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Iron Mountain, Inc. Q2 2008 Earnings Call

Question-and-Answer Session

[Operator Instructions]. Your first question comes from the line of Kevin McVeigh with Credit Suisse.

Kevin McVeigh - Credit Suisse

Thank you. Hi, I wonder if you could give us a sense of... very nice job on the gross margins in the second quarter. How do you see that gross margins playing out in the second half of the year relative to OIBDA overall?

Brian P. McKeon - Executive Vice President, Chief Financial Officer

Yes, we're continuing to target solid gross margins in 2008. We're seeing things... factors such as real estate and productivity gains helping us, these were the things we expect when we built our plans this year. And we're also currently seeing benefits from paper and higher margin service growth. Those are factors that will moderate later this year but our outlook includes sustaining solid gross margins.

Kevin McVeigh - Credit Suisse

Great. And if you could give us a sense of in terms of recycled paper prices, where they are currently and what do you have in the outlook in the second half of the year?

Brian P. McKeon - Executive Vice President, Chief Financial Officer

Yes, we're... the recycled paper market has flattened in recent months, it's actually down a bit from some of the peaks we saw in February and March. It would still... it can be up year-on-year at current rate to the back half of the year. We think that the underlying factors that have supported the higher levels of paper pricing, which are really driven by international demand are still there. As you know, this isn't an easy market to forecast, but we think we'll see sustained solid paper rates. But if you want to reinforce that this is the factor we've highlighted several times in the past. These things can fluctuate, it can have an impact on our results with the margin and were basically embedded in our outlook is in expectation that will sustain in the similar range. So, but this is something we'll keep an eye on.

Bob Brennan - President, Chief Executive Officer

And we are being particularly careful, Kevin, to moderate overhead growth as we go through the balance of the year, something that we're just... we're very, very careful about.

Kevin McVeigh - Credit Suisse

Okay. If I could just one more question if you don't mind. The core services really, sequentially came up nicely internally. Can you talk about destructions a little bit and how the surcharges impacted that?

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