

REPORT REPRINT

# Iron Mountain Data Centers builds a portfolio of fortresses across Europe

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The provider has been on an acquisition path as it changes the way it delivers services and adds new products for datacenter supply, with an eye on delivering small-scale edge locations to large-scale hyperscale production facilities.

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### Introduction

US-based Iron Mountain Data Centers has been reshaping the way it provides infrastructure services as it progresses on its quest to become a global partner for digitally transforming enterprises. It is looking to cater to hyperscale customers, as well as traditional retail colocation customers, as it establishes a foundation that will allow it to meet customer requirements from the ground to the cloud, delivering high-touch services and custom datacenter projects.

In Europe, Iron Mountain Data Centers previously acquired Dutch datacenter provider EvoSwitch and a Credit Suisse datacenter in London. It is currently building in Frankfurt, and has other projects planned. It has been growing its European management team and transforming from a service provider to a datacenter infrastructure provider. This builds on a platform adopted when it acquired modular datacenter provider IO Data Centers US and the Credit Suisse Singapore operations in late 2017. Europe represents a fast-growing portion of Iron Mountain's 3.5 million gross square feet of datacenter supply, which can be found in 13 markets across three continents (mostly the US, with a presence in Singapore), and we expect to see Iron Mountain focus heavily on Europe in the years ahead.

### 451 TAKE

We have seen numerous US-based datacenter providers enter or expand across the European market – many through acquisitions. These include Equinix, Digital Realty, CyrusOne, QTS, Cloud HQ and Vantage. Iron Mountain comes to the market with a slightly different proposition, however. Its focus is on records management and data processing facilities. As a result of its traditional records management background, it already has 225,000 customers, many of which are enterprises whose main requirements are security and confidentiality. Iron Mountain realizes the value of this and is on a path to becoming a ground-to-the-cloud provider of services globally, leveraging not only its datacenter expertise and technology experience, but also local know-how. It has an additional asset: a growing portfolio of traditional storage warehouses dotted around the world in central locations it says could one day lay the foundation for an edge datacenter proposition. This comes at a time when customers are seeking less complexity in their supply chains as they move to hybrid cloud, and as cloud providers are seeking channel avenues that allow customers easy access to services.

### Context

Boston-based Iron Mountain was formed in 1951 as a document, tape and storage business. Today it serves the digital and paper-based document needs of 950 of the Fortune 1,000 in approximately 50 countries. This is a stable part of the business, with only about 2% churn. Its datacenter business is much newer.

Iron Mountain Data Centers first seriously entered the retail colocation business in 2017 with the acquisition of Denver-based colocation provider FORTTRUST; two Credit Suisse datacenters (in London and Singapore) in which Credit Suisse is now a tenant; and the US operations of Phoenix-based IO Data Centers, which operated four datacenters in the US (including New Jersey and Phoenix). The IO acquisition provided a platform for Iron Mountain Data Centers to expand its datacenter offerings, with IO being a serious promoter of modular datacenter solutions for clients such as Goldman Sachs.

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Iron Mountain acquired Dutch retail colocation provider EvoSwitch Global Services for €205m (\$232.5m, 14 x 2018 EBITA) in May 2018, adding 11MW of 100% leased capacity at one datacenter to its portfolio and gaining an additional 34MW of expansion potential across two sites serving the Amsterdam market. The EMEA Data Center operation serves a mix of global enterprises, cloud service providers and public sector institutions. The acquisition laid the foundation for Iron Mountain's European management team, with former EvoSwitch CEO Eric Boonstra now heading up the European business for Iron Mountain Data Centers. There have also been a number of records management company acquisitions that added new document storage facilities (and new local customers) to Iron Mountain's real estate portfolio, including Arhiv Trezor in Zagreb, Croatia; InfoZafe in Bangkok; and OSG Records Management in Russia. While these acquisitions do not add datacenter real estate to the portfolio, they highlight Iron Mountain's growing interest in second- and third-tier locations across Europe; in time, Iron Mountain says these could become part of a valuable edge datacenter strategy.

In 2019 Iron Mountain Data Centers executed 17MW of new and expansion colocation leases driven by enterprise and US federal government clients, and signed its first hyperscale lease, taking its total utilized capacity to about 100MW. At the close of 2019, it had a utilization rate of 85.7% across its portfolio, having attracted more than 100 new logos from many new industries. At the same time, it also brought about 20MW of capacity online (in London, Amsterdam, Singapore, New Jersey, Northern Virginia and Phoenix).

### European footprint

Iron Mountain operates a datacenter (acquired from Credit Suisse) in the London datacenter market of Slough, and has an adjacent leased site that will add 25MW of capacity. It is growing at its first site, where Credit Suisse is still a tenant. LON-1 is 183,000 gross square feet, with 9.1MW of power; offers suites, cages and cabinets; and connects into a carrier hotel in Slough. Following the acquisition, Iron Mountain added three new data halls at this site for multi-tenant use, taking the total to six data halls. Most Iron Mountain customers in London have been onboarded from its US and European business. The new datacenter will be built as a hyperscale-grade facility.

In Amsterdam, Iron Mountain Data Centers has one large datacenter campus with land to expand. AMS-1 offers cabinets, cages and suites. The 150,000-gross-square-foot 12MW facility also offers access to internet exchange AMS-IX and over 50 on-site carriers. Seven halls have been built out, and an eighth is under construction (Hall 7 added 1.9MW of operational supply and Hall 8 will add about 10MW, suggesting this could be for a hyperscale build). The AMS-1 site can grow to 430,000 square feet and 34MW of power. Iron Mountain also has access to a site at Amsterdam South East – a power-constrained but popular datacenter destination. Amsterdam's government has passed a moratorium on datacenter builds that halts construction activity for datacenters that require new power contracts, but Haarlem (where AMS-1 is located) is outside of the Amsterdam jurisdiction. Iron Mountain Data Centers says the size of its campus there allows customers to grow and build redundancy into operations on campus, reducing the need to build at a second site, for now.

Iron Mountain has a number of customers requesting a presence in Frankfurt, where it is building a datacenter for retail, enterprise and hyperscale needs. It has acquired land, designs and permits (with build permits and 27MW of power) on the east side of the city, where a lot of datacenters are situated. It will be built in three phases, each about 9MW, with a plan for delivery of the first phase during the first half of 2021.

## Competition

Iron Mountain competes against a growing number of providers from the US that are entering the European market – many with a focus on the leading markets of London, Amsterdam, Frankfurt and Paris. Retail colocation provider Equinix now offers wholesale supply through its xScale JV and is setting the scene for an edge play following its acquisition of bare-metal service provider Packet. Digital Realty acquired Interxion, which now provides that wholesale provider with a growing retail colocation footprint. Both of these providers offer reach across the markets Iron Mountain is present in.

## SWOT Analysis

### STRENGTHS

Iron Mountain is trusted brand for US companies and has taken a careful approach to investing across Europe, acquiring high-quality facilities, as well as management and operational teams.

### WEAKNESSES

Iron Mountain could be seen to compete against some of its hosting-provider partners that might offer similar services beyond colocation.

### OPPORTUNITIES

More companies are seeking providers that can offer cloud onramps and meet their colocation needs; in time, we expect edge datacenter requirements will grow.

### THREATS

The provider will need to carefully manage and market its mix of services for European clientele. It will be competing against a number of much more well-known brands across Europe with a wide stack of services.