## PARTICIPANTS

### Corporate Participants

**Melissa Marsden** – Senior Vice President-Investor Relations, Iron Mountain, Inc.
**William Leo Meaney** – President, Chief Executive Officer & Director, Iron Mountain, Inc.
**Roderick Day** – Chief Financial Officer & Executive Vice President, Iron Mountain, Inc.

### Other Participants

**George K. F. Tong** – Analyst, Piper Jaffray & Co (Broker)
**Andrew John Wittmann** – Analyst, Robert W. Baird & Co., Inc. (Broker)
**Karin A. Ford** – Analyst, Mitsubishi UFJ Securities (USA), Inc.
**Andrew Charles Steinerman** – Analyst, JPMorgan Securities LLC
**Shlomo Rosenbaum** – Analyst, Stifel, Nicolaus & Co., Inc.

## MANAGEMENT DISCUSSION SECTION

Operator: Good morning. My name is Patrick, and I'll be your conference operator today. At this time, I'd like to welcome everyone to the Iron Mountain Conference Call. All lines have been placed on mute to prevent any background noise. After speakers' remarks, there will be a question-and-answer session. [Operator Instructions] Thank you.

I would now like to turn the call over to our first presenter, Melissa Marsden. Please go ahead.

### Melissa Marsden, Senior Vice President-Investor Relations

Thank you, Patrick, and welcome, everyone, to our conference call to discuss regulatory outcomes and updated synergy and accretion estimates related to our proposed acquisition of Recall. This morning, we'll hear from Bill Meaney, our CEO, who will discuss the attractiveness of the transaction and how capital efficiencies allow us to reconfirm our dividend growth and deleveraging plan. Bill will be followed by Rod Day, our CFO, who will cover changes in expected synergies and flow through to accretion, cash available for dividends and investment, as well as guidance.

After our prepared remarks, we'll open up the phones for Q&A. Please note that we've posted an accompanying presentation to today's call on the Investor Relations page of our website at ironmountain.com under Investor Relations/Presentations.

Referring now to page two of the presentation, today's call and presentation will contain a number of forward-looking statements, most notably, our expected synergies and accretion from the acquisition and our outlook for 2016 financial performance. All forward-looking statements are subject to risks and uncertainties. Please refer to today's press release, presentation, Form 8-K, and the Safe Harbor language on this slide, for a discussion of the major risk factors that could cause actual results to differ from those in our forward-looking statements.

Turning now to slide three, it's been nearly a year since we first announced our agreement in principle to acquire Recall, and we're very pleased to have now substantially completed the regulatory review process and be able to provide you with this update today. We're going to be discussing the attractiveness of the transaction for both companies; where we've landed on synergy assumptions, given the expected amount of divestitures; how the change in synergies is reflected in our accretion estimates; updated 2016 guidance that includes partial-year contribution from Recall, based on the expected timing of the close on May 2; a high-level view of how the deal synergies and accretion flow through to the 2020 plan we first presented at our Investor Day last fall; and the next steps to the successful close.

Now, let me turn the call over to Bill.

**William Leo Meaney, President, Chief Executive Officer & Director**

Thank you, Melissa, and let me just emphasize what Melissa just said that we're finally – we are very excited to be able to finally say that we're within weeks of being able to finalize the acquisition of Recall and put these two companies together.

Before I start, let me give you a brief summary of what you're going to hear today. First, whilst the net synergies have gone down from $155 million to $105 million, the deal remains 15% accretive on an EPS deal; so hence, it's very attractive. Moreover, we found capital efficiencies through our integration planning that allows us to reconfirm our dividend growth and deleveraging guidance, which we provided back in October at Investor Day.

Finally, before I begin, let me just add that we'll be talking to all of you again in less than a month's time on our Q1 results, so we're not planning to address questions about the first quarter or the business performance. The purpose of today's call is really to provide the regulatory update and how it flows through to both accretion and the guidance on cash flow and our ability to continue to support the dividend growth and the deleveraging along with business investment, similar to what we provided at I Day.

Now, let me ask you to turn to slide four. As you can see on this slide, the transaction remains a compelling opportunity, in our opinion, for both companies and shareholders. As we noted in the past, this acquisition accelerates our already successful stand-alone strategy, as well as expanding our global platform and gives us greater exposure to higher growth emerging markets as well as delivering meaningful synergies.

I'll get to what changed in those synergy expectations in just a moment, but I also want to point out, this deal results in cash benefit that drives accretion, both on an FFO and an AFFO basis, which complements our REIT structure and flows through attractive long-term, durable dividend growth.

We continue to feel that the deal consideration represents an attractive premium to Recall shareholders and enables them to continue to participate in the durable records and information management industry through the combined company's platform and enhance potential growth. Also, I should point out, as we've noted in the past, we intend to support a secondary listing on the ASX of CDIs, that we currently expect we'll be eligible for inclusion in the ASX 200 Index, or the top 200 companies trading on the Australian Exchange.

Now, can I ask you please to turn to slide five. If you look at this slide, quite simply, the amount of divestures, as shown on the slide required were greater than our original assumptions. You can see that the total divested revenue, however of roughly $120 million, is close to 15% of Recall's total revenue, which is an acceptable outcome in our opinion, given the combination of two global players, as well as if you look at the current regulatory environment. We previously communicated net synergies of $155 million at stabilization. As you can see in the table, this is now roughly $105 million.

Now, with the regulatory outcomes in the U.S., Canada, and Australia known, the amount of divested OIBDA increased to approximately $35 million, and the synergy lost due to location of overlap increased from approximately $15 million to roughly $40 million.

It's important to note that the markets with higher synergies are also the markets where we have the most divestitures. Hence, we're divesting revenue and related synergies at almost the gross margin level, because we're not getting the overlap and overhead we would have had in those market. So, you can't just reduce the synergy amount based on our typical OIBDA margins.

Note that at the present time, divestures in the UK are uncertain. So, the amount of divested OIBDA and related synergies, whilst estimated in the totals that you see today to include the UK, may change. However, we expect the maximum divesture required in the UK is likely to be less than operations and assets that generate 1% of our combined pro forma revenue in 2015. So, the impact is not expected to be significant.

With that, now, let me turn it over to Rod to cover how we expect the synergies to be phased in and their impact on our guidance.

**Roderick Day, Chief Financial Officer & Executive Vice President**

Thank you, Bill. Let's turn to slide six. I think many of you are probably familiar with the structure of this slide, as we used it when we first announced the deal and, again, at our I Day presentation back in October.

We've now updated these charts to reflect our current view on the phasing of net synergies and the costs to achieve. As you can see on the right-hand side, our estimated costs to achieve and integrate remain in line with our prior guidance at $300 million in total. We included in the 2016 column roughly $20 million of costs incurred in 2015 to prepare for integration. Please note that the cost figures on these charts are cumulative.

As you can see on the left-hand side, we expect to realize $15 million net synergies in 2016, $80 million in 2017, and $100 million, or 95%, of the total in 2018. Please note that these synergies are net of divestitures and other expected dis-synergies. However, these are not net of our costs to achieve and integrate, as we believe these costs are one-time in nature and are excluded from adjusted OIBDA, EPS, FFO, and AFFO calculations.

Much of these synergies are driven by overhead and cost of sales reductions. There was also roughly $5 million of tax synergies included here. At this point, we don't believe much of the synergies will come from real estate consolidation. That being said, we will continue to refine our estimates, and there may be potential upside from additional consolidations.

So, what does this mean in terms of accretion? Let's turn to slide seven, where we bridge our initial adjusted EPS accretion estimate of 20% to our current outlook. The graph on page seven is consistent with the bridge in the Supplementary Scheme Book.

Let me firstly review the elements in this bridge, which relates to expectations in 2018. The first impact of 5.7% relates to the decline due to divestitures. We have incremental divested OIBDA in that year and lost synergies that were not expected, as highlighted earlier by Bill. The second impact of 0.9% is due to changes in both Iron Mountain's and Recall's base businesses since we announced the deal. These include various factors such as general business performance, M&A, Iron Mountain's realized transformation benefits of $50 million, and changes in commodity pricing. The third impact relates to movements in foreign exchange rates that have impacted both base businesses and the expected synergies. Finally, we have a slight reduction in accretion due to the delay in closing the deal. These expected synergies are now going to flow through beyond 2018.

Let me now call your attention to the arrow on the right-hand side of the slide. The graph we discussed looks at the deal on an apples-to-apples basis and excludes the incremental improvement in the Iron Mountain 2020 plan that we presented at our October Investor Day. This Iron Mountain 2020 plan is expected to generate $60 million of incremental earnings, therefore increasing our stand-alone base business and reducing the accretion percentage. However, the absolute benefit from the deal remains the same.

Let's turn to slide eight to review accretion on adjusted EPS over time, as well as normalized FFO and AFFO. This slide should also be familiar in structure, but it's been updated to reflect our current accretion assumptions for adjusted EPS, normalized FFO and AFFO. Please note that the accretion percentages are on a per share basis for all these metrics. These figures are consistent with the Scheme Book and do not include the Iron Mountain 2020 plan in the base business.

Let me talk briefly about the purchase price accounting adjustment, which will impact our reporting numbers and accretion for adjusted EPS and normalized FFO per share, as we called out in the original Scheme Book and our earlier presentations. Purchase price accounting adjustments are associated with Recall's tangible and intangible assets that we'll be adding on a U.S. GAAP basis. These adjustments are expected to result in an increase in depreciation and amortization expenses of approximately $64 million per year. These adjustments lower our adjusted EPS and normalized FFO as a result. There's a more limited impact on AFFO, because we add back all of our D&A to get to our AFFO. Most importantly, these adjustments are non-cash in nature and do not impact the fair value of the transaction and the cash is expected to flow through. Further details on the purchase price accounting adjustments can be found in the Supplementary Scheme Book.

Let's move to slide nine to discuss our 2016 guidance. The table on the left-hand side is our 2016 stand-alone guidance and is consistent with the guidance we provided in our Q4 earnings call in February. Now, let me walk you through the right-hand side. We updated our 2016 guidance to reflect a partial-year benefit from Recall. Please note, this is a preliminary view of the combined group and assumes that all divestitures are effective May 1. We will continue to refine our estimates and provide additional updates once the transaction is closed and we have more visibility.

At this stage, we show 2016 constant dollar rates as being equivalent to the R dollar rate, similar at the end of February. Although we have seen some improvements in certain currencies, they've not yet been significant enough to merit a change in assumptions. Again, we will update at future earnings calls as appropriate.

Our guidance for 2016 with Recall, reflects benefits from the Recall base for two-thirds of the year, as well as the net synergies we are expecting for adjusted OIBDA. Although the deal was delayed, we're in some ways fortunate to have had this delay because it gave us additional time to prepare for integration planning and REIT conversion portions of the Recall's business. In addition, we're well-positioned to achieve our synergies quicker in 2016 than we had earlier anticipated.

So, what does this mean in terms of our 2020 plan and cash available for dividends and investments? As you can see on slide 10, we are showing our expected cash available for dividends and investment in 2020. First column reflects what we reported at Investor Day and the second column shows current expectations. We added in notes on the far right-hand to explain some of these changes.

There are few things I'd like to highlight. Firstly, the 2020 adjusted OIBDA estimate declined due to the FX impact, both for Iron Mountain and Recall, the increase in expected divestiture assumptions and the decline in shredded paper prices. Please note that our OIBDA estimates were based on

2015 constant dollar rates. Secondly, we have refined our cash tax estimates and we believe cash taxes will be lower. This is partly driven by the divestitures.

A further adjustment is that through our preparatory integration work and additional due diligence, we have identified capital efficiencies and lowered our expected maintenance and non-real estate investment for the combined business. The consolidation program into the portfolio's better quality facilities had led us revising maintenance CapEx to 2.3% of revenue, which is actually the same as Iron Mountain today.

A significant proportion of non-real estate investment relates to IT support and development, and since our integration plan now calls for the combined business to be on common platforms, we will feel comfortable eliminating duplicate costs, for which we further refined our expectations. As a result, our cash available for dividends and investment remains fairly consistent with the investment – with the estimate we provided at the Investor Day. Importantly, our dividend coverage also remains similar to what we had previously estimated. Although our total cash dividend is lower, we are maintaining the same dividend per share. The difference here is driven by the difference in assumed shares outstanding, given the per share value of the deal based on the current stock price.

Let me turn it over to Bill now to speak at a high level to our 2020 plan to sum up.

**William Leo Meaney, President, Chief Executive Officer & Director**

Thank you, Rod. If I ask you to look at slide 11 now, you'll notice that this graphic will look familiar to you as this is covered – this graph was covered at our Investor Day last fall, prior to completing the regulatory reviews and when we were still assuming a January 1, 2016 close. So first, this slide shows the combined group for a full year in 2016, so that's different from what Rod just covered for guidance for 2016.

Clearly, this is a long-range view and there are number of things that could change our outlook between now and then, including performance in our core business, acceleration in our adjacent businesses, or better than expected real estate synergies as we gain more visibility on the consolidation opportunities between the two companies. However, we remain confident that our long-term constant dollar growth in revenue will be around 4%, and 9% growth in our adjusted OIBDA growth.

We also expect to be able to continue to drive minimum dividend per share growth, as outlined above, then grow our dividend per share by roughly 4% beyond 2018, again at a minimum. This is supported by our plan that delivers growth plus flow-through from our transformation programs. In addition, as we drive cash flow growth, our dividend will decrease as a percent of AFFO, and we will continue to de-lever consistent with our I Day Plan. You can see the detail behind most of the assumptions in the appendix, where we're showing the cash available to support dividends as well as discretionary investment.

Now, let me ask you to turn to slide 12, and let me just talk about some of the next steps. You'll note that today in Australia, the Supplementary Scheme Booklet was filed which is sent to their Recall investors to inform their vote. Recall remains on track to hold its Shareholder Meeting on the 19 of April. Following an affirmative vote from their shareholders on the 19 of April, the Australian Court needs to approve the deal which generally happens a few business days later. We then expect the deal to close on the 2 of May.

As I noted earlier, the UK CMA isn't expected to complete its Phase 2 review until the end of June, but the business will be held separate pending the outcome of that review and any settlement with the UK authorities. Until then, we are very excited to move forward with the divestiture process in the other jurisdictions, and planning for integration and closing the transaction and bring the two businesses together.

Again, let me reiterate our excitement to have gotten the deal to this point. It's required a lot of hard work and integration planning on the part of both Iron Mount and Recall, and we believe this deal will benefit the shareholders of both companies for years to come. It's through the hard work of almost the last year that we've created opportunities and benefits for our customers, our shareholders, and the employees of the combined company.

Before I turn over to questions, I just would like to sum up again by saying that despite the decline in expected net synergies, we continue to expect similar levels of cash generation and growth trajectory in our dividend per share, partly driven by the capital efficiencies that Rod highlighted.

With that, now let me – I'd like to turn it over to the operator for questions.

  

## QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] And your first question comes from George Tong from Piper Jaffray.

**<Q – George Tong – Piper Jaffray & Co (Broker)>:** Hi. Thanks. Good morning and congratulations on the regulatory approval. Can you provide an estimate of anticipated divestitures by revenue for each of the four countries?

**<A – Bill Meaney – Iron Mountain, Inc.>:** Good morning, George. We don't actually – I think you can appreciate it, we don't actually give the details country-by-country. I mean, the level of detail that we can go to is basically what you've seen with the various regulatory authorities on their announcements. So, understand why you are asking, but we have to stick to what the regulatory authorities have disclosed.

**<Q – George Tong – Piper Jaffray & Co (Broker)>:** Got it. And you mentioned tax synergies, maybe $5 million, and real estate synergies could be minimal. Could you provide additional color for how the new $105 million in net synergies could breakdown among cost of sales, overhead, and real estate?

**<A – Bill Meaney – Iron Mountain, Inc.>:** So, I'll let Rod go through how it breaks down and it actually breaks down similar – to a similar mix in terms of cost of sales and overhead as we went through in Investor Day. But before do that, just to pick you up on one thing, George, is what we said is that in the $105 million of synergies, we have not built in a lot of consolidation synergies between combining the two platforms.

At this point, we've had line of sight in terms of combination and quality of the combined real estate portfolio that we feel comfortable that the CapEx required is the same level of CapEx that is required today for Iron Mountain, i.e., the 2.3% that Rod spoke about. Whereas, before we had built in more potential maintenance CapEx, because we obviously didn't have a year ago, the same line of sight that we have today in terms of the quality of Recall facility and how those would fold in to our operations, and hence, what the run rate would be on maintenance.

So, we feel very comfortable about that we can continue to run the combined company at the same level of maintenance CapEx as Iron Mountain is today. The thing we have said though is we haven't – we don't have the full line of sight in terms of what the full opportunity is on consolidation benefits between the two companies, which could increase the level of synergies that we get down the road. But let me turn it over to Rod to answer specifically the breakdown between the various components on the synergies.

**<A – Rod Day – Iron Mountain, Inc.>:** Yeah, George, just going back to the $105 million. So, the $5 million that we called out for tax, that's the benefit to Recall, putting them through the reconversion. So, that's a specific number. The real estate consolidation benefit, it's not zero. We think it's around $15 million, something of that order. That's based on the analysis we've been able to do so far. There may be more to come from that, but at this stage, that's the number that we feel comfortable with.

In terms of the remainder of the synergies, it's split roughly 50%-50% between overhead and cost of sales. Overhead obviously coming from the back office functions that we would look to consolidate and cost of sales coming from things such as transport, rationalization, and supervisor layering rationalization.

**<Q – George Tong – Piper Jaffray & Co (Broker)>:** Got it. That's helpful. And then lastly, could you provide some context behind why integration costs of $300 million haven't decreased even though divestitures have increased and there's less to integrate?

**<A – Rod Day – Iron Mountain, Inc.>:** Yeah. Let me talk about that. So, a significant – it was a very significant part of the – the cost to integrate are fixed, so if you think about things like system conversions, for example, is sort of fixed, almost independent of the scale of divestitures. And second point is that the complexity of the divestitures is more significant than we anticipated, as well as the scale. So, the untangling, if you like, has led to an increase in that element of the cost.

And then that has offset the benefit that we have obtained as a result of having a small amount – smaller business, if you like, to integrate. So, there's the sort of some puts and takes as it were that lead us to at this day saying, we think the number is pretty much the same. What we will do obviously, is we'll continue to update on a quarterly basis how we see this evolving, but that's our position as of today.

**<Q – George Tong – Piper Jaffray & Co (Broker)>:** Very helpful. Thank you.

Operator: [Operator Instructions] Your next question is from Andrew Wittmann from Robert W. Baird.

**<Q – Andy Wittmann – Robert W. Baird & Co., Inc. (Broker)>:** Maybe, I'll sing a song. On the divestitures, guys, I was hoping you could give us an update as to – it sounds like as we read the document, most of the U.S. stuff is spoken for. It looks like you've found somebody in Australia. And I guess I don't have an update on where you are in finding a buyer for Canada but maybe, Bill, just a review of kind of where you are on the divestiture process? And the proceeds that – I guess, you didn't talk about the proceeds, but I think you commented that you expect them to be $220 million. It seems like that's a pretty wide estimate there since you gave us some error band. Maybe a little bit more detail on that topic, would be helpful.

**<A – Bill Meaney – Iron Mountain, Inc.>:** Okay. Good morning, Andy. Yeah, so I think – let me take it in stages. So, the first aspect is, as we've highlighted that we do – as part of the settlement with the DOJ, so the bulk of the U.S. assets are contracted for and spoken for by Access. So, that – so, you're right there; there's a couple more cities where we're in discussions on divesting those.

Canada as well, we're in discussions. You'll note that we have a period of time that we can close, hold separately and negotiate those sales process. So, for the remaining couple cities in the United States and for the Canadian transaction, we've started those discussions and we expect, over a reasonable amount of time, to be able to close those transactions. But I think you can appreciate, those are confidential discussions at this stage.

In Australia, we are also running a full process. You may have picked wind up before when we were looking at different divestiture alternatives, there were different partners – or there was maybe a specific partner that we were speaking to, but I think now where we're divesting the bulk of our business is that we're running a broader process, as we speak, in Australia and we expect that to provide a reasonable outcome, given the attractiveness of the business that we're selling down there.

Overall, we remain, based on both where we've come out with the Access transaction and also the discussions that we've had to-date with the various suitors that we're talking about in those jurisdictions that we went through is we expect a five to eight handle in terms of multiple of EBITDA to be the outcome. So, if you look at that roughly the midpoint gives you the $220 million. So, I understand that you're looking at the range.

The other thing I should point out is, it's not – I'm not saying that we're blasé about it because obviously we're – we've been through this rodeo before, usually on the buying side rather than the selling side, so we have a pretty sophisticated M&A shop that makes sure that we get the right tension around the sales of these assets to get good value. That being said, if you look at the sensitivity on an EPS basis, every $25 million up or down has a 0.3% – $0.003 a share impact on the EPS.

So, it's a relatively small impact – actually 0.3%. So, it's a relatively small impact on the EPS, a plus or minus $25 million. So again, I think you know us well enough that we get full value for things on both sides of the transaction, but at the same time, the sensitivity around that range is not as big as you would think in terms of the accretion of the transaction.

**<Q – Andy Wittmann – Robert W. Baird & Co., Inc. (Broker)>:** Okay. Great. I guess, just then on – my follow-up is on I guess on slide 11, where if you look at your predictions for dividend per share in the payout of the dividend as a percentage of AFFO, substantially I guess I would say, it's unchanged over the next four or five years to the 2020 plan. The implication there, of course, is that the AFFO number is unchanged. So, I guess, what I would – the question is, what are the offsets that you're contemplating in that plan to make up for the lost synergies and OIBDA that you're unable to close on that help you get back to those implied AFFO levels as being unchanged?

**<A – Bill Meaney – Iron Mountain, Inc.>:** All right. I'll let Rod kind of repeat going through the slide that he went through that talked about that in a minute, but just at a top level, you're right, it almost comes out about the same. I think before we – on the October I Day in the autumn, we said it was about 69% payout as a percentage of AFFO, and now we're at 70%. And the reason is that, it's kind of interesting, a lot of people say, well, is $105 million conservative or whatever, it depends on where you snap the line and call synergies. So, what we have found is, whilst on an apples-for-apples basis the way we're calculating synergies a year ago, yes, the number has gone from $155 million to $105 million.

On the other side, it's the transformation – integration planning that we've been able to do for almost the last year with joint teams between Recall and Iron Mountain has given us line of sight on capital efficiency, which you could call that synergies, but we weren't calling that synergies before. And those are the things like taking Recall down – assets down to 2.3% for maintenance CapEx, which is the same level as Iron Mountain. So, we're not even improving – we're not even expecting an improvement on capital efficiency in terms of maintenance CapEx as a combined company, but before, we were building in more CapEx to their portfolio when we brought it across, because we didn't quite frankly know what we were going to find.

So – but I mean, Rod, you may want to walk through again where we found capital efficiencies again, and that's the part that's been made it up. So, you could call it synergies; you could say, well, the $105 million is not really $105 million, but on an apples-for-apples basis, it comes in at a different place.

**<A – Rod Day – Iron Mountain, Inc.>:** Yeah. It's all on the slide 10, I was trying to explain that. So obviously, the synergy numbers and OIBDA number, the savings if you like or the changes relative to our earlier estimates is really three numbers I think worth calling out. The first is cash taxes, which we anticipate being lower partly as a result of the divestiture program, and where those divestitures have fallen relative to our earlier estimates. And we've also had the opportunity to really refine the tax estimates more precisely, and how it will flow through from a cash perspective through the proprietary period. So that's one saving.

Second is on maintenance CapEx; the earlier estimate that we had, again, was based on a sort of an approximate view of where we thought we would stand with the Recall real estate portfolio. Again, having had the chance to understand that better and actually the quality of the buildings that they have, we've revised our view on that number, and the figure we have now maintenance CapEx as a percentage of revenue is actually – is 2.3%, that's what we're calling for in 2020, which is actually the same number that we have for Iron Mountain today in 2015, stand-alone. So, we're just saying, we think confidently actually that we can still work within that boundary.

And then the third change has been on non-real estate investment. A lot of that has to do with on IT support and development. And again, having done the proprietary work, our plan now really calls for us being on common platforms, certainly by 2020, and as a result, we're able to sort of amortize our spend that we would be undertaking anyway around support and development across the broader base. So, we're able to bring that number down as well.

So, they're really the sort of the three key changes, if you like, below OIBDA, that allow us to get back pretty much to where we were originally around the dividend payout and leverage.

**<Q – Andy Wittmann – Robert W. Baird & Co., Inc. (Broker)>:** Yeah. Okay. I guess that makes sense. I think a lot of times, investors think of AFFO as an earnings metric, but it really is an earnings plus a capital metric and so, the earnings are less – you're making it up on capital cost. But if you're taking capital out of the business, is there any implication on the business, whether it's growth rate or other plans that drive that top line, that feedback between capital and top line?

**<A – Rod Day – Iron Mountain, Inc.>:** No. Because the capital applied to AFFO is really around the maintenance of the business; so, it's not around growth. And that's what I was talking about, so the ongoing maintenance spend around real estate and the ongoing maintenance around IT systems.

**<A – Bill Meaney – Iron Mountain, Inc.>:** Again, just to be – and just to be clear on that is we're not – again, you have to kind of go back to what we're – what we're saying is that Iron Mountain has been growing and building its business with 2.3% maintenance CapEx, for instance, on its buildings. What we're saying now, as a combined company, we're going to be at 2.3%. So, it's not like we're milking the business to payout dividends even from a maintenance. We're still painting the buildings, we're keeping them well-maintained, et cetera, so – and from a systems standpoint, again.

I think it's before we had line of sight of the integration, we didn't know if we were going to able to integrate their portfolio in a way and being able to put that to maintain our run rate on the combined group, both on that and then also system spend. Now, we feel very comfortable, we can put them – we can put both businesses on a common IT platform. We can combine the real estate portfolio, and from a quality portfolio standpoint is we can maintain that kind of maintenance spend. So, just to be clear, we're not taking the run rate down beyond where it is today with Iron Mountain.

**<Q – Andy Wittmann – Robert W. Baird & Co., Inc. (Broker)>:** Yeah. Okay. Thanks, guys.

Operator: Your next question comes from Kevin McVeigh from Macquarie. Kevin, if your line is on mute, please un-mute it. Kevin McVeigh your line is open, and he has withdrawn his question. Your next is from Karin Ford, Mitsubishi UFJ.

**<Q – Karin Ford – Mitsubishi UFJ Securities (USA), Inc.>:** Thanks. Question on page seven, the 0.9% change in accretion from the change in underlying businesses. Is that all due to the change in Iron Mountain's cash flow that you're comparing it to, or were there any changes in Recall's underlying business that went into that number?

**<A – Rod Day – Iron Mountain, Inc.>:** We looked at the performance of Recall's business. Really, the most important aspect would be the M&A. So, they've made some acquisitions since we announced the deal as have we actually. So, there's a differential impact there that we flow through into that number. That's probably the most important factor.

**<Q – Karin Ford – Mitsubishi UFJ Securities (USA), Inc.>:** Okay. So, no real core changes to the cash flow that you underwrote when you did the deal last year?

**<A – Rod Day – Iron Mountain, Inc.>:** No. So, yeah, good point, no.

**<Q – Karin Ford – Mitsubishi UFJ Securities (USA), Inc.>:** Okay. Thanks. And then just second question, if you could just give us an update on your plans for financing the $1.1 billion of cash in the deal and what financing terms are assumed in guidance?

**<A – Rod Day – Iron Mountain, Inc.>:** So, we actually have a slide in the appendix of the presentation that talks about the broader financing of the deal. But to talk at a higher level, we're expecting to take out a bridge loan in – to cover the immediate period of transacting the deal. And then, we expect to refinance that in long-term debt in a number of different countries. In terms of the rates we expect to get on the refinanced amount, it would be similar to the amounts that we paid today in the sort of 5.5% to 6% range.

**<Q – Karin Ford – Mitsubishi UFJ Securities (USA), Inc.>:** And in guidance, how long do you assume the money stays out on the line?

**<A – Rod Day – Iron Mountain, Inc.>:** A few months.

**<Q – Karin Ford – Mitsubishi UFJ Securities (USA), Inc.>:** Okay. Great. Thank you very much.

Operator Your next question is from Andrew Steinerman from JPMorgan.

**<Q – Andrew Steinerman – JPMorgan Securities LLC>:** Hi. Boy, it took a long time to get here, but it seems like it's moving really quickly now. So, as you could imagine, Rod, we're going to slide 11 in the payout ratio and, obviously, you have a great line of sight to 2020 going down, but when you do the AFFOs for the near-term, 2016, 2017, is your payout ratio going up this year and next year? And just talk about in general what level of payout ratios are you comfortable with because I surely remember on previous slides, we've talked about 80% plus?

**<A – Rod Day – Iron Mountain, Inc.>:** No. We do not expect the AFFO payout to decrease from 2015 onwards. So, we're not expecting it to spike up, that's all. It will just – it will sort of trend down to the 70%.

**<Q – Andrew Steinerman – JPMorgan Securities LLC>:** So, that's very comfortable.

**<A – Rod Day – Iron Mountain, Inc.>:** Yeah.

**<Q – Andrew Steinerman – JPMorgan Securities LLC>:** Okay. And if I could just throw one more question. Bill, my question is about the sales force. Are you counting on any of the synergies coming through – the core synergies coming through the sales force? Because I just wanted to know kind of post the deal, you'll be a larger company. Is this still going to be kind of a company known for their salesmanship?

**<A – Bill Meaney – Iron Mountain, Inc.>:** Yeah, no, it's a good question, Andrew. And I appreciate your – if you feel exhausted watching us, you can imagine how exhausted we've been the last 12 months. So, we're really happy to get down to the short strokes right now, anyway. No, so I think – to answer your question – actually Doug and I made a decision when we started the integration planning between the two companies that we've actually put retention programs in for both sales force, as we kind of go into the combined group.

Because our view is that sales forces pay for themselves, right. So, I'm not saying that there won't be probably some attrition down the road in that, but at this – that's where you don't want to be overly aggressive, because the whole point about this thing is not just the cost synergies, but is also to be able to do more for our customers than we're doing today, right. And I think I've spoken on previous calls is one of the things that we're attracted to with the Recall transaction is that, we are – as a company, we, Iron Mountain, are underrepresented in the middle market and Recall has been more present in that.

So, just the opposite. So, that's – when we're talking about the synergies that we're referring to, very little of that is coming out of the sales side, other than the back office-type things, we both run salesforce.com, et cetera, et cetera. So, on the systems side, yes. But we haven't built a lot of synergies in terms of the boots on the ground. Now, there may be some down the road, but that's not where we're focused.

**<Q – Andrew Steinerman – JPMorgan Securities LLC>:** Great. Thank you. Congrats.

Operator: [Operator Instructions] Next question is from Shlomo Rosenbaum with Stifel.

**<Q – Shlomo Rosenbaum – Stifel, Nicolaus & Co., Inc.>:** Hi. Good morning. Thank you very much for taking my questions. Rod, can you go through the assumption as to why the share count is a little bit lower now?

**<A – Rod Day – Iron Mountain, Inc.>:** Yes. The original assumption we had assumed as being an all-stock deal. And you may recall, there is a cash alternative that's – that is out there, that's $8.50. And because we're currently trading – or if you will still translate the current share price, we would be below the $8.50. And therefore that sort of led to a change in our assumptions in terms of the amount of the shares that we would issue, we're actually currently trading $8.29, so.

**<Q – Shlomo Rosenbaum – Stifel, Nicolaus & Co., Inc.>:** So, you're assuming that more Recall investors will elect cash now as opposed to stock versus what you had originally?

**<A – Bill Meaney – Iron Mountain, Inc.>:** Yeah, I mean, yeah – on the Shlomo, if you think about, first of all, as Rod said, we're – if you take the translation of our shares or the number of shares that a Recall shareholder is going to get based on our current – our close last night, then they would get $8.29, total...

**<Q – Shlomo Rosenbaum – Stifel, Nicolaus & Co., Inc.>:** Okay.

**<A – Bill Meaney – Iron Mountain, Inc.>:** So you then true up the number of shares, they get to $8.29. They can also elect – if you remember right, people can elect on a pro rata basis to take a certain amount of the payout at $8.50. The other reason for that is for retail investors. So, the – and if you kind of go back through the original implementation agreement is you'll see that that's – it's really designed to protect the retail investors who wants to get out and in any of these cases is it is a cross-border transaction. So, our expectation both where our share price is sitting out right now, given the number of retail shareholders that Recall has many more than we do, partly probably because they got spun out of Brambles and people always put a higher premium on cash rather than paper.

And it's – in Australia, as you may know, is people are very sensitive to franking dividends – franking credits on their dividends and, obviously, we're not going to be able to provide as much of that. So, you put that all together and our expectation is that people will take up the cash component, which means we'll be issuing fewer shares. So, we've just reflected that in the numbers.

**<Q – Shlomo Rosenbaum – Stifel, Nicolaus & Co., Inc.>:** Okay. Appreciate that. And then, Rod, can you go over the points that there is a fixed cost for the IT investments yet putting the same – the two companies on the common IT platform is all of the sudden yielding more synergies, as per slide 10 in the non-real estate investment?

**<A – Rod Day – Iron Mountain, Inc.>:** Yeah. It's relative to where we were in terms of our previous assumptions. So, it's not a case of the spend will be lower than we currently spend today. It's kind of where relative to our previous assumptions. So, when we're putting the numbers together when we first announced the deal and around the I Day discussion, we weren't sure the degree to which we were going to be able to get the Recall business onto exactly the same platforms as Iron Mountain. So, we built in an assumption that we would be able to do some of that, but not all of it, and as a result, the spend that we would need to incur to basically maintain a more complex system or set of systems would be higher.

Now, having been through this fairly lengthy planning and proprietary period, we have much better line-of-sight into both the systems that they have and our ability to convert them onto, basically, Iron Mountain platform. So, we feel very confident now that we can get everyone onto the same system. And as a consequence, the support costs associated with the systems infrastructure, we've taken down that number.

**<Q – Shlomo Rosenbaum – Stifel, Nicolaus & Co., Inc.>:** Okay. And then what was the CapEx assumption on Recall assets prior to revising it down to the same level as Iron Mountain? And could you just explain what the, kind of, the initial assumption why you made that and what has positively surprised you?

**<A – Rod Day – Iron Mountain, Inc.>:** Yeah. I mean the – if you look at where we stand today, we're expecting to spend $70 million on non-real estate investment. And we – in our numbers, we're expecting to basically, sort of, flow that forward because we have a certain sort of set of systems which we can be confident around. We had assumed within that, that we would then have to spend an incremental $35 million to maintain the Recall systems. We've obviously now brought that down to an incremental $15 million over and above where we stood. So, there's still a degree of extra spend, but not the same degree as we had originally because of the reduced – our expected reduced complexity in the systems outlook.

**<Q – Shlomo Rosenbaum – Stifel, Nicolaus & Co., Inc.>:** So, the...

**<A – Bill Meaney – Iron Mountain, Inc.>:** You can put that – if you put that into context, is before, we were just weren't sure about the complexity we're going to get. They're about a quarter of our size and we were assuming that almost 50% – we have a 50% increase in our IT costs to try to integrate them because we'd have to be running these things and now we're saying there is roughly a 30% – 20% to 30% increase. So, it's a much more, kind of, proportionate increase, but – and I wouldn't say that we're being overly conservative before, but we've just seen on these integrations where things can catch you because you find out that neither company has a system that's big enough to absorb both companies; now we feel very comfortable that our systems can absorb Recall onto its platform.

**<Q – Shlomo Rosenbaum – Stifel, Nicolaus & Co., Inc.>:** And those are all – these costs are all in the real estate and non-real estate maintenance CapEx line? In other words, I'm trying to get to the $120 million going to $100 million, where – what was the assumption before and what is it now?

  

**<A – Rod Day – Iron Mountain, Inc.>:** Oh, okay. No, I was talking about what we call non-real estate investment. If you go to real estate and non-real estate maintenance CapEx, a lot of that is associated more with buildings. And, again, that's what I was saying earlier in terms of the assumption we have; we've assumed a similar level of spend as a proportion of revenue for the combined business as Iron Mountain stand-alone.

**<Q – Shlomo Rosenbaum – Stifel, Nicolaus & Co., Inc.>:** And so, they were just kind of padding based on the lack of information on the building quality and stuff like that before?

**<A – Rod Day – Iron Mountain, Inc.>:** Yeah. Well, I wouldn't call it padding, but it was more, we didn't have good visibility in terms of the quality of the buildings and particularly the quality of the buildings that we would end up with sort of following the real estate consolidation. So, we certainly wanted to make sure that we had adequate spend in our original assumptions, but we now feel confident with our new numbers.

**<A – Bill Meaney – Iron Mountain, Inc.>:** Yeah, and I think, look – one of the things that – and you can say maybe we were to – I wouldn't call it – we don't pad that, Shlomo, but I wouldn't call it pad. The other thing is what we went in and we used the typical M&A assumptions. So, for instance, we do an acquisition somewhere else in the world or in the United States is part of our deal book assumes that we're going to have to do an upgrade in the facility.

In other words, we're going to find that the facilities don't have the fire protection that we're looking at, the access control that we're looking at, the security, the racking may not be what we're – meets our standards. And so, we – generally when we do an acquisition, we find that we have to spend more than 2.3% of revenue in the first few years of CapEx on the revenue we're acquiring, because it's just – because we have to upgrade it.

What we have found from the integration planning with Recall, you could say, well, maybe you shouldn't have done that because Recall is a similar company to yourself, but they've also done a lot of acquisitions themselves over the last couple years. And so, we quite frankly didn't know how much upgrade we were going to have to do to bring them to an Iron Mountain standard, and this is not against Recall as a company, it's just they've done a lot of acquisitions. We don't know how far they have gotten that program.

Now, that we've looked at the integration plan, we've looked at how we can – from a real estate portfolio standpoint, we can combine the best facility, we feel very comfortable that they're in a similar situation that Iron Mountain as a whole is. So, that is no reason – we can run the business on the 2.3%. So, that's kind of – whereas, before we put a typical, what I would, acquisition CapEx number on it, which we do when we do most acquisitions.

**<Q – Shlomo Rosenbaum – Stifel, Nicolaus & Co., Inc.>:** Okay. I appreciate it. Then final question just going back to a question which asked beforehand on slide seven. The negative 0.9% and underlying business changes comes from incremental M&A, I would have thought that would have been accretive towards that and EPS not negative is that because of acquired D&A, I mean where does that come from?

**<A – Rod Day – Iron Mountain, Inc.>:** It's really a differential impact as opposed to a sort of one-off, a sort of single item impact. So, what we were trying to do here is look at the performance of Recall, what's changed; the performance of Iron Mountain, what's changed; and what's the differential impact on earnings. So, it's not that M&A is negative, it's more like the weight of M&A of one company versus another.

The other thing, for example, it's also included in here is that our transformation program, the actions that we took in 2015 that benefited 2016 that increased our base, for example. That's an example of the sort of the items. That increased our base. So, again it's a differential impact on earnings. We're trying to capture all that in one item.

**<A – Bill Meaney – Iron Mountain, Inc.>:** Yes. And so, it's really the increase of the base. In another words, the business has improved. So, EPS we're doing as a percentage of a base, and what's happened is both M&A, because both of us have been doing M&A using debt financing and as Rod says, the transformation has improved.

So, I know it shows negative. The negative 0.9% is actually a good thing rather than a bad thing, if it makes any sense to you, because what's happened is both businesses have become more valuable since we announced the deal. So, then the benefit of the deal, even if the accretion didn't change $0.01 in terms of the synergies, it would be synergies on top of a bigger base. So, as a percentage of EPS accretion, it goes down. So this is kind of good news, but on a percentage of EPS, it's a drag because the whole – both companies have become more valuable since we've announced the deal. That make sense?

**<Q – Shlomo Rosenbaum – Stifel, Nicolaus & Co., Inc.>:** I thought the left – the left charts were – or graph is excluding the 2020 plan where you have the transformation, that's why I was asking the question.

**<A – Bill Meaney – Iron Mountain, Inc.>:** It's including the first $50 million that we already have in the can, so if you notice on the chart what we've said is that the $75 million that's not included because recall, it's $125 million transformation program, but we implemented $50 million last year. So, we have $50 million flow through benefit already in 2016, so $50 million is already in.

**<Q – Shlomo Rosenbaum – Stifel, Nicolaus & Co., Inc.>:** Okay.

**<A – Bill Meaney – Iron Mountain, Inc.>:** Plus we did – plus we did a bit of M&A. Recall did, on a percentage basis, did even more M&A in the last year, both debt financed. So those three things, M&A for them, M&A for us, $50 million of the $125 million transformation program already in the can, has improved the starting point in terms of earnings of which we're measuring the accretion off of.

**<Q – Shlomo Rosenbaum – Stifel, Nicolaus & Co., Inc.>:** Okay. I got it conceptually.

**<A – Bill Meaney – Iron Mountain, Inc.>:** Yeah. Sorry. I know red always seems bad, but this is – I mean, it's more to explain why – it's really the starting point has increased.

**<A – Rod Day – Iron Mountain, Inc.>:** What I said, just making a small point here is, this is actually listed from the Scheme Book, and in the Scheme Book itself, there's a lot more detail around the assumptions and back up and so on and so forth.

**<Q – Shlomo Rosenbaum – Stifel, Nicolaus & Co., Inc.>:** Okay. Great. Thank you.

**<A – Bill Meaney – Iron Mountain, Inc.>:** Thanks, Shlomo.

Operator: And presenters, at this time, there are no further questions in the audio queue.

**William Leo Meaney, President, Chief Executive Officer & Director**

Well, I just want to thank everyone for joining us in short notice. I think you could probably tell, we're really excited that we're finally at the short strokes on this, and we feel that we've reached a really good landing with the regulators. That, combined with what we've been able to learn through the integration planning, allows us to reiterate our guidance that we highlighted for the deal both from a dividend growth standpoint as well as the deleveraging.

So thanks, again, for joining us, and for those employees or team members from Recall and Iron Mountain listening in, I want to thank you all also for all your hard work. So, we're really excited that before long, the next time we have this call, we won't be talking about this deal anymore. We'll be talking about the business. Thanks a lot, and have a good day.

Operator: Thank you. And this does conclude today's conference call. You may now disconnect.