

Rackspace Technology

2nd Quarter 2022
Earnings Presentation

August 9, 2022

Disclaimer

Forward-Looking Statements

Rackspace Technology has made statements in this presentation and other reports, filings, and other public written and verbal announcements that are forward-looking and therefore subject to risks and uncertainties. All statements, other than statements of historical fact, included in this document are, or could be, “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 and are made in reliance on the safe harbor protections provided thereunder. These forward-looking statements relate to anticipated financial performance, management’s plans and objectives for future operations, business prospects, outcome of regulatory proceedings, market conditions, our ability to successfully respond to the challenges posed by the COVID-19 pandemic, and other matters. Any forward-looking statement made in this presentation speaks only as of the date on which it is made. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future developments or otherwise. Forward-looking statements can be identified by various words such as “expects,” “intends,” “will,” “anticipates,” “believes,” “confident,” “continue,” “propose,” “seeks,” “could,” “may,” “should,” “estimates,” “forecasts,” “might,” “goals,” “objectives,” “targets,” “planned,” “projects,” and similar expressions. These forward-looking statements are based on management’s current beliefs and assumptions and on information currently available to management. Rackspace Technology cautions that these statements are subject to risks and uncertainties, many of which are outside of our control, and could cause future events or results to be materially different from those stated or implied in this document, including among others, risk factors that are described in Rackspace Technology, Inc.’s Registration Statement on Form S-1, Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and other filings with the Securities and Exchange Commission, including the sections entitled “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” contained therein.

Non-GAAP Measures

To provide investors with additional information in connection with our results as determined in accordance with generally accepted accounting principles in the United States (“GAAP”), we disclose Non-GAAP EPS, Non-GAAP Operating Profit, Non-GAAP Net Income, and Adjusted EBITDA as non-GAAP financial measures. These non-GAAP financial measures are not measures of financial performance in accordance with GAAP and may exclude items that are significant in understanding and assessing our financial results. Therefore, these measures should not be considered in isolation or as an alternative or superior to GAAP measures. You should be aware that our presentation of these measures may not be comparable to similarly-titled measures used by other companies. Reconciliations of each non-GAAP financial measure to the applicable most comparable GAAP measure can be found in the Appendix.

We present these non-GAAP financial measures to provide investors with meaningful supplemental financial information, in addition to the financial information presented on a GAAP basis. Rackspace Technology management believes that excluding items such as the impacts from foreign currency rate fluctuations on our international business operations or certain costs, losses and gains 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. Rackspace Technology management believes the non-GAAP measures provided are also considered important measures by financial analysts covering Rackspace Technology as equity research analysts continue to publish estimates and research notes based on our non-GAAP commentary.

Amounts on subsequent pages may not add due to rounding.



Kevin Jones
Chief Executive Officer



Amar Maletira
President and Chief Financial Officer

Agenda



**Summary results
and RXT overview**
Kevin Jones



Financial results
Amar Maletira



Q&A Session

Q2 2022 key messages



Continued Cloud market growth

- Rackspace Technology is well-positioned as the pure play cloud solutions company



Strong Q2 Profitability

- Key profitability metrics at high end of Q2 expectations



Solid Cash Flow

- Sixth consecutive quarter of positive operating and free cash flow



Strategic Repositioning

- Continued progress to accelerate Public Cloud and optimize Private Cloud

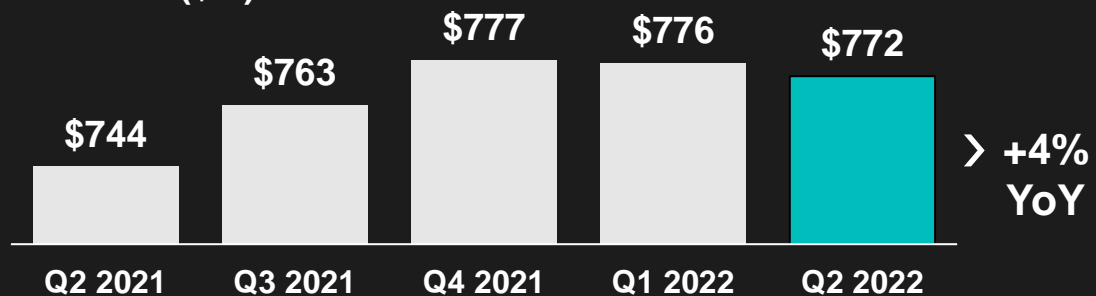


Enhanced Partnerships

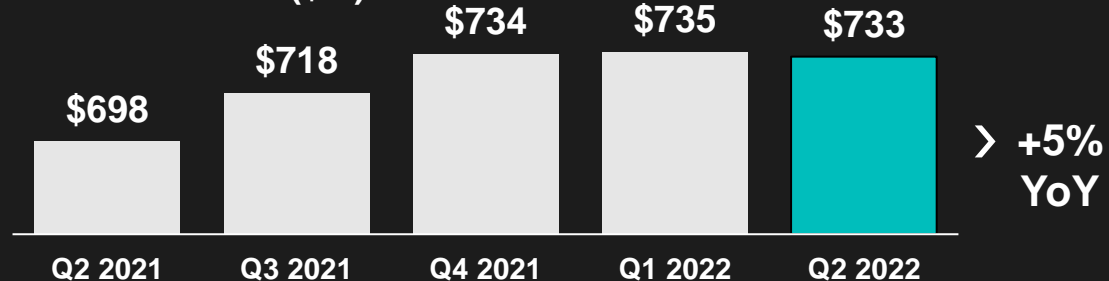
- Additional products and services announced that strengthen our partnerships with hyperscalers and other leading cloud companies

Q2 2022 results at-a-glance

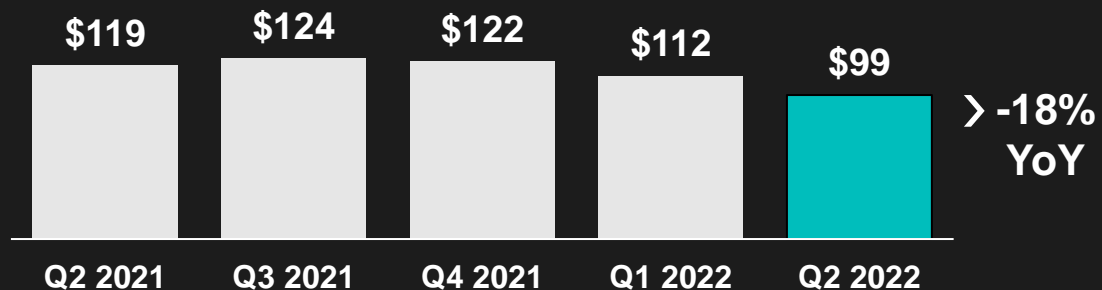
Revenue (\$M)



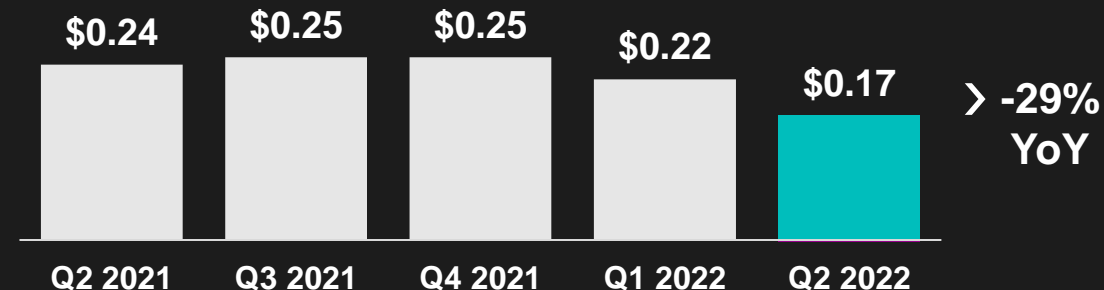
Core Revenue (\$M)



Non-GAAP Operating Profit (\$M)



Non-GAAP EPS



STRONG SECOND QUARTER BOOKINGS

Two lines of business



PUBLIC CLOUD

Secular growth market

CAPEX light

Services-centric

Investments for growth

Objective: Hypergrowth

KEY FOCUS:

- Services across infrastructure, applications, data and security
- IP-based service offerings and automation

Q2 Progress

Positive feedback from customers and partners

Solidified go-forward organization structure

Named leader for Public Cloud



PRIVATE CLOUD

Mature/low growth market

CAPEX heavy

Product-centric

Investments to optimize/automate

Objective: Stability

KEY FOCUS:

- Infrastructure and infrastructure-as-a-service
- Technology-based solutions and automation

DK SINHA

to lead Rackspace Technology's Public Cloud business



- Named President, Public Cloud Business Unit
- Entrepreneurial growth leader
- Three decades of global expertise in technology and digital transformation
- Prior experience at Cognizant and Tata Consultancy Services
- Extensive general management and leadership experience
- ESG: served as founding President of the Cognizant US Foundation – a foundation with a specific focus on STEM education across North America

New products and partnerships



- Launched Rackspace Elastic Engineering for Government
- Extended Just Analytics offerings to the AWS platform
- Incorporated Data Cloud capabilities from Snowflake and Databricks into offerings
- Introduced new Zero Trust Security offerings with CloudFlare

Continued to nurture our unique culture



- Certified as a Most Loved Workplace
- Received “Inspiring Workplaces” award for 2022 in both EMEA and North America
- Rackspace employees earned 894 certifications through Rackspace Technology University in Q2

Enhanced hyperscaler partnerships



- Recognized as one of the top AWS partners in the Mexico market
- Joined Microsoft Intelligent Security Association
- Renewed designation as a Google Cloud Managed Services Provider in Latin America
- Refreshed Cloud Application and Database Migration and Modernization services with hyperscalers

BMG accelerates cloud migration to meet data demands as music consumption booms.

Challenge

With music consumption reaching new highs via streaming platforms and record amounts of data being processed, BMG needed a cloud solution that solved its scaling challenges and could power its data-heavy business.

Solution

Managed Public Cloud – Google Cloud Platform™; Professional Services – Migration; Data – DBA Services

Result

By migrating 70% of its applications to Google Cloud, BMG has achieved significant savings by running workloads in the cloud compared to on-premises, with these savings expected to grow over time.



“I haven’t seen this speed of migration before, and neither has anyone in my whole professional network.”

Gaurav Mittal, Vice President IT & Systems, BMG

Rackspace Technology selected as strategic deployment partner for VMware Secure Access Service Edge (SASE) platform

Challenge

VMware needed a global partner to help deploy its SASE Platform globally across 20 data centers so its customers could securely access the benefits of the cloud, including Edge.

Solution

Rackspace Technology Data Center in a Box, featuring a managed service that incorporates colocation infrastructure, compute and support services for hardware, bandwidth, supply chain logistics, global tax entities and support for global alignment.

Result

VMware is able to offer its customers its SASE solution that brings together network performance, integrated security services and the ability to support modern distributed applications.



“Partnerships are key to delivering cloud solutions for the industry’s success and evolution and we are proud to collaborate with Rackspace Technology in this endeavor.”

Agenda



**Summary results
and RXT overview**
Kevin Jones



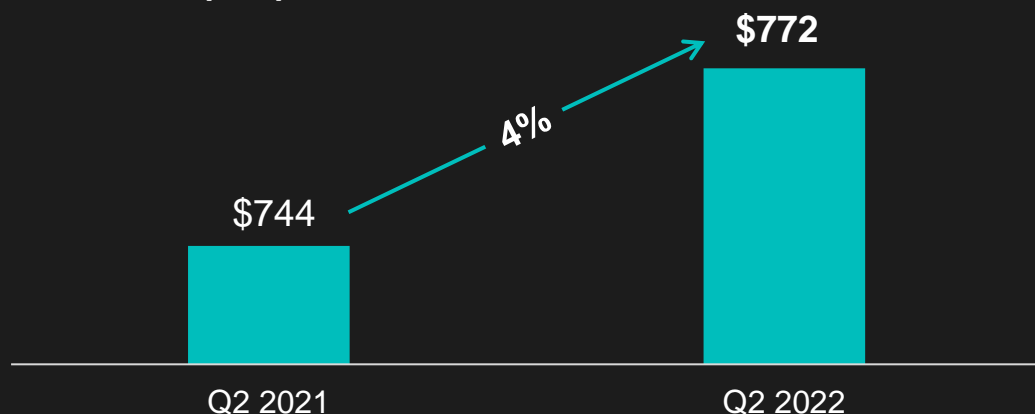
Financial results
Amar Maletira



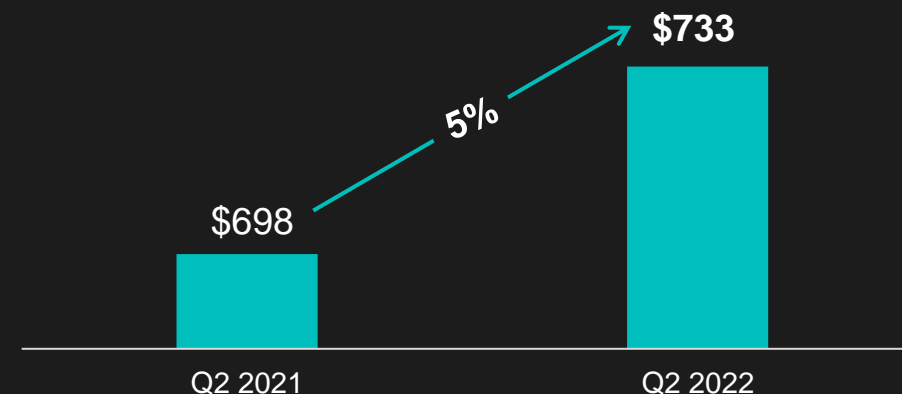
Q&A Session

Q2 2022 financial highlights

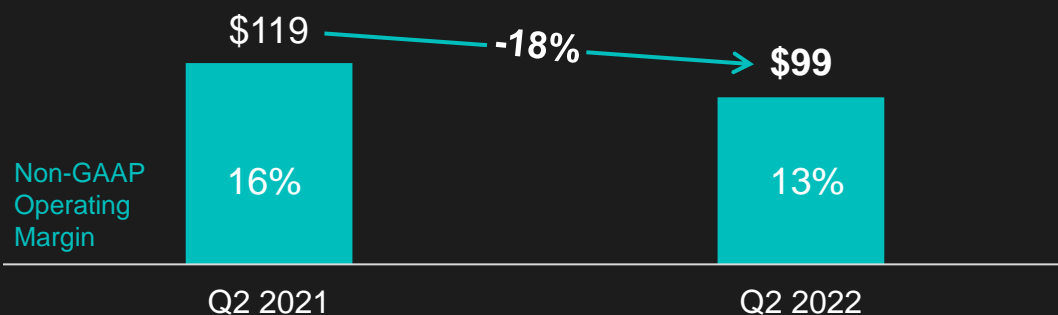
Revenue (\$M)



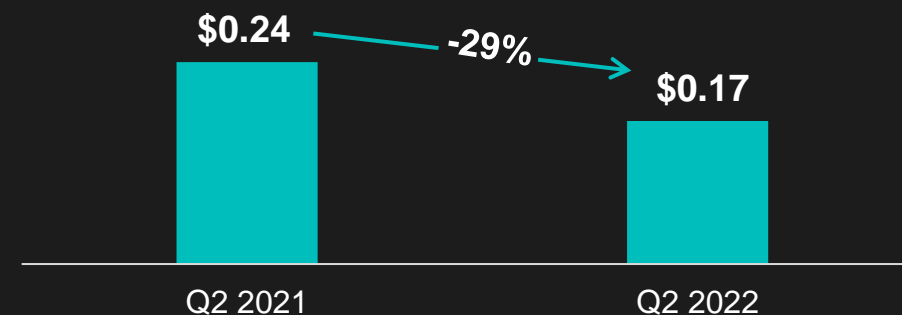
Core Revenue (\$M)



Non-GAAP Operating Profit (\$M)

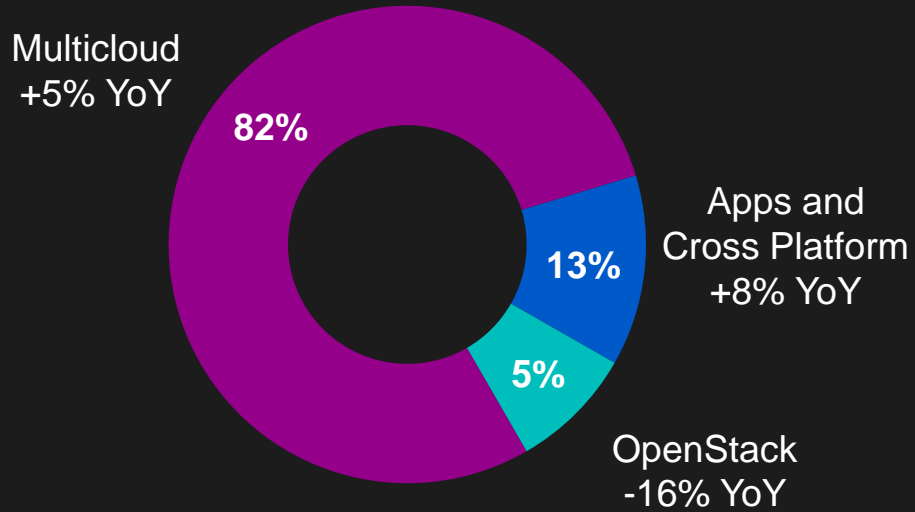


Non-GAAP EPS



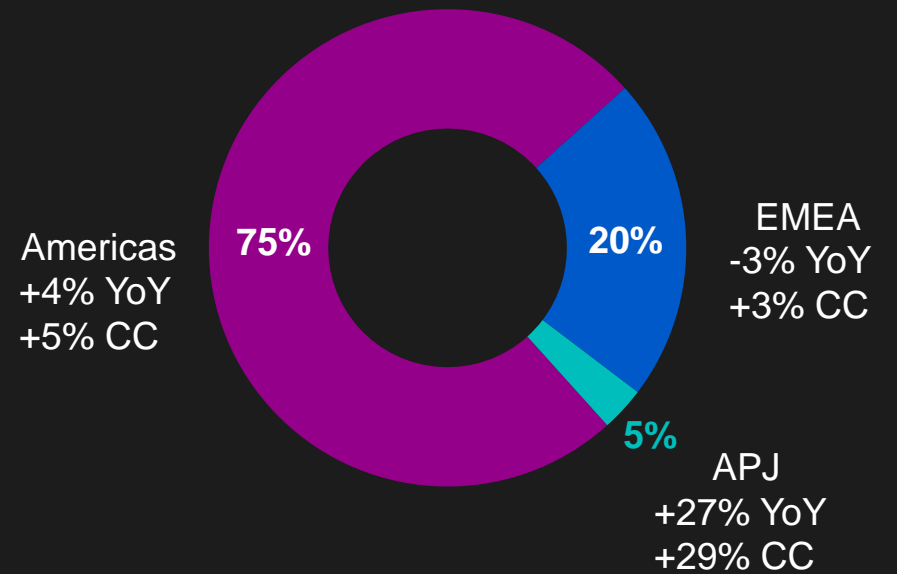
Q2 2022 revenue detail

Revenue by Segment



GROWTH ACROSS BOTH MULTICLOUD
AND APPS & CROSS PLATFORM

Revenue by Geography



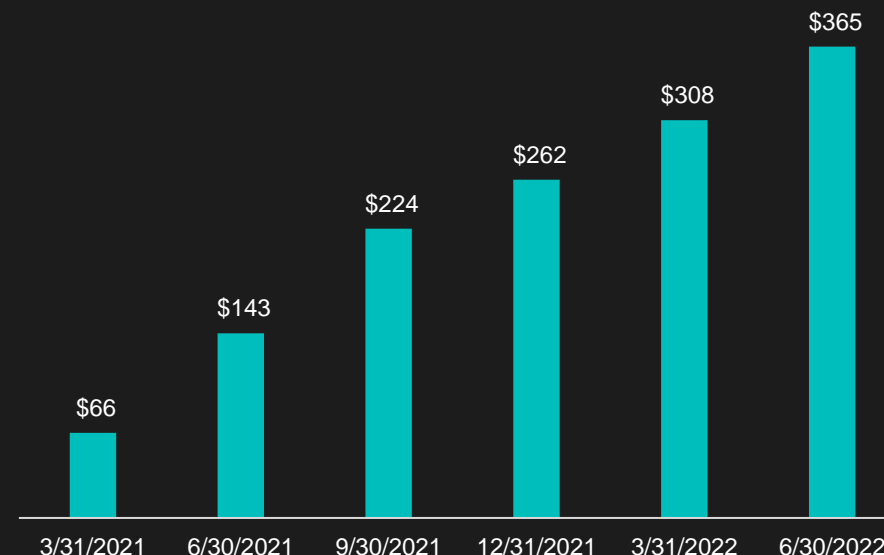
REPORTED REVENUE GROWTH IMPACTED
BY CURRENCY FLUCTUATIONS

Cash flow and balance sheet metrics

QUARTER ENDED 6/30/2022

| | |
|---------------------------------------|---------------|
| Cash Provided by Operating Activities | \$84 million |
| Free Cash Flow | \$57 million |
| Total Capital Expenditures | \$37 million |
| Total CAPEX Intensity | 5% |
| Cash Capital Expenditures | \$27 million |
| Cash CAPEX Intensity | 4% |
| Cash & Cash Equivalents | \$261 million |
| Undrawn Revolving Credit Facility | \$375 million |
| Total Liquidity | \$636 million |

Cumulative Free Cash Flow by Quarter
(in millions)



✓ 18 months cumulative free cash flow totals \$365 million

Note: Refer to Appendix for more information on how we define capital intensity. Free cash flow is a Non-GAAP metric and is presented as cash flow from operations less cash paid for purchases of property, equipment and software. Refer to Appendix for a reconciliation of Free Cash Flow to the most comparable GAAP measure.

Debt structure highlights

Debt & Related Maturities:

\$3.4B

Term loan: L+2.75% Libor Floor

\$2.3B

Senior secured notes: 3.50%

\$550M

Senior notes: 5.375%

\$550M

Total debt \$3.4B,
Net Debt \$3.1B

Manageable
leverage ratio

No material debt
maturities until 2028

No significant
debt covenants

2022 2023 2024 2025 2026 2027 2028

Note: Quarterly principal payments of approximately \$5.75 million on the Term Loan are not reflected in the maturity chart.

Outlook

Q3 2022

| | |
|---|-------------------------|
| Revenue | \$769 - \$779 million |
| Core Revenue | \$733 - \$741 million |
| Non-GAAP Operating Profit | \$73 - \$77 million |
| Non-GAAP EPS | \$0.08 - \$0.10 |
| Non-GAAP Other Income (Expense) | (\$49) – (\$51) million |
| Non-GAAP Tax Expense Rate | 26% |
| Non-GAAP Weighted Average Shares | 210 – 212 million |

NOTE: Refer to Appendix for more information on how we define Core, Non-GAAP Tax Expense Rate, and Non-GAAP Weighted Average Shares. In 2022, Non-GAAP Other Income and Expense is only expected to include interest expense.

Agenda



Summary results
and RXT overview
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Financial results
Amar Maletira



Q&A Session

Appendix

Non-GAAP Gross Profit Reconciliation

| <i>(In millions)</i> | Q2 2021 | Q3 2021 | Q4 2021 | Q1 2022 | Q2 2022 |
|---|----------------|----------------|----------------|----------------|----------------|
| GAAP Gross Profit | \$235.5 | \$231.7 | \$234.3 | \$226.0 | \$224.0 |
| Share-based compensation expense | 4.3 | 4.0 | 3.5 | 2.8 | 3.4 |
| Other compensation expense | 0.4 | 0.4 | 0.6 | 0.8 | 0.4 |
| Purchase accounting impact on expense | 1.2 | 1.2 | 1.1 | 0.7 | 0.8 |
| Restructuring and transformation expenses | 8.7 | 13.0 | 6.6 | 5.3 | 3.1 |
| Total Adjustments | \$14.6 | \$18.6 | \$11.8 | \$9.6 | \$7.7 |
| Non-GAAP Gross Profit | \$250.1 | \$250.3 | \$246.1 | \$235.6 | \$231.7 |

Non-GAAP Net Income Reconciliation

| <i>(In millions)</i> | Q2 2021 | Q3 2021 | Q4 2021 | Q1 2022 | Q2 2022 |
|--|---------------|---------------|---------------|---------------|---------------|
| Net loss | \$(36.6) | \$(34.8) | \$(82.9) | \$(38.5) | \$(40.6) |
| Share-based compensation expense | 20.4 | 19.1 | 18.7 | 17.0 | 23.1 |
| Special bonuses and other compensation expense | 3.0 | 2.1 | 2.7 | 3.4 | 2.4 |
| Transaction-related adjustments, net | 6.9 | 6.5 | 3.9 | 5.3 | 1.9 |
| Restructuring and transformation expenses | 39.1 | 55.2 | 28.6 | 23.3 | 24.9 |
| Impairment of goodwill | - | - | 52.4 | - | - |
| Net (gain) loss on divestiture and investments | (0.1) | - | (0.6) | 0.1 | 0.2 |
| Debt modification and extinguishment costs | 0.5 | - | - | - | - |
| Other (income) expense, net | (0.6) | (0.1) | (0.1) | 3.6 | 5.9 |
| Amortization of intangible assets | 47.1 | 43.9 | 42.3 | 42.2 | 42.2 |
| Tax effect of non-GAAP adjustments | (28.8) | (38.3) | (12.1) | (10.5) | (24.5) |
| Non-GAAP Net Income | \$50.9 | \$53.6 | \$52.9 | \$45.9 | \$35.5 |

Non-GAAP Operating Profit Reconciliation

| <i>(In millions)</i> | Q2 2021 | Q3 2021 | Q4 2021 | Q1 2022 | Q2 2022 |
|--|----------------|----------------|----------------|----------------|---------------|
| Income (loss) from operations | \$2.9 | \$(2.9) | \$(26.7) | \$20.9 | \$4.0 |
| Share-based compensation expense | 20.4 | 19.1 | 18.7 | 17.0 | 23.1 |
| Special bonuses and other compensation expense | 3.0 | 2.1 | 2.7 | 3.4 | 2.4 |
| Transaction-related adjustments, net | 6.9 | 6.5 | 3.9 | 5.3 | 1.9 |
| Restructuring and transformation expenses | 39.1 | 55.2 | 28.6 | 23.3 | 24.9 |
| Impairment of goodwill | - | - | 52.4 | - | - |
| Amortization of intangible assets | 47.1 | 43.9 | 42.3 | 42.2 | 42.2 |
| Total Adjustments | \$116.5 | \$126.8 | \$148.6 | \$91.2 | \$94.5 |
| Non-GAAP Operating Profit | \$119.4 | \$123.9 | \$121.9 | \$112.1 | \$98.5 |

Adjusted EBITDA Reconciliation

| <i>(In millions)</i> | Q2 2021 | Q3 2021 | Q4 2021 | Q1 2022 | Q2 2022 |
|--|----------------|----------------|----------------|----------------|----------------|
| Net loss | \$(36.6) | \$(34.8) | \$(82.9) | \$(38.5) | \$(40.6) |
| Share-based compensation expense | 20.4 | 19.1 | 18.7 | 17.0 | 23.1 |
| Special bonuses and other compensation expense | 3.0 | 2.1 | 2.7 | 3.4 | 2.4 |
| Transaction-related adjustments, net | 6.9 | 6.5 | 3.9 | 5.3 | 1.9 |
| Restructuring and transformation expenses | 39.1 | 55.2 | 28.6 | 23.3 | 24.9 |
| Impairment of goodwill | - | - | 52.4 | - | - |
| Net (gain) loss on divestiture and investments | (0.1) | - | (0.6) | 0.1 | 0.2 |
| Debt modification and extinguishment costs | 0.5 | - | - | - | - |
| Other (income) expense, net | (0.6) | (0.1) | (0.1) | 3.6 | 5.9 |
| Interest expense | 50.5 | 51.5 | 50.5 | 50.1 | 50.5 |
| Provision (benefit) for income taxes | (10.8) | (19.5) | 6.4 | 5.6 | (12.0) |
| Depreciation and amortization | 107.0 | 103.1 | 103.6 | 101.4 | 98.1 |
| Adjusted EBITDA | \$179.3 | \$183.1 | \$183.2 | \$171.3 | \$154.4 |

Non-GAAP EPS Reconciliation

| <i>(In millions)</i> | Q2 2021 | Q3 2021 | Q4 2021 | Q1 2022 | Q2 2022 |
|---|---------------|---------------|---------------|---------------|---------------|
| Net loss attributable to common stockholders | \$(36.6) | \$(34.8) | \$(82.9) | \$(38.5) | \$(40.6) |
| Non-GAAP Net Income | \$50.9 | \$53.6 | \$52.9 | \$45.9 | \$35.5 |
| Weighted average number of shares – Diluted | 207.9 | 209.3 | 210.3 | 211.4 | 209.5 |
| Effect of dilutive securities | 5.4 | 2.6 | 2.1 | 1.0 | 0.4 |
| Non-GAAP weighted average number of shares – Diluted | 213.3 | 211.9 | 212.4 | 212.4 | 209.9 |
| Net loss per share – Diluted | \$(0.18) | \$(0.17) | \$(0.39) | \$(0.18) | \$(0.19) |
| Per share impacts of adjustments to net loss | 0.42 | 0.42 | 0.65 | 0.40 | 0.36 |
| Per share impacts of shares dilutive after adjustments to net loss | (0.00) | (0.00) | (0.01) | 0.00 | 0.00 |
| Non-GAAP EPS | \$0.24 | \$0.25 | \$0.25 | \$0.22 | \$0.17 |

Free Cash Flow Reconciliation

| <i>(In millions)</i> | Q2 2021 | Q3 2021 | Q4 2021 | Q1 2022 | Q2 2022 |
|--|---------------|---------------|---------------|---------------|---------------|
| Net cash provided by operating activities | \$105.7 | \$102.3 | \$59.6 | \$64.5 | \$84.0 |
| Cash purchases of property, equipment and software | (29.1) | (21.2) | (21.2) | (19.2) | (27.2) |
| Free Cash Flow | \$76.6 | \$81.1 | \$38.4 | \$45.3 | \$56.8 |

Definitions

We calculate Bookings for a given period as the annualized monthly value of our recurring customer contracts entered into during the period from (i) new customers and (ii) net upgrades by existing customers within the same workload, plus the actual (not annualized) estimated value of professional services consulting, advisory or project-based orders received during the period. "Recurring customer contracts" are any contracts entered into on a multi-year or month-to-month basis, but excluding any professional services contracts for consulting, advisory or project-based work.

Bookings

Bookings for any period may reflect orders that we perform in the same period, orders that remain outstanding as of the end of the period and the annualized value of recurring month-to-month contracts entered into during the period, even if the terms of such contracts do not require the contract to be renewed. Bookings include net upgrades by existing customers within the same workload, but exclude net downgrades by such customers within that workload. Any customer that contracts for a new workload is considered a new customer and the entire value of the contract or upgrade is recorded in Bookings, irrespective of whether the same customer canceled or downgraded other workloads. Bookings also do not include the impact of any known contract non-renewals or service cancellations by our customers, except for positive net upgrades by existing customers. In cases where a new or upgrading customer enters into a multi-year contract, Bookings include only the annualized contract value. Bookings do not include usage-based fees in excess of contracted minimum commitments until actually incurred.

We use Bookings to measure the amount of new business generated in a period, which we believe is an important indicator of new customer acquisition and our ability to cross-sell new services to existing customers. Bookings are also used by management as a factor in determining performance-based compensation for our sales force. While we believe Bookings, in combination with other metrics, is an indicator of our near-term future revenue opportunity, it is not intended to be used as a projection of future revenue. Our calculation of Bookings may differ from similarly titled metrics presented by other companies.

Core

Core reflects the results or otherwise pertain to the performance of our Multicloud Services and Apps & Cross Platform segments, in the aggregate. Our Core financial measures exclude the results and performance of our OpenStack Public Cloud segment.

Net Promoter Score (NPS)

NPS is a customer loyalty metric that measures customers' willingness to not only return for another purchase or service but also make a recommendation to other organizations or colleagues. Net Promoter Score is a number from -100 to 100.

Capital Intensity

Capital intensity reflects capital expenditures divided by revenue for the same period.

Non-GAAP Tax Expense Rate

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. We used a structural non-GAAP tax rate of 26% for all periods which reflects the removal of the tax effect of non-GAAP pre-tax adjustments and non-recurring tax adjustments on a year-over-year basis. 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.

Non-GAAP Weighted Average Shares

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 EPS 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.

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