

Rackspace Technology

3rd Quarter 2021
Earnings Presentation

November 15, 2021

Disclaimer

Forward-Looking Statements

Rackspace Technology has made statements in this presentation and other reports, filings, and other public written and verbal announcements that are forward-looking and therefore subject to risks and uncertainties. All statements, other than statements of historical fact, included in this document are, or could be, “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 and are made in reliance on the safe harbor protections provided thereunder. These forward-looking statements relate to anticipated financial performance, management’s plans and objectives for future operations, business prospects, outcome of regulatory proceedings, market conditions, our ability to successfully respond to the challenges posed by the COVID-19 pandemic, and other matters. Any forward-looking statement made in this presentation speaks only as of the date on which it is made. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future developments or otherwise. Forward-looking statements can be identified by various words such as “expects,” “intends,” “will,” “anticipates,” “believes,” “confident,” “continue,” “propose,” “seeks,” “could,” “may,” “should,” “estimates,” “forecasts,” “might,” “goals,” “objectives,” “targets,” “planned,” “projects,” and similar expressions. These forward-looking statements are based on management’s current beliefs and assumptions and on information currently available to management. Rackspace Technology cautions that these statements are subject to risks and uncertainties, many of which are outside of our control, and could cause future events or results to be materially different from those stated or implied in this document, including among others, risk factors that are described in Rackspace Technology, Inc.’s Registration Statement on Form S-1, Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and other filings with the Securities and Exchange Commission, including the sections entitled “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” contained therein.

Non-GAAP Measures

To provide investors with additional information in connection with our results as determined in accordance with generally accepted accounting principles in the United States (“GAAP”), we disclose Non-GAAP EPS, Non-GAAP Operating Profit, Non-GAAP Net Income, and Adjusted EBITDA as non-GAAP financial measures. These non-GAAP financial measures are not measures of financial performance in accordance with GAAP and may exclude items that are significant in understanding and assessing our financial results. Therefore, these measures should not be considered in isolation or as an alternative or superior to GAAP measures. You should be aware that our presentation of these measures may not be comparable to similarly-titled measures used by other companies. Reconciliations of each non-GAAP financial measure to the applicable most comparable GAAP measure can be found in the Appendix.

We present these non-GAAP financial measures to provide investors with meaningful supplemental financial information, in addition to the financial information presented on a GAAP basis. Rackspace Technology management believes that excluding items such as the impacts from foreign currency rate fluctuations on our international business operations or certain costs, losses and gains that may not be indicative of, or are unrelated to, our core operating results, and that may vary in frequency or magnitude, enhances the comparability of our results and provides a better baseline for analyzing trends in our business. Rackspace Technology management believes the non-GAAP measures provided are also considered important measures by financial analysts covering Rackspace Technology as equity research analysts continue to publish estimates and research notes based on our non-GAAP commentary.

Amounts on subsequent pages may not add due to rounding.



Kevin Jones
Chief Executive Officer



Amar Maletira
President and Chief Financial Officer

Agenda



**Summary results
and RXT overview**
Kevin Jones



Financial results
Amar Maletira



Q&A Session

Q3 2021 key messages



Continued Cloud market growth

- Rackspace Technology well-positioned as the pure play Cloud Solutions company.



Strong Q3 Performance

- Healthy growth across financial metrics
- Revenue, core revenue, Non-GAAP Operating profit and Non-GAAP EPS



Cash flow

- Third straight quarter of strong cash flow from operations
- \$102 million cash flow from operations in Q3 2021
- YTD cash flow from operations of \$311 million



New Service Offerings

- Expansion of successful Elastic Engineering model
- Launch of new Data Freedom offering to help customers manage data transit costs

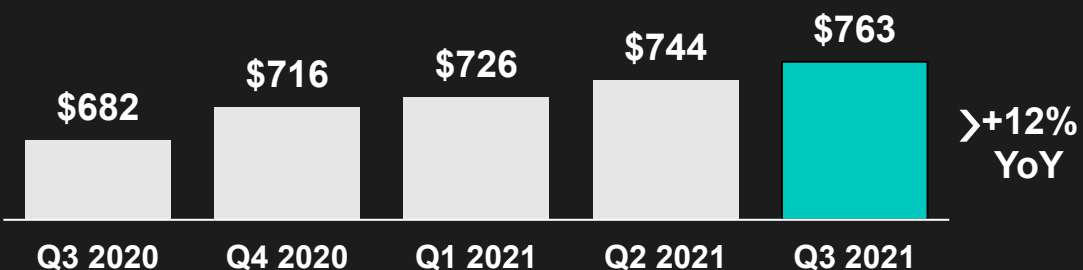


ESG

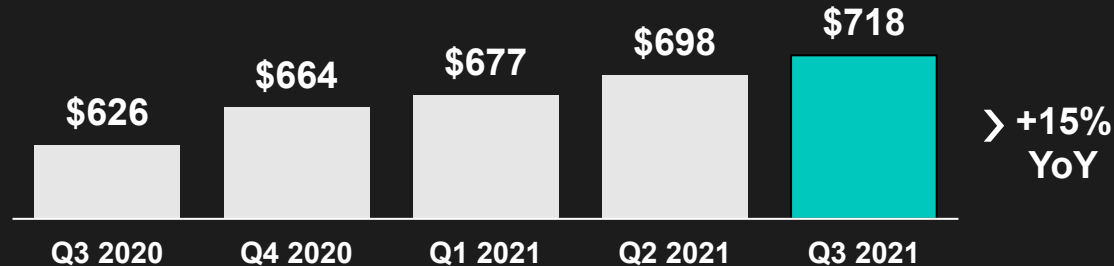
- Launched first ESG report since returning to public markets
- Named one of 50 most engaged workplaces
- Best Place to Work for Latinas / Moms / Dads / Parents working remotely

Q3 2021 results at-a-glance

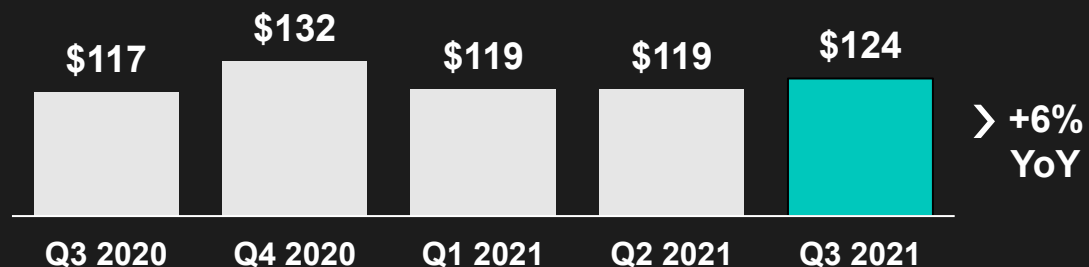
Revenue (\$M)



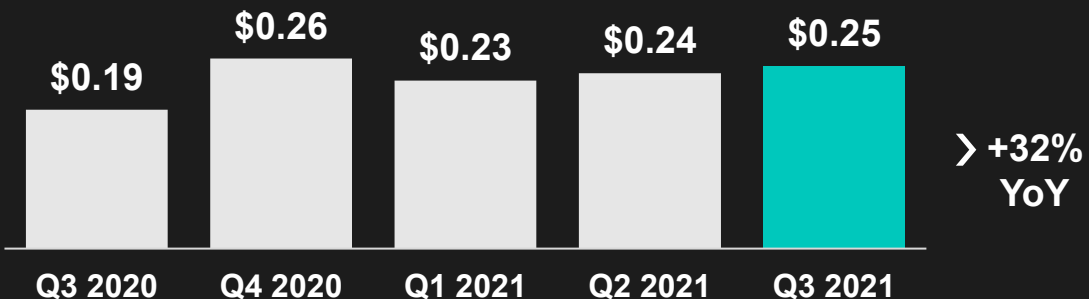
Core Revenue (\$M)



Non-GAAP Operating Profit (\$M)



Non-GAAP EPS



Q3 BOOKINGS \$200 MILLION
(Targeting ~\$1 billion of 2021 total Bookings)

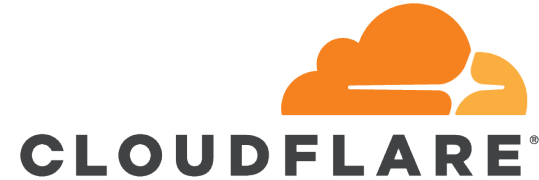
Accelerating cloud solutions with partnerships



- Rackspace Technology named Select Partner for Snowflake.
- Significantly staffing up Snowflake-certified engineers over the next 2-3 quarters.



- Rackspace Technology named Gold Tier Partner for DataDog
- Install and configure Datadog observability software for mutual customers
- Partnering with Datadog on mutual go-to-market sales motions.



- Rackspace Elastic Engineering for Security to customize, optimize, and manage Cloudflare security software



- Rackspace Technology made equity investment in Platform 9 in April 2021
- Platform 9 is deeply embedded in the Rackspace Managed Platform for Kubernetes
- Helps Rackspace Technology deliver enterprise Kubernetes solutions at scale in any cloud with consistency and speed.

BFC Group Holdings migrates to multicloud

Challenge

BFC Group Holdings is a major fintech company based in the Kingdom of Bahrain, specializing in global money transfers, foreign currency exchange, wholesale currency and payment solutions. The company needed to enhance its on-premises application to improve delivery of in-store and online financial services.

Solution

IT Transformation, Amazon Web Services (AWS), Multicloud, Rackspace Security Essentials.

Achievement

Migrating core applications to AWS increased system uptime and enabled accelerated scaling and transaction processing, while dramatically reducing the time to deploy new infrastructure.



MEA – Financial Services



“We selected Rackspace Technology because it quickly became clear that they are the best at providing the technology foundation for us to achieve our business goals.”

Ebrahim Nonoo, Managing Director and CEO, BFC Group Holdings Company

Arthrex reimagines patient experience post-surgery with Rackspace Technology on AWS

Challenge

Arthrex, a global medical device company, wanted to improve the post-surgery experience for patients by building a HIPAA-compliant digital communications portal. Surgeons would be able to upload reports, image and video files in the operating room for patients to access on-demand later.

Solution

Amazon Simple Storage Service (Amazon S3), Amazon Relational Database Service for MySQL (Amazon RDS for MySQL)

Achievement

By building a HIPAA-compliant and scalable digital portal on AWS, Arthrex was able to improve post-surgery communications between patients and surgeons.



“Amazon S3 allowed us to focus on our core competencies instead of worrying about architecture as we scale.”

Craig Speier, Senior Director of Engineering, Arthrex

Rackspace ESG Report



Available on our website at www.rackspace.com/2021ESG

Documents Rackspace Technology's long-term commitment to its employees, customers, business partners, communities, and shareholders.

Agenda



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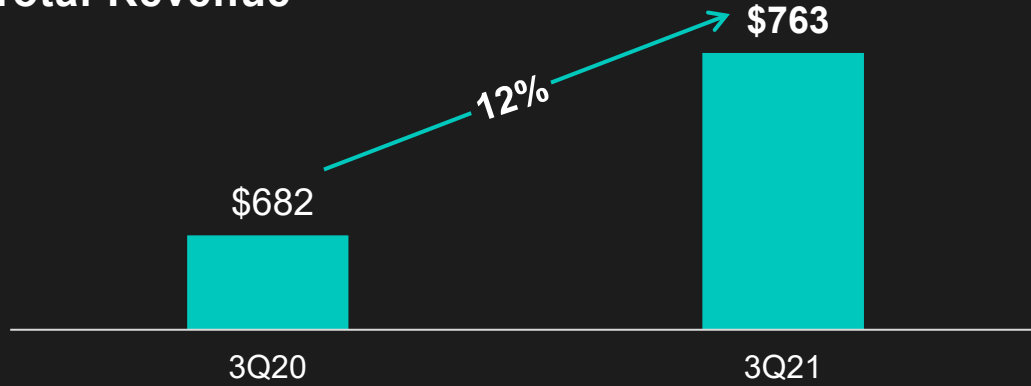


Q&A Session

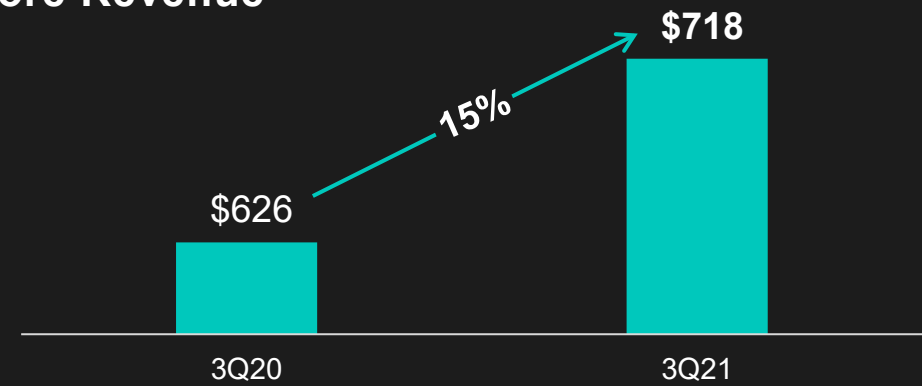
Q3 2021 Financial Highlights

(\$M, except per share data)

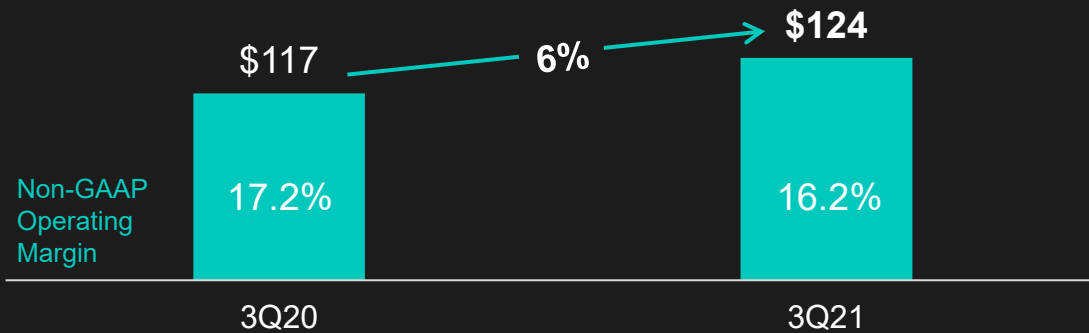
Total Revenue



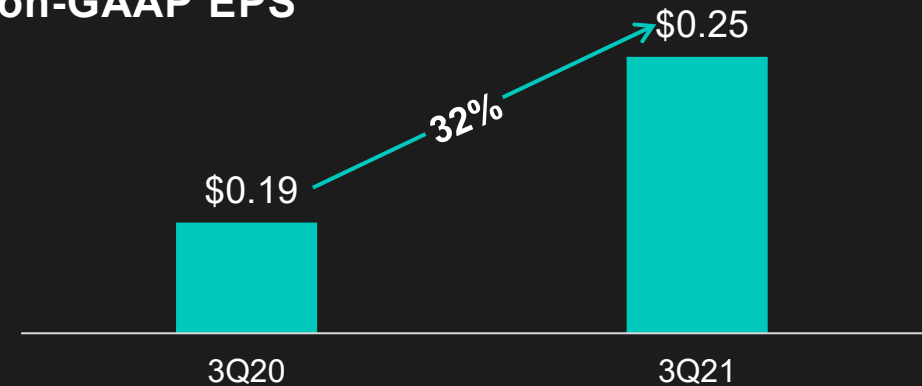
Core Revenue



Non-GAAP Operating Profit

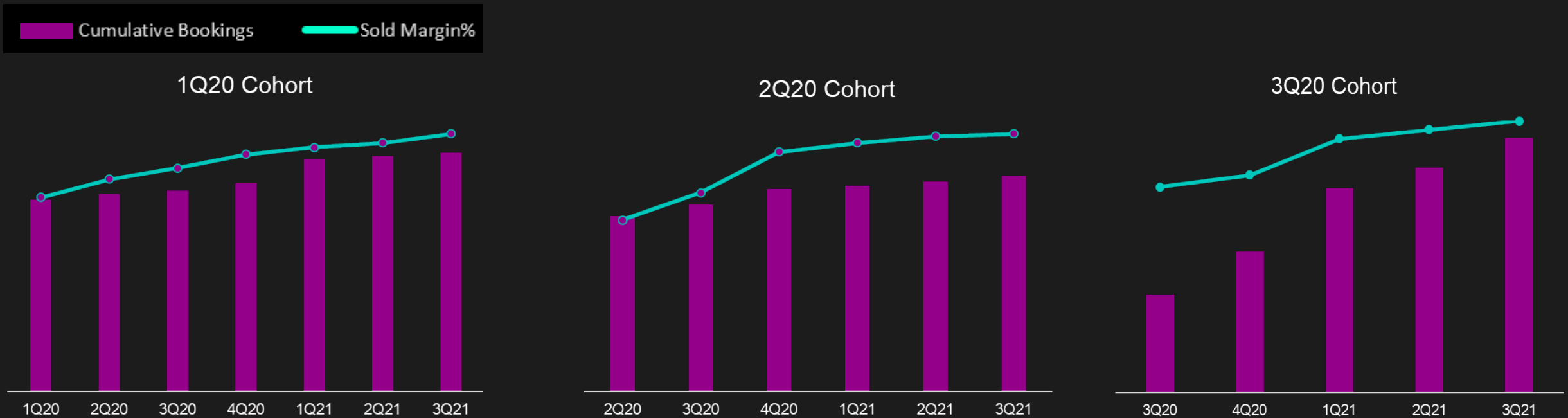


Non-GAAP EPS



Land and Expand is Working

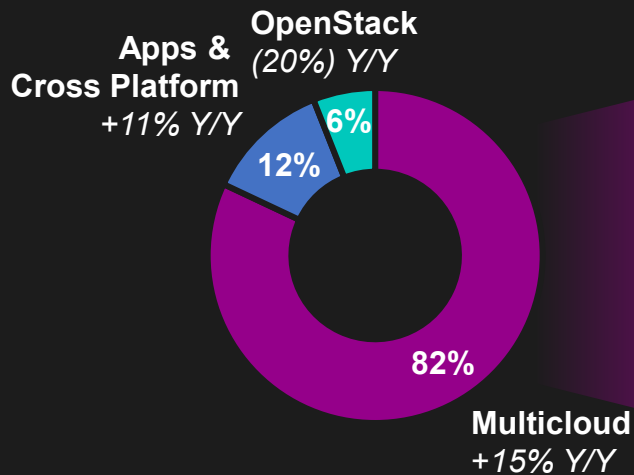
- ✓ Managed Public Cloud Cohorts Continue to Grow
- ✓ Double-digit cumulative bookings growth and 200-400 basis points of sold gross margin improvement for all 2020 Cohorts



Multicloud Revenue Transition Continues in Q3 2021

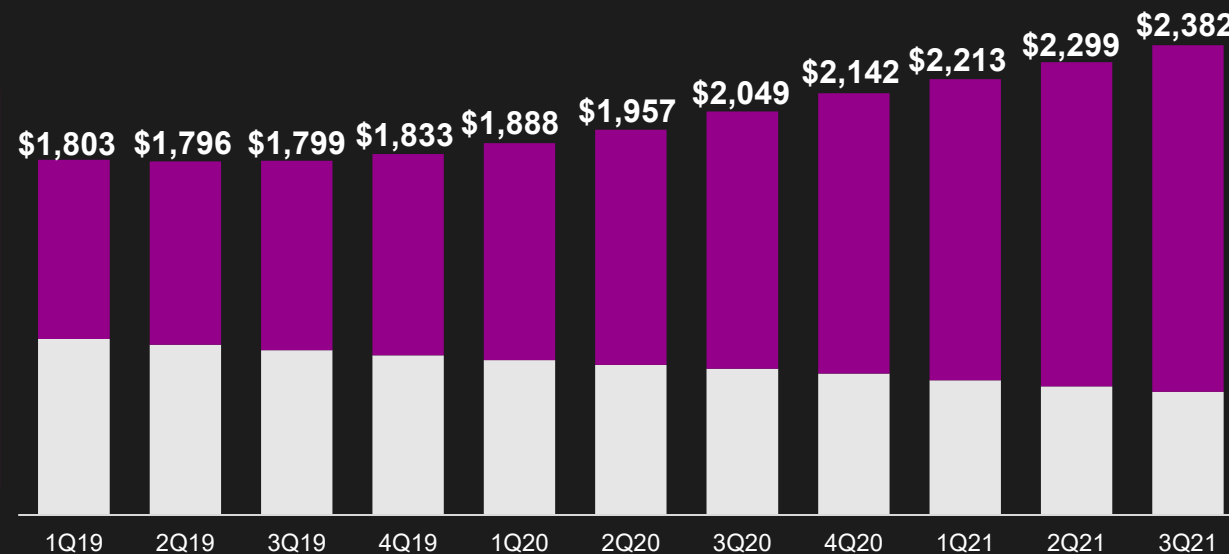
Growth Markets Exceed 70% of Multicloud Revenue

RACKSPACE REVENUE
Q3'21 Revenue mix and Y/Y growth



MULTICLOUD SEGMENT REVENUE
Rolling trailing twelve months (\$M)

High Growth Markets*
Low Growth / Mature Markets*



High Growth Markets

- ✓ ~ 70% to 75% of Multicloud Revenue
- ✓ 30% to 40% Y/Y growth

* Multicloud offerings in high growth markets include Managed Public Cloud (AWS, Azure & GCP), and VMware Cloud

* Multicloud offerings in low growth/mature markets include Non-VMware private cloud & Managed hosting

Cash Flow and Balance Sheet Metrics

Cash Provided
by Operating
Activities

\$102M

Total
Capital
Expenditures

\$35M

Cash
Capital
Expenditures

\$21M

Cash
& Cash
Equivalents

\$260M

Free
Cash
Flow*

\$81M

Total
CAPEX
Intensity

5%

Cash
CAPEX
Intensity

3%

Undrawn
Revolving
Credit Facility

\$375M

- ✓ Strong third quarter operating and free cash flow
- ✓ YTD operating cash flow \$311 million
- ✓ CAPEX intensity in line with expectations
- ✓ Over \$600 million of liquidity at quarter end

Outlook

	4Q 2021	FY 2021
Revenue	\$766 - \$776 million	\$2.998 - \$3.008 million
Core Revenue	\$724 - \$732 million	\$2.815 - \$2.823 million
Non-GAAP Operating Profit	\$118 - \$122 million	\$480 - \$484 million
Non-GAAP EPS	\$0.23 - \$0.25	\$0.95 - \$0.97
Non-GAAP Other Income (Expense)	(\$51) – (\$52) million	(\$205) – (\$206) million
Non-GAAP Tax Expense Rate	26%	26%
Non-GAAP Weighted Average Shares	212 – 214 million	213 – 215 million

NOTE: Refer to Appendix for more information on how we define Core, Non-GAAP Tax Expense Rate, and Non-GAAP Weighted Average Shares. In 2021, Non-GAAP Other Income and Expense is only expected to include interest expense.

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Q&A Session

Appendix

Non-GAAP reconciliations

GROSS PROFIT	(In millions)	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021
	Non-GAAP Gross Profit		\$255.5	\$262.9	\$249.9	\$250.1
Share-based compensation expense		(4.5)	(5.9)	(4.9)	(4.3)	(4.0)
Other compensation expense		(1.5)	(1.0)	(1.3)	(0.4)	(0.4)
Purchase accounting impact on expense		(1.2)	(1.2)	(1.2)	(1.2)	(1.2)
Restructuring and transformation expenses		(2.5)	(7.4)	(7.2)	(8.7)	(13.0)
Total Adjustments		\$(9.7)	\$(15.5)	\$(14.6)	\$(14.6)	\$(18.6)
GAAP Gross Profit		\$245.8	\$247.4	\$235.3	\$235.5	\$231.7

OPERATING PROFIT	(In millions)	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021
	Non-GAAP Operating Profit		\$117.4	\$131.7	\$118.9	\$119.4
Share-based compensation expense		(40.2)	(17.7)	(17.2)	(20.4)	(19.1)
Special bonuses and other compensation expense		(5.0)	(18.4)	(4.0)	(3.0)	(2.1)
Transaction-related adjustments, net		(18.9)	(11.3)	(8.4)	(6.9)	(6.5)
Restructuring and transformation expenses		(22.6)	(45.1)	(38.6)	(39.1)	(55.2)
Management fees		(1.3)	-	-	-	-
Gain on sale of land		-	-	19.9	-	-
Amortization of intangible assets		(44.1)	(44.0)	(46.4)	(47.1)	(43.9)
Total Adjustments		\$(132.1)	\$(136.5)	\$(94.7)	\$(116.5)	\$(126.8)
GAAP Income (Loss) from Operations		\$(14.7)	\$(4.8)	\$24.2	\$2.9	\$(2.9)

Non-GAAP reconciliations

<i>(In millions)</i>	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021
Net loss	\$(101.2)	\$(63.8)	\$(64.0)	\$(36.6)	\$(34.8)
Share-based compensation expense	40.2	17.7	17.2	20.4	19.1
Special bonuses and other compensation expense	5.0	18.4	4.0	3.0	2.1
Transaction-related adjustments, net	18.9	11.3	8.4	6.9	6.5
Restructuring and transformation expenses	22.6	45.1	38.6	39.1	55.2
Management fees	1.3	-	-	-	-
Gain on sale of land	-	-	(19.9)	-	-
Net (gain) loss on divestiture and investments	-	0.2	3.7	(0.1)	-
Debt modification and extinguishment costs	-	-	-	-	-
	37.0	34.5	37.0	0.5	
Other (income) expense, net	(0.7)	(2.1)	1.8	(0.6)	(0.1)
Amortization of intangible assets	44.1	44.0	46.4	47.1	43.9
Tax effect of non-GAAP adjustments	(30.8)	(51.7)	(24.1)	(28.8)	(38.3)
Non-GAAP Net Income	36.4	53.6	49.1	50.9	53.6
Interest expense	68.3	59.2	52.6	50.5	51.5
Benefit for income taxes	(18.1)	(32.8)	(6.9)	(10.8)	(19.5)
Tax effect of non-GAAP adjustments	30.8	51.7	24.1	28.8	38.3
Non-GAAP Operating Profit	117.4	131.7	118.9	119.4	123.9
Depreciation	73.4	67.1	61.3	59.9	59.2
Adjusted EBITDA	\$190.8	\$198.8	\$180.2	\$179.3	\$183.1

Non-GAAP Earnings Per Share reconciliation

<i>(In millions, except per share amounts)</i>	Q3 2020		Q4 2020		Q1 2021		Q2 2021		Q3 2021	
Net loss attributable to common stockholders	\$	(101.2)	\$	(63.8)	\$	(64.0)	\$	(36.6)	\$	(34.8)
Non-GAAP Net Income	\$	36.4	\$	53.6	\$	49.1	\$	50.9	\$	53.6
Weighted average number of shares - Diluted		186.7		200.7		204.6		207.9		209.3
Effect of dilutive securities		5.9		6.2		6.5		5.4		2.6
Non-GAAP weighted average number of shares - Diluted		192.6		206.9		211.1		213.3		211.9
Net loss per share - Diluted	\$	(0.54)	\$	(0.32)	\$	(0.31)	\$	(0.18)	\$	(0.17)
Per share impacts of adjustments to net loss		0.74		0.59		0.55		0.42		0.42
Per share impacts of shares dilutive after adjustments to net loss		(0.01)		(0.01)		(0.01)		(0.00)		(0.00)
Non-GAAP EPS	\$	0.19	\$	0.26	\$	0.23	\$	0.24	\$	0.25

Definitions

We calculate Bookings for a given period as the annualized monthly value of our recurring customer contracts entered into during the period from (i) new customers and (ii) net upgrades by existing customers within the same workload, plus the actual (not annualized) estimated value of professional services consulting, advisory or project-based orders received during the period. "Recurring customer contracts" are any contracts entered into on a multi-year or month-to-month basis, but excluding any professional services contracts for consulting, advisory or project-based work.

Bookings

Bookings for any period may reflect orders that we perform in the same period, orders that remain outstanding as of the end of the period and the annualized value of recurring month-to-month contracts entered into during the period, even if the terms of such contracts do not require the contract to be renewed. Bookings include net upgrades by existing customers within the same workload, but exclude net downgrades by such customers within that workload. Any customer that contracts for a new workload is considered a new customer and the entire value of the contract or upgrade is recorded in Bookings, irrespective of whether the same customer canceled or downgraded other workloads. Bookings also do not include the impact of any known contract non-renewals or service cancellations by our customers, except for positive net upgrades by existing customers. In cases where a new or upgrading customer enters into a multi-year contract, Bookings include only the annualized contract value. Bookings do not include usage-based fees in excess of contracted minimum commitments until actually incurred.

We use Bookings to measure the amount of new business generated in a period, which we believe is an important indicator of new customer acquisition and our ability to cross-sell new services to existing customers. Bookings are also used by management as a factor in determining performance-based compensation for our sales force. While we believe Bookings, in combination with other metrics, is an indicator of our near-term future revenue opportunity, it is not intended to be used as a projection of future revenue. Our calculation of Bookings may differ from similarly titled metrics presented by other companies.

Core

Core reflects the results or otherwise pertain to the performance of our Multicloud Services and Apps & Cross Platform segments, in the aggregate. Our Core financial measures exclude the results and performance of our OpenStack Public Cloud segment.

Net Promoter Score (NPS)

NPS is a customer loyalty metric that measures customers' willingness to not only return for another purchase or service but also make a recommendation to other organizations or colleagues. Net Promoter Score is a number from -100 to 100.

Capital Intensity

Capital intensity reflects capital expenditures divided by revenue for the same period.

Non-GAAP Tax Expense Rate

We utilize an estimated structural long-term non-GAAP tax rate in order to provide consistency across reporting periods, removing the effect of non-recurring tax adjustments, which include but are not limited to tax rate changes, U.S. tax reform, share-based compensation, audit conclusions and changes to valuation allowances. When computing this long-term rate for the 2020 and 2021 interim periods, we based it on an average of the 2019 and estimated 2020 tax rates and 2020 and estimated 2021 tax rates, respectively, recomputed to remove the tax effect of non-GAAP pre-tax adjustments and non-recurring tax adjustments, resulting in a structural non-GAAP tax rate of 26% for both periods. The non-GAAP tax rate could be subject to change for a variety of reasons, including the rapidly evolving global tax environment, significant changes in our geographic earnings mix including due to acquisition activity, or other changes to our strategy or business operations. We will re-evaluate our long-term non-GAAP tax rate as appropriate. We believe that making these adjustments facilitates a better evaluation of our current operating performance and comparisons to prior periods.

Non-GAAP Weighted Average Shares

Reflects impact of awards that would have been anti-dilutive to Net loss per share, and therefore not included in the calculation, but would be dilutive to Non-GAAP EPS and are therefore included in the share count for purposes of this non-GAAP measure. Potential common share equivalents consist of shares issuable upon the exercise of stock options, vesting of restricted stock or purchase under the Employee Stock Purchase Plan (the "ESPP"), as well as contingent shares associated with our acquisition of Datapipe Parent, Inc. Certain of our potential common share equivalents are contingent on Apollo achieving pre-established performance targets based on a multiple of their invested capital ("MOIC"), which are included in the denominator for the entire period if such shares would be issuable as of the end of the reporting period assuming the end of the reporting period was the end of the contingency period.

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