UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark one)

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2022.

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ______ to ______.

Commission File Number: 001-39420

RACKSPACE TECHNOLOGY, INC.
(Exact name of registrant as specified in its charter)

Delaware	**81-3369925**
(State or other jurisdiction of incorporation or organization)	**(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)

None
(Former name, former address and former fiscal year, if changed since last report)

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 (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer," "accelerated filer," "smaller reporting company,” and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☑	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		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. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

On August 2, 2022, 210,584,387 shares of the registrant’s common stock, par value $0.01 per share, were outstanding.

RACKSPACE TECHNOLOGY, INC.
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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2022 (this "Quarterly Report") contains certain information that may constitute "forward-looking statements" within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. While we have specifically identified certain information as being forward-looking in the context of its presentation, we caution you that all statements contained in this report that are not clearly historical in nature, including statements regarding anticipated financial performance, management's plans and objectives for future operations, business prospects, market conditions, and other matters are forward-looking. Forward-looking statements are contained principally in the sections of this report entitled "Risk Factors," and "Management's Discussion and Analysis of Financial Condition and Results of Operations." Without limiting the generality of the preceding sentence, any time we use the words "expects," "intends," "will," "anticipates," "believes," "confident," "continue," "propose," "seeks," "could," "may," "should," "estimates," "forecasts," "might," "goals," "objectives," "targets," "planned," "projects," and similar expressions, we intend to clearly express that the information deals with possible future events and is forward-looking in nature. However, the absence of these words or similar expressions does not mean that a statement is not forward-looking.

Forward-looking information involves risks, uncertainties, and other factors that could cause actual results to differ materially from those expressed or implied in, or reasonably inferred from, such statements, including without limitation, the effects of the COVID-19 pandemic on our results of operations and business, and the risks and uncertainties disclosed or referenced under the heading "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2021. Therefore, caution should be taken not to place undue reliance on any such forward-looking statements. Much of the information in this report that looks toward future performance of the company is based on various factors and important assumptions about future events that may or may not actually occur. As a result, our operations and financial results in the future could differ materially and substantially from those we have discussed in the forward-looking statements included in this Quarterly Report. We assume no obligation (and specifically disclaim any such obligation) to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise, except as required by law.

TRADEMARKS, TRADE NAMES AND SERVICE MARKS

"Rackspace," "Rackspace Technology," "Fanatical," "Rackspace Fabric," "Rackspace Data Freedom," "Rackspace Services for VMware Cloud™" and "My Rackspace" are registered or unregistered trademarks of Rackspace US, Inc. in the United States and/or other countries. OpenStack® is a registered trademark of OpenStack, LLC and OpenStack Foundation in the United States. Solely for convenience, trademarks, trade names and service marks referred to in this Quarterly Report may appear without the ® or ™ symbols, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights or the rights of the applicable licensor to these trademarks, trade names and service marks. Other trademarks, trade names and service marks appearing in this Quarterly Report are the property of their respective holders. We do not intend our use or display of other companies' trade names, trademarks or service marks to imply a relationship with, or endorsement or sponsorship of us by, any other companies.

PART I – FINANCIAL INFORMATION

ITEM 1 - FINANCIAL STATEMENTS

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 (Note 7)		
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

See accompanying notes to the unaudited consolidated financial statements.

RACKSPACE TECHNOLOGY, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions, except per share data)	2021	2022	2021	2022
Revenue	$ 743.8	$ 772.2	$ 1,469.7	$ 1,547.7
Cost of revenue	(508.3)	(548.2)	(998.9)	(1,097.7)
Gross profit	235.5	224.0	470.8	450.0
Selling, general and administrative expenses	(232.6)	(220.0)	(463.6)	(425.1)
Gain on sale of land	—	—	19.9	—
Income from operations	2.9	4.0	27.1	24.9
Other income (expense):				
Interest expense	(50.5)	(50.5)	(103.1)	(100.6)
Gain (loss) on investments, net	0.1	(0.2)	(3.6)	(0.3)
Debt modification and extinguishment costs	(0.5)	—	(37.5)	—
Other income (expense), net	0.6	(5.9)	(1.2)	(9.5)
Total other income (expense)	(50.3)	(56.6)	(145.4)	(110.4)
Loss before income taxes	(47.4)	(52.6)	(118.3)	(85.5)
Benefit for income taxes	10.8	12.0	17.7	6.4
Net loss	$ (36.6)	$ (40.6)	$ (100.6)	$ (79.1)
Other comprehensive income (loss), net of tax				
Foreign currency translation adjustments	$ 2.7	$ (18.2)	$ 5.7	$ (22.8)
Unrealized gain (loss) on derivative contracts	(6.0)	11.0	3.4	53.3
Amount reclassified from accumulated other comprehensive income (loss) to earnings	4.5	3.4	8.5	7.7
Other comprehensive income (loss)	1.2	(3.8)	17.6	38.2
Comprehensive loss	$ (35.4)	$ (44.4)	$ (83.0)	$ (40.9)
Net loss per share:				
Basic and diluted	$ (0.18)	$ (0.19)	$ (0.49)	$ (0.38)
Weighted average number of shares outstanding:				
Basic and diluted	207.9	209.5	206.2	210.5

See accompanying notes to the unaudited consolidated financial statements.

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

(In millions)	Six Months Ended June 30, 2021	Six Months Ended June 30, 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	(3.7)	5.3
Non-cash purchases of property, equipment and software	$ 74.8	$ 21.7
Other non-cash investing and financing activities	$ 0.3	$ —

The following table provides a reconciliation of cash, cash equivalents, and restricted cash to the total of such amounts shown on the Consolidated Statements of Cash Flows.

	Six Months Ended June 30,	
(In millions)	2021	2022
Cash and cash equivalents	$ 214.8	$ 261.3
Restricted cash included in other non-current assets	3.3	2.5
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	$ 218.1	$ 263.8

See accompanying notes to the unaudited consolidated financial statements.

RACKSPACE TECHNOLOGY, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)

(In millions)	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Treasury Stock, at Cost		Total Stockholders' Equity
	Shares	Amount				Shares	Amount	
Balance at March 31, 2021	207.0	$ 2.1	$ 2,402.6	$ (2.2)	$ (1,027.3)	—	$ —	$ 1,375.2
Exercise of stock options and release of stock awards	1.6	—	16.0	—	—	—	—	16.0
Issuance of shares from Employee Stock Purchase Plan	0.4	—	6.3	—	—	—	—	6.3
Share-based compensation expense	—	—	20.4	—	—	—	—	20.4
Net loss	—	—	—	—	(36.6)	—	—	(36.6)
Other comprehensive income	—	—	—	1.2	—	—	—	1.2
Balance at June 30, 2021	209.0	$ 2.1	$ 2,445.3	$ (1.0)	$ (1,063.9)	—	$ —	$ 1,382.5

(In millions)	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Treasury Stock, at Cost		Total Stockholders' Equity
	Shares	Amount				Shares	Amount	
Balance at December 31, 2020	201.8	$ 2.0	$ 2,363.6	$ (18.6)	$ (963.3)	—	$ —	$ 1,383.7
Issuance of common stock	2.7	—	—	—	—	—	—	—
Exercise of stock options and release of stock awards	4.1	0.1	37.8	—	—	—	—	37.9
Issuance of shares from Employee Stock Purchase Plan	0.4	—	6.3	—	—	—	—	6.3
Share-based compensation expense	—	—	37.6	—	—	—	—	37.6
Net loss	—	—	—	—	(100.6)	—	—	(100.6)
Other comprehensive income	—	—	—	17.6	—	—	—	17.6
Balance at June 30, 2021	209.0	$ 2.1	$ 2,445.3	$ (1.0)	$ (1,063.9)	—	$ —	$ 1,382.5

(In millions)	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Treasury Stock, at Cost		Total Stockholders' Equity
	Shares	Amount				Shares	Amount	
Balance at March 31, 2022	212.8	$ 2.1	$ 2,517.5	$ 48.9	$ (1,220.1)	0.4	$ (4.1)	$ 1,344.3
Exercise of stock options and release of stock awards	0.4	—	0.2	—	—	—	—	0.2
Issuance of shares from Employee Stock Purchase Plans	0.3	—	2.1	—	—	—	—	2.1
Share-based compensation expense	—	—	23.1	—	—	—	—	23.1
Net loss	—	—	—	—	(40.6)	—	—	(40.6)
Other comprehensive loss	—	—	—	(3.8)	—	—	—	(3.8)
Repurchase of common stock	—	—	—	—	—	2.7	(26.9)	(26.9)
Balance at June 30, 2022	213.5	$ 2.1	$ 2,542.9	$ 45.1	$ (1,260.7)	3.1	$ (31.0)	$ 1,298.4

(In millions)	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Treasury Stock, at Cost		Total Stockholders' Equity
	Shares	Amount				Shares	Amount	
Balance at December 31, 2021	211.2	$ 2.1	$ 2,500.0	$ 6.9	$ (1,181.6)	—	$ —	$ 1,327.4
Exercise of stock options and release of stock awards	2.0	—	0.7	—	—	—	—	0.7
Issuance of shares from Employee Stock Purchase Plans	0.3	—	2.1	—	—	—	—	2.1
Share-based compensation expense	—	—	40.1	—	—	—	—	40.1
Net loss	—	—	—	—	(79.1)	—	—	(79.1)
Other comprehensive income	—	—	—	38.2	—	—	—	38.2
Repurchase of common stock	—	—	—	—	—	3.1	(31.0)	(31.0)
Balance at June 30, 2022	213.5	$ 2.1	$ 2,542.9	$ 45.1	$ (1,260.7)	3.1	$ (31.0)	$ 1,298.4

See accompanying notes to the unaudited consolidated financial statements.

RACKSPACE TECHNOLOGY, INC.
NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. Company Overview, Basis of Presentation, and Summary of Significant Accounting Policies

Nature of Operations and Basis of Presentation

Rackspace Technology, Inc. ("Rackspace Technology") is a Delaware corporation controlled by investment funds affiliated with Apollo Global Management, Inc. and its subsidiaries (“Apollo”). Rackspace Technology was formed on July 21, 2016 but had no assets, liabilities or operating results until November 3, 2016 when Rackspace Hosting, Inc. (now named Rackspace Technology Global, Inc., or “Rackspace Technology Global”), a global provider of modern information technology-as-a-service, was acquired by Inception Parent, Inc., a wholly-owned entity indirectly owned by Rackspace Technology (the “Rackspace Acquisition”).

Rackspace Technology Global commenced operations in 1998 as a limited partnership, and was incorporated in Delaware in March 2000. Rackspace Technology serves as the holding company for Rackspace Technology Global and does not engage in any material business or operations other than those related to its indirect ownership of the capital stock of Rackspace Technology Global and its subsidiaries or business or operations otherwise customarily undertaken by a holding company.

For ease of reference, the terms “we,” “our company,” “the company,” “us,” or “our” as used in this report refer to Rackspace Technology and its consolidated subsidiaries.

On January 18, 2022, we acquired 100% of Just Analytics Pte. Ltd. ("Just Analytics"), a leading provider of cloud-based data, analytics, and artificial intelligence services based in the Asia, Pacific and Japan region. The acquisition was completed for $7.7 million in cash consideration, net of cash acquired, together with future deferred payments that are considered post-combination compensation costs and will be recognized over the next three years. The acquisition of Just Analytics was not material to the unaudited consolidated financial statements.

The unaudited consolidated financial statements include the accounts of Rackspace Technology, Inc. and our wholly-owned subsidiaries. Intercompany transactions and balances have been eliminated in consolidation.

Unaudited Interim Financial Information

The unaudited consolidated financial statements as of June 30, 2022, and for the three and six months ended June 30, 2021 and 2022, have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information. Accordingly, certain financial information and disclosures required for financial statements prepared under GAAP have been omitted in accordance with the Securities and Exchange Commission ("SEC") disclosure rules and regulations that permit reduced disclosure for interim periods. These unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the related notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2021 ("Annual Report"). The unaudited interim consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements included in our Annual Report and, in the opinion of management, reflect all adjustments, which include normal recurring adjustments, necessary for a fair statement of our financial position as of June 30, 2022, our results of operations and stockholders' equity for the three and six months ended June 30, 2021 and 2022, and our cash flows for the six months ended June 30, 2021 and 2022.

The results of operations for the three and six months ended June 30, 2022 are not necessarily indicative of the results of operations to be expected for the year ending December 31, 2022, or for any other interim period, or for any other future year.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenue and expenses, and related disclosures of contingent assets and liabilities in the consolidated financial statements and accompanying notes. On an ongoing basis, we evaluate our estimates, including those related to the allowance for credit losses, useful lives of property, equipment and software, software capitalization, incremental borrowing rates for lease liability measurement, fair values of intangible assets and reporting units, useful lives of intangible assets, share-based compensation, contingencies, and income taxes, among others. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results could differ from our estimates.

Impact of COVID-19

The effects of COVID-19 (and any variations thereof) continue to evolve, and the full impact and duration of the virus are unknown. Currently, COVID-19 has not had a significant impact on our operations or financial performance; however, there are remaining uncertainties as a result of COVID-19, particularly the possibility of new variant strain(s) of the virus, the potential resurgence in the spread of the virus and the pace of economic recovery, which continue to impact the estimates and assumptions needed to prepare our consolidated financial statements and footnotes.

Russia and Ukraine Conflict

Political and economic uncertainty surrounding the Russian conflict in Ukraine could have a material adverse effect on our business. Currently, the conflict has not had a significant impact on our operations or financial performance. However, our overall performance depends in part on worldwide economic and geopolitical conditions. We are monitoring the situation and the potential for the conflict to spread to other countries which could adversely impact our customers and operations, and we may take actions that modify our business operations as may be required by federal, state or local authorities, or that we determine are in the best interests of our employees, customers, partners, suppliers and stockholders.

Significant Accounting Policies and Estimates

Our Annual Report includes an additional discussion of the significant accounting policies and estimates used in the preparation of our consolidated financial statements. There were no material changes to our significant accounting policies and estimates during the six months ended June 30, 2022.

Goodwill and Indefinite-Lived Intangible Assets

Goodwill represents the excess of the purchase price over the fair value of identifiable net assets of businesses acquired. Our indefinite-lived intangible asset consists of our Rackspace trade name, which was recorded at fair value on our balance sheet at the date of the Rackspace Acquisition. Goodwill and indefinite-lived intangible assets are not amortized but are subject to impairment testing on an annual basis as of October 1st or more frequently if events or circumstances indicate a potential impairment. These events or circumstances could include a significant change in the business climate, regulatory environment, established business plans, operating performance indicators or competition. Potential impairment indicators may also include, but are not limited to, (i) significant changes to estimates and assumptions used in the most recent annual or interim impairment testing, (ii) downward revisions to internal forecasts, and the magnitude thereof, if any, and (iii) declines in our market capitalization below our book value, and the magnitude and duration of those declines, if any.

As of June 30, 2022, we determined that there were no indicators of impairment that more likely than not reduced the fair value of our reporting units or our indefinite-lived intangible asset to less than their respective carrying values. In reaching this conclusion, we noted that while our market capitalization has declined, it remained in excess of our book value as of June 30, 2022 and took this factor into consideration together with the other qualitative factors noted above. We will continue to evaluate whether circumstances indicate an impairment may exist each reporting period. If there are significant changes in events or circumstances, including (i) further declines in our market capitalization or deterioration in the equity and debt markets, and (ii) impacts to our forecasted results due to macroeconomic factors such as foreign currency exchange rate fluctuations, increased inflation rates, global supply chain constraints, and increases in the weighted-average cost of capital due to increases in interest rates, it is possible that an impairment charge may be recorded in the future, which could be material.

Recent Accounting Pronouncements

Recently Adopted

Business Combinations

In October 2021, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2021-08, *Business Combinations (ASC 805) - Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*. ASU 2021-08 requires that an entity (acquirer) recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Accounting Standards Codification No. 606, *Revenue from Contracts with Customers* ("ASC 606"). At the acquisition date, an acquirer should account for the related revenue contracts in accordance with ASC 606 as if it had originated the contracts. To achieve this, an acquirer may assess how the acquiree applied ASC 606 to determine what to record for the acquired revenue contracts. This standard allows the company a practical expedient to remove the requirement to measure and recognize such contracts in accordance with ASC 606. The guidance is applied prospectively upon adoption. We early adopted this guidance on January 1, 2022 and applied the practical expedient to our accounting for the acquisition of Just Analytics. The adoption of the guidance did not have a material impact on our consolidated financial statements.

Not Yet Adopted

Reference Rate Reform

The United Kingdom's Financial Conduct Authority, which regulates the London Interbank Offered Rate ("LIBOR"), announced that it will not compel panel banks to contribute to the overnight 1, 3, 6 and 12 months U.S. dollar LIBOR tenors after June 30, 2023 and all other tenors after December 31, 2021. U.S. dollar LIBOR may be replaced by the Secured Overnight Financing Rate or other benchmark rates over the next several years. In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (ASC 848) - Facilitation of the Effects of Reference Rate Reform on Financial Reporting* containing practical expedients for reference rate reform related activities that impact debt, leases, derivatives and other contracts. The guidance in ASU 2020-04 is optional and may be applied from March 12, 2020 through December 31, 2022 as reference rate reform activities occur. In January 2021, the FASB issued an update that provides supplemental guidance and clarification of the reference rate reform. We have elected to apply certain practical expedients in the past. We continue to evaluate the impact of the guidance and may apply other elections prior to December 31, 2022, as applicable, as additional changes in the market occur. Currently, borrowings under our Senior Facilities use LIBOR as a benchmark for establishing the applicable interest rate, but the First Lien Credit Agreement includes provisions relating to the future discontinuance of LIBOR and sets forth mechanics for establishing the replacement of LIBOR with an alternative benchmark rate.

2. Customer Contracts

The following table presents the balances related to customer contracts:

(In millions)	Consolidated Balance Sheets Account	December 31, 2021	June 30, 2022
Accounts receivable, net	Accounts receivable, net [1]	$ 554.3	$ 583.9
Current portion of contract assets	Other current assets	$ 15.2	$ 14.2
Non-current portion of contract assets	Other non-current assets	$ 13.1	$ 11.4
Current portion of deferred revenue	Deferred revenue	$ 98.6	$ 106.0
Non-current portion of deferred revenue	Other non-current liabilities	$ 13.6	$ 8.8

(1) Allowance for credit losses and accrued customer credits was $18.4 million and $18.8 million as of December 31, 2021 and June 30, 2022, respectively.

Amounts recognized in revenue for the three months ended June 30, 2021 and 2022, which were included in deferred revenue as of the beginning of each period, totaled $25.2 million and $29.0 million, respectively. Amounts recognized in revenue for the six months ended June 30, 2021 and 2022, which were included in deferred revenue as of the beginning of each period, totaled $46.1 million and $47.0 million, respectively.

Cost Incurred to Obtain and Fulfill a Contract

As of December 31, 2021 and June 30, 2022, the balances of capitalized costs to obtain a contract were $58.0 million and $56.8 million, respectively, and the balances of capitalized costs to fulfill a contract were $23.5 million and $20.2 million, respectively. These capitalized costs are included in “Other non-current assets” on the Consolidated Balance Sheets.

Amortization of capitalized sales commissions and implementation costs was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions)	2021	2022	2021	2022
Amortization of capitalized sales commissions	$ 10.7	$ 11.0	$ 21.5	$ 22.3
Amortization of capitalized implementation costs	$ 4.4	$ 4.2	$ 8.9	$ 8.6

Remaining Performance Obligations

As of June 30, 2022, the aggregate amount of transaction price allocated to remaining performance obligations was $700.1 million, of which 41% is expected to be recognized as revenue during the remainder of 2022 and the remainder thereafter. These remaining performance obligations primarily relate to our fixed-term arrangements. Our other revenue arrangements are usage-based, and as such, we recognize revenue based on the right to invoice for the services performed.

3. Net Loss Per Share

Basic net loss per share is calculated by dividing net loss attributable to common stockholders by the weighted average shares outstanding during the period.

The following table sets forth the computation of basic and diluted net loss per share:

(In millions, except per share data)	Three Months Ended June 30, 2021	Three Months Ended June 30, 2022	Six Months Ended June 30, 2021	Six Months Ended June 30, 2022
Basic and diluted net loss per share:				
Net loss attributable to common stockholders	$ (36.6)	$ (40.6)	$ (100.6)	$ (79.1)
Weighted average shares outstanding:				
Common stock	207.9	209.5	206.2	210.5
Number of shares used in per share computations	207.9	209.5	206.2	210.5
Net loss per share	$ (0.18)	$ (0.19)	$ (0.49)	$ (0.38)

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. Since we were in a net loss position for all periods presented, basic net loss per share is the same as diluted net loss per share for all periods as the inclusion of all potential common shares outstanding would have been anti-dilutive. We excluded 19.4 million and 24.1 million potential common shares from the computation of dilutive loss per share for the three months ended June 30, 2021 and 2022, respectively, and 19.4 million and 24.1 million potential shares for the six months ended June 30, 2021 and 2022, respectively, because the effect would have been anti-dilutive.

4. Property, Equipment and Software, net

Property, equipment and software, net, consisted of the following:

(In millions)	December 31, 2021	June 30, 2022
Computers and equipment	$ 1,206.5	$ 1,165.7
Software	465.6	473.3
Furniture and fixtures	21.9	18.9
Buildings and leasehold improvements	512.9	494.4
Land	21.2	20.4
Property, equipment and software, at cost	2,228.1	2,172.7
Less: Accumulated depreciation	(1,413.4)	(1,424.3)
Work in process	12.0	11.0
Property, equipment and software, net	$ 826.7	$ 759.4

On January 15, 2021, we completed the sale of a parcel of undeveloped land in the United Kingdom adjacent to one of our existing data centers. The net book value of the land prior to the sale was $11.4 million and we received cash proceeds of $32.2 million, less brokerage and professional fees of $0.9 million, resulting in net cash proceeds of $31.3 million. Therefore, we recorded a gain on sale of land of $19.9 million to "Gain on sale of land" in the Consolidated Statements of Comprehensive Loss for the six months ended June 30, 2021.

5. Goodwill and Intangible Assets

The following table sets forth the changes in the carrying amounts of goodwill by reportable segment:

(In millions)	Multicloud Services	Apps & Cross Platform	OpenStack Public Cloud	Total Consolidated
Balance as of December 31, 2021	$ 2,384.3	$ 322.5	$ —	$ 2,706.8
Just Analytics acquisition	—	5.9	—	5.9
Foreign currency translation	(18.8)	(0.4)	—	(19.2)
Balance as of June 30, 2022	$ 2,365.5	$ 328.0	$ —	$ 2,693.5
Gross goodwill	$ 2,660.5	$ 328.0	$ 52.4	$ 3,040.9
Less: Accumulated impairment charges	(295.0)	—	(52.4)	(347.4)
Goodwill, net as of June 30, 2022	$ 2,365.5	$ 328.0	$ —	$ 2,693.5

The following table provides information regarding our intangible assets other than goodwill:

	December 31, 2021			June 30, 2022		
(In millions)	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
Customer relationships	$ 1,983.0	$ (784.1)	$ 1,198.9	$ 1,976.4	$ (861.1)	$ 1,115.3
Property tax abatement	16.0	(9.2)	6.8	16.0	(10.1)	5.9
Other	28.2	(17.4)	10.8	27.7	(19.9)	7.8
Total definite-lived intangible assets	2,027.2	(810.7)	1,216.5	2,020.1	(891.1)	1,129.0
Trade name (indefinite-lived)	250.0	—	250.0	250.0	—	250.0
Total intangible assets other than goodwill	$ 2,277.2	$ (810.7)	$ 1,466.5	$ 2,270.1	$ (891.1)	$ 1,379.0

6. Debt

Debt consisted of the following:

(In millions, except %)		December 31, 2021		June 30, 2022	
Debt Instrument	**Maturity Date**	**Interest Rate[(1)]**	**Amount**	**Interest Rate[(1)]**	**Amount**
Term Loan Facility	February 15, 2028	3.50%	$ 2,282.8	4.16%	$ 2,271.3
Revolving Credit Facility	August 7, 2025	—%	—	—%	—
3.50% Senior Secured Notes	February 15, 2028	3.50%	550.0	3.50%	550.0
5.375% Senior Notes	December 1, 2028	5.375%	550.0	5.375%	550.0
Less: unamortized debt issuance costs			(36.3)		(33.5)
Less: unamortized debt discount			(12.6)		(11.7)
Total debt			3,333.9		3,326.1
Less: current portion of debt			(23.0)		(23.0)
Debt, excluding current portion			$ 3,310.9		$ 3,303.1

(1) Interest rates are as of each respective balance sheet date.

Senior Facilities

Our senior secured credit facilities include a first lien term loan facility (the "Term Loan Facility") and a revolving credit facility (the "Revolving Credit Facility" and, together with the Term Loan Facility, the "Senior Facilities").

On February 9, 2021, we amended and restated the credit agreement governing our Senior Facilities (the "First Lien Credit Agreement"), which included a new seven-year $2,300.0 million senior secured first lien term loan facility due on February 15, 2028 and our existing $375.0 million Revolving Credit Facility. We used the borrowings under the Term Loan Facility, together with the proceeds from the issuance of the 3.50% Senior Secured Notes described below (together, the "February 2021 Refinancing Transaction"), to repay all borrowings under our prior term loan facility (the "Prior Term Loan Facility"), to pay related fees and expenses and for general corporate purposes.

Borrowings under the Senior Facilities bear interest at an annual rate equal to an applicable margin plus, at our option, either (a) a LIBOR rate determined by reference to the costs of funds for Eurodollar deposits for the interest period relevant to such borrowing, adjusted for certain additional costs, subject to a 0.75% floor, in the case of the Term Loan Facility, and a 1.00% floor, in the case of the Revolving Credit Facility, or (b) a base rate determined by reference to the highest of (i) the federal funds rate plus 0.50%, (ii) the prime rate of Citibank, N.A. and (iii) the one-month adjusted LIBOR plus 1.00%. The applicable margin for the Term Loan Facility is 2.75% for LIBOR loans and 1.75% for base rate loans and the applicable margin for the Revolving Credit Facility is 3.00% for LIBOR loans and 2.00% for base rate loans. Interest is due at the end of each interest period elected, not exceeding 90 days, for LIBOR loans and at the end of every calendar quarter for base rate loans.

In addition to paying interest on the outstanding principal under the Senior Facilities, the Revolving Credit Facility also includes a commitment fee equal to 0.50% per annum in respect of the unused commitments that is due quarterly. This commitment fee is subject to one step-down based on the net first lien leverage ratio.

As of June 30, 2022, the interest rate on the Term Loan Facility was 4.16%. We are required to make quarterly principal payments of $5.8 million, which began on June 30, 2021. See Note 12, "Derivatives," for information on interest rate swap agreements we utilize to manage the interest rate risk on the Term Loan Facility.

In addition to the quarterly amortization payments discussed above, the Senior Facilities require us to make certain mandatory prepayments, including using (i) a portion of annual excess cash flow, as defined in the First Lien Credit Agreement, to prepay the Term Loan Facility, (ii) net cash proceeds of certain non-ordinary assets sales or dispositions of property to prepay the Term Loan Facility and (iii) net cash proceeds of any issuance or incurrence of debt not permitted under the Senior Facilities to prepay the Term Loan Facility. We may make voluntary prepayments at any time without penalty, except in connection with a repricing event, as defined in the First Lien Credit Agreement.

The fair value of the Term Loan Facility as of June 30, 2022 was $2,098.1 million, based on quoted market prices for identical assets that are traded in over-the-counter secondary markets that are not considered active. The fair value of the Term Loan Facility is classified as Level 2 within the fair value hierarchy.

Rackspace Technology Global is the borrower under the Senior Facilities, and all obligations under the Senior Facilities are (i) guaranteed by Inception Parent, Inc., Rackspace Technology Global's immediate parent company, on a limited recourse basis and secured by the equity interests of Rackspace Technology Global held by Inception Parent, Inc. and (ii) guaranteed by Rackspace Technology Global's wholly-owned domestic restricted subsidiaries and secured by substantially all material owned assets of Rackspace Technology Global and the subsidiary guarantors, including the equity interests held by each, in each case subject to certain exceptions. The only financial covenant is with respect to the Revolving Credit Facility which limits the net first lien leverage ratio to a maximum of 5.00 to 1.00; however, this covenant is only applicable and tested if the aggregate amount of outstanding borrowings under the Revolving Credit Facility and letters of credit issued thereunder (excluding $25.0 million of undrawn letters of credit and cash collateralized letters of credit) is equal to or greater than 35% of the Revolving Credit Facility commitments at the end of a fiscal quarter. Other covenants include limitations on restricted payments, indebtedness, investments, liens, asset sales and transactions with affiliates.

As of June 30, 2022, we were in compliance with all covenants under the Senior Facilities.

The Revolving Credit Facility matures on August 7, 2025. As of June 30, 2022, we had total commitments of $375.0 million and no outstanding borrowings under the Revolving Credit Facility or letters of credit issued thereunder.

3.50% Senior Secured Notes due 2028

On February 9, 2021, Rackspace Technology Global issued $550.0 million aggregate principal amount of 3.50% Senior Secured Notes due 2028 (the "3.50% Senior Secured Notes"). The 3.50% Senior Secured Notes will mature on February 15, 2028 and bear interest at an annual fixed rate of 3.50%. Interest is payable semiannually on each February 15 and August 15, commencing on August 15, 2021. The 3.50% Senior Secured Notes are not subject to registration rights. As noted above, we used the net proceeds from the issuance of the 3.50% Senior Secured Notes, together with borrowings under the Term Loan Facility described above, to repay all borrowings outstanding under the Prior Term Loan Facility, to pay related fees and expenses and for general corporate purposes.

Rackspace Technology Global is the issuer of the 3.50% Senior Secured Notes, and obligations under the 3.50% Senior Secured Notes are fully and unconditionally guaranteed, jointly and severally, by all of Rackspace Technology Global's wholly-owned domestic restricted subsidiaries (as subsidiary guarantors) that guarantee the Senior Facilities. The 3.50% Senior Secured Notes and the related guarantees are secured by first-priority security interests in substantially all material owned assets of Rackspace Technology Global and the subsidiary guarantors, including the equity interest held by each, subject to certain exceptions, which assets also secure the Senior Facilities. The indenture governing the 3.50% Senior Secured Notes (the "3.50% Notes Indenture") describes certain terms and conditions under which other current and future domestic subsidiaries are required to become guarantors of the 3.50% Senior Secured Notes.

Rackspace Technology Global may redeem the 3.50% Senior Secured Notes at its option, in whole at any time or in part from time to time, at the following redemption prices: prior to February 15, 2024, at a redemption price equal to 100.000% of the principal amount, plus the applicable premium described in the 3.50% Notes Indenture and accrued and unpaid interest, if any, to but excluding the redemption date; from February 15, 2024 to February 14, 2025, at a redemption price equal to 101.750% of the principal amount, plus accrued and unpaid interest, if any, to but excluding the redemption date; from February 15, 2025 to February 14, 2026, at a redemption price equal to 100.875% of the principal amount, plus accrued and unpaid interest, if any, to but excluding the redemption date; and from February 15, 2026 and thereafter, at a redemption price equal to 100.000% of the principal amount, plus accrued and unpaid interest, if any, to but excluding the redemption date. Rackspace Technology Global may also redeem prior to February 15, 2024 up to 40.0% of the aggregate principal amount of the 3.50% Senior Secured Notes with funds in an aggregate amount not to exceed the net cash proceeds from certain equity offerings at a redemption price equal to 103.500% of the principal amount of the 3.50% Senior Secured Notes to be redeemed, plus accrued and unpaid interest, if any, to, but excluding, the redemption date. Notwithstanding the foregoing, Rackspace Technology Global may redeem during each twelve-month period, commencing with February 9, 2021, up to 10.0% of the original aggregate principal amount of the 3.50% Senior Secured Notes at a redemption price of 103.000%, plus accrued and unpaid interest, if any, to, but excluding, the applicable redemption date.

The 3.50% Notes Indenture contains covenants that, among other things, limit our ability to incur certain additional debt, incur certain liens securing debt, pay certain dividends or make other restricted payments, make certain investments, make certain asset sales and enter into certain transactions with affiliates. These covenants are subject to a number of exceptions, limitations, and qualifications as set forth in the 3.50% Notes Indenture. Additionally, upon the occurrence of a change of control (as defined in the 3.50% Notes Indenture), we will be required to make an offer to repurchase all of the outstanding 3.50% Senior Secured Notes at a price in cash equal to 101.000% of the aggregate principal amount, plus accrued and unpaid interest, if any, to, but not including the purchase date.

As of June 30, 2022, Rackspace Technology Global was in compliance with all covenants under the 3.50% Notes Indenture.

The fair value of the 3.50% Senior Secured Notes as of June 30, 2022 was $429.0 million, based on quoted market prices for identical assets that are traded in over-the-counter secondary markets that are not considered active. The fair value of the 3.50% Senior Secured Notes are classified as Level 2 within the fair value hierarchy.

5.375% Senior Notes due 2028

On December 1, 2020, Rackspace Technology Global issued $550.0 million aggregate principal amount of 5.375% Senior Notes due 2028 (the "5.375% Senior Notes"). The 5.375% Senior Notes will mature on December 1, 2028 and bear interest at an annual fixed rate of 5.375%. Interest is payable semiannually on each June 1 and December 1, commencing on June 1, 2021. The 5.375% Senior Notes are not subject to registration rights.

Rackspace Technology Global is the issuer of the 5.375% Senior Notes, and obligations under the 5.375% Senior Notes are guaranteed on a senior unsecured basis by all of Rackspace Technology Global's wholly-owned domestic restricted subsidiaries (as subsidiary guarantors) that guarantee the Senior Facilities. The 5.375% Senior Notes are effectively junior to the indebtedness under the Senior Facilities and the 3.50% Senior Secured Notes, to the extent of the collateral securing the Senior Facilities and the 3.50% Senior Secured Notes. The indenture governing the 5.375% Senior Notes (the "5.375% Notes Indenture") describes certain terms and conditions under which other current and future domestic subsidiaries are required to become guarantors of the 5.375% Senior Notes.

Rackspace Technology Global may redeem the 5.375% Senior Notes at its option, in whole at any time or in part from time to time, at the following redemption prices: prior to December 1, 2023, at a redemption price equal to 100.000% of the principal amount, plus the applicable premium described in the 5.375% Notes Indenture and accrued and unpaid interest, if any, to but excluding the redemption date; from December 1, 2023 to November 30, 2024, at a redemption price equal to 102.688% of the principal amount, plus accrued and unpaid interest, if any, to but excluding the redemption date; from December 1, 2024 to November 30, 2025, at a redemption price equal to 101.344% of the principal amount, plus accrued and unpaid interest, if any, to but excluding the redemption date; and from December 1, 2025 and thereafter, at a redemption price equal to 100.000% of the principal amount, plus accrued and unpaid interest, if any, to but excluding the redemption date. Rackspace Technology Global may also redeem prior to December 1, 2023 up to 40.0% of the aggregate principal amount of the 5.375% Senior Notes with funds in an aggregate amount not to exceed the net cash proceeds from certain equity offerings at a redemption price equal to 105.375% of the principal amount of the 5.375% Senior Notes to be redeemed, plus accrued and unpaid interest, if any, to, but excluding, the redemption date.

The 5.375% Notes Indenture contains covenants that, among other things, limit our ability to incur certain additional debt, incur certain liens securing debt, pay certain dividends or make other restricted payments, make certain investments, make certain asset sales and enter into certain transactions with affiliates. These covenants are subject to a number of exceptions, limitations, and qualifications as set forth in the 5.375% Notes Indenture. Additionally, upon the occurrence of a change of control (as defined in the 5.375% Notes Indenture), we will be required to make an offer to repurchase all of the outstanding 5.375% Senior Notes at a price in cash equal to 101.000% of the aggregate principal amount, plus accrued and unpaid interest, if any, to, but not including the purchase date.

As of June 30, 2022, Rackspace Technology Global was in compliance with all covenants under the 5.375% Notes Indenture.

The fair value of the 5.375% Senior Notes as of June 30, 2022 was $358.9 million, based on quoted market prices for identical assets that are traded in over-the-counter secondary markets that are not considered active. The fair value of the 5.375% Senior Notes are classified as Level 2 within the fair value hierarchy.

Accounts Receivable Financing Agreement

Under the accounts receivable financing agreement (the "Receivables Financing Facility") entered into in 2020, a bankruptcy-remote special purpose vehicle ("SPV") indirectly wholly owned by Rackspace Technology Global granted a security interest in all of its current and future receivables and related assets in exchange for a credit facility permitting borrowings of up to a maximum aggregate amount of $100.0 million from time to time. Rackspace Technology Global was the primary beneficiary of the SPV.

During the three months ended June 30, 2021, the SPV repaid the outstanding balance of $50.0 million and terminated the Receivables Financing Facility. The termination resulted in expense of $0.5 million recorded within "Debt modification and extinguishment costs" in our Consolidated Statements of Comprehensive Loss for the three and six months ended June 30, 2021. The expense was comprised of the write-off of the unamortized debt issuance costs, as well as third party fees associated with the termination.

February 2021 Refinancing Transaction

The February 2021 Refinancing Transaction represented an extinguishment and modification of debt. We derecognized $2,795.6 million of the Prior Term Loan Facility and wrote off $9.4 million in unamortized debt issuance costs and debt discount associated with the portion of the Prior Term Loan Facility that was deemed extinguished. We recognized $2,300.0 million borrowed under the Term Loan Facility and $41.0 million of associated debt issuance costs and debt discount, including amounts allocated from the Prior Term Loan Facility, both classified as a direct deduction from the carrying value of non-current debt on our Consolidated Balance Sheets. We recognized $550.0 million aggregate principal amount of the 3.50% Senior Secured Notes due 2028 and $6.8 million of associated debt issuance costs, including amounts allocated from the Prior Term Loan Facility. The February 2021 Refinancing Transaction resulted in expense of $37.0 million recorded within "Debt modification and extinguishment costs" in our Consolidated Statements of Comprehensive Loss for the six months ended June 30, 2021. The expense was comprised of the write-off of unamortized debt issuance costs and debt discount associated with the portion of the Prior Term Loan Facility that was deemed extinguished, as well as $27.6 million in third party fees associated with the modification.

7. Commitments and Contingencies

We have contingencies that arise from various litigation, claims and commitments, none of which we consider to be material.

From time to time, we are a party to various claims asserting that certain of our services and technologies infringe the intellectual property rights of others. Adverse results in these lawsuits may include awards of substantial monetary damages, costly royalty or licensing agreements, or orders preventing us from offering certain features, products, or services, and may also cause us to change our business practices and require development of non-infringing products or technologies, which could result in a loss of revenue for us or otherwise harm our business.

We record an accrual for a loss contingency when a loss is considered probable and reasonably estimable. As additional facts concerning a loss contingency become known, we reassess our position and make appropriate adjustments to a recorded accrual. The amount that will ultimately be paid related to a matter may differ from the recorded accrual, and the timing of such payments, if any, may be uncertain.

We are not a party to any litigation, the outcome of which, if determined adversely to us, would individually or in the aggregate be reasonably expected to have a material and adverse effect on our business, financial position or results of operations.

8. July 2021 Restructuring Plan

On July 21, 2021, we committed to an internal restructuring plan (the "July 2021 Restructuring Plan") to drive a change in the type and location of certain positions that was expected to result in the termination of approximately 10% of our workforce. Substantially all of the employees impacted by the reduction in workforce were notified of the reduction on July 22, 2021 and have since exited the company.

During the three and six months ended June 30, 2021, we incurred $6.4 million of costs which were accounted for as exit and disposal costs under Accounting Standards Codification ("ASC") No. 420, *Exit or Disposal Cost Obligations* (“ASC 420”). These costs included $2.5 million of employee related costs which consisted of one-time termination benefits and certain contractual termination benefits with executives. The $3.9 million of other costs consisted of professional fees and non-cash charges related to a contract termination with a third-party. These costs are recorded within "Selling, general and administrative expenses" in the Consolidated Statements of Comprehensive Loss.

During the three and six months ended June 30, 2022, we did not incur any material exit and disposal costs under ASC 420.

Liability activity for previously accrued restructuring costs that are expected to be settled in cash are presented in the table below.

(In millions)	Employee Related	Other	Total
Liability as of December 31, 2021	$ 7.1	$ 0.6	$ 7.7
Charges	—	—	—
Cash payments	(6.2)	(0.6)	(6.8)
Liability as of June 30, 2022	$ 0.9	$ —	$ 0.9
Total cumulative costs incurred as of June 30, 2022	$ 13.8	$ 6.0	$ 19.8

The liability for employee related costs primarily consists of one-time termination benefits and was recorded in "Accrued compensation and benefits" in the Consolidated Balance Sheets as of June 30, 2022.

We do not expect to incur any additional future ASC 420 exit and disposal costs related to the July 2021 Restructuring Plan.

9. Share Repurchase Program

On March 3, 2022, our board of directors authorized a program to repurchase up to $75.0 million of shares of our common stock from time to time through open-market transactions, privately negotiated transactions, accelerated share repurchases, and other transactions in accordance with applicable security laws. The program expires on September 30, 2023 and can be discontinued at any time. During the three months ended June 30, 2022, we repurchased $26.9 million, or 2.7 million shares, of our common stock on the open market under this program. During the six months ended June 30, 2022, we repurchased $31.0 million, or 3.1 million shares, of our common stock on the open market under this program. Shares purchased pursuant to the program are recorded as treasury stock at cost in the Consolidated Balance Sheets. As of June 30, 2022, approximately $44.0 million of the amount authorized by the board under the current program remained available for additional purchases.

10. Share-Based Compensation

On April 21, 2022, the Board of Directors approved a proposed amendment to the Rackspace Technology, Inc. 2020 Equity Incentive Plan (the “2020 Incentive Plan”) to increase the maximum number of shares of our common stock available for issuance under the 2020 Incentive Plan from 25.0 million shares to 50.0 million shares, subject to stockholder approval. The proposed amendment was subsequently approved by our stockholders as part of the 2022 Annual Meeting of Stockholders held on June 10, 2022.

During the six months ended June 30, 2022, we granted 7.8 million restricted stock units ("RSUs") under the 2020 Incentive Plan with a weighted-average grant date fair value of $11.13. The majority of the RSUs were granted as part of our annual compensation award process and vest ratably over a three-year period, subject to continued service.

Of those awards granted during the six months ended June 30, 2022, 1.2 million were performance stock units ("PSUs") granted under the 2020 Incentive Plan with a weighted-average grant date fair value of $11.70. These PSUs represent the target amount of grants, and the actual number of shares awarded upon vesting may vary depending upon the achievement of the relevant market condition which is based on Rackspace’s Total Shareholder Return (“TSR”) relative to the TSR of a comparator group of IT and Cloud Services Companies. The awards are eligible to vest in equal annual installments over three years based on the attainment of the market condition and the employee’s continued service through the end of the applicable measurement period and were valued using a Monte Carlo simulation.

Share-based compensation expense recognized was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions)	2021	2022	2021	2022
Cost of revenue	$ 4.3	$ 3.4	$ 9.2	$ 6.2
Selling, general and administrative expenses	16.1	19.7	28.4	33.9
Pre-tax share-based compensation expense	20.4	23.1	37.6	40.1
Less: Income tax benefit	(4.3)	(4.8)	(7.9)	(8.4)
Total share-based compensation expense, net of tax	$ 16.1	$ 18.3	$ 29.7	$ 31.7

As of June 30, 2022, there was $160.3 million of total unrecognized compensation cost related to stock options, RSUs, PSUs, and the ESPP, which will be recognized using the service period or over our best estimate of the period over which the performance condition will be met, as applicable.

11. Taxes

We are subject to U.S. federal income tax and various state, local, and international income taxes in numerous jurisdictions. The differences between our effective tax rate and the U.S. federal statutory rate of 21% generally result from various factors, including the geographical distribution of taxable income, tax credits, contingency reserves for uncertain tax positions, and permanent differences between the book and tax treatment of certain items. Additionally, the amount of income taxes paid is subject to our interpretation of applicable tax laws in the jurisdictions in which we file. For the three months ended June 30, 2022, our effective tax rate is higher than the U.S. federal statutory rate of 21% due to the net impact of the geographic distribution of our earnings and the application of the global intangible low-taxed income (“GILTI”) provisions that were implemented with the Tax Cuts and Jobs Act (the “Act”) that was passed on December 22, 2017. For the six months ended June 30, 2022, our effective tax rate is lower than the U.S. federal statutory rate of 21% due to the geographic distribution of our earnings, tax effects from share-based compensation and executive compensation that is nondeductible under Internal Revenue Code ("IRC") Section 162(m).

12. Derivatives

We utilize derivative instruments, including interest rate swap agreements, to manage our exposure to interest rate risk. We only hold such instruments for economic hedging purposes, not for speculative or trading purposes. Our derivative instruments are transacted only with highly-rated institutions, which reduces our exposure to credit risk in the event of nonperformance.

Interest Rate Swaps

We are exposed to interest rate risk associated with fluctuations in interest rates on the floating-rate Term Loan Facility. The objective in using interest rate derivatives is to manage our exposure to interest rate movements. To accomplish this objective, we have entered into interest rate swap agreements as part of our interest rate risk management strategy. Interest rate swaps involve the receipt of variable amounts from a counterparty in exchange for the company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount.

On a quarterly basis, we net settle with the counterparty for the difference between the fixed rate specified in each swap agreement and the variable rate based upon the three-month LIBOR as applied to the notional amount of the swap.

On January 9, 2020, we designated certain of our swaps as cash flow hedges. On the designation date, the cash flow hedges were in a $39.9 million liability position. The cash flow hedges were expected to be highly effective on the designation date and, on a quarterly basis, we performed retrospective and prospective regression assessments to determine whether the cash flow hedges continue to be highly effective. As long as the cash flow hedges are highly effective, changes in fair value are recorded to "Accumulated other comprehensive income (loss)" in the Consolidated Balance Sheets and reclassified to "Interest expense" in the period when the underlying transaction affects earnings. The income tax effects of cash flow hedges are released from "Accumulated other comprehensive income (loss)" in the period when the underlying transaction affects earnings. Any stranded income tax effects are released from “Accumulated other comprehensive income (loss)” into “Benefit (provision) for income taxes” under the portfolio approach.

During the year ended December 31, 2021, we completed a series of transactions to modify our interest rate swap positions as follows: (i) All the interest rate swaps outstanding as of December 31, 2020, with the exception of the agreement that matured on February 3, 2021, were de-designated as cash flow hedges on January 31, 2021, (ii) on February 12, 2021, we entered into a $900.0 million receive-fixed interest rate swap which was designed to offset the terms of the remaining two December 2016 swaps, and (iii) on February 12, 2021, we terminated all December 2018 swaps and entered into a $1.35 billion pay-fixed interest rate swap, effectively blending the liability position of our existing interest rate swap agreements into the new swap and extending the term of our hedged position to February 2026.

The amount remaining in “Accumulated other comprehensive income (loss)" for the de-designated December 2016 and December 2018 swaps at the de-designation date was approximately $51.6 million, and will be amortized as an increase to "Interest expense" over the effective period of the original swap agreements.

The new receive-fixed interest rate swap qualifies as a hybrid instrument in accordance with ASC No. 815, *Derivatives and Hedging*, consisting of a loan and an embedded derivative for which the fair value option has been elected. This $900.0 million swap will remain undesignated to economically offset the now undesignated December 2016 swaps. This new swap and the December 2016 swaps matured on February 3, 2022. Cash settlements related to this receive-fixed interest rate swap will offset and are classified as operating activities in the Consolidated Statements of Cash Flows.

The new pay-fixed interest rate swap also qualifies as a hybrid instrument in accordance with ASC No. 815, *Derivatives and Hedging*, consisting of a loan and an embedded at-market derivative that was designated as a cash flow hedge. The loan is accounted for at amortized cost over the life of the swap while the embedded at-market derivative is accounted for at fair value. This new $1.35 billion swap is indexed to three-month LIBOR and will be net settled on a quarterly basis with the counterparty for the difference between the fixed rate of 2.3820% and the variable rate based upon three-month LIBOR (subject to a floor of 0.75%) as applied to the notional amount of the swap. In connection with the transactions discussed above, no cash was exchanged between us and the counterparty. The liability of the terminated interest rate swaps as well as the inception value of the receive-fixed interest rate swap was blended into the new pay-fixed interest rate swap. The cash flows related to the portion treated as debt will be classified as financing activities in the Consolidated Statements of Cash Flows while the portion treated as an at-market derivative will be classified as operating activities.

As of December 31, 2021 and June 30, 2022, the cash flow hedge was highly effective.

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The key terms of interest rate swaps are presented below:

Effective Date	Fixed Rate Paid (Received)	December 31, 2021 Notional Amount (in millions)	December 31, 2021 Status	June 30, 2022 Notional Amount (in millions)	June 30, 2022 Status	Maturity Date
Entered into December 2016:						
February 3, 2017	1.9040%	$ 450.0	Active	$ —	Matured	February 3, 2022
February 3, 2017	1.9040%	450.0	Active	—	Matured	February 3, 2022
Entered into December 2018:						
February 3, 2019	2.7490%	—	Terminated	—	Terminated	November 3, 2023
February 3, 2020	2.7350%	—	Terminated	—	Terminated	November 3, 2023
February 3, 2021	2.7360%	—	Terminated	—	Terminated	November 3, 2023
February 3, 2022	2.7800%	—	Terminated	—	Terminated	November 3, 2023
Entered into February 2021:						
February 3, 2021	(1.9040)%	(900.0)	Active	—	Matured	February 3, 2022
February 9, 2021	2.3820%	1,350.0	Active	1,350.0	Active	February 9, 2026
Total		$ 1,350.0		$ 1,350.0		

Our interest rate swap agreements, excluding the portion treated as debt, are recognized at fair value in the Consolidated Balance Sheets and are valued using pricing models that rely on market observable inputs such as yield curve data, which are classified as Level 2 inputs within the fair value hierarchy.

Fair Values of Derivatives on the Consolidated Balance Sheets

The fair values of our derivatives and their location on the Consolidated Balance Sheets as of December 31, 2021 and June 30, 2022 were as follows:

(In millions)		December 31, 2021 Assets	December 31, 2021 Liabilities	June 30, 2022 Assets	June 30, 2022 Liabilities
Derivatives not designated as hedging instruments	**Location**				
Interest rate swaps	Other current assets [(1)]	$ 1.5	$ —	$ —	$ —
Interest rate swaps	Other current liabilities	—	1.5	—	—
Total		$ 1.5	$ 1.5	$ —	$ —
Derivatives designated as hedging instruments	**Location**				
Interest rate swaps	Other current assets	$ —	$ —	$ 22.3	$ —
Interest rate swaps	Other non-current assets	23.6	—	70.7	—
Interest rate swaps	Other current liabilities [(2)]	—	20.8	—	17.3
Interest rate swaps	Other non-current liabilities [(3)]	—	56.4	—	47.8
Total		$ 23.6	$ 77.2	$ 93.0	$ 65.1

(1) The entire balance as of December 31, 2021 is comprised of the receive-fixed interest rate swap for which the fair value option has been elected.
(2) The balance as of December 31, 2021 and June 30, 2022 includes $17.2 million and $17.3 million, respectively, related to the financing component of the pay-fixed interest rate swap.
(3) The entire balance is comprised of the financing component of the pay-fixed interest rate swap.

For financial statement presentation purposes, we do not offset assets and liabilities under master netting arrangements and all amounts above are presented on a gross basis. The following table, however, is presented on a net asset and net liability basis:

	December 31, 2021			June 30, 2022		
(In millions)	Gross Amounts on Balance Sheet	Effects of Counterparty Netting	Net Amounts	Gross Amounts on Balance Sheet	Effects of Counterparty Netting	Net Amounts
Assets						
Interest rate swaps	$ 25.1	$ (25.1)	$ —	$ 93.0	$ (65.1)	$ 27.9
Liabilities						
Interest rate swaps	$ 78.7	$ (25.1)	$ 53.6	$ 65.1	$ (65.1)	$ —

Effect of Derivatives on the Consolidated Statements of Comprehensive Loss

The effect of our derivatives and their location on the Consolidated Statements of Comprehensive Loss for the three and six months ended June 30, 2021 and 2022 was as follows:

		Three Months Ended June 30,		Six Months Ended June 30,	
(In millions)		2021	2022	2021	2022
Derivatives not designated as hedging instruments	**Location**				
Interest rate swaps	Interest expense	$ (4.8)	$ (4.6)	$ (9.4)	$ (9.2)
Foreign currency contracts [(1)]	Other income (expense), net	$ (0.7)	$ —	$ (2.0)	$ —
Derivatives designated as hedging instruments	**Location**				
Interest rate swaps	Interest expense	$ (1.3)	$ —	$ (3.6)	$ (1.3)

(1) Relates to two foreign currency forward contracts settled on November 30, 2021. As of December 31, 2021 and June 30, 2022, we do not have any outstanding foreign currency hedging contracts.

Interest expense was $50.5 million for both the three months ended June 30, 2021 and 2022, and $103.1 million and $100.6 million for the six months ended June 30, 2021 and 2022, respectively. As of June 30, 2022, the amount of cash flow hedge gain included within "Accumulated other comprehensive income (loss)" that is expected to be reclassified as a reduction to "Interest expense" over the next 12 months is approximately $8.6 million. See Note 13, "Accumulated Other Comprehensive Income (Loss)," for information regarding changes in fair value of our derivatives designated as hedging instruments.

Credit-risk-related Contingent Features

We have agreements with interest rate swap counterparties that contain a provision whereby if we default on any of our material indebtedness, then we could also be declared in default of our interest rate swap agreements. As of June 30, 2022, our outstanding interest rate swap agreement was in a net asset position.

13. Accumulated Other Comprehensive Income (Loss)

Accumulated other comprehensive income (loss) consisted of the following:

(In millions)	Accumulated Foreign Currency Translation Adjustments	Accumulated Loss on Derivative Contracts	Accumulated Other Comprehensive Loss
Balance at March 31, 2021	$ 23.8	$ (26.0)	$ (2.2)
Foreign currency translation adjustments, net of tax expense of $0.2	2.7	—	2.7
Unrealized loss on derivative contracts, net of tax benefit of $2.0	—	(6.0)	(6.0)
Amount reclassified from Accumulated comprehensive income (loss) into earnings, net of tax benefit of $1.5[1]	—	4.5	4.5
Balance at June 30, 2021	$ 26.5	$ (27.5)	$ (1.0)

(1) Includes interest expense recognized of $1.2 million and amortization of off-market swap value and accumulated loss at hedge de-designation of $4.8 million for the three months ended June 30, 2021.

(In millions)	Accumulated Foreign Currency Translation Adjustments	Accumulated Loss on Derivative Contracts	Accumulated Other Comprehensive Loss
Balance at December 31, 2020	$ 20.8	$ (39.4)	$ (18.6)
Foreign currency translation adjustments, net of tax expense of $0.3	5.7	—	5.7
Unrealized gain on derivative contracts, net of tax expense of $1.2	—	3.4	3.4
Amount reclassified from Accumulated comprehensive income (loss) into earnings, net of tax benefit of $2.9 [1]	—	8.5	8.5
Balance at June 30, 2021	$ 26.5	$ (27.5)	$ (1.0)

(1) Includes interest expense recognized of $4.0 million and amortization of off-market swap value and accumulated loss at hedge de-designation of $7.4 million for the six months ended June 30, 2021.

(In millions)	Accumulated Foreign Currency Translation Adjustments	Accumulated Gain on Derivative Contracts	Accumulated Other Comprehensive Income
Balance at March 31, 2022	$ 12.6	$ 36.3	$ 48.9
Foreign currency translation adjustments, net of tax benefit of $1.5	(18.2)	—	(18.2)
Unrealized gain on derivative contracts, net of tax expense of $3.8	—	11.0	11.0
Amount reclassified from Accumulated comprehensive income (loss) into earnings, net of tax benefit of $1.2 [1]	—	3.4	3.4
Balance at June 30, 2022	$ (5.6)	$ 50.7	$ 45.1

(1) Includes amortization of off-market swap value and accumulated loss at hedge de-designation of $4.6 million for the three months ended June 30, 2022.

(In millions)	Accumulated Foreign Currency Translation Adjustments	Accumulated Gain (Loss) on Derivative Contracts	Accumulated Other Comprehensive Income
Balance at December 31, 2021	$ 17.2	$ (10.3)	$ 6.9
Foreign currency translation adjustments, net of tax benefit of $2.2	(22.8)	—	(22.8)
Unrealized gain on derivative contracts, net of tax expense of $18.4	—	53.3	53.3
Amount reclassified from Accumulated comprehensive income (loss) into earnings, net of tax benefit of $2.7 [(1)]	—	7.7	7.7
Balance at June 30, 2022	$ (5.6)	$ 50.7	$ 45.1

(1) Includes interest expense recognized of $1.2 million and amortization of off-market swap value and accumulated loss at hedge de-designation of $9.2 million for the six months ended June 30, 2022.

14. Related Party Transactions

Affiliates of ABRY Partners, LLC and ABRY Partners II, LLC (collectively, “ABRY”), are Term Loan Facility lenders under the First Lien Credit Agreement. As of June 30, 2022, the outstanding principal amount of the Term Loan Facility was $2,271.3 million, of which $56.3 million, or 2.5%, is due to ABRY affiliates. Investment funds affiliated with ABRY are also co-investors in Rackspace Technology.

Apollo Global Securities, LLC, an affiliate of Apollo, received $0.6 million in connection with their role as an initial purchaser of the 3.50% Senior Secured Notes issued on February 9, 2021 and $2.3 million in arranger fees in connection with the entry into the Term Loan Facility on February 9, 2021.

On February 2, 2021, we issued 2,665,935 shares of common stock to DPH 123, LLC, an ABRY affiliate, for no additional consideration pursuant to the Agreement and Plan of Merger, dated as of September 6, 2017, in connection with our November 15, 2017 acquisition of Datapipe Parent, Inc.

15. Segment Reporting

We have organized our operations into the following three operating segments, which correspond directly to our reportable segments: Multicloud Services, Apps & Cross Platform, and OpenStack Public Cloud. Our segments are based upon a number of factors, including, the basis for our budgets and forecasts, organizational and management structure and the financial information regularly used by our Chief Operating Decision Maker to make key decisions and to assess performance. We assess financial performance of our segments on the basis of revenue and segment gross profit. For the calculation of segment gross profit, we allocate certain costs, such as data center operating costs, customer support costs, license expense, and depreciation, to our segments generally based on segment revenue.

The table below presents a reconciliation of revenue by reportable segment to consolidated revenue and a reconciliation of consolidated segment gross profit to consolidated loss before income taxes for the three and six months ended June 30, 2021 and 2022.

(In millions)	Three Months Ended June 30, 2021	Three Months Ended June 30, 2022	Six Months Ended June 30, 2021	Six Months Ended June 30, 2022
Revenue by segment:				
Multicloud Services	$ 605.1	$ 633.3	$ 1,184.7	$ 1,273.4
Apps & Cross Platform	92.7	100.1	190.0	194.9
OpenStack Public Cloud	46.0	38.8	95.0	79.4
Total consolidated revenue	$ 743.8	$ 772.2	$ 1,469.7	$ 1,547.7
Segment gross profit:				
Multicloud Services	$ 202.0	$ 183.3	$ 398.4	$ 371.5
Apps & Cross Platform	32.0	35.5	66.9	70.0
OpenStack Public Cloud	16.1	12.9	34.7	25.8
Total consolidated segment gross profit	250.1	231.7	500.0	467.3
Less:				
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)
Selling, general and administrative expenses	(232.6)	(220.0)	(463.6)	(425.1)
Gain on sale of land	—	—	19.9	—
Interest expense	(50.5)	(50.5)	(103.1)	(100.6)
Gain (loss) on investments, net	0.1	(0.2)	(3.6)	(0.3)
Debt modification and extinguishment costs	(0.5)	—	(37.5)	—
Other income (expense), net	0.6	(5.9)	(1.2)	(9.5)
Total consolidated loss before income taxes	$ (47.4)	$ (52.6)	$ (118.3)	$ (85.5)

(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 Rackspace Acquisition 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.

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to help readers understand our results of operations, financial condition and cash flows and should be read in conjunction with the consolidated financial statements and the related notes included elsewhere in this Quarterly Report on Form 10-Q (this "Quarterly Report") and with the audited consolidated financial statements and the related notes included in our Annual Report. References to "Rackspace Technology," "we," "our company," "the company," "us," or "our" refer to Rackspace Technology, Inc. and its consolidated subsidiaries.

The following discussion contains forward-looking statements that are subject to risks and uncertainties. Actual results may differ materially from those contained in any forward-looking statements. See "Special Note Regarding Forward-Looking Statements" contained elsewhere in this Quarterly Report.

Overview

We are 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.

We operate our business and report our results through three reportable segments: (1) Multicloud Services, (2) Apps & Cross Platform and (3) OpenStack Public Cloud. Our Multicloud Services segment includes our multicloud services offerings, as well as professional services related to designing and building multicloud solutions and cloud-native applications. Our Apps & Cross Platform segment includes managed applications, managed security and data services, as well as professional services related to designing and implementing application, security and data services. In early 2017, we determined that our OpenStack Public Cloud offering was not core to our go-forward operations and we ceased to incentivize our sales team to promote and sell the product by the end of that year. We continue to serve our existing OpenStack Public Cloud customer base while we focus our growth strategy and investments on our Multicloud Services and Apps & Cross Platform offerings. See Item 1 of Part I, Financial Statements - Note 15, "Segment Reporting," for additional information about our segments. We refer to certain supplementary "Core" financial measures, which reflect 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.

On July 21, 2021, we committed to an internal restructuring plan (the "July 2021 Restructuring Plan"), to drive a change in the type and location of certain positions that was expected to result in the termination of approximately 10% of our workforce. We recorded total charges of $1.0 million and $4.2 million for the three and six months ended June 30, 2022, respectively, related to this restructuring plan which are not accounted for as exit and disposal costs under ASC 420, consisting primarily of one-time offshore build out costs. During the three and six months ended June 30, 2021, we incurred $6.4 million of costs which were accounted for as exit and disposal costs under ASC 420. These costs included $2.5 million of employee related costs which consisted of one-time termination benefits and certain contractual termination benefits with executives. The $3.9 million of other costs consisted of professional fees and non-cash charges related to a contract termination with a third-party. We expect to incur additional expenses of approximately $1 million throughout the remainder of 2022. We expect to realize approximately $95 to $100 million in gross annual savings compared to expense levels prior to the commencement of the plan.

Company Evaluating Strategic Alternatives

On May 10, 2022, we announced that following a recently completed in-depth strategic review and evaluation of various strategic options for our businesses, and also based on inbound interest for one of our product lines, we had concluded that a sum of the parts valuation of Rackspace Technology could be greater than our current enterprise value. This is in part driven by the attractive growth profile of Public Cloud. Accordingly, we are evaluating strategic alternatives and other options. We intend to provide further information as appropriate in light of developments. There can be no assurance that this evaluation will lead to any particular outcome or a change in our business as currently conducted.

Impact of COVID-19

The effects of COVID-19 and its variants continue to evolve, and the full impact and duration of the virus are unknown. Managing COVID-19 continues to severely impact healthcare systems and businesses worldwide. The effects of COVID-19 and its variants and the response to the virus have negatively impacted overall economic conditions. To date, COVID-19 and its variants have not adversely affected our results of operations or financial condition in any material respect. However, there are remaining uncertainties as a result of COVID-19, particularly the possibility of new variant strain(s) of the virus, the potential resurgence in the spread of the virus and the pace of economic recovery. The full extent to which COVID-19 and its variants may impact our financial condition or results of operations over the medium to long term, therefore, remains uncertain. Due to our recurring revenue business model, the effect of COVID-19 and its variants may not be fully reflected in our results of operations until future periods, if at all. We will continue to actively monitor the situation and may take further actions that alter our business operations as may be required by federal, state or local authorities, or that we determine are in the best interests of our employees, customers, partners, suppliers and stockholders.

Russia and Ukraine Conflict

Political and economic uncertainty surrounding the Russian conflict in Ukraine could have a material adverse effect on our business. Currently, the conflict has not had a significant impact on our operations or financial performance. However, our overall performance depends in part on worldwide economic and geopolitical conditions. We are monitoring the situation and the potential for the conflict to spread to other countries which could adversely impact our customers and operations, and we may take actions that modify our business operations as may be required by federal, state or local authorities, or that we determine are in the best interests of our employees, customers, partners, suppliers and stockholders.

Key Factors Affecting Our Performance

We believe our combination of proprietary technology, automation capabilities and technical expertise creates a value proposition for our customers that is hard to replicate for both competitors and in-house IT departments. Our continued success depends to a significant extent on our ability to meet the challenges presented by our highly competitive and dynamic market, including the following key factors:

Differentiating Our Service Offerings in a Competitive Market Environment

Our success depends to a significant extent on our ability to differentiate, expand and upgrade our service offerings in line with developing customer needs, while deepening our relationships with leading public cloud service providers and establishing new relationships, including with sales partners. We are a certified premier consulting and managed services partner to some of the largest cloud computing platforms, including Amazon Web Services ("AWS"), Microsoft Azure, Google Cloud, Oracle, SAP and VMware. We believe we are unique in our ability to serve customers across major technology stacks and deployment options, all while delivering a Fanatical Customer Experience. Our existing and prospective customers are also under increasing pressure to move from on-premise or self-managed IT to the cloud to compete effectively in a digital economy and maximize the value of their cloud investments, which we believe presents an opportunity for professional services projects as well as new recurring business.

Customer Relationships and Retention

Our success greatly depends on our ability to retain and develop opportunities with our existing customers and to attract new customers. We operate in a growing but competitive and evolving market environment, requiring innovation to differentiate us from our competitors. We believe that our integrated cloud service portfolio and our differentiated customer experience and technology are keys to retaining and growing revenue from existing customers as well as acquiring new customers. For example, we believe that Rackspace Fabric provides customers a unified experience across their entire cloud and security footprint, and that our Rackspace Elastic Engineering model helps customers embrace a cloud native approach with on-demand access to a dedicated team of highly skilled cloud architects and engineers. These offerings differentiate us from legacy IT service providers that operate under long-term fixed and project-based fee structures often tethered to their existing technologies with less automation.

Business Mix Shift

The mix of revenue within our Multicloud Services segment has shifted in recent years, from mature offerings such as managed hosting and colocation to managed public cloud services. Since the mature offerings are hosted on our own infrastructure, these offerings carry a higher gross margin, but also a higher burden on the company for operating expenses and capital expenditures. Conversely, as managed public cloud services are hosted on third-party infrastructure, these services carry a lower gross margin, but also a correspondingly lower operating expense and capital expenditure burdens. As a result, despite the difference in gross margins between the mature offerings and the growth offerings, the operating margins for the different classes of offerings are relatively similar.

Shift in Capital Intensity

In recent years, the mix of our consolidated revenues has shifted from high capital intensity service offerings to low capital intensity service offerings and we expect this mix shift to continue. Historically, we primarily offered managed hosting and OpenStack Public Cloud services to our customers, which required us to deploy servers and equipment to ensure adequate capacity for new customers and, in certain cases, on behalf of customers at the start or during the performance of a contract, resulting in a high level of anticipatory and success-based capital expenditures. Today, the vast majority of our revenue is derived from service offerings, such as managed public cloud services, application services and professional services, which have significantly lower success-based capital requirements because they allow us to leverage our partners' infrastructure or technology to make our capital expenditures more efficient. As a result, we have recently experienced and expect to continue to experience changes in our capital expenditures requirements.

Our capital expenditures equaled 11% and 5% of our revenue for the three months ended June 30, 2021 and 2022, respectively, and 10% and 4% of our revenue for the six months ended June 30, 2021 and 2022, respectively. While there is some variability in capital expenditures from quarter to quarter due to timing of purchases, we expect to maintain current capex intensity levels over the longer term.

Human Capital

Our ability to be successful and to execute on our strategies depends on our ability to hire and retain qualified employees. Like others in our industry, we are realizing higher than historical levels of voluntary attrition. As a result, we are accelerating our best shoring efforts and expanding the geographic reach of our recruiting pool. The company continues to enhance and develop programs to attract, retain and develop top talent.

Key Components of Statement of Operations

Revenue

A substantial amount of our revenue, particularly within our Multicloud Services segment, is generated pursuant to contracts that typically have a fixed term (typically from 12 to 36 months). Our customers generally have the right to cancel their contracts by providing us with written notice prior to the end of the fixed term, though most of our contracts provide for termination fees in the event of cancellation prior to the end of their term, typically amounting to the outstanding value of the contract. These contracts include a monthly recurring fee, which is determined based on the computing resources utilized and provided to the customer, the complexity of the underlying infrastructure and the level of support we provide. Our public cloud services within the Multicloud Services segment and most of our Apps & Cross Platform and OpenStack Public Cloud services generate usage-based revenue invoiced on a monthly basis and can be canceled at any time without penalty. We also generate revenue from usage-based fees and fees from professional services earned from customers using our hosting and other services. We typically recognize revenue on a daily basis, as services are provided, in an amount that reflects the consideration to which we expect to be entitled in exchange for our services. Our usage-based arrangements generally include a variable consideration component, consisting of monthly utility fees, with a defined price and undefined quantity. Our customer contracts also typically contain service level guarantees, including with respect to network uptime requirements, that provide discounts when we fail to meet specific obligations and, with respect to certain products, we may offer volume discounts based on usage. As these variable consideration components consist of a single distinct daily service provided on a single performance obligation, we account for all of them as services are provided and earned.

Cost of revenue

Cost of revenue consists primarily of usage charges for third-party infrastructure and personnel costs (including salaries, bonuses, benefits and share-based compensation) for engineers, developers and other employees involved in the delivery of services to our customers. Cost of revenue also includes depreciation of servers, software and other systems infrastructure, data center rent and other infrastructure maintenance and support costs, including software license costs and utilities. Cost of revenue is driven mainly by demand for our services, our service mix and the cost of labor in a given geography.

Selling, general and administrative expenses (SG&A)

Selling, general and administrative expenses consist primarily of personnel costs (including salaries, bonuses, commissions, benefits and share-based compensation) for our sales force, executive team and corporate administrative and support employees, including our human resources, finance, accounting and legal functions. SG&A also includes research and development costs, repair and maintenance of corporate infrastructure, facilities rent, third-party advisory fees (including audit, legal and management consulting costs), marketing and advertising costs and insurance, as well as the amortization of related intangible assets and certain depreciation of fixed assets.

SG&A also includes transaction costs related to acquisitions and financings along with costs related to integration and business transformation initiatives which may impact the comparability of SG&A between periods. Employee related costs and other costs incurred, as discussed in Item 1 of Part I, Financial Statements - Note 8, "July 2021 Restructuring Plan," are also included within SG&A.

Income taxes

Our income tax benefit (provision) and deferred tax assets and liabilities reflect management's best assessment of estimated current and future taxes to be paid. We are under certain domestic and foreign tax audits. Due to the complexity involved with certain tax matters, there is the possibility that the various taxing authorities may disagree with certain tax positions filed on our income tax returns. We believe we have made adequate provision for all uncertain tax positions. See Item 1 of Part I, Financial Statements - Note 11, "Taxes."

Results of Operations

We discuss our historical results of operations, and the key components of those results, below. Past financial results are not necessarily indicative of future results.

Three Months Ended June 30, 2021 Compared to Three Months Ended June 30, 2022

The following table sets forth our results of operations for the specified periods, as well as changes between periods and as a percentage of revenue for those same periods (totals in table may not foot due to rounding):

	Three Months Ended June 30,				Year-Over-Year Comparison	
	2021		2022			
(In millions, except %)	Amount	% Revenue	Amount	% Revenue	Amount	% Change
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 %

NM = not meaningful.

Revenue

Revenue increased $28 million, or 3.8%, to $772 million in the three months ended June 30, 2022 from $744 million in the three months ended June 30, 2021. Revenue was positively impacted by new customer acquisition and growing customer spend in our Multicloud Services and Apps & Cross Platform segments, as discussed below.

After removing the impact of foreign currency fluctuations, on a constant currency basis, revenue increased 5.2% year-over-year. The following table presents revenue growth by segment:

	Three Months Ended June 30,		% Change	
(In millions, except %)	2021	2022	Actual	Constant Currency [1]
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.

Multicloud Services revenue in the three months ended June 30, 2022 increased 5% on an actual basis, and 6% on a constant currency basis, from the three months ended June 30, 2021. Underlying growth was driven by both the acquisition of new customers and increased spend by existing customers, partially offset by cancellations by existing customers. Offerings in this segment with the strongest growth include managed public cloud services on AWS, Microsoft Azure and Google Cloud, and Rackspace Services for VMware Cloud.

Apps & Cross Platform revenue in the three months ended June 30, 2022 increased 8% on an actual basis, and 9% on a constant currency basis, from the three months ended June 30, 2021, driven by growth in professional services across our SaaS applications and data services offerings.

OpenStack Public Cloud revenue in the three months ended June 30, 2022 decreased 16% on an actual basis, and 14% on a constant currency basis, from the three months ended June 30, 2021 due to customer churn.

Cost of Revenue

Cost of revenue increased $40 million, or 8%, to $548 million in the three months ended June 30, 2022 from $508 million in the three months ended June 30, 2021, primarily due to an increase in usage charges for third-party infrastructure associated with growth in these offerings. The increase in third-party infrastructure expense was partially offset by a decline in personnel costs primarily due to cost savings as a result of shifting roles to lower-cost locations as part of our continued focus on business optimization initiatives, including the July 2021 Restructuring Plan. In addition, there were year-over-year data center and license expense reductions as a result of initiatives to lower our cost structure, which included the consolidation of data center facilities and optimizing our vendor license spending.

As a percentage of revenue, cost of revenue increased 270 basis points in the three months ended June 30, 2022 to 71.0% from 68.3% in the three months ended June 30, 2021, primarily driven by a 710 basis point increase in usage charges for third-party infrastructure, partially offset by a decrease related to personnel costs, data center, and license expense.

Gross Profit and Non-GAAP Gross Profit

Our consolidated gross profit was $224 million in the three months ended June 30, 2022, a decrease of $12 million from $236 million in the three months ended June 30, 2021. Our Non-GAAP Gross Profit was $232 million in the three months ended June 30, 2022, a decrease of $18 million from $250 million in the three months ended June 30, 2021. Non-GAAP Gross Profit is a non-GAAP financial measure. See "*Non-GAAP Financial Measures*" below for more information. Our consolidated gross margin was 29.0% in the three months ended June 30, 2022, a decrease of 270 basis points from 31.7% in the three months ended June 30, 2021.

The table below presents a reconciliation of total consolidated gross profit to Non-GAAP Gross Profit, which represents the total of our individual segment gross profit measures.

	Three Months Ended June 30,	
(In millions)	2021	2022
Total consolidated gross profit	$ 235.5	$ 224.0
Share-based compensation expense	4.3	3.4
Other compensation expense [(1)]	0.4	0.4
Purchase accounting impact on expense [(2)]	1.2	0.8
Restructuring and transformation expenses [(3)]	8.7	3.1
Non-GAAP Gross Profit	$ 250.1	$ 231.7

(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 Rackspace Acquisition 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.

Our segment gross profit and gross margin for the periods indicated, and the change in gross profit between periods is shown in the table below:

	Three Months Ended June 30,					
(In millions, except %)	2021		2022		Year-Over-Year Comparison	
Segment gross profit:	Amount	% of Segment Revenue	Amount	% of Segment Revenue	Amount	% Change
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	$ 250.1		$ 231.7		$ (18.4)	(7.4)%

Multicloud Services gross profit decreased 9% in the three months ended June 30, 2022 from the three months ended June 30, 2021. Segment gross profit as a percentage of segment revenue decreased by 450 basis points, reflecting a 12% increase in segment cost of revenue and a 5% increase in segment revenue. The increase in costs was mainly driven by higher third-party infrastructure costs due to the increase in revenue in our growth offerings resulting in a larger proportion of these services within this segment, partially offset by lower personnel, data center, and license expense.

Apps & Cross Platform gross profit increased 11% in the three months ended June 30, 2022 from the three months ended June 30, 2021. Segment gross profit as a percentage of segment revenue increased by 100 basis points, reflecting a 6% increase in segment cost of revenue and an 8% increase in segment revenue. The increase in cost of revenue was primarily driven by the segment's higher business volume as well as higher third-party infrastructure costs.

OpenStack Public Cloud gross profit decreased 20% in the three months ended June 30, 2022 from the three months ended June 30, 2021 due to customer churn. Segment gross profit as a percentage of segment revenue decreased by 180 basis points, reflecting a 16% decrease in segment revenue, partially offset by a 13% decrease in segment cost of revenue.

The aggregate amount of costs reflected in consolidated gross profit but excluded from Non-GAAP Gross Profit was $7.7 million in the three months ended June 30, 2022, a decrease of $6.9 million from $14.6 million in the three months ended June 30, 2021, reflecting lower restructuring and transformation expenses, share-based compensation expense, and purchase accounting adjustments.

For more information about our segment gross profit, see Item 1 of Part I, Financial Statements - Note 15, "Segment Reporting."

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased $13 million, or 5%, to $220 million in the three months ended June 30, 2022 from $233 million in the three months ended June 30, 2021, due to a decline in personnel costs from cost savings as a result of shifting roles to lower-cost locations as part of our continued focus on business optimization initiatives. We also had lower severance expense, partially offset by higher share-based compensation expense between periods. The prior period also included $6 million of restructuring charges related to the July 2021 Restructuring Plan accounted for as exit and disposal costs under ASC 420. There were also reductions in costs related to other business optimization and integration initiatives compared to the prior period, as well as lower amortization expense related to certain intangible assets reaching the end of their useful life. These reductions in expense were partially offset by increases in expenses for travel and in-person marketing events, as a result of the easing of COVID-19 restrictions.

As a percentage of revenue, selling, general and administrative expenses decreased 280 basis points, to 28.5% in the three months ended June 30, 2022 from 31.3% in the three months ended June 30, 2021, for the reasons discussed above.

Debt Modification and Extinguishment Costs

We recorded $0.5 million of debt modification and extinguishment costs in the three months ended June 30, 2021 related to the termination of the Receivables Financing Facility, as further discussed in Item 1 of Part I, Financial Statements - Note 6, "Debt."

Other Income (Expense), Net

We had $6 million of other expense in the three months ended June 30, 2022 compared to $1 million of other income in the three months ended June 30, 2021 primarily due to foreign currency transaction losses.

Benefit for Income Taxes

Our income tax benefit was $12 million in the three months ended June 30, 2022 and $11 million in the three months ended June 30, 2021. Our effective tax rate was 22.9% in the three months ended June 30, 2022 and 23.0% in the three months ended June 30, 2021. The difference between the effective tax rate for the three months ended June 30, 2022 and the statutory rate is primarily due to the geographic distribution of profits and application of the GILTI provisions.

Six Months Ended June 30, 2021 Compared to Six Months Ended June 30, 2022

The following table sets forth our results of operations for the specified periods, as well as changes between periods and as a percentage of revenue for those same periods (totals in table may not foot due to rounding):

	Six Months Ended June 30,				Year-Over-Year Comparison	
	2021		2022			
(In millions, except %)	Amount	% Revenue	Amount	% Revenue	Amount	% Change
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)%

NM = not meaningful.

Revenue

Revenue increased $78 million, or 5.3%, to $1,548 million in the six months ended June 30, 2022 from $1,470 million in the six months ended June 30, 2021. Revenue was positively impacted by new customer acquisition and growing customer spend in our Multicloud Services and Apps & Cross Platform segments, as discussed below.

After removing the impact from foreign currency fluctuations, on a constant currency basis, revenue increased 6.3% year-over-year. The following table presents revenue growth by segment:

	Six Months Ended June 30,		% Change	
(In millions, except %)	2021	2022	Actual	Constant Currency (1)
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.

Multicloud Services revenue in the six months ended June 30, 2022 increased 8%, on an actual basis, and 9% on a constant currency basis, from the six months ended June 30, 2021. Underlying growth was driven by both the acquisition of new customers and increased spend by existing customers, partially offset by cancellations by existing customers. Offerings in this segment with the strongest growth include managed public cloud services on AWS, Microsoft Azure and Google Cloud, and Rackspace Services for VMware Cloud.

Apps & Cross Platform revenue in the six months ended June 30, 2022 increased 3%, on an actual and constant currency basis, from the six months ended June 30, 2021, driven by growth in professional services across our SaaS applications and data services offerings, partially offset by the discontinuation of a non-core line of business in 2021.

OpenStack Public Cloud revenue in the six months ended June 30, 2022 decreased 17% on an actual basis, and 16% on a constant currency basis, from the six months ended June 30, 2021 due to customer churn.

Cost of Revenue

Cost of revenue increased $99 million, or 10%, to $1,098 million in the six months ended June 30, 2022 from $999 million in the six months ended June 30, 2021, primarily due to an increase in usage charges for third-party infrastructure associated with growth in these offerings. The increase in third-party infrastructure expense was partially offset by a decline in personnel costs primarily due to cost savings as a result of shifting roles to lower-cost locations as part of our continued focus on business optimization initiatives, including the July 2021 Restructuring Plan. We also had higher severance and share-based compensation expense in the prior period. In addition, there were year-over-year data center and license expense reductions as a result of initiatives to lower our cost structure, which included the consolidation of data center facilities and optimizing our vendor license spending.

As a percentage of revenue, cost of revenue increased 290 basis points in the six months ended June 30, 2022 to 70.9% from 68.0% in the six months ended June 30, 2021, primarily driven by a 780 basis point increase in usage charges for third-party infrastructure, partially offset by a decrease related to personnel costs, data center, and license expense.

Gross Profit and Non-GAAP Gross Profit

Our consolidated gross profit was $450 million in the six months ended June 30, 2022, a decrease of $21 million from $471 million in the six months ended June 30, 2021. Our Non-GAAP Gross Profit was $467 million in the six months ended June 30, 2022, a decrease of $33 million from $500 million in the six months ended June 30, 2021. Non-GAAP Gross Profit is a non-GAAP financial measure. See "*Non-GAAP Financial Measures*" below for more information. Our consolidated gross margin was 29.1% in the six months ended June 30, 2022, a decrease of 290 basis points from 32.0% in the six months ended June 30, 2021.

The table below presents a reconciliation of total consolidated gross profit to Non-GAAP Gross Profit, which represents the total of our individual segment gross profit measures.

(In millions)	Six Months Ended June 30, 2021	Six Months Ended June 30, 2022
Total consolidated gross profit	$ 470.8	$ 450.0
Share-based compensation expense	9.2	6.2
Other compensation expense [1]	1.7	1.2
Purchase accounting impact on expense [2]	2.4	1.5
Restructuring and transformation expenses [3]	15.9	8.4
Non-GAAP Gross Profit	$ 500.0	$ 467.3

(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 Rackspace Acquisition 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.

Our segment gross profit and gross margin for the periods indicated, and the change in gross profit between periods is shown in the table below:

(In millions, except %)	Six Months Ended June 30, 2021		2022		Year-Over-Year Comparison	
Segment gross profit:	**Amount**	**% of Segment Revenue**	**Amount**	**% of Segment Revenue**	**Amount**	**% Change**
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	$ 500.0		$ 467.3		$ (32.7)	(6.5)%

Multicloud Services gross profit decreased 7% in the six months ended June 30, 2022 from the six months ended June 30, 2021. Segment gross profit as a percentage of segment revenue decreased by 440 basis points, reflecting a 15% increase in segment cost of revenue and an 8% increase in segment revenue. The increase in costs was mainly driven by higher third-party infrastructure costs due to the increase in revenue in our growth offerings resulting in a larger proportion of these services within this segment, partially offset by lower personnel, data center, and license expense.

Apps & Cross Platform gross profit increased 5% in the six months ended June 30, 2022 from the six months ended June 30, 2021. Segment gross profit as a percentage of segment revenue increased by 70 basis points, reflecting a 1% increase in segment cost of revenue and a 3% increase in segment revenue.

OpenStack Public Cloud gross profit decreased 26% in the six months ended June 30, 2022 from the six months ended June 30, 2021, due to customer churn. Segment gross profit as a percentage of segment revenue decreased by 400 basis points, reflecting a 17% decrease in segment revenue, partially offset by an 11% decrease in segment cost of revenue.

The aggregate amount of costs reflected in consolidated gross profit but excluded from Non-GAAP gross profit was $17.3 million in the six months ended June 30, 2022, a decrease of $11.9 million from $29.2 million in the six months ended June 30, 2021, reflecting lower restructuring and transformation expenses, share-based and other compensation expense, and purchase accounting adjustments.

For more information about our segment gross profit, see Item 1 of Part I, Financial Statements - Note 15, "Segment Reporting."

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased $39 million, or 8%, to $425 million in the six months ended June 30, 2022 from $464 million in the six months ended June 30, 2021, due to a decline in personnel costs from cost savings as a result of shifting roles to lower-cost locations as part of our continued focus on business optimization initiatives. We also had lower severance expense, partially offset by higher share-based compensation expense between periods. The prior period also included $6 million of restructuring charges related to the July 2021 Restructuring Plan accounted for as exit and disposal costs under ASC 420. There were also reductions in costs related to other business optimization and integration initiatives compared to the prior period, as well as lower amortization expense related to certain intangible assets reaching the end of their useful life.

As a percentage of revenue, selling, general and administrative expenses decreased 400 basis points, to 27.5% in the six months ended June 30, 2022 from 31.5% in the six months ended June 30, 2021, for the reasons discussed above.

Gain on Sale of Land

In January 2021, we recorded a $20 million gain related to the sale of a parcel of undeveloped land in the United Kingdom adjacent to one of our existing data centers, as further discussed in Item 1 of Part I, Financial Statements - Note 4, "Property, Equipment and Software, net."

Interest Expense

Interest expense decreased $3 million to $101 million in the six months ended June 30, 2022 from $103 million in the six months ended June 30, 2021, primarily driven by a reduction in total debt outstanding and lower interest rates as a result of the February 2021 Refinancing Transaction.

Debt Modification and Extinguishment Costs

In the six months ended June 30, 2021 we recorded $37 million and $0.5 million of debt modification and extinguishment costs related to the February 2021 Refinancing Transaction and termination of the Receivables Financing Facility, respectively, as further discussed in Item 1 of Part I, Financial Statements - Note 6, "Debt."

Other Expense, Net

The increase in other expense, net to $10 million in the six months ended June 30, 2022 from $1 million in the six months ended June 30, 2021 is primarily related to foreign currency transaction losses, partially offset by losses incurred in the prior period related to changes in the fair value of foreign currency derivatives, as further discussed in Item 1 of Part I, Financial Statements - Note 12, "Derivatives."

Benefit for Income Taxes

Our income tax benefit decreased to $6 million in the six months ended June 30, 2022 from $18 million in the six months ended June 30, 2021. Our effective tax rate decreased from 15.0% in the six months ended June 30, 2021 to 7.4% in the six months ended June 30, 2022. The decrease in the effective tax rate year-over-year and the difference between the effective tax rate for the six months ended June 30, 2022 and the statutory rate are primarily due to the geographic distribution of profits, tax effects from share-based compensation and executive compensation that is nondeductible under IRC Section 162(m).

Non-GAAP Financial Measures

We track several non-GAAP financial measures to monitor and manage our underlying financial performance. The following discussion includes the presentation of 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"), which are non-GAAP financial measures that 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 discussed below, these measures are not a substitute for, or superior to, U.S. 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 throughout this MD&A.

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.

The following table presents, by segment, actual and constant currency revenue and constant currency revenue growth rates, for and between the periods indicated:

	Three Months Ended June 30, 2021	Three Months Ended June 30, 2022			% Change	
(In millions, except %)	Revenue	Revenue	Foreign Currency Translation (a)	Revenue in Constant Currency	Actual	Constant Currency
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	$ 743.8	$ 772.2	$ 10.6	$ 782.8	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	
(In millions, except %)	Revenue	Revenue	Foreign Currency Translation (a)	Revenue in Constant Currency	Actual	Constant Currency
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	$ 1,469.7	$ 1,547.7	$ 14.0	$ 1,561.7	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 in this MD&A, 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. For a reconciliation of total consolidated gross profit to Non-GAAP Gross Profit, see “G*ross Profit and Non-GAAP Gross Profit*” in the year-over-year comparison under "Results of Operations" above.

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.

The Rackspace Acquisition was structured as a leveraged buyout of Rackspace Technology Global, our predecessor, and resulted in several accounting and capital structure impacts. For example, the revaluation of our assets and liabilities resulted in a significant increase in our amortizable intangible assets and goodwill, the incurrence of a significant amount of debt to partially finance the Rackspace Acquisition resulted in interest payments that reflect our high leverage and cost of debt capital, and the conversion of Rackspace Technology Global’s unvested equity compensation into a cash-settled bonus plan and obligation to pay management fees to our equityholders resulted in new cash commitments. In addition, the change in ownership and management resulting from the Rackspace Acquisition led to a strategic realignment in our operations that had a significant impact on our financial results. Following the Rackspace Acquisition, we acquired several businesses, sold businesses and investments that we deemed to be non-core and launched multiple integration and business transformation initiatives intended to improve the efficiency of people and operations and identify recurring cost savings and new revenue growth opportunities. We believe that these transactions and activities resulted in costs, which have historically been substantial, and that may not be indicative of, or are not related to, our core operating results, including interest related to the incurrence of additional debt to finance acquisitions and third party legal, advisory and consulting fees and severance, retention bonus and other internal costs that we believe would not have been incurred in the absence of these transactions and activities and also may not be indicative of, or related to, our core operating results.

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 Rackspace Acquisition 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.

The following tables present a reconciliation of Non-GAAP Net Income, Non-GAAP Operating Profit and Adjusted EBITDA to the most directly comparable GAAP financial measures:

Net loss reconciliation to Non-GAAP Net Income

(In millions)	Three Months Ended June 30, 2021	Three Months Ended June 30, 2022	Six Months Ended June 30, 2021	Six Months Ended June 30, 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, 2021	Three Months Ended June 30, 2022	Six Months Ended June 30, 2021	Six Months Ended June 30, 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, 2021	Three Months Ended June 30, 2022	Six Months Ended June 30, 2021	Six Months Ended June 30, 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	$ 179.3	$ 154.4	$ 359.5	$ 325.7

(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 Rackspace Acquisition in 2016.

(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. The following table reconciles Non-GAAP EPS to our GAAP net loss per share on a diluted basis:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions, except per share amounts)	**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	213.3	209.9	212.2	211.2
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	$ 0.24	$ 0.17	$ 0.47	$ 0.39

(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.

Liquidity and Capital Resources

Overview

We primarily finance our operations and capital expenditures with internally-generated cash from operations and hardware leases, and if necessary, borrowings under the Revolving Credit Facility. As of June 30, 2022, the Revolving Credit Facility provided for up to $375 million of borrowings, none of which was drawn as of June 30, 2022. Our primary uses of cash are working capital requirements, debt service requirements and capital expenditures. Based on our current level of operations and available cash, we believe our sources will provide sufficient liquidity over at least the next twelve months. We cannot provide assurance, however, that our business will generate sufficient cash flows from operations or that future borrowings will be available to us under the Revolving Credit Facility or from other sources in an amount sufficient to enable us to pay our indebtedness or to fund our other liquidity needs. Our ability to do so depends on prevailing economic conditions and other factors, many of which are beyond our control. In addition, upon the occurrence of certain events, such as a change of control, we could be required to repay or refinance our indebtedness. We cannot assure that we will be able to refinance any of our indebtedness, including the Senior Facilities, the 5.375% Senior Notes and the 3.50% Senior Secured Notes, on commercially reasonable terms or at all. Any future acquisitions, joint ventures or other similar transactions will likely require additional capital, and there can be no assurance that any such capital will be available to us on acceptable terms or at all.

From time to time, depending upon market and other conditions, as well as upon our cash balances and liquidity, we, our subsidiaries or our affiliates may acquire (and have acquired) our outstanding debt securities or our other indebtedness through open market purchases, privately negotiated transactions, tender offers, redemption or otherwise, upon such terms and at such prices as we, our subsidiaries or our affiliates may determine (or as may be provided for in the indenture governing the 5.375% Senior Notes (the "5.375% Notes Indenture") or the indenture governing the 3.50% Senior Secured Notes (the "3.50% Notes Indenture" and, together with the 5.375% Notes Indenture, the "Indentures"), if applicable), for cash or other consideration.

On February 2, 2021, we issued 2,665,935 shares of common stock to DPH 123, LLC, an ABRY affiliate, for no additional consideration pursuant to the Agreement and Plan of Merger, dated as of September 6, 2017, (the "Datapipe Merger Agreement"), in connection with our November 15, 2017 acquisition of Datapipe Parent, Inc. We will be required to issue additional shares of our common stock to DPH 123, LLC based on the MOIC exceeding certain thresholds as defined in the Datapipe Merger Agreement. If the MOIC exceeds 3.0x, which is indicated by a volume weighted average trading price ("VWAP") of our common stock over 30 consecutive trading days of more than $25.00, we will be required to issue an additional 2,665,935 shares.

On March 3, 2022, our board of directors authorized a program to repurchase up to $75 million of shares of our common stock from time to time through open-market transactions, privately negotiated transactions, accelerated share repurchases, and other transactions in accordance with applicable security laws. During the six months ended June 30, 2022, we repurchased $31 million, or 3.1 million shares, of our common stock on the open market under this program. As of June 30, 2022, approximately $44 million of the amount authorized by the board under the current program remained available for additional purchases.

At June 30, 2022, we held $261 million in cash and cash equivalents (not including $3 million in restricted cash, which is included in "Other non-current assets"), of which $120 million was held by foreign entities.

We have entered into installment payment arrangements with certain equipment and software vendors, along with sale-leaseback arrangements for equipment and certain property leases that are considered financing obligations. We had $91 million outstanding with respect to these arrangements as of June 30, 2022. We may choose to utilize these various sources of funding in future periods.

We also lease certain equipment and real estate under operating and finance lease agreements. We had $529 million outstanding with respect to operating and finance lease agreements as of June 30, 2022. We may choose to utilize such leasing arrangements in future periods.

As of June 30, 2022, we had $3,371 million aggregate principal amount outstanding under our Term Loan Facility, 5.375% Senior Notes, and 3.50% Senior Secured Notes, with $375 million of borrowing capacity available under the Revolving Credit Facility. Our liquidity requirements are significant, primarily due to debt service requirements.

Debt

Senior Facilities

On February 9, 2021, we amended and restated the credit agreement governing our senior secured credit facilities (the "First Lien Credit Agreement"), which included a new seven-year $2,300 million senior secured first lien term loan facility (the "Term Loan Facility") and the Revolving Credit Facility (together, the "Senior Facilities"). We used the borrowings under the Term Loan Facility, together with the proceeds from the issuance of the 3.50% Senior Secured Notes described below (together, the "February 2021 Refinancing Transaction"), to repay all borrowings under the prior term loan facility (the "Prior Term Loan Facility"), to pay related fees and expenses and for general corporate purposes. The Term Loan Facility will mature on February 15, 2028 and the Revolving Credit Facility will mature on August 7, 2025. We may request one or more incremental term loan facilities, one or more incremental revolving credit facilities and/or increase the commitments under the Revolving Credit Facility in an amount equal to the greater of $860 million and 1.0x Pro Forma Adjusted EBITDA (as defined in the amended First Lien Credit Agreement), plus additional amounts, subject to compliance with applicable leverage ratios and certain terms and conditions.

Interest on the Term Loan Facility is due at the end of each interest period elected, not exceeding 90 days, for LIBOR loans and at the end of every calendar quarter for base rate loans. As of June 30, 2022, the interest rate on the Term Loan Facility was 4.16%. We are required to make quarterly amortization payments of $5.8 million, which began on June 30, 2021. The Revolving Credit Facility includes a commitment fee equal to 0.50% per annum in respect of the unused commitments that is due quarterly. This fee is subject to one step-down based on the net first lien leverage ratio. The Senior Facilities require us to make certain mandatory prepayments under certain conditions defined in the credit agreement.

Rackspace Technology Global, our wholly-owned subsidiary, is the borrower under the Senior Facilities, and all obligations under the Senior Facilities are (i) guaranteed by Inception Parent, Rackspace Technology Global’s immediate parent company, on a limited recourse basis and secured by the equity interests of Rackspace Technology Global held by Inception Parent and (ii) guaranteed by Rackspace Technology Global’s wholly-owned domestic restricted subsidiaries and secured by substantially all material owned assets of Rackspace Technology Global and the subsidiary guarantors, including the equity interests held by each, in each case subject to certain exceptions.

As of June 30, 2022, $2,271 million aggregate principal amount of the Term Loan Facility remained outstanding. See Item 1 of Part I, Financial Statements - Note 6, "Debt," for more information regarding our Senior Facilities and the February 2021 Refinancing Transaction.

We have entered into interest rate swap agreements to manage the interest rate risk associated with interest payments on the Term Loan Facility that result from fluctuations in the LIBOR rate. See Item 1 of Part I, Financial Statements - Note 12, "Derivatives," for more information on the interest rate swap agreements.

3.50% Senior Secured Notes due 2028

On February 9, 2021, Rackspace Technology Global issued $550 million aggregate principal amount of 3.50% Senior Secured Notes. The 3.50% Senior Secured Notes will mature on February 15, 2028 and bear interest at an annual fixed rate of 3.50%. Interest is payable semiannually on each February 15 and August 15, commencing on August 15, 2021. We may redeem some or all of the 3.50% Senior Secured Notes at our option prior to February 15, 2024 subject to certain limitations and conditions outlined in the 3.50% Notes Indenture.

The 3.50% Senior Secured Notes are secured by first-priority security interests in substantially all material owned assets of Rackspace Technology Global and the subsidiary guarantors, including the equity interest held by each, subject to certain exceptions, which assets also secure the Senior Facilities.

As of June 30, 2022, $550 million aggregate principal amount of the 3.50% Senior Secured Notes remained outstanding.

5.375% Senior Notes due 2028

Rackspace Technology Global issued $550 million aggregate principal amount of the 5.375% Senior Notes on December 1, 2020. The 5.375% Senior Notes will mature on December 1, 2028 and bear interest at a fixed rate of 5.375% per year, payable semi-annually on each June 1 and December 1, commencing on June 1, 2021. The 5.375% Senior Notes are guaranteed on a senior unsecured basis by all of Rackspace Technology Global's wholly-owned domestic restricted subsidiaries that guarantee the Senior Facilities.

As of June 30, 2022, $550 million aggregate principal amount of the 5.375% Senior Notes remained outstanding.

Debt covenants

Our Term Loan Facility is not subject to a financial maintenance covenant. The Revolving Credit Facility includes a financial maintenance covenant that limits the borrower's net first lien leverage ratio to a maximum of 5.00 to 1.00. The net first lien leverage ratio is calculated as the ratio of (x) the total amount of the borrower's first lien debt for borrowed money (which is currently identical to the total amount outstanding under the Senior Facilities), less the borrower's unrestricted cash and cash equivalents, to (y) consolidated EBITDA (as defined under the First Lien Credit Agreement governing the Senior Facilities). However, this financial maintenance covenant will only be applicable and tested if the aggregate amount of outstanding borrowings under the Revolving Credit Facility and letters of credit issued thereunder (excluding $25 million of undrawn letters of credit and cash collateralized letters of credit) as of the last day of a fiscal quarter is equal to or greater than 35% of the Revolving Credit Facility commitments as of the last day of such fiscal quarter. Additional covenants in the Senior Facilities limit our subsidiaries' ability to, among other things, incur certain additional debt and liens, pay certain dividends or make other restricted payments, make certain investments, make certain asset sales and enter into certain transactions with affiliates.

The Indentures contain covenants that, among other things, limit our subsidiaries' ability to incur certain additional debt, incur certain liens securing debt, pay certain dividends or make other restricted payments, make certain investments, make certain asset sales and enter into certain transactions with affiliates. These covenants are subject to a number of exceptions, limitations, and qualifications as set forth in the Indentures. Additionally, upon the occurrence of a change of control (as defined in the Indentures), we will be required to make an offer to repurchase all of the outstanding 5.375% Senior Notes and 3.50% Senior Secured Notes, respectively, at a price in cash equal to 101.000% of the aggregate principal amount, plus accrued and unpaid interest, if any, to, but not including the purchase date.

Our "consolidated EBITDA," as defined under our debt instruments, is calculated in the same manner as our Adjusted EBITDA, presented elsewhere in this report, except that our debt instruments allow us to adjust for additional items, including certain start-up costs, and to give pro forma effect to acquisitions, including resulting synergies, and internal cost savings initiatives. In addition, under the Indentures, the calculation of consolidated EBITDA does not take into account substantially any changes in GAAP subsequent to the date of issuance, whereas under the Senior Facilities the calculation of consolidated EBITDA takes into account the impact of certain changes in GAAP subsequent to the original closing date other than with respect to capital leases.

As of June 30, 2022, we were in compliance with all covenants under the Senior Facilities and the Indentures.

Capital Expenditures

The following table sets forth a summary of our capital expenditures for the periods indicated:

	Six Months Ended June 30,	
(In millions)	2021	2022
Customer gear	$ 85.1	$ 31.7
Data center build outs	7.3	2.7
Office build outs	0.8	—
Capitalized software and other projects	47.6	33.7
Total capital expenditures	$ 140.8	$ 68.1

Capital expenditures were $68 million in the six months ended June 30, 2022, compared to $141 million in the six months ended June 30, 2021, a decrease of $73 million. The decrease in capitalized customer gear is due to the continued mix shift of our revenues from high capital intensity service offerings to low capital intensity service offerings. The decrease in capitalized software and other projects is driven by the shift of internal software development work to lower cost geographies. Capital expenditures were also particularly higher in the prior year period due to the renewal of multi-year, enterprise storage and software license agreements.

Cash Flows

The following table sets forth a summary of certain cash flow information for the periods indicated:

	Six Months Ended June 30,	
(In millions)	2021	2022
Cash provided by operating activities	$ 208.9	$ 148.5
Cash used in investing activities	$ (31.7)	$ (50.6)
Cash used in financing activities	$ (66.8)	$ (104.4)

Cash Provided by Operating Activities

Net cash provided by operating activities results primarily from cash received from customers, offset by cash payments made for employee and consultant compensation (less amounts capitalized related to internal-use software that are reflected as cash used in investing activities), data center costs, license costs, third-party infrastructure costs, marketing programs, interest, taxes, and other general corporate expenditures.

Net cash provided by operating activities decreased $60 million, or 29%, in the six months ended June 30, 2022 compared to the six months ended June 30, 2021. This decrease was primarily driven by a $181 million increase in operating expense payments, largely for third-party infrastructure costs. These operating cash flow decreases were partially offset by a $64 million increase in cash collections, primarily reflecting higher revenue levels and an increased focus on collection efforts with customers, and to a lesser extent, timing of collections, and a $53 million decrease in employee-related payments mainly due to a shift in headcount to our offshore service centers.

Cash Used in Investing Activities

Net cash used in investing activities primarily consists of capital expenditures to meet the demands of our customer base and our strategic initiatives. The largest outlays of cash are for purchases of customer gear, data center and office build outs, and capitalized payroll costs related to internal-use software development.

Net cash used in investing activities increased $19 million, or 60%, in the six months ended June 30, 2022 compared to the six months ended June 30, 2021. This increase was mainly due to net proceeds of $31 million from the January 2021 sale of a parcel of undeveloped land in the United Kingdom adjacent to one of our existing data centers. There was also an $8 million cash payment in connection with the acquisition of Just Analytics during the six months ended June 30, 2022. These drivers were partially offset by a $20 million reduction in cash purchases of property, equipment, and software year-over-year.

Cash Used in Financing Activities

Financing activities generally include cash activity related to debt and other long-term financing arrangements (for example, finance lease obligations and financing obligations), including proceeds from and repayments of borrowings, and cash activity related to the issuance and repurchase of equity.

Net cash used in financing activities increased $38 million, or 56%, in the six months ended June 30, 2022 compared to the six months ended June 30, 2021. The change was primarily driven by a $41 million reduction in proceeds from employee stock plans year-over-year. The remaining variance includes an $11 million increase in finance lease principal payments, $31 million in common stock share repurchases as part of the program authorized in March 2022, and $4 million increase in payments on the financing component of our interest rate swap during the six months ended June 30, 2022. These drivers were offset by net payments for long-term debt activity of $62 million during the six months ended June 30, 2021, reflecting the refinancing of our Prior Term Loan Facility, a $65 million repayment on our Receivables Financing Facility, which was terminated, and $34 million in debt issuance costs paid.

Critical Accounting Policies and Estimates

Our critical accounting policies and estimates have not changed from those described in our Annual Report under "Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies and Estimates." For a description of accounting pronouncements recently adopted and issued, see Item 1 of Part I, Financial Statements - Note 1, "Company Overview, Basis of Presentation, and Summary of Significant Accounting Policies."

Goodwill and Indefinite-Lived Intangible Assets

Goodwill represents the excess of the purchase price over the fair value of identifiable net assets of businesses acquired. Our indefinite-lived intangible asset consists of our Rackspace trade name, which was recorded at fair value on our balance sheet at the date of the Rackspace Acquisition. Goodwill and indefinite-lived intangible assets are not amortized but are subject to impairment testing on an annual basis as of October 1st or more frequently if events or circumstances indicate a potential impairment. These events or circumstances could include a significant change in the business climate, regulatory environment, established business plans, operating performance indicators or competition. Potential impairment indicators may also include, but are not limited to, (i) significant changes to estimates and assumptions used in the most recent annual or interim impairment testing, (ii) downward revisions to internal forecasts, and the magnitude thereof, if any, and (iii) declines in our market capitalization below our book value, and the magnitude and duration of those declines, if any.

As of June 30, 2022, we determined that there were no indicators of impairment that more likely than not reduced the fair value of our reporting units or our indefinite-lived intangible asset to less than their respective carrying values. In reaching this conclusion, we noted that while our market capitalization has declined, it remained in excess of our book value as of June 30, 2022 and took this factor into consideration together with the other qualitative factors noted above. We will continue to evaluate whether circumstances indicate an impairment may exist each reporting period. If there are significant changes in events or circumstances, including (i) further declines in our market capitalization or deterioration in the equity and debt markets, and (ii) impacts to our forecasted results due to macroeconomic factors such as foreign currency exchange rate fluctuations, increased inflation rates, global supply chain constraints, and increases in the weighted-average cost of capital due to increases in interest rates, it is possible that an impairment charge may be recorded in the future, which could be material.

ITEM 3 – QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rates

We are exposed to interest rate risk associated with fluctuations in interest rates on our floating-rate debt under our Senior Facilities, which includes our $375 million Revolving Credit Facility and $2,271 million outstanding under the Term Loan Facility. As of June 30, 2022, there were no outstanding borrowings under the Revolving Credit Facility and therefore our only variable-rate debt outstanding was the $2,271 million outstanding under the Term Loan Facility. As of June 30, 2022, assuming the Revolving Credit Facility was fully drawn, each 0.125% change in assumed blended interest rates would result in a $3 million change in annual interest expense on indebtedness under the Senior Facilities.

Our Term Loan Facility bears interest at an annual rate equal to an applicable margin plus three-month LIBOR, subject to a 0.75% floor. We have entered into interest rate swap agreements indexed to three-month LIBOR in order to manage our risk from fluctuations in three-month LIBOR above the 0.75% floor. During the six months ended June 30, 2022, three of these swap agreements matured. The fixed rate for the remaining swap agreement is presented in the table below. As of June 30, 2022, the interest rate on the Term Loan Facility was 4.16%, equal to an applicable margin of 2.75% plus three-month LIBOR for the interest period of 1.41%.

The key terms of the swap outstanding as of June 30, 2022 are presented below:

Transaction Date	Effective Date	Notional Amount (in millions)	Fixed Rate Paid	Maturity Date
February 2021	February 9, 2021	$ 1,350.0	2.3820%	February 9, 2026

See Item 1 of Part I, Financial Statements - Note 12, "Derivatives," for more information on interest rate swaps.

Foreign Currencies

We are subject to foreign currency translation risk due to the translation of the results of our subsidiaries from their respective functional currencies to the U.S. dollar, our functional currency. As a result, we discuss our revenue on a constant currency as well as actual basis, highlighting our sensitivity to changes in foreign exchange rates. See "*Constant Currency Revenue*." While the majority of our customers are invoiced, and the majority of our expenses are paid, by us or our subsidiaries in their respective functional currencies, we also have exposure to foreign currency transaction gains and losses as the result of certain receivables due from our foreign subsidiaries. As such, the results of operations and cash flows of our foreign subsidiaries are subject to fluctuations in foreign currency exchange rates. In the six months ended June 30, 2022, we recognized foreign currency transaction losses of $10 million within "Other income (expense), net" in our Consolidated Statements of Comprehensive Loss. As we grow our international operations, our exposure to foreign currency translation and transaction risk could become more significant.

We have in the past and may in the future enter into foreign currency hedging instruments to limit our exposure to foreign currency risk.

Power Prices

We are a large consumer of power. In the six months ended June 30, 2022, we expensed approximately $21 million for utility companies to power our data centers, representing approximately 1% of our revenue. Power costs vary by geography, the source of power generation and seasonal fluctuations and are subject to certain proposed legislation that may increase our exposure to increased power costs. We have power contracts for data centers in the Dallas-Fort Worth, San Jose, Somerset, New Jersey and London areas that allow us to procure power either on a fixed price or on a variable price basis.

ITEM 4 – CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our senior management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act"), as amended, as of the end of the period covered by this Quarterly Report (the "Evaluation Date"). Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded as of the Evaluation Date that our disclosure controls and procedures were effective such that the information relating to the company, including our consolidated subsidiaries, required to be disclosed in our SEC reports (i) is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and (ii) is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control

There were no changes in our internal controls over financial reporting during our most recent fiscal quarter reporting period identified in connection with management's evaluation that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations of Internal Controls

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal controls will prevent all error and fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART II – OTHER INFORMATION

ITEM 1 – LEGAL PROCEEDINGS

We have contingencies resulting from various litigation, claims and commitments. We record accruals for loss contingencies when losses are considered probable and can be reasonably estimated. The amount that will ultimately be paid related to these matters may differ from the recorded accruals, and the timing of such payments is uncertain.

From time to time we may be subject to various legal proceedings arising in the ordinary course of business. In addition, from time to time, third parties may bring intellectual property claims against us asserting that certain of our offerings, services and technologies infringe, misappropriate or otherwise violate the intellectual property or proprietary rights of others.

We are not party to any litigation, the outcome of which, if determined adversely to us, would individually or in the aggregate be reasonably expected to have a material and adverse effect on our business, financial position or results of operations.

ITEM 1A – RISK FACTORS

We have disclosed under the heading “Risk Factors” in our Annual Report the risk factors which materially affect our business, financial condition or results of operations. There have been no material changes from the risk factors previously disclosed. You should carefully consider the risk factors set forth in our Annual Report and the other information set forth elsewhere in this Quarterly Report on Form 10-Q. You should be aware that these risk factors and other information may not describe every risk facing our company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

ITEM 2 – UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

The table below presents information regarding purchases of our common stock during the three months ended June 30, 2022:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program (1)
April 1, 2022 - April 30, 2022	1,450,877	$ 10.53	1,450,877	
May 1, 2022 - May 31, 2022	1,265,354	$ 9.69	1,265,354	
June 1, 2022 - June 30, 2022	—	—	—	$ 44,045,062
Total	2,716,231	$ 10.25	2,716,231	

(1) On March 3, 2022, our board of directors authorized a program to repurchase up to $75.0 million of shares of our common stock. The authorization was effective immediately, expires on September 30, 2023 and can be discontinued at any time. Under the program, shares may be repurchased from time to time through open-market transactions (including pre-set trading plans), privately negotiated transactions, accelerated share repurchases, and other transactions in accordance with applicable security laws.

ITEM 3 – DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4 – MINE SAFETY DISCLOSURES

Not Applicable.

ITEM 5 – OTHER INFORMATION

None.

ITEM 6 – EXHIBITS

Exhibit Number	Exhibit Description
10.1*†	Rackspace Technology, Inc. Amendment No. 1 to 2020 Equity Incentive Plan
31.1*	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1**	Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2**	Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS*	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed herewith.
** Furnished herewith.
† Indicates management contract or compensatory plan.

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
			(Principal Financial Officer)

Exhibit 10.1

RACKSPACE TECHNOLOGY, INC.

Amendment No. 1 to

2020 EQUITY INCENTIVE PLAN

The Rackspace Technology, Inc. 2020 Equity Incentive Plan (the "2020 Equity Incentive Plan") of Rackspace Technology, Inc. (the "Company") is hereby amended, effective as of April 21, 2022 (the "Effective Date"), as follows:

1. Amendment to Section 3.1(a). Section 3.1(a) of the 2020 Equity Incentive Plan is hereby amended and restated in its entirety to read as follows:

(a) Subject to Sections 3.1(b) and 12.2, the aggregate number of Shares which may be issued or transferred pursuant to Awards under the Plan shall be no more than 50,000,000 Shares (the "Share Limit"). All of the Shares reserved under the Plan may be designated as Incentive Stock Options. The Share Limit shall be reduced, on the date of grant of an Award, by the relevant number of shares of Common Stock for each Award granted under the Plan (since its adoption on the Effective Date) that is valued by reference to a share of Common Stock; provided that Awards that are valued by reference to shares of Common Stock but are required to be paid in cash pursuant to their terms shall not reduce the Share Limit. Any Shares distributed pursuant to an Award may consist, in whole or in part, of authorized and unissued Common Stock, treasury Common Stock or Common Stock purchased on the open market.

2.Effectiveness. In accordance with Section 12.1(b) of the 2020 Equity Incentive Plan, the effectiveness of this Amendment No.1 to the 2020 Equity Incentive Plan (this "Amendment") is subject to the approval of the Company's stockholders at the Company's 2022 annual general meeting of stockholders. For the avoidance of doubt, if stockholder approval is not obtained, this Amendment shall be void ab initio and of no force and effect.

3.Governing Law. This Amendment shall be governed by and construed in accordance with the internal laws of the State of Delaware applicable to contracts made and performed wholly within the State of Delaware, without giving effect to the conflict of laws provisions thereof.

4.Effect on the Plan. This Amendment shall not constitute a waiver, amendment or modification of any provision of the 2020 Equity Incentive Plan not expressly referred to herein. Except as expressly amended or modified herein, the provisions of the 2020 Equity Incentive Plan are and shall remain in full force and effect and are hereby ratified and confirmed. On and after the Effective Date, each reference in the 2020 Equity Incentive Plan to "the Plan", "herein", "hereof", "hereunder" or words of similar import shall mean and be a reference to the 2020 Equity Incentive Plan as amended hereby. To the extent that a provision of this Amendment conflicts with or differs from a provision of the 2020 Equity Incentive Plan, such provision of this Amendment shall prevail and govern for all purposes and in all respects.

5.Capitalized Terms. Capitalized terms used and not defined in this Amendment shall have the meanings ascribed to them in the 2020 Equity Incentive Plan.

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO RULE 13a-14(a) OR 15d-14(a)
OF THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Kevin Jones, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Rackspace Technology, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected or is reasonably likely to materially affect the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date:	August 9, 2022	By:	/s/ Kevin Jones
			Kevin Jones
			Chief Executive Officer; Director
			(Principal Executive Officer)

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO RULE 13a-14(a) OR 15d-14(a)
OF THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Amar Maletira, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Rackspace Technology, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected or is reasonably likely to materially affect the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date:	August 9, 2022	By:	/s/ Amar Maletira
			Amar Maletira
			President and Chief Financial Officer
			(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Kevin Jones, Chief Executive Officer of Rackspace Technology, Inc. (the "Company"), certify pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

1. The Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, 2022 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Rackspace Technology, Inc.

Date:	August 9, 2022	By:	/s/ Kevin Jones
			Kevin Jones
			Chief Executive Officer; Director
			(Principal Executive Officer)

Exhibit 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Amar Maletira, President and Chief Financial Officer of Rackspace Technology, Inc. (the “Company”), certify pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

1. The Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, 2022 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Rackspace Technology, Inc.

Date:	August 9, 2022	By:	/s/ Amar Maletira
			Amar Maletira
			President and Chief Financial Officer
			(Principal Financial Officer)