

IRON MOUNTAIN INC  
Form 10-Q  
August 09, 2007

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 10-Q**

(Mark One)

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

For the Quarterly Period Ended **June 30, 2007**

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**

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**IRON MOUNTAIN INCORPORATED**

(Exact Name of Registrant as Specified in Its Charter)

**Delaware**  
(State or Other Jurisdiction of  
Incorporation or Organization)

**23-2588479**  
(I.R.S. Employer  
Identification No.)

**745 Atlantic Avenue, Boston, MA 02111**

(Address of Principal Executive Offices, Including Zip Code)

**(617) 535-4766**

(Registrant's Telephone Number, Including Area Code)

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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 is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

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Large accelerated filer  Accelerated filer  Non-accelerated filer

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

Number of shares of the registrant's Common Stock at August 1, 2007: 200,090,215

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**IRON MOUNTAIN INCORPORATED**

Index

	<b>Page</b>
<b><u>PART I FINANCIAL INFORMATION</u></b>	
<u>Item 1 Unaudited Consolidated Financial Statements</u>	
<u>Consolidated Balance Sheets at December 31, 2006 and June 30, 2007 (Unaudited)</u>	3
<u>Consolidated Statements of Operations for the Three Months Ended June 30, 2006 and 2007 (Unaudited)</u>	4
<u>Consolidated Statements of Operations for the Six Months Ended June 30, 2006 and 2007 (Unaudited)</u>	5
<u>Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2006 and 2007 (Unaudited)</u>	6
<u>Notes to Consolidated Financial Statements (Unaudited)</u>	7
<u>Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	35
<u>Item 3 Quantitative and Qualitative Disclosures About Market Risk</u>	49
<u>Item 4 Controls and Procedures</u>	51
<b><u>PART II OTHER INFORMATION</u></b>	
<u>Item 1A Risk Factors</u>	52
<u>Item 2 Unregistered Sales of Equity Securities and Use of Proceeds</u>	52
<u>Item 4 Submission of Matters to a Vote of Security Holders</u>	52
<u>Item 6 Exhibits</u>	53
<u>Signatures</u>	54

**Part I. Financial Information****Item 1. Unaudited Consolidated Financial Statements**

**IRON MOUNTAIN INCORPORATED**  
**CONSOLIDATED BALANCE SHEETS**  
(In Thousands, except Share and Per Share Data)  
(Unaudited)

	December 31, 2006	June 30, 2007
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 45,369	\$ 94,964
Accounts receivable (less allowances of \$15,157 and \$17,187, respectively)	473,366	522,448
Deferred income taxes	60,537	14,167
Prepaid expenses and other	100,449	81,383
Total Current Assets	679,721	712,962
Property, Plant and Equipment:		
Property, plant and equipment	2,965,995	3,197,671
Less Accumulated depreciation	(950,760 )	(1,062,177 )
Net Property, Plant and Equipment	2,015,235	2,135,494
Other Assets, net:		
Goodwill	2,165,129	2,373,859
Customer relationships and acquisition costs	282,756	423,617
Deferred financing costs	29,795	33,468
Other	36,885	34,396
Total Other Assets, net	2,514,565	2,865,340
Total Assets	\$ 5,209,521	\$ 5,713,796
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Current Liabilities:		
Current portion of long-term debt	\$ 63,105	\$ 31,805
Accounts payable	148,461	142,714
Accrued expenses	266,933	287,857
Deferred revenue	160,148	169,792
Total Current Liabilities	638,647	632,168
Long-term Debt, net of current portion	2,605,711	2,971,654
Other Long-term Liabilities	72,778	105,305
Deferred Rent	53,597	57,913
Deferred Income Taxes	280,225	288,465
Commitments and Contingencies (see Note 9)		
Minority Interests	5,290	5,883
Stockholders' Equity:		
Preferred stock (par value \$0.01; authorized 10,000,000 shares; none issued and outstanding)		
Common stock (par value \$0.01; authorized 400,000,000 shares; issued and outstanding 199,109,581 shares and 200,041,350 shares, respectively)	1,991	2,000
Additional paid-in capital	1,144,101	1,166,334
Retained earnings	373,387	430,540
Accumulated other comprehensive items, net	33,794	53,534
Total Stockholders' Equity	1,553,273	1,652,408
Total Liabilities and Stockholders' Equity	\$ 5,209,521	\$ 5,713,796

The accompanying notes are an integral part of these consolidated financial statements.

**IRON MOUNTAIN INCORPORATED**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(In Thousands, except Per Share Data)  
(Unaudited)

	<b>Three Months Ended</b>	
	<b>June 30,</b>	
	<b>2006</b>	<b>2007</b>
<b>Revenues:</b>		
Storage	\$ 327,863	\$ 368,679
Service and storage material sales	253,705	300,010
Total Revenues	581,568	668,689
<b>Operating Expenses:</b>		
Cost of sales (excluding depreciation and amortization)	259,290	307,963
Selling, general and administrative	168,285	188,845
Depreciation and amortization	51,273	60,290
(Gain) Loss on disposal/writedown of property, plant and equipment, net	(174 )	357
Total Operating Expenses	478,674	557,455
Operating Income	102,894	111,234
Interest Expense, Net	47,254	61,222
Other Income, Net	(6,858 )	(3,235 )
Income Before Provision for Income Taxes and Minority Interest	62,498	53,247
Provision for Income Taxes	24,212	14,024
Minority Interest in Earnings of Subsidiaries, Net	444	171
Net Income	\$ 37,842	\$ 39,052
Net Income per Share Basic	\$ 0.19	\$ 0.20
Net Income per Share Diluted	\$ 0.19	\$ 0.19
Weighted Average Common Shares Outstanding Basic	197,894	199,792
Weighted Average Common Shares Outstanding Diluted	200,167	201,742

The accompanying notes are an integral part of these consolidated financial statements.

**IRON MOUNTAIN INCORPORATED**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(In Thousands, except Per Share Data)  
(Unaudited)

	<b>Six Months Ended</b>	
	<b>June 30,</b>	
	<b>2006</b>	<b>2007</b>
<b>Revenues:</b>		
Storage	\$ 647,018	\$ 720,844
Service and storage material sales	498,207	580,357
Total Revenues	1,145,225	1,301,201
<b>Operating Expenses:</b>		
Cost of sales (excluding depreciation and amortization)	521,658	602,968
Selling, general and administrative	327,128	369,350
Depreciation and amortization	101,121	117,462
(Gain) Loss on disposal/writedown of property, plant and equipment, net	(11 )	394
Total Operating Expenses	949,896	1,090,174
Operating Income	195,329	211,027
Interest Expense, Net	93,832	111,557
Other Income, Net	(9,705 )	(10,958 )
Income Before Provision for Income Taxes and Minority Interest	111,202	110,428
Provision for Income Taxes	45,183	36,107
Minority Interest in Earnings of Subsidiaries, Net	904	562
Net Income	\$ 65,115	\$ 73,759
Net Income per Share Basic	\$ 0.33	\$ 0.37
Net Income per Share Diluted	\$ 0.33	\$ 0.37
Weighted Average Common Shares Outstanding Basic	197,708	199,511
Weighted Average Common Shares Outstanding Diluted	200,069	201,579

The accompanying notes are an integral part of these consolidated financial statements.

**IRON MOUNTAIN INCORPORATED**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In Thousands)  
(Unaudited)

	<b>Six Months Ended</b>	
	<b>June 30,</b>	
	<b>2006</b>	<b>2007</b>
<b>Cash Flows from Operating Activities:</b>		
Net income	\$ 65,115	\$ 73,759
<b>Adjustments to reconcile net income to cash flows from operating activities:</b>		
Minority interest in earnings of subsidiaries, net	904	562
Depreciation	91,791	105,955
Amortization (includes deferred financing costs and bond discount of \$2,466 and \$2,968, respectively)	11,796	14,475
Stock compensation expense	5,823	5,806
Provision for deferred income taxes	32,843	18,501
Loss on early extinguishment of debt		5,743
(Gain) Loss on disposal/writedown of property, plant and equipment, net	(11 )	394
(Gain) Loss on foreign currency and other, net	(11,432 )	(1,816 )
<b>Changes in Assets and Liabilities (exclusive of acquisitions):</b>		
Accounts receivable	(23,828 )	(19,789 )
Prepaid expenses and other current assets	(11,117 )	3,823
Accounts payable	4,629	(7,209 )
Accrued expenses, deferred revenue and other current liabilities	1,484	2,377
Other assets and long-term liabilities	5,738	4,182
<b>Cash Flows from Operating Activities</b>	<b>173,735</b>	<b>206,763</b>
<b>Cash Flows from Investing Activities:</b>		
Capital expenditures	(154,971 )	(166,787 )
Cash paid for acquisitions, net of cash acquired	(68,857 )	(263,852 )
Additions to customer relationship and acquisition costs	(7,274 )	(8,788 )
Investment in joint ventures	(3,129 )	
Proceeds from sales of property and equipment and other, net	(732 )	8,107
<b>Cash Flows from Investing Activities</b>	<b>(234,963 )</b>	<b>(431,320 )</b>
<b>Cash Flows from Financing Activities:</b>		
Repayment of debt and term loans	(299,013 )	(1,396,457 )
Proceeds from debt and term loans	339,056	1,221,663
Net proceeds from sales of senior subordinated notes		435,818
Debt financing (repayment to) and equity contribution from (distribution to) minority stockholders, net	(1,984 )	(478 )
Proceeds from exercise of stock options and employee stock purchase plan	10,202	12,309
Excess tax benefits from stock-based compensation		3,924
Payment of debt financing costs and stock issuance costs	(15 )	(5,485 )
<b>Cash Flows from Financing Activities</b>	<b>48,246</b>	<b>271,294</b>
<b>Effect of Exchange Rates on Cash and Cash Equivalents</b>	<b>521</b>	<b>2,858</b>
<b>(Decrease) Increase in Cash and Cash Equivalents</b>	<b>(12,461 )</b>	<b>49,595</b>