

Rackspace Technology

Investor Presentation
Fall-Winter 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.

Agenda



RXT overview



Financial overview



**Concluding Remarks
and Q&A**

Rackspace Technology

A leading end-to-end multicloud technology services company

- NASDAQ: RXT
- Market Cap: ~\$3B
- LTM Q3 2021 Revenue: \$2.9B
- 6,600 employees
- Presence in 120 countries



Well positioned in the large, attractive and growing multicloud services market



Winning differentiators, including proprietary automation technology, deep multicloud expertise, comprehensive partnership ecosystem and fanatical customer experience



Demonstrated track record of execution to drive growth and efficiency








Capital allocation discipline with a focus on organic growth, selective M&A and balance sheet deleveraging



Strong financial model supporting growth across all metrics, including revenue, operating profit, EPS and cash flow

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)	93% (Multicloud Services and Apps & Cross Platform, LTM Q2 2021)
 Bookings growth	(3%) (2016, YoY)	18% (LTM Q2 2021, YoY)
 Core segments revenue growth	0% (Q3 2016, YoY, Excl. Cloud Office and Managed Cloud Services)	17% (LTM Q2 2021 Excl. OpenStack)

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

The multicloud ecosystem is a large and growing market

Businesses recognize the benefits of multicloud strategies

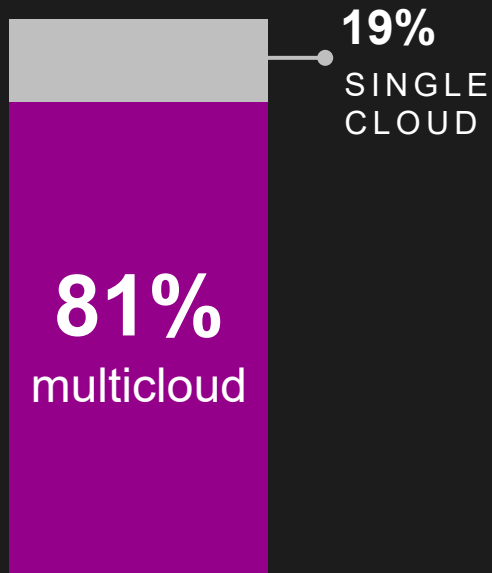


Leading to complexity and driving demand for multicloud services



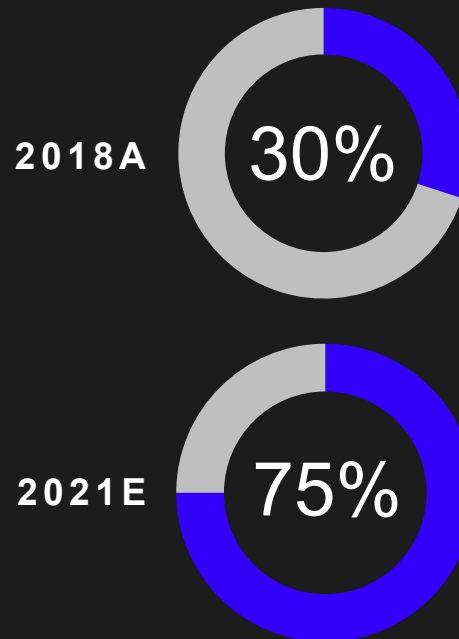
Creating a large market opportunity

% of cloud users working with two or more cloud providers



Gartner, 3 Critical Success Factors for Building Multicloud MSP Solutions, April 2020

% of enterprise customers seeking multicloud managed IaaS and PaaS will require multicloud capabilities from MSPs



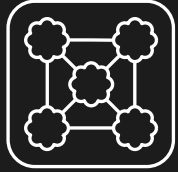
Gartner, Forecast Analysis: Infrastructure Services, Worldwide", September 2019

Managed services and cloud infrastructure market by 2023 (8% CAGR)



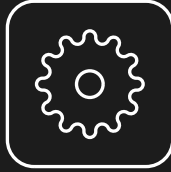
Gartner, "Forecast: IT Services, Worldwide, 2018-2024, 4Q20

Our robust portfolio powers the future of innovation



Multicloud

- Cloud strategy
- 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 SOC's

At-scale capabilities across all clouds and everywhere in between

Our proprietary technology is at the center of our multicloud capabilities

Rackspace Fabric™



9 years
of development



\$1B+
invested in Rackspace Technology IP



12M+
hours of development to date

Automation



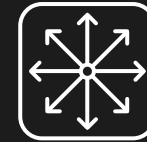
Solution automation

Reduced manual onboarding,
provisioning, and admin tasks



Intelligent automation

More than 75% of Multicloud workloads
automated



AI automation

1B+ actions per month automated

Fanatical Experience™

Our people bring the deep technical expertise necessary to deliver solutions across customers' multicloud journeys

2,800+

Cloud certified professionals

400+

Cloud-native application development and migration experts

Best

Multicloud approach – right workload on right cloud

Global

120 countries

Leader

Gartner Magic Quadrant for Public Cloud Infrastructure Professional and Managed Services, Worldwide

rackspace
technology

Top tech talent



CERTIFICATIONS*

2,300+



- One of the leading AWS consulting partners with 15 competencies

1,000+



- Expert partner
- Fastest-growing CSP
- Five-time Hosting Partner of the Year

850+



- First Premier Services Partner
- Partner of the Year

400+



- Partner of the Year
- VMware Cloud on AWS Partner
- VMware Cloud Verified Partner

600+



- Partner of the Year

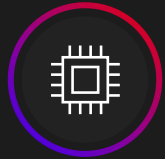
750+



- Nine-time Partner of the Year
- Platinum Partner

* Numbers vary by quarter based on partner program modifications.

Strategy to accelerate long-term growth



Technology footprint expansion

Cloud-native app development and modernization

IoT, Edge, SaaS, security, and big data



Leveraging of partner network

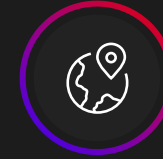


Sales execution

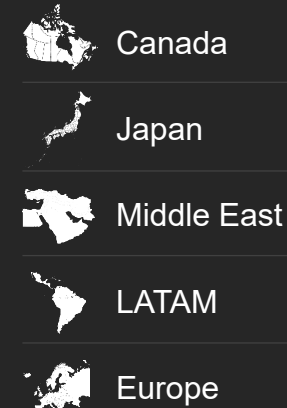
Increased sales force investment and productivity

Stronger enterprise focus

Larger deal sizes



Geographic expansion



Strategic M&A

ONICA

BRIGHT SKIES

RelationEdge

DATAPIPE

TriCore solutions

Agenda



RXT overview



Financial overview

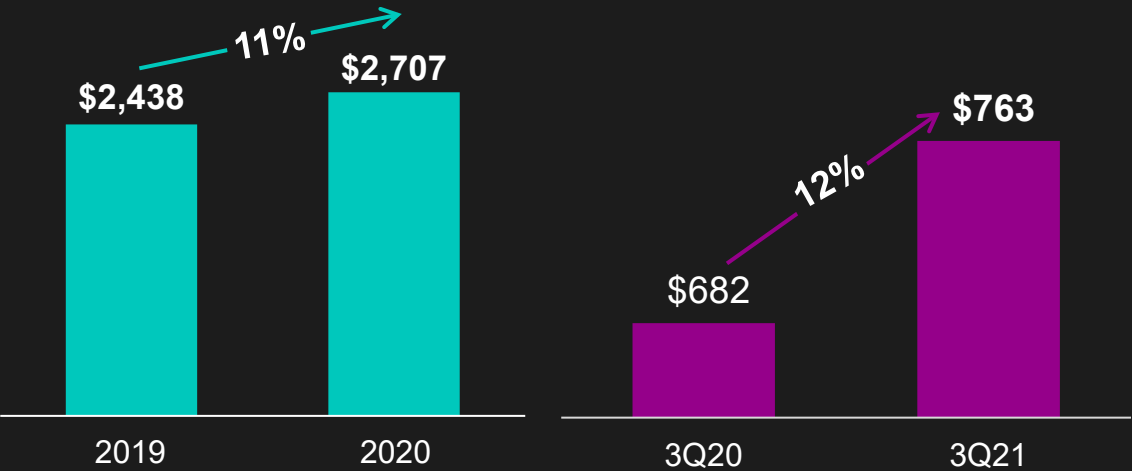


Concluding Remarks
and Q&A

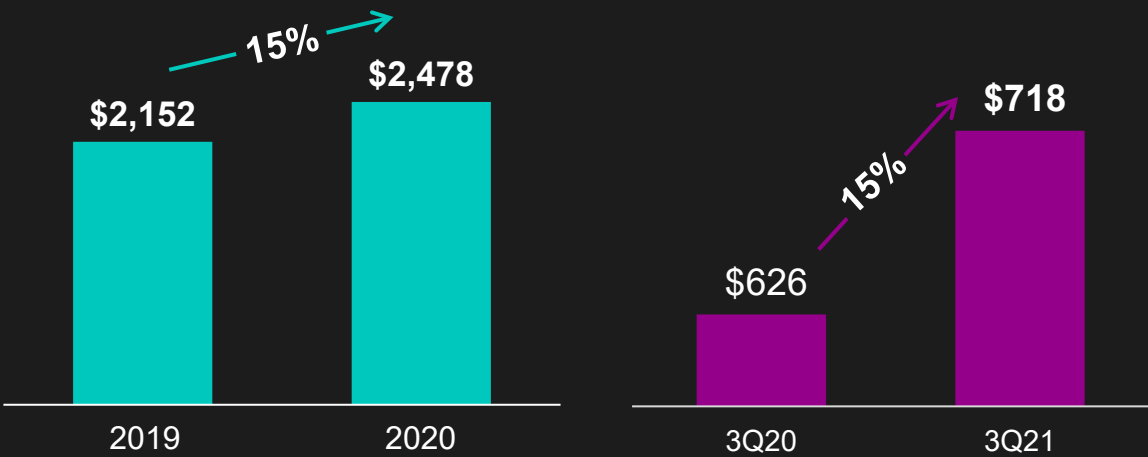
Financial Highlights

(\$M, except per share data)

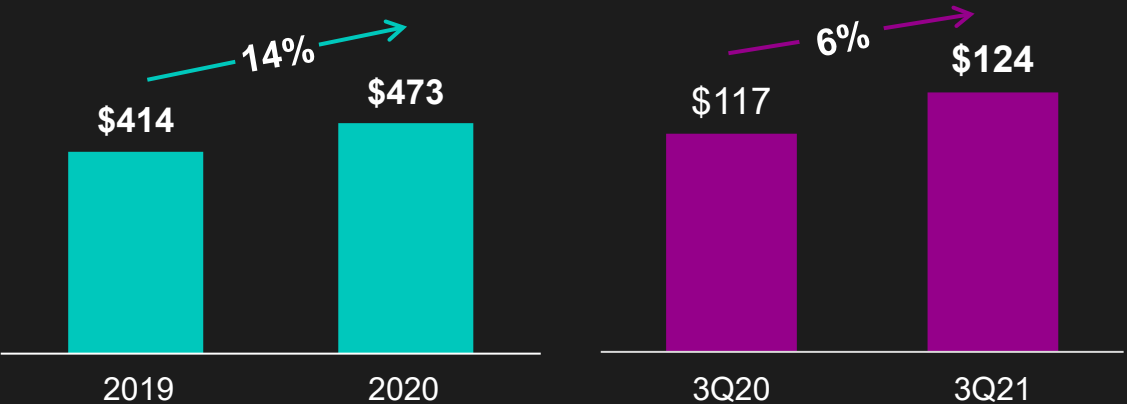
Total Revenue



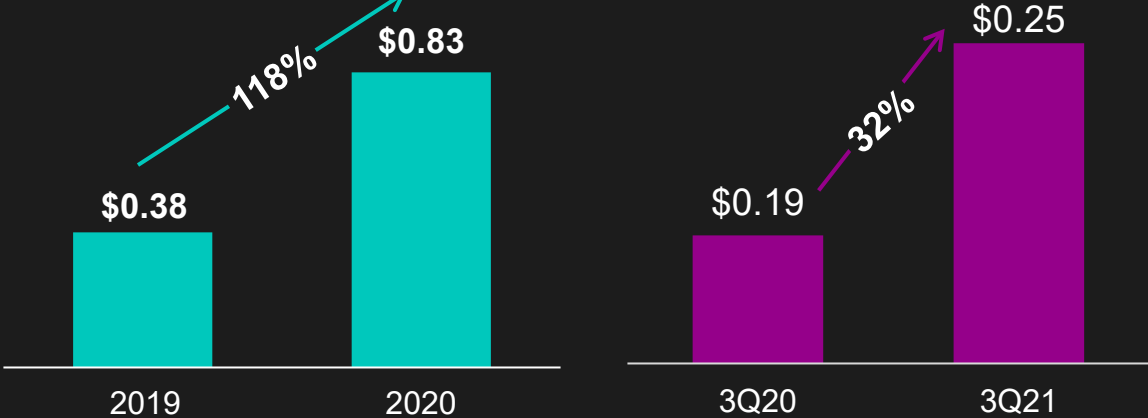
Core Revenue



Non-GAAP Operating Profit



Non-GAAP EPS

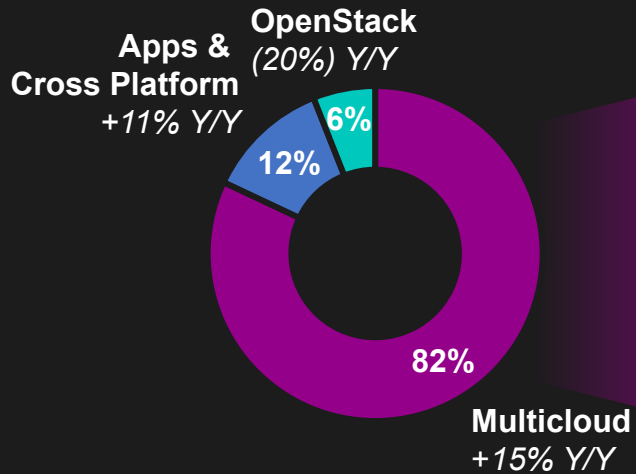


Note: Refer to Appendix for more information on how we define Core.
Also refer to Appendix for a reconciliation of Non-GAAP Operating Profit and Non-GAAP EPS to the most comparable GAAP measure.

Multicloud Revenue Transition Continues in Q3 2021

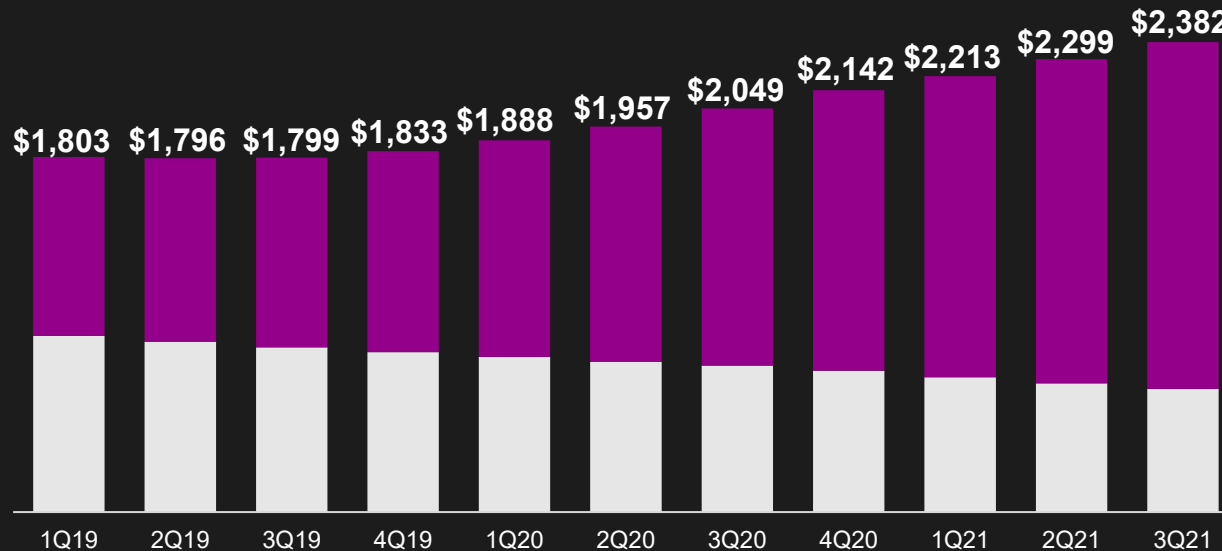
Growth Markets Exceed 70% of Multicloud Revenue

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

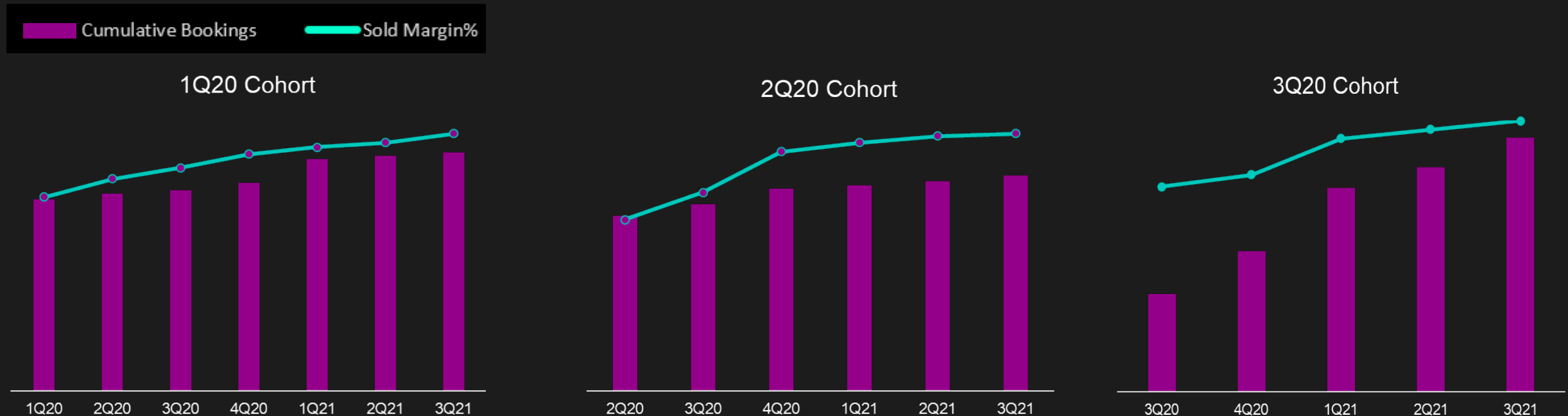
- ✓ ~ 70% to 75% of Multicloud Revenue
- ✓ 30% to 40% Y/Y growth

* 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

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



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

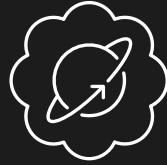
Rackspace Technology investment thesis



Well positioned in the large, attractive and growing multicloud services market



Winning differentiators, including proprietary automation technology, deep multicloud expertise, comprehensive partnership ecosystem and fanatical customer experience



Demonstrated track record of execution to drive growth and efficiency



Capital allocation discipline with a focus on organic growth, selective M&A and balance sheet deleveraging



Strong financial model supporting growth across all metrics, including revenue, operating profit, EPS and cash flow

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	\$250.3
	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	\$123.9
	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

(In millions, except per share amounts)		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

Bookings	<p>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.</p> <p>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.</p> <p>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.</p>
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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