

# Rackspace Technology

## Q4 2022 Earnings Presentation

February 22, 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 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

# Q4'22 financial results

\$'s in millions

	Q4 2022	Y/Y %	Q/Q %
<b>Total Revenue</b>	<b>\$787</b>	<b>1%</b>	<b>(0%)</b>
Core Revenue	\$752	2%	0%
<b>Non-GAAP Gross Profit</b>	<b>\$205</b>	<b>(17%)</b>	<b>(3%)</b>
Non-GAAP Gross Margin	26.1%	(6 pts)	(1 pts)
<b>Non-GAAP Operating Profit</b>	<b>\$74</b>	<b>(40%)</b>	<b>(7%)</b>
Non-GAAP Operating Margin	9.4%	(6 pts)	(1 pts)
<b>Non-GAAP EPS</b>	<b>\$0.06</b>	<b>(76%)</b>	<b>(40%)</b>
<b>Adjusted EBITDA</b>	<b>\$125</b>	<b>(32%)</b>	<b>(7%)</b>
Adj. EBITDA Margin	15.8%	(8 pts)	(1 pts)

- Revenue, Core Revenue, and Non-GAAP Operating Profit exceeded high end of guidance provided on Q3 earnings call in November
- Core Revenue growth of 2% Y/Y driven by continued growth in Multicloud (+2%) and Apps and Cross Platform (+6%)
- Non-GAAP Gross Margin of 26% inline with expectations
- Declines in profitability vs. prior year and prior quarter driven primarily by impact of declining revenues in OpenStack and managed hosting private cloud

# Q4'22 segment financials

\$'s in millions

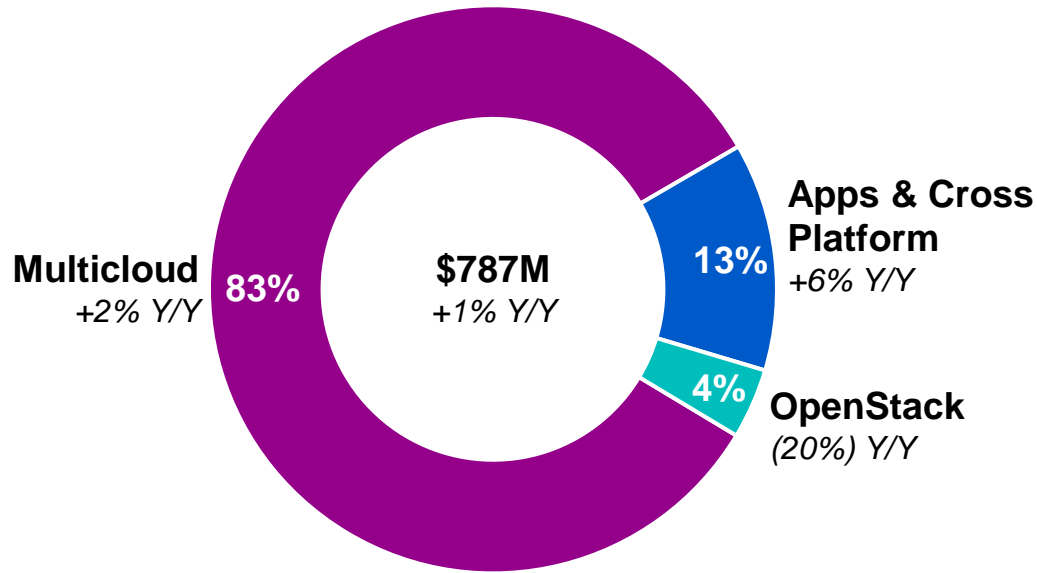
	Multicloud	Apps & Cross Platform	OpenStack Public Cloud	Total Rackspace
<b>Revenue</b>	<b>\$652</b>	<b>\$100</b>	<b>\$35</b>	<b>\$787</b>
Y/Y %	2%	6%	(20%)	1%
Q/Q %	0%	(1%)	(5%)	(0%)
<b>Non-GAAP Gross Profit</b>	<b>\$163</b>	<b>\$34</b>	<b>\$8</b>	<b>\$205</b>
Y/Y %	(16%)	(2%)	(52%)	(17%)
Q/Q %	(2%)	(1%)	(20%)	(3%)
<b>Non-GAAP Gross Margin</b>	<b>25%</b>	<b>34%</b>	<b>22%</b>	<b>26%</b>
Y/Y pts	(5 pts)	(3 pts)	(15 pts)	(6 pts)
Q/Q pts	(1 pts)	(0 pts)	(4 pts)	(1 pts)

- Declines in Rackspace Non-GAAP Gross Profit and Non-GAAP Gross Margin driven primarily by Multicloud segment and OpenStack
- Within Multicloud, Non-GAAP Gross Profit and Gross Margin impacts are due to mix, as the decline in managed hosting private cloud is offset by lower margin growth in public cloud
- OpenStack margins impacted by fixed nature of remaining cost base

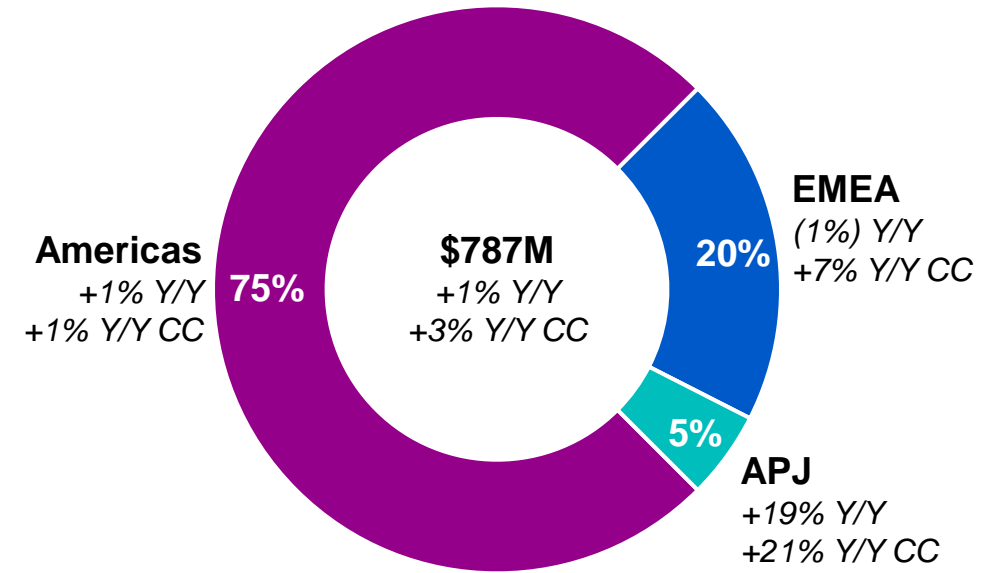
# Q4'22 revenue breakdown

\$'s in millions

## Revenue by Segment



## Revenue by Geography



- Public cloud driving growth in Multicloud, partially offset by decline in private cloud
- Strength in data services drove Apps & cross platform growth
- OpenStack represents only 4% of total revenue

- Currency pressures accounted for significant headwind in EMEA and 2 points of growth at the company level
- All regions grew Y/Y excluding the impact of currency

# Cash flow & capital expenditures

\$'s in millions

	Q4'22	FY22
<b>Cash Provided by Operating Activities</b>	<b>\$28</b>	<b>\$247</b>
<b>Free Cash Flow</b>	<b>\$13</b>	<b>\$166</b>
<b>Total Capital Expenditures</b>	<b>\$43</b>	<b>\$142</b>
<i>Total CAPEX Intensity</i>	5%	5%
<b>Cash Capital Expenditures</b>	<b>\$15</b>	<b>\$80</b>
<i>Cash CAPEX Intensity</i>	2%	3%

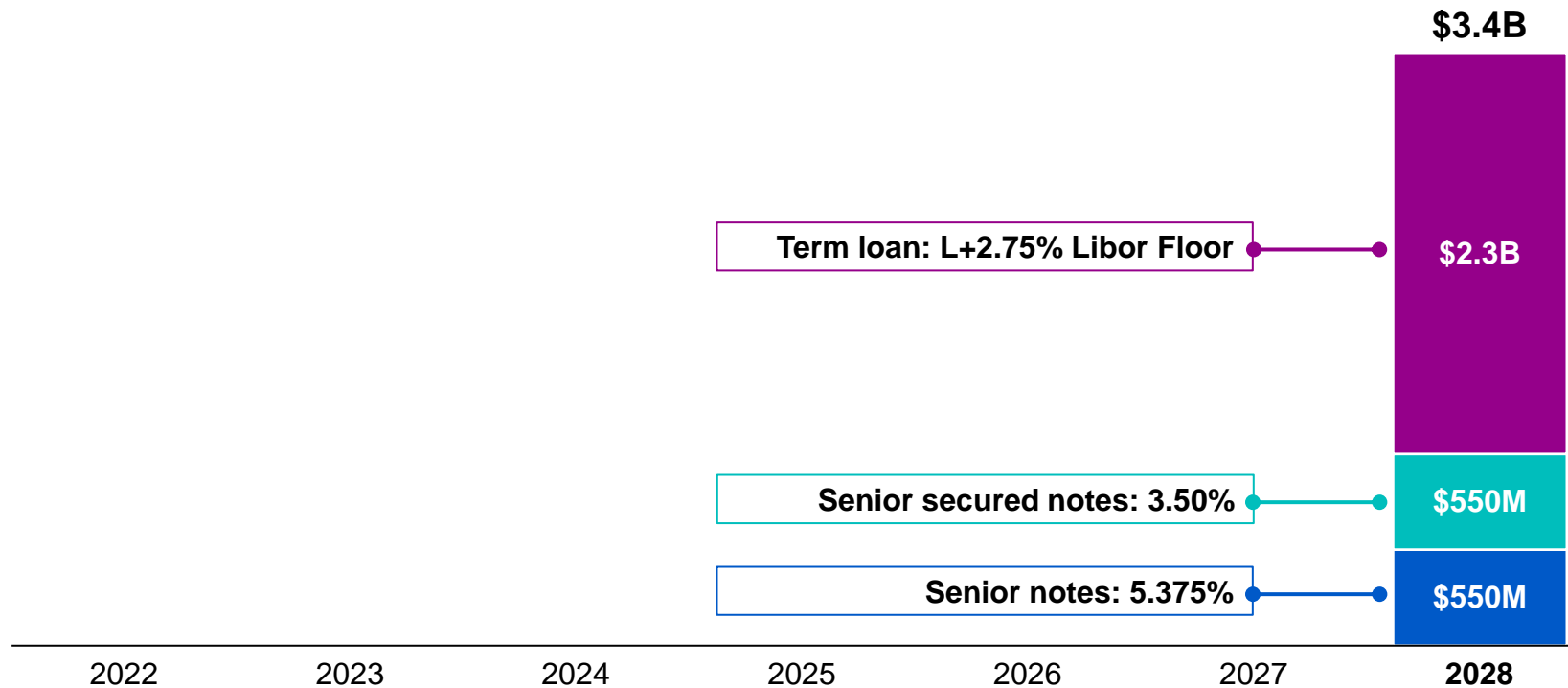
## As of December 31, 2022

Cash & Cash Equivalents	\$228
Undrawn Revolving Credit Facility	\$375
<b>Total Liquidity</b>	<b>\$603</b>

- Cash Provided by Operating Activities and Free Cash Flow were positive for the 8<sup>th</sup> consecutive quarter driven by our focus on working capital and reduced capital expenditures
- Total capital expenditures and cash capital expenditures were inline with expectations
- Ample liquidity of over \$600 million

# Debt structure highlights

## Debt & Related Maturities



- Total debt \$3.4B, Net Debt \$3.1B
- ~70% of debt structure at fixed rates (\$1.35B interest rate swap on Term Loan)
- No material debt maturities until 2028
- No significant debt covenants

# Outlook

## Q1 2023 Guidance

Total Revenue	<b>\$752 - \$762 million</b>
Core Revenue	<b>\$719 - \$729 million</b>
Non-GAAP Operating Profit	<b>\$47 - \$53 million</b>
Non-GAAP Loss Per Share	<b>(\$0.05) - (\$0.01)</b>
Non-GAAP Other Income (Expense)	<b>(\$55) - (\$57) million</b>
Non-GAAP Tax Expense Rate	<b>26%</b>
Non-GAAP Weighted Average Shares	<b>212 - 214 million</b>

NOTE: Refer to Appendix for more information on how we define Core, 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.





# Appendix

# FY22 financial results

\$'s in millions

	<b>FY 2022</b>	<b>Y/Y %</b>
<b>Total Revenue</b>	<b>\$3,122</b>	<b>4%</b>
Core Revenue	\$2,972	5%
<b>Non-GAAP Gross Profit</b>	<b>\$884</b>	<b>(11%)</b>
<i>Non-GAAP Gross Margin</i>	28.3%	(5 pts)
<b>Non-GAAP Operating Profit</b>	<b>\$364</b>	<b>(25%)</b>
<i>Non-GAAP Operating Margin</i>	11.7%	(4 pts)
<b>Non-GAAP EPS</b>	<b>\$0.54</b>	<b>(44%)</b>
<b>Adjusted EBITDA</b>	<b>\$585</b>	<b>(19%)</b>
<i>Adj. EBITDA Margin</i>	18.7%	(5 pts)

# FY22 segment financials

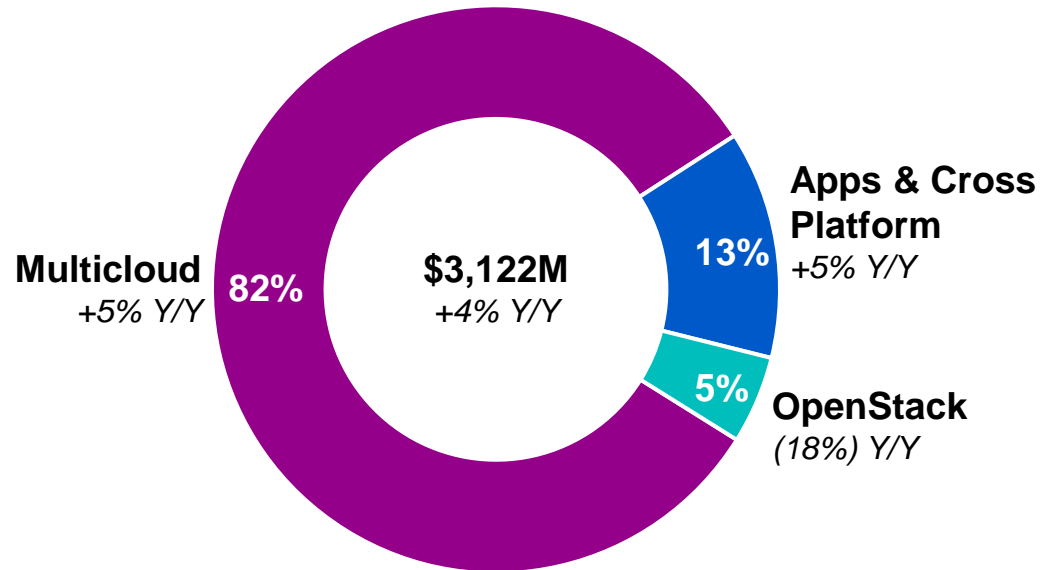
\$'s in millions

	Multicloud	Apps & Cross Platform	OpenStack Public Cloud	Total Rackspace
<b>Revenue</b>	<b>\$2,575</b>	<b>\$397</b>	<b>\$150</b>	<b>\$3,122</b>
Y/Y %	5%	5%	(18%)	4%
<b>Non-GAAP Gross Profit</b>	<b>\$702</b>	<b>\$139</b>	<b>\$43</b>	<b>\$884</b>
Y/Y %	(12%)	2%	(35%)	(11%)
<b>Non-GAAP Gross Margin</b>	<b>27%</b>	<b>35%</b>	<b>29%</b>	<b>28%</b>
Y/Y pts	(5 pts)	(1 pts)	(8 pts)	(5 pts)

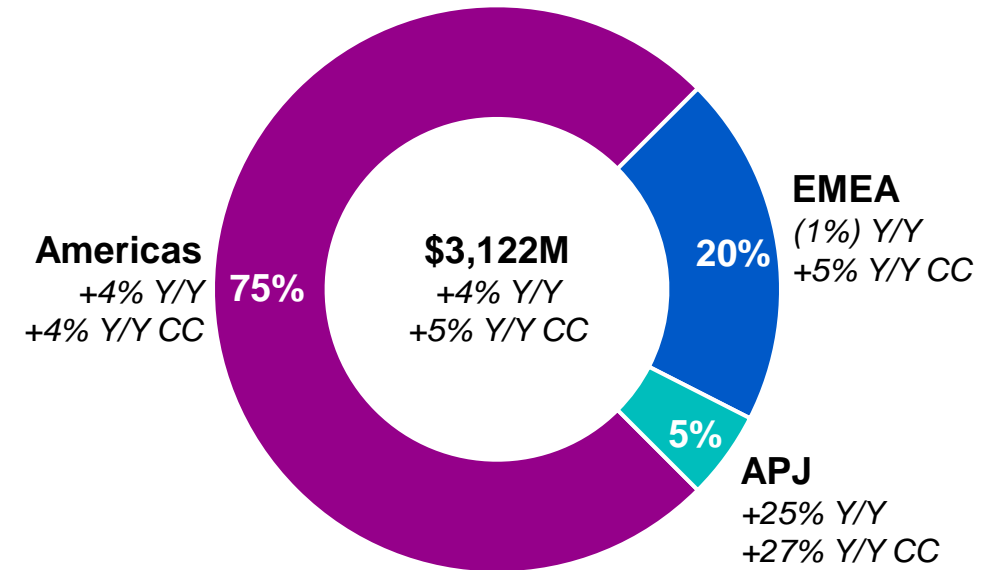
# FY22 revenue breakdown

\$'s in millions

## Revenue by Segment



## Revenue by Geography



# Non-GAAP Gross Profit Reconciliation

<i>(In millions)</i>	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	2021	2022
GAAP Gross Profit	\$234.3	\$226.0	\$224.0	\$207.1	\$199.8	\$936.8	\$856.9
Share-based compensation expense	3.5	2.8	3.4	2.8	2.6	16.7	11.6
Other compensation expense	0.6	0.8	0.4	0.4	0.3	2.7	1.9
Purchase accounting impact on expense	1.1	0.7	0.8	0.6	0.6	4.7	2.7
Restructuring and transformation expenses	6.6	5.3	3.1	0.8	1.7	35.5	10.9
Hosted Exchange incident expenses	-	-	-	-	0.2	-	0.2
Total Adjustments	\$11.8	\$9.6	\$7.7	\$4.6	\$5.4	\$59.6	\$27.3
<b>Non-GAAP Gross Profit</b>	<b>\$246.1</b>	<b>\$235.6</b>	<b>\$231.7</b>	<b>\$211.7</b>	<b>\$205.2</b>	<b>\$996.4</b>	<b>\$884.2</b>

# Non-GAAP Net Income Reconciliation

<i>(In millions)</i>	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	2021	2022
Net loss	\$(82.9)	\$(38.5)	\$(40.6)	\$(511.7)	\$(214.0)	\$(218.3)	\$(804.8)
Share-based compensation expense	18.7	17.0	23.1	19.4	10.0	75.4	69.5
Special bonuses and other compensation expense	2.7	3.4	2.4	2.4	1.8	11.8	10.0
Transaction-related adjustments, net	3.9	5.3	1.9	2.4	1.4	25.7	11.0
Restructuring and transformation expenses	28.6	23.3	24.9	26.1	24.7	161.5	99.0
Hosted Exchange incident expenses	-	-	-	-	5.9	-	5.9
Impairment of goodwill	52.4	-	-	405.2	129.3	52.4	534.5
Impairment of assets	-	-	-	58.7	87.4	-	146.1
Gain on sale of land	-	-	-	-	-	(19.9)	-
Net (gain) loss on divestiture and investments	(0.6)	0.1	0.2	0.1	(0.2)	3.0	0.2
Debt modification and extinguishment costs	-	-	-	-	-	37.5	-
Other (income) expense, net	(0.1)	3.6	5.9	6.0	(5.5)	1.0	10.0
Amortization of intangible assets	42.3	42.2	42.2	42.0	40.4	179.7	166.8
Tax effect of non-GAAP adjustments	(12.1)	(10.5)	(24.5)	(30.6)	(67.7)	(103.3)	(133.3)
<b>Non-GAAP Net Income</b>	<b>\$52.9</b>	<b>\$45.9</b>	<b>\$35.5</b>	<b>\$20.0</b>	<b>\$13.5</b>	<b>\$206.5</b>	<b>\$114.9</b>

# Non-GAAP Operating Profit Reconciliation

<i>(In millions)</i>	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	2021	2022
Income (loss) from operations	\$(26.7)	\$20.9	\$4.0	\$(476.7)	\$(227.2)	\$(2.5)	\$(679.0)
Share-based compensation expense	18.7	17.0	23.1	19.4	10.0	75.4	69.5
Special bonuses and other compensation expense	2.7	3.4	2.4	2.4	1.8	11.8	10.0
Transaction-related adjustments, net	3.9	5.3	1.9	2.4	1.4	25.7	11.0
Restructuring and transformation expenses	28.6	23.3	24.9	26.1	24.7	161.5	99.0
Hosted Exchange incident expenses	-	-	-	-	5.9	-	5.9
Impairment of goodwill	52.4	-	-	405.2	129.3	52.4	534.5
Impairment of assets	-	-	-	58.7	87.4	-	146.1
Gain on sale of land	-	-	-	-	-	(19.9)	-
Amortization of intangible assets	42.3	42.2	42.2	42.0	40.4	179.7	166.8
Total Adjustments	\$148.6	\$91.2	\$94.5	\$556.2	\$300.9	\$486.6	\$1,042.8
<b>Non-GAAP Operating Profit</b>	<b>\$121.9</b>	<b>\$112.1</b>	<b>\$98.5</b>	<b>\$79.5</b>	<b>\$73.7</b>	<b>\$484.1</b>	<b>\$363.8</b>

# Adjusted EBITDA Reconciliation

<i>(In millions)</i>	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	2021	2022
Net loss	\$(82.9)	\$(38.5)	\$(40.6)	\$(511.7)	\$(214.0)	\$(218.3)	\$(804.8)
Share-based compensation expense	18.7	17.0	23.1	19.4	10.0	75.4	69.5
Special bonuses and other compensation expense	2.7	3.4	2.4	2.4	1.8	11.8	10.0
Transaction-related adjustments, net	3.9	5.3	1.9	2.4	1.4	25.7	11.0
Restructuring and transformation expenses	28.6	23.3	24.9	26.1	24.7	161.5	99.0
Hosted Exchange incident expenses	-	-	-	-	5.9	-	5.9
Impairment of goodwill	52.4	-	-	405.2	129.3	52.4	534.5
Impairment of assets	-	-	-	58.7	87.4	-	146.1
Gain on sale of land	-	-	-	-	-	(19.9)	-
Net (gain) loss on divestiture and investments	(0.6)	0.1	0.2	0.1	(0.2)	3.0	0.2
Debt modification and extinguishment costs	-	-	-	-	-	37.5	-
Other (income) expense, net	(0.1)	3.6	5.9	6.0	(5.5)	1.0	10.0
Interest expense	50.5	50.1	50.5	52.3	55.6	205.1	208.5
Provision (benefit) for income taxes	6.4	5.6	(12.0)	(23.4)	(63.1)	(30.8)	(92.9)
Depreciation and amortization	103.6	101.4	98.1	96.6	91.4	421.4	387.5
<b>Adjusted EBITDA</b>	<b>\$183.2</b>	<b>\$171.3</b>	<b>\$154.4</b>	<b>\$134.1</b>	<b>\$124.7</b>	<b>\$725.8</b>	<b>\$584.5</b>



# Non-GAAP EPS Reconciliation

<i>(In millions)</i>	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	2021	2022
Net loss attributable to common stockholders	\$(82.9)	\$(38.5)	\$(40.6)	\$(511.7)	\$(214.0)	\$(218.3)	\$(804.8)
Non-GAAP Net Income	\$52.9	\$45.9	\$35.5	\$20.0	\$13.5	\$206.5	\$114.9
Weighted average number of shares – Diluted	210.3	211.4	209.5	210.8	211.6	208.0	211.2
Effect of dilutive securities	2.1	1.0	0.4	0.2	0.3	4.2	1.3
Non-GAAP weighted average number of shares – Diluted	212.4	212.4	209.9	211.0	211.9	212.2	212.5
Net loss per share – Diluted	\$(0.39)	\$(0.18)	\$(0.19)	\$(2.43)	\$(1.01)	\$(1.05)	\$(3.81)
Per share impacts of adjustments to net loss	0.65	0.40	0.36	2.52	1.08	2.04	4.35
Per share impacts of shares dilutive after adjustments to net loss	(0.01)	0.00	0.00	0.01	(0.01)	(0.02)	0.00
<b>Non-GAAP EPS</b>	<b>\$0.25</b>	<b>\$0.22</b>	<b>\$0.17</b>	<b>\$0.10</b>	<b>\$0.06</b>	<b>\$0.97</b>	<b>\$0.54</b>

# Free Cash Flow Reconciliation

<i>(In millions)</i>	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	2021	2022
Net cash provided by operating activities	\$59.6	\$64.5	\$84.0	\$70.7	\$27.5	\$370.8	\$246.7
Cash purchases of property, equipment and software	(21.2)	(19.2)	(27.2)	(19.0)	(15.0)	(108.4)	(80.4)
<b>Free Cash Flow</b>	<b>\$38.4</b>	<b>\$45.3</b>	<b>\$56.8</b>	<b>\$51.7</b>	<b>\$12.5</b>	<b>\$262.4</b>	<b>\$166.3</b>

# Definitions

<b>Core</b>	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.
<b>Capital Intensity</b>	Capital intensity reflects capital expenditures divided by revenue for the same period.
<b>Non-GAAP Tax Expense Rate</b>	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.
<b>Non-GAAP Weighted Average Shares</b>	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.

The logo features the text 'rackspace technology' in a white, lowercase, sans-serif font. 'rackspace' is on the top line and 'technology' is on the bottom line, with a registered trademark symbol (®) at the end. The text is centered within a solid black circle. This black circle is surrounded by a vibrant, multi-colored ring that transitions from red at the top to purple and blue at the bottom. The entire graphic is set against a solid black background.

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