Rackspace Technology

2nd Quarter 2020
Earnings Presentation

August 31, 2020

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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 (File No. 333-239794), 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 constant currency revenue, Adjusted EPS, Adjusted EBITDA and Adjusted EBITDA margin 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

Dustin Semach
Chief Financial Officer

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Agenda

Summary results and takeaways
Kevin Jones

Financial results
Dustin Semach

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Q2 2020 key messages

↑	**Bookings growth**	• 107% Bookings growth driven by our strategic transformation and secular multicloud adoption • 4th straight record sales quarter
↑	**Revenue growth**	• 14% Core revenue growth on a constant currency basis (up 7% pro forma) • 10% consolidated revenue growth on a constant currency basis
↑	**Revenue retention**	• 99% Core Quarterly Net Revenue Retention Rate, up from 98% last quarter • NPS continues to lead the industry
↑	**Profitability**	• $188M Adjusted EBITDA – up year-over-year and quarter-over-quarter • 29% Adjusted EBITDA margin
↑	**Capital efficiency**	• 9% capital intensity LTM, decrease from 10% a year ago • IPO and recent bond tender offering strengthen our balance sheet and overall liquidity

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Note: Refer to Appendix for more information on how we define Bookings, Core, pro forma revenue growth, Quarterly Net Revenue Retention Rate, NPS, Adjusted EBITDA margin, and capital intensity. Also refer to Appendix for a reconciliation of Adjusted EBITDA and constant currency revenue to the most comparable GAAP measure.

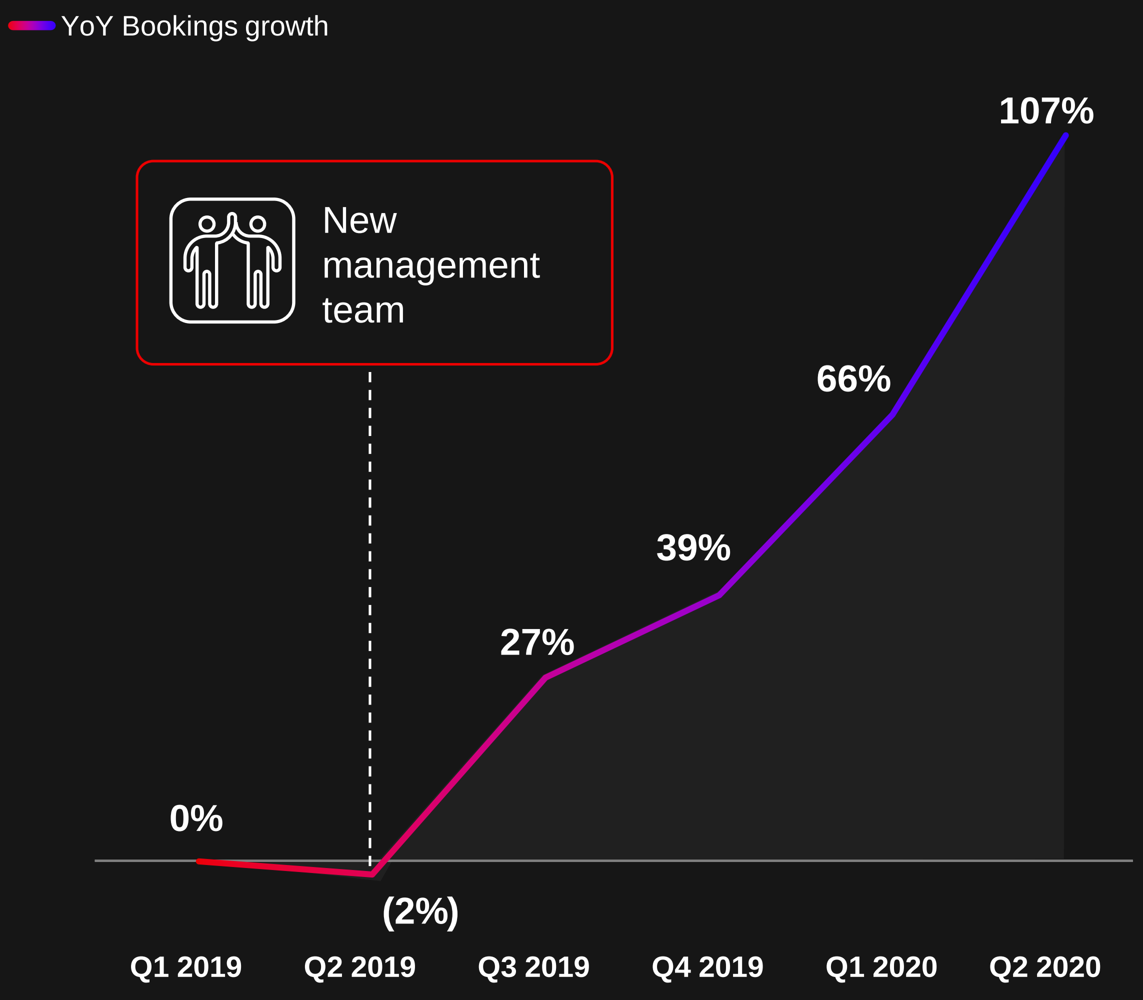
Rackspace Technology transformed

	At LBO	Today
Market positioning	**Competitor** to public cloud	**Partner** to cloud ecosystem
Core offerings and services expertise	Managed hosting, OpenStack public cloud	A leader in end-to-end multicloud solutions
Revenue from segments with attractive growth dynamics	<10% (Cloud Office and Managed Cloud Services, LTM Q3 2016)	~90% (Multicloud Services and Apps & Cross Platform, LTM Q2 2020)
Bookings growth	(3%) (2016, YoY)	107% (Q2 2020, YoY)
Core segments revenue growth	0% (Q3 2016, YoY, Excl. Cloud Office and Managed Cloud Services)	7% (Q2 2020, YoY, Excl. OpenStack, PF for acquisition of Onica)
Capital intensity	16% (LTM Q3 2016)	9% (LTM Q2 2020)

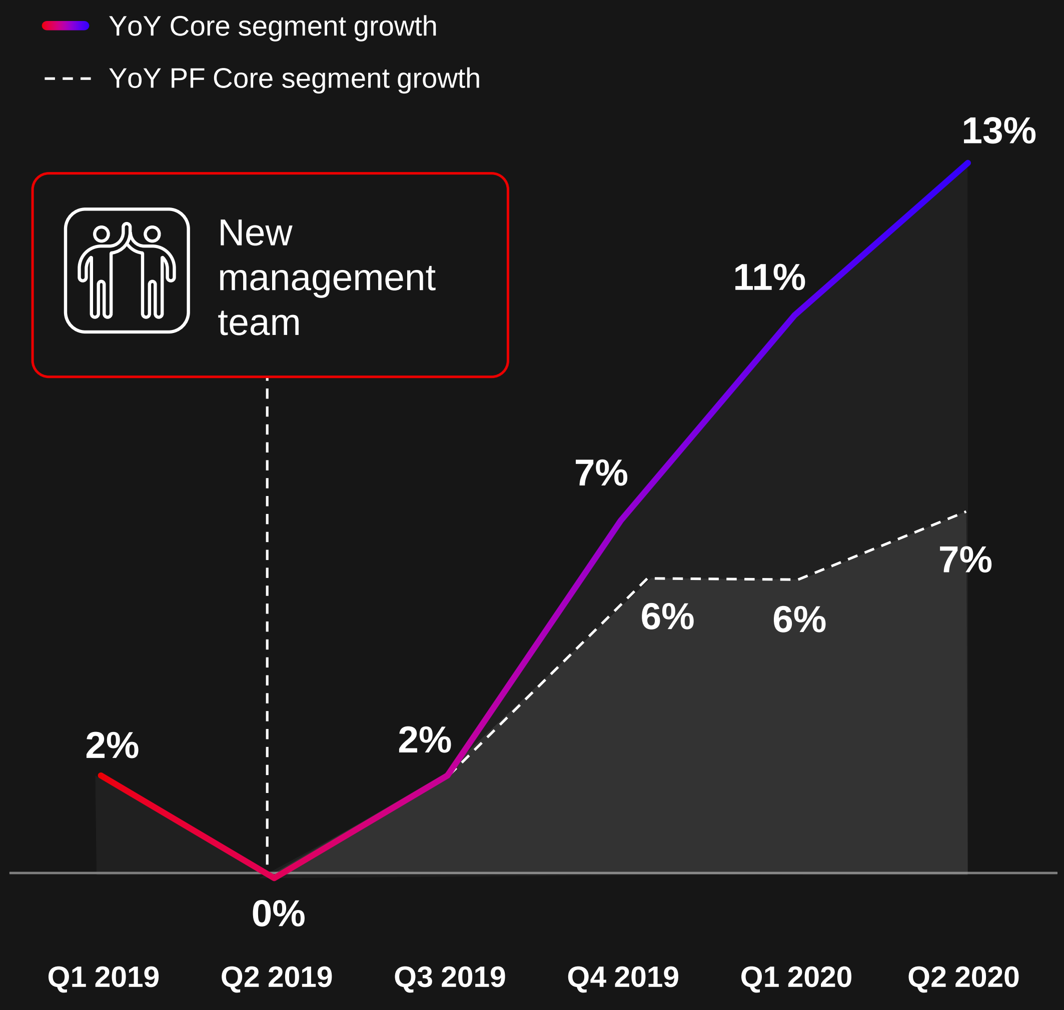
Note: Core segments revenue growth calculated on a constant currency basis. Refer to Appendix for a reconciliation of constant currency revenue to the most comparable GAAP measure. Also refer to Appendix for more information on how we define Bookings, Core, pro forma revenue growth, and capital intensity.

Successful execution has accelerated growth

Total Bookings growth



Core segment revenue growth



Note: Core segments revenue growth calculated on a GAAP basis. Q4 2019, Q1 2020, and Q2 2020 PF Core segment growth calculated on a pro forma basis. Refer to Appendix for more information on how we define pro forma revenue growth, Bookings, and Core.

Drivers of Bookings growth

- Tectonic shift to multicloud
- Focus on professional services
- Strong enterprise focus
- Management system
- Increased salesforce investment
- Salesforce productivity
- Land and expand strategy

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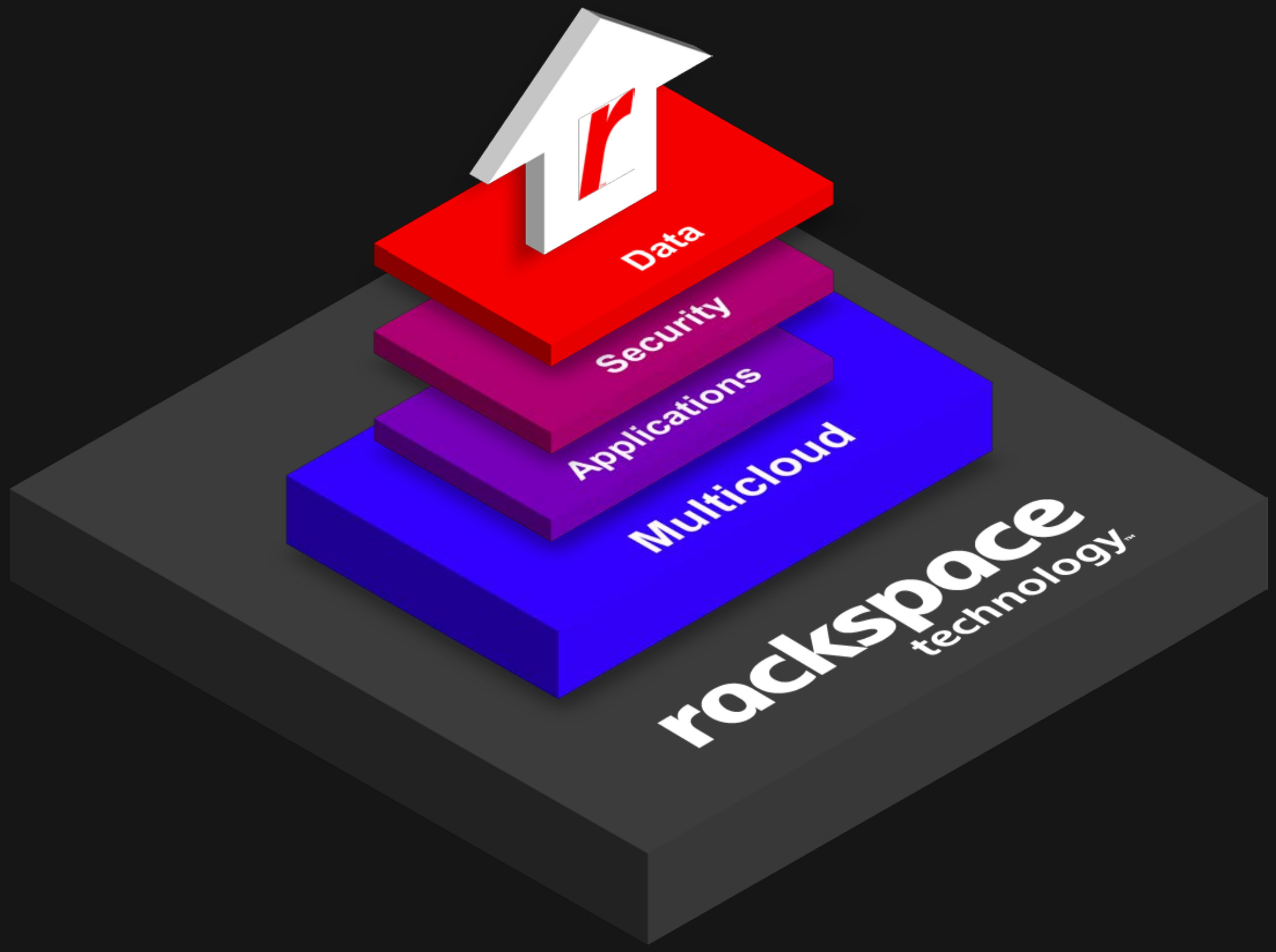
Our mission

Embrace
technology

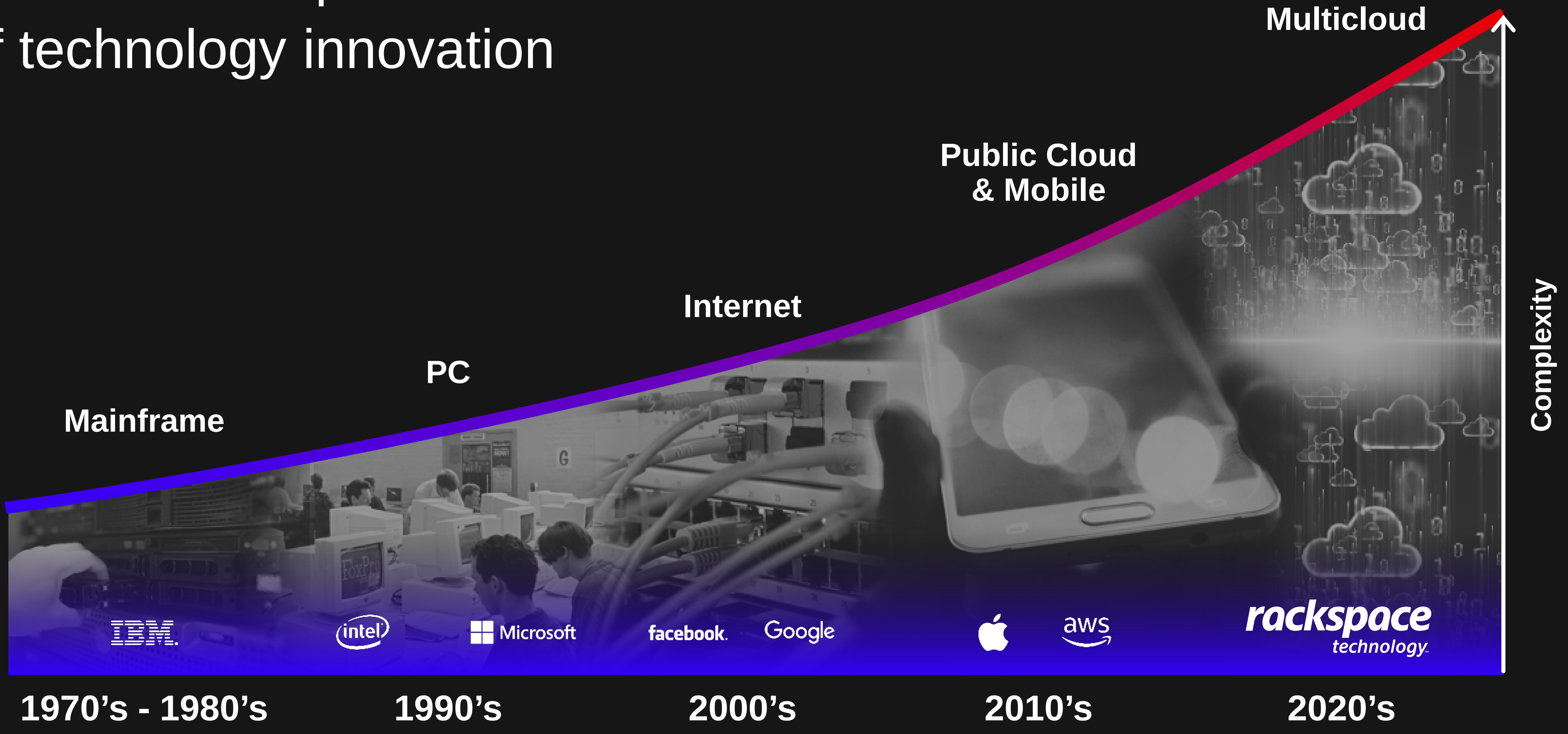
Empower
customers

Deliver
the future

Rackspace Technology is an investment in pure-play multicloud at scale



Multicloud will power the future of technology innovation



Cloud adoption has evolved into a modern, multicloud approach

	2013 Early	2017 Mainstream	2020 Modern
Key Adopters	Technology leaders Digital-native businesses	Tech-forward companies	Everyone
Adoption Modality	Cloud-native adoption, capturing benefits of cloud	IT cost reduction, cloud as datacenter	Cloud-native, multicloud adoption, embracing the benefits of the cloud
Business Benefits	Build new revenue streams	Cost, scale, and reliability	Build new revenue streams, drive efficiency, and innovate faster

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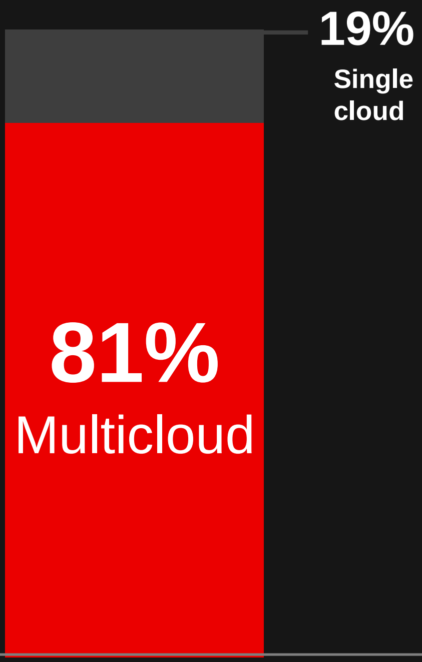
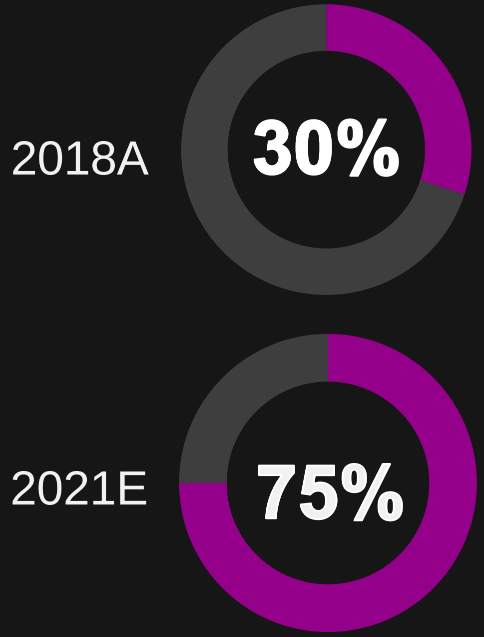
The multicloud ecosystem is a large and growing market

Businesses recognize the benefits of multicloud strategies ›
Leading to complexity and driving demand for multicloud services ›
Creating a large market opportunity

% of cloud users working with two or more cloud providers



% of enterprise customers consuming multicloud managed services



Estimated total addressable market in 2020

$400+
billion

Sources: "Why Organizations Choose a Multicloud Strategy", Gartner ; "Forecast Analysis: Infrastructure Services", Gartner September 2019; Gartner, 2019-2024 IaaS and Infrastructure Utility Services, Application Managed Services, and Infrastructure Managed Services markets

We help companies navigate the complex multicloud ecosystem

Apps
Windows Server, SAP, workday, Informatica, WordPress, sitecore, Exchange, CITRIX, Office 365, IBM Cognos Analytics, vmware Horizon View
Lync, salesforce, SAP BusinessObjects, ORACLE E-BUSINESS SUITE, PeopleSoft, SAP Hybris, SharePoint, Magento Open Source eCommerce, ORACLE COMMERCE, SAP HANA

Data services
cassandra, SQL Server, tableau, elasticsearch, mongoDB, hadoop, Power BI, MariaDB, MySQL, ORACLE DATABASE, Qlik, PostgreSQL, Cockroach DB, redis

Infrastructure software
Red Hat, MESOSPHERE, docker, kubernetes, ubuntu

Public clouds
aws, Microsoft Azure, Google Cloud Platform, Alibaba Cloud

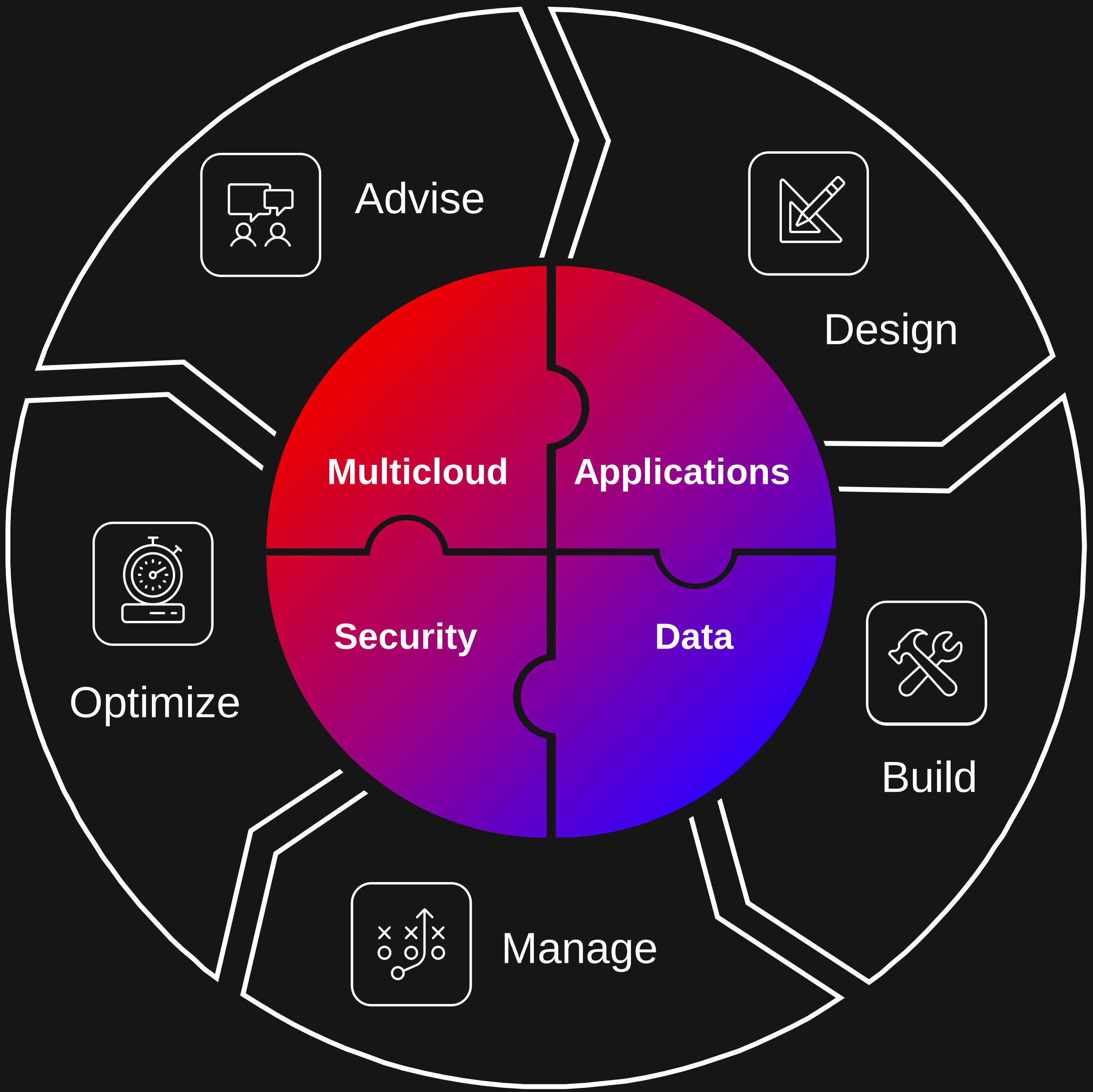
Private clouds
vmware, openstack, Microsoft

Hardware
CISCO, DELL EMC, NetApp, Hewlett Packard Enterprise, JUNIPER NETWORKS, PURESTORAGE

Datacenter
FLEXENTIAL, EQUINIX, GLOBAL SWITCH, DIGITAL REALTY, CyrusOne, DFT DATA CENTERS, tierpoint, 中国电信 CHINA TELECOM

Security
ALERT LOGIC Security. Compliance. Cloud, imperva, SOPHOS, DUO, RSA SECURITY, splunk>, Vormetric

We are mission control for multicloud



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Rackspace Technology powers the future of innovation

Multicloud

Cloud strategy and transformation

Cloud adoption and migration

Managed services

Cloud optimization

Applications

Cloud-optimized COTS apps

SaaS products

Cloud native applications

End-to-end IoT solutions

Data

Data engineering and strategy

Relational and next-gen DBs

Analytics and business insights

AI/ML-enabled apps and insights

Security

Data governance and security

Security design and strategy

Managed security

24x7x365 SOCs

At-scale capabilities across all clouds and everywhere in between

Our multicloud delivers flexibility in technology stack and deployment model

APPLICATIONS — DATA — SECURITY

aws	Microsoft Azure	Google Cloud	vmware
aws, AWS Outposts	Microsoft Azure, Azure Stack	Google Cloud, Anthos	vmware, VMware Cloud on AWS

Deployed across Rackspace Technology datacenters, hyperscalers and on-premises

Fanatical Experience™

At-scale capabilities across all major clouds and everywhere in between

Our proprietary technology is at the center of our multicloud capabilities

Rackspace Fabric™

8 years of development

$1B+
invested in Rackspace Technology IP

12M+
hours of development to date

Automation

Solution automation
Reduced manual onboarding, provisioning, and admin tasks

Intelligent automation
62% of workloads automated

AI automation
1B+ actions per month automated

Fanatical Experience™

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Our competitive advantage positions us to win

Automation Automation-driven efficiency and scalability	**Standardization** Efficiency for customers	**Rackspace Fabric™** Investment in technology innovation

Fanatical Experience™ Best-in-class customer experience	**End-to-end multicloud** Across entire customer lifecycle

Continuous improvement Investments in delivery and experience	**Scale** 120k+ customers	**Partnerships** Strength of relationships with technology partners

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Note: 120k+ customers is as of December 31, 2019

Well positioned in the COVID-19 era

Value proposition for Rackspace Technology services has accelerated

Diverse customer base with low concentration

Remote, software-enabled **delivery model**

Supporting mission critical IT systems and applications

Strong EBITDA margin profile with ample liquidity

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Agenda

Summary results and takeaways
Kevin Jones

Financial results
Dustin Semach

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Financial model highlights

Scale

$2.5B

Revenue
(LTM Q2’20)

Growth in Core segments

7%

YoY PF Core revenue growth
(Q2’20)

Revenue visibility

95%+

Recurring revenues
(2019)

Low capital intensity

9%

Capital intensity
(LTM Q2’20)

Margin profile

29%

Adj. EBITDA margin
(LTM Q2’20)

Strong Adj. EBITDA

$748M

Adj. EBITDA
(LTM Q2’20)

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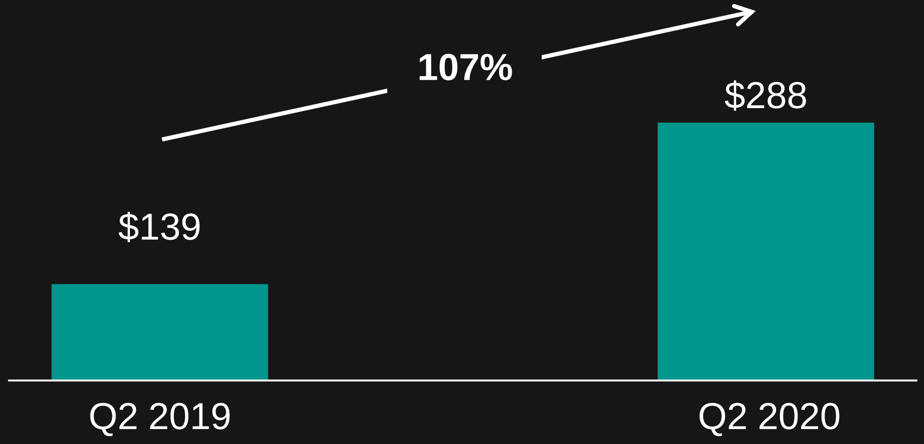
Note: Refer to Appendix for more information on how we define Core, pro forma revenue growth, capital intensity, and Adjusted EBITDA margin.
Also refer to Appendix for a reconciliation of Adjusted EBITDA to the most comparable GAAP measure.

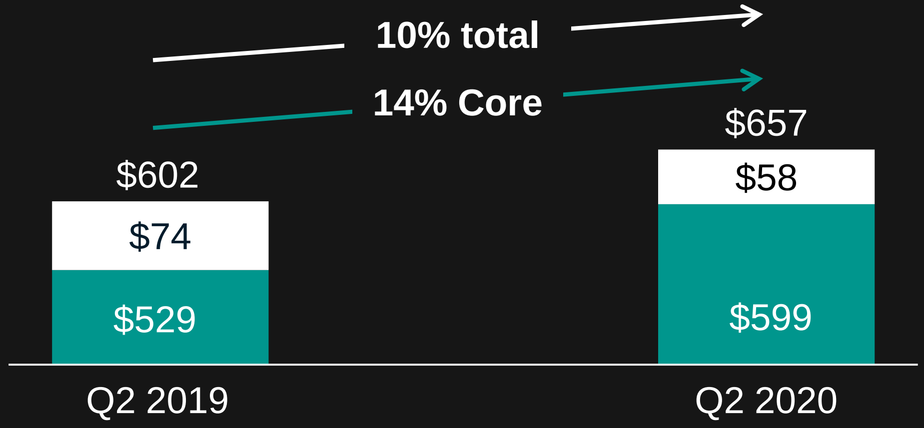
Accelerating revenue growth and operating leverage

Core
OpenStack

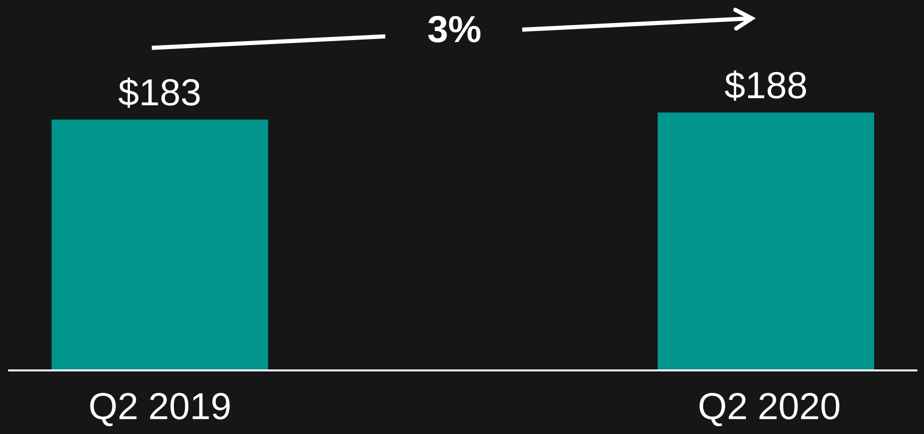
Bookings ($M)



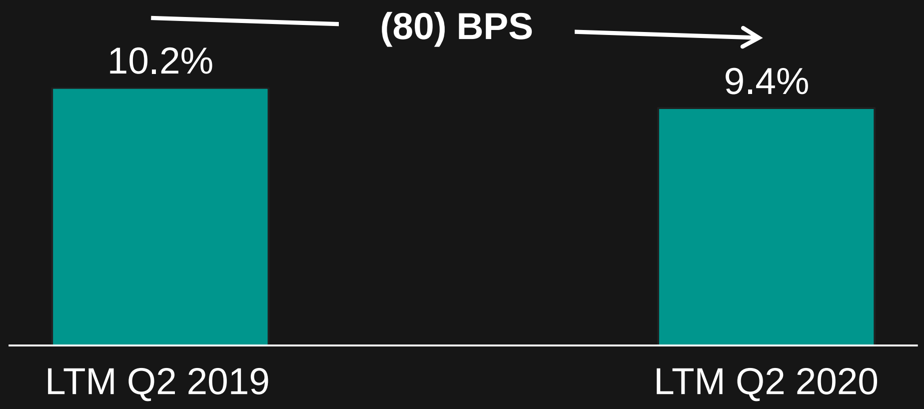
Revenue ($M) *– yoy growth in constant currency*



Adj. EBITDA ($M)



Capital Intensity (CapEx as % of revenue)



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Note: Refer to Appendix for more information on how we define Core, Bookings, and capital intensity. Also refer to Appendix for a reconciliation of Adjusted EBITDA and constant currency revenue to the most comparable GAAP measure.

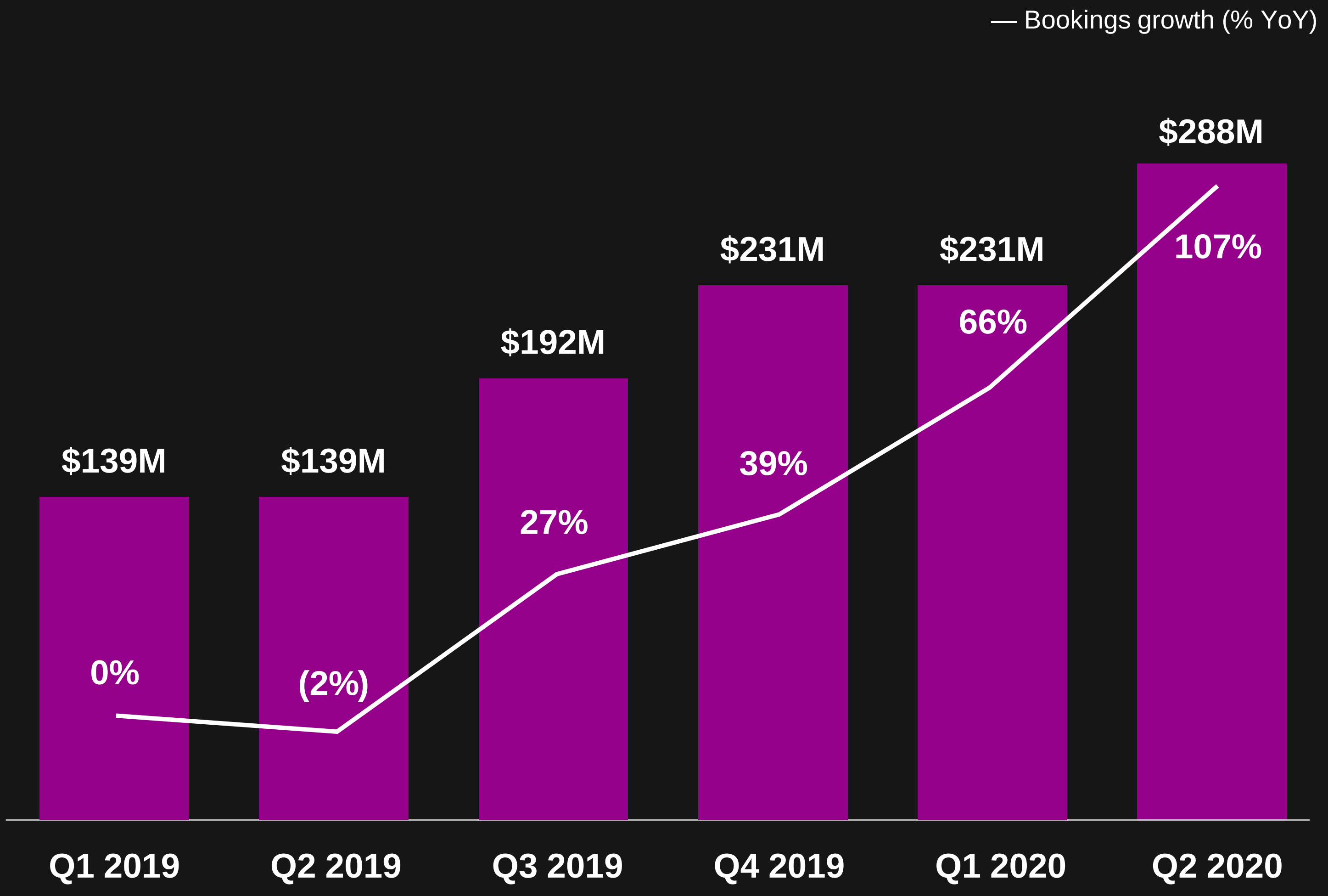
Bookings momentum represents new business opportunities

Improving sales productivity

Larger deal sizes

Investment in salesforce

Enterprise penetration



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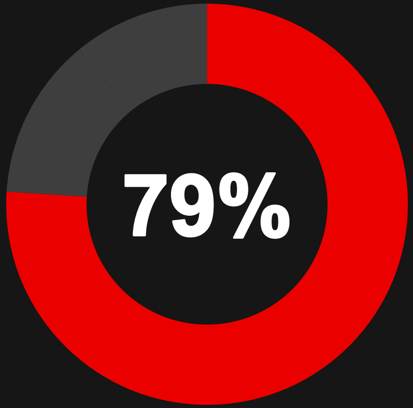
Note: Refer to Appendix for more information on how we define Bookings.

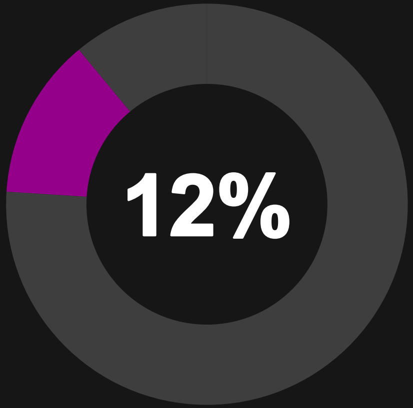
Components of our revenue

Multicloud Services



Integrated suite of managed cloud services across public and private

Apps and Cross Platform

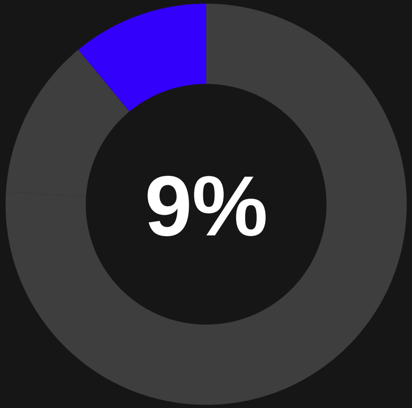


Applications

Security

Data

OpenStack Public Cloud



Open-source cloud platform

Declining % of revenue

“Core” segments – single integrated portfolio

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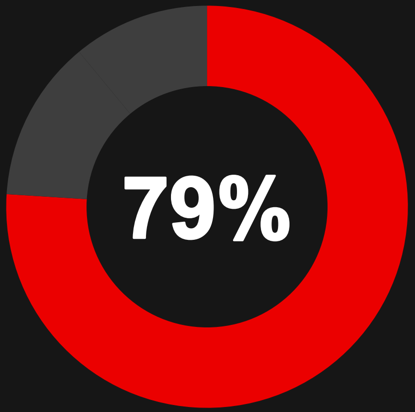
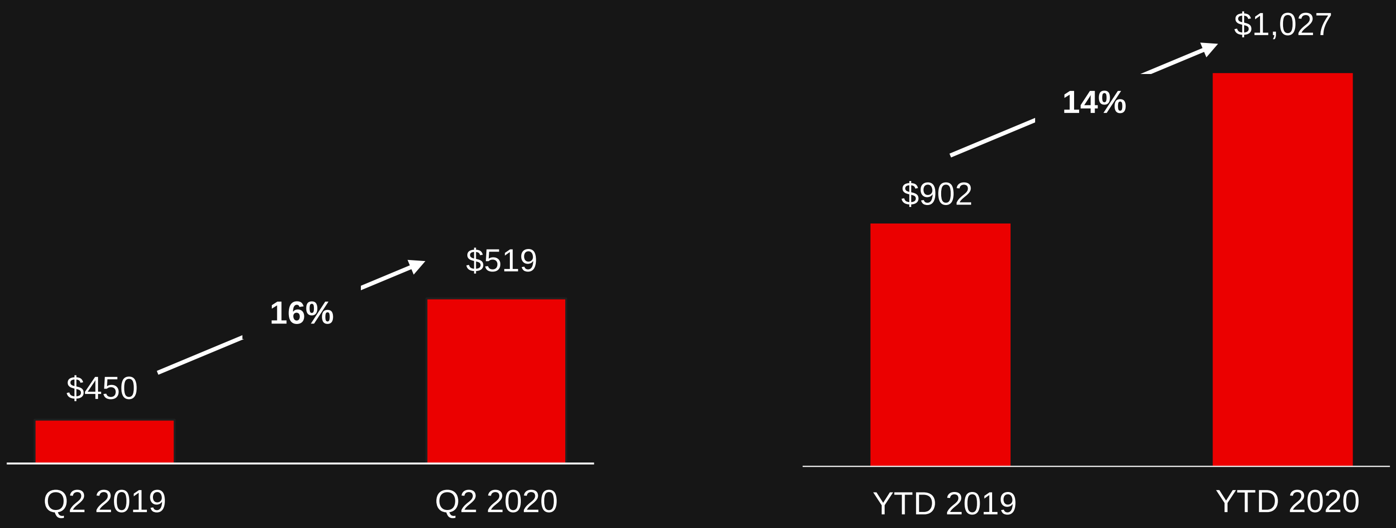
Components of our revenue – Multicloud Services

Multicloud Services



Integrated suite of managed cloud services across public and private

Revenue ($M) –
yoy growth in constant currency



	Q2 2019	Q2 2020	YTD 2019	YTD 2020
Revenue ($M)	**$ 449.6**	**$ 519.0**	**$ 902.4**	**$ 1,026.9**
YoY Growth – GAAP	—	15.4%	—	13.8%
– cc	—	16.2%	—	14.3%
QtQ Growth – GAAP	—	2.2%	—	—
– cc	—	2.7%	—	—

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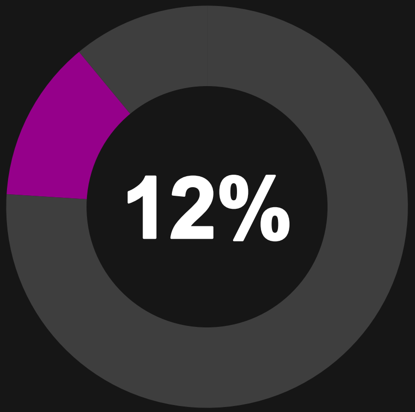
Note: Refer to Appendix for a reconciliation of constant currency revenue to the most comparable GAAP measure.

Components of our revenue – Apps and Cross Platform

Apps and Cross Platform

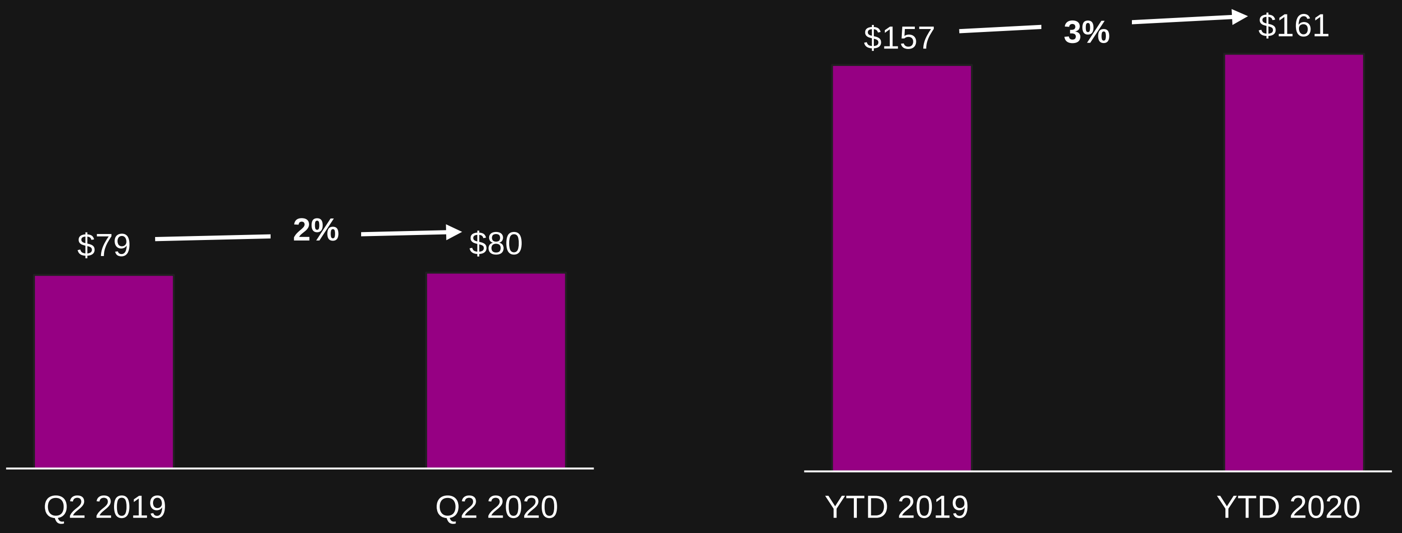


Applications

Security

Data

Revenue ($M) –
yoy growth in constant currency



	Q2 2019	Q2 2020	YTD 2019	YTD 2020
Revenue ($M)	**$ 79.0**	**$ 79.9**	**$ 157.1**	**$ 161.4**
YoY Growth – GAAP	—	1.1%	—	2.8%
– cc	—	1.5%	—	3.0%
QtQ Growth – GAAP	—	(2.0%)	—	—
– cc	—	(1.8%)	—	—

Note: Refer to Appendix for a reconciliation of constant currency revenue to the most comparable GAAP measure.

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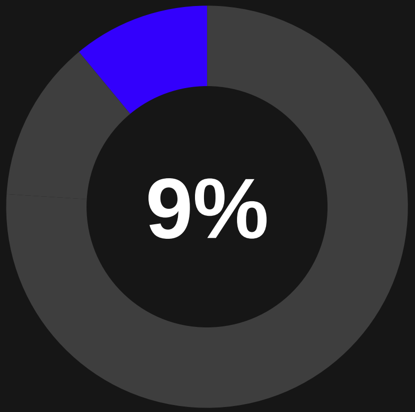
Components of our revenue – OpenStack Public Cloud

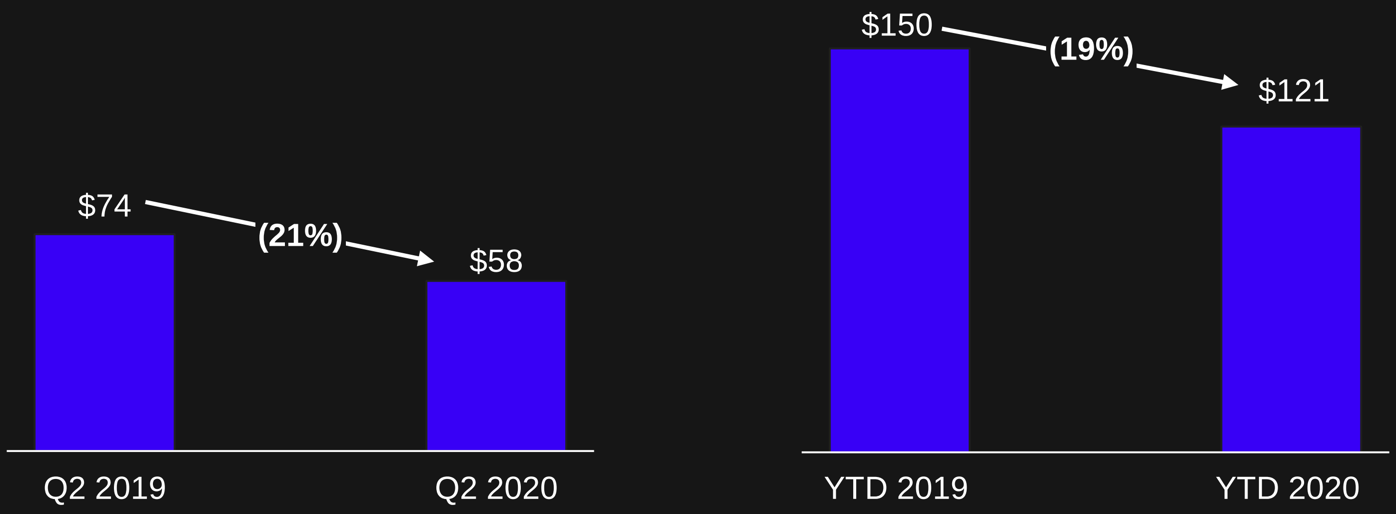
OpenStack Public Cloud



Open-source cloud platform

Declining % of revenue

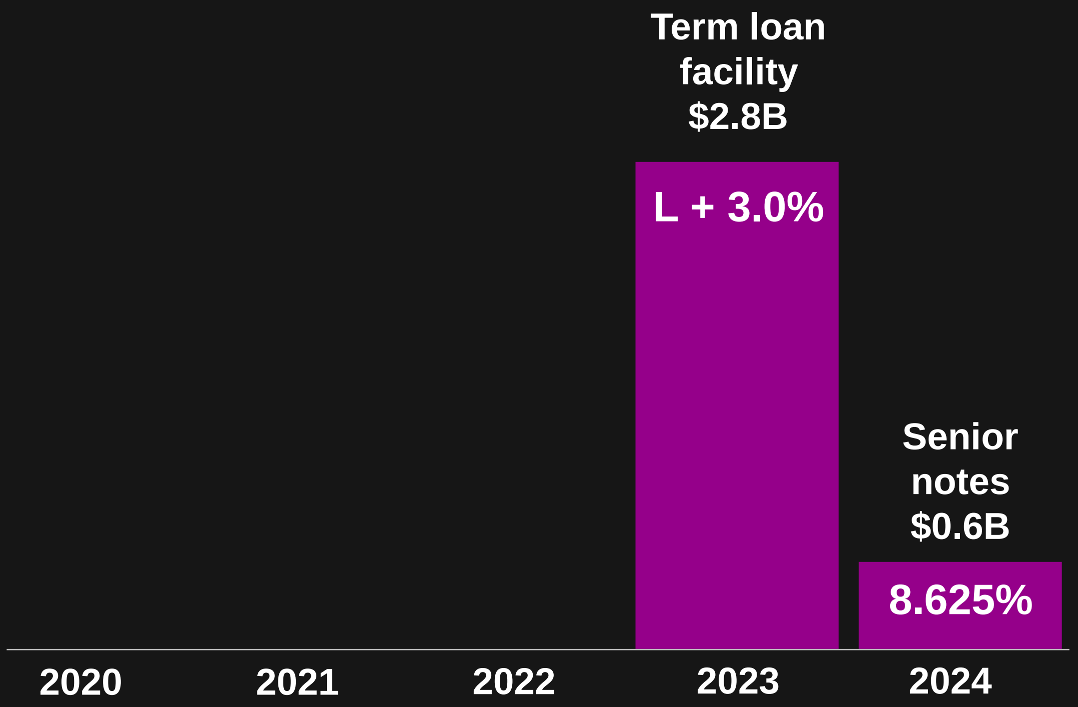
Revenue ($M) –
yoy growth in constant currency



	Q2 2019	Q2 2020	YTD 2019	YTD 2020
Revenue ($M)	**$ 73.8**	**$ 57.6**	**$ 149.8**	**$ 120.9**
YoY Growth – GAAP	—	(22.0%)	—	(19.3%)
– cc	—	(21.3%)	—	(19.0%)
QtQ Growth – GAAP	—	(8.9%)	—	—
– cc	—	(8.2%)	—	—

Note: Refer to Appendix for a reconciliation of constant currency revenue to the most comparable GAAP measure.

Attractive capital structure providing strategic flexibility



($ in millions)	Q2 2020	IPO	Bond Tender	Pro Forma
Cash and cash equivalents	$ 161.4	$ 658.2	$ (549.2)	$ 270.4
Debt:				
Revolving credit facility	—			—
Term loan facility	2,810.1			2,810.1
8.625% senior notes	1,120.2		(507.6)	612.6
Receivables financing facility	65.0			65.0
Total debt	$ 3,995.3			$ 3,487.7
LTM net debt to LTM Adj EBITDA	5.1x			4.3x
Target leverage range:				3.0x to 3.5x

Bond tender will drive annualized cash interest expense savings of ~$44m

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Note: Refer to Appendix for a reconciliation of Adjusted EBITDA to the most comparable GAAP measure. IPO proceeds are net of estimated fees and expenses. Bond Tender reflects the August 27 purchase of Senior Notes pursuant to publicly announced Tender Offer. Quarterly principal payments of approximately $7 million per quarter on the Term Loan are not reflected in the maturity chart.

Rackspace Technology FY 2020 outlook

	1st Half Actual 2020	2nd Half 2020	Full year 2020
Revenue growth	9%	9% — 11%	9% — 10%
Core revenue growth	13%	13% — 15%	12.5% — 13.5%
Adjusted EBITDA	$373 million	$383 — $387 million	$756 — $760 million
Adjusted EPS	$0.37 per share	$0.38 — $0.44 per share	$0.75 — $0.81 per share

Note: Revenue growth rates are on a constant currency basis. Refer to Appendix for a reconciliation of 1st Half Actual constant currency revenue, Adjusted EBITDA and Adjusted EPS to the most comparable GAAP measure.

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An investment in a leading pure play multicloud solutions company

End-to-end multicloud leader

Accelerating Bookings growth

Uniquely positioned in a large and growing market

Improving profitability

Relentless focus on execution

Rapid FCF per share growth

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Appendix

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Adjusted EBITDA reconciliation

(In millions)	Q2 2019	Q2 2020	1st Half 2020	Q2 2020 (LTM)
Net income (loss)	$62.5	$(32.6)	$(80.8)	$(188.1)
Interest expense	100.8	68.9	140.9	281.0
Provision (benefit) for income taxes	12.3	(12.3)	(15.3)	(38.0)
Depreciation and amortization	124.3	116.3	237.6	475.7
Share-based compensation expense	6.4	9.1	16.6	34.5
Special bonuses	6.2	5.8	14.1	26.5
Transaction-related adjustments, net	4.6	8.1	16.5	29.6
Restructuring and transformation expenses	12.5	22.1	37.1	65.1
Management fees	3.0	3.5	7.1	17.4
Net (gain) loss on divestiture and investments	(143.4)	(1.0)	(0.9)	43.0
Net gain on extinguishment of debt	(5.0)	—	—	(0.3)
Other (income) expense	(1.5)	(0.3)	0.3	1.3
Adjusted EBITDA	**$182.7**	**$187.6**	**$373.2**	**$747.7**

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Constant currency revenue reconciliation

(In millions)	Three Months Ended June 30, 2019	Three Months Ended June 30, 2020		
	Revenue	Revenue	Foreign Currency Translation	Revenue in Constant Currency
Multicloud Services	$449.6	$519.0	$3.4	$522.4
Apps & Cross Platform	79.0	79.9	0.2	80.1
Core Revenue	**528.6**	**598.9**	**3.6**	**602.5**
OpenStack Public Cloud	73.8	57.6	0.5	58.1
Total	**$602.4**	**$656.5**	**$4.1**	**$660.6**

(In millions)	Six Months Ended June 30, 2019	Six Months Ended June 30, 2020		
	Revenue	Revenue	Foreign Currency Translation	Revenue in Constant Currency
Multicloud Services	$902.4	$1,026.9	$4.9	$1,031.8
Apps & Cross Platform	157.1	161.4	0.3	161.7
Core Revenue	**1,059.5**	**1,188.3**	**5.2**	**1,193.5**
OpenStack Public Cloud	149.8	120.9	0.5	121.4
Total	**$1,209.3**	**$1,309.2**	**$5.7**	**$1,314.9**

Adjusted Earnings Per Share

(In whole dollars)	**Six Months Ended June 30, 2020**
GAAP net loss per share diluted	$(0.49)
Per share impacts of adjustments to net loss	0.86
Impact of shares dilutive after adjustments to net loss	(0.00)
Adjusted EPS	**$0.37**

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Definitions

Bookings	We calculate Bookings for a given period as the annualized monthly value of our recurring customer contracts entered into during the period from (i) new customers and (ii) net upgrades by existing customers within the same workload, plus the actual (not annualized) estimated value of professional services consulting, advisory or project-based orders received during the period. “Recurring customer contracts” are any contracts entered into on a multi-year or month-to-month basis, but excluding any professional services contracts for consulting, advisory or project-based work. Bookings for any period may reflect orders that we perform in the same period, orders that remain outstanding as of the end of the period and the annualized value of recurring month-to-month contracts entered into during the period, even if the terms of such contracts do not require the contract to be renewed. Bookings include net upgrades by existing customers within the same workload, but exclude net downgrades by such customers within that workload. Any customer that contracts for a new workload is considered a new customer and the entire value of the contract or upgrade is recorded in Bookings, irrespective of whether the same customer canceled or downgraded other workloads. Bookings also do not include the impact of any known contract non-renewals or service cancellations by our customers, except for positive net upgrades by existing customers. In cases where a new or upgrading customer enters into a multi-year contract, Bookings include only the annualized contract value. Bookings do not include usage-based fees in excess of contracted minimum commitments until actually incurred. We use Bookings to measure the amount of new business generated in a period, which we believe is an important indicator of new customer acquisition and our ability to cross-sell new services to existing customers. Bookings are also used by management as a factor in determining performance-based compensation for our sales force. While we believe Bookings, in combination with other metrics, is an indicator of our near-term future revenue opportunity, it is not intended to be used as a projection of future revenue. Our calculation of Bookings may differ from similarly titled metrics presented by other companies.
Core	Core reflects the results or otherwise pertain to the performance of our Multicloud Services and Apps & Cross Platform segments, in the aggregate. Our Core financial measures exclude the results and performance of our OpenStack Public Cloud segment.
Pro Forma Revenue Growth	Pro forma revenue growth is calculated on a constant currency basis, assuming the Onica acquisition was consummated on January 1, 2019.
Quarterly Net Revenue Retention Rate	Our Quarterly Net Revenue Retention Rate, which we use to measure our success in retaining and growing revenue from our existing customers, compares sequential quarterly revenue from the same cohort of customers. We calculate our Quarterly Net Revenue Retention Rate for a given quarterly period as the revenue from the cohort of customers for the latest reported fiscal quarter (the numerator), divided by revenue from such customers for the immediately preceding fiscal quarter (denominator). Existing customer revenue for the earlier of the two fiscal quarters is calculated on a constant currency basis, applying the average exchange rate for the latest reported fiscal quarter to the immediately preceding fiscal quarter, to eliminate the effects of foreign currency fluctuations. The numerator and denominator only include revenue from customers that we served and from which we recognized revenue in the first month of the earliest of the two quarters being compared. Our calculation of Quarterly Net Revenue Retention Rate for any fiscal quarter includes the positive revenue impacts of selling new services to existing customers and the negative revenue impacts of attrition among this cohort of customers. Our calculation of Quarterly Net Revenue Retention Rate may differ from similarly titled metrics presented by other companies.
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.
Adjusted EBITDA Margin	Adjusted EBITDA margin is calculated by dividing Adjusted EBITDA by revenue for the same period.
Capital Intensity	Capital intensity reflects capital expenditures divided by revenue for the same period.

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