

# Rackspace Technology

3rd Quarter 2020  
Earnings Presentation

November 10, 2020

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technology.

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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.

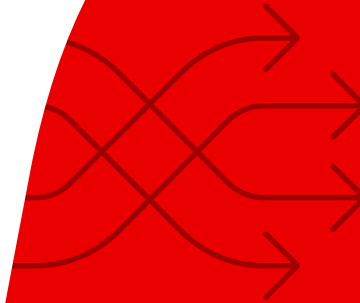


**Kevin Jones**  
Chief Executive Officer



**Dustin Semach**  
Chief Financial Officer

**rackspace**  
technology.



**Solving  
Together**

TM

# Agenda



**Summary results  
and takeaways**  
*Kevin Jones*



**Financial results**  
*Dustin Semach*

# Q3 2020 key messages



## BOOKINGS GROWTH

64% YoY bookings growth driven by broad-based sales execution

5th straight record sales quarter



## REVENUE GROWTH

17% YoY core revenue growth on a constant currency basis (up 10% pro forma)

13% YoY consolidated revenue growth on a constant currency basis



## REVENUE RETENTION

100% Core Quarterly Net Revenue Retention Rate, up from 99% last quarter

NPS continues to lead the industry



## PROFITABILITY

\$191M Adjusted EBITDA – up year-over-year and sequentially

Adjusted Earnings Per Share of \$0.19, up 36% year over year



## CAPITAL EFFICIENCY

7% capital intensity - improved 1% vs. last quarter

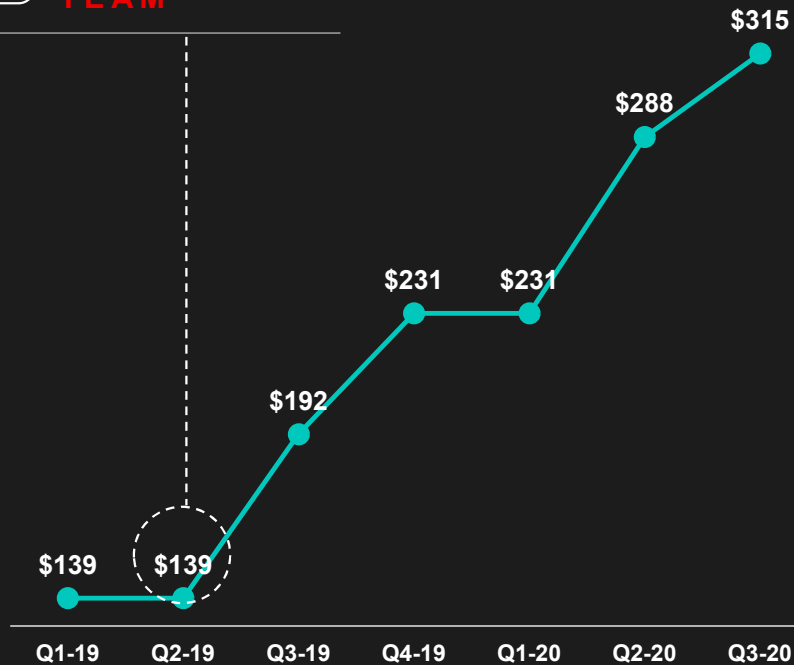
Recent bond tender and upcoming redemption further strengthen our balance sheet and liquidity

# Successful execution has accelerated growth

## Total Bookings Growth



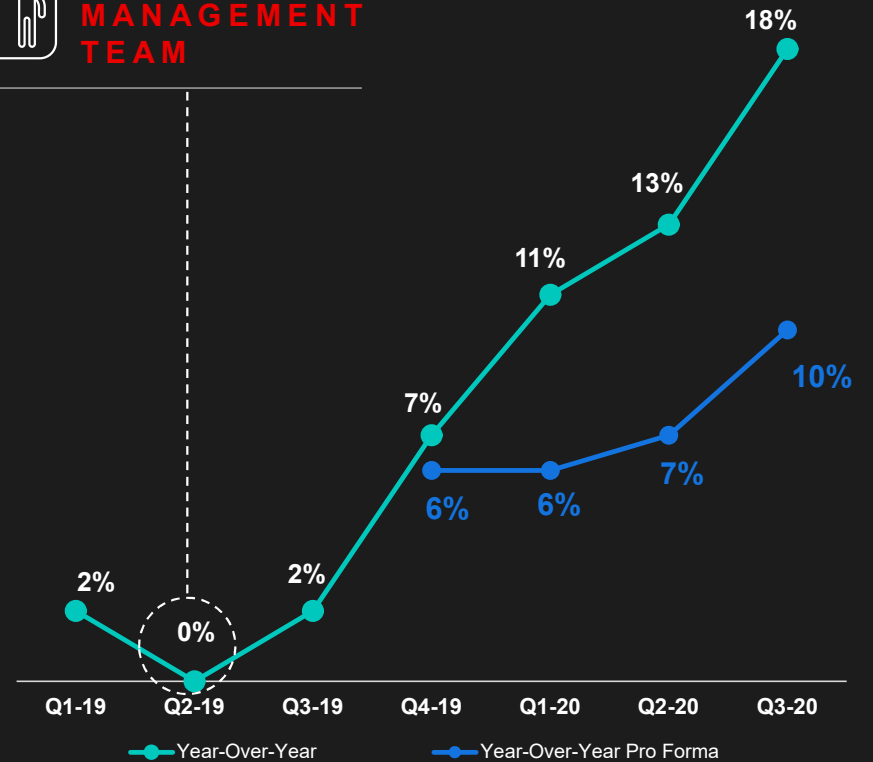
**NEW  
MANAGEMENT  
TEAM**



## Core Segment Revenue Growth



**NEW  
MANAGEMENT  
TEAM**

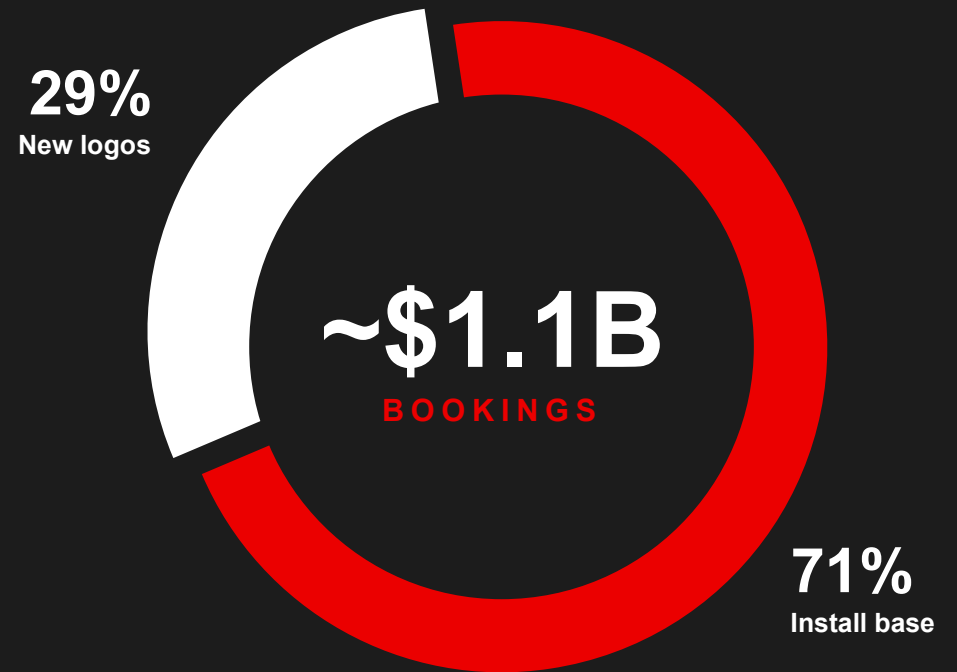


# Broad-based Bookings growth

2018



LTM Q3 2020



Robust,  
time-tested,  
and scalable  
sales operating  
model and  
strategy

BREADTH >

**NEW LOGO**

Growing sales force  
by region, industry  
vertical and geography

**INSTALL BASE GROWTH**

Dedicated team focus on client  
success across solution  
management and engineering

DEPTH >

**SOLUTION ARCHITECTS  
AND SALES SPECIALISTS**



Applications



Data



Security



Multicloud

SCALE >



Strategic  
Deal Center



Demand  
marketing



Partnerships



# Service Blocks™ allow for ease of consumption across the cloud journey



Customer-first approach



Workload-driven

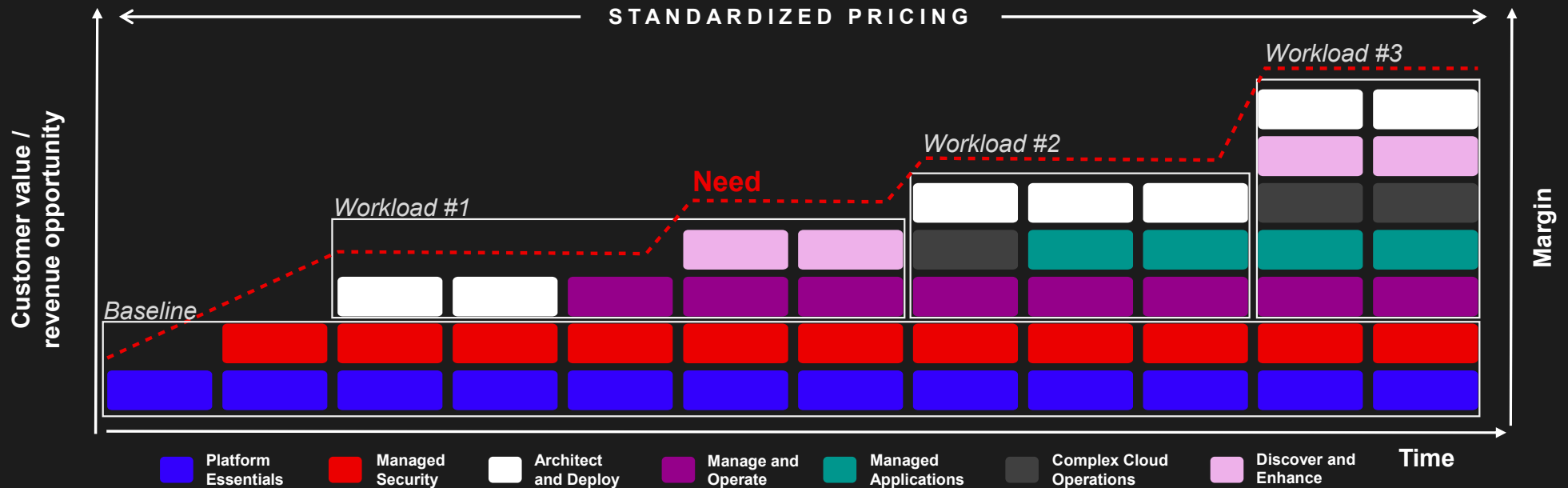


Increased flexibility and scalability

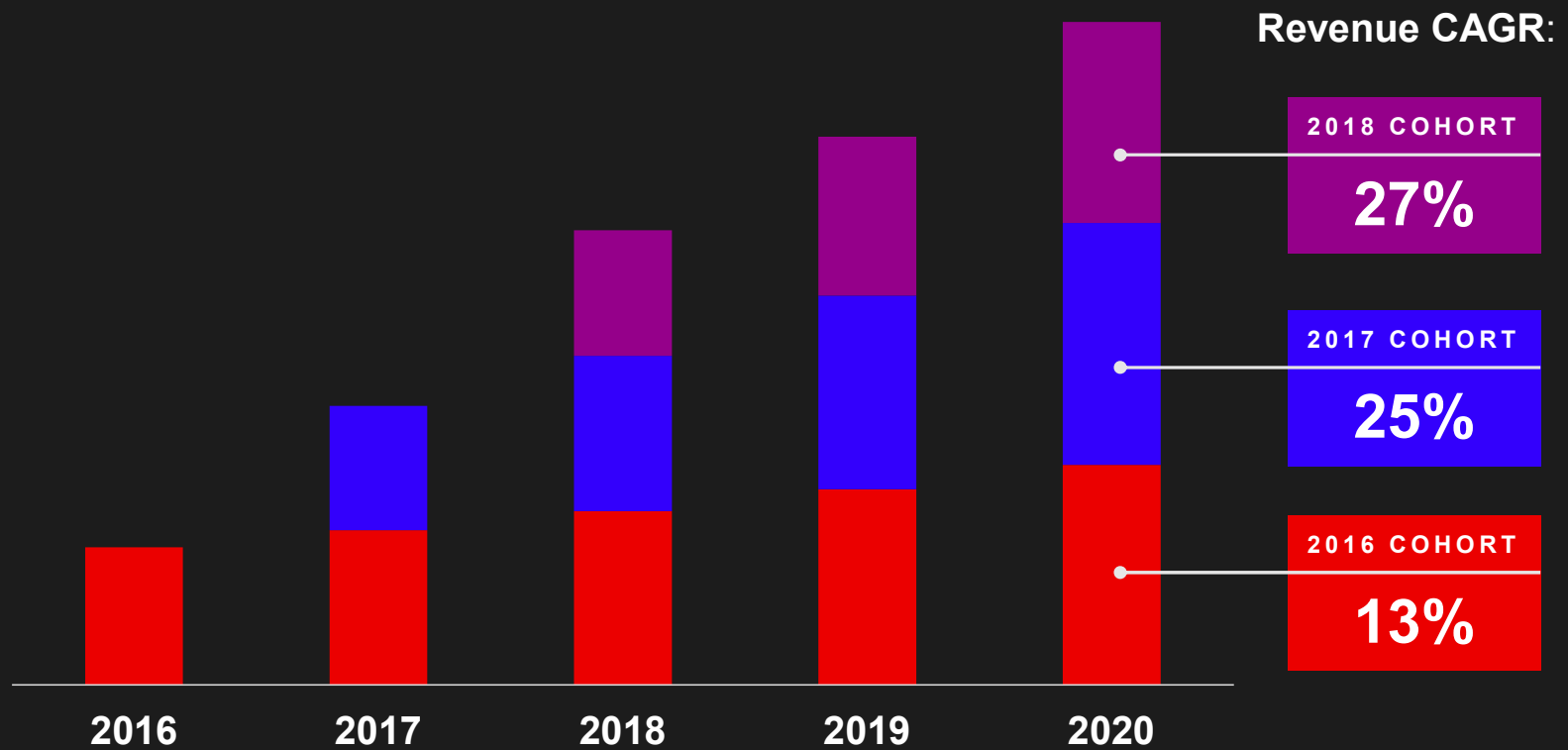


Innovation-focused

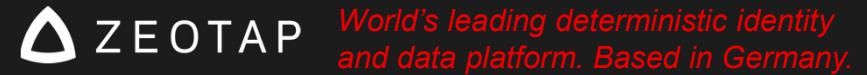
Rackspace Technology tailors its offering to fit evolving client needs



# Strong revenue momentum with long-term multicloud customers



# Bookings case studies



## SITUATION

Teva needed an innovative solution: Their FDA-approved Digihaler® provides patient data to inform physicians with information for their enhanced care and treatment – while ensuring security of sensitive patient data

Zeotap sought a Managed Services Partner to help them manage, optimize and innovate faster on Google Cloud Platform to serve their major customers including Global Fortune 100



## RACKSPACE TECHNOLOGY SOLUTION

Compliant, cloud native and connected solution:

- Completely serverless platform
- Best-in-breed cloud capabilities of AWS
- Extreme scalability, resilience, and cost-effectiveness

Comprehensive service block solution:

- Stabilize and Optimize the complex/large GCP platform through Platform Essentials and CCO service blocks
- New services to focus on core priorities to innovate
- Advisory guidance for critical areas of security and compliance best practices.

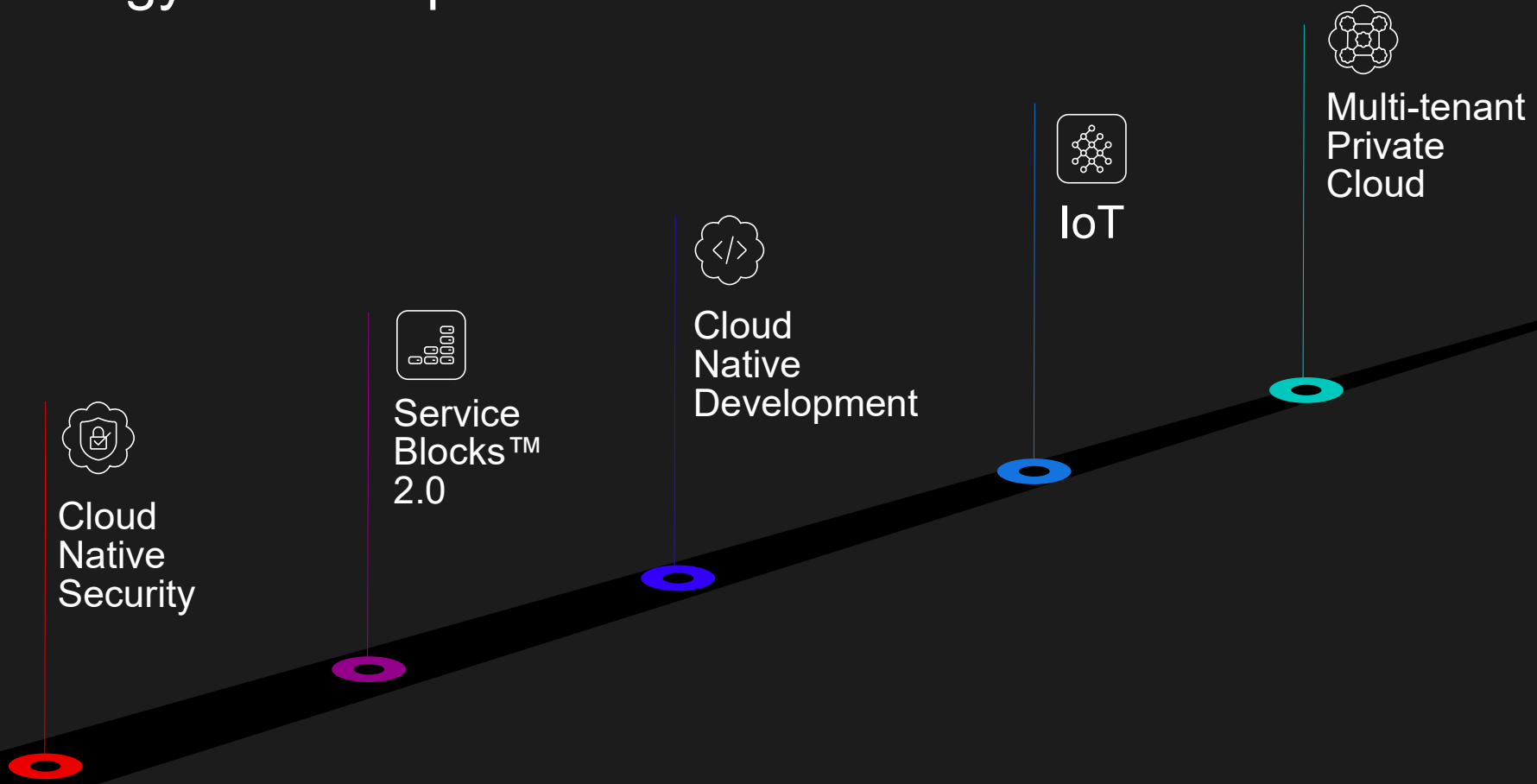


## BUSINESS OUTCOMES

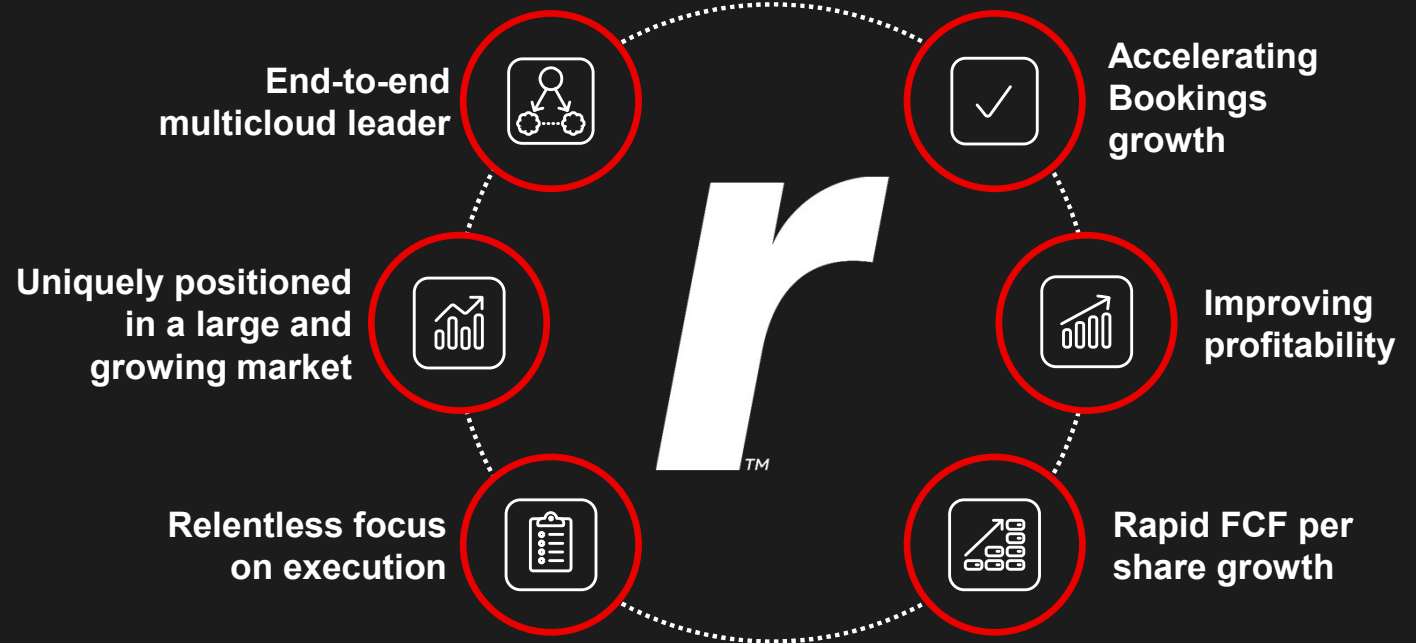
- Innovative differentiator in market
- Improved prescription compliance and outcomes
- Instant insights to patients, caregivers, and doctors.

- Accelerating time to market
- Enhanced customer experience
- Freeing up resources to focus on core business activities
- \$ savings through streamlining processes

# Technology Roadmap



An investment  
in a leading  
pure play  
multicloud  
solutions  
company



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✓ Increasing 2020 Guidance for Revenue Growth, Core Revenue Growth, Adjusted EBITDA, and Adjusted EPS

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# Agenda



**Summary results  
and takeaways**  
*Kevin Jones*



**Financial results**  
*Dustin Semach*

# Financial model highlights

## SCALE

**\$2.6B**

Revenue  
(LTM Q3'20)

## REVENUE VISIBILITY

**95%+**

Recurring  
revenues  
(2019)

## GROWTH IN CORE SEGMENTS

**10%**

YoY PF Core  
revenue growth  
(Q3'20)

## LOW CAPITAL INTENSITY

**7%**

Capital intensity  
(Q3'20)

## STRONG ADJ. EBITDA

**\$752M**

Adj. EBITDA  
(LTM Q3'20)

## MARGIN PROFILE

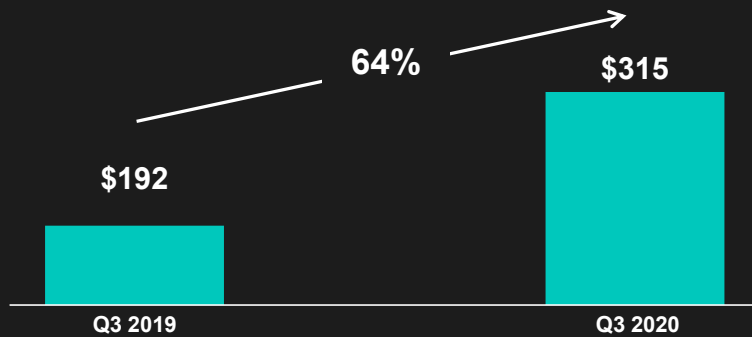
**29%**

Adj. EBITDA margin  
(LTM Q3'20)

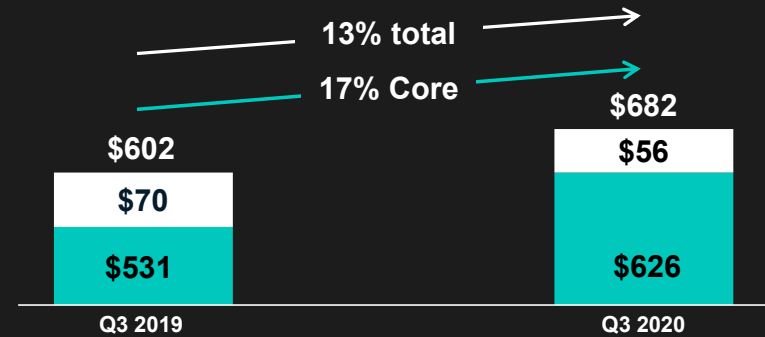
# Accelerating revenue growth and operating leverage

Core  
OpenStack

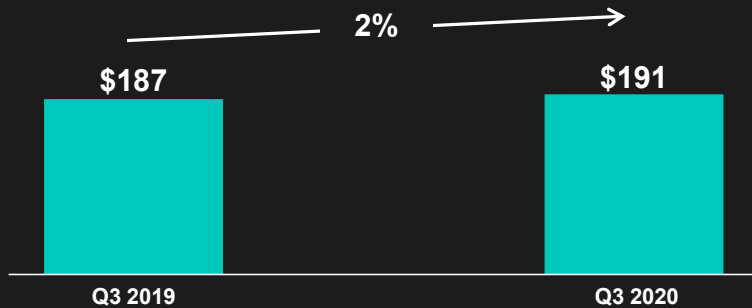
Bookings (\$M)



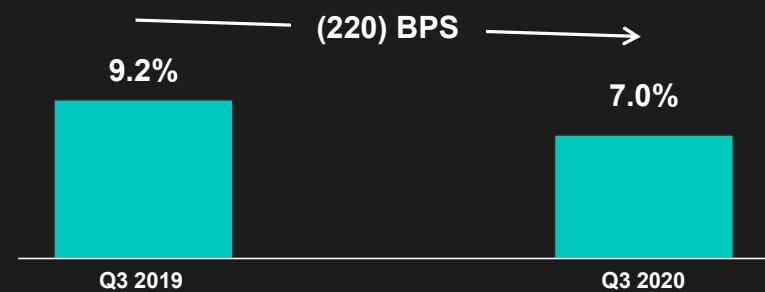
Revenue (\$M) – yoy growth in constant currency



Adj. EBITDA (\$M)



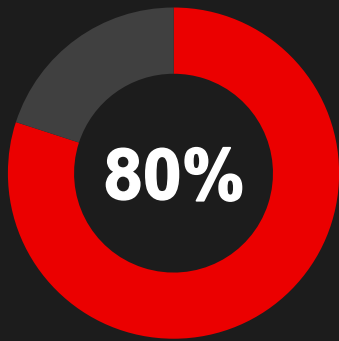
Capital Intensity (CapEx as % of revenue)





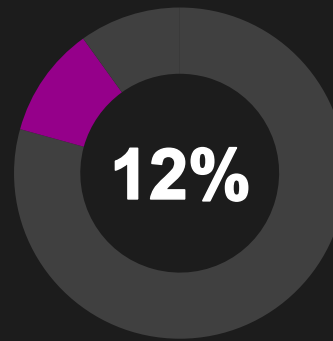
# Components of our revenue

## Multicloud Services



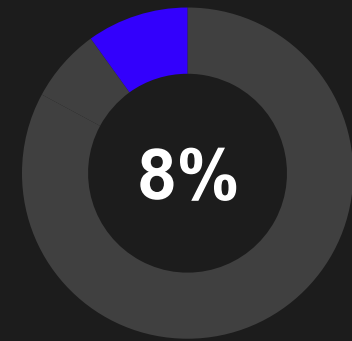
Integrated suite of managed cloud services across public and private

## Apps and Cross Platform



Applications  
Security  
Data

## OpenStack Public Cloud

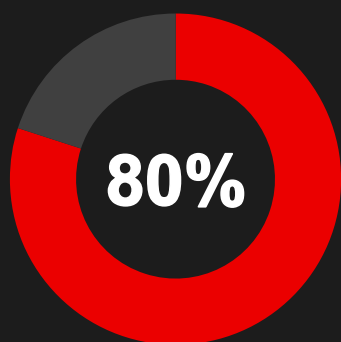


Open-source cloud platform  
Declining % of revenue

“Core” segments – single integrated portfolio

# Components of our revenue – Multicloud Services

## Multicloud Services



Integrated suite of managed cloud services across public and private

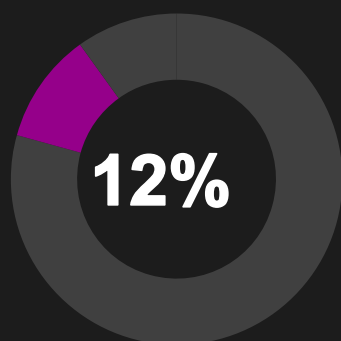
## Revenue (\$M) – yoy growth in constant currency



	Q3 2019	Q3 2020	YTD 2019	YTD 2020
<b>Revenue (\$M)</b>	\$ 450.2	\$ 542.1	\$ 1,352.6	\$ 1,569.0
<i>YoY Growth – GAAP</i>	—	20.4%	—	16.0%
– cc	—	19.6%	—	16.1%
<i>QtQ Growth – GAAP</i>	—	4.4%	—	—
– cc	—	3.6%	—	—

# Components of our revenue – Apps and Cross Platform

## Apps and Cross Platform

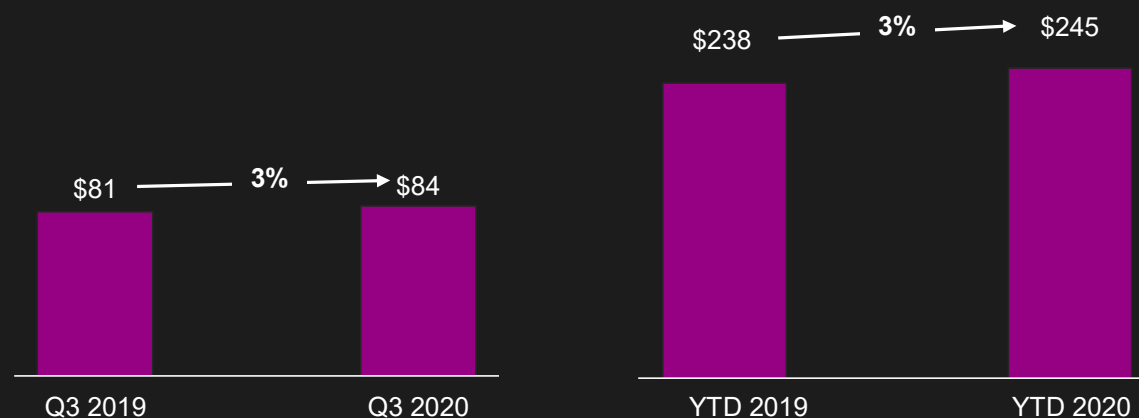


Applications

Security

Data

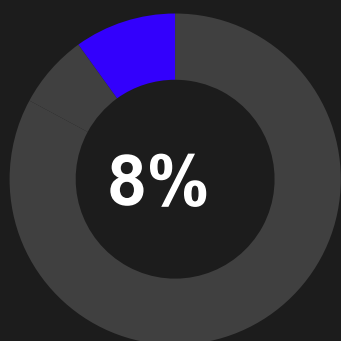
## Revenue (\$M) – yoy growth in constant currency



	Q3 2019	Q3 2020	YTD 2019	YTD 2020
<b>Revenue (\$M)</b>	\$ 81.1	\$ 83.9	\$ 238.2	\$ 245.3
<i>YoY Growth – GAAP</i>	—	3.4%	—	3.0%
– cc	—	3.2%	—	3.0%
<i>QtQ Growth – GAAP</i>	—	5.1%	—	—
– cc	—	4.8%	—	—

# Components of our revenue – OpenStack Public Cloud

## OpenStack Public Cloud



Open-source cloud platform

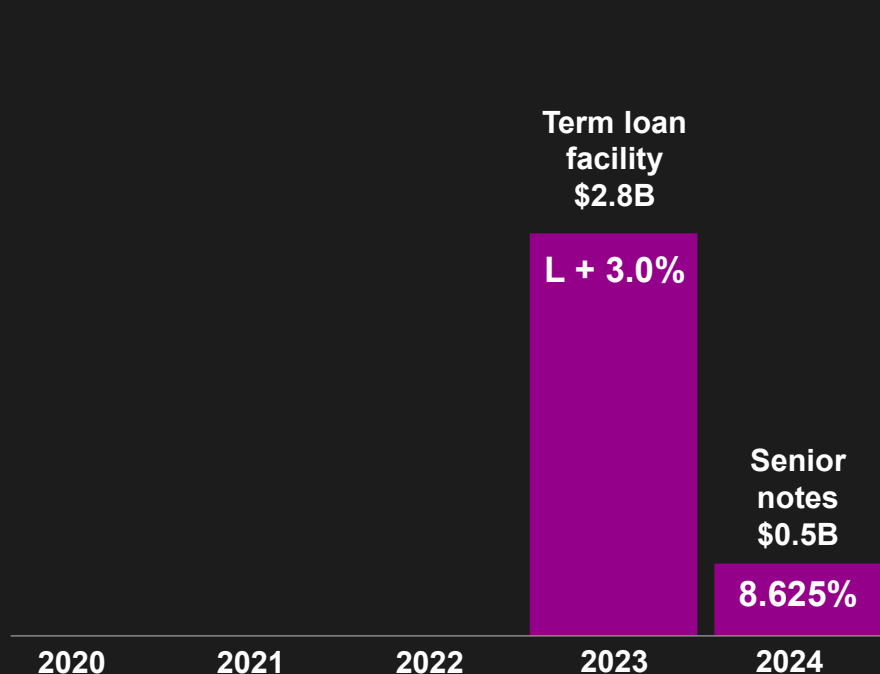
Declining % of revenue

## Revenue (\$M) – yoy growth in constant currency



	Q3 2019	Q3 2020	YTD 2019	YTD 2020
<b>Revenue (\$M)</b>	\$ 70.4	\$ 55.7	\$ 220.2	\$ 176.6
<i>YoY Growth – GAAP</i>	—	(20.8%)	—	(19.8%)
– cc	—	(21.4%)	—	(19.7%)
<i>QtQ Growth – GAAP</i>	—	(3.4%)	—	—
– cc	—	(4.1%)	—	—

# Attractive capital structure providing strategic flexibility



(\$ in millions)	Q3 2020	Bond Redemption	Pro Forma
Cash and cash equivalents	\$ 253.2	\$ (93.4)	\$ 159.8
Debt:			
Revolving credit facility	—		—
Term loan facility	2,802.9		2,802.9
8.625% senior notes	605.2	(86.0)	519.2
Receivables financing facility	65.0		65.0
<b>Total debt</b>	<b>\$ 3,473.1</b>		<b>\$ 3,387.1</b>
LTM net debt to LTM Adj EBITDA	4.3x		4.3x
Target leverage range:			3.0x to 3.5x

POST IPO BOND REPAYMENTS EXPECTED TO DRIVE ANNUALIZED CASH INTEREST EXPENSE SAVINGS OF ~\$52M

# Rackspace Technology FY 2020 outlook

	Original Guidance Full year 2020		Updated Guidance Full year 2020
REVENUE GROWTH	9% — 10%	>	10% — 11%
CORE REVENUE GROWTH	12.5% — 13.5%	>	14% — 15%
ADJUSTED EBITDA	\$756 — \$760 million	>	\$758 — \$762 million
ADJUSTED EPS	\$0.75 — \$0.81 per share	>	\$0.79 — \$0.81 per share

# Appendix

## Additional Q4 2020 outlook items

Q4 2020

NON-GAAP OTHER INCOME AND  
EXPENSE



Approximately \$61 million

NON-GAAP TAX RATE



Approximately 26%

NON-GAAP WEIGHTED AVERAGE  
NUMBER OF SHARES



Approximately 208 million

**Note:** Refer to Appendix for more information on how we define Non-GAAP Tax Rate.  
In Q4 2020, Non-GAAP Other Income and Expense is only expected to include interest expense.



# Adjusted EBITDA reconciliation

(In millions)	Q3 2019	Q3 2020	YTD	Q3 2020 (LTM)
Net loss	\$(60.5)	\$(101.2)	\$(182.0)	\$(228.8)
Interest expense	80.9	68.3	209.2	268.4
Benefit for income taxes	(9.2)	(18.1)	(33.4)	(46.9)
Depreciation and amortization	114.4	117.5	355.1	478.8
Share-based compensation expense	10.5	40.2	56.8	64.2
Special bonuses	5.9	5.0	19.1	25.6
Transaction-related adjustments, net	4.3	18.9	35.4	44.2
Restructuring and transformation expenses	16.1	22.6	59.7	71.6
Management fees	3.7	1.3	8.4	15.0
Net (gain) loss on divestiture and investments	22.1	—	(0.9)	20.9
Net loss on extinguishment of debt	—	37.0	37.0	36.7
Other (income) expense	(1.3)	(0.7)	(0.4)	1.9
<b>Adjusted EBITDA</b>	<b>\$186.9</b>	<b>\$190.8</b>	<b>\$564.0</b>	<b>\$751.6</b>

# Constant currency revenue reconciliation

(In millions)	Three Months Ended	Three Months Ended September 30, 2020		
	September 30, 2019	Revenue	Revenue	Foreign Currency Translation
Multicloud Services	\$450.2	\$542.1	\$(3.6)	\$538.5
Apps & Cross Platform	81.1	83.9	(0.2)	83.7
<b>Core Revenue</b>	<b>531.3</b>	<b>626.0</b>	<b>(3.8)</b>	<b>622.2</b>
OpenStack Public Cloud	70.4	55.7	(0.3)	55.4
<b>Total</b>	<b>\$601.7</b>	<b>\$681.7</b>	<b>\$(4.1)</b>	<b>\$677.6</b>

(In millions)	Nine Months Ended	Nine Months Ended September 30, 2020		
	September 30, 2019	Revenue	Revenue	Foreign Currency Translation
Multicloud Services	\$1,352.6	\$1,569.0	\$1.3	\$1,570.3
Apps & Cross Platform	238.2	245.3	0.1	245.4
<b>Core Revenue</b>	<b>1,590.8</b>	<b>1,814.3</b>	<b>1.4</b>	<b>1,815.7</b>
OpenStack Public Cloud	220.2	176.6	0.2	176.8
<b>Total</b>	<b>\$1,811.0</b>	<b>\$1,990.9</b>	<b>\$1.6</b>	<b>\$1,992.5</b>

# Adjusted Earnings Per Share

(In millions, except per share amounts)	Three Months Ended		Nine Months Ended	
	September 30, 2019	September 30, 2020	September 30, 2019	September 30, 2020
Net loss attributable to common stockholders	\$(60.5)	\$(101.2)	\$(55.5)	\$(182.0)
Adjusted Net Income	23.8	36.4	27.1	97.7
Weighted average number of shares - Diluted	165.2	186.7	165.2	172.6
Effect of dilutive securities	0.9	5.9	0.8	2.8
Non-GAAP weighted average number of shares - Diluted	166.1	192.6	166.0	175.4
Net loss per share - Diluted	\$(0.37)	\$(0.54)	\$(0.34)	(\$1.05)
<b>Adjusted EPS</b>	<b>\$0.14</b>	<b>\$0.19</b>	<b>\$0.16</b>	<b>\$0.56</b>

# 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.

## 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.

# Definitions

## **Structural Non-GAAP Tax 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 2020, we based it on an average of the 2019 and estimated 2020 tax rates, 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%. 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 Number of 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 Adjusted 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 or vesting of restricted stock, 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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