Rackspace Technology

2nd Quarter 2021
Earnings Presentation

August 11, 2021

rackspace technology™

™

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

rackspace technology.

TM

Agenda

Summary results and RXT overview
Kevin Jones

Financial results
Amar Maletira

Q&A Session

rackspace technology

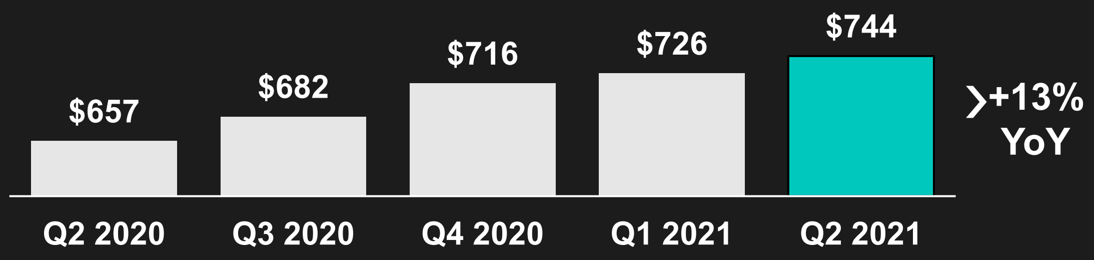
Q2 2021 key messages

↑ **Strong Q2 Performance**	• Growth across Revenue, Non-GAAP Operating Profit, and Non-GAAP EPS
↑ **New product launches**	• Continued sales traction from recent new product launches
↑ **Cash flow**	• Delivered second straight quarter of strong cash flow from operations
↑ **Capital structure**	• Repaid and retired A/R financing facility, continued to de-lever

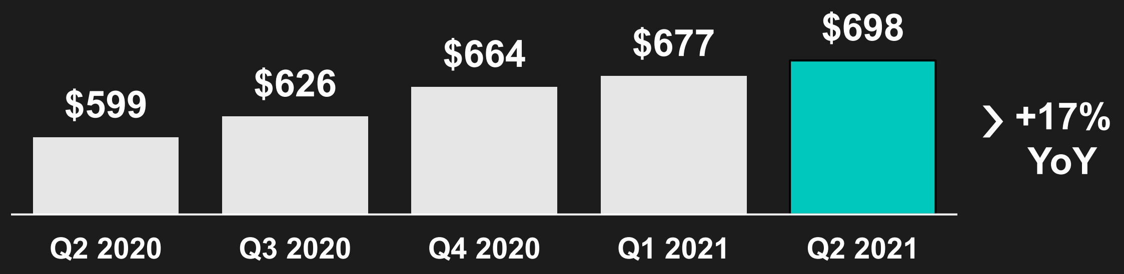
Note: Refer to Appendix for definition and reconciliation of Non-GAAP Operating Profit and Non-GAAP EPS to the most comparable GAAP measure.

Q2 2021 results at-a-glance

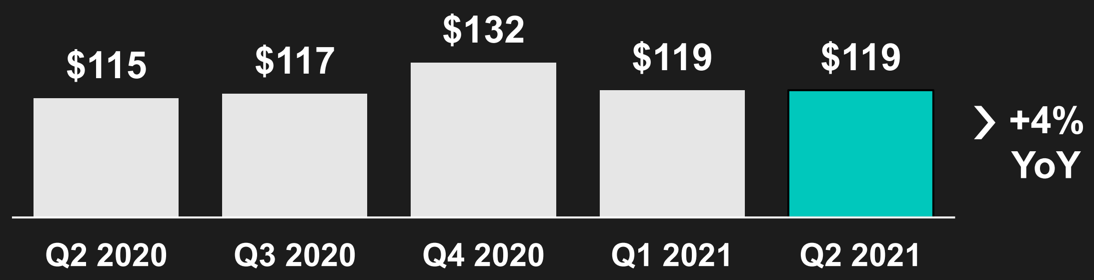
Revenue ($M)



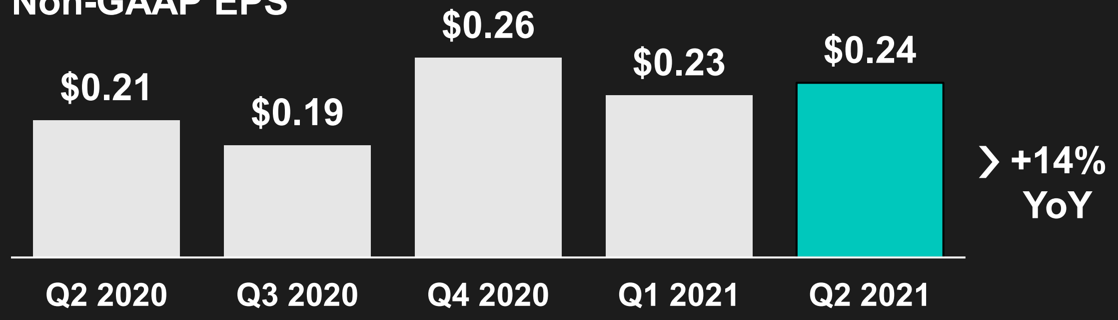
Core Revenue ($M)



Non-GAAP Operating Profit ($M)



Non-GAAP EPS



Q2 BOOKINGS $258 MILLION – 1H2021 BOOKINGS $502 MILLION

(Targeting ~$1 billion of 2021 bookings to maintain double-digit revenue growth)

rackspace technology

Note: Refer to Appendix for more information on how we define Core and Bookings.
Also refer to Appendix for a reconciliation of Non-GAAP Operating Profit and Non-GAAP EPS to the most comparable GAAP measure.

July 2021 Transformation Initiatives
Structuring Our Business For Growth

Invest in new solutions	Invest in capabilities	Invest in Rackers
✓ Cloud migration ✓ Elastic Engineering ✓ Cloud native development ✓ Data/AI/ML ✓ Security services	✓ Service delivery ✓ Product teams ✓ Enterprise sales force ✓ Best-shoring centers of excellence	✓ Technical Onboarding Program (TOP) ✓ Career and professional development programs ✓ In-house training and certification programs

FUEL INVESTMENTS, POSITION RACKSPACE TECHNOLOGY IN HYPERGROWTH AREAS

Pure Storage delivers high-performance STaaS solution with Google Anthos

Challenge
Pure Storage (NASDAQ: PSTG; $6B market cap) needed to quickly design and build a reference architecture leveraging containers for a new storage-as-a-service (STaaS) offering.

Solution
Google Cloud Platform, Google Anthos, Kubernetes

Achievement
To beat an aggressive timeframe, a reference architecture was built in just 90 days on Google Anthos leveraging Kubernetes, enabling delivery of an enhanced STaaS solution.

"The system integration capabilities that Rackspace Technology provides made the decision to do this project much easier."

Geoff Goetz, Director of Strategic Alliances, Pure Storage

Dole Europe Migrates from On-Site to Azure IaaS

Challenge

Dole is the world's largest supplier of fresh fruit, vegetables and cut flowers. To reduce costs and prepare for the future, Dole Europe GmbH commissioned Bright Skies, which was acquired by Rackspace Technology in Q4 2020, to migrate from company-owned data centers to the Cloud.

Solution

Microsoft Azure IaaS + Backup, Citrix XenApp with Machine Creation Services, Microsoft Operations Management Suite, Express Route, DFS, and SQL.

Achievement

Moving to the Cloud means less complexity for the business; lower costs in terms of managing infrastructure; increased productivity; and the ability to adapt IT resources to meet demand. The project demonstrated that it's possible to achieve great IT results, even with fewer resources.

The rapid results were driven by a business relationship based on collaboration and cooperation – given the tight turnaround times, there's no way it could have worked otherwise. And it's fantastic to see how much money we've saved by bringing in this new solution."

Dirk Umbach, IT Operations Manager, Dole Europe GmbH

Agenda

Summary results and RXT overview
Kevin Jones

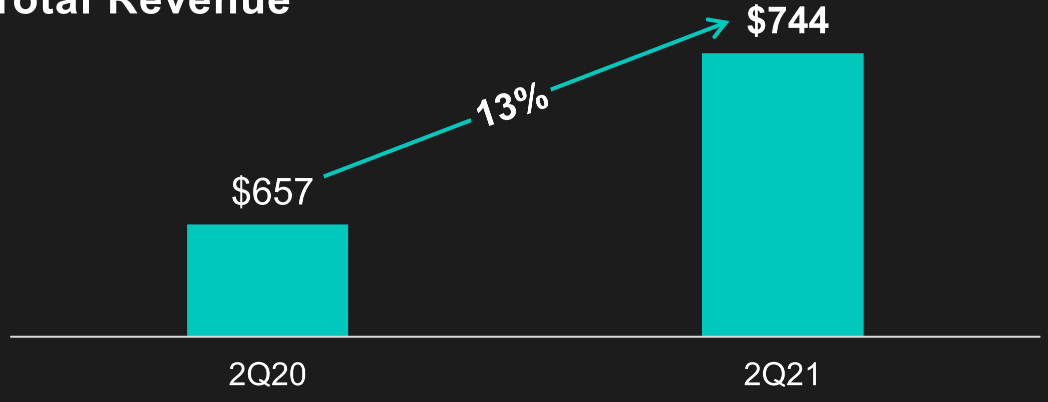
Financial results
Amar Maletira

Q&A Session

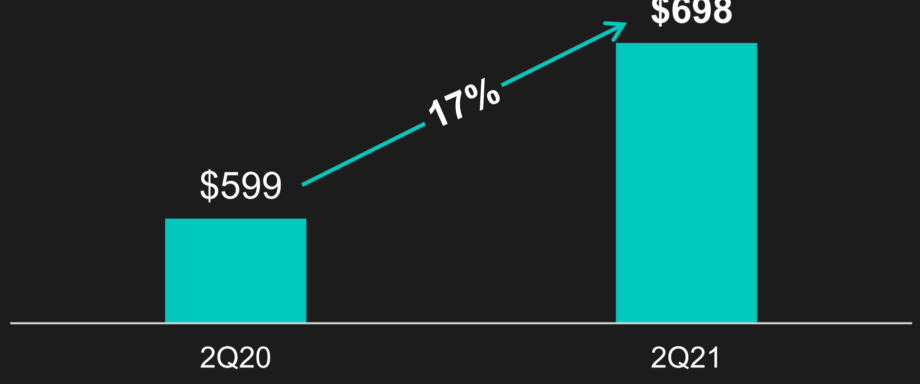
Q2 2021 Financial Highlights

($M, except per share data)

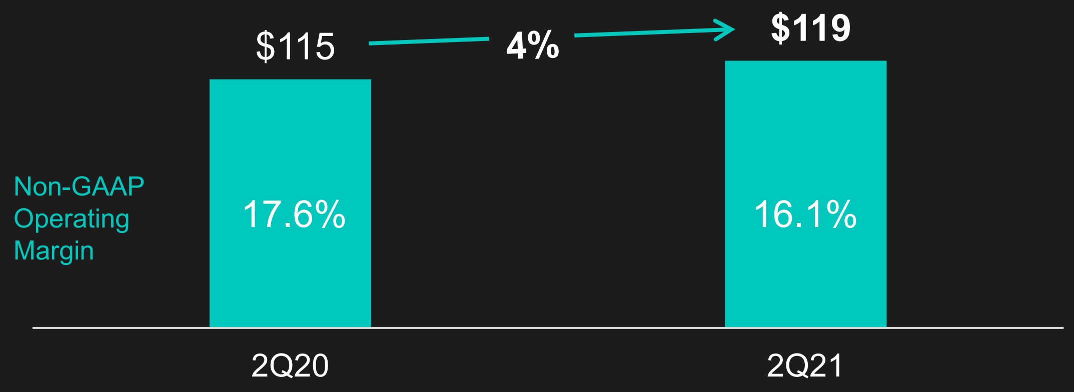
Total Revenue



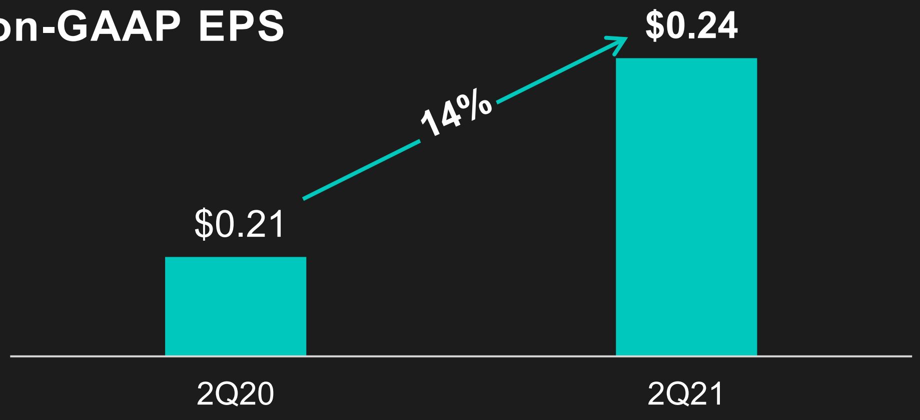
Core Revenue



Non-GAAP Operating Profit



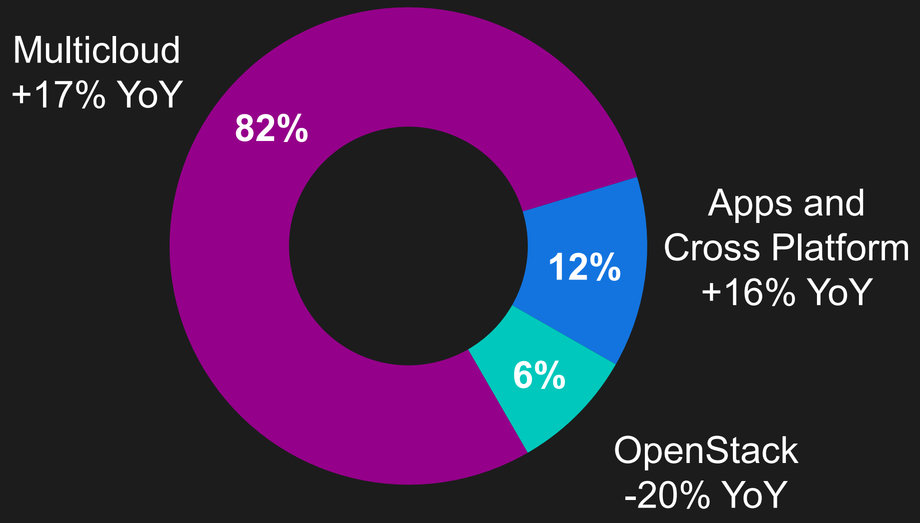
Non-GAAP EPS



Note: Refer to Appendix for more information on how we define Core.
Also refer to Appendix for a reconciliation of Non-GAAP Operating Profit and Non-GAAP EPS to the most comparable GAAP measure.

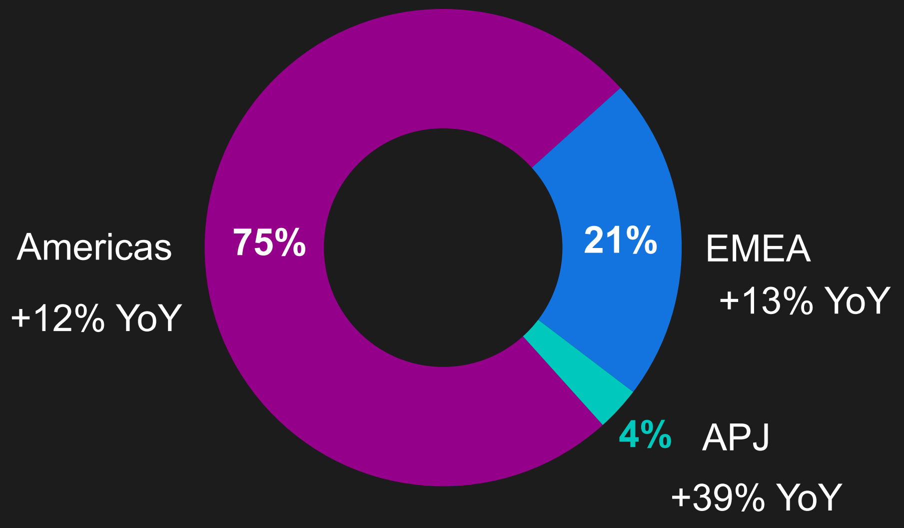
Q2 2021 Revenue Detail

Revenue by Segment



Significant growth in Multicloud, applications and data services offset decline in OpenStack

Revenue by Geography



Accelerating growth across all geographies

rackspace technology

Cash Flow and Balance Sheet Metrics

Cash Provided by Operating Activities **$106M**	Total Capital Expenditures **$82M**	Cash Capital Expenditures **$29M**	Cash & Cash Equivalents **$215M**
Free Cash Flow* **$77M**	Total CAPEX Intensity **11%**	Cash CAPEX Intensity **4%**	Undrawn Revolving Credit Facility **$375M**

- ✓Strong second quarter operating and free cash flow
- ✓Total 1H cash from operations is $209 million, exceeding full year 2020
- ✓CAPEX intensity in line with expectations
- ✓Nearly $600 million of liquidity at quarter end
- ✓Paid down $56 million of debt (including A/R financing facility)

rackspace technology

Note: Refer to Appendix for more information on how we define capital intensity.
*Free cash flow is presented as cash flow from operations less cash paid for purchases of property, equipment and software. This excludes $22 million of cash payments for finance leasing activity and other financing obligations presented in the financing section of the cash flow statement.

Outlook

	3Q 2021	Q4 2021
Revenue	$750 - $760 million	Approximately 2% sequential revenue growth from Q3 2021
Core Revenue	$705 - $715 million	
Non-GAAP Operating Profit	$118 - $122 million	Operating profit and EPS flat compared to Q3 2021
Non-GAAP EPS	$0.23 - $0.25	
Non-GAAP Other Income (Expense)	($50) – ($52) million	
Non-GAAP Tax Expense Rate	26%	
Non-GAAP Weighted Average Shares	213 – 215 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 2021, Non-GAAP Other Income and Expense is only expected to include interest expense.

Agenda

Summary results and RXT overview
Kevin Jones

Financial results
Amar Maletira

Q&A Session

rackspace technology

Appendix

Non-GAAP reconciliations

GROSS PROFIT

(in millions)	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021
Non-GAAP Gross Profit	$251.4	$255.5	$262.9	$249.9	$250.1
Share-based compensation expense	(2.3)	(4.5)	(5.9)	(4.9)	(4.3)
Other compensation expense	(1.5)	(1.5)	(1.0)	(1.3)	(0.4)
Purchase accounting impact on expense	(1.6)	(1.2)	(1.2)	(1.2)	(1.2)
Restructuring and transformation expenses	(4.1)	(2.5)	(7.4)	(7.2)	(8.7)
Total Adjustments	$(9.5)	$(9.7)	$(15.5)	$(14.6)	$(14.6)
GAAP Gross Profit	**$241.9**	**$245.8**	**$247.4**	**$235.3**	**$235.5**

OPERATING PROFIT

(in millions)	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021
Non-GAAP Operating Profit	$115.3	$117.4	$131.7	$118.9	$119.4
Share-based compensation expense	(9.1)	(40.2)	(17.7)	(17.2)	(20.4)
Special bonuses and other compensation expense	(5.8)	(5.0)	(18.4)	(4.0)	(3.0)
Transaction-related adjustments, net	(8.1)	(18.9)	(11.3)	(8.4)	(6.9)
Restructuring and transformation expenses	(22.1)	(22.6)	(45.1)	(38.6)	(39.1)
Management fees	(3.5)	(1.3)	-	-	-
Gain on sale of land	-	-	-	19.9	-
Amortization of intangible assets	(44.0)	(44.1)	(44.0)	(46.4)	(47.1)
Total Adjustments	$(92.6)	$(132.1)	$(136.5)	$(94.7)	$(116.5)
GAAP Income (Loss) from Operations	**$22.7**	**$(14.7)**	**$(4.8)**	**$24.2**	**$2.9**

Non-GAAP reconciliations

(In millions)	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021
Net loss	$(32.6)	$(101.2)	$(63.8)	$(64.0)	$(36.6)
Share-based compensation expense	9.1	40.2	17.7	17.2	20.4
Special bonuses and other compensation expense	5.8	5.0	18.4	4.0	3.0
Transaction-related adjustments, net	8.1	18.9	11.3	8.4	6.9
Restructuring and transformation expenses	22.1	22.6	45.1	38.6	39.1
Management fees	3.5	1.3	-	-	-
Gain on sale of land	-	-	-	(19.9)	-
Net (gain) loss on divestiture and investments	(1.0)	-	0.2	3.7	(0.1)
Debt modification and extinguishment costs	-	37.0	34.5	37.0	0.5
Other (income) expense, net	(0.3)	(0.7)	(2.1)	1.8	(0.6)
Amortization of intangible assets	44.0	44.1	44.0	46.4	47.1
Tax effect of non-GAAP adjustments	(24.4)	(30.8)	(51.7)	(24.1)	(28.8)
Non-GAAP Net Income	**34.3**	**36.4**	**53.6**	**49.1**	**50.9**
Interest expense	68.9	68.3	59.2	52.6	50.5
Benefit for income taxes	(12.3)	(18.1)	(32.8)	(6.9)	(10.8)
Tax effect of non-GAAP adjustments	24.4	30.8	51.7	24.1	28.8
Non-GAAP Operating Profit	**115.3**	**117.4**	**131.7**	**118.9**	**119.4**
Depreciation	72.3	73.4	67.1	61.3	59.9
Adjusted EBITDA	**$187.6**	**$190.8**	**$198.8**	**$180.2**	**$179.3**

rackspace technology

Non-GAAP Earnings Per Share reconciliation

(In millions, except per share amounts)	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021
Net loss attributable to common stockholders	$ (32.6)	$ (101.2)	$ (63.8)	$ (64.0)	$ (36.6)
Non-GAAP Net Income	$ 34.3	$ 36.4	$ 53.6	$ 49.1	$ 50.9
Weighted average number of shares - Diluted	165.5	186.7	200.7	204.6	207.9
Effect of dilutive securities	1.9	5.9	6.2	6.5	5.4
Non-GAAP weighted average number of shares - Diluted	167.4	192.6	206.9	211.1	213.3
Net loss per share - Diluted	$ (0.20)	$ (0.54)	$ (0.32)	$ (0.31)	$ (0.18)
Per share impacts of adjustments to net loss	0.41	0.74	0.59	0.55	0.42
Per share impacts of shares dilutive after adjustments to net loss	(0.00)	(0.01)	(0.01)	(0.01)	(0.00)
Non-GAAP EPS	$ 0.21	$ 0.19	$ 0.26	$ 0.23	$ 0.24

rackspace technology

Definitions

Bookings	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 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. When computing this long-term rate for the 2020 and 2021 interim periods, we based it on an average of the 2019 and estimated 2020 tax rates and 2020 and estimated 2021 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.
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 or purchase 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.

rackspace
technology™