IRON MOUNTAIN INC
Form 10-K
February 28, 2012

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-K

(Mark One)

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

For the Fiscal Year Ended December 31, 2011

or

o **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	**23-2588479**
(State or other jurisdiction of incorporation)	(I.R.S. Employer Identification No.)
745 Atlantic Avenue, Boston, Massachusetts	**02111**
(Address of principal executive offices)	(Zip Code)

617-535-4766
(Registrant's telephone number, including area code)

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

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 ý No o

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 o No ý

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 ý No o

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 ý No o

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 ý

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 ý	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

As of June 30, 2011, the aggregate market value of the Common Stock of the registrant held by non-affiliates of the registrant was $6,038,510,230.13 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 10, 2012: 171,087,289

IRON MOUNTAIN INCORPORATED
2011 FORM 10-K ANNUAL REPORT

Table of Contents

Table of Contents

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

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 is incorporated by reference from our definitive Proxy Statement for our 2012 Annual Meeting of Stockholders (our "Proxy Statement") to be filed with the Securities and Exchange Commission within 120 days after the close of the fiscal year ended December 31, 2011.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

We have made statements in this Annual Report on Form 10-K that constitute "forward-looking statements" as that term is defined in the Private Securities Litigation Reform Act of 1995 and other federal 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) expected increase in our Adjusted OIBDA margins in our International Business segment, (2) commitment to stockholder payouts and dividend payments, (3) expected target leverage ratio, and (4) expected divestiture of the Italian Business. The 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 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 services relative to the cost of providing such services;
- changes in customer preferences and demand for our 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;
- the failure to consummate a successful sale of the Italian Business;

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

the impact of legal restrictions or limitations under stock repurchase plans on price, volume or timing of stock repurchases;

the impact of alternative, more attractive investments on dividends or stock repurchases;

Table of Contents

- 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."

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 Securities and Exchange Commission (the "Commission" or "SEC").

Table of Contents

PART I

Item 1. Business.

A. Development of Business.

We provide information management services that help organizations around the world lower the costs, risks and inefficiencies of managing their physical and digital data. Our solutions enable customers to 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. We offer comprehensive records management services, data protection & recovery services and information destruction services, along with the expertise and experience to address complex information management challenges such as rising storage costs, litigation, regulatory compliance and disaster recovery. 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 Asia Pacific. We have a diversified customer base comprised of commercial, legal, banking, healthcare, accounting, insurance, entertainment and government organizations, including more than 94% of the Fortune 1000. As of December 31, 2011, we provided services in more than 35 countries on five continents, employed over 17,000 people and operated more than 975 facilities.

Now in our 61st 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 business with limited product offerings and annual revenues of $104.0 million in 1995 into a global enterprise providing a broad range of information management services to customers in markets around the world with total revenues of more than $3.0 billion for the year ended December 31, 2011. On January 5, 2009, we were added to the S&P 500 Index and as of December 31, 2011 we were number 643 on the Fortune 1000.

Our success since becoming a public company in 1996 has been driven in large part by our execution of a consistent long-term growth plan to build market leadership by extending our strategic position through service line and global expansion. This growth plan has been sequenced into three phases. The first phase involved establishing leadership and broad market access in our core businesses, records management and data protection & recovery, primarily through acquisitions. In the second phase, we invested in building a successful selling organization to access new customers, converting previously unvended demand. While different parts of our business are in different stages of evolution along our three-phase strategy, as an enterprise, we have transitioned to the third phase of our growth plan, which we call the capitalization phase. In this phase, which we expect to continue for many years, we seek to expand our relationships with our customers to continue solving their increasingly complex information management problems. Growing our customer relationships well means expanding our service offerings on a global basis while maximizing our solid core businesses. In doing this, we continue to build what we believe to be a very durable business through disciplined execution.

Consistent with this model, we have transitioned from a growth strategy driven primarily by acquisitions of information management services companies to a growth strategy driven primarily by internal growth. In 2001, internal revenue growth exceeded growth through acquisitions for the first time since we began the first phase of our growth plan in 1996. This has been the case in each year since 2001, with the exception of 2004. In the absence of significant acquisition spending, we expect to achieve a majority of our revenue growth internally in 2012 and beyond.

We expect to achieve our long-term growth goals by offering our customers integrated services that address their increasingly complex information management needs regardless of the format, location or lifecycle stage of their information. By offering integrated services, we aim to help our customers reduce the costs, risks and complexities associated with managing their data while increasing their compliance with various laws, regulations, company policies and industry best practices. Consistent with

Table of Contents

our overall strategy, we are focused on improving our internal revenue growth trajectory in the near-term primarily through a set of specific initiatives. These initiatives are based on a targeted approach to improving our sales effectiveness through increased focus on our core businesses, customer segmentation and enhanced marketing programs. By successfully executing on these initiatives, we expect to increase revenues from our existing customers by selling them new services and by gaining new customers that do not currently outsource some or all of their information management service needs or who outsource their information management needs to other vendors. We are also targeting higher growth in certain international businesses as we expand our platform for selling core services and new services in higher growth markets. Finally, we are continuing to expand our services portfolio in the hybrid records market, which includes both physical and digital records, to capture what we see as larger, faster growing opportunities.

At this stage in our evolution we are also focused on driving increased profitability and cash flow through a disciplined management approach and a focus on optimizing our business operations. Comprised of productivity initiatives, pricing program improvements and cost controls, our optimization strategy has produced significant and visible results. Between 2007 and 2011, we have compounded annual growth rates of 8% for adjusted operating income before depreciation, amortization, intangible impairments and (gain) loss on disposal/write-down of property, plant and equipment, net ("Adjusted OIBDA"), 15% for Adjusted Earnings per Share and 28% for Free Cash Flows before Acquisitions and Discretionary Investments ("FCF"). During that same period, we reduced our capital expenditures (excluding real estate) as a percent of revenues from 13.5% in 2007 to 6.6% in 2011. These gains were driven primarily by the optimization of our North American Business segment as we increased Adjusted OIBDA margins in that segment by more than 700 basis points. Our focus is on sustaining the high margin, high profitability levels of the North American Business segment while optimizing our International Business segment using the same strategies. We expect to increase our Adjusted OIBDA margins in the International Business segment by approximately 700 basis points between 2010 and the end of 2013. For more detailed definitions and reconciliations of Adjusted OIBDA, Adjusted Earnings per Share from Continuing Operations and FCF and a discussion of why we believe these 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."

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 consisting of a share repurchase authorization of up to $150.0 million 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. Since initiating our stockholder payout program in February 2010, our board of directors has approved increases in the amount authorized under our share repurchase program of up to an additional $1.05 billion, bringing the total authorization to $1.2 billion. As of December 31, 2011, we have purchased 36.6 million shares of our common stock for $1.1 billion under this program. We have also increased our quarterly dividend on two occasions, most recently to $0.25 per share in June 2011, which represents a 300% increase over the quarterly amount declared in March 2010.

In April 2011, we announced a three-year strategic plan to increase stockholder value. The key components of our plan are: (i) sustaining a leadership position in our North American Business segment; (ii) driving substantial improvements in our International Business segment; and (iii) committing to significant stockholder payouts of $2.2 billion through 2013, with $1.2 billion being paid out through May 2012. As of December 31, 2011, we had returned $1.1 billion to stockholders against our commitment of returning $1.2 billion through May 2012, including $0.1 billion in dividends and $1.0 billion in share repurchases. As part of our 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

Table of Contents

portfolio review of certain international operations, we sold our New Zealand operations in October 2011 for approximately $10.0 million in cash and, in December 2011, we committed to a plan to sell our records management business in Italy (the "Italian Business").

B. Description of Business.

Overview

Our information management services can be broadly divided into three major service categories: records management services, data protection & recovery services, and information destruction 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 management services include: records management program development and implementation based on best practices to help customers comply with specific regulatory requirements, implementation of policy-based programs that feature secure, cost-effective storage for all major media, including paper (which is the dominant form of records storage), flexible retrieval access and retention management. Included within records management services are our hybrid services. These services help 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.

Our data protection & recovery services include disaster preparedness, planning, support and secure, off-site vaulting of data backup media for fast and efficient data recovery in the event of a disaster, human error or virus. Our technology-based data protection & recovery services include online backup and recovery solutions for desktop and laptop computers and remote servers. Since our sale of the Digital Business, we continue to 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.

Our information destruction services are comprised almost exclusively of secure shredding services. Secure shredding services complete the lifecycle of a record and involve the shredding of sensitive documents in a way that ensures privacy and a secure chain of custody for the records. These services typically include either the scheduled pick-up of loose office records, which customers accumulate in specially designed secure containers we provide, or the shredding of documents stored in records facilities upon the expiration of their scheduled retention periods.

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 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, an information management services vendor. Special regulatory requirements often apply to medical records. In addition to our core records management services, we provide consulting, facilities management, fulfillment and other outsourcing services.

Table of Contents

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 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 maintain backup copies of their data in order 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 rotation and storage 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 physical 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 driven primarily by us and certain of our larger competitors. Acquisitions were a fast and efficient way to achieve scale, expand geographically and broaden service offerings.

We believe that since the 1990s there has been ongoing acquisition activity in the physical information management services industry, both in North America and internationally, because of the opportunities for larger information management services providers to achieve economies of scale and meet customer demands for more sophisticated, technology-based solutions. We believe that this trend is also due to, and may continue as a result of, the preference of certain large organizations to contract with one physical information management services vendor in multiple cities and countries for its physical information management service needs. Larger national or multinational information management service companies are better able to satisfy the demands of larger multi-city or multi-national customers than single city competitors.

Table of Contents

Attractive acquisitions, many of which are small, in North America and internationally continue to exist and we may from time to time acquire 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 providing storage, core records management, data protection & recovery, information destruction, hybrid services and an expanding menu of complementary products and services to a large and diverse customer base. Providing outsourced information management services is the mainstay of our customer relationships and serves as the foundation for our revenue growth. Core services, which are a vital part of a comprehensive records management program, consist primarily of the handling and transportation of stored records and information. In our secure shredding operations, core services consist primarily of the scheduled collection and shredding of records and documents generated by business operations. Additionally, core services include certain hybrid services and recurring project revenues. As is the case with storage revenues, core service revenues are highly recurring in nature. In 2011, our storage and core service revenues represented approximately 88% of our total consolidated revenues. In addition to our core services, we offer a wide array of complementary products and services, including special project work, data restoration projects, fulfillment services, consulting services, technology services and product sales (including specially designed storage containers and related supplies). In addition, complementary services revenue includes recycled paper revenue. Complementary services address more specific needs and are designed to enhance our customers' overall records management programs. These services complement our core services; however, they are more episodic and discretionary in nature. Revenue generated by all of our operating segments includes both core and complementary components.

In general, our North American Business and our International Business segments offer the products and 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 2009, 2010 and 2011 are set forth in Note 9 to Notes to Consolidated Financial Statements.

Service Offerings

Our information management services can be broadly divided into three major categories: records management services, data protection & recovery services and information destruction services. We offer both physical services and technology solutions in the records management and data protection & recovery categories. Currently, we only offer physical services in the information destruction services category.

Records Management Services

By far our largest category of services, records management services consists primarily of the archival storage of records for long periods of time according to applicable laws, regulations and industry best practices. Core 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. Other records management services include our hybrid services as well as Compliant Records Management and Consulting Services, Health Information Management Solutions, IM Entertainment Services, Energy Data Services, Discovery Services and other ancillary services.

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

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, 2011, we were utilizing a fleet of approximately 3,700 owned or leased vehicles.

The growth rate of mission-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 digital information management, 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 management challenges. We continue to cultivate marketing and technology partnerships to support this anticipated growth.

The focus of our hybrid business is to develop, implement and support comprehensive 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 hybrid services complement our core service offerings, leveraging our global footprint and our existing customer relationships. We differentiate our offerings from our competitors by providing solutions that integrate and extend 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 hybrid services provide the bridge between customers' physical documents and their new EDM solutions.

We offer records 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. Healthcare information services principally include the handling, storage, filing, processing and retrieval of medical records used by hospitals, private practitioners and other medical institutions. 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. Healthcare information services also include 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.

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 or services, either because of the data they contain or the media on which they are recorded. Our charges for providing enhanced security and special climate-controlled environments for vital records are higher than for typical storage services. We provide the same ancillary services for vital records as we provide for our other storage operations.

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.

Table of Contents

Other complementary lines of business that we operate include fulfillment services 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 requests. 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 records and information management programs. Our consulting business draws on our experience in information management services to analyze the practices of companies and assist them in creating more effective programs of records and information management. Our consultants work with these customers to develop policies and schedules for document retention and destruction.

We divested ourselves of our domain name management product line in 2010 and our Digital Business, including our former wholly owned subsidiaries, Mimosa Systems, Inc. and Stratify, Inc., and New Zealand operations in 2011. Also, we committed to selling our Italian Business in December 2011. 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 2009, 2010 and 2011.

Data Protection & Recovery Services

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

Physical data protection & recovery services consist of the storage and 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. Since our 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.

Information Destruction Services

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 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

Table of Contents

scheduled pick-up of loose office records which 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 comprised of custom built trucks, we are able to offer secure shredding services to our customers throughout the U.S., Canada, the United Kingdom, Australia and Latin America.

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, fees charged to customers based on the volume of 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 fees without incurring additional labor or marketing expenses or significant capital costs. Similarly, contracts for the storage of electronic backup media involve primarily fixed monthly payments. Our annual revenues from these fixed periodic storage fees have grown for 23 consecutive years. For each of the three years 2009 through 2011, storage revenues, which are stable and recurring, have accounted for over 55% or more of our total consolidated revenues. This stable and growing storage revenue base also provides the foundation for increases in service revenues and Adjusted OIBDA.

Historically Non-Cyclical Storage Business. Historically, we have not experienced significant reductions in our storage 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. We believe that companies that have outsourced records management services are less likely during economic downturns to incur the move-out costs and other expenses associated with accelerating destruction of their records, switching vendors or moving their records management services programs in-house. However, during the current economic downturn, which is more severe and has lasted longer than other recent downturns, destruction rates have increased as some customers have been more willing to incur additional short-term service costs in exchange for lower storage costs in the long-term. In addition, we have 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 have resulted in lower net volume growth rates. The net effect of these factors has been the continued growth of our storage revenue base, albeit at a lower rate. For each of the three years 2009 through 2011, total net volume storage growth has been approximately 2% on a global basis.

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 current 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, as described above, has resulted in net volume growth from existing customers being negative at times in certain markets. We expect that after the economy has improved, 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 revenues is the result of a number of factors, including: (1) the trend toward increased records retention; (2) customer satisfaction with our services; (3) the costs and inconvenience of moving storage operations in-house or to another provider of information management services; and

(4) our positive pricing actions; however, in the current economic downturn, elevated destruction and withdrawal rates have resulted in lower net volume growth in recent quarters.

Diversified and Stable Customer Base. As of December 31, 2011, we had over 155,000 clients in a variety of industries. We currently provide services to commercial, legal, banking, healthcare, accounting, insurance, entertainment and government organizations, including more than 94% of the Fortune 1000. No customer accounted for as much as 2% of our consolidated revenues in any of the years ended December 31, 2009, 2010 and 2011. For each of the three years 2009 through 2011, the average 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 revenue growth and ongoing operations as well as 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. 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 smaller and more discretionary in 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 building outfitting, carton storage systems, tape storage systems and containers, shredding plants and bins and technology service storage and processing capacity.

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, previously referred to as maintenance capital expenditures. 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 various markets in which we operate. 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.

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

Table of Contents

Following is a table presenting our capital expenditures for 2009, 2010 and 2011 organized by the nature of the spending as described above:

	Year Ended December 31,		
Nature of Capital Spend (dollars in millions)	**2009(1)(2)**	**2010(1)(2)**	**2011(1)(2)**
Business Line Growth	$ 156	$ 116	$ 81
Business Operations(3)	56	65	84
Product Development	12	10	2
Product Improvement	28	31	14
Operational Efficiencies	9	8	18
Real Estate	36	14	20
Total Capital	$ 297	$ 244	$ 218

We believe that capital expenditures incurred as a percent of revenues is a meaningful metric for investors as it indicates the efficiency with which we are investing in the growth and operational efficiency of our business. For the years 2009 through 2011, our total capital expenditures incurred as a percent of revenues were approximately 11%, 8% and 7%, respectively. The decrease in capital expenditures as percent of revenues since 2009 is due primarily to our disciplined approach to capital management, a shift toward less capital intense service revenues and moderating growth rates in our physical storage business.

Following is a table presenting our capital expenditures as a percent of total revenues for 2009, 2010 and 2011 organized by the nature of the spending as described above:

	Year Ended December 31,		
Nature of Capital Spend	**2009(1)(2)**	**2010(1)(2)**	**2011(1)(2)**
Business Line Growth	5.6%	4.0%	2.7%
Business Operations(3)	2.0%	2.2%	2.8%
Product Development	0.4%	0.3%	0.1%
Product Improvement	1.0%	1.1%	0.5%
Operational Efficiencies	0.3%	0.3%	0.6%
Real Estate	1.3%	0.5%	0.7%
Total Capital	10.7%	8.4%	7.2%

(1) Represents accrued capital expenditures and may differ from amounts presented on the cash basis in the Consolidated Statement 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 also 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 comprehensive records management services, data protection & recovery services and information destruction services, along with the expertise and experience to address complex information management challenges such as rising storage costs, litigation, regulatory compliance and disaster recovery. We expect to maintain a leadership position in the information management services industry around the world by enabling customers to 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.

10

Table of Contents

In the U.S. and Canada, we seek to be one of the largest information management services providers in each of our markets. Internationally, our objectives are to continue to capitalize on our expertise in the information management services industry and to make additional acquisitions and investments in selected international markets. Our near-term growth objectives are comprised of a set of specific initiatives including: (1) increasing our focus on our core businesses with a targeted, low risk approach to improving our sales effectiveness and thereby increasing revenues with our existing customers by selling them new services and gaining net new customers; (2) higher growth in our international businesses as we expand our platform for selling core services and new services in higher growth markets; and (3) continuing to expand our services portfolio in the hybrid market to capture those larger, faster growing opportunities. Although the focus will be on growing our business organically, targeted acquisitions will continue to play a role in our overall growth strategy.

Introduction of New Products and Services

We continue to expand our portfolio of products and services. Adding new products and services allows us to further penetrate our existing customer accounts 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 and storage-related 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 current 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, as described above, has resulted in net volume growth from existing customers being negative at times in certain markets. We expect that after the economy has improved, 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 allocating our sales resources based on a sophisticated segmentation of our customer base and selling additional records management, data protection & recovery and information destruction services in new and existing markets within our existing customer relationships. We also seek to leverage existing business relationships with our customers by selling complementary services and products such as special project work, data restoration projects, fulfillment services, consulting services, technology services and product sales (including specially designed storage containers and related supplies).

Addition of New Customers

Our sales forces are dedicated to three primary objectives: (1) establishing new customer account relationships; (2) generating additional revenue from existing customers in new and existing markets; and (3) expanding new and existing customer relationships by effectively selling a wide array of complementary 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 current acquisition program is to supplement internal growth by continuing to expand our presence in targeted international markets, continuing to make fold-in acquisitions in North America and expanding our new service capabilities and industry-specific services. We have a successful record of acquiring and integrating information management services companies.

Table of Contents

Acquisitions in the North American Business Segment

Although we substantially completed our geographic expansion in North America in 2003, we have since acquired and we continue to seek to acquire information management services businesses in the U.S. and Canada. Given the relatively smaller size of the acquisition targets in our core physical businesses in North America and our increased revenue base, future acquisitions are expected to be less significant to our overall North American Business segment revenue growth than in the past.

Acquisitions in the International Business Segment

We substantially completed our geographic expansion in Europe and Latin America by 2003 and entered the Asia Pacific market in 2005. We expect to continue to make acquisitions and investments in information management services businesses in targeted markets outside North America. We have acquired and invested in, and seek to acquire and invest in, 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 Continental Europe, Latin America and Asia, with continued leverage of our successful joint venture model.

The experience, depth and strength of local management are particularly important in our international expansion and 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 in Europe, Latin America and Asia Pacific. 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 our 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 information management services industry, our multinational customer relationships, our access to capital and our technology, and 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 North American acquisition candidates, when looking at an international investment or acquisition, we also evaluate the presence in the potential market of our existing customers as well as the 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 made a joint venture investment. Since 2008, we acquired the remaining minority equity ownership in our Greek (2010), Chinese (2010), Hong Kong (2010) and Singapore (2010) operations. In 2010,