

HD US giant in \$2bn bid for Recall

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TAKEOVER activity is roaring to life ahead of the new year

After being touted as a potential predator for years, **Iron** Mountain has pounced on Recall with a roughly \$7 a share offer, valuing the **company** at \$2.2bn, sources said.

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Recall, which stores and manages companies' physical and digital data in 306 facilities around the world, declined to comment on the approach, understood to have been made on Friday night.

But the offer, which may include a high level of scrip, is expected to be seen as too cheap by Recall's board, which is chaired by veteran **company** director and senior executive Ian Blackburne.

Analysts at UBS this month estimated **Iron** Mountain could pay \$9 a share due to the stronger US dollar and its rising share price on the New York Stock Exchange, which has been driven by its recent conversion into a real estate investment trust to boost payouts.

The move on Recall continues the rush of corporate activity before Christmas, including **China** Communications Construction **Company**'s \$1.2bn **purchase** of Leighton' contracting division John Holland and APA Group's \$5bn buyout of BG Group's Queensland **coal**-seam gas pipeline — the second-biggest **acquisition** of the year.

It marks a strong end to the year for deal-making after the bumper start slowed down in the second half amid an uptick in global concerns. It is also continues the deep history of demerged companies attracting takeover attention.

Recall, which is listed in Australia but led by chief Doug Pertz based in the US, has seen its shares soar 27 per cent since late September when Bloomberg reported **Iron** Mountain was considering a move on its smaller rival.

Iron Mountain's interest was also touted before Recall was eventually spun out of wooden pallet **company** Brambles late last year.

"The synergies are enormous (circa \$200 **million**-plus)," said one large investor in Recall.

"Recall shareholders would want the upside shared fairly between both camps.

"Given the enormous accretion this deal delivers **Iron** Mountain, **Iron** Mountain shareholders should be keen to pay up for this unique game-changing asset."

UBS analyst Simon Mitchell estimated **Iron** Mountain could extract up to \$270m in cost synergies.

Shareholders in Recall, which include notable fund managers Maple-Brown Abbott and Australian Foundation Investment **Company**, are understood to be keen for at least 25 per cent of the synergies to go to them.

Under the terms that have been proposed, it is less than half that, sources said. **Iron** Mountain also trades on a multiple of 13 times versus Recall at 9.9 times, so the deal would be instantly accretive even without the synergies.

Iron Mountain's move continues a surge in deals in the US records management industry, with Access snapping up a range of businesses from Cintas and Recall this month buying Business Records Management for \$US77m.

Recall has made six acquisitions since July as it chases growth after years of being in limbo through Brambles' unsuccessful attempts to sell the business and then the demerger last year.

The Americas made up 42 per cent of Recall's \$836m in sales revenue in full-year 2014, ahead of Europe, Australia and New Zealand and Asia.

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