



Iron Mountain (IRM)

Updated February 27th, 2024 by Jonathan Weber

Key Metrics

Current Price:	\$74	5 Year CAGR Estimate:	1.8%	Market Cap:	\$22B
Fair Value Price:	\$58	5 Year Growth Estimate:	3.0%	Ex-Dividend Date:	03/14/24
% Fair Value:	128%	5 Year Valuation Multiple Estimate:	-4.8%	Dividend Payment Date:	04/04/24
Dividend Yield:	3.5%	5 Year Price Target	\$67	Years Of Dividend Growth:	2
Dividend Risk Score:	F	Retirement Suitability Score:	d	Rating:	Sell

Overview & Current Events

Iron Mountain is a storage and information management REIT. Its services include record management, destruction, fulfillment services, data protection and recovery, server and computer backup services, and safeguarding of electronic and physical media. Iron Mountain operates in North America, Latin America, Europe, and the Asia Pacific region. The trust was founded in 1951, is headquartered in Boston, MA.

Iron Mountain reported its fourth quarter earnings results on February 22. The trust announced that it generated revenues of \$1.42 billion during the quarter, which was up 11% from the revenues that Iron Mountain generated during the previous year's quarter. Iron Mountain generated better revenue growth compared to the last couple of quarters, when revenues rose at a single-digit pace.

Iron Mountain's normalized funds-from-operations came in at \$0.83 per share during the fourth quarter, which was up 14% compared to the previous year's quarter. The company saw its FFO margin improve slightly, compared to the previous year's quarter, as its expenses rose less than its revenues. Management announced its guidance for this year's normalized FFO-per-share, expecting a range of \$4.39 to \$4.51, which represents solid growth of around 4% at the midpoint of the guidance range. Iron Mountain guides for revenues of \$5.5 billion for the current fiscal year.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
AFFOPS¹	\$2.95	\$2.84	\$2.72	\$2.92	\$3.05	\$3.01	\$3.07	\$3.48	\$3.80	\$4.12	\$4.45	\$5.16
DPS	\$1.49	\$1.91	\$2.04	\$2.24	\$2.37	\$2.44	\$2.47	\$2.47	\$2.47	\$2.54	\$2.60	\$2.87
Shares²	210	211	264	283	283	287	289	290	293	295	295	310

Iron Mountain is not a high-growth investment trust, but it still managed to increase its cash flows per share by 4% annually since 2009. Growth has been driven by several factors, with organic revenue growth through pricing increases being the most important one. Iron Mountain guides for 3% to 5% annual organic revenue growth in the future, which would be somewhat higher compared to the organic revenue growth rate in the past.

Iron Mountain repeatedly made takeovers and asset purchases over the last couple of years, which drove revenue growth further. These acquisitions were partially funded via debt, which is why the trust has considerable debt. Acquisitions were also partly funded via equity, which is why Iron Mountain's share count has been rising steadily. As long as Iron Mountain's takeovers provide higher returns than its cost of capital, those acquisitions are accretive and beneficial for Iron Mountain's shareholders. Iron Mountain's management forecasts that its revenues could rise by up to 5% a year on an organic basis in the long run, and that EBITDA could rise by 5%+ annually. Due to the weaker growth rate during the last decade, we use a somewhat lower estimate for Iron Mountain's long term cash flow growth. Following a small profitability decline in 2019, Iron Mountain was able to grow its funds from operations to new record levels in both 2020, 2021, 2022, and 2023. It is expected that the company will be even more profitable this year, and that growth will continue at a meaningful pace beyond the current year.

¹ Adjusted funds from operations per share

² In Millions

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



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Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
P/FFO	10.9	11.7	12.6	12.5	10.5	10.7	9.4	15.2	13.2	16.7	16.6	13.0
Avg. Yld.	4.6%	5.8%	6.0%	6.1%	7.6%	7.6%	8.5%	4.7%	4.9%	3.7%	3.5%	4.3%

Iron Mountain has not traded at a very high valuation throughout much of the last decade, which is not surprising. Due to the rather low growth rate that Iron Mountain has achieved in the past, shares were primarily valued based on the income yield that Iron Mountain provides to its owners. Today, Iron Mountain trades ahead of fair value, we believe.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	50.5%	67.3%	75.0%	76.7%	77.7%	81.9%	80.5%	71.0%	65.0%	61.7%	58.4%	55.6%

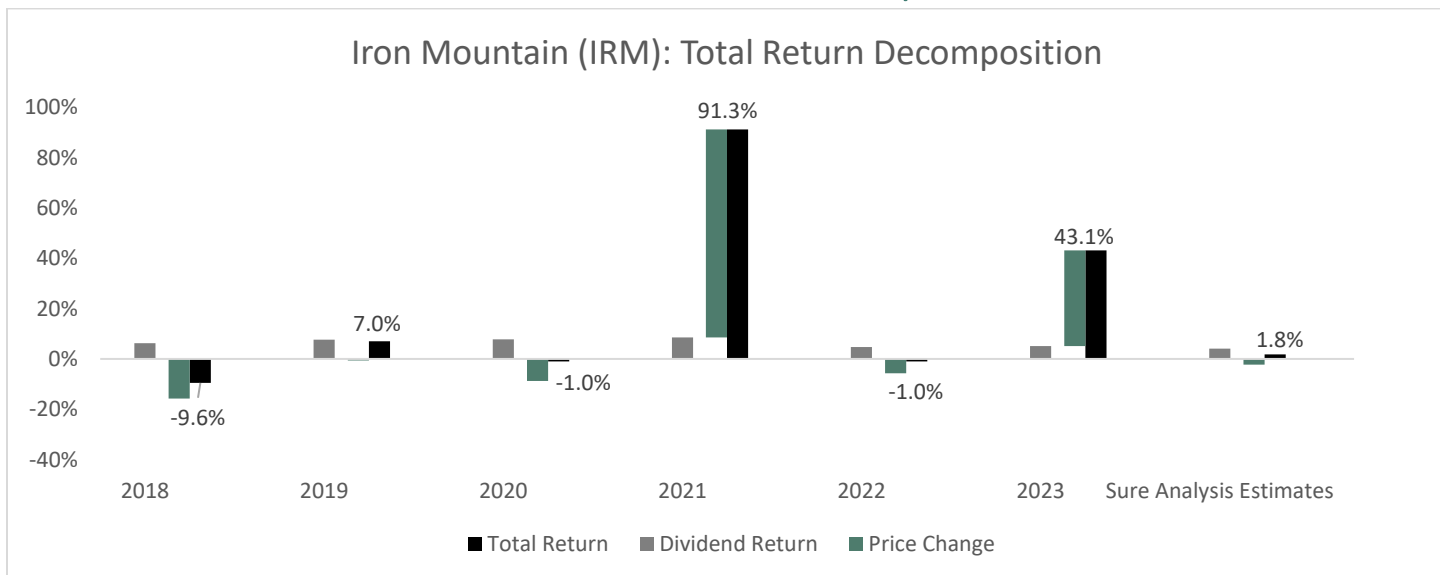
Iron Mountain pays out a quite large portion of its cash flows to its owners in the form of dividends. Iron Mountain has not been raising its dividend very regularly in the last couple of years. The company did, however, offer the first dividend increase in a while in 2023. The payout ratio has come down in recent years. Iron Mountain's dividend looks reasonably safe at current levels, considering the usual payout ratios for REITs.

Iron Mountain's focus on secure data storage sets the trust aside from competitors in the storage industry by providing a unique focus. The trust is active in a range of geographic markets across the US and internationally, and plans to expand its international operations further. This geographic diversification, coupled with the fact that demand for its services is not overly cyclical, means that Iron Mountain is relatively resilient to recessions, which also helps during the current crisis. Cash flows continued to grow during the last financial crisis, resulting in a strong recession performance.

Final Thoughts & Recommendation

Iron Mountain is active in a low-growth, recession-resistant industry. Its unique focus on secure data storage, and its customer base that includes many of the largest US corporations, provide for a relatively resilient business model. Due to a valuation that is rather high, the total return outlook at current prices is not attractive according to our models, which is why we rate the stock a sell right here.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	3,118	3,008	3,511	3,846	4,226	4,263	4,147	4,492	5,104	5,480
Gross Profit	1,773	1,718	1,944	2,181	2,432	2,429	2,390	2,604	2,914	3,122
Gross Margin	56.9%	57.1%	55.4%	56.7%	57.5%	57.0%	57.6%	58.0%	57.1%	57.0%
SG&A Exp.	855	783	860	922	988	992	949	1,023	1,141	1,236
D&A Exp.	353	345	452	522	655	675	669	697	746	793
Operating Profit	565	590	632	736	804	779	789	901	1,046	1,110
Operating Margin	18.1%	19.6%	18.0%	19.1%	19.0%	18.3%	19.0%	20.1%	20.5%	20.3%
Net Profit	326	123	105	170	354	267	343	450	557	184
Net Margin	10.5%	4.1%	3.0%	4.4%	8.4%	6.3%	8.3%	10.0%	10.9%	3.4%
Free Cash Flow	77	196	165	303	403	218	534	135	44	(232)
Income Tax	(97)	38	45	23	43	60	30	176	69	40

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	6,523	6,351	9,487	10,972	11,857	13,817	14,149	14,450	16,141	17,474
Cash & Equivalents	126	128	236	926	165	194	205	256	142	223
Accounts Receivable	604	564	691	836	847	851	859	961	1,175	1,260
Goodwill & Int. Ass.	3,034	2,967	5,174	5,471	5,953	5,878	5,885	5,645	6,306	6,298
Total Liabilities	5,653	5,822	7,550	8,674	9,995	12,353	13,013	13,593	15,409	17,084
Accounts Payable	203	220	222	289	319	325	360	369	469	540
Long-Term Debt	4,616	4,846	6,251	7,043	8,143	8,665	8,703	9,272	10,569	11,933
Shareholder's Equity	856	509	1,937	2,297	1,861	1,464	1,137	856	637	212
LTD/E Ratio	5.39	9.52	3.23	3.07	4.38	5.92	7.66	10.83	16.60	56.38

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	5.0%	1.9%	1.3%	1.7%	3.1%	2.1%	2.5%	3.1%	3.6%	1.1%
Return on Equity	33.9%	17.6%	8.5%	8.0%	17.0%	16.1%	26.4%	45.2%	70.1%	32.8%
ROIC	6.1%	2.3%	1.5%	1.9%	3.7%	2.7%	3.4%	4.5%	5.2%	1.6%
Shares Out.	210	211	264	283	283	287	289	290	293	295
Revenue/Share	15.85	14.18	14.20	14.41	14.74	14.82	14.37	15.44	17.45	18.64
FCF/Share	0.39	0.93	0.67	1.13	1.41	0.76	1.85	0.46	0.15	(0.79)

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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