Upside Potential: 27.9%

IRON MOUNTAIN

Assumptions

10 Year T-Bill	4.13%
Risk Premium	5.50%
Beta	0.84
WACC	7.32%
Terminal Beta	1.0
Terminal WACC	7.90%
Tax Rate	40.0%
Senario Selector	

- ○ Declining Margins
- ◉ Stable Margins
- ○ Improving Margins

Discounted Cash Flow Analysis	Historical	Hyper-Growth Stage			Transitional Growth Stage					Terminal Year
	LTM (9.30.04)	2004E	2005E	2006E	2007E	2008E	2009E	2010E	2011E	2012E
Total Revenues	$1,669.6	$1,922.1	$2,212.9	$2,547.8	$2,884.2	$3,209.2	$3,508.5	$3,767.6	$3,972.7	$4,111.7
Growth	NA	*15.1%*	*15.1%*	*15.1%*	*13.2%*	*11.3%*	*9.3%*	*7.4%*	*5.4%*	*3.5%*
Storage	967.6	1,106.8	1,266.0	1,448.1	1,630.1	1,805.5	1,966.9	2,107.1	2,219.1	2,296.8
Growth	NA	14.4%	14.4%	14.4%	12.6%	10.8%	8.9%	7.1%	5.3%	3.5%
Service and Storage Materials	702.0	815.3	946.9	1,099.7	1,254.1	1,403.7	1,541.5	1,660.4	1,753.5	1,814.9
Growth	NA	16.1%	16.1%	16.1%	14.0%	11.9%	9.8%	7.7%	5.6%	3.5%
less: COGs	757.7	923.9	1,063.6	1,224.6	1,386.3	1,542.5	1,686.4	1,810.9	1,909.5	1,976.3
COGS Margin	*45.4%*	*48.1%*	*48.1%*	*48.1%*	*48.1%*	*48.1%*	*48.1%*	*48.1%*	*48.1%*	*48.1%*
less: SG&A	427.3	486.6	560.2	645.1	730.2	812.5	888.3	953.9	1,005.8	1,041.0
SG&A Margin	*25.6%*	*25.3%*	*25.3%*	*25.3%*	*25.3%*	*25.3%*	*25.3%*	*25.3%*	*25.3%*	*25.3%*
EBITDA	484.6	511.6	589.0	678.1	767.7	854.2	933.8	1,002.8	1,057.4	1,094.4
EBITDA Margin	*29.0%*	*26.6%*	*26.6%*	*26.6%*	*26.6%*	*26.6%*	*26.6%*	*26.6%*	*26.6%*	*26.6%*
less: D&A	150.6	149.1	163.1	179.2	181.1	170.7	209.7	237.9	254.8	205.6
D&A/CapEx	*25.8%*	*38.4%*	*38.4%*	*38.4%*	*38.4%*	*38.4%*	*50.9%*	*63.4%*	*75.9%*	*100.0%*
EBIT	334.0	362.5	425.9	498.9	586.5	683.5	724.1	764.9	802.6	888.8
EBIT Margin	*20.0%*	*18.9%*	*19.2%*	*19.6%*	*20.3%*	*21.3%*	*20.6%*	*20.3%*	*20.2%*	*21.6%*
less: Taxes	66.5	145.0	170.3	199.6	234.6	273.4	289.7	306.0	321.0	355.5
Tax Rate	*19.9%*	*40.0%*	*40.0%*	*40.0%*	*40.0%*	*40.0%*	*40.0%*	*40.0%*	*40.0%*	*40.0%*
EBIT (1-Ł)	267.5	217.5	255.5	299.3	351.9	410.1	434.5	459.0	481.6	533.3
add: D&A	150.6	149.1	163.1	179.2	181.1	170.7	209.7	237.9	254.8	205.6
Operating Cash Flow (OCF)	418.1	366.6	418.6	478.6	533.1	580.8	644.2	696.8	736.3	738.9
less: ΔNWC	36.7	(51.4)	(9.4)	(10.8)	(10.9)	(10.5)	(9.7)	(8.4)	(6.6)	(4.5)
Capital Expenditures										
Ordinary CapEx	204.5	234.5	270.0	310.8	317.3	294.2	268.0	239.8	210.7	205.6
% of Sales	*12.2%*	*12.2%*	*12.2%*	*12.2%*	*11.0%*	*9.2%*	*7.6%*	*6.4%*	*5.3%*	*5.0%*
Acquisition CapEx	379.9	154.1	155.2	156.4	154.9	150.8	144.3	135.6	125.1	0.0
% of Sales	*22.8%*	*8.0%*	*7.0%*	*6.1%*	*5.4%*	*4.7%*	*4.1%*	*3.6%*	*3.1%*	*0.0%*
less: Total Capital Expenditures	584.4	388.6	425.2	467.2	472.2	445.0	412.3	375.4	335.8	205.6
% of Sales	*35.0%*	*20.2%*	*19.2%*	*18.3%*	*16.4%*	*13.9%*	*11.8%*	*10.0%*	*8.5%*	*5.0%*
Free Cash Flow to Firm (FCFF)	($203.0)	$29.3	$2.8	$22.2	$71.7	$146.3	$241.5	$329.8	$407.1	$537.8
Present Value Factor		98.2%	91.5%	85.3%	79.5%	74.1%	69.0%	64.3%	59.9%	55.8%
PV of FCFF		$28.8	$2.6	$18.9	$57.0	$108.3	$166.7	$212.0	$243.9	$300.2

PV of Hyper/Transitional Growth	$838.3
PV of Terminal Growth	7,054.3
PV of Firm	7,892.6
plus: Cash and Equivalents	40.0
less: Debt	2,278.9
less: Options	13.2
Total Value	5,640.6
divided by: Dilluted Shares Outstanding	130.6
Intrinsic Price per Share	$43.21
Current Share Price	$33.77
Upside Potential	27.9%