Rackspace Technology

Q1 2023 Earnings Presentation

May 9, 2023

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 Net Revenue, Non-GAAP Operating Profit, Non-GAAP Net Income (Loss), Non-GAAP Earnings (Loss) Per Share, 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

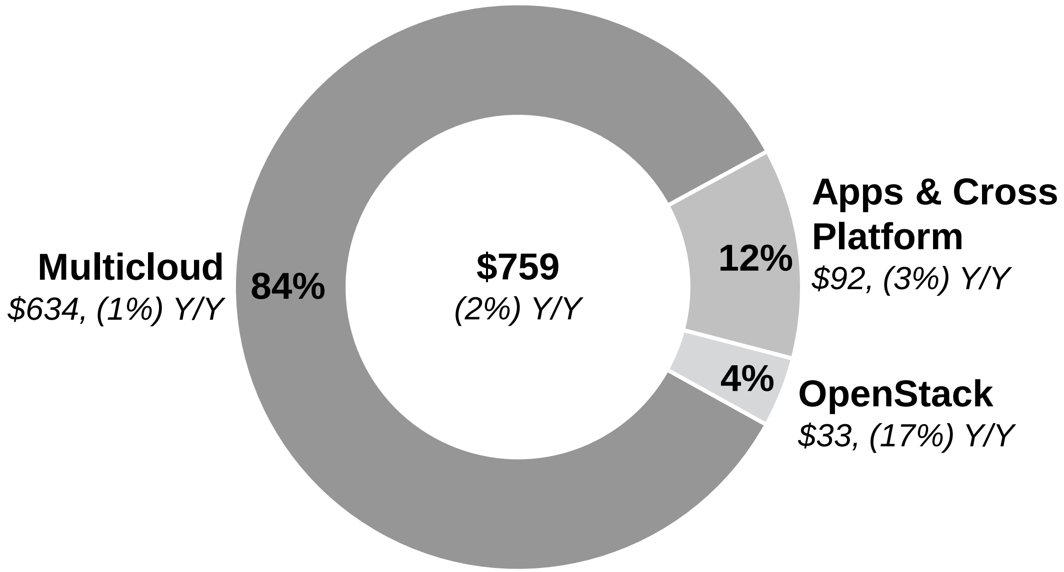
Rackspace organized around two dynamic markets

	LEADERSHIP	BUSINESS DYNAMICS	FOCUS AREAS
PUBLIC CLOUD	 **DK Sinha** *President, Public Cloud* 30-year industry leader with broad experience navigating companies through business and technology “S” curves. Strong track-record of scaling businesses and building high-performing teams	Secular growth market Services-centric with deep customer engagement Capital-light	Cloud/digital transformation Services across infrastructure, applications, data and security IP-based service offerings and automation
PRIVATE CLOUD	 **Brian Lillie** *President, Private Cloud* Product and technology-oriented leader with 30 years of industry experience. Strategic approach with immense focus on execution	Mature/low-growth market Technology-forward Capital-intensive	Infrastructure-as-a-service Industry solutions Next-generation solutions: AI cloud, Sovereign cloud, Edge

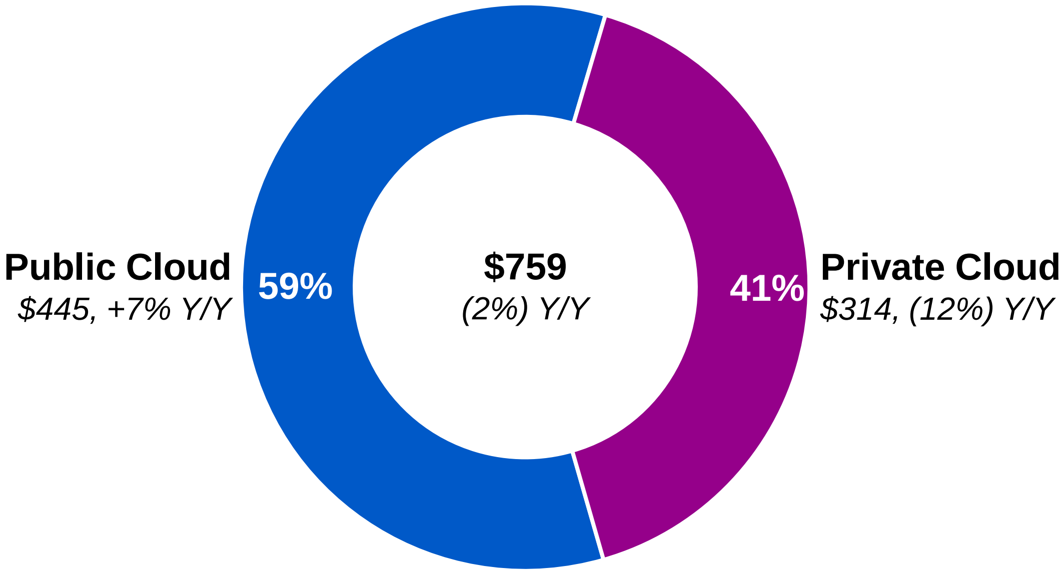
Q1 2023 revenue in prior and new segments

$'s in millions

Prior Segments



New Segments



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Q1 2023 financial results

$'s in millions

	Q1 2023	Y/Y %	Q/Q %
Total Revenue	**$759**	***(2%)***	***(4%)***
Non-GAAP Net Revenue	$460	*(9%)*	*(4%)*
Non-GAAP Gross Profit	**$179**	***(24%)***	***(13%)***
Non-GAAP Gross Margin	*23.6%*	*(7 pts)*	*(3 pts)*
Non-GAAP Net Gross Margin	*38.9%*	*(8 pts)*	*(4 pts)*
Non-GAAP Operating Profit	**$51**	***(55%)***	***(32%)***
Non-GAAP Operating Margin	*6.7%*	*(8 pts)*	*(3 pts)*
Non-GAAP Net Operating Margin	*11.0%*	*(11 pts)*	*(4 pts)*
Non-GAAP EPS	**($0.02)**	***(109%)***	***(133%)***
Adjusted EBITDA	**$103**	***(40%)***	***(17%)***
Adj. EBITDA Margin	*13.6%*	*(9 pts)*	*(2 pts)*

- Non-GAAP Net Revenue is a metric that applies net-accounting to public cloud infrastructure resale revenue (only the profit element of infrastructure resale is included)
- Non-GAAP net revenue provides investors with visibility to the true margin profile of our business

NOTE: Refer to Appendix for reconciliation of Non-GAAP measures to most relevant GAAP measures, as well as how we define Non-GAAP Net Revenue

Q1 2023 segment financials

$'s in millions

	Total Rackspace	Public Cloud	Private Cloud	Y/Y % Total Rackspace	Y/Y % Public Cloud	Y/Y % Private Cloud
Total Revenue	**$759**	**$445**	**$314**	***(2%)***	***7%***	***(12%)***
Non-GAAP Net Revenue	$460	$146	$314	*(9%)*	*1%*	--
Non-GAAP Gross Profit	**$179**	**$53**	**$126**	***(24%)***	***(20%)***	***(26%)***
Non-GAAP Gross Margin	*23.6%*	*11.9%*	*40.0%*	*(7 pts)*	*(4 pts)*	*(7 pts)*
Non-GAAP Net Gross Margin	*38.9%*	*36.4%*	--	*(8 pts)*	*(10 pts)*	--
Segment Operating Profit	**$117**	**$25**	**$93**	***(31%)***	***(29%)***	***(32%)***
Segment Operating Margin	*15.5%*	*5.5%*	*29.6%*	*(7 pts)*	*(3 pts)*	*(9 pts)*
Segment Net Operating Margin	--	*16.8%*	--	--	*(7 pts)*	--
Corporate Functions	($67)			*13%*		
Non-GAAP Operating Profit	**$51**			***(55%)***		
Non-GAAP Operating Margin	*6.7%*			*(8 pts)*		
Non-GAAP Net Operating Margin	*11.0%*			*(11 pts)*		

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NOTE: Refer to Appendix for reconciliation of Non-GAAP measures to most relevant GAAP measures, as well as definitions for Non-GAAP Net Revenue, Segment Operating Profit and Corporate Functions

Cash flow & capital expenditures

$'s in millions

As of March 31, 2023	Q1'23	LTM
Cash Provided by Operating Activities	**($2)**	**$180**
Free Cash Flow	**($14)**	**$107**
LTM Free Cash Flow Yield		*~27%*
Total Capital Expenditures	**$72**	**$182**
Total CAPEX Intensity	*9%*	*6%*
Cash Capital Expenditures	**$12**	**$73**
Cash CAPEX Intensity	*2%*	*2%*
Cash & Cash Equivalents		$174
Undrawn Revolving Credit Facility		$375
Total Liquidity		**$549**

- Q1 cash flow was in line with expectations due to our strong working capital management, which largely offset the impacts of the company bonus payout and a large vendor prepayment
- Total capital expenditures for the quarter was higher than recent quarters driven in part by capital requirements for new customer wins
- Solid liquidity of nearly $550 million
- Our revolver commitments are provided by large financial institutions, and we have no exposure to the U.S. regional banks that have recently faced challenges

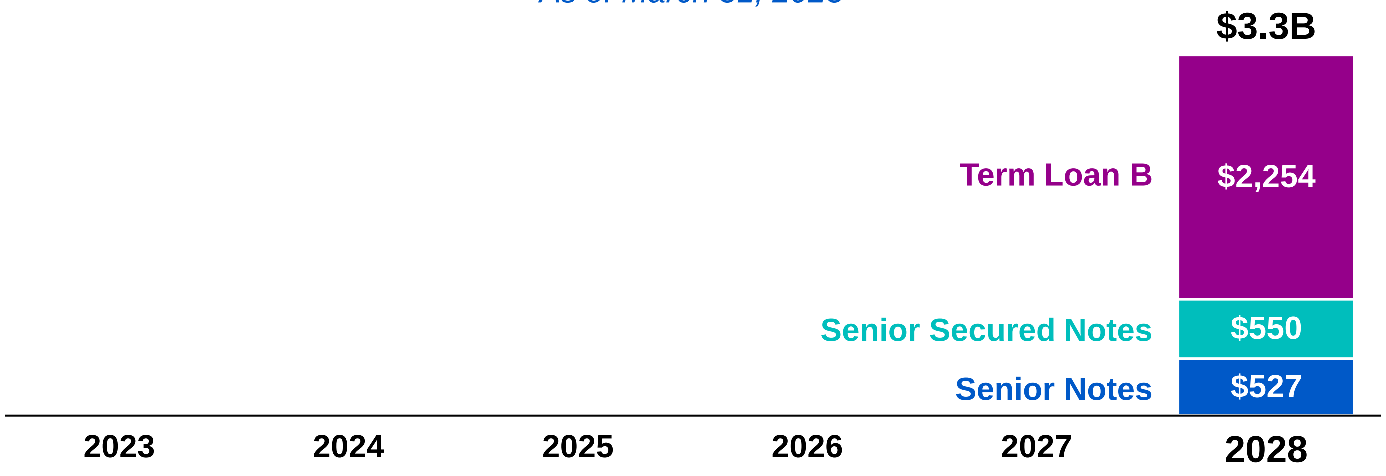
Note: Refer to Appendix for more information on how we define capital intensity.
Free cash flow is a Non-GAAP metric and is presented as cash flow from operations less cash paid for purchases of property, equipment and software. Refer to Appendix for a reconciliation of Free Cash Flow to the most comparable GAAP measure.
LTM free cash flow yield calculated as LTM Free Cash Flow divided by Market Capitalization as of March 31, 2023

Debt structure overview

$'s in millions

Rackspace has no funded maturities until 2028

As of March 31, 2023



Facility	3/31 Balance	Maturity	Rate	Hedge
Term Loan B	$2,254	Feb-2028	3-month LIBOR + 275 bps	$1,350M at 2.382% w/ 75 bps floor
Senior Secured Notes	$550	Feb-2028	3.500% Fixed Rate	N/A
Senior Notes	$527	Dec-2028	5.375% Fixed Rate	N/A

Debt Structure Highlights

- Total debt $3.3B, Net Debt $3.2B
- Primarily (~70%) fixed or hedged debt structure with 5.5% weighted average cost of debt (1)
- No funded debt maturities until 2028
- No maintenance covenants
- Opportunistically deployed $10M cash in Q1’23 to repurchase $23M of senior notes at average price of ~43; will capture discount and save $1.2 million in annual interest expense
- We will continue to be opportunistic in accretive deployment of capital for shareholders

Note: Quarterly principal payments of approximately $5.75 million on the Term Loan are not reflected in the maturity chart. Company will transition Term Loan B interest calculation from LIBOR to SOFR during 2nd quarter 2023.
(1) 5.5% weighted average cost of debt applies 3-month LIBOR rates in Q1 2023 to the unhedged portion of the Term Loan

Outlook

Q2 2023 Guidance

Total Revenue	**$725 - $735 million**
Public Cloud Revenue	$430 - $435 million
Private Cloud Revenue	$295 - $300 million
Non-GAAP Operating Profit	**$33 - $37 million**
Non-GAAP Loss Per Share	**($0.09) - ($0.07)**
Non-GAAP Other Income (Expense)	($57) - ($59) million
Non-GAAP Tax Expense Rate	26%
Non-GAAP Weighted Average Shares	214 - 216 million

NOTE: Refer to Appendix for more information on how we define Non-GAAP Tax Expense Rate, and Non-GAAP Weighted Average Shares. In 2023, Non-GAAP Other Income and Expense is only expected to include interest expense.

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Recent additions to Rackspace Board of Directors

Anthony Roberts joined the board in January 2023 and brings 35+ years of technology, change management, and entrepreneurial experience, ultimately as Walgreens Boots Alliance's Global CIO. Previously, Roberts had senior technology and supply chain roles at PepsiCo Europe, UPS, and M&G Reinsurance among others and now serves in advisory roles for Kearney, Photon Interactive, and Connection Capital.

Betsy Atkins is currently CEO of venture capital firm Baja LLC and is an accomplished CEO and entrepreneur with experience scaling companies through hypergrowth turnarounds. Atkins has served as Chairperson and CEO of Clear Standards, Inc. and CEO of NCI. Atkins serves on the boards of Wynn Resorts, SolarEdge, and SL Green and is Chair of the Google Cloud Advisory Board. Atkins will join the Rackspace board in June 2023.

Tony Scott is currently CEO of cybersecurity firm Intrusion, Inc. and is also a consultant to many early-state cybersecurity and privacy technology companies. Prior to this role, Scott was the federal CIO under the Obama Administration. He also served as the CIO at leading mega-cap companies including VMware, Microsoft and Disney. Additionally, he served as the CTO at General Motors. Scott will join the Rackspace board in June 2023.

Appendix

Non-GAAP Net Revenue Reconciliation

(In millions)	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023
Total Revenue	$775.5	$772.2	$787.6	$787.0	$758.7
Pass-through infrastructure resale costs	(272.7)	(276.4)	(298.0)	(306.3)	(298.9)
Non-GAAP Net Revenue	**$502.8**	**$495.8**	**$489.6**	**$480.7**	**$459.8**

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Non-GAAP Gross Profit Reconciliation

(In millions)	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023
GAAP Gross Profit	$226.0	$224.0	$207.1	$199.8	$169.6
Share-based compensation expense	2.8	3.4	2.8	2.6	2.8
Other compensation expense	0.8	0.4	0.4	0.3	0.7
Purchase accounting impact on expense	0.7	0.8	0.6	0.6	0.6
Restructuring and transformation expenses	5.3	3.1	0.8	1.7	4.7
Hosted Exchange incident expenses	-	-	-	0.2	0.3
Total Adjustments	$9.6	$7.7	$4.6	$5.4	$9.1
Non-GAAP Gross Profit	**$235.6**	**$231.7**	**$211.7**	**$205.2**	**$178.7**

Non-GAAP Net Income (Loss) Reconciliation

(In millions)	**Q1 2022**	**Q2 2022**	**Q3 2022**	**Q4 2022**	**Q1 2023**
Net loss	$(38.5)	$(40.6)	$(511.7)	$(214.0)	$(612.0)
Share-based compensation expense	17.0	23.1	19.4	10.0	15.2
Special bonuses and other compensation expense	3.4	2.4	2.4	1.8	2.2
Transaction-related adjustments, net	5.3	1.9	2.4	1.4	1.3
Restructuring and transformation expenses	23.3	24.9	26.1	24.7	25.6
Hosted Exchange incident expenses	-	-	-	5.9	3.2
Impairment of goodwill	-	-	405.2	129.3	543.1
Impairment of assets	-	-	58.7	87.4	-
Net (gain) loss on divestiture and investments	0.1	0.2	0.1	(0.2)	(0.1)
Gain on debt extinguishment	-	-	-	-	(12.8)
Other (income) expense, net	3.6	5.9	6.0	(5.5)	(2.1)
Amortization of intangible assets	42.2	42.2	42.0	40.4	40.9
Tax effect of non-GAAP adjustments	(10.5)	(24.5)	(30.6)	(67.7)	(9.2)
Non-GAAP Net Income (Loss)	**$45.9**	**$35.5**	**$20.0**	**$13.5**	**$(4.7)**

Non-GAAP Operating Profit Reconciliation

(In millions)	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023
Income (loss) from operations	$20.9	$4.0	$(476.7)	$(227.2)	$(581.0)
Share-based compensation expense	17.0	23.1	19.4	10.0	15.2
Special bonuses and other compensation expense	3.4	2.4	2.4	1.8	2.2
Transaction-related adjustments, net	5.3	1.9	2.4	1.4	1.3
Restructuring and transformation expenses	23.3	24.9	26.1	24.7	25.6
Hosted Exchange incident expenses	-	-	-	5.9	3.2
Impairment of goodwill	-	-	405.2	129.3	543.1
Impairment of assets	-	-	58.7	87.4	-
Amortization of intangible assets	42.2	42.2	42.0	40.4	40.9
Total Adjustments	$91.2	$94.5	$556.2	$300.9	$631.5
Non-GAAP Operating Profit	**$112.1**	**$98.5**	**$79.5**	**$73.7**	**$50.5**

Adjusted EBITDA Reconciliation

(In millions)	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023
Net loss	$(38.5)	$(40.6)	$(511.7)	$(214.0)	$(612.0)
Share-based compensation expense	17.0	23.1	19.4	10.0	15.2
Special bonuses and other compensation expense	3.4	2.4	2.4	1.8	2.2
Transaction-related adjustments, net	5.3	1.9	2.4	1.4	1.3
Restructuring and transformation expenses	23.3	24.9	26.1	24.7	25.6
Hosted Exchange incident expenses	-	-	-	5.9	3.2
Impairment of goodwill	-	-	405.2	129.3	543.1
Impairment of assets	-	-	58.7	87.4	-
Net (gain) loss on divestiture and investments	0.1	0.2	0.1	(0.2)	(0.1)
Gain on debt extinguishment	-	-	-	-	(12.8)
Other (income) expense, net	3.6	5.9	6.0	(5.5)	(2.1)
Interest expense	50.1	50.5	52.3	55.6	56.9
Provision (benefit) for income taxes	5.6	(12.0)	(23.4)	(63.1)	(10.9)
Depreciation and amortization	101.4	98.1	96.6	91.4	93.6
Adjusted EBITDA	**$171.3**	**$154.4**	**$134.1**	**$124.7**	**$103.2**

Non-GAAP Earnings (Loss) Per Share Reconciliation

(In millions)	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023
Net loss attributable to common stockholders	$(38.5)	$(40.6)	$(511.7)	$(214.0)	$(612.0)
Non-GAAP Net Income (Loss)	$45.9	$35.5	$20.0	$13.5	$(4.7)
Weighted average number of shares – Diluted	211.4	209.5	210.8	211.6	213.2
Effect of dilutive securities	1.0	0.4	0.2	0.3	1.1
Non-GAAP weighted average number of shares – Diluted	212.4	209.9	211.0	211.9	214.3
Net loss per share – Diluted	$(0.18)	$(0.19)	$(2.43)	$(1.01)	$(2.87)
Per share impacts of adjustments to net loss	0.40	0.36	2.52	1.08	2.85
Per share impacts of shares dilutive after adjustments to net loss	0.00	0.00	0.01	(0.01)	0.00
Non-GAAP Earnings (Loss) per Share	**$0.22**	**$0.17**	**$0.10**	**$0.06**	**$(0.02)**

Free Cash Flow Reconciliation

(In millions)	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023
Net cash provided by (used in) operating activities	$64.5	$84.0	$70.7	$27.5	$(1.9)
Cash purchases of property, equipment and software	(19.2)	(27.2)	(19.0)	(15.0)	(12.1)
Free Cash Flow	**$45.3**	**$56.8**	**$51.7**	**$12.5**	**$(14.0)**

Definitions

Non-GAAP Net Revenue	Non-GAAP Net Revenue applies net-accounting to public cloud infrastructure resale revenue. This means only the profit element of infrastructure resale is included in Non-GAAP Net Revenue in addition to public cloud services and private cloud revenues.
Segment Operating Profit	Segment revenue less expenses directly attributable to running the respective segments' business. These expenses exclude centralized corporate function costs.
Corporate Functions	Costs that are not allocated to segments. These costs are related to centralized corporate functions that provide services to the segments in areas such as accounting, information technology, marketing, legal and human resources.
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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