



Recall Financial Results – Year Ended 30 June 2015

*Strong revenue growth in line with guidance
Achieved earnings leverage – EBITDA growth ahead of revenue growth as margins expanded
Iron Mountain transaction proceeding according to schedule*

Sydney, Australia: 19 August 2015 Recall Holdings Limited (ASX:REC), a global leader in document storage, digital document management, data protection and secure destruction services today releases its results for the year ended 30 June 2015¹.

During FY15, Recall made significant progress on its three strategic objectives, delivered operating leverage and launched its digital strategy. The continuing business generated strong constant currency growth in line with guidance and all service lines contributed to revenue growth of 7.5%. EBITDA margins expanded as a consequence of improvements in operations and EBITDA grew 10.1%. Underlying profit after tax of US\$75.4 million generated underlying earnings per share of 24 cents, an increase of 23.2% in constant currency

The year culminated in the Board's decision to endorse, in the absence of a superior offer and subject to an independent expert concluding the transaction is in the best interests of Recall shareholders, a proposal from Iron Mountain Inc. to acquire Recall Holdings by way of a scheme of arrangement. Detailed information about the transaction will be set out in a Scheme Booklet, which is expected to be provided to shareholders in October, ahead of a shareholder vote on the transaction in December.

Highlights

	FY15 As reported	FY15 Constant FX	FY14 As reported	Change Constant FX
Revenue	\$827.8	\$883.9 ²	\$836.1	+7.5% ²
Underlying EBITDA	\$205.5	\$220.2 ²	\$199.6	+10.1% ²
Underlying basic EPS (US cents per share)	24.0	27.6	22.4	+23.2%
Final dividend (AUD cents per share)	10.0		8.0	+25%

- Revenue growth of 7.5%, growth achieved in all service lines²
- EBITDA growth of 10.1%, EBITDA margin increased 60bps to 24.9%²
- Strong cashflow with cash conversion rate of 96%
- 12 acquisitions completed in FY15, expected to generate annual revenue of US\$48 million
- Net carton growth of 7.7%³, resulting from organic growth of 2.6%, acquisition growth of 5.1% and a reduction in permouts of 100bps
- Strong contribution from DMS, significant improvement in SDS following North American SDS improvement plan
- Storage and retention revenue grew 8.4%, service and activity revenue increased 6.4%²
- Facility Optimisation Program progressing well, extended to Australia, Brazil, France, Denmark and UK
- Final dividend of AUD 10.0 cents determined, 25% higher than the final FY14 dividend

President and CEO Doug Pertz said "Throughout the year, we made tangible progress on each of our three strategic objectives of sustainable profitable growth, operational excellence and innovation for the future, with improvements in operations and revenue growth across all service lines. Acquisitions, investments in sales and marketing and improvement in the customer experience underpinned an increase of 8.4% in our storage and retention revenue and 6.4% in our service revenue in the continuing business. Permouts, or carton withdrawals from storage, reduced by 100bps to 3.3%, which is a strong indicator of customer satisfaction.

"We complemented our organic growth with 12 acquisitions during the year. These acquisitions contributed \$23.4 million to revenue in FY15 and are expected to generate annual revenue of \$48 million. The business is progressing well and assuming the transaction proceeds as anticipated, I am confident Recall is well-positioned to make a strong contribution to the combination with Iron Mountain," concluded Mr Pertz.

¹ Financials are presented in USD and comparisons to FY14 are made on a constant currency basis. Financials for FY14 are presented on a pro forma basis as if the legal structure of Recall Holdings as at 18 December 2013 (the date of demerger from Brambles) was in existence for all of FY14.

² Excludes Recall's German SDS business divested December 2014.

³ Excludes impact of 1M cartons damaged in Citistorage fire.



Regional Results

The Americas achieved revenue growth of 14.0% and EBITDA growth of 29.7%, driven by the success of the North American business in the SME market and several highly accretive acquisitions. EBITDA margin was up 320bps from higher pricing in the DMS business and a 600bps improvement in SDS gross margins. Large contracts won contributed to activity, including onboarding a major Canadian government agency that was previously unvended as well as beginning to onboard HSBC in the US, Canada and Mexico. In Brazil, all service lines continued to perform strongly, with organic growth in the core document storage business approaching double digits.

In Asia, revenue increased by 26.4% driven by 11% organic growth and the full-year impact of the Singapore acquisition. Underpinning this strong result was accelerating carton growth and improving customer retention, supported by successful price increases with a number of larger customers.

In Europe, revenue in the continuing business declined by 1.0% as the region remained impacted by unfavourable economic conditions. However, tight cost control drove margin improvement and a 5.3% increase in EBITDA. Significant business wins were achieved in the UK, Spain and France, onboarding of the HSBC contract began and the successful implementation of a digital services platform provided benefits across the region.

Australia/New Zealand experienced a 1.1% decline in revenue for the full year. However revenue increased in H215 by 2.2% compared with the prior year. Price increases and positive carton growth supported higher revenue in H215 than H214 and H115. Strong carry over wins and reduced permouts in H215, together with three acquisitions completed during the year, generated solid momentum going into FY16.

Financials

In FY15, Recall's continuing business² grew revenue by 7.5% and EBITDA 10.1%. EBITDA margin expanded 60bps to 24.9%, reflecting good progress in cost control and gains in racking (+250bps) and building utilisation (+260bps).

The second facility optimisation program announced in June 2015 will consolidate facilities in Australia, Europe and Brazil. Once fully implemented in FY18, it is expected to benefit EBITDA by \$6.5 million. A related one-off restructuring charge of \$16 million, comprising a \$5 million non-cash charge relating to surplus plant and equipment and an \$11 million cash charge from lease termination and relocation costs, was taken in FY15.

Net cash from operating activities was \$127.3 million and cash conversion was high at 96%. Key funding needs during the year included acquisitions of \$144.3 million, dividends of \$43.8 million and capex of \$61.7 million. However, outstanding net debt increased by only \$82 million over the 12 month period to \$566 million. Increased debt was partially offset by the utilisation of cash from operating activities as well as the appreciation of the US dollar. Debt ratios remain comfortably within covenants, with closing net debt to EBITDA less than 2.6x.

Total capital expenditure for the period was \$61.7 million, or 7.4% of revenue. This was an improvement over the 8.7% of revenue in FY14, reflecting a focus on improving ROCI.

The effective tax rate in FY15 was approximately 23%, due to a one off material benefit of US\$10 million arising from a tax basis reset resulting from creating a new consolidated Australian tax group after the demerger. Excluding this benefit, the underlying effective tax was 34%.

The Board determined a final dividend of AUD 10.0 cents per share, bringing the full year FY15 dividend to AUD 19.0 cents, which is a payout ratio of approximately 60% of underlying profit after tax. The final dividend will be franked to 40%, with 60% qualifying as conduit foreign income. The final dividend is expected to be paid on 28 October 2015 to shareholders on the Recall register on 7 October 2015.

Proposal from Iron Mountain to Acquire Recall Holdings

On 29 April 2015, Recall announced that it had agreed to key commercial terms for the acquisition of Recall by Iron Mountain by way of a recommended and court approved scheme of arrangement. Due diligence led to improvement in the key terms such that shareholders will receive 0.1722 Iron Mountain shares and US\$0.50 cents for each Recall share they hold. Alternatively, Recall shareholders may elect cash consideration of A\$8.50 per share, subject to a total cash pool of A\$225 million, with preferential access to the cash offer for the first 5,000 shares of their holding. Iron Mountain is to establish a secondary listing on the Australian Securities Exchange (ASX) to allow shareholders to trade Iron Mountain shares via CHESS Depository Interests (CDIs).



The parties are progressing anti-trust regulatory submissions and filings have been made in the key jurisdictions of Australia and the USA. The records management industry is large, fragmented and highly competitive and Recall expects a satisfactory outcome.

Shareholders will receive additional detailed information on the transaction and the scheme process in a Scheme Booklet planned for shareholders in October, ahead of a shareholder vote on the transaction, which is anticipated to occur in December 2015.

The proposed transaction remains subject to formal shareholder and regulatory approval. There is no guarantee that the transaction will complete. Accordingly Recall remains a competitor with Iron Mountain, is operating on a business as usual approach and continues to aggressively implement its long-term strategic plan.

Outlook

In FY16, after excluding SDS Germany sold in December 2014 and adjusting for \$4 million of revenue lost as a consequence of the Citistorage fire, Recall expects to deliver revenue growth approaching double digits, and EBITDA growth at least in line with revenue growth, on a constant currency basis, together with continuing strong cash flow generation.

The effective tax rate in FY16 is expected to be approximately 35%.

Recall's outlook is based on assumptions regarding present and future business strategies and the environment in which Recall will operate in the future. Recall's future results are subject to market conditions and unforeseen circumstances and risks that may arise. This earnings release, the investor presentation, Appendix 4E and conference call / webcast details are all available on the company's [investor relations website](http://investor.recall.com) at Recall.com.

About

Recall is a global leader in information management solutions, offering customers complete management of their physical and digital information. Recall's innovative solutions empower organizations to make better business decisions throughout the information lifecycle, while assuring regulatory compliance and eliminating unnecessary resources, time and costs. Recall services more than 80,000 customer accounts in over 300 dedicated facilities, spanning five continents in 24 countries. For more information, please visit recall.com.

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