
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 8-K**

**CURRENT REPORT
Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): August 9, 2022

RACKSPACE TECHNOLOGY, INC.

(Exact name of registrant as specified in its charter)

| | | |
|--|---|--|
| Delaware (State of Incorporation) | 001-39420 (Commission File Number) | 81-3369925 (I.R.S. Employer Identification No.) |
|--|---|--|

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

**(210) 312-4000
(Registrant's telephone number, including area code)**

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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 is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2).

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.

Item 2.02. Results of Operations and Financial Condition.

On August 9, 2022, Rackspace Technology, Inc. issued a press release announcing its financial results for the fiscal quarter ended June 30, 2022. A copy of the press release is attached hereto as Exhibit 99.1 and incorporated by reference herein.

The information contained in this report, including Exhibit 99.1 attached hereto, shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, regardless of any general incorporation language in such filings, unless expressly incorporated by specific reference in such filing.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

| Exhibit Number | Exhibit Description |
|-----------------------|---|
| 99.1 | Press Release dated August 9, 2022. |
| 104 | Cover Page Interactive Data File (formatted as Inline XBRL) |

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: August 9, 2022

By: /s/ Amar Maletira
Amar Maletira
President and Chief Financial Officer

Rackspace Technology Reports Second Quarter 2022 Results

- Revenue of \$772 million in the Second Quarter, up 4% Year-over-Year
- Core Revenue Grew 5% to \$733 million
- Quarterly Cash Flow From Operating Activities of \$84 million

SAN ANTONIO, August 9, 2022 – Rackspace Technology, Inc. (Nasdaq: RXT), a leading end-to-end multicloud technology solutions company, today announced results for its second quarter ended June 30, 2022.

Kevin Jones, chief executive officer, stated, “The second quarter financial results demonstrated solid growth and profitability for our business, as well as robust cash flow. We continue to benefit from secular tailwinds in the cloud market, which show no signs of abating.”

Mr. Jones added, “Last quarter we previewed changes we are executing in our business, including aligning and repositioning the company to better capitalize on the immense market opportunity we see today. As we’ve met with customers, partners, and other stakeholders to preview these changes we have received very positive feedback. We are nearing the point where we can provide additional details on our go-forward game plan, including any additional decisions regarding the structure of the company, later this fall.”

Second Quarter 2022 Results

Revenue was \$772 million in the second quarter of 2022, an increase of 4% as compared to revenue of \$744 million in the second quarter of 2021. Revenue for the second quarter of 2022 was positively impacted by new customer acquisitions and growing customer spend in our Multicloud Services and Apps & Cross Platform segments. On a constant currency basis, revenue increased 5% in the second quarter of 2022 as compared to the second quarter of 2021.

Revenue from our Core Segments (“Core Revenue”), comprised of Multicloud Services and Apps & Cross Platform, increased 5% on an actual basis and 7% on a constant currency basis, in the second quarter of 2022 as compared to the second quarter of 2021.

Income from operations was \$4 million in the second quarter of 2022, compared to income from operations of \$3 million in the second quarter of 2021.

Net loss was \$(41) million in the second quarter of 2022, compared to net loss of \$(37) million in the second quarter of 2021.

Net loss per diluted share was \$(0.19) in the second quarter of 2022, compared to net loss per diluted share of \$(0.18) in the second quarter of 2021.

Non-GAAP Operating Profit was \$99 million in the second quarter of 2022, a decrease of 18% compared to \$119 million in the second quarter of 2021.

Non-GAAP Earnings Per Share was \$0.17 in the second quarter of 2022, a decrease of 29% as compared to Non-GAAP Earnings Per Share of \$0.24 in the second quarter of 2021.

Capital expenditures were \$37 million in the second quarter of 2022, compared to \$82 million in the second quarter of 2021.

As of June 30, 2022, we had cash and cash equivalents of \$261 million with no balance outstanding on our Revolving Credit Facility.

Financial Outlook

Rackspace Technology is providing guidance as follows:

| | Q3 2022 Guidance |
|--|-------------------------|
| Revenue | \$769 - \$779 million |
| Core Revenue | \$733 - \$741 million |
| Non-GAAP Operating Profit | \$73 - \$77 million |
| Non-GAAP Earnings Per Share | \$0.08 - \$0.10 |
| Non-GAAP Other Income (Expense)¹ | (\$49) – (\$51) million |
| Non-GAAP Tax Expense Rate | 26 % |
| Non-GAAP Weighted Average Shares | 210 – 212 million |

¹ Non-GAAP Other Income (Expense) is only expected to include interest expense.

Definitions of non-GAAP financial measures and the reconciliations to the most directly comparable measures in accordance with generally accepted accounting principles in the United States (“GAAP”) are provided in subsequent sections of this press release narrative and supplemental schedules. Rackspace Technology has not reconciled Non-GAAP Operating Profit, Non-GAAP Earnings Per Share, Non-GAAP Other Income (Expense) or Non-GAAP Tax Expense Rate guidance to the most directly comparable GAAP measure because it does not provide guidance on GAAP net income (loss) or the reconciling items between these Non-GAAP measures and GAAP net income (loss) as a result of the uncertainty regarding, and the potential variability of, certain of these items, such as share-based compensation expense. Accordingly, a reconciliation of the non-GAAP financial measure guidance to the corresponding GAAP measure is not available without unreasonable effort. With respect to Non-GAAP Operating Profit, Non-GAAP Earnings Per Share, Non-GAAP Other Income (Expense) and Non-GAAP Tax Expense Rate guidance, adjustments in future periods are generally expected to be similar to the kinds of charges and costs excluded from these Non-GAAP measures in prior periods, but the impact of such adjustments could be significant.

Conference Call and Webcast

Rackspace Technology will hold a conference call today, August 9, 2022, at 4:00pm CT / 5:00pm ET to discuss its second quarter 2022 results. Interested parties may access the conference call as follows:

Via Zoom:

<https://rackspace.zoom.us/j/95750453932?pwd=Q21HWis1T1k5UEQvemI2NIFEREp5UT09>

Password: 112067

Via telephone (listen only mode):

+1 408 638 0968 (US Toll)

+1 646 558 8656 (US Toll)

+1 647 374 4685 (Canada)

+44 (0) 20 3695 0088 (United Kingdom Toll)

Webinar ID: 957 5045 3932

Additional International numbers are also available: <https://rackspace.zoom.us/u/adk8d0mzAo>

A live webcast of the call and audio replay will also be available on Rackspace Technology's website at ir.rackspace.com.

About Rackspace Technology

Rackspace Technology is 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.

Forward-looking Statements

Rackspace Technology has made statements in this press release 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 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 Financial Measures

This press release includes several non-GAAP financial measures such as constant currency revenue, Non-GAAP Gross Profit, Non-GAAP Net Income (Loss), Non-GAAP Operating Profit, Adjusted EBITDA and Non-GAAP Earnings Per Share (“EPS”). These non-GAAP financial measures 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 described in the accompanying pages, these measures are not a substitute for, or superior to, 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 in the accompanying pages.

IR Contact

Robert Watson
Rackspace Technology Investor Relations
ir@rackspace.com

PR Contact

Natalie Silva
Rackspace Technology Corporate Communications
publicrelations@rackspace.com

RACKSPACE TECHNOLOGY, INC.
CONSOLIDATED RESULTS OF OPERATIONS
(Unaudited)

| | Three Months Ended June 30, | | | | Year-Over-Year Comparison | |
|--|-----------------------------|-----------|-----------|-----------|---------------------------|----------|
| | 2021 | | 2022 | | Amount | % Change |
| | Amount | % Revenue | Amount | % Revenue | | |
| (In millions, except % and per share data) | | | | | | |
| Revenue | \$ 743.8 | 100.0 % | \$ 772.2 | 100.0 % | \$ 28.4 | 3.8 % |
| Cost of revenue | (508.3) | (68.3)% | (548.2) | (71.0)% | (39.9) | 7.8 % |
| Gross profit | 235.5 | 31.7 % | 224.0 | 29.0 % | (11.5) | (4.9)% |
| Selling, general and administrative expenses | (232.6) | (31.3)% | (220.0) | (28.5)% | 12.6 | (5.4)% |
| Income from operations | 2.9 | 0.4 % | 4.0 | 0.5 % | 1.1 | 37.9 % |
| Other income (expense): | | | | | | |
| Interest expense | (50.5) | (6.8)% | (50.5) | (6.5)% | — | — % |
| Gain (loss) on investments, net | 0.1 | 0.0 % | (0.2) | (0.0)% | (0.3) | NM |
| Debt modification and extinguishment costs | (0.5) | (0.1)% | — | — % | 0.5 | (100.0)% |
| Other income (expense), net | 0.6 | 0.1 % | (5.9) | (0.8)% | (6.5) | NM |
| Total other income (expense) | (50.3) | (6.8)% | (56.6) | (7.3)% | (6.3) | 12.5 % |
| Loss before income taxes | (47.4) | (6.4)% | (52.6) | (6.8)% | (5.2) | 11.0 % |
| Benefit for income taxes | 10.8 | 1.5 % | 12.0 | 1.6 % | 1.2 | 11.1 % |
| Net loss | \$ (36.6) | (4.9)% | \$ (40.6) | (5.2)% | \$ (4.0) | 10.9 % |
| Net loss per share: | | | | | | |
| Basic and diluted | \$ (0.18) | | \$ (0.19) | | | |
| Weighted average number of shares outstanding: | | | | | | |
| Basic and diluted | 207.9 | | 209.5 | | | |

NM = not meaningful.

RACKSPACE TECHNOLOGY, INC.
CONSOLIDATED RESULTS OF OPERATIONS
(Unaudited)

| | Six Months Ended June 30, | | | | | |
|--|---------------------------|-----------|------------|-----------|---------------------------|----------|
| | 2021 | | 2022 | | Year-Over-Year Comparison | |
| | Amount | % Revenue | Amount | % Revenue | Amount | % Change |
| (In millions, except % and per share data) | | | | | | |
| Revenue | \$ 1,469.7 | 100.0 % | \$ 1,547.7 | 100.0 % | \$ 78.0 | 5.3 % |
| Cost of revenue | (998.9) | (68.0)% | (1,097.7) | (70.9)% | (98.8) | 9.9 % |
| Gross profit | 470.8 | 32.0 % | 450.0 | 29.1 % | (20.8) | (4.4)% |
| Selling, general and administrative expenses | (463.6) | (31.5)% | (425.1) | (27.5)% | 38.5 | (8.3)% |
| Gain on sale of land | 19.9 | 1.4 % | — | — % | (19.9) | (100.0)% |
| Income from operations | 27.1 | 1.8 % | 24.9 | 1.6 % | (2.2) | (8.1)% |
| Other income (expense): | | | | | | |
| Interest expense | (103.1) | (7.0)% | (100.6) | (6.5)% | 2.5 | (2.4)% |
| Loss on investments, net | (3.6) | (0.2)% | (0.3) | (0.0)% | 3.3 | (91.7)% |
| Debt modification and extinguishment costs | (37.5) | (2.5)% | — | — % | 37.5 | (100.0)% |
| Other expense, net | (1.2) | (0.1)% | (9.5) | (0.6)% | (8.3) | NM |
| Total other income (expense) | (145.4) | (9.9)% | (110.4) | (7.1)% | 35.0 | (24.1)% |
| Loss before income taxes | (118.3) | (8.0)% | (85.5) | (5.5)% | 32.8 | (27.7)% |
| Benefit for income taxes | 17.7 | 1.2 % | 6.4 | 0.4 % | (11.3) | (63.8)% |
| Net loss | \$ (100.6) | (6.8)% | \$ (79.1) | (5.1)% | \$ 21.5 | (21.4)% |
| Net loss per share: | | | | | | |
| Basic and diluted | \$ (0.49) | | \$ (0.38) | | | |
| Weighted average number of shares outstanding: | | | | | | |
| Basic and diluted | 206.2 | | 210.5 | | | |

NM = not meaningful.

RACKSPACE TECHNOLOGY, INC.
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(In millions, except per share data)

| | December 31, 2021 | June 30, 2022 |
|--|------------------------------|--------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 272.8 | \$ 261.3 |
| Accounts receivable, net of allowance for credit losses and accrued customer credits of \$18.4 and \$18.8, respectively | 554.3 | 583.9 |
| Prepaid expenses | 110.0 | 87.1 |
| Other current assets | 52.4 | 81.9 |
| Total current assets | 989.5 | 1,014.2 |
| Property, equipment and software, net | 826.7 | 759.4 |
| Goodwill, net | 2,706.8 | 2,693.5 |
| Intangible assets, net | 1,466.5 | 1,379.0 |
| Operating right-of-use assets | 161.8 | 140.9 |
| Other non-current assets | 177.4 | 221.2 |
| Total assets | \$ 6,328.7 | \$ 6,208.2 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | \$ 369.5 | \$ 388.0 |
| Accrued compensation and benefits | 104.5 | 87.4 |
| Deferred revenue | 98.6 | 106.0 |
| Debt | 23.0 | 23.0 |
| Accrued interest | 27.6 | 27.4 |
| Operating lease liabilities | 60.4 | 55.5 |
| Finance lease liabilities | 64.6 | 64.6 |
| Financing obligations | 48.0 | 37.8 |
| Other current liabilities | 41.2 | 33.1 |
| Total current liabilities | 837.4 | 822.8 |
| Non-current liabilities: | | |
| Debt | 3,310.9 | 3,303.1 |
| Operating lease liabilities | 114.8 | 94.8 |
| Finance lease liabilities | 345.1 | 314.1 |
| Financing obligations | 62.9 | 53.1 |
| Deferred income taxes | 205.8 | 204.6 |
| Other non-current liabilities | 124.4 | 117.3 |
| Total liabilities | 5,001.3 | 4,909.8 |
| Commitments and Contingencies | | |
| 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; 211.2 and 213.5 shares issued; 211.2 and 210.4 shares outstanding, respectively | 2.1 | 2.1 |
| Additional paid-in capital | 2,500.0 | 2,542.9 |
| Accumulated other comprehensive income | 6.9 | 45.1 |
| Accumulated deficit | (1,181.6) | (1,260.7) |
| Treasury stock, at cost; zero and 3.1 shares held, respectively | — | (31.0) |
| Total stockholders' equity | 1,327.4 | 1,298.4 |
| Total liabilities and stockholders' equity | \$ 6,328.7 | \$ 6,208.2 |

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

| (In millions) | Six Months Ended June 30, | |
|---|---------------------------|-----------|
| | 2021 | 2022 |
| Cash Flows From Operating Activities | | |
| Net loss | \$ (100.6) | \$ (79.1) |
| Adjustments to reconcile net loss to net cash provided by operating activities: | | |
| Depreciation and amortization | 216.3 | 199.8 |
| Amortization of operating right-of-use assets | 36.0 | 28.6 |
| Deferred income taxes | (23.1) | (20.0) |
| Share-based compensation expense | 37.6 | 40.1 |
| Gain on sale of land | (19.9) | — |
| Debt modification and extinguishment costs | 37.5 | — |
| Unrealized loss on derivative contracts | 10.8 | 9.2 |
| Loss on investments, net | 3.6 | 0.3 |
| Provision for bad debts and accrued customer credits | (8.0) | 3.5 |
| Amortization of debt issuance costs and debt discount | 4.8 | 4.0 |
| Other operating activities | (0.6) | (0.5) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (8.9) | (34.3) |
| Prepaid expenses and other current assets | 11.5 | 12.5 |
| Accounts payable, accrued expenses, and other current liabilities | 19.1 | 1.3 |
| Deferred revenue | 16.5 | 3.6 |
| Operating lease liabilities | (31.9) | (32.1) |
| Other non-current assets and liabilities | 8.2 | 11.6 |
| Net cash provided by operating activities | 208.9 | 148.5 |
| Cash Flows From Investing Activities | | |
| Purchases of property, equipment and software | (66.0) | (46.4) |
| Acquisitions, net of cash acquired | — | (7.7) |
| Proceeds from sale of land | 31.3 | — |
| Other investing activities | 3.0 | 3.5 |
| Net cash used in investing activities | (31.7) | (50.6) |
| Cash Flows From Financing Activities | | |
| Proceeds from employee stock plans | 43.9 | 2.7 |
| Shares of common stock repurchased | — | (31.0) |
| Proceeds from borrowings under long-term debt arrangements | 2,838.5 | — |
| Payments on long-term debt | (2,866.4) | (11.5) |
| Payments for debt issuance costs | (34.5) | — |
| Payments on financing component of interest rate swap | (4.3) | (8.5) |
| Principal payments of finance lease liabilities | (21.4) | (32.3) |
| Principal payments of financing obligations | (22.6) | (22.9) |
| Other financing activities | — | (0.9) |
| Net cash used in financing activities | (66.8) | (104.4) |
| Effect of exchange rate changes on cash, cash equivalents, and restricted cash | (0.4) | (5.1) |
| Increase (decrease) in cash, cash equivalents, and restricted cash | 110.0 | (11.6) |
| Cash, cash equivalents, and restricted cash at beginning of period | 108.1 | 275.4 |
| Cash, cash equivalents, and restricted cash at end of period | \$ 218.1 | \$ 263.8 |

Supplemental Cash Flow Information

| | | | | |
|---|----|------|----|------|
| Cash payments for interest, net of amount capitalized | \$ | 90.6 | \$ | 84.6 |
| Cash payments for income taxes, net of refunds | \$ | 6.5 | \$ | 9.9 |

Non-cash Investing and Financing Activities

| | | | | |
|--|----|--------------|----|------------|
| Acquisition of property, equipment and software by finance leases | \$ | 38.4 | \$ | 9.3 |
| Acquisition of property, equipment and software by financing obligations | | 40.1 | | 7.1 |
| Increase (decrease) in property, equipment and software accrued in liabilities | | <u>(3.7)</u> | | <u>5.3</u> |
| Non-cash purchases of property, equipment and software | \$ | 74.8 | \$ | 21.7 |
| Other non-cash investing and financing activities | \$ | 0.3 | \$ | — |

REVENUE BY SEGMENT

| (In millions, except %) | Three Months Ended June 30, | | % Change | |
|-------------------------|-----------------------------|----------|----------|----------------------------------|
| | 2021 | 2022 | Actual | Constant ₍₁₎ Currency |
| Multicloud Services | \$ 605.1 | \$ 633.3 | 4.7 % | 6.2 % |
| Apps & Cross Platform | 92.7 | 100.1 | 8.0 % | 8.8 % |
| Core Revenue | 697.8 | 733.4 | 5.1 % | 6.5 % |
| OpenStack Public Cloud | 46.0 | 38.8 | (15.9)% | (14.3)% |
| Total | \$ 743.8 | \$ 772.2 | 3.8 % | 5.2 % |

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

| (In millions, except %) | Six Months Ended June 30, | | % Change | |
|-------------------------|---------------------------|------------|----------|----------------------------------|
| | 2021 | 2022 | Actual | Constant ₍₁₎ Currency |
| Multicloud Services | \$ 1,184.7 | \$ 1,273.4 | 7.5 % | 8.5 % |
| Apps & Cross Platform | 190.0 | 194.9 | 2.6 % | 3.1 % |
| Core Revenue | 1,374.7 | 1,468.3 | 6.8 % | 7.8 % |
| OpenStack Public Cloud | 95.0 | 79.4 | (16.5)% | (15.5)% |
| Total | \$ 1,469.7 | \$ 1,547.7 | 5.3 % | 6.3 % |

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

GROSS PROFIT BY SEGMENT

(In millions, except %)

| | Three Months Ended June 30, | | | | Year-Over-Year Comparison | |
|--------------------------------------|-----------------------------|----------------------|-----------------|----------------------|---------------------------|---------------|
| | 2021 | | 2022 | | | |
| | Amount | % of Segment Revenue | Amount | % of Segment Revenue | Amount | % Change |
| Segment gross profit: | | | | | | |
| Multicloud Services | \$ 202.0 | 33.4 % | \$ 183.3 | 28.9 % | \$ (18.7) | (9.3)% |
| Apps & Cross Platform | 32.0 | 34.5 % | 35.5 | 35.5 % | 3.5 | 10.9 % |
| OpenStack Public Cloud | 16.1 | 35.0 % | 12.9 | 33.2 % | (3.2) | (19.9)% |
| Non-GAAP Gross Profit ⁽¹⁾ | <u>\$ 250.1</u> | | <u>\$ 231.7</u> | | <u>\$ (18.4)</u> | <u>(7.4)%</u> |

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

(In millions, except %)

| | Six Months Ended June 30, | | | | Year-Over-Year Comparison | |
|--------------------------------------|---------------------------|----------------------|-----------------|----------------------|---------------------------|---------------|
| | 2021 | | 2022 | | | |
| | Amount | % of Segment Revenue | Amount | % of Segment Revenue | Amount | % Change |
| Segment gross profit: | | | | | | |
| Multicloud Services | \$ 398.4 | 33.6 % | \$ 371.5 | 29.2 % | \$ (26.9) | (6.8)% |
| Apps & Cross Platform | 66.9 | 35.2 % | 70.0 | 35.9 % | 3.1 | 4.6 % |
| OpenStack Public Cloud | 34.7 | 36.5 % | 25.8 | 32.5 % | (8.9) | (25.6)% |
| Non-GAAP Gross Profit ⁽¹⁾ | <u>\$ 500.0</u> | | <u>\$ 467.3</u> | | <u>\$ (32.7)</u> | <u>(6.5)%</u> |

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

NON-GAAP FINANCIAL MEASURES

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.

| | Three Months Ended June 30, 2021 | Three Months Ended June 30, 2022 | | | % Change | |
|-------------------------|---|---|--|---|-----------------|--------------------------|
| | Revenue | Revenue | Foreign Currency Translation ^(a) | Revenue in Constant Currency | Actual | Constant Currency |
| (In millions, except %) | | | | | | |
| Multicloud Services | \$ 605.1 | \$ 633.3 | \$ 9.1 | \$ 642.4 | 4.7 % | 6.2 % |
| Apps & Cross Platform | 92.7 | 100.1 | 0.8 | 100.9 | 8.0 % | 8.8 % |
| OpenStack Public Cloud | 46.0 | 38.8 | 0.7 | 39.5 | (15.9)% | (14.3)% |
| Total | <u>\$ 743.8</u> | <u>\$ 772.2</u> | <u>\$ 10.6</u> | <u>\$ 782.8</u> | 3.8 % | 5.2 % |

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

| | Six Months Ended June 30, 2021 | Six Months Ended June 30, 2022 | | | % Change | |
|-------------------------|---|---------------------------------------|--|---|-----------------|--------------------------|
| | Revenue | Revenue | Foreign Currency Translation ^(a) | Revenue in Constant Currency | Actual | Constant Currency |
| (In millions, except %) | | | | | | |
| Multicloud Services | \$ 1,184.7 | \$ 1,273.4 | \$ 12.1 | \$ 1,285.5 | 7.5 % | 8.5 % |
| Apps & Cross Platform | 190.0 | 194.9 | 1.0 | 195.9 | 2.6 % | 3.1 % |
| OpenStack Public Cloud | 95.0 | 79.4 | 0.9 | 80.3 | (16.5)% | (15.5)% |
| Total | <u>\$ 1,469.7</u> | <u>\$ 1,547.7</u> | <u>\$ 14.0</u> | <u>\$ 1,561.7</u> | 5.3 % | 6.3 % |

(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, which represents the total of our individual segment gross profit measures, because we believe the measure is useful in analyzing trends in our underlying, recurring gross margins. We define Non-GAAP Gross Profit as our consolidated gross profit, adjusted to exclude the impact of share-based compensation expense and other non-recurring or unusual compensation items, purchase accounting-related effects, and certain business transformation-related costs.

| (In millions) | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|-----------------------------|-----------------|---------------------------|-----------------|
| | 2021 | 2022 | 2021 | 2022 |
| Total consolidated gross profit | \$ 235.5 | \$ 224.0 | \$ 470.8 | \$ 450.0 |
| Share-based compensation expense | 4.3 | 3.4 | 9.2 | 6.2 |
| Other compensation expense ⁽¹⁾ | 0.4 | 0.4 | 1.7 | 1.2 |
| Purchase accounting impact on expense ⁽²⁾ | 1.2 | 0.8 | 2.4 | 1.5 |
| Restructuring and transformation expenses ⁽³⁾ | 8.7 | 3.1 | 15.9 | 8.4 |
| Non-GAAP Gross Profit | <u>\$ 250.1</u> | <u>\$ 231.7</u> | <u>\$ 500.0</u> | <u>\$ 467.3</u> |

- (1) 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.
- (2) Adjustment for the impact of purchase accounting from the November 2016 merger on expenses.
- (3) 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.

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, the amortization of acquired intangible assets 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, the amortization of acquired intangible assets 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, certain other non-operating, non-recurring or non-core gains and losses, interest expense, income taxes, and depreciation and amortization.

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 November 2016 merger 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.

Net loss reconciliation to Non-GAAP Net Income

| (In millions) | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|-----------------------------|-----------|---------------------------|-----------|
| | 2021 | 2022 | 2021 | 2022 |
| Net loss | \$ (36.6) | \$ (40.6) | \$ (100.6) | \$ (79.1) |
| Share-based compensation expense | 20.4 | 23.1 | 37.6 | 40.1 |
| Special bonuses and other compensation expense ^(a) | 3.0 | 2.4 | 7.0 | 5.8 |
| Transaction-related adjustments, net ^(b) | 6.9 | 1.9 | 15.3 | 7.2 |
| Restructuring and transformation expenses ^(c) | 39.1 | 24.9 | 77.7 | 48.2 |
| Gain on sale of land | — | — | (19.9) | — |
| Net (gain) loss on divestiture and investments ^(d) | (0.1) | 0.2 | 3.6 | 0.3 |
| Debt modification and extinguishment costs ^(e) | 0.5 | — | 37.5 | — |
| Other (income) expense, net ^(f) | (0.6) | 5.9 | 1.2 | 9.5 |
| Amortization of intangible assets ^(g) | 47.1 | 42.2 | 93.5 | 84.4 |
| Tax effect of non-GAAP adjustments ^(h) | (28.8) | (24.5) | (52.9) | (35.0) |
| Non-GAAP Net Income | \$ 50.9 | \$ 35.5 | \$ 100.0 | \$ 81.4 |

Income from operations reconciliation to Non-GAAP Operating Profit

| (In millions) | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|-----------------------------|---------|---------------------------|----------|
| | 2021 | 2022 | 2021 | 2022 |
| Income from operations | \$ 2.9 | \$ 4.0 | \$ 27.1 | \$ 24.9 |
| Share-based compensation expense | 20.4 | 23.1 | 37.6 | 40.1 |
| Special bonuses and other compensation expense ^(a) | 3.0 | 2.4 | 7.0 | 5.8 |
| Transaction-related adjustments, net ^(b) | 6.9 | 1.9 | 15.3 | 7.2 |
| Restructuring and transformation expenses ^(c) | 39.1 | 24.9 | 77.7 | 48.2 |
| Gain on sale of land | — | — | (19.9) | — |
| Amortization of intangible assets ^(g) | 47.1 | 42.2 | 93.5 | 84.4 |
| Non-GAAP Operating Profit | \$ 119.4 | \$ 98.5 | \$ 238.3 | \$ 210.6 |

Net loss reconciliation to Adjusted EBITDA

| (In millions) | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|-----------------------------|-----------------|---------------------------|-----------------|
| | 2021 | 2022 | 2021 | 2022 |
| Net loss | \$ (36.6) | \$ (40.6) | \$ (100.6) | \$ (79.1) |
| Share-based compensation expense | 20.4 | 23.1 | 37.6 | 40.1 |
| Special bonuses and other compensation expense ^(a) | 3.0 | 2.4 | 7.0 | 5.8 |
| Transaction-related adjustments, net ^(b) | 6.9 | 1.9 | 15.3 | 7.2 |
| Restructuring and transformation expenses ^(c) | 39.1 | 24.9 | 77.7 | 48.2 |
| Gain on sale of land | — | — | (19.9) | — |
| Net (gain) loss on divestiture and investments ^(d) | (0.1) | 0.2 | 3.6 | 0.3 |
| Debt modification and extinguishment costs ^(e) | 0.5 | — | 37.5 | — |
| Other (income) expense, net ^(f) | (0.6) | 5.9 | 1.2 | 9.5 |
| Interest expense | 50.5 | 50.5 | 103.1 | 100.6 |
| Benefit for income taxes | (10.8) | (12.0) | (17.7) | (6.4) |
| Depreciation and amortization ⁽ⁱ⁾ | 107.0 | 98.1 | 214.7 | 199.5 |
| Adjusted EBITDA | <u>\$ 179.3</u> | <u>\$ 154.4</u> | <u>\$ 359.5</u> | <u>\$ 325.7</u> |

- (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 first year public company, integration costs of acquired businesses, purchase accounting adjustments (including deferred revenue fair value discount), 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 employee related costs and other costs related to the July 2021 Restructuring Plan of \$6.4 million for the three and six months ended June 30, 2021, which are accounted for as exit and disposal costs under ASC 420. In addition, it 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.
- (d) Includes gains and losses on investment and from dispositions.
- (e) Includes expenses related the February 2021 Refinancing Transaction and termination of the Receivables Financing Facility.
- (f) Primarily consists of foreign currency gains and losses.
- (g) All of our intangible assets are attributable to acquisitions, including the November 2016 merger.
- (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 2021 and 2022 interim periods, we based it on an average of the 2020 and estimated 2021 tax rates and 2021 and estimated 2022 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 all 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 Per Share (EPS)

We define Non-GAAP EPS as Non-GAAP Net Income 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 earnings per share but dilutive to Non-GAAP EPS. Management uses Non-GAAP EPS 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 EPS.

| (In millions, except per share amounts) | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|-----------------------------|----------------|---------------------------|----------------|
| | 2021 | 2022 | 2021 | 2022 |
| Net loss attributable to common stockholders | \$ (36.6) | \$ (40.6) | \$ (100.6) | \$ (79.1) |
| Non-GAAP Net Income | \$ 50.9 | \$ 35.5 | \$ 100.0 | \$ 81.4 |
| Weighted average number of shares - Diluted | 207.9 | 209.5 | 206.2 | 210.5 |
| Effect of dilutive securities ^(a) | 5.4 | 0.4 | 6.0 | 0.7 |
| Non-GAAP weighted average number of shares - Diluted | <u>213.3</u> | <u>209.9</u> | <u>212.2</u> | <u>211.2</u> |
| Net loss per share - Diluted | \$ (0.18) | \$ (0.19) | \$ (0.49) | \$ (0.38) |
| Per share impacts of adjustments to net loss ^(b) | 0.42 | 0.36 | 0.97 | 0.76 |
| Per share impacts of shares dilutive after adjustments to net loss ^(a) | (0.00) | 0.00 | (0.01) | 0.01 |
| Non-GAAP EPS | <u>\$ 0.24</u> | <u>\$ 0.17</u> | <u>\$ 0.47</u> | <u>\$ 0.39</u> |

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