half flooded. The other part of it is how do we take the fight to the part that's already vended where we have today probably what around 12% market share and our natural market share in the enterprise space is north of 40%. So, those are the – I don't know if, Patrick, if you want to comment.

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<A – Patrick Keddy – Iron Mountain (UK) Ltd.>: Yeah, just briefly. My initial reaction to your question was if the message is the same in 2020, it's highly unlikely to be me that's delivering it.

We have been at this a long time. I think, I alluded today my remarks this morning. I've been in this role for two years. We've literally wound back the clock and started from scratch with the whole range of factors playing out here. Everything from on a sales force mentality I want to hold myself back for the big elephant, I'm going to wait for the big deal to come along. I'm not going to chase the smaller ones. To the lack of science to be quite frank, and we had at times in trying to penetrate this market. What we needed to do and what I believe, we've now done is narrow the field to a manageable number of opportunities that's the 37,000 figure down to lot when you spread it across our territories now sizing our sales force. That's a very manageable number. And we've been very precise to have the characteristics of the customers that will buy from us. We know they'll buy from us, because we already have customers that look exactly the same on our books. The difficulty has been the classic needle in the haystack. There's many, many out there, and they kind of look the same, if you don't look deeply. And it's been a question of how do you deploy your sales force on a cost effective basis to get to the targeted opportunities, and bring them at home to make sense of the cost of employing our sales. I really believe we've now cracked this magic. We're at the point where we could take the strategy forward. We're already delivering some results in the numbers that you'll hear about next week in the first quarter results. And I think that we're on a good path now. So I guess – I hope the message is not going to be the same.

<Q – Shlomo Rosenbaum – Stifel, Nicolaus & Co., Inc.>: One last one just for Stuart. In terms of AFFO growing faster than EBIDTA, it sounds like this could be improvement in capital efficiencies. Is that the way to think about it? Is there something where it's that's going to be obvious to investors, when we look at it or is that just going to be a statement coming from management that the maintenance CapEx is going down, how are we going to notice that?

<A>: [indiscernible] (04:18:59)

<A – Stuart Brown – Iron Mountain, Inc.>: You'll see it in the CapEx numbers, really is where it'll flow through. And I think it's consistent with what the company talked about before, post Recall, with the integration it's going to be a little bit of higher maintenance costs as we go through, and go into some of those markets, right, in international as we bring those buildings more up to our standard. I don't think that all of the Recall buildings are where we wanted them to be. And so it'll be for the national progression, it's – I've got great partners here, who care about capital every day. And we focus on returns we're going to get in the best place that we put them to work. So it's going to be gradual, it's going to be from 4.1% of revenues this year, you'll see a 10 basis point of plus or minus [indiscernible] (04:19:38).

<A>: Yes, please.

<Q>: Anne Anderson (04:19:42), getting back to the federal government just for a moment, I think investors are wondering whether there might not be a risk factor coming with this administration. One issue being deregulation, there's been a lot of talk about that. Does deregulation mean fewer boxes to your storage units? And secondly, even though we have not seen the formal budget proposal, we're talking about a minimum of 20,000 people being laid off from federal agencies. So can you share with us which federal agencies are your most important clients and are any of them likely to be sheltered from that kind of a sudden change?

<A – Bill Meaney – Iron Mountain, Inc.>: I think I'm always a little bit careful about mentioning clients, but I think it's fair to say one of our biggest areas of activity is I would say in the Homeland area. So actually, the current administration plays into that area. So there's absolutely no risk in the areas of the federal government that we're approaching. that (04:20:46), there's going to be a decrease in the records management or you would also notice that the Data Center business we've actually found a lot of lease opportunities also in the data center. So it's not just the records

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business but also that. So that's the first part. We don't see any deregulation or reduction in manpower affecting the areas that we're generally working on, the manpower is increasing rather than decreasing in one of the areas that we're working in.

The second thing, just your broader question. It's a very good question about deregulation is that, there are two things, one is we haven't seen, there's been some reporting that banks have reduced their legal departments. But for the most part, I haven't seen banks actually fire a lot of employees. Although some of my friends that are bankers, who are not in compliance, which they would be because they feel like they're constrained in terms of what they can do on a daily basis. But to date we haven't seen any movement of that. And if you think about and I'm not talking about just the White House – so if you just think about politics in general right now, and my apologies to all of you that are in the banking industry, but the popular – the Populist movement. You're not the poster child for politicians to be giving you handouts and slapping you on the back to make your life easier. So I think this thing about there's going to be a major rollback in the deregulation, I think is – I think it's optimistic. But even if you look at the core of the business and the things that we store, is that I think the people are still going to make sure that they protect themselves against legal fights.

The other part about regulation is about personal privacy, if anything we see that's growing because of the cyber security threat. Healthcare is our second largest vertical for instance, and there's a lot of activity in healthcare to make sure that people are protecting their personal information. So, it's not just regulation although I don't see a movement – any movement in the regulation getting easier, but it's also in terms of privacy.

And we have time for one or two more questions because I also want to make sure you get a chance to see the workshop.

<Q – Karin Ford – MUFG Securities America, Inc.>: Hi, Karin Ford, MUFG Securities. Stuart, on page 99 page 100 of your presentation, when you listed funding for potential opportunistic investments, potential ATM program or other equity was the top bullet point there. Stock's up 10%; I assume maybe that's why that's in there. Can you just talk about how equity could fit into the strategic plan at all and what your criteria is for issuance, are you looking at NAV, AFFO per share, what types of things are you thinking about?

<A – Stuart Brown – Iron Mountain, Inc.>: Again, coming in as a new CFO, I want to have all the tools in my toolkit. I'd like to have an ATM in there. I'd like to have a share buyback in there too, right. So I can play both sides of it when this – depending upon where you are in a cycle.

From an ATM perspective or equity issuance perspective, in the current plan we have no need to issue equity. Mark talked about – Kidd talked about opportunities of our data centers that are out there for sale. That would be a great use, right, but not big bites of equity. But if I needed to go out and if I could create value from an acquisition and it made sense to issue equity even if it was bite-sized , going out and using an ATM and match funding could make sense, that'd be something that I can convince you from a shareholders' standpoint we would come out and explain to people, here is the specific need and use for this, it's not to de-lever, it's to do this transaction, here's the value we're going to create, here's the accretion that's going to come with it.

I don't know if there's anything else to add.

<A – Bill Meaney – Iron Mountain, Inc.>: Well, the only thing I would add Karin is I think our share price is down 15% from where it was in July so anyway.

One more.

<Q>: John Ho, Janchor Partners: Today, we clearly dialed down the lease conversion as you explained, but the other part of this real estate optimization that we emphasized last Investor Day

and it felt like it was a potentially big opportunity, but we didn't talk about it today. Can you give us some color on what you're thinking there?

<A – Bill Meaney – Iron Mountain, Inc.>: Okay. I think that there is some right now. We haven't – you're right, John , we haven't dialed it up. And I think what we keep saying, maybe we sound a little bit like a broken record, we do think there's further opportunity, as we really fully understand the Recall portfolio. But we haven't decided to guide to that. So there may be further upside on the consolidation program, which is beyond the $105 million that we've highlighted in the synergies. And we've always said that that's where we see the upside. And you're right, those typically give us very high returns, because we're able to integrate the operations. So one long or short of it is that we do think there's more opportunity in there, but we haven't built it in to the plan at this stage until we have more detail.

<Q>: We would see that in the next 12 months or is it – are you looking at it now or busy doing other stuff?

<A – Bill Meaney – Iron Mountain, Inc.>: Yeah. We're busy looking at it but I'm sure you'll keep hounding me . You'll probably get it sooner than I want to give it to you, but anyway that's [indiscernible] (04:25:39).

<Q>: Right. My other question is about shredding. I had an impression that it was a shrinking business, that it's getting cut , but it's not. On page 37, the green bar was expanding really fast. So, can you just – and we didn't talk about it today, it's about 10% of our (04:25:53toatl revenue, can you give us some sense of what's happening to the shredding?

<A – Bill Meaney – Iron Mountain, Inc.>: There's two things on that. So, first of all on a revenue – it's expanding both in revenue and in margins – of course the picture that we have in the deck, because what we're saying is, at the end of the day, it's important to get paid for services. So, we were highly focused on growing margin. As you see the compounded effect because we really have improved the margin dramatically in that shredding business. I think Patrick mentioned in his presentation, a big part of that is looking at route density, right. So, we're running that business very, very different. The other part though of running the business, you're right to point out is we're actually growing revenue much, much faster. And it comes back to a little bit the follow up on the question previously is around personal privacy and people's paranoia around if they throw something in the bin, it can actually come back to bite them. So, we find actually there's very strong organic growth, I think it's around 9%, 10% organic growth in that business. And then, we're actually doing better getting a disproportionate share because we put it under a separate management team. So, we're getting both good returns through the margin expansion by operating the business differently, but we're also getting good revenue growth by being aggressive out in the market.

William Leo Meaney, President, Chief Executive Officer & Director, Iron Mountain, Inc.

Okay. Well, look with that, what I'd like to do is I think people are going to hold up flags so it's going to look like a tour group, I guess, that you're going to out with different groups to see the innovation workshop. So, on the back of your badge, this will be a test if you're color blind, you'll have a color. The other thing which I would say is that, I know you – I may be wasting my breath, but please don't try to burrow in on the numbers. We're actually letting you in the garage of our innovation. So some of these things may never come out of the garage, and obviously, we think some of them have a good chance – they all have a chance of coming out of the garage, otherwise, we wouldn't be working on them. But we do want you to give you an idea of the types of things that we're looking at. And the other part about innovation, it's not just what you're going to see, it's the mindset that people up in there trying to figure out how we can do things better or drive more

revenue into the business. So I hope you enjoy the innovation workshops. And then, there's a buffet lunch after that.

So thank you very much for attending.

corrected transcript

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