

IRON MOUNTAIN INC
Form 10-K
February 28, 2014

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 20549

FORM 10-K

(Mark One)

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the Fiscal Year Ended December 31, 2013

or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

**For the transition period from _____ to
Commission File Number 1-13045**

IRON MOUNTAIN INCORPORATED

(Exact name of Registrant as Specified in Its Charter)

Delaware

(State or other jurisdiction of incorporation)

One Federal Street, Boston, Massachusetts

(Address of principal executive offices)

23-2588479

(I.R.S. Employer Identification No.)

02110

(Zip Code)

617-535-4766

(Registrant's telephone number, including area code)

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Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Exchange on Which Registered
Common Stock, \$.01 par value per share	New York Stock Exchange
Rights to Purchase Series A	New York Stock Exchange
Junior Participating Preferred Stock	

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a small reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Non-accelerated filer

Accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of June 28, 2013, the aggregate market value of the Common Stock of the registrant held by non-affiliates of the registrant was approximately \$4.6 billion based on the closing price on the New York Stock Exchange on such date.

Number of shares of the registrant's Common Stock at February 7, 2014: 191,504,318

DOCUMENTS INCORPORATED BY REFERENCE

Certain information required in Items 10, 11, 12, 13 and 14 of Part III of this Annual Report on Form 10-K (the "Annual Report") is incorporated by reference from our definitive Proxy Statement for our 2014 Annual Meeting of Stockholders (our "Proxy Statement") to be filed with the Securities and Exchange Commission (the "SEC") within 120 days after the close of the fiscal year ended December 31, 2013.

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**IRON MOUNTAIN INCORPORATED
2013 FORM 10-K ANNUAL REPORT**

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References in this Annual Report on Form 10-K to "the Company," "Iron Mountain," "IMI," "we," "us" or "our" include Iron Mountain Incorporated and its consolidated subsidiaries, unless the context indicates otherwise.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

We have made statements in this Annual Report that constitute "forward-looking statements" as that term is defined in the Private Securities Litigation Reform Act of 1995 and other securities laws. These forward-looking statements concern our operations, economic performance, financial condition, goals, beliefs, future growth strategies, investment objectives, plans and current expectations, such as our (1) commitment to future dividend payments, (2) expected growth in volume of records stored with us from existing customers, (3) expected 2014 consolidated internal revenue growth rate and capital expenditures in 2014, (4) expected target leverage ratio, and (5) proposed conversion to a real estate investment trust ("REIT"), including (i) the status of our pending private letter ruling (collectively, "PLRs") requests; (ii) the estimated timing of any such conversion to a REIT; (iii) the estimated range of tax payments and other costs expected to be incurred in connection with our proposed conversion to a REIT; and (iv) the anticipated benefits from our organizational realignment. These forward-looking statements are subject to various known and unknown risks, uncertainties and other factors. When we use words such as "believes," "expects," "anticipates," "estimates" or similar expressions, we are making forward-looking statements.

Although we believe that our forward-looking statements are based on reasonable assumptions, our expected results may not be achieved, and actual results may differ materially from our expectations. Important factors relating to our proposed conversion to a REIT that could cause actual results to differ from expectations include, among others, with regard to our estimated tax and other REIT conversion costs, our estimates may not be accurate, and such costs may turn out to be materially different than our estimates due to unanticipated outcomes in the PLRs from the U.S. Internal Revenue Service ("IRS"), the timing of a conversion to a REIT, changes in our support functions and support costs, the unsuccessful execution of internal planning, including restructurings and cost reduction initiatives, or other factors.

In addition, important factors that could cause actual results to differ from expectations include, among others:

the cost to comply with current and future laws, regulations and customer demands relating to privacy issues;

the impact of litigation or disputes that may arise in connection with incidents in which we fail to protect our customers' information;

changes in the price for our storage and information management services relative to the cost of providing such storage and information management services;

changes in customer preferences and demand for our storage and information management services;

the adoption of alternative technologies and shifts by our customers to storage of data through non-paper based technologies;

the cost or potential liabilities associated with real estate necessary for our business;

the performance of business partners upon whom we depend for technical assistance or management expertise outside the U.S.;

changes in the political and economic environments in the countries in which our international subsidiaries operate;

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claims that our technology violates the intellectual property rights of a third party;

changes in the cost of our debt;

the impact of alternative, more attractive investments on dividends;

our ability or inability to complete acquisitions on satisfactory terms and to integrate acquired companies efficiently; and

other trends in competitive or economic conditions affecting our financial condition or results of operations not presently contemplated.

Other risks may adversely impact us, as described more fully under "Item 1A. Risk Factors" of this Annual Report.

You should not rely upon forward-looking statements except as statements of our present intentions and of our present expectations, which may or may not occur. You should read these cautionary statements as being applicable to all forward-looking statements wherever they appear. Except as required by law, we undertake no obligation to release publicly the result of any revision to these forward-looking statements that may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events. Readers are also urged to carefully review and consider the various disclosures we have made in this document, as well as our other periodic reports filed with the SEC.

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PART I

Item 1. Business.

A. Development of Business.

We store records, primarily paper documents and data backup media, and provide information management services that help organizations around the world protect their information, lower storage rental costs, comply with regulations, enable corporate disaster recovery, and better use their information for business advantages, regardless of its format, location or lifecycle stage. We offer comprehensive records and information management services and data management services, along with the expertise and experience to address complex storage and information management challenges such as rising storage rental costs, and increased litigation, regulatory compliance and disaster recovery requirements. Founded in an underground facility near Hudson, New York in 1951, Iron Mountain Incorporated, a Delaware corporation, is a trusted partner to more than 155,000 clients throughout North America, Europe, Latin America and the Asia Pacific region. We have a diversified customer base consisting of commercial, legal, banking, healthcare, accounting, insurance, entertainment and government organizations, including more than 95% of the Fortune 1000. As of December 31, 2013, we operated in 36 countries on five continents and employed over 19,500 people.

Now in our 63rd year, we have experienced tremendous growth, particularly since successfully completing the initial public offering of our common stock in February 1996. We have grown from a U.S. business operating fewer than 85 facilities (6 million square feet) with limited storage and information management service offerings and annual revenues of \$104.0 million in 1995 into a global enterprise providing storage and a broad range of related records and information management services to customers in markets around the world with over 1,000 facilities (66.9 million square feet) and total revenues of more than \$3.0 billion for the year ended December 31, 2013. On January 5, 2009, we were added to the S&P 500 Index, and as of December 31, 2013 we were number 644 on the Fortune 1000.

We have transitioned from a growth strategy driven primarily by acquisitions of storage and information management services companies to a strategy that targets multiple sources of revenue growth. Our current strategy is focused on: (i) increasing revenues in developed markets such as the United States, Canada, Australia and western Europe through improved sales and marketing efforts and attractive fold-in acquisitions; (ii) establishing and enhancing leadership positions in high-growth emerging markets such as central and eastern Europe, Latin America and the Asia Pacific region (excluding Australia), primarily through acquisitions; and (iii) continuing to identify, incubate and scale emerging business opportunities to support our long-term growth objectives and drive solid returns on invested capital.

Storage rental is the key driver of our economics and allows us to expand our relationships with our customers through value-added services that flow from storage rental. Consistent with our overall strategy, we are focused on increasing incoming volumes on a global basis. There are multiple sources of new volumes available to us, and these sources inform our growth investment strategy. Our investments in sales and marketing support sales to new customers that do not currently outsource some or all of their storage and information management needs, as well as increased volumes from existing customers. We also expect to invest in the acquisitions of customer relationships and acquisitions of storage and information management services businesses. In our developed markets, we expect that these acquisitions will primarily be fold-in acquisitions designed to optimize the utilization of existing assets, expand our presence and better serve customers. We also expect to use acquisitions to expand our presence in attractive, higher growth emerging markets. Finally, we continue to pursue new rental streams through emerging business opportunities.

At this stage in our evolution we have completed the initial optimization of our existing business operations. Consisting of productivity initiatives, pricing program improvements and cost controls, our

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optimization strategy has produced significant and visible results. First, between 2006 and 2010, we focused on the North American Business segment, our largest business, and drove nearly 800 basis points of improvement in that segment's Adjusted OIBDA margin (as defined below). Since 2010, our objective has been to sustain this segment's high margins while investing to support the revenue growth. Following the optimization of our North American Business segment, and using many of the same initiatives and techniques, we achieved 700 basis points of improvement in the Adjusted OIBDA margins of our International Business segment between 2010 and 2013. Beyond 2013, we expect to grow our consolidated Adjusted OIBDA margins at a much slower rate. In our developed markets, continuous improvement initiatives will generate modest margin improvement, a portion of which we expect to reinvest in our business. In our existing emerging markets, margins should expand as the local businesses scale, and we will look to reinvest a portion of that improvement to support the growth of these businesses. Further growth in our international margins will likely be limited as we seek to add new emerging markets to the portfolio. Additionally, since 2006, we improved capital efficiency and reduced our capital expenditures (excluding real estate and REIT Costs, as defined below) as a percent of revenues from 13.4% in 2006 to 7.4% in 2013.

Adjusted OIBDA is defined as operating income before (1) depreciation and amortization, (2) intangible impairments, (3) (gain) loss on disposal/write-down of property, plant and equipment, net and (4) costs associated with our 2011 proxy contest, the work of the former Strategic Review Special Committee of our board of directors (the "Special Committee") and the proposed REIT conversion, discussed below (collectively "REIT Costs"). Adjusted OIBDA margin is defined as Adjusted OIBDA as a percent of revenues. For more detailed definitions and reconciliations of Adjusted OIBDA and a discussion of why we believe this measure provides relevant and useful information to our current and potential investors, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations Non-GAAP Measures" of this Annual Report.

We are committed to delivering stockholder value. To that end, and supported by our increased profitability and strong cash flows, we initiated a stockholder payout program in February 2010 and a dividend policy under which we have paid, and in the future intend to pay, cash dividends on our common stock. Our first ever quarterly cash dividend, declared in March 2010, was \$0.0625 per share. We have since increased our quarterly dividend on three occasions, including most recently in June 2012, when we announced an 8% increase to our regular quarterly dividend payments through 2013. The June 2012 increase to our quarterly dividend, to \$0.27 per share, represented a 332% increase over the quarterly dividend amount declared in March 2010.

In April 2011, we announced a three-year strategic plan to increase stockholder value. A major component of that plan was our commitment to significant stockholder payouts of \$2.2 billion through 2013, with \$1.2 billion being paid out by May 2012. We fulfilled the commitment to return \$1.2 billion of cash to stockholders by May 2012. The remaining \$1.0 billion of the stockholder payout plan has been replaced by our regular quarterly dividends and the stockholder distributions and expenditures associated with our plan to convert to a REIT (the "Conversion Plan"). Since May 2012 we have returned \$1.1 billion of capital to stockholders including \$490.5 million in cash and \$560.0 million in common stock. As part of this earlier strategic plan, in June 2011, we completed the sale of our online backup and recovery, digital archiving and eDiscovery solutions businesses (the "Digital Business") for approximately \$395.4 million in cash. Additionally, in connection with our strategic portfolio review of certain international operations, we sold our New Zealand operations in October 2011, and we sold our Italian operations in April 2012.

Potential REIT Conversion

In June 2012, we announced our intention to pursue conversion to a REIT. The Conversion Plan was unanimously approved by our board of directors following a thorough analysis and careful consideration of ways to maximize value through alternative financing, capital and tax strategies, and

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after the unanimous approval of the Special Committee. Our Conversion Plan includes submitting PLR requests to the IRS. Our PLR requests have multiple components, and the conversion to a REIT will require favorable rulings from the IRS on numerous technical tax issues, including the characterization of our racking structure assets as real estate. We submitted our PLR requests to the IRS during the third quarter of 2012, but the IRS may not provide a favorable response to our PLR requests until sometime in 2014, or at all.

Even though we have not yet determined if we will be able to convert to a REIT, we began operating our business in a manner consistent with being a REIT effective January 1, 2014 so that we and our stockholders will benefit from our status (our "REIT Status") as a REIT under the U.S. Internal Revenue Code of 1986, as amended (the "Code") in 2014 if we are ultimately successful in becoming a REIT for 2014. Any REIT election made by us must be effective as of the beginning of a taxable year; therefore, if, as a calendar year taxpayer, we are unable to convert to a REIT effective January 1, 2014, the next possible conversion date would be January 1, 2015.

Our ability to qualify as a REIT will depend upon our continuing compliance following our conversion to a REIT with various requirements, including requirements related to the nature of our assets, the sources of our income and the distributions to our stockholders. If we fail to qualify as a REIT, we will be subject to U.S. federal income tax at regular corporate rates. Even if we qualify for taxation as a REIT, we may be subject to some federal, state, local and foreign taxes on our income and property. In particular, while state income tax regimes often parallel the U.S. federal income tax regime for REITs described above, many states do not completely follow U.S. federal rules and some may not follow them at all. We will continue to make estimated tax payments in compliance with applicable corporate U.S. federal income tax laws and regulations until we are successful in converting to a REIT.

We believe that electing REIT Status will maximize our enterprise value as we advance our strategy and provide significant benefits to our stockholders. A key component of our capital allocation strategy is to return excess cash to our stockholders, and we believe operating as a REIT aligns well with this strategy. In November 2012, we paid a \$700.0 million special dividend (the "Special Dividend") representing the initial distribution to satisfy the requirement that we pay to stockholders our accumulated earnings and profits which is estimated to be approximately \$1.2 billion to \$1.7 billion (the "E&P Distribution") in connection with our potential conversion to a REIT. The Special Dividend consisted of \$140.0 million paid in cash and \$560.0 million in common stock value. We issued 17.0 million new shares in connection with the Special Dividend. We also believe that through conversion to a REIT we may be able to expand our shareholder base and lower our cost of financing through increased ownership of currently leased real estate. We expect our long-term capital allocation strategy as a REIT will naturally shift toward increased use of equity to support lower leverage, though our leverage may increase in the short-term to fund the costs to support the Conversion Plan.

See Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations Overview" and "Liquidity and Capital Resources" of this Annual Report for more information regarding our possible conversion to a REIT, including anticipated costs associated with the Conversion Plan, and Item 1A. "Risk Factors Risks Related to the Proposed REIT Conversion" of this Annual Report for a discussion of risks associated with our conversion to a REIT, including impediments to a conversion.

B. Description of Business.

Overview

We provide cost-effective secure storage for all major media, including paper (which is the primary form of records storage we provide), as well as secure off-site storage of data backup media. Our related information management services can be broadly divided into two major categories: records and

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information management services and data management services. Media formats can be broadly divided into physical and electronic records. We define physical records to include paper documents, as well as all other non-electronic media such as microfilm and microfiche, master audio and videotapes, film, X-rays and blueprints. Electronic records include e-mail and various forms of magnetic media such as computer tapes, hard drives and optical disks.

Our records and information management services include: flexible retrieval access, retention management, including the destruction of documents stored in our records facilities upon the expiration of their scheduled retention periods, and records management program development and implementation based on best practices to help customers comply with specific regulatory requirements and policy-based programs. Also included within records and information management services are our secure shredding services and our scanning, imaging and document conversion services of active and inactive records, or Document Management Solutions ("DMS"). Shredding services involve the secure shredding of sensitive documents in a way that ensures privacy and a secure chain of custody for the records. This service typically includes the scheduled pick-up of loose office records, which customers accumulate in specially designed secure containers that we provide, and the on-site destruction of those records in specially designed vehicles or the off-site destruction at one of our secure shred plants. DMS helps organizations gain better access to, and ultimately control over, their paper records by digitizing, indexing and hosting them in online archives to provide complete information lifecycle solutions. Within the records management services category, we have developed specialized services for vital records and regulated industries such as healthcare, energy, government and financial services.

In addition to our core records and information management services, we provide consulting, facilities management, fulfillment and other outsourcing services relating to storage and information management.

Our data management services include the secure handling and transportation of data backup media for fast and efficient data recovery in the event of a disaster, human error or virus as well as disaster preparedness, planning and support. We also provide secure destruction of media and IT equipment. Our technology-based data management services include online backup and recovery solutions for desktop and laptop computers and remote servers. Since our sale of the Digital Business, we offer these technology-based services primarily through partnerships. Additionally, we serve as a trusted, neutral third party and offer technology escrow services to protect and manage source code and other proprietary information.

Physical Records

Physical records may be broadly divided into two categories: active and inactive. Active records relate to ongoing and recently completed activities or contain information that is frequently referenced. Active records are usually stored and managed on-site by their owners to ensure ready availability. Inactive physical records are the principal focus of the storage and information management services industry and consist of those records that are not needed for immediate access but which must be retained for legal, regulatory and compliance reasons or for occasional reference in support of ongoing business operations. A large and growing specialty subset of the physical records market is medical records. These are active and semi-active records that are often stored off-site with, and serviced by, a storage and information management services vendor. Special regulatory requirements often apply to medical records.

Electronic Records

Electronic records management focuses on the storage of, and related services for, computer media that is either a backup copy of recently processed data or archival in nature. We believe the issues encountered by customers trying to manage their electronic records are similar to the ones they

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face in their physical records management programs and consist primarily of: (1) storage capacity and the preservation of data; (2) access to and control over the data in a secure environment; and (3) the need to retain electronic records due to regulatory requirements or for litigation support. Customer needs for data backup and recovery and archiving are distinctively different. Backup data exists because of the need of many businesses to be able to recover the data in the event of a system failure, casualty loss or other disaster. It is customary (and a best practice) for data processing groups to rotate backup tapes to off-site locations on a regular basis and to require multiple copies of such information at multiple sites. In addition to the physical storage and rotation of backup data that we provide, we offer online backup services through partnerships as an alternative way for businesses to store and access data. Online backup is a Web-based service that automatically backs up computer data from servers or directly from desktop and laptop computers over the Internet and stores it in secure data centers.

Growth of Market

We believe that the volume of stored physical and electronic records will continue to increase on a global basis for a number of reasons, including: (1) regulatory requirements; (2) concerns over possible future litigation and the resulting increases in volume and holding periods of records; (3) the continued proliferation of data processing technologies such as personal computers and networks; (4) inexpensive document producing technologies such as desktop publishing software and desktop printing; (5) the high cost of reviewing records and deciding whether to retain or destroy them; (6) the failure of many entities to adopt or follow policies on records destruction; and (7) the need to keep backup copies of certain records in off-site locations for business continuity purposes in the event of disaster.

We believe that the creation of paper-based information will be sustained, not in spite of, but because of, "paperless" technologies such as e-mail and the Internet. These technologies have prompted the creation of hard copies of such electronic information and have also led to increased demand for electronic records services, such as the storage and off-site rotation of backup copies of magnetic media. In addition, we believe that the proliferation of digital information technologies and distributed data networks has created a growing need for efficient, cost-effective, high quality technology solutions for electronic data protection and the management of electronic documents.

Acquisitions in a Highly Fragmented Industry

The storage and information management services industry has long been and remains a highly fragmented industry with thousands of competitors in North America and around the world. Between 1995 and 2004 there was significant acquisition activity in the industry. Acquisitions were a fast and efficient way to achieve scale, expand geographically and broaden service offerings. We believe this acquisition activity, which is ongoing, is due to the opportunities for large providers to achieve economies of scale and meet customer demands for sophisticated, technology-based solutions. Attractive acquisition opportunities, many of which are small, in North America and internationally continue to exist, and we expect to continue to pursue acquisition of these businesses where we believe they present a good opportunity to create value for our stockholders.

Characteristics of Our Business

We generate our revenues by renting storage space to a large and diverse customer base in 66.9 million square feet of real estate around the globe and providing to our customers an expanding menu of related and ancillary products and services. Providing outsourced storage is the mainstay of our customer relationships and serves as the foundation for all our revenue growth. Services are a vital part of a comprehensive records management program and consist primarily of the handling and transportation of stored records and information, shredding, DMS, data restoration projects, fulfillment services, consulting services, technology services, product sales (including specially designed storage containers and related supplies), and recurring project revenues. Shredding consists primarily of the

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scheduled collection and shredding of records and documents generated by business operations and the sale of recycled paper resulting from shredding services.

In general, our North American Business and our International Business segments offer storage and the information management services discussed below, in their respective geographies. The amount of revenues derived from our North American Business and International Business segments and other relevant data, including financial information about geographic areas and product and service lines, for fiscal years 2011, 2012 and 2013 are set forth in Note 9 to Notes to Consolidated Financial Statements.

Secure Storage

Renting secure space to customers for the purpose of storing paper records and data backup media is by far our largest source of revenue. Records storage consists primarily of the archival storage of records for long periods of time according to applicable laws, regulations and industry best practices. The secure off-site storage of data backup media is a key component of a company's disaster recovery and business continuity programs and storage rental charges are generally billed monthly on a per storage unit basis.

Hard copy business records are typically stored for long periods of time with limited activity in cartons packed by the customer. For some customers we store individual files on an open shelf basis, and these files are typically more active. Storage rental charges are generally billed monthly on a per storage unit basis, usually per cubic foot of records, and include the provision of space, racking systems, computerized inventory and activity tracking, and physical security.

Vital records contain critical or irreplaceable data such as master audio and video recordings, film and other highly proprietary information, such as energy data. Vital records may require special facilities, either because of the data they contain or the media on which they are recorded. Accordingly, our charges for providing enhanced security and special climate-controlled environments for vital records are higher than for typical storage rental.

Service Offerings

Our services can be broadly divided into two major categories: records and information management services and data management services. We offer both physical services and technology solutions in the records and information management and data management categories.

Records and Information Management Services

Central to any records management program is the handling and transportation of stored records and the eventual destruction of those records upon the expiration of their scheduled retention periods. This is accomplished through our extensive service and courier operations. Our other records and information management services include shredding services, DMS services, Compliant Records Management and Consulting Services, Health Information Storage and Management Solutions, Entertainment Services, Energy Data Services, Discovery Services and other ancillary services.

Service and courier operations are an integral part of our comprehensive records management program for all physical media and include adding records to storage, temporarily removing records from storage, refiling of removed records, permanently withdrawing records from storage and destroying records. Service charges are generally assessed for each activity on a per unit basis. Courier operations consist primarily of the pick-up and delivery of records upon customer request. Charges for courier services are based on urgency of delivery, volume and location, and are billed monthly. As of December 31, 2013, our fleet consisted of approximately 3,800 owned or leased vehicles.

Our information destruction services consist primarily of physical secure shredding operations. Secure shredding is a natural extension of our hard copy records management services, completing the

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lifecycle of a record, and involves the shredding of sensitive documents for customers that, in many cases, also use our services for management of archival records. These services typically include the scheduled pick-up of loose office records that customers accumulate in specially designed secure containers we provide. Complementary to our shredding operations is the sale of the resultant waste paper to third-party recyclers. Through a combination of plant-based shredding operations and mobile shredding units consisting of custom built trucks, we are able to offer secure shredding services to our customers throughout the U.S., Canada, the United Kingdom, Ireland, Australia and Latin America.

The focus of our DMS business is to develop, implement and support comprehensive storage and information management solutions for the complete lifecycle of our customers' information. We seek to develop solutions that solve our customers' document management challenges by integrating the management of physical records, document conversion and digital storage. Our DMS services complement our service offerings and enhance our existing customer relationships. We differentiate our offerings from our competitors by providing solutions that integrate and expand our existing portfolio of products and services. The trend towards increased usage of Electronic Document Management ("EDM") systems represents another opportunity for us to manage active records. Our DMS services provide the bridge between customers' physical documents and their EDM solutions.

We offer records and information management services that have been tailored for specific industries, such as health care, or to address the needs of customers with more specific requirements based on the critical nature of their records. For example, medical records tend to be more active in nature and are typically stored on specialized open shelving systems that provide easier access to individual files. In addition to storing medical records, we provide health care information services, which include the handling, filing, processing and retrieval of medical records used by hospitals, private practitioners and other medical institutions, as well as recurring project work and ancillary services. Recurring project work involves the on-site removal of aged patient files and related computerized file indexing. Ancillary healthcare information services include release of information (medical record copying and delivery), temporary staffing, contract coding, facilities management and imaging.

We offer a variety of additional services which customers may request or contract for on an individual basis. These services include conducting records inventories, packing records into cartons or other containers, and creating computerized indices of files and individual documents. We also provide services for the management of active records programs. We can provide these services, which generally include document and file processing and storage, both off-site at our own facilities and by supplying our own personnel to perform management functions on-site at the customer's premises. We also sell a full line of specially designed corrugated cardboard storage cartons.

Other services that we provide include fulfillment and professional consulting services. Fulfillment services are performed by our wholly owned subsidiary, Iron Mountain Fulfillment Services, Inc. ("IMFS"). IMFS stores marketing literature and other materials for its customers and delivers this material to sales offices, trade shows and prospective customers' locations based on current and prospective customer needs. In addition, IMFS assembles custom marketing packages and orders and manages and provides detailed reporting on customer marketing literature inventories. A growing element of the content we manage and fulfill is stored digitally and printed on demand by IMFS. Digital print allows marketing materials such as brochures, direct mail, flyers, pamphlets and newsletters to be personalized to the recipient with variable messages, graphics and content.

We provide professional consulting services to customers, enabling them to develop and implement comprehensive storage and information management programs. Our consulting business draws on our experience in storage solutions and information management services to analyze the practices of companies and assist them in creating more effective programs to store records and manage information. Our consultants work with these customers to develop policies and schedules for document retention and destruction.

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The growth rate of critical digital information is accelerating, driven in part by the use of the Internet as a distribution and transaction medium. The rising cost and increasing importance of storing and managing digital information, coupled with the increasing availability of telecommunications bandwidth at lower costs, may create meaningful opportunities for us to provide solutions to our customers with respect to their digital records storage and management challenges. We continue to cultivate marketing and technology partnerships to support this anticipated growth.

We sold our domain name management product line in 2010 and the Digital Business, including our former wholly owned subsidiaries, Mimosa Systems, Inc. and Stratify, Inc., and our New Zealand operations in 2011. Also, we sold our Italian operations in April 2012. Consistent with our treatment of acquisitions, we eliminated all revenues associated with these businesses, which have all been reflected as discontinued operations for financial reporting purposes, from the calculation of our internal growth rates for 2011, 2012 and 2013.

Data Management Services

Our data management services are designed to comply with applicable laws and regulations and to satisfy industry best practices with regard to disaster recovery and business continuity purposes. We provide data management services for both physical and electronic records. We also offer technology escrow services in this category.

Physical data management services consist of the rotation of backup computer media as part of corporate disaster recovery and business continuity plans. Computer tapes, cartridges and disk packs are transported off-site by our courier operations on a scheduled basis to secure, climate-controlled facilities, where they are available to customers 24 hours a day, 365 days a year, to facilitate data recovery in the event of a disaster. Frequently, backup tapes are rotated from our facilities back to our customers' data centers. We also manage tape library relocations and support disaster recovery testing and execution.

Online backup is a Web-based service that automatically backs up computer data from servers or directly from desktop or laptop computers over the Internet and stores it in secure data centers. After the sale of the Digital Business, we continue to offer this service pursuant to a reseller agreement with Autonomy Corporation plc, a corporation formed under the laws of England and Wales ("Autonomy").

Through our technology escrow services business, we act as a trusted, neutral, third party, safeguarding valuable technology assets such as software source code, object code and data in secure, access-protected escrow accounts. Acting in this intermediary role, we help document and maintain intellectual property integrity. The result is increased control and leverage for all parties, enabling them to protect themselves, while maintaining competitive advantage.

Financial Characteristics of Our Business

Our financial model is based on the recurring nature of our various revenue streams. The historical predictability of our revenues and the resulting Adjusted OIBDA allow us to operate with a high degree of financial leverage. Our business has the following financial characteristics:

Recurring Revenues. We derive a majority of our consolidated revenues from fixed periodic, usually monthly, storage rental fees charged to customers based on the volume of their records stored. Once a customer places physical records in storage with us, and until those records are destroyed or permanently removed (for which we typically receive a service fee), we receive recurring payments for storage rental without incurring additional labor or marketing expenses or significant capital costs. Similarly, contracts for the storage of electronic backup media involve primarily fixed monthly rental payments. Our annual revenues from these fixed periodic storage rental fees have grown for 25 consecutive years. During the three years 2011 through 2013,

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storage rental revenues, which are stable and recurring, have increased from approximately 56% to 59% of our total consolidated revenues. This stable and growing storage rental revenue base also provides the foundation for increases in service revenues and Adjusted OIBDA.

Historically Non-Cyclical Storage Rental Business. Historically, we have not experienced significant reductions in our storage rental business as a result of economic downturns although, during recent economic slowdowns, the rate at which some customers added new cartons to their inventory was below historical levels. However, during the most recent economic downturn, which was more severe and lasted longer than other recent downturns, destruction rates increased as some customers were more willing to incur additional short-term service costs in exchange for lower storage rental costs in the long-term. In addition, we experienced longer sales cycles and lower incoming volumes from existing customers, due in large part, we believe, to high unemployment rates and generally lower levels of business activity. Combined, these impacts resulted in lower net volume growth rates. The net effect of these factors has been the continued growth of our storage rental revenue base, albeit at a lower rate. Total net volume growth, including acquisitions, was approximately 2%, 3% and 6% on a global basis for 2011, 2012 and 2013, respectively.

Inherent Growth from Existing Physical Records Customers. Our physical records customers have, on average, sent us additional cartons at a faster rate than stored cartons have been destroyed or permanently removed. However, during the most recent economic downturn, the combination of lower incoming volumes from existing customers and increased destruction rates, as described above, resulted in lower consolidated net volume growth in recent quarters, including negative net volume growth from existing customers at times in certain markets. Since reaching unusually high levels in 2009, our destruction rates have stabilized at rates closer to historical norms. Following improvement in the economy, we expect our growth from existing customers will improve, although we cannot give any assurance as to how much, if any, improvement we will realize. We believe the continued growth of our physical records storage rental revenues is the result of a number of factors, including the trend toward increased records retention, albeit at a lower rate of growth, customer satisfaction with our services and contractual net price increases.

Diversified and Stable Customer Base. As of December 31, 2013, we had over 155,000 clients in a variety of industries in 36 countries around the world. We currently provide storage and information management services to commercial, legal, banking, healthcare, accounting, insurance, entertainment and government organizations, including more than 95% of the Fortune 1000. No single customer accounted for as much as 2% of our consolidated revenues in any of the years ended December 31, 2011, 2012 and 2013. For each of the three years 2011 through 2013, the average annual volume reduction due to customers terminating their relationship with us was less than 3%.

Capital Expenditures Related Primarily to Business Line Growth and Ongoing Operations. Our business requires significant capital expenditures to support our expected storage rental revenue and service revenue growth and ongoing operations, new products and services and increased profitability. As the nature of our business has evolved over time, so has the nature of our capital expenditures. Every year we expend capital to support a number of different objectives. The majority of our capital goes to support business line growth and our ongoing operations. Additionally, we invest capital to acquire or construct real estate. We also expend capital to support the development and improvement of products and services and projects designed to increase our profitability. These expenditures are generally relatively small and discretionary in

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nature. Below are descriptions of the major types of capital expenditures we are likely to make in a given year:

Capital to support business line growth these expenditures are primarily related to capacity expansion such as investments in new racking structures, carton storage systems, tape storage systems and containers, shredding plants and bins and technology service storage and processing capacity.

Capital to acquire/construct real estate these expenditures are directly related to the acquisition of real estate, either through the purchase or construction of a new facility or the buyout of an existing lease.

Capital to support ongoing business operations these expenditures are primarily related to major repairs and/or the replacement of assets, such as facilities, warehouse equipment and computers. This category also includes operational support initiatives such as sales and marketing and information technology projects to support infrastructure requirements.

Capital for new product development these expenditures are directly related to the development of new products or services in support of our integrated value proposition.

Capital for product improvement these expenditures are primarily related to product and service enhancements that support our leadership position in the industry. Spending in this area includes items such as increased feature functionality, security upgrades or system enhancements.

Capital to support operational efficiencies these expenditures are primarily related to driving increased profitability through cost savings and operating efficiencies and include items such as facility consolidations and systems to support operating process improvements.

Following is a table presenting our capital expenditures for 2011, 2012 and 2013 organized by the nature of the spending as described above:

Nature of Capital Spend (dollars in millions)	Year Ended December 31,		
	2011(1)(2)	2012(1)(2)	2013(1)(2)
Business Line Growth	\$ 81	\$ 61	\$ 73
Real Estate	20	54	66
Business Operations(3)	84	75	91
Product Development	2	4	2
Product Improvement	14	12	13
Operational Efficiencies	18	42	67
Total Capital	\$ 218	\$ 248	\$ 312
Less: Real Estate and REIT Capital Expenditures	(20)	(66)	(89)
Total Capital, Net of Real Estate and REIT Capital Expenditures	\$ 198	\$ 182	\$ 223

(1)

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Represents capital expenditures on an accrual basis and may differ from amounts presented on the cash basis in the Consolidated Statements of Cash Flows.

(2)

Columns may not foot due to rounding.

(3)

Capital expended in support of ongoing business operations includes amounts previously referred to as maintenance capital expenditures. This category includes capital expended on operational support initiatives such as sales and marketing and information technology projects to support infrastructure requirements.

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We believe that capital expenditures, net of real estate and capital expenditures that are part of our REIT Costs, incurred as a percent of revenues is a meaningful metric for investors because it indicates the efficiency with which we are investing in the growth and operational efficiency of our business. For the years 2011 through 2013, our total capital expenditures, net of real estate and capital expenditures that are part of our REIT Costs, incurred as a percent of revenues were approximately 6.6%, 6.1% and 7.4%, respectively. The increase in 2013 is due primarily to capital expenditures associated with recent acquisitions, the relocation of our Boston headquarters and certain capital projects that were accelerated from 2014 into 2013.

Following is a table presenting our capital expenditures as a percent of total revenues for 2011, 2012 and 2013 organized by the nature of the spending as described above:

Nature of Capital Spend	Year Ended December 31,		
	2011(1)(2)	2012(1)(2)	2013(1)(2)
Business Line Growth	2.7%	2.0%	2.4%
Real Estate	0.7%	1.8%	2.2%
Business Operations(3)	2.8%	2.5%	3.0%
Product Development	0.1%	0.1%	0.1%
Product Improvement	0.5%	0.4%	0.4%
Operational Efficiencies	0.6%	1.4%	2.2%
Total Capital	7.2%	8.3%	10.3%
Less: Real Estate and REIT Capital Expenditures	(0.7)%	(2.2)%	(2.9)%
Total Capital, Net of Real Estate and REIT Capital Expenditures	6.6%	6.1%	7.4%

-
- (1) Represents capital expenditures on an accrual basis and may differ from amounts presented on the cash basis in the Consolidated Statements of Cash Flows.
- (2) Columns may not foot due to rounding.
- (3) Capital expended in support of ongoing business operations includes amounts previously referred to as maintenance capital expenditures. This category includes capital expended on operational support initiatives such as sales and marketing and information technology projects to support infrastructure requirements.

Growth Strategy

We offer our customers an integrated value proposition by providing them with secure storage and comprehensive service offerings, including records and information management services and data management services. We have the expertise and experience to address complex storage and information management challenges, such as rising storage rental costs and increased litigation, regulatory compliance and disaster recovery requirements. We expect to maintain a leadership position in the storage and information management services industry around the world by enabling customers to store, protect and better use their information regardless of its format, location or lifecycle stage so they can optimize their business and ensure proper recovery, compliance and discovery.

Our objective is to continue to capitalize on our brand, our expertise in the storage and information management industry and our global network to enhance our customers' experience, thereby increasing our customer retention rates and attracting new customers. Our near-term growth objectives include a set of specific initiatives: (i) increasing revenues in developed markets such as the United States, Canada, Australia and western Europe through improved sales and marketing efforts and attractive fold-in acquisitions; (ii) establishing and enhancing leadership

positions in high-growth emerging markets such as central and eastern Europe, Latin America and the Asia Pacific region

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(excluding Australia), primarily through acquisitions; and (iii) continuing to identify, incubate and scale emerging business opportunities to support our long-term growth objectives and drive solid returns on invested capital. Our overall growth strategy will focus on growing our business organically, making strategic customer acquisitions and pursuing acquisitions of storage and information management businesses and developing ancillary businesses.

Introduction of New Products and Services

We continue to expand our portfolio of products and services. Adding new products and services allows us to strengthen our existing customer relationships and attract new customers in previously untapped markets.

Growth from Existing Customers

Our existing customers' storage of physical records contributes to the growth of storage rental and certain records and information management services revenues because, on average, our existing customers generate additional cartons at a faster rate than old cartons are destroyed or permanently removed. However, during the most recent economic downturn, the combination of lower incoming volumes from existing customers, due in large part, we believe, to high unemployment rates and generally lower business activity, and increased destruction rates, resulted in lower consolidated net volume growth in recent quarters, including negative net volume growth from existing customers at times in certain markets. Since reaching unusually high levels in 2009, our destruction rates have stabilized at rates closer to historical norms. Following the improvement in the economy, we expect our growth from existing customers will improve, although we cannot give any assurance as to how much, if any, improvement we will realize. In order to maximize growth opportunities from existing customers, we seek to maintain high levels of customer retention by providing premium customer service through our local account management staff.

Our sales coverage model is designed to identify and capitalize on incremental revenue opportunities by strategically allocating our sales resources to our customer base and selling additional storage, records and information management services and products in new and existing markets within our existing customer relationships. These services and products include special project work, data restoration projects, fulfillment services, consulting services, technology services and product sales (including specially designed storage containers and related supplies).

Expanding New and Existing Customer Relationships

Our sales forces are dedicated to three primary objectives: (1) establishing new customer account relationships; (2) generating additional revenue by expanding existing customer relationships globally; and (3) expanding new and existing customer relationships by effectively selling a wide array of related services and products. In order to accomplish these objectives, our sales forces draw on our U.S. and international marketing organizations and senior management.

Growth through Acquisitions

The goal of our acquisition program is to supplement internal growth by continuing to expand our presence in targeted emerging markets, continuing to make fold-in acquisitions in developed markets and expanding our rental streams, new service capabilities and industry-specific services. We have a successful record of acquiring and integrating storage and information management services companies.

Acquisitions in Developed Markets

We have acquired, and we continue to seek to acquire, storage and information management services businesses in developed markets including the United States, Canada, Australia and western

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Europe. Given the relatively small size of most acquisition targets in our core physical businesses in these markets, where we believe they present a good opportunity to create value for our stockholders, future acquisitions are expected to be less significant to our overall revenue growth in these markets than in the past. Occasionally, however, we may be presented with the opportunity to acquire one of the larger businesses in these markets and will evaluate each opportunity with a focus on return on invested capital and the creation of stockholder value. Such was the case with our acquisition in October 2013 of Cornerstone Records Management, LLC and its affiliates ("Cornerstone").

Acquisitions in the Emerging Markets

We expect to continue to make acquisitions and investments in storage and information management services businesses in targeted emerging markets outside the United States, Canada, Australia and western Europe. We have acquired and invested in, and seek to acquire and invest in, storage and information management services companies in certain countries, and, more specifically, certain markets within such countries, where we believe there is potential for significant growth. Future acquisitions and investments will focus primarily on expanding priority markets in central and eastern Europe, Latin America and the Asia Pacific region.

The experience, depth and strength of local management are particularly important in our emerging market acquisition strategy. Since beginning our international expansion program in January 1999, we have, directly and through joint ventures, expanded our operations into more than 35 countries. These transactions have taken, and may continue to take, the form of acquisitions of an entire business or controlling or minority investments with a long-term goal of full ownership. We believe a joint venture strategy, rather than an outright acquisition, may, in certain markets, better position us to expand the existing business. The local partners benefit from our expertise in the storage and information management services industry, our multinational customer relationships, our access to capital and our technology, while we benefit from our local partners' knowledge of the market, relationships with local customers and their presence in the community. In addition to the criteria we use to evaluate developed market acquisition candidates, when looking at an emerging market acquisition, we also evaluate risks uniquely associated with an international investment, including those risks described below. Our long-term goal is to acquire full ownership of each business in which we make a joint venture investment. We now own more than 98% of our international operations, measured as a percentage of consolidated revenues. In connection with the strategic review of certain of our international businesses, we sold our New Zealand operations in October 2011 and our Italian operations in April 2012.

Our international investments are subject to risks and uncertainties relating to the indigenous political, social, regulatory, tax and economic structures of other countries, as well as fluctuations in currency valuation, exchange controls, expropriation and governmental policies limiting returns to foreign investors.

The amount of our revenues derived from international operations and other relevant financial data for fiscal years 2011, 2012 and 2013 are set forth in Note 9 to Notes to Consolidated Financial Statements. For the years ended December 31, 2011, 2012 and 2013, we derived approximately 34%, 35% and 36%, respectively, of our total revenues from outside of the U.S. As of December 31, 2011, 2012 and 2013, we had long-lived assets of approximately 36%, 37% and 36%, respectively, outside of the U.S.

Competition

We are a global leader in the physical storage and information management services industry with operations in 36 countries. We compete with our current and potential customers' internal storage and information management services capabilities. We can provide no assurance that these organizations will begin or continue to use an outside company such as Iron Mountain for their future storage and information management services.

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We also compete with numerous storage and information management services providers in every geographic area where we operate. The physical storage and information management services industry is highly competitive and includes thousands of competitors in North America and around the world. We believe that competition for customers is based on price, reputation for reliability, quality and security of storage, quality of service and scope and scale of technology and that we generally compete effectively in each of these areas.

Alternative Technologies

We derive most of our revenues from rental fees for the storage of paper documents and computer backup tapes and from storage related services. This storage requires significant physical space, which we provide through our owned and leased facilities. Alternative storage technologies exist, many of which require significantly less space than paper documents and tapes. These technologies include computer media, microform, CD-ROM and optical disk and use of the cloud for electronic data. To date, none of these technologies has replaced paper documents as the primary means for storing information. However, we can provide no assurance that our customers will continue to store most of their records as paper documents. We continue to provide additional services such as online backup, primarily through partnerships, designed to address our customers' need for efficient, cost-effective, high quality solutions for electronic records and storage and information management.

Employees

As of December 31, 2013, we employed over 8,500 employees in the U.S. and over 11,000 employees outside of the U.S. At December 31, 2013, an aggregate of 529 employees were represented by unions in California, Georgia and three provinces in Canada.

All union and non-union employees are generally eligible to participate in our benefit programs, which include medical, dental, life, short and long-term disability, retirement/401(k) and accidental death and dismemberment plans, except for certain unionized employees in California, who receive these types of benefits through the unions. In addition to base compensation and other usual benefits, all full-time employees participate in some form of incentive-based compensation program that provides payments based on revenues, profits, collections or attainment of specified objectives for the unit in which they work. Management believes that we have good relationships with our employees and unions. All union employees are currently under renewed labor agreements or operating under an extension agreement.

Insurance

For strategic risk transfer purposes, we maintain a comprehensive insurance program with insurers that we believe to be reputable and that have adequate capitalization in amounts that we believe to be appropriate. Property insurance is purchased on a comprehensive basis, including flood and earthquake (including excess coverage), subject to certain policy conditions, sublimits and deductibles. Property is insured based upon the replacement cost of real and personal property, including leasehold improvements, business income loss and extra expense. Other types of insurance that we carry, which are also subject to certain policy conditions, sublimits and deductibles, include: medical, workers' compensation, general liability, umbrella, automobile, professional, warehouse legal liability and directors' and officers' liability policies.

Our customer contracts usually contain provisions limiting our liability with respect to loss or destruction of, or damage to, records or information stored with us. Our liability under physical storage contracts is often limited to a nominal fixed amount per item or unit of storage, such as per cubic foot. Our liability under our DMS services and other service contracts is often limited to a percentage of annual revenue under the contract. We cannot provide assurance that where we have limitation of liability provisions that they will be enforceable in all instances or would otherwise protect us from

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liability. Also, some of our contracts with large volume accounts and some of the contracts assumed in our acquisitions contain no such limits or contain higher limits. In addition to provisions limiting our liability, our standard storage rental and service contracts include a schedule setting forth the majority of the customer-specific terms, including storage rental and service pricing and service delivery terms. Our customers may dispute the interpretation of various provisions in their contracts. While we have had relatively few disputes with our customers with regard to the terms of their customer contracts, and most disputes to date have not been material, we can give no assurance that we will not have material disputes in the future.

Environmental Matters

Some of our current and formerly owned or leased properties were previously used by entities other than us for industrial or other purposes that involved the use, storage, generation and/or disposal of hazardous substances and wastes, including petroleum products. In some instances this prior use involved the operation of underground storage tanks or the presence of asbestos-containing materials. Although we have from time to time conducted limited environmental investigations and remedial activities at some of our former and current facilities, we have not undertaken an in-depth environmental review of all of our properties. We therefore may be potentially liable for environmental costs and may be unable to sell, rent, mortgage or use contaminated real estate owned or leased by us. Under various federal, state and local environmental laws, we may be liable for environmental compliance and remediation costs to address contamination, if any, located at owned and leased properties as well as damages arising from such contamination, whether or not we know of, or were responsible for, the contamination, or the contamination occurred while we owned or leased the property. Environmental conditions for which we might be liable may also exist at properties that we may acquire in the future. In addition, future regulatory action and environmental laws may impose costs for environmental compliance that do not exist today.

We transfer a portion of our risk of financial loss due to currently undetected environmental matters by purchasing an environmental impairment liability insurance policy, which covers all owned and leased locations. Coverage is provided for both liability and remediation costs.

Internet Website

Our Internet address is www.ironmountain.com. Under the "For Investors" section on our Internet website, we make available free of charge, our Annual Reports on Form 10-K, our Quarterly Reports on Form 10-Q, our Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act") as soon as reasonably practicable after such forms are filed with or furnished to the SEC. We are not including the information contained on or available through our website as a part of, or incorporating such information by reference into, this Annual Report on Form 10-K. Copies of our corporate governance guidelines, code of ethics and the charters of our audit, compensation, and nominating and governance committees are available on the "For Investors" section of our website, www.ironmountain.com, under the heading "Corporate Governance."

Item 1A. Risk Factors.

Our businesses face many risks. If any of the events or circumstances described in the following risks actually occur, our businesses, financial condition or results of operations could suffer, and the trading price of our debt or equity securities could decline. Our current and potential investors should consider the following risks and the information contained under the heading "Cautionary Note Regarding Forward-Looking Statements" before deciding to invest in our securities.

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Risks Related to the Proposed REIT Conversion

Although we have chosen to pursue conversion to a REIT, we may not be successful in converting to a REIT effective as of January 1, 2014, or at all.

As previously announced in June 2012, our board of directors unanimously approved the Conversion Plan to pursue conversion to a REIT under the Code. We are in the process of implementing the Conversion Plan, pursuant to which we would elect REIT Status no earlier than our taxable year beginning January 1, 2014. One of the conditions that must be met in order to complete our conversion to a REIT is obtaining favorable PLRs from the IRS. Our PLR requests have multiple components, and our conversion to a REIT will require favorable rulings from the IRS on a number of technical tax issues, including the characterization of our racking structures as real estate (the "Racking Structure Request"). In this regard, in the course of our communications with the IRS relating to our PLR requests, we disclosed in June 2013 that the IRS informed us that it formed an internal working group to study the legal standards the IRS uses to define "real estate" for purposes of the REIT provisions of the Code and what changes or refinements, if any, should be made to those legal standards. The IRS also informed us that it was "tentatively adverse" to ruling that our racking structures constitute "real estate" for REIT purposes. In November 2013, the IRS stated that it will resume issuing rulings regarding the definition of "real estate" for purposes of the REIT provisions of the Code, and the IRS is continuing to evaluate our PLR requests, including the Racking Structure Request. We can provide no assurance that the IRS will ultimately provide us with a favorable PLR on the Racking Structure Request or our other PLR requests, or that any favorable PLR will be received in a timely manner for us to convert successfully to a REIT effective January 1, 2014.

There are other significant implementation and operational complexities to address in connection with converting to a REIT, including obtaining favorable PLRs from the IRS as discussed above, completing internal reorganizations relating to certain of our international operations, testing and validating accounting, information technology and real estate system modifications implemented in connection with the Conversion Plan, receiving stockholder approvals, and making required stockholder payouts, and the timing and outcome of many of these are outside our control. Further, changes in legislation or the federal tax rules could adversely impact our ability to convert to a REIT and/or the attractiveness of converting to a REIT. Similarly, even if we are able to satisfy the existing REIT requirements, the tax laws, regulations and interpretations governing REITs may change at any time in ways that could be disadvantageous to us.

Even if the transactions necessary to implement REIT conversion are successfully effected, including receipt of favorable PLRs, our board of directors may decide not to elect REIT Status, or to delay such election, if it determines in its sole discretion that it is not in the best interests of our stockholders. While we have not yet determined if we will be able to convert to a REIT, we have determined that we will begin to operate our business in a manner consistent with being a REIT effective January 1, 2014 so that we and our stockholders will benefit from our REIT Status in 2014 if we are ultimately successful in becoming a REIT effective in 2014. However, we can provide no assurance if or when conversion to a REIT will be successful. Furthermore, if we do convert, the effective date of the REIT conversion could be delayed beyond January 1, 2014, in which event we could not elect REIT Status until the taxable year beginning January 1, 2015, at the earliest.

We may not qualify or remain qualified as a REIT, and/or may not realize the anticipated benefits to stockholders, including the achievement of tax savings for us, increases in income distributable to stockholders, the potential to lower our cost of financing through increased ownership of currently leased real estate and the expansion of our stockholder base.

If we convert to a REIT, we plan to operate in a manner consistent with REIT qualification rules; however, we cannot provide assurance that we will, in fact, qualify as a REIT or remain so qualified. REIT qualification involves the application of highly technical and complex provisions of the Code, to

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our operations as well as various factual determinations concerning matters and circumstances not entirely within our control. There are limited judicial or administrative interpretations of these provisions.

Even if we are successful converting to a REIT and electing REIT Status, we cannot provide assurance that our stockholders will experience benefits attributable to our qualification and taxation as a REIT, including our ability to (1) reduce our corporate level federal tax through distributions to stockholders, (2) lower our cost of financing or (3) expand our stockholder base. The realization of the anticipated benefits to stockholders will depend on numerous factors, many of which are outside our control, including interest rates. In addition, future distributions to stockholders will depend on our cash flows, as well as the impact of alternative, more attractive investments as compared to dividends. Further, changes in legislation or the federal tax rules could adversely impact the benefits of being a REIT.

Complying with REIT qualification requirements may limit our flexibility or cause us to forego otherwise attractive opportunities.

To qualify as a REIT for federal income tax purposes, and to remain so qualified, we must continually satisfy tests concerning, among other things, the sources of our income, the nature and diversification of our assets, the amounts we distribute to our stockholders and the ownership of our common stock. For example, under the Code, no more than 25% of the value of the assets of a REIT may be represented by securities of one or more U.S. taxable REIT subsidiaries ("TRS") and other nonqualifying assets. This limitation may affect our ability to make large investments in other non-REIT qualifying operations or assets. As such, compliance with REIT tests may hinder our ability to make certain attractive investments, including the purchase of significant nonqualifying assets and the material expansion of non-real estate activities.

There are uncertainties relating to our estimate of our E&P Distribution, as well as the timing of such E&P Distribution and the percentage of common stock and cash we may distribute.

We have provided an estimated range of the E&P Distribution. We are in the process of conducting a study of our pre-REIT accumulated earnings and profits as of the close of our 2012 taxable year using our historical tax returns and other available information. This is a very involved and complex study that is not yet complete, and the actual result of the study relating to our pre-REIT accumulated earnings and profits as of the close of our 2012 taxable year may be materially different from our current estimates. In addition, the estimated range of our E&P Distribution is based on our projected taxable income for our 2013 taxable year and our current business plans and performance, but our actual earnings and profits (and the actual amount of the E&P Distribution) will vary depending on, among other items, the timing of certain transactions, our actual taxable income and performance for 2013 and possible changes in legislation or tax rules and IRS revenue procedures relating to distributions of earnings and profits. For these reasons and others, our actual E&P Distribution may be materially different from our estimated range.

In the fourth quarter of 2012, we paid to our stockholders a Special Dividend of \$700 million, which represented the initial portion of the expected E&P Distribution. We expect the balance of the E&P Distribution will be paid in 2014 if we successfully convert to a REIT, but the timing of the planned payment of the remaining E&P Distribution, which may or may not occur, may be affected by the completion of various phases of the Conversion Plan and other factors beyond our control. The Special Dividend was paid in the aggregate of 20% in cash and 80% in shares of our common stock. We may decide, based on our cash flows and strategic plans, IRS revenue procedures relating to distributions of earnings and profits, leverage and other factors, to pay the remaining portion of the E&P Distribution entirely in cash or a different mix of cash and common stock.

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We may be required to borrow funds and/or raise equity to satisfy our E&P Distribution.

Depending on the ultimate size and timing of the stockholder distributions, we may raise debt and/or issue equity in the near-term to fund these disbursements, even if the then-prevailing market conditions are not favorable for these borrowings or offerings. Whether we issue equity, at what price and the amount and other terms of any such issuances will depend on many factors, including alternative sources of capital, our then-existing leverage, our need for additional capital, market conditions and other factors beyond our control. If we raise additional funds through the issuance of equity securities or debt convertible into equity securities, the percentage of stock ownership by our existing stockholders may be reduced. In addition, new equity securities or convertible debt securities could have rights, preferences, and privileges senior to those of our current stockholders, which could substantially decrease the value of our securities owned by them. Depending on the share price we are able to obtain, we may have to sell a significant number of shares in order to raise the capital we deem necessary to execute our long-term strategy, and our stockholders may experience dilution in the value of their shares as a result. Furthermore, satisfying our E&P Distribution and other conversion costs may increase the financing we need to fund capital expenditures, future growth and expansion initiatives. As a result, our indebtedness could increase. See "Risks Relating to Our Indebtedness" for further information regarding our substantial indebtedness.

Our REIT Status Protection Rights Agreement may not protect our potential status as a REIT and could have unintended antitakeover effects and may prevent our stockholders from receiving a takeover premium.

In December 2013 we entered into a REIT Status Protection Rights Agreement (the "Rights Agreement") with Computershare Inc., as rights agent. In connection with the Rights Agreement, we declared a dividend of one preferred stock purchase right (a "Right") for each share of our common stock, par value \$0.01 per share (the "Common Stock") outstanding on December 20, 2013. We entered into the Rights Agreement in an effort to protect stockholder value by attempting to provide for the preservation of our potential REIT Status by limiting ownership concentration that could threaten our potential REIT Status. However, since the exercisability of the Rights, or the exchange (an "Exchange") therefor by us for shares of Common Stock or our Series A Participating Junior Preferred Stock (or another series of our preferred stock having equivalent rights, preferences and privileges), at an exchange rate of one share of Common Stock, or a fractional share of Preferred Stock (or other stock) equivalent in value thereto, per Right, is triggered only after a person or group has exceeded beneficial ownership of in excess of 9.8% of our Common Stock, as calculated in accordance with the Rights Agreement (the "Ownership Threshold"), the Rights Agreement, by its terms, cannot prevent a stockholder from exceeding the Ownership Threshold and thereby threatening our potential REIT Status. Nevertheless, we expect that the potential for substantial dilution to a person or group that exceeds the Ownership Threshold will strongly discourage a stockholder from exceeding such Ownership Threshold and becoming an Acquiring Person, as defined in the Rights Agreement. While the decision by our board of directors to consider a person or group an Acquiring Person and/or consummate an Exchange would likely reduce such Acquiring Person's ownership below the Ownership Threshold, we can provide no assurance that effecting an Exchange or otherwise triggering the exercisability of the Rights would retroactively remove the threat to our potential REIT Status that resulted from such Acquiring Person exceeding the Ownership Threshold in the first place. Also, the tax consequences to a REIT of triggering a Rights Agreement are unclear, and we can provide no assurance that we will consummate an Exchange or allow the exercisability of the Rights to be triggered even if a person or group acquires beneficial ownership of the outstanding Common Stock of greater than the Ownership Threshold. While we have entered into the Rights Agreement to assist with our REIT compliance under the Code if we are able to convert to a REIT, the Rights Agreement also could inhibit acquisitions of a significant stake in us and may prevent a change in our control. As a result, the overall effect of the Rights may be to render more difficult or discourage any attempt to acquire us even if such acquisition may be favorable to the interests of our stockholders. Because our

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board of directors can redeem the Rights at any time in their sole discretion, the Rights should not interfere with a merger or other business combination approved by our board of directors.

We have no experience operating as a REIT, which may adversely affect our business, financial condition and results of operations if we successfully convert to a REIT.

We have no experience operating as a REIT and our senior management has no experience operating a REIT. Our pre-REIT operating experience may not be sufficient to prepare us to operate successfully as a REIT. Our inability to operate successfully as a REIT, including the failure to maintain REIT Status, could adversely affect our business, financial condition and results of operations.

Operational Risks

Our customers may shift from paper and tape storage to alternative technologies that require less physical space.

We derive most of our revenues from rental fees for the storage of paper documents and computer backup tapes and from storage related services. This storage requires significant physical space, which we provide through our owned and leased facilities. Alternative storage technologies exist, many of which require significantly less space than paper documents and tapes. These technologies include computer media, microform, CD-ROM, optical disk and use of the cloud for electronic data. U.S. federal government initiatives have resulted in many health care providers adopting programs to evolve to greater use of electronic medical records. In addition, as alternative technologies are adopted, storage related services may decline as the physical records or tapes we store become less active and more archived. We can provide no assurance that our customers will continue to store most of their records in paper documents or tape format. The adoption of alternative technologies may also result in decreased demand for services related to the paper documents and tapes we store. A significant shift by our customers to storage of data through non-paper or tape based technologies, whether now existing or developed in the future, could adversely affect our businesses.

As stored records become less active our core service revenue growth and profitability may decline.

Our records management service revenue growth is being negatively impacted by declining activity rates as stored records are becoming less active. The amount of information available to customers through the Internet or their own information systems has been steadily increasing in recent years. As a result, while we continue to experience growth in storage rental, our customers are less likely than they have been in the past to retrieve records, thereby reducing their service activity levels. At the same time many of our costs related to records related services remain fixed. In addition, our reputation for providing secure information storage is critical to our success, and actions to manage cost structure, such as outsourcing certain transportation, security or other functions, could negatively impact our reputation and adversely affect our business. Ultimately, if we are unable to appropriately align our cost structure with decreased levels of service revenue, our operating results could be adversely affected.

Changes in customer behavior with respect to document destruction and pricing could adversely affect our business, financial condition and results of operations.

We have experienced pricing pressure in recent years as some customers have become more cost conscious with respect to their information management expenditures. Some customers have taken actions designed to reduce costs associated with the retention of documents, including reducing the volume of documents they store and adopting more aggressive destruction practices. If we are unable to increase pricing over time, or if rates of destruction of documents stored with us increase substantially, particularly in our developed and slower growing markets, our financial condition and results of operations would be adversely affected.

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Governmental and customer focus on data security could increase our costs of operations. We may not be able to fully offset these costs through increases in our rates. In addition, incidents in which we fail to protect our customers' information against security breaches could result in monetary damages against us and could otherwise damage our reputation, harm our businesses and adversely impact our results of operations.

In reaction to publicized incidents in which electronically stored information has been lost, illegally accessed or stolen, almost all U.S. states have adopted breach of data security statutes or regulations that require notification to consumers if the security of their personal information, such as social security numbers, is breached. In addition, certain federal laws and regulations affecting financial institutions, health care providers and plans and others impose requirements regarding the privacy and security of information maintained by those institutions as well as notification to persons whose personal information is accessed by an unauthorized third party. Some of these laws and regulations provide for civil fines in certain circumstances and require the adoption and maintenance of privacy and information security programs; our failure to be in compliance with any such programs may adversely affect our business. One U.S. state has adopted regulations requiring every company that maintains or stores personal information to adopt a comprehensive written information security program. In some instances European data protection authorities have issued large fines as a result of data security breaches.

Continued governmental focus on data security may lead to additional legislative action. For example, in the past the U.S. Congress has considered legislation that would expand the federal data breach notification requirement beyond the financial and medical fields. In addition, the European Commission has proposed a regulation and directive that will, if adopted, supersede Directive 95/46/EC, which has governed the processing of personal data since 1995. It is anticipated that the proposed regulation will significantly alter the security and privacy obligations of entities, such as Iron Mountain, that process data of residents of members of the European Union and substantially increase penalties for violations. Also, an increasing number of countries have introduced and/or increased enforcement of comprehensive privacy laws, or are expected to do so. The continued emphasis on information security as well as increasing concerns about government surveillance may lead customers to request that we take additional measures to enhance security and assume higher liability under our contracts. We have experienced incidents in which customers' backup tapes or other records have been lost, and we have been informed by customers that some of the incidents involved the loss of personal information, resulting in monetary costs to those customers for which we have provided reimbursement. As a result of legislative initiatives and client demands, we may have to modify our operations with the goal of further improving data security. Any such modifications may result in increased expenses and operating complexity, and we may be unable to increase the rates we charge for our services sufficiently to offset any increased expenses.

In addition to increases in the costs of operations or potential liability that may result from a heightened focus on data security, our reputation may be damaged by any compromise of security, accidental loss or theft of customer data in our possession. We believe that establishing and maintaining a good reputation is critical to attracting and retaining customers. If our reputation is damaged, we may become less competitive, which could negatively impact our businesses, financial condition or results of operations.

Changing fire and safety standards may result in significant expense in certain jurisdictions.

As of December 31, 2013, we operated 944 records management and off-site data protection facilities worldwide, including 570 in the United States alone. Many of these facilities were built and outfitted by third parties and added to our real estate portfolio as part of acquisitions. Some of these facilities contain fire suppression and safety features that are different from our current specifications and current standards for new facilities, although we believe all of our facilities were constructed in

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compliance with laws and regulations in effect at the time of their construction or outfitting. Where we believe the fire suppression and safety features of a facility require improvement, we will develop and implement a plan to remediate the issue. In some instances local authorities having jurisdiction may take the position that our fire suppression and safety features in a particular facility are insufficient and require additional measures which may involve considerable expense to us. If additional fire safety and suppression measures beyond our current operating plan were required at a large number of our facilities, the expense required for compliance could negatively impact our business, financial condition or results of operations.

Our customer contracts may not always limit our liability and may sometimes contain terms that could lead to disputes in contract interpretation.

Our customer contracts typically contain provisions limiting our liability with respect to loss or destruction of, or damage to, records or information stored with us. Our liability under physical storage contracts is often limited to a nominal fixed amount per item or unit of storage, such as per cubic foot and our liability under our DMS services and other service contracts is often limited to a percentage of annual revenue under the contract; however, some of our contracts with large volume accounts and some of the contracts assumed in our acquisitions contain no such limits or contain higher limits. We cannot provide assurance that where we have limitation of liability provisions they will be enforceable in all instances or, if enforceable, that they would otherwise protect us from liability. In addition to provisions limiting our liability, our standard storage rental and service contracts include a schedule setting forth the majority of the customer-specific terms, including storage rental and service pricing and service delivery terms. Our customers may dispute the interpretation of various provisions in their contracts. In the past, we have had relatively few disputes with our customers with regard to the terms of their customer contracts, and most disputes to date have not been material, but we can give no assurance that we will not have material disputes in the future. Although we maintain a comprehensive insurance program, there is no assurance we will be able to maintain insurance policies on acceptable terms in order to cover losses to us in connection with customer contract disputes.

Failure to comply with certain regulatory and contractual requirements under our U.S. Government contracts could adversely affect our revenues, operating results and financial position.

Selling our services to the U.S. Government subjects us to certain regulatory and contractual requirements. Failure to comply with these requirements could subject us to investigations, price reductions, up to treble damages, and civil penalties. Noncompliance with certain regulatory and contractual requirements could also result in us being suspended or barred from future U.S. Government contracting. We may also face private derivative securities claims as a result of adverse government actions. Any of these outcomes could have a material adverse effect on our revenues, operating results, financial position and reputation.

International operations may pose unique risks.

As of December 31, 2013, we provided services in 35 countries outside the U.S. As part of our growth strategy, we expect to continue to acquire or invest in storage and information management services businesses in select foreign markets, including countries where we do not currently operate. International operations are subject to numerous risks, including:

the impact of foreign government regulations and U.S. regulations that apply to us wherever we operate; in particular, Iron Mountain is subject to U.S. and foreign anticorruption laws, such as the Foreign Corrupt Practices Act and the U.K. Bribery Act, and, although we have implemented internal controls, policies and procedures and training to deter prohibited practices, employees, partners, contractors or agents may violate or circumvent such policies and the law;

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the volatility of certain foreign economies in which we operate;

political uncertainties;

unforeseen liabilities, particularly within acquired businesses;

costs and difficulties associated with managing international operations of varying sizes and scale;

the risk that business partners upon whom we depend for technical assistance or management and acquisition expertise in some markets outside of the U.S. will not perform as expected;

difficulties attracting and retaining local management and key employees to operate our business in certain countries;

cultural differences and differences in business practices and operating standards; and

foreign currency fluctuations.

In particular, our net income can be significantly affected by fluctuations in currencies associated with certain intercompany balances of our foreign subsidiaries owed to us and between our foreign subsidiaries.

We may be subject to certain costs and potential liabilities associated with the real estate required for our business.

Because our business is heavily dependent on real estate, we face special risks attributable to the real estate we own or lease. Such risks include:

variable occupancy costs and difficulty locating suitable sites due to fluctuations in real estate markets;

uninsured losses or damage to our storage facilities due to an inability to obtain full coverage on a cost-effective basis for some casualties, such as fires, earthquakes, or any coverage for certain losses, such as losses from riots or terrorist activities;

inability to use our real estate holdings effectively and costs associated with vacating or consolidating facilities if the demand for physical storage were to diminish because our customers choose other storage technologies or because competitors attract our customers; and

liability under environmental laws for the costs of investigation and cleanup of contaminated real estate owned or leased by us, whether or not (i) we know of, or were responsible for, the contamination, or (ii) the contamination occurred while we owned or leased the property.

Some of our current and formerly owned or leased properties were previously used by entities other than us for industrial or other purposes that involved the use, storage, generation and/or disposal of hazardous substances and wastes, including petroleum products. In some instances this prior use involved the operation of underground storage tanks or the presence of asbestos-containing materials. Although we have from time to time conducted limited environmental investigations and remedial activities at some of our former and current facilities, we have not undertaken an in-depth environmental review of all of our properties. We therefore may be potentially liable for environmental costs like those discussed above and may be unable to sell, rent, mortgage or use contaminated real estate owned or leased by us. Environmental conditions for which we might be liable may also exist at properties that we may acquire in the future. In addition, future regulatory action and environmental

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laws may impose costs for environmental compliance that do not exist today.

Unexpected events could disrupt our operations and adversely affect our reputation and results of operations.

Unexpected events, including fires or explosions at our facilities, natural disasters such as hurricanes and earthquakes, war or terrorist activities, unplanned power outages, supply disruptions and

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failure of equipment or systems, could adversely affect our reputation and results of operations. Our customers rely on us to securely store and timely retrieve their critical information, and these events could result in customer service disruption, physical damage to one or more key operating facilities and the information stored in those facilities, the temporary closure of one or more key operating facilities or the temporary disruption of information systems, each of which could negatively impact our reputation and results of operations. During the past several years we have seen an increase in severe storms and hurricanes and our key facilities in Florida and other coastal areas in particular are subject to this inherent risk.

Damage to our reputation could adversely affect our business, financial condition and results of operations.

Our reputation for providing highly secure information storage to customers is critical to the success of our business. Our reputation or brand, and specifically, the trust our customers place in us, could be negatively impacted in the event of perceived or actual failures by us to store information securely. For example, events such as fires, natural disasters, attacks on our information technology systems or security breaches involving Iron Mountain could negatively impact our reputation, particularly if such incidents result in adverse publicity, governmental investigations or litigation. Damage to our reputation could make us less competitive, which could negatively impact our business, financial condition and results of operations.

Fluctuations in commodity prices may affect our operating revenues and results of operations.

Our operating revenues and results of operations are impacted by significant changes in commodity prices. In particular, our secure shredding operations generate revenue from the sale of shredded paper to recyclers. We generate additional revenue through a customer surcharge when the price of diesel fuel rises above certain predetermined rates. As a result, significant declines in paper and diesel fuel prices may negatively impact our revenues and results of operations, and increases in other commodity prices, including steel, may negatively impact our results of operations.

Attacks on our internal information technology systems could damage our reputation, harm our businesses and adversely impact our results of operations.

Our reputation for providing secure information storage to customers is critical to the success of our business. We have previously faced attempts by unauthorized users to gain access to our information technology systems and expect to continue to face such attempts. Although we seek to prevent, detect and investigate these security incidents and have taken steps to prevent such security breaches, there can be no assurance that attacks by unauthorized users will not be attempted in the future or that our security measures will be effective. A successful breach of the security of our information technology systems could lead to theft or misuse of our customers' proprietary or confidential information and result in third party claims against us and reputational harm. If our reputation is damaged, we may become less competitive, which could negatively impact our businesses, financial condition or results of operations.

We may be subject to claims that our technology violates the intellectual property rights of a third party.

Third parties may have legal rights (including ownership of patents, trade secrets, trademarks and copyrights) to ideas, materials, processes, names or original works that are the same or similar to those we use. Third parties have in the past, and may in the future, bring claims, or threaten to bring claims, against us that allege that their intellectual property rights are being infringed or violated by our use of intellectual property. Litigation or threatened litigation could be costly and distract our senior management from operating our business. Further, if we cannot establish our right or obtain the right to use the intellectual property on reasonable terms, we may be required to develop alternative intellectual property at our expense to mitigate potential harm.

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We face competition for customers.

We compete with multiple storage and information management services providers in all geographic areas where we operate; our current or potential customers may choose to use those competitors instead of us. We also compete, in some of our business lines, with our current and potential customers' internal storage and information management services capabilities. These organizations may not begin or continue to use a third party, such as Iron Mountain, for their future storage and information management service needs.

Risks Related to Our Indebtedness

Our substantial indebtedness could adversely affect our financial health and prevent us from fulfilling our obligations under our various debt instruments.

We have a significant amount of indebtedness. As of December 31, 2013, our total long-term debt was approximately \$4.17 billion, our stockholders' equity was approximately \$1.06 billion and our cash and cash equivalents (including restricted cash) totaled approximately \$0.15 billion. Our substantial indebtedness could have important consequences to our current and potential investors. Our indebtedness may increase as we continue to borrow under existing and future credit arrangements in order to finance future acquisitions, to fund the Conversion Plan and for general corporate purposes, which would increase the associated risks. These risks include:

inability to satisfy our obligations with respect to our various debt instruments;

inability to adjust to adverse economic conditions;

inability to fund future working capital, capital expenditures, acquisitions and other general corporate requirements, including possible required repurchases of our various indebtedness or the payment of quarterly dividends;

limits on our flexibility in planning for, or reacting to, changes in our business and the information management services industry;

limits on future borrowings under our existing or future credit arrangements, which could affect our ability to pay our indebtedness or to fund our other liquidity needs;

inability to generate sufficient funds to cover required interest payments; and

restrictions on our ability to refinance our indebtedness on commercially reasonable terms.

Restrictive debt covenants may limit our ability to pursue our growth strategy.

Our credit facility and our indentures contain covenants restricting or limiting our ability to, among other things:

incur additional indebtedness;

pay dividends or make other restricted payments;

make asset dispositions;

create or permit liens; and

make acquisitions and other investments.

These restrictions may adversely affect our ability to pursue our acquisition and other growth strategies.

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We may not have the ability to raise the funds necessary to finance the repurchase of outstanding senior or senior subordinated notes upon a change of control event as required by our indentures.

Upon the occurrence of a "change of control", we will be required to offer to repurchase all outstanding senior or senior subordinated notes. However, it is possible that we will not have sufficient funds at the time of the change of control to make the required repurchase of the notes or that restrictions in our revolving credit facility will not allow such repurchases. Certain important corporate events, however, such as leveraged recapitalizations that would increase the level of our indebtedness, would not constitute a "change of control" under our indentures.

Iron Mountain is a holding company, and, therefore, our ability to make payments on our various debt obligations depends in part on the operations of our subsidiaries.

Iron Mountain is a holding company; substantially all of our assets consist of the stock of our subsidiaries, and substantially all of our operations are conducted by our direct and indirect wholly owned subsidiaries. As a result, our ability to make payments on our various debt obligations will be dependent upon the receipt of sufficient funds from our subsidiaries. However, our various debt obligations are guaranteed, on a joint and several and full and unconditional basis, by most, but not all, of our direct and indirect wholly owned U.S. subsidiaries.

Acquisition and Expansion Risks

Elements of our strategic growth plan involve inherent risks.

As part of our strategic growth plan, we have undergone a significant management reorganization, and we expect to invest in new business strategies, products, services, technologies and geographies and we may selectively divest certain businesses. These initiatives may involve significant risks and uncertainties, including distraction of management from current operations, insufficient revenues to offset expenses and liabilities associated with new investments, inadequate return of capital on these investments and the inability to attract, develop and retain skilled employees to lead and support new initiatives. For example, in 2013 we expanded our entry into the data center market by leasing wholesale and retail colocation space in our underground facility in Pennsylvania, and we broke ground on our first regional data center in Northborough, Massachusetts, which required a significant capital commitment. Many of these new ventures are inherently risky and no assurance can be given that such strategies and offerings will be successful in achieving the desired returns within a reasonable timeframe, if at all, and that they will not adversely affect our business, reputation, financial condition, and operating results.

Failure to manage our growth may impact operating results.

If we succeed in expanding our existing businesses, or in moving into new areas of business, that expansion may place increased demands on our management, operating systems, internal controls and financial and physical resources. If not managed effectively, these increased demands may adversely affect the services we provide to customers. In addition, our personnel, systems, procedures and controls may be inadequate to support future operations, particularly with respect to operations in countries outside of the U.S. or in new lines of business. Consequently, in order to manage growth effectively, we may be required to increase expenditures to increase our physical resources, expand, train and manage our employee base, improve management, financial and information systems and controls, or make other capital expenditures. Our results of operations and financial condition could be harmed if we encounter difficulties in effectively managing the budgeting, forecasting and other process control issues presented by future growth.

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Failure to successfully integrate acquired operations could negatively impact our balance sheet and results of operations.

Strategic acquisitions are an important element of our growth strategy and the success of any acquisition we make depends in part on our ability to integrate the acquired company and realize anticipated synergies. The process of integrating acquired businesses, particularly in new markets, may involve unforeseen difficulties and may require a disproportionate amount of our management's attention and our financial and other resources. We can give no assurance that we will ultimately be able to effectively integrate and manage the operations of any acquired business or realize anticipated synergies. The failure to successfully integrate the cultures, operating systems, procedures and information technologies of an acquired business could have a material adverse effect on our balance sheet and results of operations.

We may be unable to continue our international expansion.

An important part of our growth strategy involves expanding operations in international markets, including in markets where we currently do not operate, and we expect to continue this expansion. Europe, Latin America and Australia have been our primary areas of focus for international expansion, and we have expanded into the Asia Pacific region to a lesser extent. We have entered into joint ventures and have acquired all or a majority of the equity in storage and information management services businesses operating in these areas and may acquire other storage and information management services businesses in the future, including in new countries/markets where we currently do not operate.

This growth strategy involves risks. We may be unable to pursue this strategy in the future at the desired pace or at all. For example, we may be unable to:

identify suitable companies to acquire or invest in;

complete acquisitions on satisfactory terms;

successfully expand our infrastructure and sales force to support growth;

achieve satisfactory returns on acquired companies, particularly in countries where we do not currently operate;

incur additional debt necessary to acquire suitable companies if we are unable to pay the purchase price out of working capital, common stock or other equity securities; or

enter into successful business arrangements for technical assistance or management expertise outside of the U.S.

We also compete with other storage and information management services providers for companies to acquire. Some of our competitors may possess substantial financial and other resources. If any such competitor were to devote additional resources to pursue such acquisition candidates or focus its strategy on our international markets, the purchase price for potential acquisitions or investments could rise, competition in international markets could increase and our results of operations could be adversely affected.

Risks Related to Our Common Stock

There is no assurance that we will continue to pay dividends.

Our board of directors adopted a dividend policy under which we intend to pay quarterly cash dividends on our common stock. However, our ability to pay dividends will be adversely affected if any of the risks described herein occur. In addition, any determination by us to pay cash dividends on our common stock in the future will be based primarily upon our financial condition, results of operations, business requirements and strategy and our board of directors' continuing determination that the

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declaration of dividends under the dividend policy is in the best interests of our stockholders. The terms of our credit facility and our indentures contain provisions permitting the payment of cash dividends subject to certain limitations. For these reasons, among others, our cash dividend rate may decline or we may cease paying dividends.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

As of December 31, 2013, we conducted operations through 804 leased facilities and 269 facilities that we own. Our facilities are divided among our reportable segments as follows: North American Business (686), International Business (386), and Corporate (1). These facilities contain a total of 66.9 million square feet of space. Facility rent expense was \$219.4 million, \$224.7 million and \$219.7 million for the years ended December 31, 2011, 2012 and 2013, respectively. The leased facilities typically have initial lease terms of five to ten years with one or more five-year options to extend. In addition, some of the leases contain either a purchase option or a right of first refusal upon the sale of the property. Our facilities are located throughout North America, Europe, Latin America and the Asia Pacific region, with the largest number of facilities in California, Florida, New York, New Jersey, Texas, Canada and the United Kingdom. We believe that the space available in our facilities is adequate to meet our current needs, although future growth may require that we acquire additional real property either by leasing or purchasing. See Note 10 to Notes to Consolidated Financial Statements for information regarding our minimum annual lease commitments.

Item 3. Legal Proceedings.

On November 4, 2011, we experienced a fire at a facility we leased in Aprilia, Italy. The facility primarily stored archival and inactive business records for local area businesses. Despite quick response by local fire authorities, damage to the building was extensive, and the building and its contents were a total loss. We continue to assess the impact of the fire, and, although our warehouse legal liability insurer has reserved its rights to contest coverage related to certain types of potential claims, we believe we carry adequate insurance. We have been sued by three customers, and all three of those matters have been settled. We have also received correspondence from other customers, under various theories of liabilities. We deny any liability with respect to the fire and we have referred these claims to our warehouse legal liability insurer for an appropriate response. We do not expect that this event will have a material impact on our consolidated financial condition, results of operations and cash flows. As discussed in Note 14 to Notes to Consolidated Financial Statements, we sold our Italian operations on April 27, 2012, and we indemnified the buyers related to certain obligations and contingencies associated with the fire.

General

In addition to the matter discussed above, we are involved in litigation from time to time in the ordinary course of business. A portion of the defense and/or settlement costs associated with such litigation is covered by various commercial liability insurance policies purchased by us and, in limited cases, indemnification from third parties. In the opinion of management, other than discussed above, no material legal proceedings are pending to which we, or any of our properties, are subject.

Item 4. Mine Safety Disclosures.

None.

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Our common stock is traded on the New York Stock Exchange (the "NYSE") under the symbol "IRM." The following table sets forth the high and low sale prices on the NYSE, for the years 2012 and 2013:

	Sale Prices	
	High	Low
2012		
First Quarter	\$ 32.24	\$ 28.35
Second Quarter	33.50	27.10
Third Quarter	34.18	30.91
Fourth Quarter	37.70	30.50
2013		
First Quarter	\$ 36.67	\$ 31.45
Second Quarter	39.71	25.91
Third Quarter	29.12	25.53
Fourth Quarter	30.80	25.03

The closing price of our common stock on the NYSE on February 7, 2014 was \$26.74. As of February 7, 2014, there were 463 holders of record of our common stock.

In February 2010, our board of directors adopted a dividend policy under which we have paid, and in the future intend to pay, quarterly cash dividends on our common stock. Declaration and payment of future quarterly dividends is at the discretion of our board of directors. In 2012 and 2013, our board of directors declared the following dividends:

Declaration Date	Dividend Per Share	Record Date	Total Amount (in thousands)	Payment Date
March 8, 2012	\$ 0.2500	March 23, 2012	\$ 42,791	April 13, 2012
June 5, 2012	0.2700	June 22, 2012	46,336	July 13, 2012
September 6, 2012	0.2700	September 25, 2012	46,473	October 15, 2012
October 11, 2012	4.0600	October 22, 2012	700,000	November 21, 2012
December 14, 2012	0.2700	December 26, 2012	51,296	January 17, 2013
March 14, 2013	0.2700	March 25, 2013	51,460	April 15, 2013
June 6, 2013	0.2700	June 25, 2013	51,597	July 15, 2013
September 11, 2013	0.2700	September 25, 2013	51,625	October 15, 2013
December 16, 2013	0.2700	December 27, 2013	51,683	January 15, 2014

On October 11, 2012, we announced the declaration by our board of directors of a Special Dividend of \$700.0 million, payable, at the election of the stockholders, in either common stock or cash to stockholders of record as of October 22, 2012 (the "Record Date"). The Special Dividend, which is a distribution to stockholders of a portion of our accumulated earnings and profits, was paid in a combination of common stock and cash. The Special Dividend was paid on November 21, 2012 (the "Distribution Date") to stockholders as of the Record Date. Stockholders elected to be paid their pro rata portion of the Special Dividend in all common stock or cash. The total amount of cash paid to all stockholders associated with the Special Dividend was approximately \$140.0 million (including cash paid in lieu of fractional shares). Our shares of common stock were valued for purposes of the Special Dividend based upon the average closing price on the three trading days following November 14, 2012, or \$32.87 per share, and as such, the number of shares of common stock we issued in the Special

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Dividend was approximately 17.0 million and the total amount of common stock paid to all stockholders associated with the Special Dividend was approximately \$560.0 million. These shares impact weighted average shares outstanding from the date of issuance, thus impacting our earnings per share data prospectively from the Distribution Date.

Our board of directors has authorized up to \$1.2 billion in repurchases of our common stock. As of February 7, 2014, we have repurchased approximately \$1.1 billion of our common stock under such authorization. Any determinations by us to repurchase our common stock or pay cash dividends on our common stock in the future will be based primarily upon our financial condition, results of operations, business requirements, the price of our common stock (in the case of the repurchase program) and our board of directors' continuing determination that the repurchase program and the declaration of dividends under the dividend policy are in the best interests of our stockholders and are in compliance with all laws and agreements applicable to the repurchase and dividend programs. The terms of our credit agreement and our indentures contain provisions permitting the payment of cash dividends and stock repurchases subject to certain limitations.

Unregistered Sales of Equity Securities and Use of Proceeds

We did not sell any unregistered securities during the three months ended December 31, 2013, nor did we repurchase any shares of our common stock during the three months ended December 31, 2013. As of December 31, 2013, we had approximately \$66.0 million available for future repurchase under our authorized stock repurchase program.

Table of Contents**Item 6. Selected Financial Data.**

The following selected consolidated statements of operations, balance sheet and other data have been derived from our audited consolidated financial statements. The selected consolidated financial and operating information set forth below should be read in conjunction with "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and our Consolidated Financial Statements and the Notes thereto included elsewhere in this Annual Report.

	Year Ended December 31,				
	2009	2010(1)	2011	2012	2013
Consolidated Statements of Operations Data:					
Revenues:					
Storage rental	\$ 1,533,792	\$ 1,598,718	\$ 1,682,990	\$ 1,733,138	\$ 1,784,721
Service	1,240,592	1,293,631	1,331,713	1,272,117	1,241,202
Total Revenues	2,774,384	2,892,349	3,014,703	3,005,255	3,025,923
Operating Expenses:					
Cost of sales (excluding depreciation and amortization)	1,201,871	1,192,862	1,245,200	1,277,113	1,288,878
Selling, general and administrative	749,934	772,811	834,591	850,371	924,031
Depreciation and amortization	277,186	304,205	319,499	316,344	322,037
Intangible impairments(2)		85,909	46,500		
Loss (Gain) on disposal/write-down of property, plant and equipment, net	168	(10,987)	(2,286)	4,400	(1,417)
Total Operating Expenses	2,229,159	2,344,800	2,443,504	2,448,228	2,533,529
Operating Income	545,225	547,549	571,199	557,027	492,394
Interest Expense, Net	212,545	204,559	205,256	242,599	254,174
Other (Income) Expense, Net	(12,599)	8,768	13,043	16,062	75,202
Income from Continuing Operations Before Provision for Income Taxes	345,279	334,222	352,900	298,366	163,018
Provision for Income Taxes	113,762	167,483	106,488	114,873	63,057
Income from Continuing Operations	231,517	166,739	246,412	183,493	99,961
Loss from Discontinued Operations, Net of Tax	(12,138)	(219,417)	(47,439)	(6,774)	831
Gain (Loss) on Sale of Discontinued Operations, Net of Tax			200,619	(1,885)	
Net Income (Loss)	219,379	(52,678)	399,592	174,834	100,792
Less: Net Income Attributable to Noncontrolling Interests	1,429	4,908	4,054	3,126	3,530
Net Income (Loss) Attributable to Iron Mountain Incorporated	\$ 217,950	\$ (57,586)	\$ 395,538	\$ 171,708	\$ 97,262

(footnotes follow)

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	Year Ended December 31,				
	2009	2010(1)	2011	2012	2013
(In thousands, except per share data)					
Earnings (Losses) per Share Basic:					
Income from Continuing Operations	\$ 1.14	\$ 0.83	\$ 1.27	\$ 1.06	\$ 0.52
Total (Loss) Income from Discontinued Operations	\$ (0.06)	\$ (1.09)	\$ 0.79	\$ (0.05)	
Net Income (Loss) Attributable to Iron Mountain Incorporated	\$ 1.07	\$ (0.29)	\$ 2.03	\$ 0.99	\$ 0.51
Earnings (Losses) per Share Diluted:					
Income from Continuing Operations	\$ 1.13	\$ 0.83	\$ 1.26	\$ 1.05	\$ 0.52
Total (Loss) Income from Discontinued Operations	\$ (0.06)	\$ (1.09)	\$ 0.78	\$ (0.05)	
Net Income (Loss) Attributable to Iron Mountain Incorporated	\$ 1.07	\$ (0.29)	\$ 2.02	\$ 0.98	\$ 0.51
Weighted Average Common Shares Outstanding Basic	202,812	201,991	194,777	173,604	190,994
Weighted Average Common Shares Outstanding Diluted	204,271	201,991	195,938	174,867	192,412
Dividends Declared per Common Share(3)	\$	\$ 0.3750	\$ 0.9375	\$ 5.1200	\$ 1.0800

(footnotes follow)

	Year Ended December 31,				
	2009	2010(1)	2011	2012	2013
	(In thousands)				
Other Data:					
Adjusted OIBDA(4)	\$ 822,579	\$ 926,676	\$ 950,439	\$ 912,217	\$ 895,881
Adjusted OIBDA Margin(4)	29.6%	32.0%	31.5%	30.4%	29.6%
Ratio of Earnings to Fixed Charges	2.2x	2.2x	2.2x	1.9x	1.5x

	As of December 31,				
	2009	2010(1)	2011	2012	2013
	(in thousands)				
Consolidated Balance Sheet Data:					
Cash and Cash Equivalents	\$ 446,656	\$ 258,693	\$ 179,845	\$ 243,415	\$ 120,526
Total Assets	6,851,157	6,416,393	6,041,258	6,358,339	6,653,005
Total Long-Term Debt (including Current Portion of Long-Term Debt)	3,248,649	3,008,207	3,353,588	3,825,003	4,171,722
Total Equity	2,150,760	1,952,865	1,254,256	1,162,448	1,057,834

(footnotes follow)

- (1) Prior to January 1, 2010, the financial position and results of operations of the operating subsidiaries of Iron Mountain Europe (Group) Limited (collectively referred to as "IME"), our European business, were consolidated based on IME's fiscal year ended October 31. Effective January 1, 2010, we changed the fiscal year-end (and the reporting period for consolidation purposes) of IME to coincide with Iron Mountain Incorporated's fiscal year-end of December 31.

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We believe that the change in accounting principle related to the elimination of the two-month reporting lag for IME is preferable because it will result in more contemporaneous reporting of events and results related to IME. In accordance with applicable accounting literature, a change in subsidiary year-end is treated as a change in accounting principle and requires retrospective application. The impact of the change was not material to the results of operations for the previously reported annual and interim periods after January 1, 2009, and, thus, those results have not been revised. There is, however, a charge of \$4.7 million recorded to other (income) expense, net in the year ended December 31, 2010 to recognize the immaterial difference arising from the change. There were no significant, infrequent or unusual items in the IME two-month period ended December 31, 2009.

- (2) For the year ended December 31, 2010, we recorded a non-cash goodwill impairment charge of \$85,909 related to our technology escrow services business, which we continue to own and operate and which was previously reflected in the former worldwide digital business segment and is now reflected as a component of the North American Business segment. For the year ended December 31, 2010, we recorded a \$197,876 non-cash goodwill impairment charge related to our former worldwide digital business that is included in loss from discontinued operations, net of tax. For the year ended December 31, 2011, we recorded a non-cash goodwill impairment charge of \$46,500 in our Continental Western Europe reporting unit, which is a component of the International Business segment. See Note 2.g. to Notes to Consolidated Financial Statements.
- (3) In February 2010, our board of directors adopted a dividend policy under which we began paying quarterly dividends on our common stock. See "Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities" of this Annual Report.
- (4) Adjusted OIBDA and Adjusted OIBDA Margin are non-GAAP measures. Adjusted OIBDA is defined as operating income before depreciation, amortization, intangible impairments, (gain) loss on disposal/write-down of property, plant and equipment, net and REIT Costs. Adjusted OIBDA Margin is calculated by dividing Adjusted OIBDA by total revenues. For a more detailed definition and reconciliation of Adjusted OIBDA and a discussion of why we believe these non-GAAP measures provide relevant and useful information to our current and potential investors, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations Non-GAAP Measures" of this Annual Report.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion should be read in conjunction with "Item 6. Selected Financial Data" and the Consolidated Financial Statements and Notes thereto and the other financial and operating information included elsewhere in this Annual Report.

This discussion contains "forward-looking statements" as that term is defined in the Private Securities Litigation Reform Act of 1995 and in other securities laws. See "Cautionary Note Regarding Forward-Looking Statements" on page iii of this Annual Report and "Item 1A. Risk Factors" beginning on page 15 of this Annual Report.

Overview

Potential REIT Conversion

In June 2012, we announced that our board of directors, following a thorough analysis of alternatives and careful consideration of the topic, and after the unanimous recommendation of the Special Committee, unanimously approved a plan for us to pursue the Conversion Plan to become a REIT. As part of the Conversion Plan, we are seeking PLRs from the IRS. The PLR requests have multiple components, and our conversion to a REIT will require favorable rulings from the IRS on a number of technical tax issues, including the Racking Structure Request.

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In June 2013, we disclosed that we had been informed that the IRS had convened an internal working group to study the legal standards the IRS uses to define "real estate" for purposes of the REIT provisions of the Code and what changes or refinements, if any, should be made to those legal standards. In November 2013, the IRS stated that the working group had completed its study and that it was resuming issuing rulings regarding the definition of "real estate" for purposes of the REIT provisions of the Code. We are in discussions with the IRS on a number of our PLR requests, including the Racking Structure Request. As we previously disclosed, the IRS was "tentatively adverse" to providing a PLR that our racking structures constitute real estate for REIT purposes. At this time, we are not able to predict when the IRS will provide definitive responses to the Racking Structure Request or any additional outstanding PLR requests, and we do not intend to provide additional interim updates with respect to any of the specific PLR requests or, generally, our progression through the IRS's PLR process.

Even though we have not yet determined if we will be able to convert to a REIT, we began operating our business in a manner consistent with being a REIT effective January 1, 2014 so that we and our stockholders will benefit from REIT Status in 2014 if we are ultimately successful in becoming a REIT in 2014. Our intended REIT Status may be adversely impacted by concentrated ownership of our common stock. Therefore, in December 2013, our board of directors approved, and we entered into, a Rights Agreement, which provides for a dividend of a Right for each share of our Common Stock outstanding on December 20, 2013. Each Right entitles the holder to purchase from us one one-thousandth of a share of our Series A Junior Participating Preferred Stock for a purchase price of \$114.00, subject to adjustment as provided in the Rights Agreement and our Amended Certificate of Designations for our Series A Junior Participating Preferred Stock, each of which was filed with the SEC on December 9, 2013, on a Current Report on Form 8-K. We anticipate that we will seek stockholder approval to impose ownership limitations in our charter documents, as is customary for REITs, if we are ultimately successful in converting to a REIT. The Rights Agreement is intended to help protect our potential REIT Status until the approval of those ownership limitations by our stockholders, or, if earlier, until the Rights expire, which will be no later than December 9, 2014.

If we are able to convert to, and qualify as, a REIT, we will generally be permitted to deduct from U.S. federal income taxes dividends paid to our stockholders. The income represented by such dividends would not be subject to U.S. federal taxation at the entity level but would be taxed, if at all, only at the stockholder level. Nevertheless, the income of our TRS, which will hold our U.S. operations that may not be REIT-compliant, would be subject, as applicable, to U.S. federal and state corporate income tax, and we would continue to be subject to foreign income taxes in non-U.S. jurisdictions in which we hold assets or conduct operations, regardless of whether held or conducted through qualified REIT subsidiaries or TRS. We would also be subject to a separate corporate income tax on any gains recognized during a specified period (generally, 10 years) following the REIT conversion that are attributable to "built-in" gains with respect to the assets that we own on the date we convert to a REIT. Our ability to qualify as a REIT will depend upon our continuing compliance with various requirements following our conversion to a REIT, including requirements related to the nature of our assets, the sources of our income and the distributions to our stockholders. If we fail to qualify as a REIT, we will be subject to U.S. federal income tax at regular corporate rates. Even if we qualify for taxation as a REIT, we may be subject to some federal, state, local and foreign taxes on our income and property in addition to taxes owed with respect to our TRS operations. In particular, while state income tax regimes often parallel the U.S. federal income tax regime for REITs described above, many states do not completely follow U.S. federal rules and some may not follow them at all.

We currently estimate the operating and capital expenditures associated with the Conversion Plan through the end of 2014 to be approximately \$185.0 million to \$200.0 million. Of these amounts, approximately \$47.0 million was incurred in 2012, including approximately \$12.5 million of capital expenditures. Additionally, approximately \$106.3 million was incurred in 2013, including approximately

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\$23.4 million of capital expenditures. If the Conversion Plan is successful, we also expect to incur an additional \$10.0 million to \$15.0 million in annual REIT compliance costs in future years.

As noted, we began operating our business in a manner consistent with being a REIT effective January 1, 2014 so that we and our stockholders will benefit from our REIT Status in 2014 if we are ultimately successful in becoming a REIT for 2014; however, we can provide no assurance that we will be able to elect REIT Status effective January 1, 2014, or at all. As a calendar year taxpayer, if we are unable to convert to a REIT effective January 1, 2014, the next possible conversion date would be January 1, 2015.

Discontinued Operations

On June 2, 2011, we completed the sale (the "Digital Sale") of our online backup and recovery, digital archiving and eDiscovery solutions businesses of our Digital Business to Autonomy pursuant to a purchase and sale agreement dated as of May 15, 2011 among IMI, certain subsidiaries of IMI and Autonomy (the "Digital Sale Agreement"). Additionally, on October 3, 2011, we sold our records management operations in New Zealand. Also, on April 27, 2012, we sold our records management operations in Italy. The financial position, operating results and cash flows of the Digital Business, our New Zealand operations and our Italian operations, including the gain on the sale of the Digital Business and our New Zealand operations and the loss on the sale of our Italian operations, for all periods presented, have been reported as discontinued operations for financial reporting purposes. See Note 14 to Notes to Consolidated Financial Statements.

Restructuring

In the third quarter of 2013, we implemented a plan that calls for certain organizational realignments to advance our growth strategy and reduce operating costs. As a result, we recorded restructuring costs of approximately \$23.4 million in 2013, primarily related to employee severance and associated benefits. Of the total restructuring costs incurred in 2013, \$14.8 million, \$3.7 million and \$4.9 million are reflected in the results of operations of our North American Business, International Business and Corporate segments, respectively. In our Consolidated Statements of Operations for the year ended December 31, 2013, \$20.0 million and \$3.4 million of these restructuring costs are recorded in selling, general and administrative expenses and cost of sales, respectively. We expect to incur an additional \$6.9 million of employee severance and associated benefit costs in 2014 in connection with this organizational realignment primarily in our North American Business segment. As a result of the restructuring of our operations late in 2013 and early in 2014, we are evaluating changes to our internal financial reporting to better align our internal reporting to how we will manage our business going forward. This evaluation could result in changes to our reportable segments and reporting units during 2014.

General

Our revenues consist of storage rental revenues as well as service revenues. Storage rental revenues, which are considered a key driver of financial performance for the storage and information management services industry, consist primarily of recurring periodic rental charges related to the storage of materials or data (generally on a per unit basis) that are typically retained by customers for many years. Service revenues include charges for related core service activities and a wide array of complementary products and services. Included in core service revenues are: (1) the handling of records, including the addition of new records, temporary removal of records from storage, refiling of removed records and the destruction of records; (2) courier operations, consisting primarily of the pickup and delivery of records upon customer request; (3) secure shredding of sensitive documents; and (4) other recurring services, including DMS, which relate to physical and digital records, and recurring project revenues. Our core service revenue growth has been negatively impacted by declining activity

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rates as stored records are becoming less active. The amount of information available to customers through the Internet or their own information systems has been steadily increasing in recent years. As a result, while customers continue to store their records with us, they are less likely than they have been in the past to retrieve records for research purposes, thereby reducing core service activity levels. While we expect this trend to continue into 2014, the rate of decline in core service activity has begun to moderate in recent periods. Our complementary services revenues include special project work, customer termination and permanent withdrawal fees, data restoration projects, fulfillment services, consulting services, technology services and product sales (including specially designed storage containers and related supplies). Our secure shredding revenues include the sale of recycled paper (included in complementary services revenues), the price of which can fluctuate from period to period, adding to the volatility and reducing the predictability of that revenue stream.

We recognize revenue when the following criteria are met: persuasive evidence of an arrangement exists, services have been rendered, the sales price is fixed or determinable and collectability of the resulting receivable is reasonably assured. Storage rental and service revenues are recognized in the month the respective storage rental or service is provided, and customers are generally billed on a monthly basis on contractually agreed-upon terms. Amounts related to future storage rental or prepaid service contracts for customers where storage rental fees or services are billed in advance are accounted for as deferred revenue and recognized ratably over the period the applicable storage rental or service is provided or performed. Revenues from the sales of products, which is included as a component of service revenues, is recognized when products are shipped and title has passed to the customer. Revenues from the sales of products have historically not been significant.

Cost of sales (excluding depreciation and amortization) consists primarily of wages and benefits for field personnel, facility occupancy costs (including rent and utilities), transportation expenses (including vehicle leases and fuel), other product cost of sales and other equipment costs and supplies. Of these, wages and benefits and facility occupancy costs are the most significant. Trends in total wages and benefits in dollars and as a percentage of total consolidated revenue are influenced by changes in headcount and compensation levels, achievement of incentive compensation targets, workforce productivity and variability in costs associated with medical insurance and workers compensation. Trends in facility occupancy costs are impacted by the total number of facilities we occupy, the mix of properties we own versus properties we occupy under operating leases, fluctuations in per square foot occupancy costs, and the levels of utilization of these properties.

The expansion of our international and secure shredding businesses has impacted the major cost of sales components. Our international operations are more labor intensive than our operations in North America and, therefore, labor costs are a higher percentage of segment revenue than our North American operations. Our secure shredding operations incur lower facility costs and higher transportation costs as a percentage of revenues compared to our core physical businesses.

Selling, general and administrative expenses consist primarily of wages and benefits for management, administrative, information technology, sales, account management and marketing personnel, as well as expenses related to communications and data processing, travel, professional fees, bad debts, training, office equipment and supplies. Trends in total wage and benefit dollars as a percentage of total consolidated revenue are influenced by changes in headcount and compensation levels, achievement of incentive compensation targets, workforce productivity and variability in costs associated with medical insurance. The overhead structure of our expanding international operations, as compared to our North American operations, is more labor intensive and has not achieved the same level of overhead leverage, which may result in an increase in selling, general and administrative expenses, as a percentage of consolidated revenue, as our international operations become a more meaningful percentage of our consolidated results.

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Our depreciation and amortization charges result primarily from the capital-intensive nature of our business. The principal components of depreciation relate to storage systems, which include racking structures, building and leasehold improvements, computer systems hardware and software, and buildings. Amortization relates primarily to customer relationship acquisition costs and is impacted by the nature and timing of acquisitions.

Our consolidated revenues and expenses are subject to variations caused by the net effect of foreign currency translation on revenues and expenses incurred by our entities outside the U.S. It is difficult to predict the future fluctuations of foreign currency exchange rates and how those fluctuations will impact our Consolidated Statements of Operations. Due to the expansion of our international operations, some of these fluctuations have become material on individual balances. However, because both the revenues and expenses are denominated in the local currency of the country in which they are derived or incurred, the impact of currency fluctuations on our operating income and operating margin is partially mitigated. In order to provide a framework for assessing how our underlying businesses performed excluding the effect of foreign currency fluctuations, we compare the percentage change in the results from one period to another period in this report using constant currency presentation. The constant currency growth rates are calculated by translating the 2011 results at the 2012 average exchange rates and the 2012 results at the 2013 average exchange rates.

The following table is a comparison of underlying average exchange rates of the foreign currencies that had the most significant impact on our U.S. dollar-reported revenues and expenses:

	Average Exchange Rates for the Year Ended December 31,		Percentage Strengthening / (Weakening) of Foreign Currency
	2012	2013	
	British pound sterling	\$ 1.585	
Canadian dollar	\$ 1.000	\$ 0.971	(2.9)%
Euro	\$ 1.286	\$ 1.328	3.3%

	Average Exchange Rates for the Year Ended December 31,		Percentage Strengthening / (Weakening) of Foreign Currency
	2011	2012	
	British pound sterling	\$ 1.604	
Canadian dollar	\$ 1.012	\$ 1.000	(1.2)%
Euro	\$ 1.392	\$ 1.286	(7.6)%

Non-GAAP Measures

Adjusted Operating Income Before Depreciation, Amortization, Intangible Impairments and REIT Costs ("Adjusted OIBDA")

Adjusted OIBDA is defined as operating income before depreciation, amortization, intangible impairments, (gain) loss on disposal/write-down of property, plant and equipment, net, and REIT Costs. Adjusted OIBDA Margin is calculated by dividing Adjusted OIBDA by total revenues. We use multiples of current or projected Adjusted OIBDA in conjunction with our discounted cash flow models to determine our overall enterprise valuation and to evaluate acquisition targets. We believe Adjusted OIBDA and Adjusted OIBDA Margin provide our current and potential investors with relevant and useful information regarding our ability to generate cash flow to support business investment. These measures are an integral part of the internal reporting system we use to assess and evaluate the operating performance of our business. Adjusted OIBDA does not include certain items that we believe are not indicative of our core operating results, specifically: (1) (gain) loss on disposal/

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write-down of property, plant and equipment, net; (2) intangible impairments; (3) REIT Costs; (4) other expense (income), net; (5) income (loss) from discontinued operations, net of tax; (6) gain (loss) on sale of discontinued operations, net of tax and (7) net income (loss) attributable to noncontrolling interests.

Adjusted OIBDA also does not include interest expense, net and the provision (benefit) for income taxes. These expenses are associated with our capitalization and tax structures, which we do not consider when evaluating the operating profitability of our core operations. Finally, Adjusted OIBDA does not include depreciation and amortization expenses, in order to eliminate the impact of capital investments, which we evaluate by comparing capital expenditures to incremental revenue generated and as a percentage of total revenues. Adjusted OIBDA and Adjusted OIBDA Margin should be considered in addition to, but not as a substitute for, other measures of financial performance reported in accordance with accounting principles generally accepted in the United States of America ("GAAP"), such as operating or net income (loss) or cash flows from operating activities from continuing operations (as determined in accordance with GAAP).

Reconciliation of Operating Income to Adjusted OIBDA (in thousands):

	Year Ended December 31,				
	2009	2010	2011	2012	2013
Operating Income	\$ 545,225	\$ 547,549	\$ 571,199	\$ 557,027	\$ 492,394
Add: Depreciation and Amortization	277,186	304,205	319,499	316,344	322,037
Intangible Impairments		85,909	46,500		
Loss (Gain) on Disposal/Write-Down of Property, Plant and Equipment, Net	168	(10,987)	(2,286)	4,400	(1,417)
REIT Costs(1)			15,527	34,446	82,867
 Adjusted OIBDA	 \$ 822,579	 \$ 926,676	 \$ 950,439	 \$ 912,217	 \$ 895,881

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- (1) Includes costs associated with our 2011 proxy contest, the previous work of the former Strategic Review Special Committee of the board of directors and the proposed REIT conversion ("REIT Costs").

Adjusted Earnings per Share from Continuing Operations ("Adjusted EPS")

Adjusted EPS is defined as reported earnings per share from continuing operations excluding: (1) (gain) loss on disposal/write-down of property, plant and equipment, net; (2) intangible impairments; (3) REIT Costs; (4) other expense (income), net; and (5) the tax impact of reconciling items and discrete tax items. We do not believe these excluded items to be indicative of our ongoing operating results, and they are not considered when we are forecasting our future results. We believe Adjusted EPS is of value to our current and potential investors when comparing our results from past, present and future periods.

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	Year Ended December 31,				
	2009	2010	2011	2012	2013
Reported EPS Fully Diluted from Continuing Operations	\$ 1.13	\$ 0.83	\$ 1.26	\$ 1.05	\$ 0.52
Add: (Gain) Loss on Disposal/Write-down of Property, Plant and Equipment, net		(0.05)	(0.01)	0.03	(0.01)
Intangible Impairments		0.43	0.24		
Other (Income) Expense, net	(0.06)	0.04	0.07	0.09	0.39
REIT Costs			0.08	0.20	0.45
Tax Impact of Reconciling Items and Discrete Tax Items	(0.06)	0.03	(0.28)	(0.16)	(0.32)
Adjusted EPS Fully Diluted from Continuing Operations	\$ 1.01	\$ 1.28	\$ 1.36	\$ 1.21	\$ 1.03

Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations are based upon our Consolidated Financial Statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires us to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities at the date of the financial statements and for the period then ended. On an ongoing basis, we evaluate the estimates used. We base our estimates on historical experience, actuarial estimates, current conditions and various other assumptions that we believe to be reasonable under the circumstances. These estimates form the basis for making judgments about the carrying values of assets and liabilities and are not readily apparent from other sources. Actual results may differ from these estimates. Our critical accounting policies include the following, which are listed in no particular order:

Revenue Recognition

Our revenues consist of storage rental revenues as well as service revenues and are reflected net of sales and value added taxes. Storage rental revenues, which are considered a key driver of financial performance for the storage and information management services industry, consist primarily of recurring periodic rental charges related to the storage of materials or data (generally on a per unit basis). Service revenues include charges for related core service activities and a wide array of complementary products and services. Included in core service revenues are: (1) the handling of records, including the addition of new records, temporary removal of records from storage, refiling of removed records and the destruction of records; (2) courier operations, consisting primarily of the pickup and delivery of records upon customer request; (3) secure shredding of sensitive documents; and (4) other recurring services, including DMS, which relate to physical and digital records, and recurring project revenues. Our complementary services revenues include special project work, customer termination and permanent withdrawal fees, data restoration projects, fulfillment services, consulting services, technology services and product sales (including specially designed storage containers and related supplies). Our secure shredding revenues include the sale of recycled paper (included in complementary services revenues), the price of which can fluctuate from period to period, adding to the volatility and reducing the predictability of that revenue stream.

We recognize revenue when the following criteria are met: persuasive evidence of an arrangement exists, services have been rendered, the sales price is fixed or determinable and collectability of the resulting receivable is reasonably assured. Storage rental and service revenues are recognized in the

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month the respective storage rental or service is provided, and customers are generally billed on a monthly basis on contractually agreed-upon terms. Amounts related to future storage rental or prepaid service contracts for customers where storage rental fees or services are billed in advance are accounted for as deferred revenue and recognized ratably over the period the applicable storage rental or service is provided or performed. Revenues from the sales of products, which is included as a component of service revenues, is recognized when products are shipped and title has passed to the customer. Revenues from the sales of products have historically not been significant.

Accounting for Acquisitions

Part of our growth strategy has included the acquisition by us of numerous businesses. The purchase price of each acquisition has been determined after due diligence of the target business, market research, strategic planning and the forecasting of expected future results and synergies. Estimated future results and expected synergies are subject to revisions as we integrate each acquisition and attempt to leverage resources.

Each acquisition has been accounted for using the acquisition method of accounting as defined under the applicable accounting standards at the date of each acquisition. Accounting for these acquisitions has resulted in the capitalization of the cost in excess of fair value of the net assets acquired in each of these acquisitions as goodwill. We estimated the fair values of the assets acquired in each acquisition as of the date of acquisition and these estimates are subject to adjustment based on the final assessments of the fair value of intangible assets (primarily customer relationship assets), property, plant and equipment (primarily racking structures), operating leases, contingencies and income taxes (primarily deferred income taxes). We complete these assessments within one year of the date of acquisition. See Note 6 to Notes to Consolidated Financial Statements for a description of recent acquisitions.

Determining the fair values of the net assets acquired requires management's judgment and often involves the use of assumptions with respect to future cash inflows and outflows, discount rates and market data, among other items. Due to the inherent uncertainty of future events, actual values of net assets acquired could be different from our estimated fair values and could have a material impact on our financial statements.

Of the net assets acquired in our acquisitions, the fair value of owned buildings, customer relationship intangible assets, racking structures and operating leases are generally the most common and most significant. For significant acquisitions or acquisitions involving new markets or new products, we generally use third party appraisals of the fair value of owned buildings, customer relationship intangible assets and market rental rates for acquired operating leases. For acquisitions that are not significant or do not involve new markets or new products, we generally use third party appraisals of fair value for acquired owned buildings and market rental rates for acquired operating leases. When not using third party appraisals of the fair value of acquired net assets, the fair value of acquired customer relationship intangible assets and acquired racking structures is determined internally. The fair value of acquired racking structures is determined internally by taking current replacement cost at the date of acquisition for the quantity of racking structures acquired discounted to take into account the quality (e.g. age, material and type) of the racking structures. Additionally, we use discounted cash flow models to determine the fair value of customer relationship intangible assets, which requires a significant amount of judgment by management, including estimating expected lives of the relationships, expected future cash flows and discount rates.

Of the key assumptions that impact the estimated fair values of customer relationship intangible assets, the expected future cash flows and discount rate are among the most sensitive and are considered to be critical assumptions. To illustrate the sensitivity of changes in key assumptions used in determining the fair value of customer relationship intangible assets acquired in our most significant

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acquisition in fiscal year 2013, of Cornerstone, a hypothetical increase of 10% in the expected annual future cash flows, with all other assumptions unchanged, would have increased the calculated fair value of the acquired customer relationship intangible assets by \$11.2 million, with an offsetting decrease to goodwill. A hypothetical decrease of 100 basis points in the discount rate, with all other assumptions unchanged, would have increased the fair value of the acquired customer relationship intangible assets by \$8.7 million, with an offsetting decrease to goodwill.

Our estimates of fair value are based upon assumptions believed to be reasonable at that time but which are inherently uncertain and unpredictable. Assumptions may be incomplete or inaccurate, and unanticipated events and circumstances may occur, which may affect the accuracy of such assumptions.

Impairment of Tangible and Intangible Assets

Assets subject to depreciation or amortization: We review long-lived assets and all amortizable intangible assets for impairment whenever events or changes in circumstances indicate the carrying amount of such assets may not be recoverable. Examples of events or circumstances that may be indicative of impairment include, but are not limited to:

A significant decrease in the market price of an asset;

A significant change in the extent or manner in which a long-lived asset is being used or in its physical condition;

A significant adverse change in legal factors or in the business climate that could affect the value of the asset;

An accumulation of costs significantly greater than the amount originally expected for the acquisition or construction of an asset; and

A current expectation that, more likely than not, an asset will be sold or otherwise disposed of significantly before the end of its previously estimated useful life.

Recoverability of these assets is determined by comparing the forecasted undiscounted net cash flows of the operation to which the assets relate to their carrying amount. The operations are generally distinguished by the business segment and geographic region in which they operate. If the operation is determined to be unable to recover the carrying amount of its assets, then intangible assets are written down first, followed by the other long-lived assets of the operation, to fair value. Fair value is determined based on discounted cash flows or appraised values, depending upon the nature of the assets.

Goodwill and intangible assets not subject to amortization: Goodwill and intangible assets with indefinite lives are not amortized but are reviewed annually for impairment or more frequently if impairment indicators arise. We have selected October 1 as our annual goodwill impairment review date. We performed our annual goodwill impairment review as of October 1, 2011, 2012 and 2013 and noted no impairment of goodwill at those dates. However, as a result of interim triggering events as discussed below, we recorded a provisional goodwill impairment charge in the third quarter of 2011 in conjunction with our European operations. This provisional goodwill impairment charge was finalized in the fourth quarter of 2011. As of December 31, 2013, no factors were identified that would alter our October 1, 2013 goodwill assessment. In making this assessment, we relied on a number of factors including operating results, business plans, anticipated future cash flows, transactions and marketplace data. There are inherent uncertainties related to these factors and our judgment in applying them to the analysis of goodwill impairment. When changes occur in the composition of one or more reporting units, the goodwill is reassigned to the reporting units affected based on their relative fair values.

In September 2011, as a result of certain changes we made in the manner in which our European operations are managed, we reorganized our reporting structure and reassigned goodwill among the

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revised reporting units. Previously, we tested goodwill impairment at the European level on a combined basis. As a result of the management and reporting changes, we concluded at that time that we had three reporting units within our European operations: (1) United Kingdom, Ireland and Norway ("UKI"); (2) Belgium, France, Germany, Luxembourg, Netherlands and Spain ("Continental Western Europe"); and (3) the remaining countries in Europe ("Central Europe"). As a result of the restructuring of our reporting units, we concluded that we had an interim triggering event, and, therefore, we performed an interim goodwill impairment test for UKI, Continental Western Europe and Central Europe in the third quarter of 2011, as of August 31, 2011. As required by GAAP, prior to our goodwill impairment analysis, we performed an impairment assessment on the long-lived assets within our UKI, Continental Western Europe and Central Europe reporting units and noted no impairment, except for our Italian operations, which was included in our Continental Western Europe reporting unit, and which is now included in discontinued operations as discussed in Note 14. Based on our analysis, we concluded that the goodwill of our UKI and Central Europe reporting units was not impaired. Our Continental Western Europe reporting unit's fair value was less than its carrying value, and, as a result, we recorded a goodwill impairment charge of \$46.5 million included as a component of intangible impairments from continuing operations in the accompanying Consolidated Statements of Operations for the year ended December 31, 2011.

Our reporting units at which level we performed our goodwill impairment analysis as of October 1, 2011 were as follows: (1) North America; (2) UKI; (3) Continental Western Europe; (4) Central Europe; (5) Latin America; (6) Australia; and (7) our China, Hong Kong, India, Russia, Singapore and Ukraine joint ventures (collectively, "Worldwide Joint Ventures"). As of December 31, 2011, the carrying value of goodwill, net amounted to \$1,748.9 million, \$306.2 million, \$46.4 million, \$63.8 million, \$27.3 million and \$61.7 million for North America, UKI, Continental Western Europe, Central Europe, Latin America and Australia, respectively. Our Worldwide Joint Ventures reporting unit had no goodwill as of December 31, 2011.

In 2012, we reorganized the management and reporting structure of our international operations. As a result of the management and reporting changes, we concluded that we have the following six reporting units: (1) North America; (2) United Kingdom, Ireland, Norway, Belgium, France, Germany, Luxembourg, Netherlands and Spain ("Western Europe"); (3) the remaining countries in Europe in which we operate, excluding Russia and the Ukraine ("Emerging Markets"); (4) Latin America; (5) Australia, China, Hong Kong and Singapore ("Asia Pacific"); and (6) India, Russia and the Ukraine ("Emerging Market Joint Ventures"). As of December 31, 2012, the carrying value of goodwill, net amounted to \$1,762.3 million, \$365.3 million, \$87.5 million, \$56.9 million and \$62.8 million for North America, Western Europe, Emerging Markets, Latin America and Asia Pacific, respectively. Our Emerging Market Joint Ventures reporting unit had no goodwill as of December 31, 2012 and 2013. As of December 31, 2013, the carrying value of goodwill, net amounted to \$1,849.4 million, \$376.0 million, \$88.6 million, \$93.2 million and \$56.2 million for North America, Western Europe, Emerging Markets, Latin America and Asia Pacific, respectively. Based on our goodwill impairment assessment, all of our reporting units with goodwill had estimated fair values as of October 1, 2013 that exceeded their carrying values by greater than 15%.

Reporting unit valuations have been calculated using an income approach based on the present value of future cash flows of each reporting unit or a combined approach based on the present value of future cash flows and market and transaction multiples of revenues and earnings. The income approach incorporates many assumptions including future growth rates, discount factors, expected capital expenditures and income tax cash flows. Changes in economic and operating conditions impacting these assumptions could result in goodwill impairments in future periods. In conjunction with our annual goodwill impairment reviews, we reconcile the sum of the valuations of all of our reporting units to our market capitalization as of such dates.

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Although we believe we have sufficient historical and projected information available to us to test for impairment, it is possible that actual results could differ from the estimates used in our impairment tests. Of the key assumptions that impact the goodwill impairment test, the expected future cash flows and discount rate are among the most sensitive and are considered to be critical assumptions and changes to these estimates could have an effect on the estimated fair value of each of our reporting units. As a measure of sensitivity of the amount of potential goodwill impairment charges to changes in key assumptions we have grouped each of our reporting units according to the amount by which each reporting unit's fair value exceeded its carrying value in the goodwill impairment test. A hypothetical decrease of 10% in the expected annual future cash flows, with all other assumptions unchanged, would have decreased the fair value of our reporting units by approximately 4.1% to 10.0% but would not, however, have resulted in the carrying value of any of our reporting units with goodwill exceeding their fair value. A hypothetical increase of 100 basis points in the discount rate, with all other assumptions unchanged, would have decreased the fair value of our reporting units by approximately 5.0% to 13.5% but would not, however, have resulted in the carrying value of any of our reporting units with goodwill exceeding their fair value.

Income Taxes

We have a valuation allowance, amounting to \$40.3 million as of December 31, 2013, reducing our deferred tax assets, primarily associated with certain foreign and state net operating loss carryforwards, to the amount that is more likely than not to be realized. We have federal net operating loss carryforwards, which expire in 2021 through 2033, of \$70.3 million (\$24.6 million, tax effected) at December 31, 2013 to reduce future federal taxable income. We have assets for state net operating losses of \$2.7 million (net of federal tax benefit), which expire in 2014 through 2025, subject to a valuation allowance of approximately 45%. We have assets for foreign net operating losses of \$53.8 million, with various expiration dates (and in some cases no expiration date), subject to a valuation allowance of approximately 72%. We also have foreign tax credits of \$10.2 million, which will begin to expire in 2024. If actual results differ unfavorably from certain of our estimates used, we may not be able to realize all or part of our net deferred income tax assets and foreign tax credit carryforwards, and additional valuation allowances may be required. Although we believe our estimates are reasonable, no assurance can be given that our estimates reflected in the tax provisions and accruals will equal our actual results. These differences could have a material impact on our income tax provision and operating results in the period in which such determination is made.

The evaluation of an uncertain tax position is a two-step process. The first step is a recognition process whereby we determine whether it is more likely than not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The second step is a measurement process whereby a tax position that meets the more likely than not recognition threshold is calculated to determine the amount of benefit to recognize in the financial statements. The tax position is measured at the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement.

We are subject to income taxes in the U.S. and numerous foreign jurisdictions. We are subject to examination by various tax authorities in jurisdictions in which we have business operations or a taxable presence. We regularly assess the likelihood of additional assessments by tax authorities and provide for these matters as appropriate. As of December 31, 2012 and 2013, we had approximately \$37.6 million and \$51.1 million, respectively, of reserves related to uncertain tax positions. The reversal of these reserves will be recorded as a reduction of our income tax provision if sustained. Although we believe our tax estimates are appropriate, the final determination of tax audits and any related litigation could result in changes in our estimates.

After the repatriation discussed in Note 7 to Notes to Consolidated Financial Statements, we have a net tax over book outside basis difference related to our foreign subsidiaries. We do not expect this

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net basis difference to reverse in the foreseeable future and we intend to reinvest any future undistributed earnings of certain foreign subsidiaries indefinitely outside the U.S. We have instances where we have book over tax outside basis differences for certain foreign subsidiaries. These basis differences arose primarily through undistributed book earnings of such foreign subsidiaries of \$52.1 million and could be reversed through a sale of such foreign subsidiaries, the receipt of dividends from such subsidiaries or certain other events or actions on our part, each of which would result in an increase in our provision for income taxes. It is not practicable to calculate the amount of unrecognized deferred tax liability on these book over tax outside basis differences because of the complexities of the hypothetical calculation. We may record additional deferred taxes on book over tax outside basis differences related to certain foreign subsidiaries in the future depending upon a number of factors, decisions and events in connection with our potential conversion to a REIT, including favorable indications from the IRS with regard to our PLR requests, finalization of countries to be included in our plan to convert to a REIT, shareholder approval of certain modifications to our corporate charter and final board of director approval of our conversion to a REIT.

Results of Operations

Comparison of Year Ended December 31, 2013 to Year Ended December 31, 2012 and Comparison of Year Ended December 31, 2012 to Year Ended December 31, 2011 (in thousands):

	Year Ended December 31,		Dollar Change	Percentage Change
	2012	2013		
Revenues	\$ 3,005,255	\$ 3,025,923	\$ 20,668	0.7%
Operating Expenses	2,448,228	2,533,529	85,301	3.5%
Operating Income	557,027	492,394	(64,633)	(11.6)%
Other Expenses, Net	373,534	392,433	18,899	5.1%
Income from Continuing Operations, Net of Tax	183,493	99,961	(83,532)	(45.5)%
(Loss) Income from Discontinued Operations, Net of Tax	(6,774)	831	7,605	112.3%
Loss on Sale of Discontinued Operations	(1,885)		1,885	100.0%
Net Income	174,834	100,792	(74,042)	(42.3)%
Net Income Attributable to Noncontrolling Interests	3,126	3,530	404	(12.9)%
Net Income Attributable to Iron Mountain Incorporated	\$ 171,708	\$ 97,262	\$ (74,446)	(43.4)%
Adjusted OIBDA(1)	\$ 912,217	\$ 895,881	\$ (16,336)	(1.8)%
Adjusted OIBDA Margin(1)	30.4%	29.6%		

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	Year Ended December 31,		Dollar Change	Percentage Change
	2011	2012		
Revenues	\$ 3,014,703	\$ 3,005,255	\$ (9,448)	(0.3)%
Operating Expenses(2)	2,443,504	2,448,228	4,724	0.2%
Operating Income	571,199	557,027	(14,172)	(2.5)%
Other Expenses, Net	324,787	373,534	48,747	15.0%
Income from Continuing Operations, Net of Tax(2)	246,412	183,493	(62,919)	(25.5)%
Loss from Discontinued Operations, Net of Tax(2)	(47,439)	(6,774)	40,665	85.7%
Gain (Loss) on Sale of Discontinued Operations	200,619	(1,885)	(202,504)	(100.9)%
Net Income	399,592	174,834	(224,758)	(56.2)%
Net Income Attributable to Noncontrolling Interests	4,054	3,126	(928)	22.9%
Net Income Attributable to Iron Mountain Incorporated	\$ 395,538	\$ 171,708	\$ (223,830)	(56.6)%
Adjusted OIBDA(1)	\$ 950,439	\$ 912,217	\$ (38,222)	(4.0)%
Adjusted OIBDA Margin(1)	31.5%	30.4%		

(1) See "Non-GAAP Measures Adjusted Operating Income Before Depreciation, Amortization, Intangible Impairments and REIT Costs ('Adjusted OIBDA')" in this Annual Report for the definition, reconciliation and a discussion of why we believe these measures provide relevant and useful information to our current and potential investors.

(2) A \$49.0 million non-cash goodwill impairment charge related to our Continental Western Europe reporting unit in the year ended December 31, 2011 was recorded. \$46.5 million of the charge is included in our continuing results of operations (included in operating expenses in 2011). \$2.5 million of the charge was allocated to our Italian operations and is included in loss from discontinued operations in 2011. See Notes 2.g. and 14 to Notes to Consolidated Financial Statements.

REVENUE

	Year Ended December 31,		Dollar Change	Percentage Change		
	2012	2013		Actual	Constant Currency(1)	Internal Growth(2)
Storage Rental	\$ 1,733,138	\$ 1,784,721	\$ 51,583	3.0%	3.6%	2.1%
Core Service	942,826	924,435	(18,391)	(2.0)%	(1.0)%	(3.1)%
Total Core Revenue	2,675,964	2,709,156	33,192	1.2%	2.0%	0.3%
Complementary Services	329,291	316,767	(12,524)	(3.8)%	(3.2)%	(4.3)%
Total Revenue	\$ 3,005,255	\$ 3,025,923	\$ 20,668	0.7%	1.4%	(0.2)%
Total Service Revenue	\$ 1,272,117	\$ 1,241,202	\$ (30,915)	(2.4)%	(1.6)%	(3.4)%

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	Year Ended December 31,		Dollar Change	Percentage Change		
	2011	2012		Actual	Constant Currency(1)	Internal Growth(2)
Storage Rental	\$ 1,682,990	\$ 1,733,138	\$ 50,148	3.0%	4.3%	3.0%
Core Service	968,424	942,826	(25,598)	(2.6)%	(1.0)%	(2.5)%
Total Core Revenue	2,651,414	2,675,964	24,550	0.9%	2.4%	1.0%
Complementary Services	363,289	329,291	(33,998)	(9.4)%	(8.5)%	(9.6)%
Total Revenue	\$ 3,014,703	\$ 3,005,255	\$ (9,448)	(0.3)%	1.1%	(0.3)%
Total Service Revenue	\$ 1,331,713	\$ 1,272,117	\$ (59,596)	(4.5)%	(3.1)%	(4.4)%

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- (1) Constant currency growth rates are calculated by translating the 2012 results at the 2013 average exchange rates and the 2011 results at the 2012 average exchange rates.
- (2) Our internal revenue growth rate represents the weighted average year-over-year growth rate of our revenues after removing the effects of acquisitions, divestitures and foreign currency exchange rate fluctuations. We calculate internal revenue growth in local currency for our international operations.

Our consolidated storage rental revenues increased \$51.6 million, or 3.0%, to \$1,784.7 million for the year ended December 31, 2013 and \$50.1 million, or 3.0%, to \$1,733.1 million for the year ended December 31, 2012, in comparison to the years ended December 31, 2012 and 2011, respectively. The growth rate for the year ended December 31, 2013 consists primarily of internal revenue growth of 2.1%. Net acquisitions/divestitures contributed 1.5% of the increase in reported storage rental revenues in 2013 over 2012. Foreign currency exchange rate fluctuations decreased our storage rental revenue growth rate for the year ended December 31, 2013 by approximately 0.6%. Our consolidated storage rental revenue growth in 2013 was driven by sustained storage rental internal growth of 0.8% and 6.2% in our North American Business and International Business segments, respectively. Global records management net volumes in 2013 increased by 5.8% over the ending volume at December 31, 2012, supported by strong international volume growth of 12.2%, primarily driven by solid increases from emerging markets in central Europe and Latin America, and recently completed acquisitions in Brazil, Colombia and Peru. The growth rate for the year ended December 31, 2012 consists of internal revenue growth of 3.0%. Net acquisitions/divestitures contributed 1.3% of the increase in reported storage rental revenues in 2012 over 2011. Foreign currency exchange rate fluctuations decreased our storage rental revenue growth rate for the year ended December 31, 2012 by approximately 1.4%. Our consolidated storage rental revenue growth in 2012 was driven by sustained storage rental internal growth of 2.1% and 6.1% in our North American Business and International Business segments, respectively.

Consolidated service revenues, consisting of core and complementary services, decreased \$30.9 million, or 2.4%, to \$1,241.2 million for the year ended December 31, 2013 from \$1,272.1 million for the year ended December 31, 2012. Service revenue internal growth was negative 3.4% for the year ended December 31, 2013. The negative service revenue internal growth for 2013 was primarily driven by negative core service internal growth of 3.1% which reflects a trend toward reduced retrieval/re-file activity and the related transportation revenues, as well as lower shredding revenues within our International Business segment. Negative complementary service revenue internal growth of 4.3% in 2013 compared to the same period last year was primarily due to lower termination fees and fulfillment revenues, partially offset by solid growth in DMS and increased special records management project volume. Shredding volumes increased slightly in the North American Business segment but were offset by lower volume in our International Business segment due to the loss of certain accounts in the prior year and lower recycled paper pricing when compared to prior year averages. Foreign currency exchange rate fluctuations decreased reported service revenues by 0.8% in 2013 over 2012. Offsetting

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the decrease in reported consolidated service revenues were net acquisitions/divestitures, which contributed an increase of 1.8% of total reported service revenues in 2013. Consolidated service revenues, consisting of core and complementary services, decreased \$59.6 million, or 4.5%, to \$1,272.1 million for the year ended December 31, 2012 from \$1,331.7 million for the year ended December 31, 2011. Service revenue internal growth was negative 4.4% for the year ended December 31, 2012. The negative service revenue internal growth for 2012 was driven by negative complementary service revenue internal growth of 9.6% due primarily to the significant decrease in recycled paper prices in 2012 compared to the same period in 2011, which resulted in \$30.0 million less of recycled paper revenue. This decline was partially offset by strong DMS revenue growth and increased project revenues in 2012. Core service internal growth in 2012 was negative 2.5% due to expected declines in activity-based core services, particularly in the North American Business segment. Foreign currency exchange rate fluctuations decreased reported service revenues by 1.4% in 2012 over 2011. Offsetting the decrease in reported service revenues were net acquisitions/divestitures, which contributed 1.4% to our service revenues in 2012.

For the reasons stated above, our consolidated revenues increased \$20.7 million, or 0.7%, to \$3,025.9 million for the year ended December 31, 2013 from \$3,005.3 million for the year ended December 31, 2012. Internal revenue growth was negative 0.2% for 2013. For the year ended December 31, 2013, foreign currency exchange rate fluctuations decreased our consolidated revenues by 0.7% primarily due to the weakening of the British pound sterling and Canadian dollar, and offset by an increase of the Euro against the U.S. dollar, based on an analysis of weighted average rates for the comparable periods. Offsetting the decrease in reported consolidated revenues were net acquisitions/divestitures, which contributed an increase of 1.6% of total reported revenues in 2013 over the same period in 2012. Our consolidated revenues decreased \$9.4 million, or 0.3%, to \$3,005.3 million for the year ended December 31, 2012 from \$3,014.7 million for the year ended December 31, 2011. Internal revenue growth was negative 0.3% for 2012. For the year ended December 31, 2012, foreign currency exchange rate fluctuations decreased our consolidated revenues by 1.4% primarily due to the weakening of the British pound sterling, Canadian dollar and Euro against the U.S. dollar, based on an analysis of weighted average rates for the comparable periods. Offsetting the decrease in reported consolidated revenues were net acquisitions/divestitures which contributed an increase of 1.3% of total reported revenues in 2012 over the same period in 2011.

Internal Growth Eight-Quarter Trend

	2012				2013			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Storage Rental Revenue	2.9%	3.5%	2.4%	3.2%	2.5%	2.3%	2.3%	1.3%
Service Revenue	(2.2)%	(5.2)%	(7.8)%	(2.4)%	(6.5)%	(1.9)%	(0.9)%	(4.4)%
Total Revenue	0.6%	(0.3)%	(2.1)%	0.8%	(1.4)%	0.5%	1.0%	(1.1)%

We expect our consolidated internal revenue growth rate for 2014 to be approximately 0% to 2%. During the past eight quarters our storage rental revenue internal growth rate has ranged between 1.3% and 3.5%. Storage rental revenue internal growth rates have been stable over the past eight quarters. Volume growth in the North American Business segment has been relatively flat over this period, and, as a result, storage rental growth has been driven primarily by net price increases. Within our International Business segment, the developed markets are generating consistent low-to-mid single-digit storage rental growth while the emerging markets are producing strong double-digit storage rental growth by capturing the first-time outsourcing trends for physical records storage and management in those markets. The internal revenue growth rate for service revenue is inherently more volatile than the storage rental revenue internal growth rate due to the more discretionary nature of certain complementary services we offer, such as large special projects, and, as a commodity, the volatility of

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pricing for recycled paper. These revenues, which are often event-driven and impacted to a greater extent by economic downturns as customers defer or cancel the purchase of certain services as a way to reduce their short-term costs, may be difficult to replicate in future periods. The internal growth rate for total service revenues reflects the following: (1) consistent pressures on activity-based service revenues related to the handling and transportation of items in storage and secure shredding, particularly in the North American Business segment; and (2) softness in some of our other complementary service lines, such as fulfillment services.

OPERATING EXPENSES

Cost of Sales

Consolidated cost of sales (excluding depreciation and amortization) consists of the following expenses (in thousands):

Percentage Change	% of Consolidated Revenues
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