

IRON MOUNTAIN INC  
Form DFAN14A  
March 10, 2011

## SCHEDULE 14A

(Rule 14a-101)

### INFORMATION REQUIRED IN PROXY STATEMENT

Proxy Statement Pursuant to Section 14(a) of

the Securities Exchange Act of 1934

(Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting material Pursuant to Rule 14a-11(c) or Rule 14a-12

## Iron Mountain Incorporated

(Name of Registrant as Specified In Its Charter)

Elliott Associates, L.P.

Elliott International, L.P.

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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The following presentation may be provided to stockholders of Iron Mountain Incorporated (the Company ) by Elliott Associates, L.P. and Elliott International, L.P. (collectively, Elliott ):

Iron Mountain Incorporated:  
Great Business Model,  
Significant Incremental Opportunity  
March 9, 2011

2

#### Disclosure Statement

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Elliott intends to make a filing with the Securities and Exchange Commission of a proxy statement and an accompanying proxy

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to solicit proxies in connection with the 2011 Annual Meeting of Stockholders (including any adjournments or postponements or special meeting that may be called in lieu thereof) (the "2011 Annual Meeting") of Iron Mountain Incorporated (the "Company") relating to the participants in such proxy solicitation is contained in materials filed by Elliott with the Securities and Exchange Commission pursuant to Rule 14a-12 under the Securities Exchange Act of 1934, as amended. Stockholders are advised to read the proxy statement and other documents related to the solicitation of stockholders of the Company for use at the 2011 Annual Meeting when they become available because they will contain important information, including additional information relating to the participants in such proxy solicitation. When completed and available, Elliott's definitive proxy statement and a form of proxy will be mailed to stockholders of the Company. All materials and other materials filed by Elliott in connection with the solicitation of proxies will be available at no charge at the Securities and Exchange Commission's website at [www.sec.gov](http://www.sec.gov). The definitive proxy statement (when available) and other relevant documents filed by Elliott with the Securities and Exchange Commission will also be available, without charge, by directing a request by mail or telephone to MacKenzie Partners, Inc., 105 Madison Avenue, New York, New York 10016 (call collect: 212-929-5500; call toll free: 800-333-3333).

Iron Mountain (NYSE: IRM) provides records management, information protection and recovery, and data destruction services to more than 150,000 corporate clients

Market-leading core business - North American Physical ( NOAM Physical )

Sustainable, recurring revenue stream with 44% OIBDA margins

Well penetrated vended market

IRM s growth and scale have made it a mature business

New initiatives have generated minimal-to-negative returns



Worldwide  
Digital  
business  
struggling  
with  
uncertain  
growth,  
low  
margins  
and significant competition from leading technology firms

International Physical business has had slow OIBDA growth and lower margins (vs. NOAM Physical) despite continued investment  
Incremental opportunities exist to create significant shareholder value

Implement business improvements to achieve operational efficiencies, increase margins and maximize cash flow available to equity holders

Focus on return-on-invested-capital (ROIC) for all growth-related initiatives

Optimize corporate structure for tax efficiency

Align management compensation incentives with shareholder value creation  
Iron Mountain: Leader in Information Storage Services  
Significant Opportunity to Generate Shareholder Value

3

Source: Iron Mountain Incorporated disclosures and Third-Party Analyst Research

Incremental Opportunity for IRM

Business Improvements + REIT Conversion = Potential \$52-\$77 Stock Price

4

(1)

Assumes dividend equals 100% of equity free cash flow

Source:

Elliott

estimates;

See

page

33

for

additional

details

on Elliott estimated stock price calculations shown above

Implied

Dividend Yield

5.0%

(1)

Implied

Dividend Yield

6.4%

(1)

+

=

\$0

\$10

\$20

\$30

\$40

\$50

\$60

\$70

\$80

Recent

\$25

Mid

\$52

High

\$77

Business Improvements

Improvements + REIT

IRM Stock Price

Recent

\$25

High

\$41

REIT Conversion

Mid

\$34

Recent

\$25

Recent

\$25

Mid

\$39

High

\$50

5  
Market-Leading Core Business -  
North American Physical

IRM has a Great Business Model

NOAM Physical is a Profitable and Sustainable Core Business

6

Source: Iron Mountain Incorporated disclosures and Elliott estimates

IRM has a market-leading position in a great business

North American

Physical document storage

Strong execution track record

Buy/lease by the square foot, monetize by the cubic foot

Annual revenues from fixed periodic storage fees have grown for 22 consecutive years

The document storage business benefits from structural forces that create stability in the face of digitization trends

Base of existing boxes represents >90% of revenues with high switching costs

Conversion of existing boxes to digital format costs 20-30x annual physical box storage costs

Average life of a box >10 years

Multi-year contracts and built-in price escalators protect against price pressure

Regulatory requirements for document retention drive significant percent of box volumes

While existing box storage market is well penetrated, the remaining unvended segment is 3x IRM revenue

NOAM Physical

1

is Core Business

69% of Revenues, 86% of OIBDA

2

, 96% of Cash Flow

3

7

Source: Iron Mountain Incorporated disclosures

(1)

Iron Mountain's reportable operating segments are North American Physical Business, International Physical Business ( International Business ( Digital ). NOAM Physical and International Physical segments offer physical records management services, data protection and destruction services, in their respective geographies. The Digital segment includes online backup and recovery solutions for servers, digital archiving services, eDiscovery services and intellectual

property  
management  
services  
and  
is  
not  
limited  
to  
any  
particular  
geography.

(2)

OIBDA represents operating income before depreciation, amortization, corporate expenses, goodwill impairment and (gain) loss on property, plant and equipment, net

(3)

Calculated as OIBDA (before corporate expenses)

Capex

2

2

2010

OIBDA

NOAM Physical -

86%

Int'l

Physical

2%

12%

NOAM Physical -

96%

3%

2010

OIBDA

-

Capex

1%

2010 Revenue

NOAM Physical -

69%

Int'l Physical

Digital

7%

23%

8  
(1)  
For NOAM Physical; Solid bars correspond with left-axis, trend lines correspond with right-axis  
Source: Iron Mountain Incorporated disclosures

35%
37%
39%
41%
43%
45%
2010
2009
2008
2007
24%
28%
32%
36%



40%

2010

2009

2008

2007

0%

2%

4%

6%

8%

10%

12%

14%

16%

2010

2009

2008

2007

\$1,100

\$1,300

\$1,500

\$1,700

\$1,900

\$2,100

\$2,300

\$500

\$600

\$700

\$800

\$900

\$1,000

\$400

\$500

\$600

\$700

\$800

\$900

NOAM Physical is a Cash Cow

Margin has Expanded & Cash Flow Nearly Doubled in Last 3 Years

Revenue (\$MMs) & Growth (YoY)

OIBDA (\$MMs) & Margin

OIBDA

Capex

(\$MMs) & Margin

1

1

1

9

(1)

NOAM Physical, pre-2004 figures reflect Elliott estimates based on Company disclosures;

Internal

Revenue

Growth

defined

as

weighted

average

y-o-y

growth

of revenues, excluding acquisitions, divestitures, and FX fluctuations

(1) NOAM Physical

Source: Iron Mountain Incorporated disclosures and Elliott estimates

As NOAM Physical's Revenue Growth Has Slowed,

Attractive Opportunities to Invest Have Decreased

Revenue & Internal Revenue Growth (YoY)

(1)

0%

5%

10%

15%

20%

25%

30%

Revenue Growth

Internal Revenue Growth

Incremental Invested Capital (\$MMs)

(1)

\$100

\$150

\$200

\$250

\$300

\$350

\$400

\$450

\$500

\$550

2007

2008

2009

2010

Acquisitions

Capex

10  
New Initiatives Earning Minimal-to-Negative Returns

\$0.7B+ Invested in Digital, Minimal Return to Date

Uncertain Growth and Low Margins with Strong Tech Co. Competition

11

Source: Iron Mountain Incorporated disclosures and Elliott estimate of 35% for tax rate

(1) NOPAT = Net Operating Profit After Taxes

Why invest profits from a high margin business into one with uncertain growth and low margins?

How is IRM better positioned than existing and emerging tech titans?

Digital Revenue (\$MMs)

2007

2008

2009

2010  
Digital OIBDA, ex. Corporate (\$MMs)

2007

2008

2009

2010

CAGR = 12.3%

\$0

\$50

\$100

\$150

\$200

\$250

CAGR = 2.4%

\$284MM Goodwill

Impairment in 2010

\$0

\$10

\$20

\$30

\$40

\$50

\$60

Digital  
Acquisitions

&

Capex:

\$0.7BN+

2010

NOPAT

1

:

-\$5MM,

Implied

ROIC:

Negative

\$1.9B+ Invested in Int'l Physical, Minimal Return to Date  
Slow OIBDA Growth and Low Margins Despite Continued Investment  
12  
Int'l  
Acquisition  
&  
Capex  
1  
:  
\$1.9BN+  
2010  
NOPAT  
2

:  
~\$31MM,  
Implied  
ROIC:  
~1.6%  
CAGR = 2.3%

Source: Iron Mountain Incorporated disclosures and Elliott estimate of 35% for tax rate

(2) NOPAT = Net Operating Profit After Taxes

IRM has spent \$0.6BN in International Physical Capex  
& Acquisitions from

2007-2010 and segment OIBDA has actually decreased

(1) Since inception

International Physical Revenue (\$MMs)

2007

2008

2009

2010

International Physical OIBDA, ex. Corporate (\$MMs)

\$0

\$25

\$50

\$75

\$100

\$125

\$150

\$175

2007

2008

2009

2010

\$0

\$100

\$200

\$300

\$400

\$500

\$600

\$700

\$800

\$900

CAGR = -0.5%



NOAM Physical vs. Int'l Physical

Int'l Physical Productivity & Margins are Much Weaker

13

(1) Number of employees based on IRM's 2009 Investor Day Presentation

Source: Iron Mountain Incorporated disclosures

(1)

2010 Revenue per Employee (\$Ks)

\$0

\$50

\$100

\$150

\$200

\$250

NOAM Physical

Int'l Physical  
2010 OIBDA Margin  
0%  
10%  
20%  
30%  
40%  
50%  
NOAM Physical  
Int'l Physical  
Int'l Physical  
employee  
productivity  
is less than  
half of  
NOAM  
Physical  
OIBDA  
Margin in  
Int'l Physical  
is 18% vs.  
44% in NOAM  
Physical

14  
Market Appears Skeptical of Management's Vision

IRM EV / LTM EBITDA

6x

7x

8x

9x

10x

11x

12x

13x

14x

15x

16x

Feb-02

Feb-03

Feb-04

Feb-05

Feb-06

Feb-07

Feb-08

Feb-09

Feb-10

Feb-11

Valuation Has Declined to an All-Time Low

15

EV /

Share

EBITDA

Price

16x

\$62

15x

\$57

14x

\$52

13x

\$48

15x

\$57

14x

\$52

13x

\$48

12x

\$43

11x

\$38

and  
Turnover  
of  
the  
Shareholder  
Base  
Reflects  
Uncertainty  
16  
IRM -  
Stock Price & Volume  
\$15.00  
\$17.50

\$20.00  
\$22.50  
\$25.00  
\$27.50  
\$30.00  
0MM  
5MM  
10MM  
15MM  
20MM  
25MM  
30MM  
35MM  
40MM  
45MM  
50MM

Price (LH Axis)

Volume (RH Axis)

Growth-oriented investors  
have become increasingly  
frustrated  
with the evasive  
revenue growth  
reacceleration and the  
additional pressure on  
margins.

J.P. Morgan

10/6/2010

During 6 month period  
between Sep 10 and Feb  
11, over 306MM shares  
traded, representing  
approximately 150% of  
shares outstanding

You've got a rather miniscule dividend. With lack of big acquisition opportunities, no need to reduce debt, why not establish a really significant payout ratio?

You're a slow growth company.

On the dividend strategy it's basically \$50MM. Your business throws off \$300MM of cash, just seems like a very small amount given the growth nature of the business.



With your stock price near an all-time low, with interest rates near all-time lows you could basically buy back 25% of the company and still be within your [target leverage] range.

Have you

thought about that?

Market is Questioning Management's Strategy

17

Source: Iron Mountain Incorporated disclosures

Comments from 2010 Investor Day

Elliott Believes Recent Corporate

Actions Are Insufficient

Increased quarterly dividend in 4Q

2010 from \$0.0625/share to only

\$0.1875/share

Increased amount authorized under

share repurchase program from

\$150MM to only \$350MM (total ~7% of

outstanding shares)

In 2010, repurchased only

4.8MM shares for \$112MM

18

Yet Management Continues To Pursue Growth For The  
Sake of Growth  
Source: Iron Mountain Incorporated 2009 Annual Report  
April 2010  
Letter to  
Shareholders

19

Implement business improvements to achieve operational efficiencies, increase margins and maximize cash flow available to equity holders

Focus on return-on-invested-capital (ROIC) for all growth-related initiatives

Optimize corporate structure for tax efficiency

Align management compensation incentives with shareholder value creation

Opportunities Exist To Create Incremental Shareholder Value

20  
Implement Business Improvements To Achieve  
Operational Efficiencies

Incremental Opportunities for Operational Efficiency  
Improve Expense & Capex Management

21

+

=

Implied

Dividend Yield

5.0%

(1)

Implied

Dividend Yield

6.4%

(1)  
\$0  
\$10  
\$20  
\$30  
\$40  
\$50  
\$60  
\$70  
\$80  
Recent  
\$25  
Mid  
\$52  
High  
\$77  
Business Improvements  
Improvements + REIT  
IRM Stock Price  
Recent  
\$25  
High  
\$41  
REIT Conversion  
Mid  
\$34  
Recent  
\$25  
Recent  
\$25  
Mid  
\$39  
High  
\$50

(1)  
Assumes dividend equals 100% of equity free cash flow  
Source: Elliott estimates; See page 33 for additional details on  
Elliott estimated stock price calculations shown above

Business Improvements Can Provide Significant Upside  
Reduce Capex, Improve Int'l Margins, Rationalize SG&A

22

(1) International margin improvement reflects higher capacity utilization not cost reductions in SG&A

\$0

\$5

\$10

\$15

\$20

\$25

\$30

\$35

\$40

\$45  
Recent  
\$25  
Mid  
\$34  
High  
\$41  
Sales, Mktg.  
& AM  
G&A  
Capex  
IRM Stock Price  
+  
+  
=  
IRM Stock Price  
Recent  
\$25  
\$2.98  
\$3.45  
\$5.47  
+  
Int'l Margins  
(1)  
\$3.72  
+  
Source: Elliott estimates



Reduce Capex by ~20%  
\$5.47 Per Share Opportunity

Management has said maintenance Capex is 2%  
of  
revenues

Elliott scenarios reduce total Capex from 7.6%  
of  
revenues (Company guidance) to 6.0%  
of revenues (in

Elliott Mid-case)

Primary reductions to come from:

Int 1 Physical investments with low ROIC

Growth Capex in NOAM Physical

Minimal new Capex in Digital

A disciplined capital allocation approach can deliver further upside to current levels

Capital Expenditures Savings (\$MMs)

Mid

High

Capital expenditures - savings as a % of sales

1.6%

2.4%

Capital expenditures - savings

53

77

Capital expenditures - valuation appreciation

751

1,095

Capital expenditures - valuation appreciation per share

3.75

\$

5.47

\$

See page 42 (Appendix) for more detailed analysis of Capital Expenditures

Source: Iron Mountain Incorporated disclosures and Elliott estimates

Capex

\$5.47

23

Int'l Physical Margin Expansion

\$3.45 Per Share Opportunity

24

International Physical Margin Expansion Savings (\$MMs)

Mid

High

Int'l Physical OIBDA - margin benefit as a % of sales

5.0%

10.0%

Int'l Physical OIBDA - margin benefit

37

74

Assumed tax rate

35.0%

35.0%

Int'l Physical OIBDA benefit - after-tax savings

24

48

Int'l Physical OIBDA - valuation appreciation

345

691

Int'l Physical OIBDA - valuation appreciation per share

1.73

\$

3.45

\$

\$25

\$3.45

Int'l Margins

Source: Iron Mountain Incorporated disclosures and Elliott estimates

Int'l Physical OIBDA margin is 18% vs. 44% for NOAM

Physical

Management to focus on increasing capacity

utilization to drive OIBDA margins

Need to start monetizing investments after several

years of building capacity

Recent

\$25

Mid

\$34

High

\$41

G&A

\$2.98

25

Source: Iron Mountain Incorporated disclosures and Elliott estimates  
General & Administrative Savings (\$MMs)

Mid  
High  
General and administrative - savings as a % of sales  
1.0%  
2.0%  
General and administrative - pre-tax savings  
32  
  
64  
  
Assumed tax rate  
35.0%  
35.0%  
General and administrative - after-tax savings  
21  
  
42  
  
General and administrative - valuation appreciation  
298  
  
596  
  
General and administrative - valuation appreciation per share  
1.49  
\$  
2.98  
\$  
See page 43 (Appendix) for more detailed analysis of G&A costs  
Marginal  
G&A  
Reduction  
Can  
Provide  
Meaningful  
Benefit  
\$2.98  
Per  
Share  
Opportunity  
  
Reduction  
in  
corporate  
overhead  
is  
in  
line  
with  
a

maturing  
business

G&A  
as  
a  
%  
of  
total  
sales  
increased  
to  
15.3%  
in  
2010,  
from  
a  
low  
of  
13.6%  
in  
2002

Recent

\$25

Mid

\$34

High

\$41

Sales, Mktg.

& AM

\$3.72

Reduce Sales & Marketing Costs

\$3.72 Per Share Opportunity

26



Sales, Marketing & Account Management Savings (\$MMs)

Mid

High

Sales, marketing and account management - savings as a % of sales

1.5%

2.5%

Sales, marketing and account management - pre-tax savings (\$MMs)

48

80

Assumed tax rate

35.0%

35.0%

Sales, marketing and account management - after-tax savings (\$MMs)

31

52

Sales, marketing and account management - valuation appreciation

447

745

Sales, marketing and account management - valuation appreciation per share

2.23

\$

3.72

\$

See page 44 (Appendix) for more detailed analysis of Sales and Marketing costs

Source: Iron Mountain Incorporated disclosures and Elliott estimates

Sales & Marketing costs have increased to 9% of sales recently from 6% earlier in the decade

A 150-250bps reduction by scaling back sales and marketing effort is in line with declining growth outlook

27  
Optimize Corporate Structure For Tax Efficiency

Incremental Opportunity Through REIT Conversion  
Potential Tax Savings & Cap Rate Improvement

28

+

=

Implied

Dividend Yield

5.0%

(1)

Implied

Dividend Yield

6.4%

(1)  
\$0  
\$10  
\$20  
\$30  
\$40  
\$50  
\$60  
\$70  
\$80  
Recent  
\$25  
Mid  
\$52  
High  
\$77  
Business Improvements  
Improvements + REIT  
IRM Stock Price  
Recent  
\$25  
High  
\$41  
REIT Conversion  
Mid  
\$34  
Recent  
\$25  
Recent  
\$25  
Mid  
\$39  
High  
\$50

(1)  
Assumes dividend equals 100% of equity free cash flow  
Source: Elliott estimates; See page 33 for additional details on  
Elliott estimated stock price calculations shown above

29

REIT Structure Can Result in Significant Value Creation

\$0

\$10

\$20

\$30

\$40

\$50

\$60

Recent

\$25

Mid

\$39  
High  
\$50  
Tax Savings  
Cap Rate Improvement  
IRM Stock Price  
+  
+  
=  
IRM Stock Price  
Recent  
\$25  
\$10.58  
\$13.97  
Source: Elliott estimates

Potential REIT Structure

Services

IRM

(REIT)

IRM

Customers

ServiceCo

(TRS)

Lease Payments

Payments for

Services

30

Services business contributed to ServiceCo, which elects to be treated as a taxable REIT subsidiary (TRS)

Customer contracts remain with IRM

IRM adopts REIT status and makes arm's length payments to ServiceCo (TRS) for the services provided by ServiceCo to IRM customers

If necessary for REIT compliance, IRM could IPO a percentage of its ownership stake in ServiceCo (while maintaining voting control)

Storage

Significant Benefits of a REIT Structure Deserve Careful

Analysis

31

Elliott

has

devoted

considerable

resources

to

exploring

the

benefits

and

challenges

of

a REIT structure

Worked

exhaustively

with

lawyers,

industry

consultants

and

other

advisors using

publicly available information to establish estimates for value creation, cash flow

and other metrics

Detailed analysis of potential commercial, operational, governance and tax

implications

Elliott

believes

IRM's

physical

storage

business

is

a

compelling REIT candidate

Stable, annuity-like rental income streams (low organic growth in core business)



By converting from a C  
Corp to a REIT, IRM can retain more of the income from  
over 1,000 owned and leased facilities

Elliott  
estimates  
tax  
savings  
equivalent  
to  
approximately  
60%  
of 2011 Net Income  
guidance provided by Company

Recent IRS guidance offers the ability to adapt standard IRM customer  
arrangements  
to  
the  
requirements  
of  
a  
REIT  
without  
assignment  
or  
renegotiation  
of customer contracts  
Elliott's analysis demonstrates sufficient potential for enhancing shareholder value to  
justify further careful review by the Board

Only a full analysis by a reinvigorated Board can properly measure the potential  
benefits of a REIT conversion against the potential challenges

Mid  
\$39  
High  
\$50  
Cap Rate Improvement  
\$13.97  
32  
Source: Elliott estimates  
Benefit from Cap Rate Compression -- Incremental to Tax Savings of  
\$10.58  
EBITDA Multiple (for TRS business)  
\$13.97  
5.0x  
6.0x  
7.0x  
8.0x

9.0x  
5.0%  
\$40.06  
\$41.07  
\$42.08  
\$43.09  
\$44.09  
5.5%  
\$32.39  
\$33.40  
\$34.41  
\$35.42  
\$36.43  
6.0%  
\$26.00  
\$27.01  
\$28.02  
\$29.03  
\$30.04  
6.5%  
\$20.60  
\$21.61  
\$22.62  
\$23.62  
\$24.63  
7.0%  
\$15.97  
\$16.97  
\$17.98  
\$18.99  
\$20.00  
7.5%  
\$11.95  
\$12.96  
\$13.97  
\$14.98  
\$15.98  
8.0%  
\$8.44  
\$9.44  
\$10.45  
\$11.46  
\$12.47  
8.5%  
\$5.33  
\$6.34  
\$7.35  
\$8.36  
\$9.37  
9.0%

\$2.58

\$3.59

\$4.60

\$5.61

\$6.61

9.5%

\$0.11

\$1.12

\$2.13

\$3.14

\$4.15

10.0%

-\$2.11

-\$1.10

-\$0.09

\$0.92

\$1.93

REIT

Cap Rate

Tax Savings -

\$10.58 Per Share Opportunity

Cap Rate Improvement -

\$13.97 Per Share Opportunity

Elliott estimates \$148mm of tax savings  
from REIT conversion

Implies a FCF benefit of \$0.74 per share

Tax Savings

\$10.58

1
Incremental Opportunity: Detailed Cash Flows
33
Source: Elliott estimates
2011E
Mid
High
Business
REIT
Business
REIT
Status Quo

Improvements  
Conversion  
Combination  
Improvements  
Conversion  
Combination  
NOAM Physical OIBDA  
972

1,013

972

1,013

1,040

972

1,040

Int'l Physical OIBDA  
135

178

135

178

219

135

219

Digital OIBDA  
28

29

28

29

30

28

30

Total OIBDA, ex. Corporate

1,135

1,220

1,135

1,220

1,289

1,135

1,289

Corporate Expense

(179)

(147)

(179)

(147)

(115)

(179)

(115)

Interest

(200)

(200)

(200)

(200)

(200)

(200)

(200)

Taxes

(161)

(202)

(12)

(21)

(237)

(12)

(32)

Operating Cash Flow

595

672

743

852

737

743

942

NOAM Physical Capex

(106)

(87)

(106)

(87)

(78)

(106)

(78)

Int'l Physical Capex

(93)

(75)

(93)

(75)



(65)

(93)

(65)

Digital Capex

(16)

(5)

(16)

(5)

(5)

(16)

(5)

Corporate Capex

(31)

(25)

(31)

(25)

(20)

(31)

(20)

Total Capex

(245)

(192)

(245)

(192)

(168)

(245)

(168)

Distributable Cash Flow

350

479

498

660

569

498

774

Distributable Cash Flow per Share

\$1.75

\$2.39

\$2.49

\$3.30

\$2.84

\$2.49

\$3.87

Incremental Equity FCF

-

129

148

310

219

148

424

Equity FCF Yield

7.00%

7.00%

6.36%

6.36%

7.00%

5.02%

5.02%

New Market Cap

5,005

6,846

7,840

10,383

8,131

9,918

15,399

New Share Price

\$25.00

\$34.20

\$39.16

\$51.87

\$40.62

\$49.54

\$76.92

Detailed Cash Flows

(\$MMs)

(1) Includes taxes payable at both TRS and Int 1 Physical businesses

1

1

1



34

Source: Elliott estimates

Free Cash Flow to Equity Yield

7.00%

6.50%

6.36%

5.50%

5.02%

800

\$57.11

\$61.48

\$62.87

\$72.66

\$79.53

774

\$55.24

\$59.46

\$60.81

\$70.28

\$76.92

750

\$53.54

\$57.64

\$58.94

\$68.12

\$74.56

700

\$49.97

\$53.79

\$55.01

\$63.57

\$69.59

660

\$47.11

\$50.72

\$51.87

\$59.94

\$65.61

600

\$42.83

\$46.11

\$47.15

\$54.49

\$59.65

569

\$40.62

\$43.73

\$44.71  
\$51.68  
\$56.56  
550  
\$39.26  
\$42.27  
\$43.22  
\$49.95  
\$54.67  
498  
\$35.58  
\$38.30  
\$39.16  
\$45.26  
\$49.54  
479  
\$34.20  
\$36.82  
\$37.65  
\$43.51  
\$47.62  
450  
\$32.12  
\$34.58  
\$35.36  
\$40.87  
\$44.73  
400  
\$28.55  
\$30.74  
\$31.43  
\$36.33  
\$39.76  
350  
\$25.00  
\$26.91  
\$27.52  
\$31.81  
\$34.81  
Current Share Price  
\$25.00  
Mid  
High  
Business Improvements  
\$34.20  
\$40.62  
REIT Conversion  
\$39.16  
\$49.54  
Improvements + REIT Conversion

\$51.87

\$76.92

Implied Share

Price - Based

on Equity FCF

Yield

Incremental Opportunity: Implied Share Price

Based on Equity FCF Yield

35

Align Management Compensation Incentives With  
Shareholder Value Creation



36

Align Compensation Incentives with Shareholder Value

Emphasize ROIC and FCF Rather Than Growth

Performance-based incentives are heavily weighted towards financial targets that favor growth ahead of efficient capital allocation and shareholder value

In 2010, the CEO and Chairman's financial targets were based two-thirds on gross revenues and contribution (OIBDA) and one-third on achievement of corporate goals, including, but not limited to, ROIC

Focusing on revenues and OIBDA risks promoting the acquisition of revenues and earnings at the expense of ROIC and shareholder value

Executive compensation plans should be designed to align interests of management and shareholders

Operationally

Focus on returning cash flow to shareholders and ROIC

Compensation

Structure

Optimize mix of long-term equity incentive compensation and cash

Source: Iron Mountain Incorporated disclosures

37

Elliott's Slate of Independent Director Nominees

Our slate consists of four highly qualified and motivated individuals who are fully prepared to explore all options to maximize shareholder value

All nominees are independent of Elliott

These individuals have exceptional experience in the critical areas affecting IRM: capital allocation and operational efficiency

The Company will benefit from fresh, independent perspectives and additional insights to the Board's review process

Harvey Schulweis

Brings a career-long focus on optimizing corporate investment decisions and return on capital

Co-Founder and Managing Director of Niantic Partners, a real estate investment company

President and sole shareholder of Schulweis Realty, Inc.

Former Chairman and CEO of The  
Town and Country Trust, a  
publicly traded REIT

Led the conversion of Town and  
Country into a REIT

Former GP at Lazard Frères &  
Co.  
Ted R. Antenucci

Deep warehouse/industrial  
property experience, both  
domestic and international

Current President and Chief  
Investment Officer, ProLogis  
Trust

Former President of Catellus  
Commercial Development  
Corp., responsible for  
development, construction  
and acquisition activity

Helped lead the conversion of  
Catellus into a REIT  
Allan Z. Loren

45-year veteran of building  
successful organizations

Has extensive strategic,  
technology and operational  
experience

Former Chairman and CEO of  
D&B; led successful  
turnaround

Has held senior executive and  
technology positions at  
American Express, CIGNA,  
Galileo International and  
Apple Computer U.S.A.  
Robert J. Levenson

Has extensive experience as  
an executive in the data  
processing industry

Managing Member of Lenox Capital Group, a private venture capital investment company, since 2000

Has held numerous senior executive positions in leading firms in the business services space, including Automatic Data Processing, Inc. and First Data Corp.

38

Elliott's Slate of Independent Director Nominees

Contacts

39

Elliott IRM Team

Tel: 212-974-6000

Investors

Source: Iron Mountain Incorporated disclosures

Press

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40  
Appendix

41  
Business Improvements -  
Detail



Capital Expenditure Savings

42

-

Management has said  
maintenance Capex is  
2% of revenues

-

Elliott scenarios reduce  
total Capex from 7.6%  
(Company guidance) to  
6.0% of revenues (in  
Elliott Mid-case)

-

Primary improvement/

reduction from low ROIC  
Int'l Physical Capex and  
Growth Capex in NOAM  
Physical

-

Cut new investments in  
Digital

Management's 5-yr  
projection for Capex  
in 2009 Annual

Investor Day  
presentation

Source: Iron Mountain Incorporated disclosures

43

G&A costs have increased to over 15% of sales recently, from 13.6% earlier in 2002

Elliott believes a 100-200bps cut by consolidation of facilities and reduction in

corporate  
overhead should  
be achievable as  
growth is  
deemphasized

General and Administrative Costs (as % of Revenue)

Source: Iron Mountain Inc. disclosures

13.6%

13.7%

14.3%

13.7%

14.1%

14.0%

14.7%

15.3%

15.3%

13.0%

13.5%

14.0%

14.5%

15.0%

15.5%

16.0%

2002

2003

2004

2005

2006

2007

2008

2009

2010

G&A Costs Have Risen And Leave Room For Significant  
Improvement

Sales and Marketing Cost Savings Consistent with the  
Lower Growth of Attractive But Mature Business

44

Sales, Marketing and Account Management Costs (as % of Revenue)

Source: Iron Mountain Inc. disclosures

6.0%

6.5%

7.4%

8.3%

8.7%

9.1%

9.2%

9.1%

8.7%

9.0%  
5.0%  
5.5%  
6.0%  
6.5%  
7.0%  
7.5%  
8.0%  
8.5%  
9.0%  
9.5%  
2001  
2002  
2003  
2004  
2005  
2006  
2007  
2008  
2009  
2010

Sales &  
Marketing costs  
have increased  
from ~6%  
of  
sales earlier in  
the decade, to  
~9%  
recently

Elliott believes  
a 150-250bps cut  
by reducing sales  
and marketing  
effort is in line  
with slowing  
growth outlook

45  
REIT Conversion -  
Detail

Physical Storage Business is a Compelling REIT

Candidate

46

-

Stable,  
annuity-like  
rental  
income  
streams

(Low organic growth in core business)

-

High  
margin  
physical  
storage



business  
generates  
~80%  
of  
total  
IRM  
OIBDA  
2  
-

Business elements not consistent with REIT requirements can be placed into a taxable  
REIT  
subsidiary  
(TRS),  
which  
can  
continue  
to  
be  
a  
C  
Corp

2011 Revenue Split

1

2011 OIBDA Split

1, 2

2011 Company Guidance

Source: 4Q 2010 Earnings Presentation

Revenue (\$mm)

3,175 -

3,240

OIBDA (\$mm)

941 -

971

1. Source: Elliott estimates; Split between Storage vs. Services revenue based on Company guidance; OIBDA margin for NOA  
Physical ~25% (based on Elliott estimates)

2. Net of corporate expense

REIT, \$754mm

TRS, \$202mm

TRS, \$1,589mm

REIT, \$1,619mm

Public Market REITs Trade at Significantly Lower AFFO  
Yield vs. S&P500 Companies

47

Investors

appreciate

certainty of

cash flow

Source: Green Street Advisors, Inc.

48

Source: Industrial, Data Center, Self Storage and GSA Average are sourced from Green Street Advisors, Inc., for whom Adjusted

FFO

less

normalized

reserve

for:

capitalized

leasing

and

maintenance

costs;

adjusted

for

straight

line

rents;  
less  
gains  
on  
land sales;  
IRM

High and  
IRM

Mid  
are  
based  
on  
Elliott  
estimates  
and  
reflect  
2011E  
AFFO  
Yield  
for  
IRM  
in  
both  
the  
REIT  
and  
Combination  
valuations.

For  
IRM

High  
and  
IRM

Mid, Elliott defines

Adjusted Funds from Operations (AFFO) as OIBDA less Corporate Expenses less Cash Interest less Cash Taxes less Capex  
2011E AFFO Yield

3.0%

3.5%

4.0%

4.5%

5.0%

5.5%

6.0%

6.5%

Industrial  
Data Center

Self Storage

GSA Average

IRM - High

IRM - Mid

Market Value =

AFFO

AFFO Yield

Elliott Valuations Imply a Meaningful Discount to Where

Comparable REITs Trade