UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark one)

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2023.

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ______ to ______.

Commission File Number: 001-39420

RACKSPACE TECHNOLOGY, INC.
(Exact name of registrant as specified in its charter)

Delaware	**81-3369925**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

1 Fanatical Place
City of Windcrest
San Antonio, Texas 78218
(Address of principal executive offices, including zip code)

1-800-961-4454
(Registrant's telephone number, including area code)

None
(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value $0.01 per share	RXT	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer," "accelerated filer," "smaller reporting company,” and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☑
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

On May 4, 2023, 215,079,988 shares of the registrant’s common stock, par value $0.01 per share, were outstanding.

RACKSPACE TECHNOLOGY, INC.
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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2023 (this "Quarterly Report") contains certain information that may constitute “forward-looking statements” within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. While we have specifically identified certain information as being forward-looking in the context of its presentation, we caution you that all statements contained in this report that are not clearly historical in nature, including statements regarding anticipated financial performance, management’s plans and objectives for future operations, business prospects, market conditions, and other matters are forward-looking. Forward-looking statements are contained principally in the sections of this report entitled “Risk Factors,” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” Without limiting the generality of the preceding sentence, any time we use the words “expects,” “intends,” “will,” “anticipates,” “believes,” “confident,” “continue,” “propose,” “seeks,” “could,” “may,” “should,” “estimates,” “forecasts,” “might,” “goals,” “objectives,” “targets,” “planned,” “projects,” and similar expressions, we intend to clearly express that the information deals with possible future events and is forward-looking in nature. However, the absence of these words or similar expressions does not mean that a statement is not forward-looking.

Forward-looking information involves risks, uncertainties, and other factors that could cause actual results to differ materially from those expressed or implied in, or reasonably inferred from, such statements, including without limitation, the effects of the COVID-19 pandemic on our results of operations and business, and the risks and uncertainties disclosed or referenced under the heading “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2022. Therefore, caution should be taken not to place undue reliance on any such forward-looking statements. Much of the information in this report that looks toward future performance of the company is based on various factors and important assumptions about future events that may or may not actually occur. As a result, our operations and financial results in the future could differ materially and substantially from those we have discussed in the forward-looking statements included in this Quarterly Report. We assume no obligation (and specifically disclaim any such obligation) to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise, except as required by law.

TRADEMARKS, TRADE NAMES AND SERVICE MARKS

“Rackspace,” “Rackspace Technology,” “Fanatical,” “Fanatical Experience,” “Rackspace Fabric,” "Rackspace Data Freedom," "Rackspace Services for VMware Cloud™" and "My Rackspace" are registered or unregistered trademarks of Rackspace US, Inc. in the United States and/or other countries. OpenStack® is a registered trademark of OpenStack, LLC and OpenStack Foundation in the United States. Solely for convenience, trademarks, trade names and service marks referred to in this Quarterly Report may appear without the ® or ™ symbols, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights or the rights of the applicable licensor to these trademarks, trade names and service marks. Other trademarks, trade names and service marks appearing in this Quarterly Report are the property of their respective holders. We do not intend our use or display of other companies’ trade names, trademarks or service marks to imply a relationship with, or endorsement or sponsorship of us by, any other companies.

PART I – FINANCIAL INFORMATION

ITEM 1 - FINANCIAL STATEMENTS

RACKSPACE TECHNOLOGY, INC.
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(In millions, except per share data)	December 31, 2022	March 31, 2023
ASSETS		
Current assets:		
Cash and cash equivalents	$ 228.4	$ 174.3
Accounts receivable, net of allowance for credit losses and accrued customer credits of $24.6 and $22.3, respectively	622.2	571.6
Prepaid expenses	97.3	111.5
Other current assets	125.3	112.2
Total current assets	1,073.2	969.6
Property, equipment and software, net	628.3	651.1
Goodwill, net	2,155.1	1,614.8
Intangible assets, net	1,236.0	1,195.5
Operating right-of-use assets	138.0	126.3
Other non-current assets	226.1	197.3
Total assets	$ 5,456.7	$ 4,754.6
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 447.3	$ 384.2
Accrued compensation and benefits	95.3	65.8
Deferred revenue	80.9	101.3
Debt	23.0	23.0
Accrued interest	36.3	37.8
Operating lease liabilities	60.0	55.6
Finance lease liabilities	61.7	69.8
Financing obligations	16.7	15.6
Other current liabilities	35.3	37.6
Total current liabilities	856.5	790.7
Non-current liabilities:		
Debt	3,295.4	3,269.0
Operating lease liabilities	84.8	72.8
Finance lease liabilities	310.5	336.3
Financing obligations	47.6	45.6
Deferred income taxes	126.7	105.8
Other non-current liabilities	105.7	110.0
Total liabilities	4,827.2	4,730.2
Commitments and Contingencies (Note 7)		
Stockholders' equity:		
Preferred stock, $0.01 par value per share: 5.0 shares authorized; no shares issued or outstanding	—	—
Common stock, $0.01 par value per share: 1,495.0 shares authorized; 215.7 and 218.1 shares issued; 212.6 and 215.0 shares outstanding, respectively	2.2	2.2
Additional paid-in capital	2,573.3	2,588.0
Accumulated other comprehensive income	71.4	63.6
Accumulated deficit	(1,986.4)	(2,598.4)
Treasury stock, at cost; 3.1 shares held	(31.0)	(31.0)
Total stockholders' equity	629.5	24.4
Total liabilities and stockholders' equity	$ 5,456.7	$ 4,754.6

See accompanying notes to the unaudited consolidated financial statements.

RACKSPACE TECHNOLOGY, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited)

(In millions, except per share data)	Three Months Ended March 31, 2022	Three Months Ended March 31, 2023
Revenue	$ 775.5	$ 758.7
Cost of revenue	(549.5)	(589.1)
Gross profit	226.0	169.6
Selling, general and administrative expenses	(205.1)	(207.5)
Impairment of goodwill	—	(543.1)
Income (loss) from operations	20.9	(581.0)
Other income (expense):		
Interest expense	(50.1)	(56.9)
Gain (loss) on investments, net	(0.1)	0.1
Gain on debt extinguishment	—	12.8
Other income (expense), net	(3.6)	2.1
Total other income (expense)	(53.8)	(41.9)
Loss before income taxes	(32.9)	(622.9)
Benefit (provision) for income taxes	(5.6)	10.9
Net loss	$ (38.5)	$ (612.0)
Other comprehensive income (loss), net of tax		
Foreign currency translation adjustments	$ (4.6)	$ 3.4
Unrealized gain (loss) on derivative contracts	42.3	(5.6)
Amount reclassified from accumulated other comprehensive income (loss) to earnings	4.3	(5.6)
Other comprehensive income (loss)	42.0	(7.8)
Comprehensive income (loss)	$ 3.5	$ (619.8)
Net loss per share:		
Basic and diluted	$ (0.18)	$ (2.87)
Weighted average number of shares outstanding:		
Basic and diluted	211.4	213.2

See accompanying notes to the unaudited consolidated financial statements.

RACKSPACE TECHNOLOGY, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(In millions)	Three Months Ended March 31, 2022	2023
Cash Flows From Operating Activities		
Net loss	$ (38.5)	$ (612.0)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	101.6	94.7
Amortization of operating right-of-use assets	14.3	15.1
Deferred income taxes	0.9	(17.3)
Share-based compensation expense	17.0	15.2
Impairment of goodwill	—	543.1
Gain on debt extinguishment	—	(12.8)
Unrealized loss on derivative contracts	4.6	4.5
(Gain) loss on investments, net	0.1	(0.1)
Provision for bad debts and accrued customer credits	(0.2)	0.7
Amortization of debt issuance costs and debt discount	2.0	2.0
Other operating activities	—	(0.1)
Changes in operating assets and liabilities:		
Accounts receivable	(19.8)	50.5
Prepaid expenses and other current assets	7.4	(1.5)
Accounts payable, accrued expenses, and other current liabilities	(19.0)	(100.3)
Deferred revenue	7.6	19.1
Operating lease liabilities	(17.7)	(19.9)
Other non-current assets and liabilities	4.2	17.2
Net cash provided by (used in) operating activities	64.5	(1.9)
Cash Flows From Investing Activities		
Purchases of property, equipment and software	(19.2)	(12.1)
Acquisitions, net of cash acquired	(7.7)	—
Other investing activities	1.0	0.4
Net cash used in investing activities	(25.9)	(11.7)
Cash Flows From Financing Activities		
Proceeds from employee stock plans	0.5	—
Shares of common stock repurchased	(4.1)	—
Payments on long-term debt	(5.8)	(15.4)
Payments on financing component of interest rate swap	(4.3)	(4.4)
Principal payments of finance lease liabilities	(15.9)	(18.6)
Principal payments of financing obligations	(11.2)	(2.9)
Net cash used in financing activities	(40.8)	(41.3)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(1.6)	0.9
Decrease in cash, cash equivalents, and restricted cash	(3.8)	(54.0)
Cash, cash equivalents, and restricted cash at beginning of period	275.4	231.4
Cash, cash equivalents, and restricted cash at end of period	$ 271.6	$ 177.4

Supplemental Cash Flow Information		
Cash payments for interest, net of amount capitalized	$ 40.8	$ 49.5
Cash payments for income taxes, net of refunds	$ 5.4	$ 1.7
Non-cash Investing and Financing Activities		
Acquisition of property, equipment and software by finance leases	$ 6.5	$ 50.7
Acquisition of property, equipment and software by financing obligations	3.7	—
Increase in property, equipment and software accrued in liabilities	1.5	8.7
Non-cash purchases of property, equipment and software	$ 11.7	$ 59.4

The following table provides a reconciliation of cash, cash equivalents, and restricted cash to the total of such amounts shown on the Consolidated Statements of Cash Flows.

	Three Months Ended March 31,	
(In millions)	2022	2023
Cash and cash equivalents	$ 269.1	$ 174.3
Restricted cash included in other non-current assets	2.5	3.1
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	$ 271.6	$ 177.4

See accompanying notes to the unaudited consolidated financial statements.

RACKSPACE TECHNOLOGY, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)

(In millions)	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Treasury Stock, at Cost		Total Stockholders' Equity
	Shares	Amount				Shares	Amount	
Balance at December 31, 2021	211.2	$ 2.1	$ 2,500.0	$ 6.9	$ (1,181.6)	—	$ —	$ 1,327.4
Exercise of stock options and release of stock awards	1.6	—	0.5	—	—	—	—	0.5
Share-based compensation expense	—	—	17.0	—	—	—	—	17.0
Net loss	—	—	—	—	(38.5)	—	—	(38.5)
Other comprehensive income	—	—	—	42.0	—	—	—	42.0
Repurchase of common stock	—	—	—	—	—	0.4	(4.1)	(4.1)
Balance at March 31, 2022	212.8	$ 2.1	$ 2,517.5	$ 48.9	$ (1,220.1)	0.4	$ (4.1)	$ 1,344.3

(In millions)	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Treasury Stock, at Cost		Total Stockholders' Equity
	Shares	Amount				Shares	Amount	
Balance at December 31, 2022	215.7	$ 2.2	$ 2,573.3	$ 71.4	$ (1,986.4)	3.1	$ (31.0)	$ 629.5
Exercise of stock options and release of stock awards	2.4	—	—	—	—	—	—	—
Share-based compensation expense for equity classified awards	—	—	14.7	—	—	—	—	14.7
Net loss	—	—	—	—	(612.0)	—	—	(612.0)
Other comprehensive loss	—	—	—	(7.8)	—	—	—	(7.8)
Balance at March 31, 2023	218.1	$ 2.2	$ 2,588.0	$ 63.6	$ (2,598.4)	3.1	$ (31.0)	$ 24.4

See accompanying notes to the unaudited consolidated financial statements.

RACKSPACE TECHNOLOGY, INC.
NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. Company Overview, Basis of Presentation, and Summary of Significant Accounting Policies

Nature of Operations and Basis of Presentation

Rackspace Technology, Inc. ("Rackspace Technology") is a Delaware corporation controlled by investment funds affiliated with Apollo Global Management, Inc. and its subsidiaries (“Apollo”). Rackspace Technology was formed on July 21, 2016 but had no assets, liabilities or operating results until November 3, 2016 when Rackspace Hosting, Inc. (now named Rackspace Technology Global, Inc., or “Rackspace Technology Global”), a global provider of modern information technology-as-a-service, was acquired by Inception Parent, Inc., a wholly-owned entity indirectly owned by Rackspace Technology (the “Rackspace Acquisition”).

Rackspace Technology Global commenced operations in 1998 as a limited partnership, and was incorporated in Delaware in March 2000. Rackspace Technology serves as the holding company for Rackspace Technology Global and does not engage in any material business or operations other than those related to its indirect ownership of the capital stock of Rackspace Technology Global and its subsidiaries or business or operations otherwise customarily undertaken by a holding company.

For ease of reference, the terms “we,” “our company,” “the company,” “us,” or “our” as used in this report refer to Rackspace Technology and its consolidated subsidiaries.

Effective on January 1, 2023, we reorganized around a two-business unit operating model, Public Cloud and Private Cloud. This two-business unit operating model ensures increased focus, delivery, and service quality for our customers. Beginning in 2023, we changed our segment reporting to reflect this reorganization under two reportable segments: Public Cloud and Private Cloud. See Note 14, "Segment Reporting" for more information.

The unaudited consolidated financial statements include the accounts of Rackspace Technology, Inc. and our wholly-owned subsidiaries. Intercompany transactions and balances have been eliminated in consolidation.

Unaudited Interim Financial Information

The unaudited consolidated financial statements as of March 31, 2023, and for the three months ended March 31, 2022 and 2023, have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information. Accordingly, certain financial information and disclosures required for financial statements prepared under GAAP have been omitted in accordance with the Securities and Exchange Commission ("SEC") disclosure rules and regulations that permit reduced disclosure for interim periods. These unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the related notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2022 as filed with the SEC on March 16, 2023 ("Annual Report"). The unaudited interim consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements included in our Annual Report and, in the opinion of management, reflect all adjustments, which include normal recurring adjustments, necessary for a fair statement of our financial position as of March 31, 2023, our results of operations, cash flows and stockholders' equity for the three months ended March 31, 2022 and 2023.

The results of operations for the three months ended March 31, 2023 are not necessarily indicative of the results of operations to be expected for the year ending December 31, 2023, or for any other interim period, or for any other future year.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenue and expenses, and related disclosures of contingent assets and liabilities in the consolidated financial statements and accompanying notes. On an ongoing basis, we evaluate our estimates, including those related to the allowance for credit losses, useful lives of property, equipment and software, software capitalization, incremental borrowing rates for lease liability measurement, fair values of intangible assets and reporting units, useful lives of intangible assets, share-based compensation, contingencies, and income taxes, among others. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results could differ from our estimates.

Liquidity Overview

We are a highly leveraged company. As of March 31, 2023, we had $3,331.3 million aggregate principal amount outstanding under the first lien term loan facility (the "Term Loan Facility"), 5.375% Senior Notes due 2028 (the "5.375% Senior Notes"), and 3.50% Senior Secured Notes due 2028 (the “3.50% Senior Secured Notes”). We primarily finance our operations and capital expenditures with internally-generated cash from operations and hardware leases, and if necessary, borrowings under a revolving credit facility (the "Revolving Credit Facility"). As of March 31, 2023, the Revolving Credit Facility provided for up to $375.0 million of borrowings, none of which was drawn as of March 31, 2023. Our primary uses of cash are working capital requirements, debt service requirements and capital expenditures. Based on our current level of operations and available cash and cash equivalents of $174.3 million as of March 31, 2023, we believe our sources will provide sufficient liquidity over at least the next twelve months. We cannot provide assurance, however, that our business will generate sufficient cash flows from operations or that future borrowings will be available to us under the Revolving Credit Facility or from other sources in an amount sufficient to enable us to pay our indebtedness or to fund our other liquidity needs. Our ability to do so depends on prevailing economic conditions and other factors, many of which are beyond our control.

Subsequent Events

On April 26, 2023, we executed an amendment to our First Lien Credit Agreement to establish Term SOFR as the benchmark rate for determining the applicable interest rate, replacing LIBOR. We also expect to amend our interest rate swap to change the index from three-month LIBOR (subject to a floor of 0.75%) to one-month Term SOFR (subject to a floor of 0.75%).

Significant Accounting Policies and Estimates

Our Annual Report includes an additional discussion of the significant accounting policies and estimates used in the preparation of our consolidated financial statements. There were no material changes to our significant accounting policies and estimates during the three months ended March 31, 2023.

Goodwill, Indefinite-Lived Intangible Assets and Long-Lived Assets

Goodwill represents the excess of the purchase price over the fair value of identifiable net assets of businesses acquired. Our indefinite-lived intangible asset consists of our Rackspace trade name, which was recorded at fair value on our balance sheet at the date of the Rackspace Acquisition. Goodwill and indefinite-lived intangible assets are not amortized but are subject to impairment testing on an annual basis as of October 1st or more frequently if events or circumstances indicate a potential impairment. These events or circumstances could include a significant change in the business climate, regulatory environment, established business plans, operating performance indicators or competition. Potential impairment indicators may also include, but are not limited to, (i) significant changes to estimates and assumptions used in the most recent annual or interim impairment testing, (ii) downward revisions to internal forecasts, and the magnitude thereof, (iii) declines in our market capitalization below our book value, and the magnitude and duration of those declines, (iv) a reorganization resulting in a change to our operating segments, and (v) other macroeconomic factors, such as increases in interest rates that may affect the weighted average cost of capital, volatility in the equity and debt markets, or fluctuations in foreign currency exchange rates that may negatively impact our reported results of operations.

On January 1, 2023, as a result of the reorganization of our business around a two-business unit operating model, we changed our reportable segments to Private Cloud and Public Cloud. Our prior Multicloud segment has been separated into its public and private cloud components and the offerings previously reported in our Apps & Cross Platform segment have been reassigned to either the Public Cloud or Private Cloud segment based on the nature of the offering. Our prior OpenStack Public Cloud segment is included in Private Cloud. As a result of the segment change, we allocated the goodwill of our former Multicloud and Apps & Cross Platform reporting units to the Public Cloud and Private Cloud reporting units based on their relative fair value. OpenStack Public Cloud remains a separate reporting unit for goodwill purposes. Due to the change in our segment reporting and the allocation of goodwill, we completed a quantitative goodwill impairment analysis both prior and subsequent to the aforementioned change. The results of the quantitative goodwill impairment analysis performed as of December 31, 2022 prior to the change indicated an impairment within our former Apps & Cross Platform reporting unit, and we recorded a non-cash impairment charge of $129.3 million in the fourth quarter of 2022 as described in our Annual Report. We reassigned goodwill to the updated reporting units using a relative fair value approach. The results of the quantitative goodwill impairment analysis performed as of January 1, 2023 subsequent to the reorganization indicated an impairment within our Private Cloud reporting unit, and we recorded a non-cash impairment charge of $270.8 million in the first quarter of 2023.

During the first quarter of 2023, we experienced a sustained decline in our stock price resulting in our market capitalization being less than the carrying value of our combined reporting units. As of March 31, 2023, we assessed several events and circumstances that could affect the significant inputs used to determine the fair value of our reporting units, including the significance of the amount, if any, of excess carrying value over fair value, consistency of operating margins and cash flows, budgeted-to-actual performance for the first three months of the year, overall change in economic climate, changes in the industry and competitive environment, and earnings quality and sustainability. After considering all available evidence in our evaluation of goodwill impairment indicators, we determined it appropriate to perform an interim quantitative assessment of our reporting units as of March 31, 2023.

Goodwill is tested for impairment at the reporting unit level. A reporting unit is an operating segment or one level below an operating segment (referred to as a component). We allocate goodwill to reporting units based on the reporting unit expected to benefit from the business combination. Assets and liabilities are assigned to each of our reporting units if they are employed by a reporting unit and are considered in the determination of the reporting unit fair value. Certain assets and liabilities are shared by multiple reporting units, and thus, are allocated to each reporting unit based on the relative size of a reporting unit, primarily based on revenue. We have two reporting units with goodwill: Public Cloud and Private Cloud. Goodwill allocated to our third reporting unit, OpenStack Public Cloud, was fully impaired during the fourth quarter of 2021.

For the interim quantitative goodwill impairment analyses performed as of January 1, 2023 and March 31, 2023, we compare the fair values of each of our reporting units to their respective carrying amounts. The fair values of each of our reporting units were derived using the income approach, specifically the discounted cash flow method. The discounted cash flow models reflect our assumptions regarding revenue growth rates, projected gross profit margins, risk-adjusted discount rates, terminal period growth rates, economic and market trends and other expectations about the anticipated operating results of our reporting units. As part of the goodwill impairment test, we also consider our market capitalization in assessing the reasonableness of the combined fair values estimated for our reporting units, including OpenStack Public Cloud. Goodwill impairment is measured as the excess of a reporting unit’s carrying amount over its fair value, not to exceed the carrying amount of goodwill for that reporting unit.

The results of our quantitative goodwill impairment analyses as of January 1, 2023 and March 31, 2023 indicated an impairment of goodwill within our Private Cloud reporting unit, and we recorded non-cash impairment charges of $270.8 million and $272.3 million, respectively, within "Impairment of goodwill" in our Consolidated Statements of Comprehensive Income (Loss) in the first quarter of 2023. As of March 31, 2023, the Public Cloud reporting unit was determined to have a fair value that exceeded its carrying value by approximately 14%.

See Note 5, "Goodwill and Intangible Assets" for more information.

Our indefinite-lived intangible asset is tested for impairment at the consolidated level. In evaluating the recoverability of the Rackspace trade name, we compare the fair value of the asset to its carrying amount to determine potential impairment. Our estimate of the fair value of the Rackspace trade name is derived using the income approach, specifically the relief-from-royalty method.

We performed a quantitative assessment of our indefinite-lived intangible asset prior to testing our goodwill for impairment as of January 1, 2023 and March 31, 2023 which did not indicate any impairment of the Rackspace trade name.

The fair value determination of our reporting units and our indefinite-lived intangible asset is judgmental in nature and requires the use of significant estimates and assumptions that are sensitive to changes. Assumptions include estimation of the royalty rate, estimation of future revenue and projected margins, which are dependent on internal cash flow forecasts, estimation of the terminal growth rates and capital spending, and determination of discount rates. As a result, there can be no assurance that the estimates and assumptions made for purposes of the quantitative goodwill and indefinite-lived intangible impairment tests will prove to be an accurate prediction of future results. Examples of events or circumstances that could reasonably be expected to negatively affect the underlying key assumptions and ultimately impact the estimated fair value of our reporting units may include such items as: (i) volatility in the equity and debt markets or other macroeconomic factors, (ii) an increase in the weighted-average cost of capital due to further increases in interest rates, (iii) decrease in future cash flows due to lower than expected sales, or (iv) fluctuations in foreign currency exchange rates that may negatively impact our reported results of operations. Accordingly, if our current cash flow assumptions are not realized, we experience further sustained declines in our stock price or market capitalization, or increases in costs of capital, it is possible that an additional impairment charge may be recorded in the future, which could be material.

Long-lived assets, including operating and finance lease assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets is measured at the asset group level. If the carrying amount of an asset group exceeds its estimated undiscounted future cash flows, then an impairment charge is recognized in the amount that an asset group’s carrying amount exceeds its fair value.

We performed recoverability tests of our long-lived assets in conjunction with the goodwill impairment analyses as of January 1, 2023 and March 31, 2023 which did not result in any impairment charges.

The fair value of our non-financial assets and liabilities, which include goodwill, intangible assets and property, plant and equipment, are measured on a non-recurring basis. The fair value of our reporting units, indefinite-lived intangible assets and long-lived assets are classified as Level 3 within the fair value hierarchy due to the significant unobservable inputs developed using company-specific information.

Recent Accounting Pronouncements

Not Yet Adopted

Reference Rate Reform

The United Kingdom's Financial Conduct Authority, which regulates the London Interbank Offered Rate ("LIBOR"), announced that it will not compel panel banks to contribute to the overnight 1, 3, 6 and 12 months U.S. dollar LIBOR tenors after June 30, 2023 and all other tenors after December 31, 2021. U.S. dollar LIBOR may be replaced by the Secured Overnight Financing Rate or other benchmark rates over the next several years. In March 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2020-04, *Reference Rate Reform (ASC 848) - Facilitation of the Effects of Reference Rate Reform on Financial Reporting* containing practical expedients for reference rate reform related activities that impact debt, leases, derivatives and other contracts. The guidance in ASU 2020-04 is optional and may be applied from March 12, 2020 through December 31, 2022 as reference rate reform activities occur. In December 2022, the FASB issued ASU No. 2022-06, *Reference Rate Reform (ASC 848) - Deferral of the Sunset Date of Topic 848*, which extended the date to apply the practical expedients outlined in ASU No. 2020-04 from December 31, 2022 to December 31, 2024. In January 2021, the FASB issued an update that provides supplemental guidance and clarification of the reference rate reform. We have elected to apply certain practical expedients in the past. We continue to evaluate the impact of the guidance and may apply other elections prior to December 31, 2024, as applicable, as additional changes in the market occur. Currently, borrowings under our Senior Facilities use LIBOR as a benchmark for establishing the applicable interest rate, but the First Lien Credit Agreement includes provisions relating to the future discontinuance of LIBOR and sets forth mechanics for establishing the replacement of LIBOR with an alternative benchmark rate.

2. Customer Contracts

The following table presents the balances related to customer contracts:

(In millions)	Consolidated Balance Sheets Account	December 31, 2022		March 31, 2023	
Accounts receivable, net	Accounts receivable, net (1)	$	622.2	$	571.6
Current portion of contract assets	Other current assets	$	16.0	$	13.4
Non-current portion of contract assets	Other non-current assets	$	10.4	$	10.5
Current portion of deferred revenue	Deferred revenue	$	80.9	$	101.3
Non-current portion of deferred revenue	Other non-current liabilities	$	8.6	$	7.4

(1) Allowance for credit losses and accrued customer credits was $24.6 million and $22.3 million as of December 31, 2022 and March 31, 2023, respectively.

We identified an immaterial correction in the disclosure of the amount previously reported as recognized in revenue for the three months ended March 31, 2022, which was included in deferred revenue as of the beginning of the period and have updated this amount to $46.2 million. The amount recognized in revenue for the three months ended March 31, 2023, which was included in deferred revenue as of the beginning of the period totaled $39.1 million.

Cost Incurred to Obtain and Fulfill a Contract

As of December 31, 2022 and March 31, 2023, the balances of capitalized costs to obtain a contract were $55.8 million and $50.7 million, respectively, and the balances of capitalized costs to fulfill a contract were $17.7 million and $16.5 million, respectively. These capitalized costs are included in “Other non-current assets” on the Consolidated Balance Sheets.

Amortization of capitalized sales commissions and implementation costs was as follows:

	Three Months Ended March 31,			
(In millions)	2022		2023	
Amortization of capitalized sales commissions	$	11.2	$	10.3
Amortization of capitalized implementation costs	$	4.4	$	3.6

Remaining Performance Obligations

As of March 31, 2023, the aggregate amount of transaction price allocated to remaining performance obligations was $564.2 million, of which approximately 57% is expected to be recognized as revenue during the remainder of 2023 and the remainder thereafter. These remaining performance obligations primarily relate to our fixed-term arrangements. The aggregate amount of transaction price excludes variable consideration related to our usage-based arrangements for which we recognize revenue based on the right to invoice for the services performed.

3. Net Loss Per Share

Basic net loss per share is calculated by dividing net loss attributable to common stockholders by the weighted average shares outstanding during the period.

The following table sets forth the computation of basic and diluted net loss per share:

	Three Months Ended March 31,	
(In millions, except per share data)	2022	2023
Basic and diluted net loss per share:		
Net loss attributable to common stockholders	$ (38.5)	$ (612.0)
Weighted average shares outstanding:		
Common stock	211.4	213.2
Number of shares used in per share computations	211.4	213.2
Net loss per share	$ (0.18)	$ (2.87)

Potential common share equivalents consist of shares issuable upon the exercise of stock options, vesting of restricted stock or purchase under the Employee Stock Purchase Plan (the "ESPP"), as well as contingent shares associated with our acquisition of Datapipe Parent, Inc. Since we were in a net loss position for both periods presented, basic net loss per share is the same as diluted net loss per share for both periods as the inclusion of all potential common shares outstanding would have been anti-dilutive. We excluded 24.8 million and 41.1 million potential common shares from the computation of dilutive loss per share for the three months ended March 31, 2022 and 2023, respectively, because the effect would have been anti-dilutive.

4. Property, Equipment and Software, net

Property, equipment and software, net, consisted of the following:

(In millions)	December 31, 2022	March 31, 2023
Computers and equipment	$ 1,131.2	$ 1,167.5
Software	464.2	458.8
Furniture and fixtures	15.8	16.4
Buildings and leasehold improvements	402.2	407.6
Property, equipment and software, at cost	2,013.4	2,050.3
Less: Accumulated depreciation	(1,400.3)	(1,414.3)
Work in process	15.2	15.1
Property, equipment and software, net	$ 628.3	$ 651.1

5. Goodwill and Intangible Assets

The following table sets forth the changes in the carrying amounts of goodwill by reportable segment. As a result of the January 1, 2023 reorganization, we changed our segment reporting to reflect this reorganization under two reportable segments: Public Cloud and Private Cloud. Accordingly, we reallocated the total consolidated net balance of goodwill as of January 1, 2023 under the new segments, shown below:

(In millions)	Public Cloud	Private Cloud	Multicloud Services	Apps & Cross Platform	OpenStack Public Cloud	Total Consolidated
Gross goodwill as of December 31, 2022	$ —	$ —	$ 2,656.6	$ 328.0	$ 52.4	$ 3,037.0
Less: Accumulated impairment charges	—	—	(700.2)	(129.3)	(52.4)	(881.9)
Goodwill, net as of December 31, 2022	—	—	1,956.4	198.7	—	2,155.1
Reallocation adjustment [1]	594.7	1,560.4	(1,956.4)	(198.7)	—	—
Impairment of goodwill	—	(543.1)	—	—	—	(543.1)
Foreign currency translation	1.1	1.7	—	—	—	2.8
Goodwill, net as of March 31, 2023	$ 595.8	$ 1,019.0	$ —	$ —	$ —	$ 1,614.8
Gross goodwill as of March 31, 2023	$ 595.8	$ 1,562.1	$ —	$ —	$ —	$ 2,157.9
Less: Accumulated impairment charges	—	(543.1)	—	—	—	(543.1)
Goodwill, net as of March 31, 2023	$ 595.8	$ 1,019.0	$ —	$ —	$ —	$ 1,614.8

(1) Represents the adjustment to reallocate goodwill of the former Multicloud Services and Apps & Cross Platform reportable segments to Public Cloud and Private Cloud reportable segments, using the relative fair value basis, as a result of the January 1, 2023 reorganization.

See Note 1, "Company Overview, Basis of Presentation, and Summary of Significant Accounting Policies," for discussion of the goodwill impairment charges recorded during the three months ended March 31, 2023.

The following table provides information regarding our intangible assets other than goodwill:

	December 31, 2022			March 31, 2023		
(In millions)	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
Customer relationships	$ 1,928.5	$ (914.9)	$ 1,013.6	$ 1,930.0	$ (955.1)	$ 974.9
Other	27.7	(22.3)	5.4	27.7	(24.1)	3.6
Total definite-lived intangible assets	1,956.2	(937.2)	1,019.0	1,957.7	(979.2)	978.5
Trade name (indefinite-lived)	217.0	—	217.0	217.0	—	217.0
Total intangible assets other than goodwill	$ 2,173.2	$ (937.2)	$ 1,236.0	$ 2,174.7	$ (979.2)	$ 1,195.5

6. Debt

Debt consisted of the following:

(In millions, except %)		December 31, 2022		March 31, 2023	
Debt Instrument	Maturity Date	Interest Rate(1)	Amount	Interest Rate(1)	Amount
Term Loan Facility	February 15, 2028	7.38%	$ 2,259.8	7.60%	$ 2,254.0
Revolving Credit Facility	August 7, 2025	—%	—	—%	—
3.50% Senior Secured Notes	February 15, 2028	3.50%	550.0	3.50%	550.0
5.375% Senior Notes	December 1, 2028	5.375%	550.0	5.375%	527.3
Less: unamortized debt issuance costs			(30.7)		(29.1)
Less: unamortized debt discount			(10.7)		(10.2)
Total debt			3,318.4		3,292.0
Less: current portion of debt			(23.0)		(23.0)
Debt, excluding current portion			$ 3,295.4		$ 3,269.0

(1) Interest rates are as of each respective balance sheet date.

Senior Facilities

Our senior secured credit facilities include the Term Loan Facility and the Revolving Credit Facility (together, the "Senior Facilities").

On February 9, 2021, we amended and restated the credit agreement governing our Senior Facilities (the "First Lien Credit Agreement"), which included a new seven-year $2,300.0 million senior secured first lien term loan facility due on February 15, 2028 and our existing $375.0 million Revolving Credit Facility. We used the borrowings under the Term Loan Facility, together with the proceeds from the issuance of the 3.50% Senior Secured Notes described below (together, the "February 2021 Refinancing Transaction"), to repay all borrowings under our prior term loan facility (the "Prior Term Loan Facility"), to pay related fees and expenses and for general corporate purposes.

Borrowings under the Senior Facilities bear interest at an annual rate equal to an applicable margin plus, at our option, either (a) a LIBOR rate determined by reference to the costs of funds for Eurodollar deposits for the interest period relevant to such borrowing, adjusted for certain additional costs, subject to a 0.75% floor, in the case of the Term Loan Facility, and a 1.00% floor, in the case of the Revolving Credit Facility, or (b) a base rate determined by reference to the highest of (i) the federal funds rate plus 0.50%, (ii) the prime rate of Citibank, N.A. and (iii) the one-month adjusted LIBOR plus 1.00%. The applicable margin for the Term Loan Facility is 2.75% for LIBOR loans and 1.75% for base rate loans and the applicable margin for the Revolving Credit Facility is 3.00% for LIBOR loans and 2.00% for base rate loans. Interest is due at the end of each interest period elected, not exceeding 90 days, for LIBOR loans and at the end of every calendar quarter for base rate loans.

In addition to paying interest on the outstanding principal under the Senior Facilities, the Revolving Credit Facility also includes a commitment fee equal to 0.50% per annum in respect of the unused commitments that is due quarterly. This commitment fee is subject to one step-down based on the net first lien leverage ratio.

As of March 31, 2023, the interest rate on the Term Loan Facility was 7.60%. We are required to make quarterly principal payments of $5.8 million, which began on June 30, 2021. See Note 11, "Derivatives," for information on interest rate swap agreements we utilize to manage the interest rate risk on the Term Loan Facility.

In addition to the quarterly amortization payments discussed above, the Senior Facilities require us to make certain mandatory prepayments, including using (i) a portion of annual excess cash flow, as defined in the First Lien Credit Agreement, to prepay the Term Loan Facility, (ii) net cash proceeds of certain non-ordinary assets sales or dispositions of property to prepay the Term Loan Facility and (iii) net cash proceeds of any issuance or incurrence of debt not permitted under the Senior Facilities to prepay the Term Loan Facility. We may make voluntary prepayments at any time without penalty, except in connection with a repricing event, as defined in the First Lien Credit Agreement.

The fair value of the Term Loan Facility as of March 31, 2023 was $1,194.6 million, based on quoted market prices for identical assets that are traded in over-the-counter secondary markets that are not considered active. The fair value of the Term Loan Facility is classified as Level 2 within the fair value hierarchy.

Rackspace Technology Global is the borrower under the Senior Facilities, and all obligations under the Senior Facilities are (i) guaranteed by Inception Parent, Inc., Rackspace Technology Global's immediate parent company, on a limited recourse basis and secured by the equity interests of Rackspace Technology Global held by Inception Parent, Inc. and (ii) guaranteed by Rackspace Technology Global's wholly-owned domestic restricted subsidiaries and secured by substantially all material owned assets of Rackspace Technology Global and the subsidiary guarantors, including the equity interests held by each, in each case subject to certain exceptions. The only financial covenant is with respect to the Revolving Credit Facility which limits the net first lien leverage ratio to a maximum of 5.00 to 1.00; however, this covenant is only applicable and tested if the aggregate amount of outstanding borrowings under the Revolving Credit Facility and letters of credit issued thereunder (excluding $25.0 million of undrawn letters of credit and cash collateralized letters of credit) is equal to or greater than 35% of the Revolving Credit Facility commitments at the end of a fiscal quarter. Other covenants include limitations on restricted payments, indebtedness, investments, liens, asset sales and transactions with affiliates.

As of March 31, 2023, we were in compliance with all covenants under the Senior Facilities.

The Revolving Credit Facility matures on August 7, 2025. As of March 31, 2023, we had total commitments of $375.0 million, no outstanding borrowings under the Revolving Credit Facility, and $3.5 million of letters of credit issued thereunder.

3.50% Senior Secured Notes due 2028

On February 9, 2021, Rackspace Technology Global issued $550.0 million aggregate principal amount of the 3.50% Senior Secured Notes. The 3.50% Senior Secured Notes will mature on February 15, 2028 and bear interest at an annual fixed rate of 3.50%. Interest is payable semiannually on each February 15 and August 15, commencing on August 15, 2021. The 3.50% Senior Secured Notes are not subject to registration rights. As noted above, we used the net proceeds from the issuance of the 3.50% Senior Secured Notes, together with borrowings under the Term Loan Facility described above, to repay all borrowings outstanding under the Prior Term Loan Facility, to pay related fees and expenses and for general corporate purposes.

Rackspace Technology Global is the issuer of the 3.50% Senior Secured Notes, and obligations under the 3.50% Senior Secured Notes are fully and unconditionally guaranteed, jointly and severally, by all of Rackspace Technology Global's wholly-owned domestic restricted subsidiaries (as subsidiary guarantors) that guarantee the Senior Facilities. The 3.50% Senior Secured Notes and the related guarantees are secured by first-priority security interests in substantially all material owned assets of Rackspace Technology Global and the subsidiary guarantors, including the equity interest held by each, subject to certain exceptions, which assets also secure the Senior Facilities. The indenture governing the 3.50% Senior Secured Notes (the "3.50% Notes Indenture") describes certain terms and conditions under which other current and future domestic subsidiaries are required to become guarantors of the 3.50% Senior Secured Notes.

Rackspace Technology Global may redeem the 3.50% Senior Secured Notes at its option, in whole at any time or in part from time to time, at the following redemption prices: prior to February 15, 2024, at a redemption price equal to 100.000% of the principal amount, plus the applicable premium described in the 3.50% Notes Indenture and accrued and unpaid interest, if any, to but excluding the redemption date; from February 15, 2024 to February 14, 2025, at a redemption price equal to 101.750% of the principal amount, plus accrued and unpaid interest, if any, to but excluding the redemption date; from February 15, 2025 to February 14, 2026, at a redemption price equal to 100.875% of the principal amount, plus accrued and unpaid interest, if any, to but excluding the redemption date; and from February 15, 2026 and thereafter, at a redemption price equal to 100.000% of the principal amount, plus accrued and unpaid interest, if any, to but excluding the redemption date. Rackspace Technology Global may also redeem prior to February 15, 2024 up to 40.0% of the aggregate principal amount of the 3.50% Senior Secured Notes with funds in an aggregate amount not to exceed the net cash proceeds from certain equity offerings at a redemption price equal to 103.500% of the principal amount of the 3.50% Senior Secured Notes to be redeemed, plus accrued and unpaid interest, if any, to, but excluding, the redemption date. Notwithstanding the foregoing, Rackspace Technology Global may redeem during each twelve-month period, commencing with February 9, 2021, up to 10.0% of the original aggregate principal amount of the 3.50% Senior Secured Notes at a redemption price of 103.000%, plus accrued and unpaid interest, if any, to, but excluding, the applicable redemption date.

The 3.50% Notes Indenture contains covenants that, among other things, limit our ability to incur certain additional debt, incur certain liens securing debt, pay certain dividends or make other restricted payments, make certain investments, make certain asset sales and enter into certain transactions with affiliates. These covenants are subject to a number of exceptions, limitations, and qualifications as set forth in the 3.50% Notes Indenture. Additionally, upon the occurrence of a change of control (as defined in the 3.50% Notes Indenture), we will be required to make an offer to repurchase all of the outstanding 3.50% Senior Secured Notes at a price in cash equal to 101.000% of the aggregate principal amount, plus accrued and unpaid interest, if any, to, but not including the purchase date.

As of March 31, 2023, Rackspace Technology Global was in compliance with all covenants under the 3.50% Notes Indenture.

The fair value of the 3.50% Senior Secured Notes as of March 31, 2023 was $280.5 million, based on quoted market prices for identical assets that are traded in over-the-counter secondary markets that are not considered active. The fair value of the 3.50% Senior Secured Notes are classified as Level 2 within the fair value hierarchy.

5.375% Senior Notes due 2028

On December 1, 2020, Rackspace Technology Global issued $550.0 million aggregate principal amount of the 5.375% Senior Notes. The 5.375% Senior Notes will mature on December 1, 2028 and bear interest at an annual fixed rate of 5.375%. Interest is payable semiannually on each June 1 and December 1, commencing on June 1, 2021. The 5.375% Senior Notes are not subject to registration rights.

Rackspace Technology Global is the issuer of the 5.375% Senior Notes, and obligations under the 5.375% Senior Notes are guaranteed on a senior unsecured basis by all of Rackspace Technology Global’s wholly-owned domestic restricted subsidiaries (as subsidiary guarantors) that guarantee the Senior Facilities. The 5.375% Senior Notes are effectively junior to the indebtedness under the Senior Facilities and the 3.50% Senior Secured Notes, to the extent of the collateral securing the Senior Facilities and the 3.50% Senior Secured Notes. The indenture governing the 5.375% Senior Notes (the "5.375% Notes Indenture") describes certain terms and conditions under which other current and future domestic subsidiaries are required to become guarantors of the 5.375% Senior Notes.

Rackspace Technology Global may redeem the 5.375% Senior Notes at its option, in whole at any time or in part from time to time, at the following redemption prices: prior to December 1, 2023, at a redemption price equal to 100.000% of the principal amount, plus the applicable premium described in the 5.375% Notes Indenture and accrued and unpaid interest, if any, to but excluding the redemption date; from December 1, 2023 to November 30, 2024, at a redemption price equal to 102.688% of the principal amount, plus accrued and unpaid interest, if any, to but excluding the redemption date; from December 1, 2024 to November 30, 2025, at a redemption price equal to 101.344% of the principal amount, plus accrued and unpaid interest, if any, to but excluding the redemption date; and from December 1, 2025 and thereafter, at a redemption price equal to 100.000% of the principal amount, plus accrued and unpaid interest, if any, to but excluding the redemption date. Rackspace Technology Global may also redeem prior to December 1, 2023 up to 40.0% of the aggregate principal amount of the 5.375% Senior Notes with funds in an aggregate amount not to exceed the net cash proceeds from certain equity offerings at a redemption price equal to 105.375% of the principal amount of the 5.375% Senior Notes to be redeemed, plus accrued and unpaid interest, if any, to, but excluding, the redemption date.

During the three months ended March 31, 2023, Rackspace Technology Global repurchased and surrendered for cancellation $22.7 million principal amount of 5.375% Senior Notes for $10.0 million, including accrued interest of $0.3 million. In connection with these repurchases, we recorded a "Gain on debt extinguishment" of $12.8 million in our Consolidated Statements of Comprehensive Income (Loss) for the three months ended March 31, 2023.

The 5.375% Notes Indenture contains covenants that, among other things, limit our ability to incur certain additional debt, incur certain liens securing debt, pay certain dividends or make other restricted payments, make certain investments, make certain asset sales and enter into certain transactions with affiliates. These covenants are subject to a number of exceptions, limitations, and qualifications as set forth in the 5.375% Notes Indenture. Additionally, upon the occurrence of a change of control (as defined in the 5.375% Notes Indenture), we will be required to make an offer to repurchase all of the outstanding 5.375% Senior Notes at a price in cash equal to 101.000% of the aggregate principal amount, plus accrued and unpaid interest, if any, to, but not including the purchase date.

As of March 31, 2023, Rackspace Technology Global was in compliance with all covenants under the 5.375% Notes Indenture.

The fair value of the 5.375% Senior Notes as of March 31, 2023 was $158.2 million, based on quoted market prices for identical assets that are traded in over-the-counter secondary markets that are not considered active. The fair value of the 5.375% Senior Notes are classified as Level 2 within the fair value hierarchy.

7. Commitments and Contingencies

We have contingencies that arise from various litigation, claims and commitments, none of which we consider to be material.

From time to time, we are a party to various claims asserting that certain of our services and technologies infringe the intellectual property rights of others. Adverse results in these lawsuits may include awards of substantial monetary damages, costly royalty or licensing agreements, or orders preventing us from offering certain features, products, or services, and may also cause us to change our business practices and require development of non-infringing products or technologies, which could result in a loss of revenue for us or otherwise harm our business.

We record an accrual for a loss contingency when a loss is considered probable and reasonably estimable. As additional facts concerning a loss contingency become known, we reassess our position and make appropriate adjustments to a recorded accrual. The amount that will ultimately be paid related to a matter may differ from the recorded accrual, and the timing of such payments, if any, may be uncertain.

We are not a party to any litigation, the outcome of which, if determined adversely to us, would individually or in the aggregate be reasonably expected to have a material and adverse effect on our business, financial position or results of operations.

Hosted Exchange Incident

We are named in several lawsuits in connection with the December 2022 ransomware incident which caused service disruptions on our Hosted Exchange email business. The pending lawsuits seek, among other things, equitable and compensatory relief. We are vigorously defending these matters. We do not expect any of these claims, individually or in the aggregate, to have a material adverse effect on our consolidated financial position or results of operations. However, at this early stage in the proceedings, we are not able to determine the probability of the outcome of these matters or a range of reasonably expected losses, if any. We maintain insurance, including coverage for cyber-attacks, subject to certain deductibles and policy limitations, in an amount that we believe appropriate.

8. Share Repurchase Program

On March 3, 2022, our board of directors authorized a program to repurchase up to $75.0 million of shares of our common stock from time to time through open-market transactions, privately negotiated transactions, accelerated share repurchases and other transactions in accordance with applicable security laws. The program expires on September 30, 2023 and can be discontinued at any time. During the three months ended March 31, 2022, we repurchased $4.1 million, or 0.4 million shares, of our common stock on the open market under this program. No shares were repurchased during the three months ended March 31, 2023. Shares purchased pursuant to the program are recorded as treasury stock at cost in the Consolidated Balance Sheets. As of March 31, 2023, approximately $44.0 million of the amount authorized by the board under the current program remained available for additional purchases.

9. Share-Based Compensation

During the three months ended March 31, 2023, we granted 22.4 million restricted stock units ("RSUs") under the 2020 Incentive Plan with a weighted-average grant date fair value of $2.36. The majority of the RSUs were granted as part of our annual compensation award process and vest ratably over a three-year period, subject to continued service.

In addition, during the three months ended March 31, 2023, 2.5 million performance stock units ("PSUs") were granted under the 2020 Incentive Plan with a weighted-average grant date fair value of $2.08, and 4.9 million long-term incentive cash units ("LTIC units") were granted under the 2020 Incentive Plan with a weighted-average fair value as of March 31, 2023 of $0.73. Both the PSUs and LTIC units represent the target amount of grants, and the actual number of shares or units awarded upon vesting may vary depending upon the achievement of the relevant market condition which is based on Rackspace’s Total Shareholder Return (“TSR”) relative to the TSR of a comparator group of IT and Cloud Services Companies. The awards are eligible to vest in equal annual installments over three years based on the attainment of the market condition and the employee’s continued service through the end of the applicable measurement period and were valued using a Monte Carlo simulation. The LTIC units are classified as a liability within "Other current liabilities" and "Other non-current liabilities" in the Consolidated Balance Sheets.

Total share-based compensation expense is comprised of the following equity and liability classified award amounts:

	Three Months Ended March 31,	
(In millions)	2022	2023
Equity classified awards	$ 17.0	$ 14.7
Liability classified awards	—	0.5
Total share-based compensation expense	$ 17.0	$ 15.2

Total share-based compensation expense recognized was as follows:

	Three Months Ended March 31,	
(In millions)	2022	2023
Cost of revenue	$ 2.8	$ 2.8
Selling, general and administrative expenses	14.2	12.4
Pre-tax share-based compensation expense	17.0	15.2
Less: Income tax benefit	(3.6)	(3.2)
Total share-based compensation expense, net of tax	$ 13.4	$ 12.0

As of March 31, 2023, there was $133.3 million of total unrecognized compensation cost related to stock options, RSUs, PSUs, and the ESPP, which will be recognized using the service period or over our best estimate of the period over which the performance condition will be met, as applicable.

10. Taxes

We are subject to U.S. federal income tax and various state, local, and international income taxes in numerous jurisdictions. The differences between our effective tax rate and the U.S. federal statutory rate of 21% generally result from various factors, including the geographical distribution of taxable income, tax credits, contingency reserves for uncertain tax positions, and permanent differences between the book and tax treatment of certain items. Additionally, the amount of income taxes paid is subject to our interpretation of applicable tax laws in the jurisdictions in which we file. For the three months ended March 31, 2023, our effective tax rate is lower than the U.S. federal statutory rate of 21% primarily due to the tax impact associated with the goodwill impairment recorded in the first quarter, the majority of which was nondeductible for income tax purposes, executive compensation that is nondeductible under Internal Revenue Code ("IRC") Section 162(m), the net impact of the geographic distribution of our earnings, tax effects from nondeductible share-based compensation as well as changes in our valuation allowance. During the quarter, we determined that certain deferred tax assets no longer meet the more likely than not recognition criteria. As such, we have provided a valuation allowance for these assets, which is incorporated into our annual effective tax rate. On August 16, 2022, the Inflation Reduction Act of 2022 (“IRA”) was enacted into law. The IRA introduces a new corporate minimum tax of 15% on global adjusted financial statement income. We do not expect there will be a material impact to our consolidated financial statements from the IRA.

11. Derivatives

We utilize derivative instruments, including interest rate swap agreements, to manage our exposure to interest rate risk. We only hold such instruments for economic hedging purposes, not for speculative or trading purposes. Our derivative instruments are transacted only with highly-rated institutions, which reduces our exposure to credit risk in the event of nonperformance.

Interest Rate Swaps

We are exposed to interest rate risk associated with fluctuations in interest rates on the floating-rate Term Loan Facility. The objective in using interest rate derivatives is to manage our exposure to interest rate movements. To accomplish this objective, we have entered into interest rate swap agreements as part of our interest rate risk management strategy. Interest rate swaps involve the receipt of variable amounts from a counterparty in exchange for the company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount.

On a quarterly basis, we net settle with the counterparty for the difference between the fixed rate specified in each swap agreement and the variable rate based upon the three-month LIBOR as applied to the notional amount of the swap.

On January 9, 2020, we designated certain of our swaps as cash flow hedges. On the designation date, the cash flow hedges were in a $39.9 million liability position. The cash flow hedges were expected to be highly effective on the designation date and, on a quarterly basis, we performed retrospective and prospective regression assessments to determine whether the cash flow hedges continue to be highly effective. As long as the cash flow hedges are highly effective, changes in fair value are recorded to "Accumulated other comprehensive income" in the Consolidated Balance Sheets and reclassified to "Interest expense" in the period when the underlying transaction affects earnings. The income tax effects of cash flow hedges are released from "Accumulated other comprehensive income" in the period when the underlying transaction affects earnings. Any stranded income tax effects are released from “Accumulated other comprehensive income” into “Benefit (provision) for income taxes” under the portfolio approach.

During the year ended December 31, 2021, we completed a series of transactions to modify our interest rate swap positions as follows: (i) All the interest rate swaps outstanding as of December 31, 2020, with the exception of the agreement that matured on February 3, 2021, were de-designated as cash flow hedges on January 31, 2021, (ii) on February 12, 2021, we entered into a $900.0 million receive-fixed interest rate swap which was designed to offset the terms of the remaining two December 2016 swaps, and (iii) on February 12, 2021, we terminated all December 2018 swaps and entered into a $1.35 billion pay-fixed interest rate swap, effectively blending the liability position of our existing interest rate swap agreements into the new swap and extending the term of our hedged position to February 2026.

The amount remaining in “Accumulated other comprehensive income" for the de-designated December 2016 and December 2018 swaps at the de-designation date was approximately $51.6 million, and will be amortized as an increase to "Interest expense" over the effective period of the original swap agreements.

The new receive-fixed interest rate swap qualifies as a hybrid instrument in accordance with ASC No. 815, *Derivatives and Hedging*, consisting of a loan and an embedded derivative for which the fair value option has been elected. This $900.0 million swap will remain undesignated to economically offset the now undesignated December 2016 swaps. This new swap and the December 2016 swaps matured on February 3, 2022. Cash settlements related to this receive-fixed interest rate swap will offset and are classified as operating activities in the Consolidated Statements of Cash Flows.

The new pay-fixed interest rate swap also qualifies as a hybrid instrument in accordance with ASC No. 815, *Derivatives and Hedging*, consisting of a loan and an embedded at-market derivative that was designated as a cash flow hedge. The loan is accounted for at amortized cost over the life of the swap while the embedded at-market derivative is accounted for at fair value. This new $1.35 billion swap is indexed to three-month LIBOR and will be net settled on a quarterly basis with the counterparty for the difference between the fixed rate of 2.3820% and the variable rate based upon three-month LIBOR (subject to a floor of 0.75%) as applied to the notional amount of the swap. In connection with the transactions discussed above, no cash was exchanged between us and the counterparty. The liability of the terminated interest rate swaps as well as the inception value of the receive-fixed interest rate swap was blended into the new pay-fixed interest rate swap. The cash flows related to the portion treated as debt will be classified as financing activities in the Consolidated Statements of Cash Flows while the portion treated as an at-market derivative will be classified as operating activities.

As of December 31, 2022 and March 31, 2023, the cash flow hedge was highly effective.

The key terms of interest rate swaps are presented below:

Effective Date	Fixed Rate Paid (Received)	December 31, 2022 Notional Amount (in millions)	December 31, 2022 Status	March 31, 2023 Notional Amount (in millions)	March 31, 2023 Status	Maturity Date
Entered into December 2018:						
February 3, 2019	2.7490%	—	Terminated	—	Terminated	November 3, 2023
February 3, 2020	2.7350%	—	Terminated	—	Terminated	November 3, 2023
February 3, 2021	2.7360%	—	Terminated	—	Terminated	November 3, 2023
February 3, 2022	2.7800%	—	Terminated	—	Terminated	November 3, 2023
Entered into February 2021:						
February 9, 2021	2.3820%	1,350.0	Active	1,350.0	Active	February 9, 2026
Total		$ 1,350.0		$ 1,350.0		

Our interest rate swap agreements, excluding the portion treated as debt, are recognized at fair value in the Consolidated Balance Sheets and are valued using pricing models that rely on market observable inputs such as yield curve data, which are classified as Level 2 inputs within the fair value hierarchy.

Fair Values of Derivatives on the Consolidated Balance Sheets

The fair values of our derivatives and their location on the Consolidated Balance Sheets as of December 31, 2022 and March 31, 2023 were as follows:

(In millions)		December 31, 2022		March 31, 2023	
Derivatives designated as hedging instruments	**Location**	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Interest rate swaps	Other current assets	$ 44.3	$ —	$ 43.5	$ —
Interest rate swaps	Other non-current assets	80.5	—	61.7	—
Interest rate swaps	Other current liabilities [(1)]	—	17.3	—	17.3
Interest rate swaps	Other non-current liabilities [(1)]	—	39.1	—	34.8
Total		$ 124.8	$ 56.4	$ 105.2	$ 52.1

(1) The entire balance is comprised of the financing component of the pay-fixed interest rate swap.

For financial statement presentation purposes, we do not offset assets and liabilities under master netting arrangements and all amounts above are presented on a gross basis. The following table, however, is presented on a net asset and net liability basis:

(In millions)	December 31, 2022 Gross Amounts on Balance Sheet	December 31, 2022 Effects of Counterparty Netting	December 31, 2022 Net Amounts	March 31, 2023 Gross Amounts on Balance Sheet	March 31, 2023 Effects of Counterparty Netting	March 31, 2023 Net Amounts
Assets						
Interest rate swaps	$ 124.8	$ (56.4)	$ 68.4	$ 105.2	$ (52.1)	$ 53.1
Liabilities						
Interest rate swaps	$ 56.4	$ (56.4)	$ —	$ 52.1	$ (52.1)	$ —

Effect of Derivatives on the Consolidated Statements of Comprehensive Income (Loss)

The effect of our derivatives and their location on the Consolidated Statements of Comprehensive Income (Loss) for the three months ended March 31, 2022 and 2023 was as follows:

		Three Months Ended March 31,	
(In millions)		2022	2023
Derivatives not designated as hedging instruments	**Location**		
Interest rate swaps	Interest income (expense)	$ (4.6)	$ (4.6)
Derivatives designated as hedging instruments	**Location**		
Interest rate swaps	Interest income (expense)	$ (1.3)	$ 12.2

Interest expense was $50.1 million and $56.9 million for the three months ended March 31, 2022 and 2023, respectively. As of March 31, 2023, the amount of cash flow hedge gain included within "Accumulated other comprehensive income" that is expected to be reclassified as a reduction to "Interest expense" over the next 12 months is approximately $38.4 million. See Note 12, "Accumulated Other Comprehensive Income (Loss)," for information regarding changes in fair value of our derivatives designated as hedging instruments.

Credit-risk-related Contingent Features

We have agreements with interest rate swap counterparties that contain a provision whereby if we default on any of our material indebtedness, then we could also be declared in default of our interest rate swap agreements. As of March 31, 2023, our outstanding interest rate swap agreement was in a net asset position.

12. Accumulated Other Comprehensive Income (Loss)

Accumulated other comprehensive income (loss) consisted of the following:

(In millions)	Accumulated Foreign Currency Translation Adjustments	Accumulated Gain (Loss) on Derivative Contracts	Accumulated Other Comprehensive Income
Balance at December 31, 2021	$ 17.2	$ (10.3)	$ 6.9
Foreign currency translation adjustments, net of tax benefit of $0.7	(4.6)	—	(4.6)
Unrealized gain on derivative contracts, net of tax expense of $14.6	—	42.3	42.3
Amount reclassified from Accumulated comprehensive income (loss) into earnings, net of tax benefit of $1.5[1]	—	4.3	4.3
Balance at March 31, 2022	$ 12.6	$ 36.3	$ 48.9

(1) Includes interest expense recognized of $1.2 million and amortization of off-market swap value and accumulated loss at hedge de-designation of $4.6 million for the three months ended March 31, 2022.

(In millions)	Accumulated Foreign Currency Translation Adjustments	Accumulated Gain on Derivative Contracts	Accumulated Other Comprehensive Income
Balance at December 31, 2022	$ (10.0)	$ 81.4	$ 71.4
Foreign currency translation adjustments, net of tax expense of $0.4	3.4	—	3.4
Unrealized loss on derivative contracts, net of tax benefit of $1.9	—	(5.6)	(5.6)
Amount reclassified from Accumulated comprehensive income (loss) into earnings, net of tax expense of $2.0 [1]	—	(5.6)	(5.6)
Balance at March 31, 2023	$ (6.6)	$ 70.2	$ 63.6

(1) Includes a reduction to interest expense recognized of $12.2 million related to the cash flow hedge gain for the three months ended March 31, 2023, partially offset by an increase to interest expense for the amortization of off-market swap value and accumulated loss at hedge de-designation of $4.6 million.

13. Related Party Transactions

Affiliates of ABRY Partners, LLC and ABRY Partners II, LLC (collectively, “ABRY”), are Term Loan Facility lenders under the First Lien Credit Agreement. As of March 31, 2023, the outstanding principal amount of the Term Loan Facility was $2,254.0 million, of which $58.8 million, or 2.6%, is due to ABRY affiliates. Investment funds affiliated with ABRY are also co-investors in Rackspace Technology.

14. Segment Reporting

Effective on January 1, 2023, we reorganized around a two-business unit operating model, Public Cloud and Private Cloud. This two-business unit operating model ensures increased focus, delivery, and service quality for our customers. We have changed our segment reporting to reflect this reorganization under two operating segments, which correspond directly to our reportable segments: Public Cloud, a services-centric, capital-light model providing value-added cloud solutions through managed services, Elastic Engineering and professional services offerings for customer environments hosted on the AWS, Microsoft Azure and Google Cloud public cloud platforms; and Private Cloud, a technology-forward, capital-intensive model providing managed service offerings for customer environments hosted in one of our data centers as well as in those owned by customers or by third parties such as colocation providers. Private Cloud also includes our legacy OpenStack Public Cloud business that we ceased to actively market to customers in 2017.

Our prior Multicloud segment has been separated into its public and private cloud components and the offerings previously reported in our Apps & Cross Platform segment have been reassigned to either the Public Cloud or Private Cloud segment based on the nature of the offering.

Our segments are based upon a number of factors, including, the basis for our budgets and forecasts, organizational and management structure and the financial information regularly used by our Chief Operating Decision Maker to make key decisions and to assess performance. We assess financial performance of our segments on the basis of revenue and segment operating profit. Segment operating profit includes expenses directly attributable to running the respective segments' business. This excludes any corporate overhead expenses. We have centralized corporate functions that provide services to the segments in areas such as accounting, information technology, marketing, legal and human resources. Corporate function costs that are not allocated to the segments are included in the row labeled "Corporate functions" in the table below.

The table below presents a reconciliation of revenue by reportable segment to consolidated revenue and a reconciliation of consolidated segment operating profit to consolidated loss before income taxes for the three months ended March 31, 2022 and 2023.

	Three Months Ended March 31,	
(In millions)	2022	2023
Revenue by segment:		
Public Cloud	$ 417.0	$ 444.6
Private Cloud	358.5	314.1
Total consolidated revenue	$ 775.5	$ 758.7
Segment operating profit:		
Public Cloud	$ 34.5	$ 24.5
Private Cloud	136.8	92.9
Total consolidated segment operating profit	171.3	117.4
Corporate functions	(59.2)	(66.9)
Share-based compensation expense	(17.0)	(15.2)
Special bonuses and other compensation expense [1]	(3.4)	(2.2)
Transaction-related adjustments, net [2]	(5.3)	(1.3)
Restructuring and transformation expenses [3]	(23.3)	(25.6)
Hosted Exchange incident expenses	—	(3.2)
Amortization of intangible assets [4]	(42.2)	(40.9)
Impairment of goodwill	—	(543.1)
Interest expense	(50.1)	(56.9)
Gain (loss) on investments, net	(0.1)	0.1
Gain on debt extinguishment	—	12.8
Other income (expense), net	(3.6)	2.1
Total consolidated loss before income taxes	$ (32.9)	$ (622.9)

(1) Includes expense related to retention bonuses, mainly relating to restructuring and integration projects, and the related payroll tax, senior executive signing bonuses and relocation costs, and payroll taxes associated with the exercise of stock options and vesting of restricted stock.

(2) Includes legal, professional, accounting and other advisory fees related to acquisitions, certain one-time costs related to being a newly public company as a result of the IPO in August 2020, integration costs of acquired businesses, purchase accounting adjustments, payroll costs for employees that dedicate significant time to supporting these projects and exploratory acquisition and divestiture costs and expenses related to financing activities.

(3) Includes consulting and advisory fees related to business transformation and optimization activities, payroll costs for employees that dedicate significant time to these projects, as well as associated severance, facility closure costs, and lease termination expenses. This amount also includes total charges of $3.2 million for the three months ended March 31, 2022 related to the July 2021 Restructuring Plan which are not accounted for as exit and disposal costs under ASC 420, including one-time offshore build out costs.

(4) All of our intangible assets are attributable to acquisitions, including the Rackspace Acquisition in 2016.

The table below presents depreciation expense included in segment operating profit above for the three months ended March 31, 2022 and 2023.

	Three Months Ended March 31,	
(In millions)	2022	2023
Public Cloud	$ 2.2	$ 2.1
Private Cloud	45.9	43.9
Corporate functions	11.2	7.8
Total depreciation expense	$ 59.3	$ 53.8

Management does not use total assets by segment to evaluate segment performance or allocate resources. As such, total assets by segment are not disclosed.

ITEM 2 - MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”) is intended to help readers understand our results of operations, financial condition and cash flows and should be read in conjunction with the consolidated financial statements and the related notes included elsewhere in this Quarterly Report on Form 10-Q (this "Quarterly Report") and with the audited consolidated financial statements and the related notes included in our Annual Report. References to “Rackspace Technology,” “we,” “our company,” “the company,” “us,” or “our” refer to Rackspace Technology, Inc. and its consolidated subsidiaries.

The following discussion contains forward-looking statements that are subject to risks and uncertainties. Actual results may differ materially from those contained in any forward-looking statements. See “Special Note Regarding Forward-Looking Statements” contained elsewhere in this Quarterly Report.

Overview

We are a leading end-to-end multicloud technology services company. We design, build and operate our customers' cloud environments across all major technology platforms, irrespective of technology stack or deployment model. We partner with our customers at every stage of their cloud journey, enabling them to modernize applications, build new products and adopt innovative technologies.

On July 21, 2021, we committed to an internal restructuring plan (the "July 2021 Restructuring Plan"), to drive a change in the type and location of certain positions that was expected to result in the termination of approximately 10% of our workforce. We recorded total charges of $3.2 million for the three months ended March 31, 2022 related to this restructuring plan which are not accounted for as exit and disposal costs under ASC 420, consisting primarily of one-time offshore build out costs.

In December 2022, we experienced a ransomware incident which caused service disruptions for our Hosted Exchange customers. The Hosted Exchange email business is a managed email solution provided to small and medium businesses and represented approximately 1% of our total annual revenue. Following discovery of the incident, we engaged an industry-leading global cybersecurity firm to help investigate the incident and remediate as necessary. The firm confirmed that the incident was quickly contained and limited solely to the Hosted Exchange email business. We have sunset the on-premises Hosted Exchange platform and have transitioned many customers from the Hosted Exchange platform to Microsoft 365 through our reseller agreement with Microsoft. During the three months ended March 31, 2023, we recorded $3.2 million of expenses related to the Hosted Exchange incident, including costs to investigate and remediate, legal and other professional services, and supplemental staff resources that were deployed to provide support to customers. We expect to continue to incur legal and other professional services costs in future periods and will expense those costs as incurred. We maintain cybersecurity insurance commensurate with the size of our business, and expect that a significant portion of the incremental costs related to the Hosted Exchange incident will be covered by insurance. However, the timing of insurance reimbursements may differ from the timing of recognition of the related expenses.

Effective on January 1, 2023, we reorganized around a two-business unit operating model, Public Cloud and Private Cloud. This two-business unit operating model ensures increased focus, delivery, and service quality for our customers. Beginning in 2023, we changed our segment reporting to reflect this reorganization under two reportable segments: Public Cloud and Private Cloud. We have reflected this change in all historical comparative periods presented within this MD&A.

Our Public Cloud segment is a services-centric, capital-light model providing value-added cloud solutions through managed services, Elastic Engineering and professional services offerings for customer environments hosted on the Amazon Web Services ("AWS"), Microsoft Azure and Google Cloud public cloud platforms. Our Private Cloud segment is a technology-forward, capital-intensive model providing managed service offerings for customer environments hosted in one of our data centers as well as in those owned by customers or by third parties such as colocation providers. Private Cloud also includes our legacy OpenStack Public Cloud business that we ceased to actively market to customers in 2017. See Item 1 of Part I, Financial Statements - Note 14, "Segment Reporting," for additional information about our segments.

Subsequent Events

For a description of subsequent events, see "Subsequent Events" in Item 1 of Part I, Financial Statements - Note 1, "Company Overview, Basis of Presentation, and Summary of Significant Accounting Policies."

Key Factors Affecting Our Performance

We believe our combination of proprietary technology, automation capabilities and technical expertise creates a value proposition for our customers that is hard to replicate for both competitors and in-house IT departments. Our continued success depends to a significant extent on our ability to meet the challenges presented by our highly competitive and dynamic market, including the following key factors:

Differentiating Our Service Offerings in a Competitive Market Environment

Our success depends to a significant extent on our ability to differentiate, expand and upgrade our service offerings in line with developing customer needs, while deepening our relationships with leading public cloud service providers and establishing new relationships, including with sales partners. We are a certified premier consulting and managed services partner to some of the largest cloud computing platforms, including AWS, Microsoft Azure, Google Cloud, Oracle, SAP and VMware. We believe we are unique in our ability to serve customers across major technology stacks and deployment options, all while delivering Fanatical Experience. Our existing and prospective customers are also under increasing pressure to move from on-premise or self-managed IT to the cloud to compete effectively in a digital economy and maximize the value of their cloud investments, which we believe presents an opportunity for professional services projects as well as new recurring business.

Customer Relationships and Retention

Our success greatly depends on our ability to retain and develop opportunities with our existing customers and to attract new customers. We operate in a growing but competitive and evolving market environment, requiring innovation to differentiate us from our competitors. We believe that our integrated cloud service portfolio and our differentiated customer experience and technology are keys to retaining and growing revenue from existing customers as well as acquiring new customers. For example, we believe that Rackspace Fabric provides customers a unified experience across their entire cloud and security footprint, and that our Rackspace Elastic Engineering model helps customers embrace a cloud native approach with on-demand access to a dedicated team of highly skilled cloud architects and engineers. These offerings differentiate us from legacy IT service providers that operate under long-term fixed and project-based fee structures often tethered to their existing technologies with less automation.

Business Mix Shift

The mix of revenue has shifted in recent years, from our Private Cloud offerings to infrastructure resale and services within Public Cloud. Private Cloud offerings are generally hosted on our own infrastructure and deliver higher segment operating margins, but also require a higher level of capital expenditures. Conversely, Public Cloud segment operating margins are lower driven by high volumes of infrastructure resale revenue which come at significantly lower margins. However, Public Cloud requires significantly less capital expenditures. Going forward, the focus in Public Cloud is on expanding segment operating margins by driving cost efficiencies and growing services revenue, which are expected to come at higher margins than infrastructure resale.

Shift in Capital Intensity

In recent years, the mix of our consolidated revenues has shifted from high capital intensity service offerings to low capital intensity service offerings and we expect this mix shift to continue. Historically, we primarily offered managed hosting and OpenStack Public Cloud services to our customers, which required us to deploy servers and equipment to ensure adequate capacity for new customers and, in certain cases, on behalf of customers at the start or during the performance of a contract, resulting in a high level of anticipatory and success-based capital expenditures. Today, the vast majority of our revenue is derived from service offerings, such as managed public cloud services, application services and professional services, which have significantly lower success-based capital requirements because they allow us to leverage our partners' infrastructure or technology to make our capital expenditures more efficient. As a result, we have recently experienced and expect to continue to experience changes in our capital expenditures requirements.

Our capital expenditures equaled 4% and 9% of our revenue for the three months ended March 31, 2022 and 2023, respectively. While we saw an increase in capital expenditures for the three months ended March 31, 2023, we expect to return to our historical capital intensity levels over the longer term.

Key Components of Statement of Operations

Revenue

A substantial amount of our revenue, particularly within our Private Cloud segment, is generated pursuant to contracts that typically have a fixed term (typically from 12 to 36 months). Our customers generally have the right to cancel their contracts by providing us with written notice prior to the end of the fixed term, though most of our contracts provide for termination fees in the event of cancellation prior to the end of their term, typically amounting to the outstanding value of the contract. These contracts include a monthly recurring fee, which is determined based on the computing resources utilized and provided to the customer, the complexity of the underlying infrastructure and the level of support we provide. Most of our services within our Public Cloud segment and legacy OpenStack business generate usage-based revenue invoiced on a monthly basis and can be canceled at any time without penalty. We also generate revenue from usage-based fees and fees from professional services earned from customers using our hosting and other services. We typically recognize revenue on a daily basis, as services are provided, in an amount that reflects the consideration to which we expect to be entitled in exchange for our services. Our usage-based arrangements generally include a variable consideration component, consisting of monthly utility fees, with a defined price and undefined quantity. Our customer contracts also typically contain service level guarantees, including with respect to network uptime requirements, that provide discounts when we fail to meet specific obligations and, with respect to certain products, we may offer volume discounts based on usage. As these variable consideration components consist of a single distinct daily service provided on a single performance obligation, we account for all of them as services are provided and earned.

Cost of revenue

Cost of revenue consists primarily of usage charges for third-party infrastructure and personnel costs (including salaries, bonuses, benefits and share-based compensation) for engineers, developers and other employees involved in the delivery of services to our customers. Cost of revenue also includes depreciation of servers, software and other systems infrastructure, data center rent and other infrastructure maintenance and support costs, including software license costs and utilities. Cost of revenue is driven mainly by demand for our services, our service mix and the cost of labor in a given geography.

Selling, general and administrative expenses (SG&A)

Selling, general and administrative expenses consist primarily of personnel costs (including salaries, bonuses, commissions, benefits and share-based compensation) for our sales force, executive team and corporate administrative and support employees, including our human resources, finance, accounting and legal functions. SG&A also includes research and development costs, repair and maintenance of corporate infrastructure, facilities rent, third-party advisory fees (including audit, legal and management consulting costs), marketing and advertising costs and insurance, as well as the amortization of related intangible assets and certain depreciation of fixed assets.

SG&A also includes transaction costs related to acquisitions and financings along with costs related to integration and business transformation initiatives which may impact the comparability of SG&A between periods.

Income taxes

Our income tax benefit (provision) and deferred tax assets and liabilities reflect management’s best assessment of estimated current and future taxes to be paid. We are under certain domestic and foreign tax audits. Due to the complexity involved with certain tax matters, there is the possibility that the various taxing authorities may disagree with certain tax positions filed on our income tax returns. We believe we have made adequate provision for all uncertain tax positions. See Item 1 of Part I, Financial Statements - Note 10, "Taxes."

Results of Operations

We discuss our historical results of operations, and the key components of those results, below. Past financial results are not necessarily indicative of future results.

Three Months Ended March 31, 2022 Compared to Three Months Ended March 31, 2023

The following table sets forth our results of operations for the specified periods, as well as changes between periods and as a percentage of revenue for those same periods (totals in table may not foot due to rounding):

	Three Months Ended March 31,				Year-Over-Year Comparison	
	2022		2023			
(In millions, except %)	Amount	% Revenue	Amount	% Revenue	Amount	% Change
Revenue	$ 775.5	100.0 %	$ 758.7	100.0 %	$ (16.8)	(2.2)%
Cost of revenue	(549.5)	(70.9)%	(589.1)	(77.6)%	(39.6)	7.2 %
Gross profit	226.0	29.1 %	169.6	22.4 %	(56.4)	(25.0)%
Selling, general and administrative expenses	(205.1)	(26.4)%	(207.5)	(27.4)%	(2.4)	1.2 %
Impairment of goodwill	—	— %	(543.1)	(71.6)%	(543.1)	100.0 %
Income (loss) from operations	20.9	2.7 %	(581.0)	(76.6)%	(601.9)	NM
Other income (expense):						
Interest expense	(50.1)	(6.5)%	(56.9)	(7.5)%	(6.8)	13.6 %
Gain (loss) on investments, net	(0.1)	(0.0)%	0.1	0.0 %	0.2	NM
Gain on debt extinguishment	—	— %	12.8	1.7 %	12.8	100.0 %
Other income (expense), net	(3.6)	(0.5)%	2.1	0.3 %	5.7	NM
Total other income (expense)	(53.8)	(6.9)%	(41.9)	(5.5)%	11.9	(22.1)%
Loss before income taxes	(32.9)	(4.2)%	(622.9)	(82.1)%	(590.0)	NM
Benefit (provision) for income taxes	(5.6)	(0.7)%	10.9	1.4 %	16.5	NM
Net loss	$ (38.5)	(5.0)%	$ (612.0)	(80.7)%	$ (573.5)	NM

NM = not meaningful.

Revenue

Revenue decreased $17 million, or 2.2%, to $759 million in the three months ended March 31, 2023 from $776 million in the three months ended March 31, 2022. Revenue declined primarily due to Private Cloud, partially offset by growth in Public Cloud, as discussed below.

After removing the impact of foreign currency fluctuations, on a constant currency basis, revenue decreased 1.1% year-over-year. The following table presents revenue growth by segment:

	Three Months Ended March 31,		% Change	
(In millions, except %)	2022	2023	Actual	Constant Currency [(a)]
Public Cloud	$ 417.0	$ 444.6	6.6 %	7.3 %
Private Cloud	358.5	314.1	(12.4)%	(10.8)%
Total	$ 775.5	$ 758.7	(2.2)%	(1.1)%

(a) Refer to "*Non-GAAP Financial Measures*" in this section for further explanation and reconciliation.

Public Cloud revenue in the three months ended March 31, 2023 increased 7% on an actual and constant currency basis, from the three months ended March 31, 2022. Underlying growth was driven by both the acquisition of new customers and increased spend by existing customers, partially offset by cancellations by existing customers. Offerings in this segment with the strongest growth include infrastructure resale on AWS, Microsoft Azure and Google Cloud.

Private Cloud revenue in the three months ended March 31, 2023 decreased 12% on an actual basis, and 11% on a constant currency basis, from the three months ended March 31, 2022, from declines in our private cloud offerings and legacy OpenStack business and the impact from the Hosted Exchange incident.

Cost of Revenue

Cost of revenue increased $40 million, or 7%, to $589 million in the three months ended March 31, 2023 from $550 million in the three months ended March 31, 2022, primarily due to an increase in usage charges for third-party infrastructure associated with growth in these offerings. In addition, personnel costs increased between periods primarily due to higher severance expense in the three months ended March 31, 2023.

As a percentage of revenue, cost of revenue increased 670 basis points in the three months ended March 31, 2023 to 77.6% from 70.9% in the three months ended March 31, 2022, primarily driven by a 480 basis point increase in usage charges for third-party infrastructure. Higher personnel costs also contributed to the increase in basis points between periods.

Gross Profit

Our gross profit was $170 million in the three months ended March 31, 2023, a decrease of $56 million from $226 million in the three months ended March 31, 2022. Our consolidated gross margin was 22.4% in the three months ended March 31, 2023, a decrease of 670 basis points from 29.1% in the three months ended March 31, 2022.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased $2 million, or 1%, to $208 million in the three months ended March 31, 2023 from $205 million in the three months ended March 31, 2022. Contributing to this increase were costs incurred in the current period related to the December 2022 Hosted Exchange incident. In addition, severance expense increased between periods. These expense increases were partially offset by lower share-based compensation, marketing spend, and depreciation and amortization expense.

As a percentage of revenue, selling, general and administrative expenses increased 100 basis points, to 27.4% in the three months ended March 31, 2023 from 26.4% in the three months ended March 31, 2022, for the reasons discussed above.

Income (Loss) from Operations, Segment Operating Profit, and Non-GAAP Operating Profit

Our loss from operations was $581 million in the three months ended March 31, 2023, a decrease of $602 million from $21 million income from operations in the three months ended March 31, 2022. Our Non-GAAP Operating Profit was $51 million in the three months ended March 31, 2023, a decrease of $62 million from $112 million in the three months ended March 31, 2022. Non-GAAP Operating Profit is a non-GAAP financial measure. See "Non-GAAP Financial Measures" below for more information.

The table below presents a reconciliation of income (loss) from operations to Non-GAAP Operating Profit.

(In millions)	Three Months Ended March 31, 2022	Three Months Ended March 31, 2023
Income (loss) from operations	$ 20.9	$ (581.0)
Share-based compensation expense	17.0	15.2
Special bonuses and other compensation expense [(a)]	3.4	2.2
Transaction-related adjustments, net [(b)]	5.3	1.3
Restructuring and transformation expenses [(c)]	23.3	25.6
Hosted Exchange incident expenses	—	3.2
Impairment of goodwill	—	543.1
Amortization of intangible assets [(d)]	42.2	40.9
Non-GAAP Operating Profit	$ 112.1	$ 50.5

(a) Includes expense related to retention bonuses, mainly relating to restructuring and integration projects, and the related payroll tax, senior executive signing bonuses and relocation costs, and payroll taxes associated with the exercise of stock options and vesting of restricted stock.

(b) Includes legal, professional, accounting and other advisory fees related to acquisitions, certain one-time costs related to being a newly public company as a result of the IPO in August 2020, integration costs of acquired businesses, purchase accounting adjustments, payroll costs for employees that dedicate significant time to supporting these projects and exploratory acquisition and divestiture costs and expenses related to financing activities.

(c) Includes consulting and advisory fees related to business transformation and optimization activities, payroll costs for employees that dedicate significant time to these projects, as well as associated severance, facility closure costs, and lease termination expenses. This amount also includes total charges of $3.2 million for the three months ended March 31, 2022 related to the July 2021 Restructuring Plan which are not accounted for as exit and disposal costs under ASC 420, including one-time offshore build out costs.

(d) All of our intangible assets are attributable to acquisitions, including the Rackspace Acquisition in 2016.

Our segment operating profit and segment operating margin for the periods indicated, and the change between periods is shown in the table below:

(In millions, except %)	Three Months Ended March 31, 2022		Three Months Ended March 31, 2023		Year-Over-Year Comparison	
Segment operating profit:	Amount	% of Segment Revenue	Amount	% of Segment Revenue	Amount	% Change
Public Cloud	$ 34.5	8.3 %	$ 24.5	5.5 %	$ (10.0)	(29.0)%
Private Cloud	136.8	38.2 %	92.9	29.6 %	(43.9)	(32.1)%
Total consolidated segment operating profit	171.3		117.4		(53.9)	(31.5)%
Corporate functions	(59.2)		(66.9)		(7.7)	13.0 %
Non-GAAP Operating Profit	$ 112.1		$ 50.5		$ (61.6)	(55.0)%

Public Cloud operating profit decreased 29% in the three months ended March 31, 2023 from the three months ended March 31, 2022. Segment operating profit as a percentage of segment revenue decreased by 280 basis points, reflecting a 10% increase in segment operating expenses, partially offset by a 7% increase in segment revenue. The increase in costs was mainly driven by higher third-party infrastructure costs due to the increase in revenue with additional increases in customer licenses.

Private Cloud operating profit decreased 32% in the three months ended March 31, 2023 from the three months ended March 31, 2022. Segment operating profit as a percentage of segment revenue decreased by 860 basis points, due to a 12% decrease in segment revenue, while segment operating expenses remained flat.

Centralized corporate functions that provide services to the segments in areas such as accounting, information technology, marketing, legal and human resources are not allocated to the segments and are included in "corporate functions" in the table above. This expense increased 13% in the three months ended March 31, 2023 from the three months ended March 31, 2022 primarily due to increases in payroll costs.

For more information about our segment operating profit, see Item 1 of Part I, Financial Statements - Note 14, "Segment Reporting."

Impairment of Goodwill

We recorded a total of $543 million in non-cash goodwill impairment charges in the three months ended March 31, 2023. There was no such impairment in the three months ended March 31, 2022.

Due to the change in our segment reporting as a result of the business reorganization as of January 1, 2023, we completed a quantitative goodwill impairment analysis both prior and subsequent to the aforementioned change. The results of the quantitative goodwill impairment analysis performed as of December 31, 2022 prior to the change indicated an impairment within our former Apps & Cross Platform reporting unit, and we recorded a non-cash impairment charge of $129 million in the fourth quarter of 2022 as described in our Annual Report. The results of the quantitative goodwill impairment analysis performed as of January 1, 2023 subsequent to the change indicated an impairment within our Private Cloud reporting unit, and we recorded a non-cash impairment charge of $271 million in the first quarter of 2023.

During the first quarter of 2023, we experienced a sustained decline in our stock price resulting in our market capitalization being less than the carrying value of our combined reporting units. As of March 31, 2023, we assessed several events and circumstances that could affect the significant inputs used to determine the fair value of our reporting units, including the significance of the amount, if any, of excess carrying value over fair value, consistency of operating margins and cash flows, budgeted-to-actual performance for the first three months of the year, overall change in economic climate, changes in the industry and competitive environment, and earnings quality and sustainability. After considering all available evidence in our evaluation of goodwill impairment indicators, we determined it appropriate to perform an interim quantitative assessment of our reporting units as of March 31, 2023. The results of this quantitative goodwill impairment analysis indicated an impairment within our Private Cloud reporting unit, and we recorded an additional non-cash impairment charge of $272 million in the first quarter of 2023.

See "Critical Accounting Policies and Estimates" in this section and Item 1 of Part I, Financial Statements - Note 5, "Goodwill and Intangible Assets" for further discussion.

Interest Expense

Interest expense increased $7 million, or 14%, to $57 million in the three months ended March 31, 2023 from 50 million in the three months ended March 31, 2022, due primarily to rising interest rates and the impact on our variable-rate Term Loan Facility.

Gain on Debt Extinguishment

We recorded a $13 million gain on debt extinguishment in the three months ended March 31, 2023 related to repurchases of $23 million principal amount of 5.375% Senior Notes.

Other Income (Expense), Net

We had $2 million of other income and $4 million of other expense in the three months ended March 31, 2023 and March 31, 2022, respectively, primarily due to foreign currency transaction gains and losses between periods.

Benefit (Provision) for Income Taxes

We had an $11 million income tax benefit in the three months ended March 31, 2023 compared to a $6 million income tax expense in the three months ended March 31, 2022. Our effective tax rate increased to 1.7% in the three months ended March 31, 2023 from (17.2)% in the three months ended March 31, 2022. The increase in the effective tax rate year-over-year is primarily due to the tax impact associated with geographic distribution of profits, executive compensation that is nondeductible under Internal Revenue Code ("IRC") Section 162(m) and the tax effects from nondeductible share-based compensation. The difference between the effective tax rate and the statutory rate for the three months ended March 31, 2023 is primarily due to the tax impact associated with the goodwill impairments recorded in the first quarter of 2023, executive compensation that is nondeductible under IRC Section 162(m), the geographic distribution of profits, tax effects from nondeductible share-based compensation as well as an increase in the valuation allowance. The majority of the goodwill impairment recorded in the first quarter of 2023 was nondeductible for income tax purposes.

Non-GAAP Financial Measures

We track several non-GAAP financial measures to monitor and manage our underlying financial performance. The following discussion includes the presentation of constant currency revenue, Non-GAAP Gross Profit, Non-GAAP Net Income (Loss), Non-GAAP Operating Profit, Adjusted EBITDA and Non-GAAP Earnings (Loss) Per Share, which are non-GAAP financial measures that exclude the impact of certain costs, losses and gains that are required to be included in our profit and loss measures under GAAP. Although we believe these measures are useful to investors and analysts for the same reasons they are useful to management, as discussed below, these measures are not a substitute for, or superior to, U.S. GAAP financial measures or disclosures. Other companies may calculate similarly-titled non-GAAP measures differently, limiting their usefulness as comparative measures. We have reconciled each of these non-GAAP measures to the applicable most comparable GAAP measure throughout this MD&A.

Constant Currency Revenue

We use constant currency revenue as an additional metric for understanding and assessing our growth excluding the effect of foreign currency rate fluctuations on our international business operations. Constant currency information compares results between periods as if exchange rates had remained constant period over period and is calculated by translating the non-U.S. dollar income statement balances for the most current period to U.S. dollars using the average exchange rate from the comparative period rather than the actual exchange rates in effect during the respective period. We also believe this is an important metric to help investors evaluate our performance in comparison to prior periods.

The following table presents, by segment, actual and constant currency revenue and constant currency revenue growth rates, for and between the periods indicated:

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2023			% Change	
(In millions, except %)	Revenue	Revenue	Foreign Currency Translation [(a)]	Revenue in Constant Currency	Actual	Constant Currency
Public Cloud	$ 417.0	$ 444.6	$ 2.7	$ 447.3	6.6 %	7.3 %
Private Cloud	358.5	314.1	5.8	319.9	(12.4)%	(10.8)%
Total	$ 775.5	$ 758.7	$ 8.5	$ 767.2	(2.2)%	(1.1)%

(a) The effect of foreign currency is calculated by translating current period results using the average exchange rate from the prior comparative period.

Non-GAAP Gross Profit

We present Non-GAAP Gross Profit in this MD&A because we believe the measure is useful in analyzing trends in our underlying, recurring gross margins. We define Non-GAAP Gross Profit as gross profit, adjusted to exclude the impact of share-based compensation expense and other non-recurring or unusual compensation items, purchase accounting-related effects, certain business transformation-related costs, and costs related to the Hosted Exchange incident.

The table below presents a reconciliation of gross profit to Non-GAAP Gross Profit:

	Three Months Ended March 31,	
(In millions)	2022	2023
Gross profit	$ 226.0	$ 169.6
Share-based compensation expense	2.8	2.8
Other compensation expense [(a)]	0.8	0.7
Purchase accounting impact on expense [(b)]	0.7	0.6
Restructuring and transformation expenses [(c)]	5.3	4.7
Hosted Exchange incident expenses	—	0.3
Non-GAAP Gross Profit	$ 235.6	$ 178.7

(a) Adjustments for retention bonuses, mainly in connection with restructuring and transformation projects, and the related payroll tax, and payroll taxes associated with the exercise of stock options and vesting of restricted stock.

(b) Adjustment for the impact of purchase accounting from the Rackspace Acquisition on expenses.

(c) Adjustment for the impact of business transformation and optimization activities, as well as associated severance, facility closure costs and lease termination expenses. This amount also includes certain costs associated with the July 2021 Restructuring Plan which are not accounted for as exit and disposal costs under ASC 420, including one-time offshore build out costs.

Non-GAAP Net Income (Loss), Non-GAAP Operating Profit and Adjusted EBITDA

We present Non-GAAP Net Income (Loss), Non-GAAP Operating Profit and Adjusted EBITDA because they are a basis upon which management assesses our performance and we believe they are useful to evaluating our financial performance. We believe that excluding items from net income that may not be indicative of, or are unrelated to, our core operating results, and that may vary in frequency or magnitude, enhances the comparability of our results and provides a better baseline for analyzing trends in our business.

The Rackspace Acquisition was structured as a leveraged buyout of Rackspace Technology Global, our predecessor, and resulted in several accounting and capital structure impacts. For example, the revaluation of our assets and liabilities resulted in a significant increase in our amortizable intangible assets and goodwill, the incurrence of a significant amount of debt to partially finance the Rackspace Acquisition resulted in interest payments that reflect our high leverage and cost of debt capital, and the conversion of Rackspace Technology Global's unvested equity compensation into a cash-settled bonus plan and obligation to pay management fees to our equityholders resulted in new cash commitments. In addition, the change in ownership and management resulting from the Rackspace Acquisition led to a strategic realignment in our operations that had a significant impact on our financial results. Following the Rackspace Acquisition, we acquired several businesses, sold businesses and investments that we deemed to be non-core and launched multiple integration and business transformation initiatives intended to improve the efficiency of people and operations and identify recurring cost savings and new revenue growth opportunities. We believe that these transactions and activities resulted in costs, which have historically been substantial, and that may not be indicative of, or are not related to, our core operating results, including interest related to the incurrence of additional debt to finance acquisitions and third party legal, advisory and consulting fees and severance, retention bonus and other internal costs that we believe would not have been incurred in the absence of these transactions and activities and also may not be indicative of, or related to, our core operating results.

We define Non-GAAP Net Income (Loss) as net income (loss) adjusted to exclude the impact of non-cash charges for share-based compensation, special bonuses and other compensation expense, transaction-related costs and adjustments, restructuring and transformation charges, costs related to the Hosted Exchange incident, the amortization of acquired intangible assets, goodwill and asset impairment charges, and certain other non-operating, non-recurring or non-core gains and losses, as well as the tax effects of these non-GAAP adjustments.

We define Non-GAAP Operating Profit as income (loss) from operations adjusted to exclude the impact of non-cash charges for share-based compensation, special bonuses and other compensation expense, transaction-related costs and adjustments, restructuring and transformation charges, costs related to the Hosted Exchange incident, the amortization of acquired intangible assets, goodwill and asset impairment charges, and certain other non-operating, non-recurring or non-core gains and losses.

We define Adjusted EBITDA as net income (loss) adjusted to exclude the impact of non-cash charges for share-based compensation, special bonuses and other compensation expense, transaction-related costs and adjustments, restructuring and transformation charges, costs related to the Hosted Exchange incident, certain other non-operating, non-recurring or non-core gains and losses, interest expense, income taxes, depreciation and amortization, and goodwill and asset impairment charges.

Non-GAAP Operating Profit and Adjusted EBITDA are management's principal metrics for measuring our underlying financial performance. Non-GAAP Operating Profit and Adjusted EBITDA, along with other quantitative and qualitative information, are also the principal financial measures used by management and our board of directors in determining performance-based compensation for our management and key employees.

These non-GAAP measures are not intended to imply that we would have generated higher income or avoided net losses if the Rackspace Acquisition and the subsequent transactions and initiatives had not occurred. In the future we may incur expenses or charges such as those added back to calculate Non-GAAP Net Income (Loss), Non-GAAP Operating Profit or Adjusted EBITDA. Our presentation of Non-GAAP Net Income (Loss), Non-GAAP Operating Profit and Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by these items. Other companies, including our peer companies, may calculate similarly-titled measures in a different manner from us, and therefore, our non-GAAP measures may not be comparable to similarly-titled measures of other companies. Investors are cautioned against using these measures to the exclusion of our results in accordance with GAAP.

The following tables present a reconciliation of Non-GAAP Net Income (Loss) and Adjusted EBITDA to the most directly comparable GAAP financial measures. For a reconciliation of income (loss) from operations to Non-GAAP Operating Profit, see "*Income (Loss) from Operations, Segment Operating Profit, and Non-GAAP Operating Profit*" in the year-over-year comparison under "Results of Operations" above.

Net loss reconciliation to Non-GAAP Net Income (Loss)

	Three Months Ended March 31,	
(In millions)	**2022**	**2023**
Net loss	$ (38.5)	$ (612.0)
Share-based compensation expense	17.0	15.2
Special bonuses and other compensation expense [(a)]	3.4	2.2
Transaction-related adjustments, net [(b)]	5.3	1.3
Restructuring and transformation expenses [(c)]	23.3	25.6
Hosted Exchange incident expenses	—	3.2
Impairment of goodwill	—	543.1
Net (gain) loss on divestiture and investments [(d)]	0.1	(0.1)
Gain on debt extinguishment [(e)]	—	(12.8)
Other (income) expense, net [(f)]	3.6	(2.1)
Amortization of intangible assets [(g)]	42.2	40.9
Tax effect of non-GAAP adjustments [(h)]	(10.5)	(9.2)
Non-GAAP Net Income (Loss)	$ 45.9	$ (4.7)

Net loss reconciliation to Adjusted EBITDA

	Three Months Ended March 31,	
(In millions)	2022	2023
Net loss	$ (38.5)	$ (612.0)
Share-based compensation expense	17.0	15.2
Special bonuses and other compensation expense (a)	3.4	2.2
Transaction-related adjustments, net (b)	5.3	1.3
Restructuring and transformation expenses (c)	23.3	25.6
Hosted Exchange incident expenses	—	3.2
Impairment of goodwill	—	543.1
Net (gain) loss on divestiture and investments (d)	0.1	(0.1)
Gain on debt extinguishment (e)	—	(12.8)
Other (income) expense, net (f)	3.6	(2.1)
Interest expense	50.1	56.9
Provision (benefit) for income taxes	5.6	(10.9)
Depreciation and amortization (i)	101.4	93.6
Adjusted EBITDA	$ 171.3	$ 103.2

(a) Includes expense related to retention bonuses, mainly relating to restructuring and integration projects, and the related payroll tax, senior executive signing bonuses and relocation costs, and payroll taxes associated with the exercise of stock options and vesting of restricted stock.

(b) Includes legal, professional, accounting and other advisory fees related to acquisitions, certain one-time costs related to being a newly public company as a result of the IPO in August 2020, integration costs of acquired businesses, purchase accounting adjustments, payroll costs for employees that dedicate significant time to supporting these projects and exploratory acquisition and divestiture costs and expenses related to financing activities.

(c) Includes consulting and advisory fees related to business transformation and optimization activities, payroll costs for employees that dedicate significant time to these projects, as well as associated severance, facility closure costs, and lease termination expenses. This amount also includes total charges of $3.2 million for the three months ended March 31, 2022 related to the July 2021 Restructuring Plan which are not accounted for as exit and disposal costs under ASC 420, including one-time offshore build out costs.

(d) Includes gains and losses on investment and from dispositions.

(e) Includes gains related to repurchases of 5.375% Senior Notes.

(f) Primarily consists of foreign currency gains and losses.

(g) All of our intangible assets are attributable to acquisitions, including the Rackspace Acquisition in 2016.

(h) We utilize an estimated structural long-term non-GAAP tax rate in order to provide consistency across reporting periods, removing the effect of non-recurring tax adjustments, which include but are not limited to tax rate changes, U.S. tax reform, share-based compensation, audit conclusions and changes to valuation allowances. When computing this long-term rate for the 2022 and 2023 interim periods, we based it on an average of the 2021 and estimated 2022 tax rates and 2022 and estimated 2023 tax rates, respectively, recomputed to remove the tax effect of non-GAAP pre-tax adjustments and non-recurring tax adjustments, resulting in a structural non-GAAP tax rate of 26% for both periods. The non-GAAP tax rate could be subject to change for a variety of reasons, including the rapidly evolving global tax environment, significant changes in our geographic earnings mix including due to acquisition activity, or other changes to our strategy or business operations. We will re-evaluate our long-term non-GAAP tax rate as appropriate. We believe that making these adjustments facilitates a better evaluation of our current operating performance and comparisons to prior periods.

(i) Excludes accelerated depreciation expense related to facility closures.

Non-GAAP Earnings (Loss) Per Share

We define Non-GAAP Earnings (Loss) Per Share as Non-GAAP Net Income (Loss) divided by our GAAP weighted average number of shares outstanding for the period on a diluted basis and further adjusted for the weighted average number of shares associated with securities which are anti-dilutive to GAAP loss per share but dilutive to Non-GAAP Earnings (Loss) Per Share. Management uses Non-GAAP Earnings (Loss) Per Share to evaluate the performance of our business on a comparable basis from period to period, including by adjusting for the impact of the issuance of shares that would be dilutive to Non-GAAP Earnings (Loss) Per Share. The following table reconciles Non-GAAP Earnings (Loss) Per Share to our GAAP net loss per share on a diluted basis:

	Three Months Ended March 31,	
(In millions, except per share amounts)	2022	2023
Net loss attributable to common stockholders	$ (38.5)	$ (612.0)
Non-GAAP Net Income (Loss)	$ 45.9	$ (4.7)
Weighted average number of shares - Diluted	211.4	213.2
Effect of dilutive securities [a]	1.0	1.1
Non-GAAP weighted average number of shares - Diluted	212.4	214.3
Net loss per share - Diluted	$ (0.18)	$ (2.87)
Per share impacts of adjustments to net loss [b]	0.40	2.85
Per share impacts of shares dilutive after adjustments to net loss [a]	0.00	0.00
Non-GAAP Earnings (Loss) Per Share	$ 0.22	$ (0.02)

(a) Reflects impact of awards that would have been anti-dilutive to net loss per share, and therefore not included in the calculation, but would be dilutive to Non-GAAP Earnings (Loss) Per Share and are therefore included in the share count for purposes of this non-GAAP measure. Potential common share equivalents consist of shares issuable upon the exercise of stock options, vesting of restricted stock units (including performance-based restricted stock units) or purchases under the Employee Stock Purchase Plan (the "ESPP"), as well as contingent shares associated with our acquisition of Datapipe Parent, Inc. Certain of our potential common share equivalents are contingent on Apollo achieving pre-established performance targets based on a multiple of their invested capital ("MOIC"), which are included in the denominator for the entire period if such shares would be issuable as of the end of the reporting period assuming the end of the reporting period was the end of the contingency period.

(b) Reflects the aggregate adjustments made to reconcile Non-GAAP Net Income (Loss) to our net loss, as noted in the above table, divided by the GAAP diluted number of shares outstanding for the relevant period.

Liquidity and Capital Resources

Overview

We primarily finance our operations and capital expenditures with internally-generated cash from operations and hardware leases, and if necessary, borrowings under the Revolving Credit Facility. As of March 31, 2023, the Revolving Credit Facility provided for up to $375 million of borrowings, none of which was drawn as of March 31, 2023. Our primary uses of cash are working capital requirements, debt service requirements and capital expenditures. Based on our current level of operations and available cash, we believe our sources will provide sufficient liquidity over at least the next twelve months. We cannot provide assurance, however, that our business will generate sufficient cash flows from operations or that future borrowings will be available to us under the Revolving Credit Facility or from other sources in an amount sufficient to enable us to pay our indebtedness or to fund our other liquidity needs. Our ability to do so depends on prevailing economic conditions and other factors, many of which are beyond our control. In addition, upon the occurrence of certain events, such as a change of control, we could be required to repay or refinance our indebtedness. We cannot assure that we will be able to refinance any of our indebtedness, including the Senior Facilities, the 5.375% Senior Notes and the 3.50% Senior Secured Notes, on commercially reasonable terms or at all. Any future acquisitions, joint ventures or other similar transactions will likely require additional capital, and there can be no assurance that any such capital will be available to us on acceptable terms or at all.

From time to time, depending upon market and other conditions, as well as upon our cash balances and liquidity, we, our subsidiaries or our affiliates may acquire (and have acquired) our outstanding debt securities or our other indebtedness through open market purchases, privately negotiated transactions, tender offers, redemption or otherwise, upon such terms and at such prices as we, our subsidiaries or our affiliates may determine (or as may be provided for in the indenture governing the 5.375% Senior Notes (the "5.375% Notes Indenture") or the indenture governing the 3.50% Senior Secured Notes (the "3.50% Notes Indenture" and, together with the 5.375% Notes Indenture, the "Indentures"), if applicable), for cash or other consideration.

On March 3, 2022, our board of directors authorized a program to repurchase up to $75 million of shares of our common stock from time to time through open-market transactions, privately negotiated transactions, accelerated share repurchases and other transactions in accordance with applicable security laws. During the three months ended March 31, 2022, we repurchased $4 million, or 0.4 million shares, of our common stock on the open market under this program. No shares were repurchased during the three months ended March 31, 2023. As of March 31, 2023, approximately $44 million of the amount authorized by the board under the current program remained available for additional purchases.

At March 31, 2023, we held $174 million in cash and cash equivalents (not including $3 million in restricted cash, which is included in "Other non-current assets"), of which $102 million was held by foreign entities.

We have entered into installment payment arrangements with certain equipment and software vendors, along with sale-leaseback arrangements for equipment and certain property leases that are considered financing obligations. We had $61 million outstanding with respect to these arrangements as of March 31, 2023. We may choose to utilize these various sources of funding in future periods.

We also lease certain equipment and real estate under operating and finance lease agreements. We had $535 million outstanding with respect to operating and finance lease agreements as of March 31, 2023. We may choose to utilize such leasing arrangements in future periods.

As of March 31, 2023, we had $3,331 million aggregate principal amount outstanding under our Term Loan Facility, 5.375% Senior Notes, and 3.50% Senior Secured Notes, with $375 million of borrowing capacity available under the Revolving Credit Facility. Our liquidity requirements are significant, primarily due to debt service requirements.

Debt

Senior Facilities

On February 9, 2021, we amended and restated the credit agreement governing our senior secured credit facilities (the "First Lien Credit Agreement"), which included a new seven-year $2,300 million senior secured first lien term loan facility (the "Term Loan Facility") and the Revolving Credit Facility (together, the "Senior Facilities"). We used the borrowings under the Term Loan Facility, together with the proceeds from the issuance of the 3.50% Senior Secured Notes described below (together, the "February 2021 Refinancing Transaction"), to repay all borrowings under the prior term loan facility (the "Prior Term Loan Facility"), to pay related fees and expenses and for general corporate purposes. The Term Loan Facility will mature on February 15, 2028 and the Revolving Credit Facility will mature on August 7, 2025. We may request one or more incremental term loan facilities, one or more incremental revolving credit facilities and/or increase the commitments under the Revolving Credit Facility in an amount equal to the greater of $860 million and 1.0x Pro Forma Adjusted EBITDA (as defined in the amended First Lien Credit Agreement), plus additional amounts, subject to compliance with applicable leverage ratios and certain terms and conditions.

Interest on the Term Loan Facility is due at the end of each interest period elected, not exceeding 90 days, for LIBOR loans and at the end of every calendar quarter for base rate loans. As of March 31, 2023, the interest rate on the Term Loan Facility was 7.60%. We are required to make quarterly amortization payments of $5.8 million, which began on June 30, 2021. The Revolving Credit Facility includes a commitment fee equal to 0.50% per annum in respect of the unused commitments that is due quarterly. This fee is subject to one step-down based on the net first lien leverage ratio. The Senior Facilities require us to make certain mandatory prepayments under certain conditions defined in the credit agreement.

Rackspace Technology Global, our wholly-owned subsidiary, is the borrower under the Senior Facilities, and all obligations under the Senior Facilities are (i) guaranteed by Inception Parent, Rackspace Technology Global’s immediate parent company, on a limited recourse basis and secured by the equity interests of Rackspace Technology Global held by Inception Parent and (ii) guaranteed by Rackspace Technology Global’s wholly-owned domestic restricted subsidiaries and secured by substantially all material owned assets of Rackspace Technology Global and the subsidiary guarantors, including the equity interests held by each, in each case subject to certain exceptions.

As of March 31, 2023, $2,254 million aggregate principal amount of the Term Loan Facility remained outstanding. See Item 1 of Part I, Financial Statements - Note 6, "Debt," for more information regarding our Senior Facilities.

We have entered into interest rate swap agreements to manage the interest rate risk associated with interest payments on the Term Loan Facility that result from fluctuations in the LIBOR rate. See Item 1 of Part I, Financial Statements - Note 11, "Derivatives," for more information on the interest rate swap agreements.

3.50% Senior Secured Notes due 2028

On February 9, 2021, Rackspace Technology Global issued $550 million aggregate principal amount of 3.50% Senior Secured Notes. The 3.50% Senior Secured Notes will mature on February 15, 2028 and bear interest at an annual fixed rate of 3.50%. Interest is payable semiannually on each February 15 and August 15, commencing on August 15, 2021. We may redeem some or all of the 3.50% Senior Secured Notes at our option prior to February 15, 2024 subject to certain limitations and conditions outlined in the 3.50% Notes Indenture.

The 3.50% Senior Secured Notes are secured by first-priority security interests in substantially all material owned assets of Rackspace Technology Global and the subsidiary guarantors, including the equity interest held by each, subject to certain exceptions, which assets also secure the Senior Facilities.

As of March 31, 2023, $550 million aggregate principal amount of the 3.50% Senior Secured Notes remained outstanding.

5.375% Senior Notes due 2028

Rackspace Technology Global issued $550 million aggregate principal amount of the 5.375% Senior Notes on December 1, 2020. The 5.375% Senior Notes will mature on December 1, 2028 and bear interest at a fixed rate of 5.375% per year, payable semi-annually on each June 1 and December 1, commencing on June 1, 2021. The 5.375% Senior Notes are guaranteed on a senior unsecured basis by all of Rackspace Technology Global's wholly-owned domestic restricted subsidiaries that guarantee the Senior Facilities.

During the three months ended March 31, 2023, we repurchased and surrendered for cancellation $23 million aggregate principal amount of 5.375% Senior Notes for $10 million, including accrued interest of $0.3 million and excluding related fees and expenses.

As of March 31, 2023, $527 million aggregate principal amount of the 5.375% Senior Notes remained outstanding.

Debt covenants

Our Term Loan Facility is not subject to a financial maintenance covenant. The Revolving Credit Facility includes a financial maintenance covenant that limits the borrower's net first lien leverage ratio to a maximum of 5.00 to 1.00. The net first lien leverage ratio is calculated as the ratio of (x) the total amount of the borrower's first lien debt for borrowed money (which is currently identical to the total amount outstanding under the Senior Facilities), less the borrower's unrestricted cash and cash equivalents, to (y) consolidated EBITDA (as defined under the First Lien Credit Agreement governing the Senior Facilities). However, this financial maintenance covenant will only be applicable and tested if the aggregate amount of outstanding borrowings under the Revolving Credit Facility and letters of credit issued thereunder (excluding $25 million of undrawn letters of credit and cash collateralized letters of credit) as of the last day of a fiscal quarter is equal to or greater than 35% of the Revolving Credit Facility commitments as of the last day of such fiscal quarter. Additional covenants in the Senior Facilities limit our subsidiaries' ability to, among other things, incur certain additional debt and liens, pay certain dividends or make other restricted payments, make certain investments, make certain asset sales and enter into certain transactions with affiliates.

The Indentures contain covenants that, among other things, limit our subsidiaries' ability to incur certain additional debt, incur certain liens securing debt, pay certain dividends or make other restricted payments, make certain investments, make certain asset sales and enter into certain transactions with affiliates. These covenants are subject to a number of exceptions, limitations, and qualifications as set forth in the Indentures. Additionally, upon the occurrence of a change of control (as defined in the Indentures), we will be required to make an offer to repurchase all of the outstanding 5.375% Senior Notes and 3.50% Senior Secured Notes, respectively, at a price in cash equal to 101.000% of the aggregate principal amount, plus accrued and unpaid interest, if any, to, but not including the purchase date.

Our "consolidated EBITDA," as defined under our debt instruments, is calculated in the same manner as our Adjusted EBITDA, presented elsewhere in this report, except that our debt instruments allow us to adjust for additional items, including certain start-up costs, and to give pro forma effect to acquisitions, including resulting synergies, and internal cost savings initiatives. In addition, under the Indentures, the calculation of consolidated EBITDA does not take into account substantially any changes in GAAP subsequent to the date of issuance, whereas under the Senior Facilities the calculation of consolidated EBITDA takes into account the impact of certain changes in GAAP subsequent to the original closing date other than with respect to capital leases.

As of March 31, 2023, we were in compliance with all covenants under the Senior Facilities and the Indentures.

Capital Expenditures

The following table sets forth a summary of our capital expenditures for the periods indicated:

	Three Months Ended March 31,	
(In millions)	2022	2023
Customer gear	$ 16.7	$ 62.6
Data center build outs	1.0	0.6
Office build outs	—	1.1
Capitalized software and other projects	13.2	7.2
Total capital expenditures	$ 30.9	$ 71.5

Capital expenditures were $72 million in the three months ended March 31, 2023, compared to $31 million in the three months ended March 31, 2022, an increase of $41 million. The increase in capital expenditures was driven by purchases of customer gear originally intended to support a specific new customer. This new customer did not materialize as expected; however, the gear is fungible and will be redeployed to support other business requirements.

Cash Flows

The following table sets forth a summary of certain cash flow information for the periods indicated:

	Three Months Ended March 31,	
(In millions)	2022	2023
Cash provided by (used in) operating activities	$ 64.5	$ (1.9)
Cash used in investing activities	$ (25.9)	$ (11.7)
Cash used in financing activities	$ (40.8)	$ (41.3)

Cash Provided by (Used in) Operating Activities

Net cash provided by (used in) operating activities results primarily from cash received from customers, offset by cash payments made for employee and consultant compensation (less amounts capitalized related to internal-use software that are reflected as cash used in investing activities), data center costs, license costs, third-party infrastructure costs, marketing programs, interest, taxes, and other general corporate expenditures.

Net cash used in operating activities was $2 million in the three months ended March 31, 2023 compared to cash provided by operating activities of $65 million in the three months ended March 31, 2022. The reduction in operating cash was primarily driven by a $94 million increase in operating expense payments, largely for third-party infrastructure costs, and a $10 million increase in interest payments on debt. Partially offsetting the cash used in operating activities was a $48 million increase in cash collections, primarily as a result of increased focus on collection efforts with customers, and to a lesser extent, timing of collections.

Cash Used in Investing Activities

Net cash used in investing activities primarily consists of capital expenditures to meet the demands of our customer base and our strategic initiatives. The largest outlays of cash are for purchases of customer gear, data center and office build outs, and capitalized payroll costs related to internal-use software development.

Net cash used in investing activities decreased $14 million, or 55%, in the three months ended March 31, 2023 compared to the three months ended March 31, 2022. The decrease was driven by a $7 million reduction in cash purchases of property, equipment, and software year-over-year. In addition, we made an $8 million cash payment in connection with the acquisition of Just Analytics Pte. Ltd. during the three months ended March 31, 2022.

Cash Used in Financing Activities

Financing activities generally include cash activity related to debt and other long-term financing arrangements (for example, finance lease obligations and financing obligations), including proceeds from and repayments of borrowings, and cash activity related to the issuance and repurchase of equity.

Net cash used in financing activities increased $1 million, or 1%, in the three months ended March 31, 2023 compared to the three months ended March 31, 2022. The change was primarily driven by a $10 million increase in payments related to long-term debt between periods as the current period includes $10 million of 5.375% Senior Note repurchases, while the prior period only includes quarterly principal payments on our Term Loan Facility. The remaining variance includes a $3 million increase in finance lease principal payments between periods. These drivers were partially offset by $4 million in common stock share repurchases during the three months ended March 31, 2022 as part of the program authorized in March 2022 and an $8 million reduction in principal payments of financing obligations.

Critical Accounting Policies and Estimates

Our critical accounting policies and estimates have not changed from those described in our Annual Report under "Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies and Estimates." For a description of recent accounting pronouncements, see Item 1 of Part I, Financial Statements - Note 1, "Company Overview, Basis of Presentation, and Summary of Significant Accounting Policies."

Goodwill and Indefinite-Lived Intangible Assets

Goodwill represents the excess of the purchase price over the fair value of identifiable net assets of businesses acquired. Our indefinite-lived intangible assets consists of our Rackspace trade name, which was recorded at fair value on our balance sheet at the date of the Rackspace Acquisition.

Application of the goodwill and other indefinite-lived intangible asset impairment test requires judgment, including the identification of reporting units, assignment of assets and liabilities to reporting units, assignment of goodwill to reporting units and determination of the fair value of each reporting unit. We test goodwill and our indefinite-lived intangible asset, the Rackspace trade name, for impairment on an annual basis as of October 1st or more frequently if events or circumstances indicate a potential impairment. These events or circumstances could include a significant change in the business climate, regulatory environment, established business plans, operating performance indicators or competition. Potential impairment indicators may also include, but are not limited to, (i) the results of our most recent annual or interim impairment testing, (ii) downward revisions to internal forecasts, and the magnitude thereof, if any, (iii) declines in our market capitalization below our book value, and the magnitude and duration of those declines, if any, (iv) a reorganization resulting in a change to our operating segments, and (v) other macroeconomic factors, such as increases in interest rates that may affect the weighted average cost of capital, volatility in the equity and debt markets, or fluctuations in foreign currency exchange rates that may negatively impact our reported results of operations.

Goodwill is tested for impairment at the reporting unit level. A reporting unit is an operating segment or one level below an operating segment (referred to as a component). We allocate goodwill to reporting units based on the reporting unit expected to benefit from the business combination. Assets and liabilities are assigned to each of our reporting units if they are employed by a reporting unit and are considered in the determination of the reporting unit fair value. Certain assets and liabilities are shared by multiple reporting units, and thus, are allocated to each reporting unit based on the relative size of a reporting unit, primarily based on revenue. We have two reporting units with goodwill: Public Cloud and Private Cloud. Goodwill allocated to our third reporting unit, OpenStack Public Cloud, was fully impaired during the fourth quarter of 2021.

We estimate the fair values of our reporting units and the Rackspace trade name using the discounted cash flow method and relief-from-royalty method, respectively. These calculations require the use of significant estimates and assumptions, such as: (i) the royalty rate; (ii) the estimation of future revenue and projected margins, which are dependent on internal cash flow forecasts; (iii) estimation of the terminal growth rates and capital spending; and (iv) determination of discount rates. The discount rates used are based on our weighted average cost of capital and are adjusted for risks and uncertainties inherent in our business and in our estimation of future cash flows. As part of the goodwill impairment test, we also consider our market capitalization in assessing the reasonableness of the combined fair values estimated for our reporting units, including OpenStack Public Cloud. The estimates and assumptions used to calculate the fair value of our reporting units and the Rackspace trade name from year to year are based on operating results, market conditions, and other factors. Changes in these estimates and assumptions could produce materially different results.

For the quantitative goodwill impairment analysis, we utilize the income approach to determine the fair value of our reporting units. The income approach utilizes a discounted cash flow method which is based on the present value of projected cash flows. The discounted cash flow models reflect our assumptions regarding revenue growth rates, projected gross profit margins, risk-adjusted discount rate, terminal period growth rate, economic and market trends and other expectations about the anticipated operating results of our reporting units. The terminal period growth rate is selected based on economic conditions and consideration of growth rates used in the forecast period and historical performance of the reporting unit.

Due to the change in our segment reporting as a result of the business reorganization as of January 1, 2023, we completed a quantitative goodwill impairment analysis both prior and subsequent to the aforementioned change. The results of the quantitative goodwill impairment analysis performed as of December 31, 2022 prior to the change indicated an impairment within our former Apps & Cross Platform reporting unit, and we recorded a non-cash impairment charge of $129 million in the fourth quarter of 2022 as described in our Annual Report. We reassigned goodwill to the updated reporting units using a relative fair value approach. The results of the quantitative goodwill impairment analysis performed as of January 1, 2023 subsequent to the change indicated an impairment within our Private Cloud reporting unit, and we recorded a non-cash impairment charge of $271 million in the first quarter of 2023.

For the quantitative goodwill impairment analysis performed as of January 1, 2023, we utilized a range of our weighted-average cost of capital of 10.5% to 12% as our discount rate, which was risk-adjusted for each reporting unit. After determining the fair value of our reporting units, we reconciled the combined fair value of the reporting units to the company's market capitalization as of January 1, 2023. As a result, we determined that the carrying amount of our Private Cloud reporting unit exceeded its fair value and recorded a goodwill impairment charge of $271 million, which is included in "Impairment of goodwill" in our Consolidated Statements of Comprehensive Loss for the three months ended March 31, 2023. The impairment primarily resulted from reduced growth rates as compared to the former Multicloud Services reporting unit and the reallocation of certain costs between the three reporting units to reflect the going-forward operating model following the business reorganization. The Public Cloud reporting unit was determined to have a fair value that exceeded its carrying value by approximately 20% and therefore no impairment was recognized.

We performed sensitivity analyses on the key inputs and assumptions used in determining the estimated fair value of our reporting units by utilizing changes in assumptions that reflect reasonably likely future changes in the discount rate used in the weighted-average cost of capital calculation and the terminal growth rate. Assuming all other assumptions and inputs used in the discounted cash flow analysis are held constant, a 50 basis point increase in the discount rate assumption would result in decreases in fair value of our Private Cloud and Public Cloud reporting units of approximately $175 million and $67 million, respectively.

During the first quarter of 2023, we experienced a sustained decline in our stock price resulting in our market capitalization being less than the carrying value of our combined reporting units. As of March 31, 2023, we assessed several events and circumstances that could affect the significant inputs used to determine the fair value of our reporting units, including the significance of the amount, if any, of excess carrying value over fair value, consistency of operating margins and cash flows, budgeted-to-actual performance for the first three months of the year, overall change in economic climate, changes in the industry and competitive environment, and earnings quality and sustainability. After considering all available evidence in our evaluation of goodwill impairment indicators, we determined it appropriate to perform an interim quantitative assessment of our reporting units as of March 31, 2023. The results of this quantitative goodwill impairment analysis indicated an impairment within our Private Cloud reporting unit, and we recorded an additional non-cash impairment charge of $272 million in the first quarter of 2023.

For the quantitative goodwill impairment analysis performed as of March 31, 2023, we utilized a range of our weighted-average cost of capital of 10.0% to 11.5% as our discount rate, which was risk-adjusted for each reporting unit. After determining the fair value of our reporting units, we reconciled the combined fair value of the reporting units to the company's market capitalization as of March 31, 2023. As a result, we determined that the carrying amount of our Private Cloud reporting unit exceeded its fair value and recorded a goodwill impairment charge of $272 million, which is included in "Impairment of goodwill" in our Consolidated Statements of Comprehensive Loss for the three months ended March 31, 2023. The impairment was driven by the company’s most recent cash flow projections as revised in the first quarter of 2023 which reflected current market conditions and current trends in business performance, including slower than anticipated actualization of bookings. The Public Cloud reporting unit was determined to have a fair value that exceeded its carrying value by approximately 14% and therefore no impairment was recognized.

We performed sensitivity analyses on the key inputs and assumptions used in determining the estimated fair value of our reporting units by utilizing changes in assumptions that reflect reasonably likely future changes in the discount rate used in the weighted-average cost of capital calculation and the terminal growth rate. Assuming all other assumptions and inputs used in the discounted cash flow analysis are held constant, a 50 basis point increase in the discount rate assumption would result in decreases in fair value of our Private Cloud and Public Cloud reporting units of approximately $80 million and $65 million, respectively.

As of both January 1, 2023 and March 31, 2023, due to the factors discussed above, we performed a quantitative assessment of our indefinite-lived intangible asset utilizing a relief from royalty method. Significant estimates and assumptions included in the relief from royalty method are expectations of revenue growth rates, and selection of royalty rate and discount rate. We utilized a royalty rate of 0.5% and a discount rate of 11%. We completed the quantitative assessments of our indefinite-lived intangible asset prior to testing our goodwill for impairment as of January 1, 2023 and March 31, 2023 which did not indicate any impairment of the Rackspace trade name.

The fair value determination of our reporting units and our indefinite-lived intangible asset is judgmental in nature and requires the use of estimates and assumptions that are sensitive to changes. Assumptions include estimation of the royalty rate, estimation of future revenue and projected margins, which are dependent on internal cash flow forecasts, estimation of the terminal growth rates and capital spending, and determination of discount rates. As a result, there can be no assurance that the estimates and assumptions made for purposes of the quantitative goodwill and indefinite-lived intangible impairment tests will prove to be an accurate prediction of future results. Examples of events or circumstances that could reasonably be expected to negatively affect the underlying key assumptions and ultimately impact the estimated fair value of our reporting units may include such items as: (i) volatility in the equity and debt markets or other macroeconomic factors, (ii) an increase in the weighted-average cost of capital due to further increases in interest rates, (iii) decrease in future cash flows due to lower than expected sales, or (iv) fluctuations in foreign currency exchange rates that may negatively impact our reported results of operations. Accordingly, if our current cash flow assumptions are not realized, we experience further sustained declines in our stock price or market capitalization, or increases in costs of capital, it is possible that an additional impairment charge may be recorded in the future, which could be material.

Long-Lived Assets

We also performed recoverability tests of our long-lived assets in conjunction with the goodwill impairment analyses as of January 1, 2023 and March 31, 2023 which did not result in any impairment charges.

ITEM 3 – QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rates

We are exposed to interest rate risk associated with fluctuations in interest rates on our floating-rate debt under our Senior Facilities, which includes our $375 million Revolving Credit Facility and $2,254 million outstanding under the Term Loan Facility. As of March 31, 2023, there were no outstanding borrowings under the Revolving Credit Facility and therefore our only variable-rate debt outstanding was the $2,254 million outstanding under the Term Loan Facility. As of March 31, 2023, assuming the Revolving Credit Facility was fully drawn, each 0.125% change in assumed blended interest rates would result in a $3 million change in annual interest expense on indebtedness under the Senior Facilities.

Our Term Loan Facility bears interest at an annual rate equal to an applicable margin plus three-month LIBOR, subject to a 0.75% floor. We have entered into interest rate swap agreements indexed to three-month LIBOR in order to manage our risk from fluctuations in three-month LIBOR above the 0.75% floor. During 2022, three of these swap agreements matured. The fixed rate for the remaining swap agreement is presented in the table below. As of March 31, 2023, the interest rate on the Term Loan Facility was 7.60%, equal to an applicable margin of 2.75% plus three-month LIBOR for the interest period of 4.85%.

The key terms of the swap outstanding as of March 31, 2023 are presented below:

Transaction Date	Effective Date	Notional Amount (in millions)	Fixed Rate Paid	Maturity Date
February 2021	February 9, 2021	$ 1,350.0	2.3820%	February 9, 2026

See Item 1 of Part I, Financial Statements - Note 11, "Derivatives," for more information on interest rate swaps.

Foreign Currencies

We are subject to foreign currency translation risk due to the translation of the results of our subsidiaries from their respective functional currencies to the U.S. dollar, our functional currency. As a result, we discuss our revenue on a constant currency as well as actual basis, highlighting our sensitivity to changes in foreign exchange rates. See “*Constant Currency Revenue*.” While the majority of our customers are invoiced, and the majority of our expenses are paid, by us or our subsidiaries in their respective functional currencies, we also have exposure to foreign currency transaction gains and losses as the result of certain receivables due from our foreign subsidiaries. As such, the results of operations and cash flows of our foreign subsidiaries are subject to fluctuations in foreign currency exchange rates. In the three months ended March 31, 2023, we recognized foreign currency transaction gains of $2 million within “Other income (expense), net” in our Consolidated Statements of Comprehensive Income (Loss). As we grow our international operations, our exposure to foreign currency translation and transaction risk could become more significant.

We have in the past and may in the future enter into foreign currency hedging instruments to limit our exposure to foreign currency risk.

Power Prices

We are a large consumer of power. In the three months ended March 31, 2023, we expensed approximately $10 million for utility companies to power our data centers, representing approximately 1% of our revenue. Power costs vary by geography, the source of power generation and seasonal fluctuations and are subject to certain proposed legislation that may increase our exposure to increased power costs. We have power contracts for data centers in the Dallas-Fort Worth, San Jose, Somerset, New Jersey and London areas that allow us to procure power either on a fixed price or on a variable price basis.

ITEM 4 – CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our senior management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act"), as amended, as of the end of the period covered by this Quarterly Report (the "Evaluation Date"). Based on this evaluation, our Chief Executive Officer and Chief Financial Officer, concluded as of the Evaluation Date that our disclosure controls and procedures were effective such that the information relating to the company, including our consolidated subsidiaries, required to be disclosed in our SEC reports (i) is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and (ii) is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control

There were no changes in our internal controls over financial reporting during our most recent fiscal quarter reporting period identified in connection with management's evaluation that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations of Internal Controls

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal controls will prevent all error and fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART II – OTHER INFORMATION

ITEM 1 – LEGAL PROCEEDINGS

We have contingencies resulting from various litigation, claims and commitments. We record accruals for loss contingencies when losses are considered probable and can be reasonably estimated. The amount that will ultimately be paid related to these matters may differ from the recorded accruals, and the timing of such payments is uncertain.

From time to time we may be subject to various legal proceedings arising in the ordinary course of business. In addition, from time to time, third parties may bring intellectual property claims against us asserting that certain of our offerings, services and technologies infringe, misappropriate or otherwise violate the intellectual property or proprietary rights of others.

We are not party to any litigation, the outcome of which, if determined adversely to us, would individually or in the aggregate be reasonably expected to have a material and adverse effect on our business, financial position or results of operations.

Hosted Exchange Incident

We are named in several lawsuits in connection with our previously disclosed ransomware incident. The pending lawsuits seek, among other things, equitable and compensatory relief. We are vigorously defending these matters. We do not expect any of these claims, individually or in the aggregate, to have a material adverse effect on our consolidated financial position or results of operations. However, at this early stage in the proceedings, we are not able to determine the probability of the outcome of these matters or a range of reasonably expected losses, if any. We maintain insurance, including coverage for cyber-attacks, subject to certain deductibles and policy limitations, in an amount that we believe appropriate.

ITEM 1A – RISK FACTORS

We have disclosed under the heading “Risk Factors” in our Annual Report the risk factors which materially affect our business, financial condition or results of operations. There have been no material changes from the risk factors previously disclosed. You should carefully consider the risk factors set forth in our Annual Report and the other information set forth elsewhere in this Quarterly Report on Form 10-Q. You should be aware that these risk factors and other information may not describe every risk facing our company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

ITEM 2 – UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

During the three months ended March 31, 2023, we did not repurchase any of our common stock.

On March 3, 2022, our board of directors authorized a program to repurchase up to $75.0 million of shares of our common stock. The authorization was effective immediately, expires on September 30, 2023 and can be discontinued at any time. Under the program, shares may be repurchased from time to time through open-market transactions (including pre-set trading plans), privately negotiated transactions, accelerated share repurchases and other transactions in accordance with applicable security laws. As of March 31, 2023, $44.0 million remains available to be purchased under this program.

ITEM 3 – DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4 – MINE SAFETY DISCLOSURES

Not Applicable.

ITEM 5 – OTHER INFORMATION

None.

ITEM 6 – EXHIBITS

Exhibit Number	Exhibit Description
10.1*†	Form of Cash-Settled Performance Unit Agreement between Rackspace Technology, Inc. and certain of its executive officers under the 2020 Equity Incentive Plan
10.2†	Transition Agreement and Release of Claims, between Rackspace Technology, Inc. and Holly Windham, effective January 16, 2023 (incorporated by reference from Exhibit 10.29 to Rackspace Technology, Inc.'s Form 10-K for the year ended December 31, 2022)
10.3†	Second Amendment to Employment Agreement between Rackspace US, Inc. and Naushaza Molu, dated March 13, 2023 (incorporated by reference from Exhibit 10.35 to Rackspace Technology, Inc.'s Form 10-K for the year ended December 31, 2022)
31.1*	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1**	Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2**	Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS*	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed herewith.
** Furnished herewith.
† Indicates management contract or compensatory plan.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

RACKSPACE TECHNOLOGY, INC.

Date:	May 10, 2023	By:	/s/ Bobby Molu
			Bobby Molu Executive Vice President and Chief Financial Officer *(Principal Financial Officer)*

RACKSPACE TECHNOLOGY, INC.
2020 EQUITY INCENTIVE PLAN
NOTICE OF GRANT OF CASH-SETTLED PERFORMANCE UNITS

Unless otherwise defined herein, the terms defined in the 2020 Rackspace Technology, Inc.'s Equity Incentive Plan (the "Plan") shall have the same defined meanings in this Notice of Grant (the "Notice of Grant") of Cash-Settled Performance Units ("Performance Units" or "Units") and in the Cash-Settled Performance Unit Agreement (the "Agreement").

Participant:	[name]

Participant has been granted an Other Stock or Cash-Based Award under the Plan in the form of this grant of Performance Units with respect to Common Stock of Rackspace Technology, Inc., to be settled in cash, subject to the terms and conditions of the Plan and this Agreement, as follows:

Grant Number:	[insert]
Date of Grant:	[insert] 2023
Number of Units Granted at Target:	[insert number]
Vesting Commencement Date:	[insert] 2023

Vesting Schedule:

Vesting is subject to the satisfaction of the performance goals and continued employment through the applicable Measurement Date as set forth in the Agreement.

RACKSPACE TECHNOLOGY, INC.
2020 EQUITY INCENTIVE PLAN
CASH-SETTLED PERFORMANCE UNIT AGREEMENT

This **CASH-SETTLED PERFORMANCE UNIT AGREEMENT** (this "Agreement"), dated as of March 16, 2023 (the "Grant Date"), by and among **RACKSPACE TECHNOLOGY, INC**., a Delaware corporation (the "Company"), and [name of Participant] (the "Participant").

WHEREAS, Participant is employed as the [title] of the Company [pursuant to the terms of a written employment agreement, dated [date], as amended (the "Employment Agreement;"]

WHEREAS, the Company, acting through a Committee (as defined in the Company's 2020 Equity Incentive Plan (the "Plan")), has granted to the Participant, effective as of the date of this Agreement, an Other Stock or Cash-Based Award under the Plan in the form of this grant of Performance Units (which, for the avoidance of doubt, shall be credited to a separate account maintained for the Participant on the books of the Company where the value of each Unit will equal the Grant Value of one share of Common Stock, the "Account") to be settled in cash as described in Sections 2 and 3 of this Agreement. The Units are subject to the conditions set forth in this Agreement and the Plan;

NOW, THEREFORE, in consideration of the promises and of the mutual agreements contained in this Agreement, the parties hereto agree as follows:

Section 1. The Plan. The terms and provisions of the Plan are hereby incorporated into this Agreement as if set forth herein in their entirety (including, without limitation, the provisions of Article 8 and Article 12). In the event of a conflict between any provision of this Agreement and the Plan, the provisions of the Plan shall control. A copy of the Plan may be obtained from the Company by the Participant upon request. Capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Plan or in the Notice of Grant. As a condition to the grant of the Performance Units, the Participant agrees that this Agreement, together with the grant of Units, satisfies all obligations and liabilities of the Company in connection with any "annual equity award" contemplated by the Employment Agreement for calendar year 2023.

Section 2. Vesting. Subject to the Participant's continued employment or other service relationship with the Company or one of its Subsidiaries (such applicable entity, the "Employer") through each applicable Measurement Date, the Units of each Tranche shall become non-forfeitable and shall vest based on the Company's TSR Performance (as defined below) for the Measurement Period for such Tranche, as described below (the "Performance Goal").

(a) For each Tranche, the Annualized TSR for the Company and the Annualized TSR for each company in the Comparator Group shall be calculated for the Measurement Period for such Tranche. Based on such calculation, a percentile rank for the Company's Annualized TSR relative to the Annualized TSR of each company in the Comparator Group ("TSR Performance") shall be calculated, and the "Vesting Percentage" for such Tranche shall be determined based on such percentile rank according to the table below, but subject to the caps provided in Section 2(b). Such determination shall be made as soon as reasonably practicable after, but in no event later than 20 days after, the end of the applicable Measurement Period. On the Vesting Date for such Tranche, a number of Units equal to the product of (A) the number of Units in such Tranche multiplied by (B) the Vesting Percentage for such Tranche, shall become non-forfeitable and shall vest.

Percentile Rank of Company's Annualized TSR relative to Annualized TSR of Comparator Group	Vesting Percentage
25th percentile or less	0%
Greater than 25th percentile and up to 55th percentile	Determined by linear interpolation between 0% and 100%. For example, the Vesting Percentage for the 35th percentile shall be 33⅓% and the Vesting Percentage for the 45th percentile shall be 66⅔%.
55th percentile	100%
Greater than 55th percentile and up to 75th percentile	Determined by linear interpolation between 100% and 200%. For example, the Vesting Percentage for the 60th percentile shall be 125% and the Vesting Percentage for the 70th percentile shall be 175%.
75th percentile or greater	200%

Solely for purposes of illustration, the table directly below serves to provide an example calculation for the number of Units that would vest in respect of a given Tranche if the Comparator Group for a Measurement Period consisted of ten companies, with the middle column showing a hypothetical Annualized TSR performance of the Company and each other company in the Comparator Group and the rightmost column showing the percentile rank of the Company and each other company in the Comparator Group:

	Annualized TSR (%)	Percentile Rank
Comparator A	11	9.09
Comparator B	13	18.18
Comparator C	18	27.27
Comparator D	22	36.36
Company	25	45.45
Comparator E	28	54.54
Comparator F	30	63.63
Comparator G	40	72.72
Comparator H	45	82.82
Comparator I	47	91.91
Comparator J	48	100

In this example, the Vesting Percentage corresponding to the percentile rank of 45.45 would be calculated as:

$$(45.45 - 25) / (55 - 25)$$

or approximately 68.16667%.

(b) The Vesting Percentage shall be subject to the following caps: (i) if the Company's Annualized TSR for the Measurement Period for any Tranche is negative, then the Vesting Percentage for such Tranche shall be capped at 100% and (ii) the Vesting Percentage for any Tranche shall not exceed 200%.

(c) If the Company has a Change in Control during the Performance Period, then, subject to Section 2(b)(ii) but notwithstanding any other provision herein to the contrary, (i) each Measurement Period that has not ended before the effective date of such Change in Control will end as of the effective date of such Change in Control, (ii) each Measurement Date that has not occurred prior to the effective date of such Change in Control shall be deemed to be the effective date of such Change in Control, (iii) the Performance Period shall end as of the effective date of such Change in Control; (iv) the Vesting Percentage for each Tranche that has not already vested shall be determined as soon as reasonably practicable after, but in no event later than 20 days after, the effective date of such Change in Control and the Vesting Date for each such Tranche shall occur as soon as reasonably practicable after such determination; and (v) the Vesting Percentage for each such Tranche shall be not less than 100%.

(d) Definitions. For purposes hereof,

(i) "Annualized TSR" means total shareholder return (assuming reinvestment of all dividends), computed on an annualized basis for any Measurement Period (or applicable portion thereof, in the case of a company that is added to the Comparator Group after a Measurement Period has begun). The Annualized TSR for the Company for any Measurement Period shall be determined using (A) the VWAP for the Common Stock for the 30 days ended December 31, [2022] and (B) the VWAP for the Common Stock for the 30 days ending on the last day of such Measurement Period. The Annualized TSR of each company in the Comparator Group for any Measurement Period shall be determined using (A) the VWAP of such company for the 30 days ended December 31, [2022] (or, for any newly public company that is added to the Comparator Group, for the 30 days ended December 31 of the year immediately preceding the year in which such company is added) and (B) the VWAP of such company for the 30 days ending on the last day of such Measurement Period; provided, however, that for purposes of this clause (B), if such VWAP cannot be calculated within 20 days after the end of any Measurement Period, then the average of closing stock prices for such company for the 30 days ending on the last day of such Measurement Period shall be used instead of the VWAP for such company. Each Comparator Group company in the Index shall be weighted equally.

(ii) "Comparator Group" means a group of publicly traded IT / cloud services companies which shall initially consist of the following companies:

Infosys Limited	Tata Consultancy Services Limited	Mphasis Ltd.
Wipro Limited	International Business Machines Corporation	Globant S. A.
Cognizant Technology Solutions Corporation	EPAM Systems, Inc.	VMware, Inc.
Accenture plc	Thoughtworks Holding, Inc.	

The composition of the Comparator Group is subject to adjustment as follows: (A) the Committee may, in its sole discretion, add IT / cloud services companies that become publicly traded during the Performance Period, but any such company may be added to the Comparator Group only as January 1 of a year that commences after such company becomes publicly traded; and (B) any company in the Comparator Group that is acquired or otherwise ceases to be publicly traded during a Measurement Period shall be removed from the Comparator Group for all Measurement Periods in which the date of such acquisition or cessation occurs (for example, a company that is acquired after the end of the First Tranche Management Period but before the end of the Second Tranche Measurement Period shall be removed from the Comparator Group for the Second Tranche Measurement Period and the Third Tranche Measurement Period).

(iii) "Grant Value" means the VWAP for the Common Stock for the 30 days ended March 16, 2023.

(iv) "Measurement Date" means (subject to Section 2(c)) each of (A) for the First Tranche, December 31, [2023], (B) for the Second Tranche, December 31, [2024] and (C) for the Third Tranche, December 31, [2025];

(v) "Measurement Period" means (subject to Section 2(c)) each of (A) for the First Tranche, the period from the January 1, [2023] through December 31, [2023] (the "First Tranche Measurement Period"), (B) for the Second Tranche, the period from January 1, [2023] through December 31, [2024] (the "Second Tranche Measurement Period") and (C) for the Third Tranche, the period from January 1, [2023] through December 31, [2025] (the "Third Tranche Measurement Period").

(vi) "Performance Period" means (subject to Section 2(c)) the period commencing January 1, [2023] and ending on (and including) December 31, [2025].

(vii) "Tranche" shall mean each of (A) _______ Units that shall be eligible to vest based on TSR Performance for the First Tranche Measurement Period (the "First Tranche"), (B) _______ Units that shall be eligible to vest based on TSR Performance for the Second Tranche Measurement Period (the "Second Tranche") and (C) _______ Units that shall be eligible to vest based on TSR Performance for the Third Tranche Measurement Period (the "Third Tranche").

(viii) "Vesting Date" shall mean, for each Tranche, the date that is 30 days after the Measurement Date for such Tranche; provided, that the Committee may, in its discretion, accelerate the Vesting Date for any Tranche to a date that is after the calculation of the Vesting Percentage for such Tranche.

(ix) "VWAP" means the volume weighted average price as calculated by a service selected by the Company's Chief People Officer.

(e) Notwithstanding anything contained herein to the contrary and except as may be provided in the Participant's employment or services agreement with the Company or the Company's Executive Change in Control Severance Plan, the Performance Units of any Tranche shall not be eligible for vesting if the Participant has a Termination of Service for any reason before the Measurement Date for such Tranche, and no Tranche of the Performance Units that has a Measurement Date after the date of the Participant's Termination of Service shall vest thereafter (*i.e.*, the Performance Units in such Tranche shall be forfeited immediately). For the avoidance of doubt, if the Participant has a Termination of Service after the Measurement Date for a Tranche of the Performance Units but before the Vesting Date of such Tranche, the Performance Units of such Tranche shall be eligible to vest on such Vesting Date notwithstanding the Participant's Termination of Service. Further, no Tranche (or portion thereof) of the Performance Units that is not vested as of the Vesting Date for such Tranche shall vest thereafter.

Section 3. Settlement of Units. To the extent that any Units vest under this Agreement, the Company will pay the Participant an amount in cash equal to the product of (a) the number of Units vested and payable on the applicable Vesting Date or other vesting event under this Agreement and (b) the Grant Value, subject to withholding of Tax-Related Items pursuant to Section 7 below. The settlement date on which payment of such cash amount will be made to the Participant will be as follows: (A) for the First Tranche, April 1, 2024, (B) for the Second Tranche, April 1, 2025 and (C) for the Third Tranche, April 1, 2026; provided, however, that in the event that the Units vest on a Change in Control pursuant to Section 2(c) or on such other applicable vesting event under this Agreement, settlement of the cash amount due on such vesting of the Units shall be made as soon as practicable after the Change in Control or other applicable vesting event but in no event later than the seventieth (70th) calendar day thereafter, subject to Section 21(b) below, if applicable. Upon such cash settlement, the settled Units shall cease to be credited to the Account.

Section 4. Restriction on Transfer. The Performance Units may not be transferred, pledged, assigned, hypothecated or otherwise disposed of in any way by the Participant, other than as provided in Section 10.3(b) of the Plan. The Performance Units shall not be subject to execution, attachment or similar process. Any attempted assignment, transfer, pledge, hypothecation or other disposition of the Performance Units contrary to the provisions hereof, and the levy of any execution, attachment or similar process upon the Performance Units, shall be null and void and without effect.

Section 5. Participant's Employment or Other Service Relationship. Nothing in this Agreement nor the grant of the Performance Units shall confer upon the Participant any right to continue the Participant's employment or other service relationship with the Company or, if different, the Employer or interfere in any way with the right of the Company or, if different, the Employer to terminate the Participant's employment or other service relationship or to increase or decrease the Participant's compensation at any time. The grant of Performance Units is an exceptional, voluntary and one-time benefit and does not create any contractual or other right to receive any other grant of other Awards (including Performance Units) under the Plan in the future, or benefits in lieu of Performance Units, even if Performance Units have been granted in the past. The grant of the Performance Units does not form or amend part of the Participant's entitlement to remuneration or benefits in terms of his or her employment or other service relationship with the Company or, if different, the Employer, if any, at any time.

Section 6. Termination. For the avoidance of doubt, the Performance Units shall cease vesting and shall be forfeited immediately as of the date of the Participant's Termination of Service, except as otherwise provided in Section 2(e) above.

Section 7. Responsibility for Taxes.

(a) The Participant acknowledges that, regardless of any action taken by the Company or the Employer, the ultimate liability for all income tax, social insurance, payroll tax, fringe benefits tax, payment on account or other tax related items related to the Participant's participation in the Plan and legally applicable to the Participant ("Tax-Related Items") is and remains the Participant's responsibility and may exceed the amount actually withheld by the Company or the Employer. The Participant further acknowledges that the Company and/or the Employer (i) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Performance Units, including, but not limited to, the grant or vesting of the Performance Units, or the receipt of a cash payment acquired pursuant to such vesting; and (ii) do not commit to and are under no obligation to structure the terms of the grant or any aspect of Performance Units to reduce or eliminate the Participant's liability for Tax-Related Items or achieve any particular tax result. The Participant shall not make any claim against the Company, the Employer or any other Subsidiary, or their respective board, officers or employees related to Tax-Related Items arising from the Performance Units. Further, if the Participant is subject to Tax-Related Items in more than one jurisdiction, the Participant acknowledges that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

(b) In connection with any relevant taxable or tax withholding event, as applicable, the Participant agrees to make adequate arrangements satisfactory to the Company and/or the Employer to satisfy all Tax-Related Items. To satisfy any withholding obligations of the Company and/or the Employer with respect to Tax-Related Items, the Company or the Employer will generally withhold cash which would otherwise be payable to the Participant pursuant to the vesting of the Units sufficient to cover the withholding obligation for Tax Related Items. Alternatively, or in addition, the Participant authorizes the Company and/or the Employer, or their respective agents, at their discretion and with no obligation to do so, to satisfy any applicable withholding obligations with regard to Tax-Related Items by one or a combination of the following:

(i) withholding from the Participant's wages or other cash compensation paid to the Participant by the Company, the Employer or any other Subsidiary;

(ii) requiring the Participant to tender a cash payment to the Company or the Employer; and/or

(iii) any other methods approved by the Committee and permitted by applicable laws.

(c) Depending on the withholding method, the Company may withhold or account for Tax-Related Items by considering applicable minimum statutory withholding amounts or other applicable withholding rates, including maximum applicable rates, in which case the Participant may receive a refund of any over-withheld amount or, if not refunded, the Participant may seek a refund from the local tax authorities. Finally, the Participant agrees to pay to the Company or the Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold or account for as a result of the Participant's participation in the Plan that cannot be satisfied by the means previously described. The Company may refuse to deliver the cash payment if the Participant fails to comply with his or her obligations in connection with the Tax-Related Items.

Section 8. Nature of Grant. In accepting the Performance Units, the Participant acknowledges, understands and agrees that:

(a) the Plan is established voluntarily by the Company, it is discretionary in nature, and may be modified, amended, suspended or terminated by the Company at any time, to the extent permitted by the Plan;

(b) all decisions with respect to future Performance Units or other grants, if any, will be at the sole discretion of the Company;

(c) the Participant is voluntarily participating in the Plan;

(d) the Performance Units and any cash payment acquired upon vesting, and the income and value of same, are not intended to replace any pension rights or compensation;

(e) the Performance Units and any cash payment acquired upon vesting, and the income and value of same, are not part of normal or expected compensation for any purpose, including, without limitation, for purposes of calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, bonuses, long-service awards, leave-related payments, holiday pay, pension or retirement or welfare benefits or similar mandatory payments;

(f) unless otherwise agreed with the Company, the Performance Units and the income and value of same, are not granted as consideration for, or in connection with, the service the Participant may provide as a director of any Subsidiary;

(g) no claim or entitlement to compensation or damages shall arise from forfeiture of the Performance Units resulting from a Termination of Service (for any reason whatsoever, whether or not later found to be invalid or in breach of employment laws in the jurisdiction where the Participant is employed or rendering services or the terms of the Participant's employment or service agreement, if any) or from the application of any recoupment or clawback policy or requirement;

(h) unless otherwise provided in the Plan or by the Company in its sole discretion, the Performance Units and the benefits evidenced by this Agreement do not create any entitlement to have the Performance Units or any such benefits transferred to, or assumed by, another company nor to be exchanged, cashed out or substituted for, in connection with any corporate transaction;

(i) neither the Company, the Employer nor any other Subsidiary or Affiliate shall be liable for any foreign exchange rate fluctuation between the Participant's local currency and the United States Dollar that may affect the value of the Performance Units or of any amounts due to the Participant pursuant to the vesting of the Performance Units; and

(j) the Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding the Participant's participation in the Plan. The Participant should consult with his or her personal tax, legal and financial advisors regarding his or her participation in the Plan before taking any action related to the Plan.

Section 9. Adjustment of Performance Goals. The Committee shall have the right to adjust or modify the calculation of the Performance Goals as permitted under the Plan or contemplated herein. In addition, the Performance Goals and the calculated level of achievement of the Performance Goals may be equitably adjusted from time to time in any manner that the Committee deems necessary or appropriate in its sole discretion. For instance, adjustments may be made to take account of (i) subject to Section 2(c), any acquisitions, divestitures, reorganization, restructuring, or any other specific unusual or nonrecurring events or conditions that occur during the Performance Period, and/or (ii) any changes in tax laws, accounting principles, or other laws or regulatory rules affecting reported results, including such changes that result in gains, losses or expenses determined to be extraordinary or unusual in nature or infrequent in occurrence, in each case, affecting the Company or any of its subsidiaries or the financial statements of the Company or any of its subsidiaries.

Section 10. ***Data Privacy Consent.***

The Company is located at 1 Fanatical Place, Windcrest, TX 78218, USA and grants employees of the Company and its other Subsidiaries and Affiliates, the opportunity to participate in the Plan, at the Company's sole discretion. If the Participant would like to participate in the Plan, the Participant understands that he or she should review the following information about the Company's data processing practices and declare his or her consent.

(a) *Data Collection and Usage. The Company collects, processes and uses the Participant's personal data, including, but without limitation, name, home address and telephone number, date of birth, social insurance number or other identification number (e.g., resident registration number), passport number, salary, citizenship, job title, any shares of Common Stock or directorships held in the Company, and details of all awards, canceled, vested, or outstanding in the Participant's favor, which the Company receives from the Participant or the Participant's Employer. If the Company offers the Participant the opportunity to participate in the Plan, then the Company will collect the Participant's personal data for purposes of allocating stock and implementing, administering and managing the Plan. The Company's legal basis for the processing of the Participant's personal data would be the Participant's consent.*

(b) *Stock Plan Administration Service Providers. The Company transfers participant data to E*Trade, an independent service provider based in the United States, which assists the Company with the implementation, administration and management of the Plan, and if the Participant's Performance Units vest, the Company may transfer personal data to Computershare, an independent service provider based in the United States, which assists the Company with its stock administration. In the future, the Company may select different service provider(s) and share the Participant's personal data with another company that serves in similar capacities. The Company's service providers may open an account for the Participant. The Participant will be asked to agree on separate terms and data processing practices with the applicable service providers, which, as it relates to Plan administration service provider, is a condition to the Participant's ability to participate in the Plan.*

(c) *International Data Transfers. The Company and its service providers are based in the United States. If the Participant is outside of the United States, the Participant should note that his or her country may have enacted data privacy laws that are different from the United States.*

(d) *Data Retention. The Company will use the Participant's personal data only as long as is necessary to implement, administer and manage the Participant's participation in the Plan or as required to comply with legal or regulatory obligations, including under tax and security laws. When the Company no longer needs the Participant's personal data, the Company will remove it from it from its systems.*

(e) *Voluntariness and Consequences of Consent Denial or Withdrawal. The Participant's participation in the Plan and the Participant's grant of consent is purely voluntary. The Participant may deny or withdraw his or her consent at any time. If the Participant does not consent, or if the Participant withdraws his or her consent, the Participant cannot participate in the Plan. This would not affect the Participant's salary as an employee; the Participant would merely forfeit the opportunities associated with the Plan.*

(f) *Data Subject Rights. The Participant has a number of rights under data privacy laws in his or her country. Depending on where the Participant is based, his or her rights may include the right to (i) request access or copies of personal data the Company processes, (ii) rectification of incorrect data, (iii) deletion of data, (iv) restrictions on processing, (v) portability of data, (vi) to lodge complaints with competent authorities in the Participant's country, and/or (vii) a list with the names and addresses of any potential recipients of the Participant's personal data. To receive clarification regarding the Participant's rights or to exercise his or her rights, the Participant should please contact the Company at Attn: Stock Plan Administrator, 1 Fanatical Place, Windcrest, TX 78218, USA.*

(g) *The Participant also understands that the Company may rely on a different legal basis for the processing or transfer of data in the future and/or request the*

Participant to provide another data privacy consent. If applicable and upon request of the Company, the Participant agrees to provide an executed acknowledgement or data privacy consent form to the Company or the Employer (or any other acknowledgements, agreements or consents) that the Company and/or the Employer may deem necessary to obtain under the data privacy laws in the Participant's country, either now or in the future. The Participant understands that he or she will not be able to participate in the Plan if the Participant fails to execute any such acknowledgement, agreement or consent requested by the Company and/or the Employer.

Section 11. Electronic Delivery and Acceptance. The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. The Participant hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

Section 12. Language. The Participant acknowledges that he or she is sufficiently proficient in English to understand the terms and conditions of this Agreement. Furthermore, if the Participant has received this Agreement, or any other document related to the Performance Units and/or the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control unless otherwise required by applicable laws.

Section 13. Repayment of Awards. Consistent with Section 10.5 of the Plan, if, after the cash payment is made to the Participant the Company is required to restate previously reported financial results for any Measurement Period for which performance is measured for this grant, the Committee will require the Participant to repay any amounts paid in excess of the amounts that would have been paid based on the restated financial results. The Committee will issue a written notice of repayment documenting the corrected calculation and the amount and terms of repayment. The Participant must repay the amount specified in the notice of repayment. The Committee may, in its discretion, reduce a future payout as necessary to recoup any amounts outstanding under a previously issued notice of repayment. Further, for the avoidance of doubt, the Units and any cash paid thereunder are also subject to forfeiture and recoupment to the extent set forth in Section 10.5 of the Plan.

Section 14. Imposition of Other Requirements. The Company reserves the right to impose other requirements on the Participant's participation in the Plan, on the Performance Units and on any cash payment upon vesting of the Performance Units, to the extent the Company determines it is necessary or advisable for legal or administrative reasons, and to require the Participant to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

Section 15. Notices. All notices, claims, certificates, requests, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given and delivered if personally delivered or if sent by an internationally recognized overnight courier, by facsimile, by email, or by registered or certified mail, return receipt requested and postage prepaid, addressed as follows:

If to the Company, to it at its current executive offices and to:

1 Fanatical Place
City of Windcrest
San Antonio, Texas 78218
Attn: Chief Legal Officer
Legalnotice@rackspace.com

If to the Participant, to him or her at the address set forth on the signature page hereto or to such other address as the party to whom notice is to be given may have furnished to the other party in writing in accordance herewith.

Any such notice or communication shall be deemed to have been received (a) in the case of personal delivery, on the date of such delivery (or if such date is not a business day, on the next business day after the date of delivery), (b) in the case of internationally recognized overnight courier, on the next business day after the date sent, (c) in the case of facsimile transmission, when received (or if not sent on a business day, on the next business day after the date sent), (d) in the case of email, when transmitted via email (in each case, if no "system error" or other notice of non-delivery is generated) to the applicable party and its legal counsel set forth above, and (e) in the case of mailing, on the third business day following that on which the piece of mail containing such communication is posted.

Section 16. Waiver of Breach. The waiver by either party of a breach of any provision of this Agreement must be in writing and shall not operate or be construed as a waiver of any other or subsequent breach.

Section 17. Participant's Undertaking. The Participant hereby agrees to take whatever additional actions and execute whatever additional documents the Company may in its reasonable judgment deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on the Participant pursuant to the express provisions of this Agreement and the Plan.

Section 18. Modification of Rights. The rights of the Participant are subject to modification and termination in certain events as provided in this Agreement and the Plan (with respect to the Performance Units granted hereby). Notwithstanding the foregoing, the Participant's rights under this Agreement and the Plan may not be impaired without the Participant's consent.

Section 19. Governing Law; Dispute Resolution.

(a) NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN ANY SERVICE AGREEMENT, THIS AGREEMENT WILL BE GOVERNED BY AND CONSTRUED EXCLUSIVELY IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE, WITHOUT GIVING EFFECT TO ANY CHOICE OF LAW OR CONFLICTING PROVISION OR RULE (WHETHER OF THE STATE OF DELAWARE OR ANY OTHER JURISDICTION) THAT WOULD CAUSE THE LAWS OF ANY JURISDICTION OTHER THAN THE STATE OF DELAWARE TO BE APPLIED. IN FURTHERANCE OF THE FOREGOING, THE INTERNAL LAW OF THE STATE OF DELAWARE WILL CONTROL THE INTERPRETATION AND CONSTRUCTION OF THIS AGREEMENT, EVEN IF UNDER SUCH JURISDICTION'S CHOICE OF LAW OR CONFLICT OF LAW ANALYSIS, THE SUBSTANTIVE LAW OF SOME OTHER JURISDICTION WOULD ORDINARILY APPLY.

(b) Notwithstanding anything to the contrary set forth in the Plan, the Company and the Participant agree that any suit, action or proceeding brought by or against a party in connection with this Agreement or Executive's employment with or separation from the Company shall be brought solely in the state districts courts of Texas. Each party expressly and irrevocably consents and submits to the jurisdiction, forum, and venue of such courts in connection with any such legal proceedings, including to enforce this Agreement or its/his rights or obligations hereunder, and both parties agree to accept service of process by the other party or any of its agents in connection with any such proceeding.

Section 20. Exchange Control, Tax And/Or Foreign Asset/Account Reporting. The Participant acknowledges that, depending on his or her country, the Participant may be subject to foreign asset/account, exchange control and/or tax reporting requirements as a result of the acquisition, holding and/or transfer of cash derived from his or her participation in the Plan, in, to and/or from a brokerage/bank account or legal entity located outside the Participant's country. The applicable laws of the Participant's country may require that the Participant report such accounts, assets, the balances therein, the value thereof and/or the transactions related thereto to the applicable authorities in such country. The Participant acknowledges that he or she is responsible for ensuring compliance with any applicable foreign asset/account, exchange control and tax reporting requirements and is advised to consult his or her personal legal advisor on this matter.

Section 21. Section 409A.

(a) It is the intent of this Agreement that it and all payments and benefits hereunder be exempt from, or comply with, the requirements of Section 409A so that none of the Performance Units provided under this Agreement or cash payment thereunder will be subject to the additional tax imposed under Section 409A, and any ambiguities herein will be interpreted to be so exempt or so comply. Each payment payable under this Agreement is intended to constitute a separate payment for purposes of Treasury Regulation Section 1.409A-2(b)(2).

(b) This paragraph applies only if the Company determines that Participant is a "specified employee," as defined in the regulations under Section 409A at the time of Participant's "separation from service," as defined in Treasury Regulation Section 1.409A-1(h), and it is determined that settlement of these Units is not exempt from Section 409A. If this paragraph applies, and the event triggering settlement is Participant's "separation from service," then any Units that otherwise would have been settled during the first six months following Participant's "separation from service" will instead be settled on the first business day following the earlier of (i) the six-month anniversary of Participant's separation from service or (ii) Participant's death.

Section 22. Counterparts. This Agreement may be executed in one or more counterparts, and each such counterpart shall be deemed to be an original, but all such counterparts together shall constitute but one agreement.

Section 23. Entire Agreement. This Agreement and the Plan (and the other writings referred to herein) constitute the entire agreement between the parties with respect to the subject matter hereof and thereof and supersede all prior written or oral negotiations, commitments, representations and agreements with respect thereto.

Section 24. Severability. It is the desire and intent of the parties hereto that the provisions of this Agreement be enforced to the fullest extent permissible under the laws and public policies applied in each jurisdiction in which enforcement is sought. Accordingly, if any particular provision of this Agreement shall be adjudicated by a court of competent jurisdiction to be invalid, prohibited or unenforceable for any reason, such provision, as to such jurisdiction, shall be ineffective, without invalidating the remaining provisions of this Agreement or affecting the validity or enforceability of such provision in any other jurisdiction. Notwithstanding the foregoing, if such provision could be more narrowly drawn so as not to be invalid, prohibited or unenforceable in such jurisdiction, it shall, as to such jurisdiction, be so narrowly drawn, without invalidating the remaining provisions of this Agreement or affecting the validity or enforceability of such provision in any other jurisdiction.

Section 25. Enforcement. In the event the Company or the Participant institutes litigation to enforce or protect its rights under this Agreement or the Plan, each party shall be solely responsible for all attorneys' fees, out-of-pocket costs and disbursements it incurs relating to such litigation.

Section 26. Waiver of Jury Trial. EACH PARTY HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT THAT IT MAY LEGALLY AND EFFECTIVELY DO SO, TRIAL BY JURY IN ANY SUIT, ACTION OR PROCEEDING ARISING HEREUNDER.

Section 27. Required Acceptance; Termination of Prior Agreement. If the Participant does not agree (whether electronically or otherwise) to this Agreement within thirty (30) days from the Grant Date of the Performance Units, the Performance Units shall be terminable by the Company.

[*Signature page follows*]

IN WITNESS WHEREOF, the parties hereto have executed this Cash-Settled Performance Unit Agreement as of the date first written above.

RACKSPACE TECHNOLOGY, INC.

By: ____________________________

Name:

Title:

PARTICIPANT

____

[name]

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO RULE 13a-14(a) OR 15d-14(a)
OF THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Amar Maletira, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Rackspace Technology, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected or is reasonably likely to materially affect the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date:	May 10, 2023	By:	/s/ Amar Maletira
			Amar Maletira
			Chief Executive Officer; Director
			(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO RULE 13a-14(a) OR 15d-14(a)
OF THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Bobby Molu, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Rackspace Technology, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected or is reasonably likely to materially affect the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date:	May 10, 2023	By:	/s/ Bobby Molu
			Bobby Molu
			Executive Vice President and Chief Financial Officer
			(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Amar Maletira, Chief Executive Officer of Rackspace Technology, Inc. (the "Company"), certify pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

1. The Quarterly Report on Form 10-Q of the Company for the quarter ended March 31, 2023 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Rackspace Technology, Inc.

Date:	May 10, 2023	By:	/s/ Amar Maletira
			Amar Maletira
			Chief Executive Officer; Director
			(Principal Executive Officer)

Exhibit 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Bobby Molu, Executive Vice President and Chief Financial Officer of Rackspace Technology, Inc. (the “Company”), certify pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

1. The Quarterly Report on Form 10-Q of the Company for the quarter ended March 31, 2023 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Rackspace Technology, Inc.

Date:	May 10, 2023	By:	/s/ Bobby Molu
			Bobby Molu
			Executive Vice President and Chief Financial Officer
			(Principal Financial Officer)