

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

FORM 10-Q

(Mark one)

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

For the quarterly period ended June 30, 2024.

OR

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

For the transition period from _____ to _____.

Commission File Number: 001-39420

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



Delaware

(State or other jurisdiction of incorporation or organization)

81-3369925

(I.R.S. Employer Identification No.)

19122 US Highway 281N, Suite 128

San Antonio, Texas 78258

(Address of principal executive offices, including zip code)

1-800-961-4454

(Registrant's telephone number, including area code)

None

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value \$0.01 per share	RXT	The Nasdaq Stock Market LLC

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

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

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

Large accelerated filer
Non-accelerated filer

Accelerated filer
Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

On August 5, 2024, 226,032,947 shares of the registrant's common stock, par value \$0.01 per share, were outstanding.

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

This Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2024 (this "Quarterly Report") contains certain information that may constitute "forward-looking statements" within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. While we have specifically identified certain information as being forward-looking in the context of its presentation, we caution you that all statements contained in this report that are not clearly historical in nature, including statements regarding anticipated financial performance, management's plans and objectives for future operations, business prospects, market conditions, and other matters are forward-looking. Forward-looking statements are contained principally in the sections of this report entitled "Risk Factors," and "Management's Discussion and Analysis of Financial Condition and Results of Operations." Without limiting the generality of the preceding sentence, any time we use the words "expects," "intends," "will," "anticipates," "believes," "confident," "continue," "propose," "seeks," "could," "may," "should," "estimates," "forecasts," "might," "goals," "objectives," "targets," "planned," "projects," and similar expressions, we intend to clearly express that the information deals with possible future events and is forward-looking in nature. However, the absence of these words or similar expressions does not mean that a statement is not forward-looking.

Forward-looking information involves risks, uncertainties, and other factors that could cause actual results to differ materially from those expressed or implied in, or reasonably inferred from, such statements, and the risks and uncertainties disclosed or referenced under the heading "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2023. Therefore, caution should be taken not to place undue reliance on any such forward-looking statements. Much of the information in this report that looks toward future performance of the company is based on various factors and important assumptions about future events that may or may not actually occur. As a result, our operations and financial results in the future could differ materially and substantially from those we have discussed in the forward-looking statements included in this Quarterly Report. We assume no obligation (and specifically disclaim any such obligation) to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise, except as required by law.

TRADEMARKS, TRADE NAMES AND SERVICE MARKS

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

PART I – FINANCIAL INFORMATION
ITEM 1 - FINANCIAL STATEMENTS
RACKSPACE TECHNOLOGY, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

(In millions, except per share data)	December 31, 2023	June 30, 2024
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 196.8	\$ 190.2
Accounts receivable, net of allowance for credit losses and accrued customer credits of \$20.1 and \$25.8, respectively	339.7	322.8
Prepaid expenses	87.4	86.6
Other current assets	114.2	96.7
Total current assets	738.1	696.3
Property, equipment and software, net	608.8	612.2
Goodwill, net	1,452.4	877.7
Intangible assets, net	1,019.0	921.5
Operating right-of-use assets	126.3	144.4
Other non-current assets	151.6	141.6
Total assets	\$ 4,096.2	\$ 3,393.7
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable and accrued expenses	\$ 432.7	\$ 401.9
Accrued compensation and benefits	72.2	72.3
Deferred revenue	78.8	72.5
Debt	23.0	54.0
Accrued interest	20.5	8.3
Operating lease liabilities	66.0	58.7
Finance lease liabilities	55.8	50.8
Financing obligations	14.0	16.9
Other current liabilities	36.5	36.0
Total current liabilities	799.5	771.4
Non-current liabilities:		
Debt	2,839.6	2,816.0
Operating lease liabilities	74.6	90.3
Finance lease liabilities	308.0	295.0
Financing obligations	52.4	41.3
Deferred income taxes	79.2	35.6
Other non-current liabilities	97.4	100.3
Total liabilities	4,250.7	4,149.9
Commitments and Contingencies (Note 8)		
Stockholders' deficit:		
Preferred stock, \$0.01 par value per share: 5.0 shares authorized; no shares issued or outstanding	—	—
Common stock, \$0.01 par value per share: 1,495.0 shares authorized; 220.5 and 228.7 shares issued; 217.4 and 225.6 shares outstanding, respectively	2.2	2.3
Additional paid-in capital	2,638.2	2,661.1
Accumulated other comprehensive income	60.3	51.2
Accumulated deficit	(2,824.2)	(3,439.8)
Treasury stock, at cost; 3.1 shares held	(31.0)	(31.0)
Total stockholders' deficit	(154.5)	(756.2)
Total liabilities and stockholders' deficit	\$ 4,096.2	\$ 3,393.7

See accompanying notes to the unaudited condensed consolidated financial statements.

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

(In millions, except per share data)	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2024	2023	2024
Revenue	\$ 746.3	\$ 684.9	\$ 1,505.0	\$ 1,375.7
Cost of revenue	(593.2)	(553.5)	(1,182.3)	(1,111.5)
Gross profit	153.1	131.4	322.7	264.2
Selling, general and administrative expenses	(216.9)	(185.2)	(424.4)	(377.6)
Impairment of goodwill	—	—	(543.1)	(573.2)
Impairment of assets, net	—	—	—	(20.0)
Loss from operations	(63.8)	(53.8)	(644.8)	(706.6)
Other income (expense):				
Interest expense	(57.3)	(18.4)	(114.2)	(62.1)
Gain on investments, net	0.1	—	0.2	0.1
Debt modification costs and gain on debt extinguishment	94.9	72.5	107.7	129.2
Other income (expense), net	0.2	(5.2)	2.3	(10.8)
Total other income (expense)	37.9	48.9	(4.0)	56.4
Loss before income taxes	(25.9)	(4.9)	(648.8)	(650.2)
Benefit (provision) for income taxes	(1.3)	29.9	9.6	34.6
Net income (loss)	\$ (27.2)	\$ 25.0	\$ (639.2)	\$ (615.6)
Other comprehensive income (loss), net of tax				
Foreign currency translation adjustments	\$ 2.8	\$ (0.8)	\$ 6.2	\$ (4.5)
Unrealized gain on derivative contracts	19.3	4.5	13.7	17.6
Amount reclassified from accumulated other comprehensive income (loss) to earnings	(6.8)	(11.1)	(12.4)	(22.2)
Other comprehensive income (loss)	15.3	(7.4)	7.5	(9.1)
Comprehensive income (loss)	\$ (11.9)	\$ 17.6	\$ (631.7)	\$ (624.7)
Net earnings (loss) per share:				
Basic	\$ (0.13)	\$ 0.11	\$ (2.98)	\$ (2.77)
Diluted	\$ (0.13)	\$ 0.11	\$ (2.98)	\$ (2.77)
Weighted average number of shares outstanding:				
Basic	215.1	224.5	214.2	222.2
Diluted	215.1	229.6	214.2	222.2

See accompanying notes to the unaudited condensed consolidated financial statements.

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

(In millions)	Six Months Ended June 30,	
	2023	2024
Cash Flows From Operating Activities		
Net loss	\$ (639.2)	\$ (615.6)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	192.4	149.0
Amortization of operating right-of-use assets	42.5	34.2
Deferred income taxes	(17.0)	(51.2)
Share-based compensation expense	34.7	32.3
Impairment of goodwill	543.1	573.2
Impairment of assets, net	—	20.0
Debt modification costs and gain on debt extinguishment	(107.7)	(129.2)
Unrealized loss on derivative contracts	7.7	—
Gain on investments, net	(0.2)	(0.1)
Provision for bad debts and accrued customer credits	5.0	10.8
Amortization of debt issuance costs and debt discount and premium	4.0	(3.5)
Third party fees paid in connection with the Refinancing Transactions	—	(31.7)
Other operating activities	—	(2.9)
Changes in operating assets and liabilities:		
Accounts receivable	74.7	10.4
Prepaid expenses and other current assets	23.5	4.2
Accounts payable, accrued expenses, and other current liabilities	(101.2)	(35.5)
Deferred revenue	(9.2)	(7.7)
Operating lease liabilities	(30.8)	(43.8)
Other non-current assets and liabilities	13.6	20.9
Net cash provided by (used in) operating activities	35.9	(66.2)
Cash Flows From Investing Activities		
Purchases of property, equipment and software	(35.5)	(66.7)
Proceeds from sale of headquarters	—	16.9
Other investing activities	0.6	0.3
Net cash used in investing activities	(34.9)	(49.5)
Cash Flows From Financing Activities		
Proceeds from employee stock plans	0.8	0.4
Shares of common stock withheld for employee taxes	—	(3.4)
Proceeds from borrowings under long-term debt arrangements	50.0	275.0
Payments on long-term debt	(67.0)	(91.9)
Debt extinguishment costs	—	(22.1)
Payments on financing component of interest rate swap	(8.6)	(8.6)
Principal payments of finance lease liabilities	(39.1)	(30.8)
Principal payments of financing obligations	(6.9)	(8.2)
Net cash provided by (used in) financing activities	(70.8)	110.4
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	1.4	(1.3)
Decrease in cash, cash equivalents, and restricted cash	(68.4)	(6.6)
Cash, cash equivalents, and restricted cash at beginning of period	231.4	199.7
Cash, cash equivalents, and restricted cash at end of period	\$ 163.0	\$ 193.1

Supplemental Cash Flow Information

Cash payments for interest, net of amount capitalized	\$	113.6	\$	70.1
Cash payments for income taxes, net of refunds	\$	5.6	\$	6.8
Non-cash Investing and Financing Activities				
Acquisition of property, equipment and software by finance leases	\$	63.2	\$	13.7
Acquisition of property, equipment and software by financing obligations		8.5		—
Increase (decrease) in property, equipment and software accrued in liabilities		9.0		(1.3)
Other non-cash additions		—		(0.5)
Non-cash purchases of property, equipment and software	\$	80.7	\$	11.9
Non-cash gain on sale of property and equipment	\$	—	\$	(5.1)

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

(In millions)	Six Months Ended June 30,	
	2023	2024
Cash and cash equivalents	\$ 159.9	\$ 190.2
Restricted cash included in other non-current assets	3.1	2.9
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	\$ 163.0	\$ 193.1

See accompanying notes to the unaudited condensed consolidated financial statements.

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

(In millions)	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Treasury Stock, at Cost		Total Stockholders' Equity
	Shares	Amount				Shares	Amount	
Balance at March 31, 2023	218.1	\$ 2.2	\$ 2,588.0	\$ 63.6	\$ (2,598.4)	3.1	\$ (31.0)	\$ 24.4
Exercise of stock options and release of stock awards	0.3	—	—	—	—	—	—	—
Issuance of shares from Employee Stock Purchase Plan	0.4	—	0.8	—	—	—	—	0.8
Share-based compensation expense for equity classified awards	—	—	18.6	—	—	—	—	18.6
Net loss	—	—	—	—	(27.2)	—	—	(27.2)
Other comprehensive income	—	—	—	15.3	—	—	—	15.3
Balance at June 30, 2023	<u>218.8</u>	<u>\$ 2.2</u>	<u>\$ 2,607.4</u>	<u>\$ 78.9</u>	<u>\$ (2,625.6)</u>	<u>3.1</u>	<u>\$ (31.0)</u>	<u>\$ 31.9</u>

(In millions)	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Treasury Stock, at Cost		Total Stockholders' Equity
	Shares	Amount				Shares	Amount	
Balance at December 31, 2022	215.7	\$ 2.2	\$ 2,573.3	\$ 71.4	\$ (1,986.4)	3.1	\$ (31.0)	\$ 629.5
Exercise of stock options and release of stock awards	2.7	—	—	—	—	—	—	—
Issuance of shares from Employee Stock Purchase Plan	0.4	—	0.8	—	—	—	—	0.8
Share-based compensation expense for equity classified awards	—	—	33.3	—	—	—	—	33.3
Net loss	—	—	—	—	(639.2)	—	—	(639.2)
Other comprehensive income	—	—	—	7.5	—	—	—	7.5
Balance at June 30, 2023	<u>218.8</u>	<u>\$ 2.2</u>	<u>\$ 2,607.4</u>	<u>\$ 78.9</u>	<u>\$ (2,625.6)</u>	<u>3.1</u>	<u>\$ (31.0)</u>	<u>\$ 31.9</u>

(In millions)	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Treasury Stock, at Cost		Total Stockholders' Deficit
	Shares	Amount				Shares	Amount	
Balance at March 31, 2024	226.6	\$ 2.3	\$ 2,647.7	\$ 58.6	\$ (3,464.8)	3.1	\$ (31.0)	\$ (787.2)
Exercise of stock options and release of stock awards, net of shares withheld	1.8	—	—	—	—	—	—	—
Issuance of shares from Employee Stock Purchase Plan	0.3	—	0.4	—	—	—	—	0.4
Share-based compensation expense for equity classified awards	—	—	13.0	—	—	—	—	13.0
Net income	—	—	—	—	25.0	—	—	25.0
Other comprehensive loss	—	—	—	(7.4)	—	—	—	(7.4)
Balance at June 30, 2024	<u>228.7</u>	<u>\$ 2.3</u>	<u>\$ 2,661.1</u>	<u>\$ 51.2</u>	<u>\$ (3,439.8)</u>	<u>3.1</u>	<u>\$ (31.0)</u>	<u>\$ (756.2)</u>

(In millions)	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Treasury Stock, at Cost		Total Stockholders' Deficit
	Shares	Amount				Shares	Amount	
Balance at December 31, 2023	220.5	\$ 2.2	\$ 2,638.2	\$ 60.3	\$ (2,824.2)	3.1	\$ (31.0)	\$ (154.5)
Exercise of stock options and release of stock awards, net of shares withheld	7.9	0.1	(3.5)	—	—	—	—	(3.4)
Issuance of shares from Employee Stock Purchase Plan	0.3	—	0.4	—	—	—	—	0.4
Share-based compensation expense for equity classified awards	—	—	26.0	—	—	—	—	26.0
Net loss	—	—	—	—	(615.6)	—	—	(615.6)
Other comprehensive loss	—	—	—	(9.1)	—	—	—	(9.1)
Balance at June 30, 2024	<u>228.7</u>	<u>\$ 2.3</u>	<u>\$ 2,661.1</u>	<u>\$ 51.2</u>	<u>\$ (3,439.8)</u>	<u>3.1</u>	<u>\$ (31.0)</u>	<u>\$ (756.2)</u>

See accompanying notes to the unaudited condensed consolidated financial statements.

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

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

Nature of Operations and Basis of Presentation

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

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

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

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

Unaudited Interim Financial Information

The unaudited condensed consolidated financial statements as of June 30, 2024, and for the three and six months ended June 30, 2023 and 2024, have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information. Accordingly, certain financial information and disclosures required for financial statements prepared under GAAP have been omitted in accordance with the Securities and Exchange Commission ("SEC") disclosure rules and regulations that permit reduced disclosure for interim periods. These unaudited interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the related notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2023 as filed with the SEC on March 15, 2024 ("Annual Report"). The unaudited interim condensed consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements included in our Annual Report and, in the opinion of management, reflect all adjustments, which include normal recurring adjustments, necessary for a fair statement of our financial position as of June 30, 2024, our results of operations and stockholders' equity (deficit) for the three and six months ended June 30, 2023 and 2024, and our cash flows for the six months ended June 30, 2023 and 2024.

The results of operations for the three and six months ended June 30, 2024 are not necessarily indicative of the results of operations to be expected for the year ending December 31, 2024, or for any other interim period, or for any other future year.

Use of Estimates

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

Liquidity Overview

We are a highly leveraged company. As of June 30, 2024, we had \$2,483.7 million aggregate principal amount outstanding under our debt instruments, which are comprised of the first lien first out senior secured term loan facility (the "FLFO Term Loan Facility"), the first lien second out senior secured term loan facility (the "FLSO Term Loan Facility"), the first lien term loan facility (the "Term Loan Facility"), 3.50% FLSO Senior Secured Notes due 2028 (the "3.50% FLSO Senior Secured Notes"), 5.375% Senior Notes due 2028 (the "5.375% Senior Notes"), and 3.50% Senior Secured Notes due 2028 (the "3.50% Senior Secured Notes"). We primarily finance our operations and capital expenditures with internally-generated cash from operations and hardware leases, and if necessary, borrowings under the senior secured first lien first out revolving credit facility (the "New Revolving Credit Facility"). As of June 30, 2024, the New Revolving Credit Facility provided for up to \$375.0 million of borrowings, none of which was drawn and outstanding as of June 30, 2024. Our primary uses of cash are working capital requirements, debt service requirements and capital expenditures. Based on our current level of operations and available cash and cash equivalents of \$190.2 million as of June 30, 2024, we believe our sources will provide sufficient liquidity over at least the next twelve months. We cannot provide assurance, however, that our business will generate sufficient cash flows from operations or that future borrowings will be available to us under the New Revolving Credit Facility or from other sources in an amount sufficient to enable us to pay our indebtedness or to fund our other liquidity needs. Our ability to do so depends on prevailing economic conditions and other factors, many of which are beyond our control.

Significant Accounting Policies and Estimates

Our Annual Report includes an additional discussion of the significant accounting policies and estimates used in the preparation of our consolidated financial statements. There were no material changes to our significant accounting policies and estimates during the six months ended June 30, 2024, except as described below.

Change in Accounting Estimate

In the first quarter of 2024, we completed an assessment of the useful lives of certain assets within the "Computers and equipment" asset class. The timing of this review was based on a combination of factors accumulating over time that provided the company with updated information to make a better estimate on the economic lives of certain property and equipment. These factors included changes in our business model and recent technological advances that have increased efficiencies in how we operate and manage customer gear. The assessment resulted in an increase in the estimated useful life range of the "Computers and equipment" asset class from three-to-five years to five-to-seven years. This change in accounting estimate took effect at the start of the first quarter of 2024. The impact of this change was a reduction in depreciation expense of \$12.6 million and \$24.8 million and an increase of \$0.05 and \$0.11 net basic earnings per share compared to previous estimates for the three and six months ended June 30, 2024, respectively.

Goodwill, Indefinite-Lived Intangible Assets and Long-Lived Assets

Goodwill represents the excess of the purchase price over the fair value of identifiable net assets of businesses acquired. Our indefinite-lived intangible asset consists of our Rackspace trade name, which was recorded at fair value on our balance sheet at the date of the Rackspace Acquisition. Goodwill and indefinite-lived intangible assets are not amortized but are subject to impairment testing on an annual basis as of October 1st or more frequently if events or circumstances indicate a potential impairment. These events or circumstances could include a significant change in the business climate, regulatory environment, established business plans, operating performance indicators or competition. Potential impairment indicators may also include, but are not limited to, (i) significant changes to estimates and assumptions used in the most recent annual or interim impairment testing, (ii) downward revisions to internal forecasts, and the magnitude thereof, (iii) declines in our market capitalization below our book value, and the magnitude and duration of those declines, (iv) a reorganization resulting in a change to our operating segments, and (v) other macroeconomic factors, such as increases in interest rates that may affect the weighted average cost of capital, volatility in the equity and debt markets, or fluctuations in foreign currency exchange rates that may negatively impact our reported results of operations.

In connection with the debt refinancing transactions that were completed in March and April 2024, as further described in Note 7, "Debt", we updated our internal forecasts. Our updated internal forecasts considered our year-to-date operating performance, current customer bookings and revised expectations based on current performance, revisions to our expected growth and timing of such growth based on current and expected performance, current customer retention rates, revisions to the timing of the expected effects of our strategic initiatives and overall related risks, including macroeconomic factors, to achieving our forecasts. Our Board of Directors reviewed and approved our internal budget for fiscal year 2024 on February 28, 2024. As of February 29, 2024, we assessed our Board approved 2024 internal budget along with several events and circumstances that could affect the significant inputs used to determine the fair value of our reporting units, including the significance of the amount, if any, of excess carrying value over fair value, consistency of our current and forecasted operating margins and cash flows, budgeted-to-actual performance, timing of the expected effects of our strategic initiatives, overall change in economic climate, changes in the industry and competitive environment, changes to our risk-adjusted discount rates and earnings quality and sustainability. After considering all available evidence in our evaluation of goodwill impairment indicators, we determined it appropriate to perform an interim quantitative assessment of our reporting units as of February 29, 2024.

On January 1, 2023, as a result of the reorganization of our business around a two-business unit operating model, we changed our reportable segments to Private Cloud and Public Cloud. Due to the change in our segment reporting and the allocation of goodwill from our former reporting units to the Public Cloud and Private Cloud reporting units, we completed a quantitative goodwill impairment analysis both prior and subsequent to the aforementioned change. We reassigned goodwill to the updated reporting units using a relative fair value approach. The results of the quantitative goodwill impairment analysis performed as of January 1, 2023 subsequent to the reorganization, indicated an impairment within our Private Cloud reporting unit, and we recorded a non-cash impairment charge of \$270.8 million in the first quarter of 2023.

During the first quarter of 2023, we experienced a sustained decline in our stock price resulting in our market capitalization being less than the carrying value of our combined reporting units. As of March 31, 2023, we assessed several events and circumstances that could affect the significant inputs used to determine the fair value of our reporting units, including the significance of the amount, if any, of excess carrying value over fair value, consistency of operating margins and cash flows, budgeted-to-actual performance for the first three months of the year, overall change in economic climate, changes in the industry and competitive environment, and earnings quality and sustainability. After considering all available evidence in our evaluation of goodwill impairment indicators, we determined it appropriate to perform an interim quantitative assessment of our reporting units as of March 31, 2023.

Goodwill is tested for impairment at the reporting unit level. A reporting unit is an operating segment or one level below an operating segment (referred to as a component). We allocate goodwill to reporting units based on the reporting unit expected to benefit from the business combination. Assets and liabilities are assigned to each of our reporting units if they are employed by a reporting unit and are considered in the determination of the reporting unit fair value. Certain assets and liabilities are shared by multiple reporting units, and thus, are allocated to each reporting unit based on the relative size of a reporting unit, primarily based on revenue. Prior to October 1, 2023, we had two reporting units with goodwill: Public Cloud and Private Cloud. Goodwill allocated to our third reporting unit, OpenStack Public Cloud, was fully impaired during the fourth quarter of 2021. As of October 1, 2023, we reassessed our reporting unit structure and aggregated the OpenStack Public Cloud reporting unit into our Private Cloud reporting unit. We currently have two reporting units: Public Cloud and Private Cloud.

For the interim quantitative goodwill impairment analyses performed, we compare the fair values of each of our reporting units to their respective carrying amounts. The fair values of each of our reporting units were derived using the income approach, specifically the discounted cash flow method. The discounted cash flow models reflect our assumptions and considerations regarding revenue growth rates, projected gross profit margins, projected operating costs, projected capital expenditures, risk-adjusted discount rates, terminal period growth rates, and economic market trends. As part of the goodwill impairment test, we also consider our market capitalization in assessing the reasonableness of the combined fair values estimated for our reporting units. Goodwill impairment is measured as the excess of a reporting unit's carrying amount over its fair value, not to exceed the carrying amount of goodwill for that reporting unit.

The results of our quantitative goodwill impairment analysis as of February 29, 2024 indicated an impairment of goodwill within our Public Cloud and Private Cloud reporting units of \$385.4 million and \$187.8 million, respectively. We recorded these non-cash impairment charges within "Impairment of goodwill" in our Condensed Consolidated Statements of Comprehensive Income (Loss) in the first quarter of 2024.

The results of our quantitative goodwill impairment analyses as of January 1, 2023 and March 31, 2023 indicated an impairment of goodwill within our Private Cloud reporting unit, and we recorded non-cash impairment charges of \$270.8 million and \$272.3 million, respectively, within "Impairment of goodwill" in our Condensed Consolidated Statements of Comprehensive Income (Loss) in the first quarter of 2023.

See Note 6, "Goodwill and Intangible Assets" for more information.

Our indefinite-lived intangible asset is tested for impairment at the consolidated level. In evaluating the recoverability of the Rackspace trade name, we compare the fair value of the asset to its carrying amount to determine potential impairment. Our estimate of the fair value of the Rackspace trade name is derived using the income approach, specifically the relief-from-royalty method.

Due to the factors discussed in the goodwill analysis above and prior to testing our goodwill for impairment, we performed a quantitative assessment of our indefinite-lived intangible asset as of February 29, 2024. The quantitative assessment performed as of February 29, 2024 indicated the estimated fair value of the Rackspace trade name was less than its carrying value. As a result, we recorded a \$20.0 million non-cash impairment charge which is included in "Impairment of assets, net" in our Condensed Consolidated Statements of Comprehensive Income (Loss) in the first quarter of 2024.

We performed a quantitative assessment of our indefinite-lived intangible asset prior to testing our goodwill for impairment as of January 1, 2023 and March 31, 2023 which did not indicate any impairment of the Rackspace trade name.

The fair value determination of our reporting units and our indefinite-lived intangible asset is judgmental in nature and requires the use of significant estimates and assumptions that are sensitive to changes. Assumptions include estimation of the royalty rate for the trade name, estimation of future revenue growth rates, projected gross profit margins, projected operating costs, projected capital expenditures, which are dependent on internal cash flow forecasts, estimation of the terminal growth rates and determination of risk-adjusted discount rates. As a result, there can be no assurance that the estimates and assumptions made for purposes of the quantitative goodwill and indefinite-lived intangible impairment tests will prove to be an accurate prediction of future results. Examples of events or circumstances that could reasonably be expected to negatively affect the underlying key assumptions and ultimately impact the estimated fair value of our reporting units may include such items as: (i) volatility in the equity and debt markets or other macroeconomic factors, (ii) an increase in the weighted-average cost of capital due to further increases in interest rates, (iii) decrease in future cash flows due to lower than expected sales, or (iv) fluctuations in foreign currency exchange rates that may negatively impact our reported results of operations. Accordingly, if our current cash flow assumptions are not realized, we experience sustained declines in our stock price or market capitalization, or increases in costs of capital, it is possible that an additional impairment charge may be recorded in the future, which could be material.

Long-lived assets, including operating and finance lease assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets is measured at the asset group level. If the carrying amount of an asset group exceeds its estimated undiscounted future cash flows, then an impairment charge is recognized in the amount that an asset group's carrying amount exceeds its fair value.

In conjunction with the goodwill impairment analyses as of January 1, 2023, March 31, 2023, and February 29, 2024, we performed recoverability tests of our long-lived assets, including finite-lived intangible assets, by comparing the net book value of our long-lived assets or asset groups, to the future undiscounted net cash flows attributable to such assets, which did not result in any impairment charges.

The fair value of our non-financial assets and liabilities, which include goodwill, intangible assets and property, plant and equipment, are measured on a non-recurring basis. The fair value of our reporting units, indefinite-lived intangible assets and long-lived assets are classified as Level 3 within the fair value hierarchy due to the significant unobservable inputs developed using company-specific information.

2. Customer Contracts

The following table presents the balances related to customer contracts:

(In millions)	Condensed Consolidated Balance Sheets Account	December 31, 2023		June 30, 2024	
Accounts receivable, net	Accounts receivable, net ⁽¹⁾	\$	339.7	\$	322.8
Current portion of contract assets	Other current assets	\$	10.7	\$	8.2
Non-current portion of contract assets	Other non-current assets	\$	8.6	\$	6.9
Current portion of deferred revenue	Deferred revenue	\$	78.8	\$	72.5
Non-current portion of deferred revenue	Other non-current liabilities	\$	5.3	\$	3.7

(1) Allowance for credit losses and accrued customer credits was \$20.1 million and \$25.8 million as of December 31, 2023 and June 30, 2024, respectively.

Amounts recognized in revenue for the three months ended June 30, 2023, and 2024, which were included in deferred revenue as of the beginning of each period totaled \$44.5 million and \$43.9 million, respectively. Amounts recognized in revenue for the six months ended June 30, 2023 and 2024, which were included in deferred revenue as of the beginning of each period totaled \$55.1 million and \$61.3 million, respectively.

Cost Incurred to Obtain and Fulfill a Contract

As of December 31, 2023 and June 30, 2024, the balances of capitalized costs to obtain a contract were \$42.0 million and \$34.9 million, respectively, and the balances of capitalized costs to fulfill a contract were \$13.4 million and \$12.6 million, respectively. These capitalized costs are included in "Other non-current assets" on the Condensed Consolidated Balance Sheets.

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

(In millions)	Three Months Ended June 30,				Six Months Ended June 30,			
	2023		2024		2023		2024	
Amortization of capitalized sales commissions	\$	9.8	\$	7.3	\$	20.1	\$	15.5
Amortization of capitalized implementation costs	\$	3.4	\$	2.4	\$	7.0	\$	5.1

Remaining Performance Obligations

As of June 30, 2024, the aggregate amount of transaction price allocated to remaining performance obligations was \$458.5 million, of which approximately 41% is expected to be recognized as revenue during the remainder of 2024 and the remainder thereafter. These remaining performance obligations primarily relate to our fixed-term arrangements. The aggregate amount of transaction price excludes variable consideration related to our usage-based arrangements for which we recognize revenue based on the right to invoice for the services performed.

3. Sale of Receivables

On September 29, 2023, Rackspace US, Inc. and Rackspace Receivables II, LLC, a bankruptcy-remote special purpose vehicle (“SPV”), each an indirect subsidiary of the company, entered into an accounts receivable purchase agreement with PNC Bank, National Association (“PNC”) and other parties thereto. On February 12, 2024, the accounts receivable purchase agreement was amended to include certain international subsidiaries of the company as parties to the agreement and Rackspace Receivables Canada Limited, a Canadian indirect subsidiary of the company, was established as a SPV.

In connection with accounts receivable sold during the three and six months ended June 30, 2024, we recorded \$5.1 million and \$10.9 million of expense, respectively, in “Other income (expense), net” in the Condensed Consolidated Statements of Comprehensive Income (Loss). This expense consisted of \$5.0 million and \$10.3 million of yield charges and fees for the three and six months ended June 30, 2024, respectively, and \$0.1 million and \$0.6 million of upfront transaction costs associated with the execution of the agreement for the three and six months ended June 30, 2024, respectively. The outstanding portfolio of sold accounts receivable derecognized from our Condensed Consolidated Balance Sheet as of December 31, 2023 and June 30, 2024 was \$223.8 million and \$205.8 million, respectively. The SPVs hold unsold accounts receivable of \$127.3 million as of June 30, 2024 that are pledged as collateral to PNC.

4. Net Earnings (Loss) Per Share

Basic net earnings (loss) per share is calculated by dividing net income (loss) attributable to common stockholders by the weighted average number of shares of common stock outstanding during the period. Diluted net earnings (loss) per share is calculated based on the weighted average number of shares of common stock plus the dilutive effect of potential common share equivalents outstanding during the period as determined under the treasury stock method.

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

(In millions, except per share data)	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2024	2023	2024
Basic net earnings (loss) per share:				
Net income (loss) attributable to common stockholders	\$ (27.2)	\$ 25.0	\$ (639.2)	\$ (615.6)
Weighted average shares outstanding:				
Common stock	215.1	224.5	214.2	222.2
Number of shares used in per share computations	215.1	224.5	214.2	222.2
Net earnings (loss) per share	\$ (0.13)	\$ 0.11	\$ (2.98)	\$ (2.77)
Diluted net earnings (loss) per share:				
Net income (loss) attributable to common stockholders	\$ (27.2)	\$ 25.0	\$ (639.2)	\$ (615.6)
Weighted average shares outstanding:				
Common stock	215.1	224.5	214.2	222.2
Effect of dilutive securities	—	5.1	—	—
Number of shares used in per share computations	215.1	229.6	214.2	222.2
Net earnings (loss) per share	\$ (0.13)	\$ 0.11	\$ (2.98)	\$ (2.77)

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. We excluded 42.8 million and 44.3 million potential common shares from the computation of dilutive loss per share for the three months ended June 30, 2023 and 2024, respectively, and 42.8 million and 33.7 million for the six months ended June 30, 2023 and 2024, respectively, because the effect would have been anti-dilutive.

5. Property, Equipment and Software, net

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

(In millions)	December 31, 2023	June 30, 2024
Computers and equipment	\$ 1,154.9	\$ 1,157.0
Software	452.8	440.4
Furniture and fixtures	14.5	13.8
Buildings and leasehold improvements	411.8	410.9
Property, equipment and software, at cost	2,034.0	2,022.1
Less: Accumulated depreciation	(1,442.1)	(1,422.6)
Work in process	16.9	12.7
Property, equipment and software, net	\$ 608.8	\$ 612.2

In October 2022, we announced our intention to sell our current corporate headquarters facility located in Windcrest, Texas and relocate our corporate headquarters to leased office space in San Antonio, Texas. As such, as of December 31, 2022, this property met the criteria to be classified as held for sale under GAAP and the carrying amount of the property was remeasured each reporting period for changes in the estimated fair value, less cost to sell.

In March 2024, we completed the sale of the property. The property's estimated fair value, less estimated cost to sell prior to the sale was \$16.9 million and we received cash proceeds of \$17.5 million, less brokerage and professional fees of \$0.6 million, resulting in net cash proceeds of \$16.9 million. In connection with the completion of the sale, we paid a \$9.0 million early termination fee to certain local governments related to our termination of the Master Economic Incentives Agreement (the "MEIA") associated with the property. This amount is included in "Selling, general and administrative expenses" in our Condensed Consolidated Statements of Comprehensive Income (Loss) for the six months ended June 30, 2024.

6. Goodwill and Intangible Assets

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

(In millions)	Public Cloud	Private Cloud	Total
Gross goodwill as of December 31, 2023	\$ 597.7	\$ 1,563.5	\$ 2,161.2
Less: impairment charges	—	(708.8)	(708.8)
Goodwill, net as of December 31, 2023	597.7	854.7	1,452.4
Impairment of goodwill	(385.4)	(187.8)	(573.2)
Foreign currency translation	(1.1)	(0.4)	(1.5)
Goodwill, net as of June 30, 2024	\$ 211.2	\$ 666.5	\$ 877.7
Gross goodwill as of June 30, 2024	\$ 596.6	\$ 1,563.1	\$ 2,159.7
Less: accumulated impairment charges ⁽¹⁾	(385.4)	(896.6)	(1,282.0)
Goodwill, net as of June 30, 2024	\$ 211.2	\$ 666.5	\$ 877.7

(1) On a consolidated basis, gross and net goodwill as of June 30, 2024 was \$3,041.6 million and \$877.7 million, respectively. Accumulated impairment charges on a consolidated basis was \$2,163.9 million as of June 30, 2024.

See Note 1, "Company Overview, Basis of Presentation, and Summary of Significant Accounting Policies," for discussion of the goodwill impairment charges recorded during the six months ended June 30, 2023 and 2024.

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

(In millions)	December 31, 2023			June 30, 2024		
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
Customer relationships	\$ 1,932.0	\$ (1,073.9)	\$ 858.1	\$ 1,931.3	\$ (1,150.4)	\$ 780.9
Other	27.8	(26.9)	0.9	27.7	(27.1)	0.6
Total definite-lived intangible assets	1,959.8	(1,100.8)	859.0	1,959.0	(1,177.5)	781.5
Trade name (indefinite-lived)	160.0	—	160.0	140.0	—	140.0
Total intangible assets other than goodwill	\$ 2,119.8	\$ (1,100.8)	\$ 1,019.0	\$ 2,099.0	\$ (1,177.5)	\$ 921.5

During the six months ended June 30, 2024 we recognized impairment charges of \$20.0 million related to our trade name indefinite-lived intangible asset.

For more information, see the discussion of our impairment charges in Note 1, "Company Overview, Basis of Presentation, and Summary of Significant Accounting Policies."

7. Debt

Debt consisted of the following:

(In millions, except %)

Debt Instrument	Maturity Date	December 31, 2023		June 30, 2024	
		Interest Rate ⁽¹⁾	Amount	Interest Rate ⁽¹⁾	Amount
FLSO Term Loan Facility	May 15, 2028	—%	\$ —	8.19%	\$ 1,659.4
FLFO Term Loan Facility	May 15, 2028	—%	—	11.69%	274.3
Term Loan Facility	February 15, 2028	8.23%	2,181.2	8.19%	62.1
New Revolving Credit Facility	May 15, 2028	—%	—	—%	—
Revolving Credit Facility	August 7, 2025	—%	—	—%	—
3.50% FLSO Senior Secured Notes	May 15, 2028	—%	—	3.50%	318.6
3.50% Senior Secured Notes	February 15, 2028	3.50%	513.7	3.50%	43.9
5.375% Senior Notes	December 1, 2028	5.375%	197.6	5.375%	125.4
Total principal amount outstanding			2,892.5		2,483.7
Unamortized debt issuance costs, debt premium, and debt discount			(29.9)		386.3
Total debt			2,862.6		2,870.0
Less: current portion of debt			(23.0)		(54.0)
Debt, excluding current portion			\$ 2,839.6		\$ 2,816.0

(1) Contractual interest rate as of each respective balance sheet date.

March 2024 Refinancing Transactions

Private Exchange

On March 12, 2024, we (together with certain of our subsidiaries) closed a private debt exchange (the “Private Exchange”) with (i) holders of the 3.50% Senior Secured Notes (the “Existing Secured Notes”) issued by Rackspace Technology Global (the “Existing Borrower”) representing more than 64% of the aggregate principal amount outstanding of the Existing Secured Notes as of December 31, 2023, and (ii) lenders representing more than 72% of the aggregate principal amount of the outstanding term loan facility under the First Lien Credit Agreement (the “Existing Term Loans”) as of December 31, 2023.

Pursuant to the Private Exchange, (i) \$331.4 million aggregate principal amount of Existing Secured Notes and \$1,588.8 million aggregate principal amount of the Existing Term Loans were exchanged or purchased for cancellation and (ii) \$267.3 million aggregate principal amount of new first lien second out senior secured notes (the “3.50% FLSO Senior Secured Notes”) and \$1,312.0 million aggregate principal amount of new first lien second out senior secured term loans (the “FLSO Term Loan Facility” and the loans thereunder, the “FLSO Term Loans”) were issued by Rackspace Finance, LLC, a new subsidiary of the company (the “New Borrower”).

In addition, the New Borrower issued \$275.0 million aggregate principal amount of new first lien first out senior secured term loans (the “FLFO Term Loan Facility” and the loans thereunder, the “FLFO Term Loans”) and we repurchased and cancelled \$69.3 million aggregate principal amount of the 5.375% Senior Notes.

See “*New Debt Instruments*” below for additional discussion of the new 3.50% FLSO Senior Secured Notes, FLSO Term Loan Facility, and FLFO Term Loan Facility.

Public Exchanges

On March 13, 2024, we launched an offer to all of the holders of the Existing Borrower’s remaining Existing Term Loans (the “Public Term Loan Exchange”). On March 26, 2024, we closed the Public Term Loan Exchange, pursuant to which (i) \$529.9 million aggregate principal amount of the Existing Term Loans were exchanged or purchased for cancellation and (ii) \$375.1 million aggregate principal amount of FLSO Term Loans was issued by the New Borrower.

On March 14, 2024, we launched an offer to all of the holders of the Existing Borrower's remaining Existing Secured Notes (the "Public Note Exchange"). On April 16, 2024, we completed the Public Note Exchange, pursuant to which (i) \$138.4 million aggregate principal amount of Existing Secured Notes were exchanged or purchased for cancellation and (ii) \$96.9 million aggregate principal amount of 3.50% FLSO Senior Secured Notes were issued by the New Borrower.

New Revolving Credit Facility

On March 12, 2024, the New Borrower also established the new first lien first out revolving credit commitments in an aggregate principal amount of \$375.0 million (the "New Revolving Credit Facility"). All revolving lenders under the prior Revolving Credit Facility exchanged their revolving loan commitments for commitments in respect of the New Revolving Credit Facility, which replaces in full the prior Revolving Credit Facility. The New Revolving Credit Facility matures on May 15, 2028.

See "*New Debt Instruments*" below for additional discussion of the New Revolving Credit Facility.

Accounting Impacts

The company performed an assessment of the March 2024 Refinancing Transactions and determined it met the criteria to be accounted for as a troubled debt restructuring under Accounting Standards Codification No. 470-60, *Troubled Debt Restructurings by Debtors*. For each series of the Existing Debt Instruments exchanged, the undiscounted cash flows associated with the New Debt Instruments issued were compared to the carrying value of the Existing Debt Instruments exchanged for such New Debt Instruments and the applicable exchange was accounted for as follows: (i) to the extent the undiscounted cash flows of the New Debt Instruments in question were lower than the carrying value of the applicable Existing Debt Instruments exchanged, the carrying value of the applicable New Debt Instruments was established at the total of these undiscounted cash flows, with a gain recorded for the remaining difference between this value and the carrying value of the applicable Existing Debt Instruments (as such, no interest expense will be recorded for the applicable 3.50% FLSO Senior Secured Notes prospectively) and (ii) to the extent the undiscounted cash flows of the New Debt Instruments in question exceeded the carrying value of the applicable Existing Debt Instruments exchanged, the carrying value of the applicable New Debt Instruments was established at the carrying value of the applicable Existing Debt Instruments and the company established new effective interest rates based on the carrying value of the applicable Existing Term Loans prior to the March 2024 Refinancing Transaction.

The difference between the principal amount of the 3.50% FLSO Senior Secured Notes and the carrying value was recorded as a premium and is included in long-term debt on the company's Condensed Consolidated Balance Sheets.

The premium recorded on the 3.50% FLSO Senior Secured Notes was \$39.1 million, which will be reduced as contractual interest payments are made on the 3.50% FLSO Senior Secured Notes.

In connection with the March 2024 Refinancing Transactions, the company recorded a gain in the first quarter of 2024 of \$56.7 million after deducting third-party costs and lender fees incurred. The gain is included in "Debt modification costs and gain on debt extinguishment" in our Condensed Consolidated Statements of Comprehensive Income (Loss). The company incurred third party fees of \$28.4 million.

The March 2024 Refinancing Transactions were completed in April 2024 with the closing of the Public Note Exchange. In connection with the Public Note Exchange, we recorded a \$23.3 million gain, after deducting \$3.3 million of third-party fees, in the second quarter of 2024. The gain is included in "Debt modification costs and gain on debt extinguishment" in our Condensed Consolidated Statements of Comprehensive Income (Loss).

New Debt Instruments

New Senior Facilities

On March 12, 2024, Rackspace Finance Holdings, LLC ("Rackspace Finance Holdings"), the New Borrower, the lenders and issuing banks party thereto and Citibank, N.A., as the administrative agent and collateral agent, entered into the credit agreement governing the FLSO Term Loan Facility, FLFO Term Loan Facility and New Revolving Credit Facility (together, the "New Senior Facilities") (the "New First Lien Credit Agreement").

FLSO Term Loan Facility

The New Borrower issued the FLSO Term Loan Facility in an aggregate principal amount of \$1,687.2 million. The FLSO Term Loan Facility matures on May 15, 2028. Borrowings under the FLSO Term Loan Facility bear interest at an annual rate equal to Term SOFR equal to the forward-looking term rate, based on the secured overnight financing rate as administered by the Federal Reserve Bank of New York, for the interest period relevant to such borrowing, plus a credit spread adjustment of 0.11% for an interest period of one-month's duration, 0.26% for an interest period of three-months' duration, and 0.43% for an interest period of six-months' duration, subject to a 0.75% floor, plus an applicable margin of 2.75%.

As of June 30, 2024, the contractual interest rate on the FLSO Term Loan Facility was 8.19%. We are required to make quarterly principal payments of \$4.2 million, which began on March 31, 2024. See Note 11, "Derivatives," for information on interest rate swap agreements we utilize to manage the interest rate risk on the FLSO Term Loan Facility.

Affiliates of ABRY Partners, LLC and ABRY Partners II, LLC (collectively, "ABRY") are FLSO Term Loan Facility lenders under the New First Lien Credit Agreement. As of June 30, 2024, the outstanding principal amount of the FLSO Term Loan Facility was \$1,659.4 million, of which \$49.8 million, or 3.0%, is due to ABRY affiliates. Investment funds affiliated with ABRY are also co-investors in Rackspace Technology.

As of June 30, 2024, Apollo Global Management, Inc. also held \$80.9 million, or 4.9%, of the outstanding principal amount of the FLSO Term Loan Facility.

Prior to September 12, 2025, the New Borrower may prepay some or all of the FLSO Term Loan Facility, together with accrued and unpaid interest, subject to the applicable "make-whole" premium. On or after September 12, 2025, the New Borrower may prepay some or all of the FLSO Term Loan Facility, together with accrued and unpaid interest, without prepayment premium or penalty.

During the three months ended June 30, 2024, the New Borrower repurchased and surrendered for cancellation \$19.3 million principal amount of the FLSO Term Loan Facility for \$9.4 million. In connection with these repurchases, we recorded a gain, included in "Debt modification costs and gain on debt extinguishment", of \$14.1 million, in our Condensed Consolidated Statements of Comprehensive Income (Loss) for the three and six months ended June 30, 2024, which includes \$4.1 million of unamortized debt issuance costs and debt premium write-offs.

The fair value of the FLSO Term Loan Facility as of June 30, 2024 was \$730.1 million, based on quoted market prices for identical assets that are traded in over-the-counter secondary markets that are not considered active. The fair value of the FLSO Term Loan Facility is classified as Level 2 within the fair value hierarchy.

The New Borrower is the borrower and all obligations under the FLSO Term Loan Facility are guaranteed on a senior secured basis, jointly and severally, by Rackspace Finance Holdings on a limited-recourse basis and by certain of the New Borrower's subsidiaries (the "Subsidiary Guarantors"). The obligations under the FLSO Term Loan Facility are secured by a pledge of the New Borrower's capital stock directly held by Rackspace Finance Holdings and substantially all of the New Borrower's and the Subsidiary Guarantors' assets, subject to exceptions.

The FLSO Term Loan Facility contains certain customary affirmative covenants, negative covenants, and events of default.

During the three months ended June 30, 2024, the New Borrower initiated repurchases of an additional \$24.2 million aggregate principal amount of the FLSO Term Loan Facility for \$11.2 million. These repurchases subsequently settled on July 15, 2024. As such, this amount is included within current debt on the Condensed Consolidated Balance Sheet as of June 30, 2024.

FLFO Term Loan Facility

The New Borrower issued the FLFO Term Loan Facility in an initial aggregate principal amount of \$275.0 million. The FLFO Term Loan Facility matures on May 15, 2028. Borrowings under the FLFO Term Loan Facility bear interest at an annual rate equal to Term SOFR equal to the forward-looking term rate, based on the secured overnight financing rate as administered by the Federal Reserve Bank of New York, for the interest period relevant to such borrowing, plus a credit spread adjustment of 0.11% for an interest period of one-month's duration, 0.26% for an interest period of three-months' duration, and 0.43% for an interest period of six-months' duration, subject to a 0.75% floor, plus an applicable margin of 6.25% and were issued with 1.00% of original issue discount.

As of June 30, 2024, the contractual interest rate on the FLFO Term Loan Facility was 11.69%. We are required to make quarterly principal payments of \$0.7 million, which began on June 30, 2024. See Note 11, "Derivatives," for information on interest rate swap agreements we utilize to manage the interest rate risk on the FLFO Term Loan Facility.

Prior to September 12, 2025, the New Borrower may prepay some or all of the FLFO Term Loan Facility, together with accrued and unpaid interest, subject to the applicable "make-whole" premium. On or after September 12, 2025 but prior to September 12, 2027, the New Borrower may prepay some or all of the FLFO Term Loan Facility, together with accrued and unpaid interest, subject to a prepayment fee equal to (x) 3.00% of the principal amount of the FLFO Term Loan Facility so prepaid prior to September 12, 2026 and (y) 1.00% of the principal amount of the FLFO Term Loan Facility so prepaid on or after September 12, 2026 but prior to September 12, 2027. On or after September 12, 2027, the New Borrower may prepay some or all of the FLFO Term Loan Facility, together with accrued and unpaid interest, without prepayment premium or penalty.

The fair value of the FLFO Term Loan Facility as of June 30, 2024 was \$276.7 million, based on quoted market prices for identical assets that are traded in over-the-counter secondary markets that are not considered active. The fair value of the FLFO Term Loan Facility is classified as Level 2 within the fair value hierarchy.

The New Borrower is the borrower and all obligations under the FLFO Term Loan Facility are guaranteed on a senior secured basis, jointly and severally, by Rackspace Finance Holdings on a limited-recourse basis and by the Subsidiary Guarantors. The obligations under the FLFO Term Loan Facility are secured by the same collateral that secures the FLSO Term Loan Facility, the New Revolving Credit Facility and the 3.50% FLSO Senior Secured Notes.

The FLFO Term Loan Facility contains certain customary affirmative covenants, negative covenants, and events of default.

New Revolving Credit Facility

The New Borrower established the New Revolving Credit Facility in an aggregate principal amount of \$375.0 million of commitments. The New Revolving Credit Facility matures on May 15, 2028 and bears interest at an annual rate equal to Term SOFR equal to the forward-looking term rate, based on the secured overnight financing rate as administered by the Federal Reserve Bank of New York, for the interest period relevant to such borrowing, subject to a 1.00% floor, plus an applicable margin of initially 3.00%. After June 30, 2024, the applicable margin became subject to a net first lien leverage-based pricing grid as set forth in the New First Lien Credit Agreement. In addition to paying interest on the outstanding principal under the New Revolving Credit Facility, the New Borrower is required to pay a commitment fee equal to initially 0.50% per annum to the lenders under the New Revolving Credit Facility in respect of the unutilized commitments thereunder. After June 30, 2024, the commitment fee became subject to a net first lien leverage-based pricing grid as set forth in the New First Lien Credit Agreement. The New Borrower may prepay loans incurred under the New Revolving Credit Facility, together with accrued and unpaid interest, without prepayment premium or penalty.

The New Borrower is the borrower and all obligations under the New Revolving Credit Facility are guaranteed on a senior secured basis, jointly and severally, by Rackspace Finance Holdings on a limited-recourse basis and by the Subsidiary Guarantors. The obligations under the New Revolving Credit Facility are secured by the same collateral that secures the FLSO Term Loan Facility, the FLFO Term Loan Facility and the 3.50% FLSO Senior Secured Notes.

The New Revolving Credit Facility contains certain customary affirmative covenants, negative covenants, and events of default. In addition, the New Revolving Credit Facility contains a financial covenant which limits the super-priority net senior secured leverage ratio to a maximum of 5.00 to 1.00; however, this covenant is only applicable and tested if the aggregate amount of outstanding borrowings under the New Revolving Credit Facility and letters of credit issued thereunder (excluding \$25.0 million of undrawn letters of credit and cash collateralized letters of credit) as of the last day of a fiscal quarter is greater than 35% of the New Revolving Credit Facility commitments as of the last day of such fiscal quarter.

As of June 30, 2024, we had total commitments of \$375.0 million, no outstanding borrowings under the New Revolving Credit Facility, and \$23.5 million of letters of credit issued thereunder. As such, as of June 30, 2024, we had \$375.0 million of available commitments remaining.

As of June 30, 2024, we were in compliance with all covenants under the New Senior Facilities.

3.50% FLSO Senior Secured Notes due 2028

On March 12, 2024, the New Borrower issued \$267.3 million initial aggregate principal amount of the 3.50% FLSO Senior Secured Notes. On April 2, 2024 and April 16, 2024, the New Borrower issued additional 3.50% FLSO Senior Secured Notes in an aggregate principal amount of \$93.3 million and \$3.6 million, respectively. The 3.50% FLSO Senior Secured Notes will mature on May 15, 2028 and bear interest at an annual fixed rate of 3.50%. Interest is payable semiannually on each February 15 and August 15, commencing on August 15, 2024. The 3.50% FLSO Senior Secured Notes are not subject to registration rights.

The New Borrower is the borrower and all obligations under the 3.50% FLSO Senior Secured Notes are fully and unconditionally guaranteed, jointly and severally, by Rackspace Finance Holdings on a limited-recourse basis and by the Subsidiary Guarantors. The obligations under the 3.50% FLSO Senior Secured Notes are secured by the same collateral that secures the FLSO Term Loan Facility, the FLFO Term Loan Facility and the New Revolving Credit Facility.

The New Borrower may redeem some or all of the 3.50% FLSO Senior Secured Notes at its option prior to September 12, 2025 at a redemption price equal to 100% of the principal amount of the 3.50% FLSO Senior Secured Notes redeemed, plus a “make-whole” premium described in the indenture governing the 3.50% FLSO Senior Secured Notes (the “3.50% FLSO Senior Secured Notes Indenture”), plus accrued and unpaid interest, if any, to, but excluding, the redemption date. Commencing September 12, 2025, the New Borrower may redeem the 3.50% FLSO Senior Secured Notes at its option, in whole at any time or in part from time to time, at a redemption price equal to 100% of the principal amount of the 3.50% FLSO Senior Secured Notes redeemed, plus accrued and unpaid interest, if any, to but excluding the redemption date.

During the three months ended June 30, 2024, the New Borrower repurchased and surrendered for cancellation \$45.7 million principal amount of the 3.50% FLSO Senior Secured Notes for \$19.3 million, including accrued interest of \$0.4 million. In connection with these repurchases, we recorded a gain, included in "Debt modification costs and gain on debt extinguishment", of \$33.0 million, in our Condensed Consolidated Statements of Comprehensive Income (Loss) for the three and six months ended June 30, 2024, which includes \$6.3 million of unamortized debt issuance costs and debt premium write-offs.

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

As of June 30, 2024, we were in compliance with all covenants under the 3.50% FLSO Senior Secured Notes Indenture.

The fair value of the 3.50% FLSO Senior Secured Notes as of June 30, 2024 was \$136.9 million based on quoted market prices for identical assets that are traded in over-the-counter secondary markets that are not considered active. The fair value of the 3.50% FLSO Senior Secured Notes are classified as Level 2 within the fair value hierarchy.

Existing Debt Instruments

Senior Facilities

Our senior secured credit facilities include the Term Loan Facility and the prior Revolving Credit Facility (together, the "Senior Facilities").

On February 9, 2021, we amended and restated the credit agreement governing our Senior Facilities (the "First Lien Credit Agreement"), which included a seven-year \$2,300.0 million senior secured first lien term loan facility due on February 15, 2028 and our existing \$375.0 million Revolving Credit Facility.

On April 26, 2023, we executed an amendment to our First Lien Credit Agreement to establish Term SOFR as the benchmark rate for determining the applicable interest rate, replacing LIBOR.

As a result of the amendment, borrowings under the Senior Facilities bear interest at an annual rate equal to an applicable margin plus, at our option, either (a) Term SOFR equal to the forward-looking term rate, based on the secured overnight financing rate as administered by the Federal Reserve Bank of New York, for the interest period relevant to such borrowing, plus a credit spread adjustment of 0.11% for an interest period of one-month's duration, 0.26% for an interest period of three-months' duration, and 0.43% for an interest period of six-months' duration, subject to a 0.75% floor, in the case of the Term Loan Facility, and a 1.00% floor, in the case of the Revolving Credit Facility, or (b) a base rate determined by reference to the highest of (i) the federal funds rate plus 0.50%, (ii) the prime rate of Citibank, N.A. and (iii) adjusted Term SOFR for a one-month tenor plus 1.00%.

The applicable margin for the Term Loan Facility is 2.75% for SOFR loans and 1.75% for base rate loans and the applicable margin for the Revolving Credit Facility is 3.00% for SOFR loans and 2.00% for base rate loans. Interest is due at the end of each interest period elected, not exceeding 90 days, for SOFR loans and at the end of every calendar quarter for base rate loans.

All other material terms and conditions of the First Lien Credit Agreement were unchanged.

As a result of the Private Exchange and the Public Term Loan Exchange, discussed within "*March 2024 Refinancing Transactions*" above, over 97% of the \$2,181.2 million aggregate principal amount of the Term Loan Facility outstanding as of December 31, 2023 was exchanged or purchased for cancellation.

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

As of June 30, 2024, the contractual interest rate on the Term Loan Facility was 8.19%. We are required to make quarterly principal payments of \$0.2 million. See Note 11, "Derivatives," for information on interest rate swap agreements we utilize to manage the interest rate risk on the Term Loan Facility.

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

The fair value of the Term Loan Facility as of June 30, 2024 was \$28.9 million, based on quoted market prices for identical assets that are traded in over-the-counter secondary markets that are not considered active. The fair value of the Term Loan Facility is classified as Level 2 within the fair value hierarchy.

The only financial covenant was with respect to the prior Revolving Credit Facility. As discussed in "*March 2024 Refinancing Transactions*" above, on March 12, 2024, all revolving lenders under the prior Revolving Credit Facility exchanged their revolving loan commitments for commitments in respect of the New Revolving Credit Facility, which replaces in full the prior Revolving Credit Facility. See "*New Revolving Credit Facility*" above for information regarding this new debt instrument.

As of June 30, 2024, we were in compliance with all covenants under the Senior Facilities.

3.50% Senior Secured Notes due 2028

On February 9, 2021, Rackspace Technology Global issued \$550.0 million aggregate principal amount of the 3.50% Senior Secured Notes. The 3.50% Senior Secured Notes will mature on February 15, 2028 and bear interest at an annual fixed rate of 3.50%. Interest is payable semiannually on each February 15 and August 15, commencing on August 15, 2021. The 3.50% Senior Secured Notes are not subject to registration rights.

Rackspace Technology Global may redeem the 3.50% Senior Secured Notes at its option, in whole at any time or in part from time to time, at the following redemption prices: from February 15, 2024 to February 14, 2025, at a redemption price equal to 101.750% of the principal amount, plus accrued and unpaid interest, if any, to but excluding the redemption date; from February 15, 2025 to February 14, 2026, at a redemption price equal to 100.875% of the principal amount, plus accrued and unpaid interest, if any, to but excluding the redemption date; and from February 15, 2026 and thereafter, at a redemption price equal to 100.000% of the principal amount, plus accrued and unpaid interest, if any, to but excluding the redemption date. Notwithstanding the foregoing, Rackspace Technology Global may redeem during each twelve-month period, commencing with February 9, 2021, up to 10.0% of the original aggregate principal amount of the 3.50% Senior Secured Notes at a redemption price of 103.000%, plus accrued and unpaid interest, if any, to, but excluding, the applicable redemption date.

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

As of June 30, 2024, Rackspace Technology Global was in compliance with all covenants under the 3.50% Notes Indenture.

As a result of the Private Exchange and the Public Note Exchange, discussed above, over 91% of the \$513.7 million aggregate principal amount of the 3.50% Senior Secured Notes outstanding as of December 31, 2023 was exchanged or purchased for cancellation.

The fair value of the 3.50% Senior Secured Notes as of June 30, 2024 was \$19.1 million, based on quoted market prices for identical assets that are traded in over-the-counter secondary markets that are not considered active. The fair value of the 3.50% Senior Secured Notes are classified as Level 2 within the fair value hierarchy.

5.375% Senior Notes due 2028

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

Rackspace Technology Global may redeem the 5.375% Senior Notes at its option, in whole at any time or in part from time to time, at the following redemption prices: from December 1, 2023 to November 30, 2024, at a redemption price equal to 102.688% of the principal amount, plus accrued and unpaid interest, if any, to but excluding the redemption date; from December 1, 2024 to November 30, 2025, at a redemption price equal to 101.344% of the principal amount, plus accrued and unpaid interest, if any, to but excluding the redemption date; and from December 1, 2025 and thereafter, at a redemption price equal to 100.000% of the principal amount, plus accrued and unpaid interest, if any, to but excluding the redemption date.

During the three and six months ended June 30, 2023, Rackspace Technology Global repurchased and surrendered for cancellation \$142.1 million and \$164.8 million principal amount of 5.375% Senior Notes for \$46.8 million and \$56.8 million, including accrued interest of \$1.0 million and \$1.3 million, respectively. In connection with these repurchases, we recorded a gain, included in "Debt modification costs and gain on debt extinguishment", of \$94.9 million and \$107.7 million, respectively, in our Condensed Consolidated Statements of Comprehensive Income (Loss) for the three and six months ended June 30, 2023, which includes \$1.3 million and \$1.6 million of unamortized debt issuance costs write-offs, respectively.

As previously described in "*March 2024 Refinancing Transactions*" above, as part of the Private Exchange, we repurchased and cancelled \$69.3 million aggregate principal amount of the 5.375% Senior Notes during the six months ended June 30, 2024.

In addition, during the three months ended June 30, 2024, Rackspace Technology Global repurchased and surrendered for cancellation \$2.9 million principal amount of 5.375% Senior Notes for \$0.8 million. In connection with these repurchases, we recorded a gain, included in "Debt modification costs and gain on debt extinguishment", of \$2.1 million, in our Condensed Consolidated Statements of Comprehensive Income (Loss) for the three and six months ended June 30, 2024.

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

As of June 30, 2024, Rackspace Technology Global was in compliance with all covenants under the 5.375% Notes Indenture.

The fair value of the 5.375% Senior Notes as of June 30, 2024 was \$34.2 million, based on quoted market prices for identical assets that are traded in over-the-counter secondary markets that are not considered active. The fair value of the 5.375% Senior Notes are classified as Level 2 within the fair value hierarchy.

8. Commitments and Contingencies

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

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

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

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

Headquarters Lease

In February 2023, we signed an agreement to lease approximately 93,000 square feet of office space in San Antonio, Texas, which will serve as our new corporate headquarters. The initial lease term is 11 years, with three 5-year renewal options. In addition to monthly base rent, we will also pay a share of common area maintenance and operating expenses. The lease commenced in the second quarter of 2024.

9. Share-Based Compensation

On April 22, 2024, the Board of Directors approved an amendment to the Rackspace Technology, Inc. 2020 Equity Incentive Plan (the "2020 Incentive Plan") to increase the maximum number of shares of our common stock available for issuance under the 2020 Incentive Plan from 57.9 million shares to 87.9 million shares, subject to stockholder approval. The amendment was subsequently approved by our stockholders as part of the 2024 Annual Meeting of Stockholders held on June 14, 2024.

During the six months ended June 30, 2024, we granted 9.5 million restricted stock units ("RSUs") under the 2020 Incentive Plan with a weighted-average grant date fair value of \$1.85. The majority of the RSUs were granted as part of our annual compensation award process and vest ratably over a three-year period, subject to continued service.

In addition, during the six months ended June 30, 2024, 0.6 million performance stock units ("PSUs") were granted under the 2020 Incentive Plan with a weighted-average grant date fair value of \$2.78. The PSUs represent the target amount of grants, and the actual number of shares awarded upon vesting may vary depending upon the achievement of the relevant market condition which is based on Rackspace's Total Shareholder Return ("TSR") relative to the TSR of a comparator group of IT and Cloud Services Companies. The awards are eligible to vest in equal annual installments over three years based on the attainment of the market condition and the employee's continued service through the end of the applicable measurement period and were valued using a Monte Carlo simulation.

Lastly, during the three and six months ended June 30, 2024, we granted 31.8 million long-term incentive cash units ("LTIC units") under the 2020 Incentive Plan. The awards were valued using a Monte Carlo simulation and as of June 30, 2024 the LTIC units had a weighted average fair value of \$0.98. The LTIC units represent the target amount of grants, and the actual number of units awarded upon vesting may vary depending upon the achievement of the relevant market condition which is based on the performance of our common stock. The awards are eligible to vest in equal installments over three years based on the attainment of the market condition and the employee's continued service through the vesting date. As the company intends to settle the LTIC units in cash, they were classified as liabilities within "Other current liabilities" and "Other non-current liabilities" in the Condensed Consolidated Balance Sheets.

Total share-based compensation expense is comprised of the following equity and liability classified award amounts:

(In millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2024	2023	2024
Equity classified awards	\$ 18.6	\$ 13.0	\$ 33.3	\$ 26.0
Liability classified awards	0.9	6.5	1.4	6.3
Total share-based compensation expense	\$ 19.5	\$ 19.5	\$ 34.7	\$ 32.3

Total share-based compensation expense recognized was as follows:

(In millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2024	2023	2024
Cost of revenue	\$ 2.6	\$ 2.0	\$ 5.4	\$ 3.9
Selling, general and administrative expenses	16.9	17.5	29.3	28.4
Pre-tax share-based compensation expense	19.5	19.5	34.7	32.3
Less: Income tax benefit	(4.1)	(4.1)	(7.3)	(6.8)
Total share-based compensation expense, net of tax	\$ 15.4	\$ 15.4	\$ 27.4	\$ 25.5

As of June 30, 2024, there was \$60.8 million of total unrecognized compensation cost related to stock options, RSUs, and PSUs, which will be recognized using the service period or over our best estimate of the period over which the performance condition will be met, as applicable.

10. Taxes

We are subject to U.S. federal income tax and various state, local, and international income taxes in numerous jurisdictions. The differences between our effective tax rate and the U.S. federal statutory rate of 21% generally result from various factors, including the geographical distribution of taxable income, tax credits, contingency reserves for uncertain tax positions, and permanent differences between the book and tax treatment of certain items. Additionally, the amount of income taxes paid is subject to our interpretation of applicable tax laws in the jurisdictions in which we file. For the three months ended June 30, 2024, our effective tax rate is lower than the U.S. federal statutory rate of 21% primarily due to the tax impact associated with changes in the valuation allowance and the additional second quarter impact of the March 2024 Refinancing Transactions which were completed in April 2024. For the six months ended June 30, 2024, our effective tax rate is lower than the U.S. federal statutory rate of 21% primarily due to the tax impact associated with changes in the valuation allowance related to disallowed interest, the tax impact associated with the goodwill impairment recorded in the first quarter of 2024, the majority of which was nondeductible for income tax purposes, and the tax impact of the March 2024 Refinancing Transactions discussed below. The tax impact of the March 2024 Refinancing Transactions include excluded cancellation of indebtedness income (“CODI”), federal and state attribution reduction and changes in valuation allowance. In December 2021, the Organisation for Economic Co-operation and Development (the “OECD”) issued model rules for a new global minimum tax framework (Pillar Two). Governments in many of the countries where we operate have issued, or are in the process of issuing, legislation on this rule. We are currently evaluating, but do not expect this rule to have a material impact on our consolidated financial statements.

As a result of the March 2024 Refinancing Transactions, discussed in Note 7, “Debt”, specifically upon the completion of the Private Exchange and Public Term Loan Exchange in March 2024, and the completion of the Public Note Exchange in April 2024, the company realized CODI for US tax purposes of \$531.5 million and \$80.5 million, respectively, for a total \$612.0 million for the six months ended June 30, 2024. Pursuant to Internal Revenue Code (“IRC”) Section 108, an insolvent debtor may exclude CODI from taxable income to the extent of the debtor’s insolvency (liabilities greater than the fair value of its assets) but must reduce its tax attributes, subject to certain limitations and according to prescribed ordering rules, based on the amount of CODI excluded from taxable income. The company currently estimates that the level of its insolvency (as defined for US Tax purposes) exceeds the amount of CODI resulting from the March 2024 Refinancing Transactions, such that all resulting CODI will be excluded from the company’s taxable income.

The process for determining the amount of tax attribute reduction is complex and the actual reduction to attributes does not occur until the first day of the company’s tax year subsequent to the date of the discharge event, or January 1, 2025. Therefore, the estimated impact of the tax attribute reduction from the March 2024 Refinancing Transactions is subject to change until the finalization of the company’s tax returns for the year ending December 31, 2024.

For purposes of determining the interim tax provision for the six months ended June 30, 2024, the company estimates that all its federal (and certain of its state) net operating loss and tax credit carryovers will be eliminated resulting from the tax attribute reduction for excluded CODI. For the six months ended June 30, 2024, the company recorded an income tax benefit of \$88.0 million related to the total effects of the March 2024 Refinancing Transactions, including excluded CODI, federal and state tax attribute reduction, and resulting changes in valuation allowance. The total income tax benefit recorded in the six months ended June 30, 2024 was a tax benefit of \$34.6 million which includes the \$88.0 million tax benefit from the March 2024 Refinancing Transactions.

11. Derivatives

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

Interest Rate Swaps

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

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

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

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

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

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

As discussed in Note 7, "Debt", on April 26, 2023 we executed an amendment to our First Lien Credit Agreement, which governs borrowings under our Term Loan Facility. This amendment established Term SOFR as the benchmark rate for determining the applicable interest rate, replacing LIBOR. To continue to manage our exposure to interest rate risk associated with our Term Loan Facility, effective May 9, 2023, we amended our remaining swap agreement to change the index from three-month LIBOR (subject to a floor of 0.75%) to one-month Term SOFR (subject to a floor of 0.75%). The fixed rate also changed from 2.3820% to 2.34150% as a result of the swap agreement amendment.

On a monthly basis, we net settle with the counterparty for the difference between the fixed rate of 2.34150% and the variable rate based upon the one-month Term SOFR (subject to a floor of 0.75%) as applied to the notional amount of the swap.

In conjunction with the March 2024 Refinancing Transactions, as discussed in Note 7, "Debt", we issued additional borrowings and used the proceeds to repay previously hedged borrowings under the Term Loan Facility. Given that the specific intent of the new borrowings was a replacement of the previously hedged borrowings and the economic characteristics were the same, we continue to apply hedge accounting on the replacement borrowings.

As of December 31, 2023 and June 30, 2024, the cash flow hedge was highly effective.

The key terms of interest rate swaps are presented below:

Effective Date	Fixed Rate Paid (Received)	December 31, 2023		June 30, 2024		Maturity Date
		Notional Amount (in millions)	Status	Notional Amount (in millions)	Status	
Entered into December 2018:						
February 3, 2019	2.7490%	—	Matured	—	Matured	November 3, 2023
February 3, 2020	2.7350%	—	Matured	—	Matured	November 3, 2023
February 3, 2021	2.7360%	—	Matured	—	Matured	November 3, 2023
February 3, 2022	2.7800%	—	Matured	—	Matured	November 3, 2023
Entered into February 2021:						
February 9, 2021	2.34150% ⁽¹⁾	1,350.0	Active	1,350.0	Active	February 9, 2026
Total		<u>\$ 1,350.0</u>		<u>\$ 1,350.0</u>		

(1) Fixed rate paid prior to the May 9, 2023 amendment was 2.3820%.

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

Fair Values of Derivatives on the Condensed Consolidated Balance Sheets

The fair values of our derivatives and their location on the Condensed Consolidated Balance Sheets as of December 31, 2023 and June 30, 2024 were as follows:

(In millions)	Derivatives designated as hedging instruments	Location	December 31, 2023		June 30, 2024	
			Assets	Liabilities	Assets	Liabilities
	Interest rate swaps	Other current assets	\$ 47.0	\$ —	\$ 49.9	\$ —
	Interest rate swaps	Other non-current assets	36.8	—	27.8	—
	Interest rate swaps	Other current liabilities ⁽¹⁾	—	17.3	—	17.3
	Interest rate swaps	Other non-current liabilities ⁽¹⁾	—	20.3	—	11.7
	Total		<u>\$ 83.8</u>	<u>\$ 37.6</u>	<u>\$ 77.7</u>	<u>\$ 29.0</u>

(1) The entire balance is comprised of the financing component of the pay-fixed interest rate swap.

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

(In millions)	December 31, 2023			June 30, 2024		
	Gross Amounts on Balance Sheet	Effects of Counterparty Netting	Net Amounts	Gross Amounts on Balance Sheet	Effects of Counterparty Netting	Net Amounts
Assets						
Interest rate swaps	\$ 83.8	\$ (37.6)	\$ 46.2	\$ 77.7	\$ (29.0)	\$ 48.7
Liabilities						
Interest rate swaps	\$ 37.6	\$ (37.6)	\$ —	\$ 29.0	\$ (29.0)	\$ —

Effect of Derivatives on the Condensed Consolidated Statements of Comprehensive Income (Loss)

The effect of our derivatives and their location on the Condensed Consolidated Statements of Comprehensive Income (Loss) for the three and six months ended June 30, 2023 and 2024 was as follows:

(In millions)		Three Months Ended June 30,		Six Months Ended June 30,	
		2023	2024	2023	2024
Derivatives not designated as hedging instruments					
	Location				
Interest rate swaps	Interest income (expense)	\$ (4.5)	\$ —	\$ (9.1)	\$ —
Derivatives designated as hedging instruments					
	Location				
Interest rate swaps	Interest income (expense)	\$ 13.5	\$ 14.9	\$ 25.7	\$ 29.8

Interest expense was \$57.3 million and \$18.4 million for the three months ended June 30, 2023 and 2024, respectively, and \$114.2 million and \$62.1 million for the six months ended June 30, 2023 and 2024, respectively. As of June 30, 2024, the amount of cash flow hedge gain included within "Accumulated other comprehensive income" that is expected to be reclassified as a reduction to "Interest expense" over the next 12 months is approximately \$52.6 million. See Note 12, "Accumulated Other Comprehensive Income (Loss)," for information regarding changes in fair value of our derivatives designated as hedging instruments.

Credit-risk-related Contingent Features

We have agreements with interest rate swap counterparties that contain a provision whereby if we default on any of our material indebtedness, then we could also be declared in default of our interest rate swap agreements. As of June 30, 2024, our outstanding interest rate swap agreement was in a net asset position.

12. Accumulated Other Comprehensive Income (Loss)

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

(In millions)	Accumulated Foreign Currency Translation Adjustments	Accumulated Gain on Derivative Contracts	Accumulated Other Comprehensive Income
Balance at March 31, 2023	\$ (6.6)	\$ 70.2	\$ 63.6
Foreign currency translation adjustments, net of tax expense of \$0.5	2.8	—	2.8
Unrealized gain on derivative contracts, net of tax expense of \$6.6	—	19.3	19.3
Amount reclassified from Accumulated comprehensive income (loss) into earnings, net of tax expense of \$2.2 ⁽¹⁾	—	(6.8)	(6.8)
Balance at June 30, 2023	<u>\$ (3.8)</u>	<u>\$ 82.7</u>	<u>\$ 78.9</u>

(1) Includes a reduction to interest expense recognized of \$13.5 million related to the cash flow hedge gain for the three months ended June 30, 2023, partially offset by an increase to interest expense for the amortization of off-market swap value and accumulated loss at hedge de-designation of \$4.5 million.

(In millions)	Accumulated Foreign Currency Translation Adjustments	Accumulated Gain on Derivative Contracts	Accumulated Other Comprehensive Income
Balance at December 31, 2022	\$ (10.0)	\$ 81.4	\$ 71.4
Foreign currency translation adjustments, net of tax expense of \$0.9	6.2	—	6.2
Unrealized gain on derivative contracts, net of tax expense of \$4.7	—	13.7	13.7
Amount reclassified from Accumulated comprehensive income (loss) into earnings, net of tax expense of \$4.2 ⁽¹⁾	—	(12.4)	(12.4)
Balance at June 30, 2023	<u>\$ (3.8)</u>	<u>\$ 82.7</u>	<u>\$ 78.9</u>

(1) Includes a reduction to interest expense recognized of \$25.7 million related to the cash flow hedge gain for the six months ended June 30, 2023, partially offset by an increase to interest expense for the amortization of off-market swap value and accumulated loss at hedge de-designation of \$9.1 million.

(In millions)	Accumulated Foreign Currency Translation Adjustments	Accumulated Gain on Derivative Contracts	Accumulated Other Comprehensive Income
Balance at March 31, 2024	\$ (5.7)	\$ 64.3	\$ 58.6
Foreign currency translation adjustments, net of tax expense of \$0.1	(0.8)	—	(0.8)
Unrealized gain on derivative contracts, net of tax expense of \$1.6	—	4.5	4.5
Amount reclassified from Accumulated comprehensive income (loss) into earnings, net of tax expense of \$3.8 ⁽¹⁾	—	(11.1)	(11.1)
Balance at June 30, 2024	<u>\$ (6.5)</u>	<u>\$ 57.7</u>	<u>\$ 51.2</u>

(1) Includes a reduction to interest expense recognized of \$14.9 million related to the cash flow hedge gain for the three months ended June 30, 2024.

(In millions)	Accumulated Foreign Currency Translation Adjustments	Accumulated Gain on Derivative Contracts	Accumulated Other Comprehensive Income
Balance at December 31, 2023	\$ (2.0)	\$ 62.3	\$ 60.3
Foreign currency translation adjustments, net of tax benefit of \$0.1	(4.5)	—	(4.5)
Unrealized gain on derivative contracts, net of tax expense of \$6.1	—	17.6	17.6
Amount reclassified from Accumulated comprehensive income (loss) into earnings, net of tax expense of \$7.6 ⁽¹⁾	—	(22.2)	(22.2)
Balance at June 30, 2024	<u>\$ (6.5)</u>	<u>\$ 57.7</u>	<u>\$ 51.2</u>

(1) Includes a reduction to interest expense recognized of \$29.8 million related to the cash flow hedge gain for the six months ended June 30, 2024.

13. Segment Reporting

We have organized our operations into two operating segments, which correspond directly to our reportable segments: Public Cloud, a services-centric, capital-light model providing value-added cloud solutions through managed services, Elastic Engineering and professional services offerings for customer environments hosted on the Amazon Web Services (“AWS”), Microsoft Azure and Google Cloud public cloud platforms; and Private Cloud, a technology-forward, capital-intensive model providing managed service offerings for customer environments hosted in one of our data centers as well as in those owned by customers or by third parties such as colocation providers. Private Cloud also includes our legacy OpenStack Public Cloud business that we ceased to actively market to customers in 2017.

Our segments are based upon a number of factors, including, the basis for our budgets and forecasts, organizational and management structure and the financial information regularly used by our Chief Operating Decision Maker to make key decisions and to assess performance. We assess financial performance of our segments on the basis of revenue and segment operating profit. Segment operating profit includes expenses directly attributable to running the respective segments' business. This excludes any corporate overhead expenses. We have centralized corporate functions that provide services to the segments in areas such as accounting, information technology, marketing, legal and human resources. Corporate function costs that are not allocated to the segments are included in the row labeled "Corporate functions" in the table below.

During the first quarter of 2024, we identified that an immaterial amount of revenue for a certain Private Cloud product offering was incorrectly reported in the Public Cloud segment in historical periods. Revenue by segment has been corrected in the table below by reducing Public Cloud revenue by \$1.2 million and increasing Private Cloud revenue by \$1.2 million for the three months ended June 30, 2023 and reducing Public Cloud revenue by \$2.3 million and increasing Private Cloud revenue by \$2.3 million for the six months ended June 30, 2023.

The table below presents a reconciliation of revenue by reportable segment to consolidated revenue and a reconciliation of consolidated segment operating profit to consolidated loss before income taxes for the three and six months ended June 30, 2023 and 2024.

(In millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2024	2023	2024
<i>Revenue by segment:</i>				
Public Cloud	\$ 433.7	\$ 424.9	\$ 877.2	\$ 847.3
Private Cloud	312.6	260.0	627.8	528.4
Total consolidated revenue	\$ 746.3	\$ 684.9	\$ 1,505.0	\$ 1,375.7
<i>Segment operating profit:</i>				
Public Cloud	\$ 15.8	\$ 11.8	\$ 39.2	\$ 21.1
Private Cloud	88.0	69.7	182.0	141.4
Total consolidated segment operating profit	103.8	81.5	221.2	162.5
Corporate functions	(64.8)	(58.7)	(131.7)	(123.5)
Share-based compensation expense	(19.5)	(19.5)	(34.7)	(32.3)
Special bonuses and other compensation expense ⁽¹⁾	(4.2)	(3.3)	(6.4)	(6.4)
Transaction-related adjustments, net ⁽²⁾	(1.2)	(1.6)	(2.5)	(2.6)
Restructuring and transformation expenses ⁽³⁾	(23.1)	(13.7)	(48.7)	(33.7)
Hosted Exchange incident expenses, net of proceeds received or expected to be received under our insurance coverage	(1.7)	0.1	(4.9)	(0.1)
Amortization of intangible assets ⁽⁴⁾	(41.0)	(38.6)	(81.9)	(77.3)
Impairment of goodwill	—	—	(543.1)	(573.2)
UK office closure ⁽⁵⁾	(12.1)	—	(12.1)	—
Impairment of assets, net	—	—	—	(20.0)
Interest expense	(57.3)	(18.4)	(114.2)	(62.1)
Gain on investments, net	0.1	—	0.2	0.1
Debt modification costs and gain on debt extinguishment	94.9	72.5	107.7	129.2
Other income (expense), net	0.2	(5.2)	2.3	(10.8)
Total consolidated loss before income taxes	\$ (25.9)	\$ (4.9)	\$ (648.8)	\$ (650.2)

- (1) Includes expense related to retention bonuses, mainly relating to restructuring and integration projects, and the related payroll tax, senior executive signing bonuses and relocation costs, and payroll taxes associated with the exercise of stock options and vesting of restricted stock. Beginning in the second quarter of 2023, includes expense related to the one-time grant of long-term incentive bonuses as a component of our annual compensation award process.
- (2) Includes legal, professional, accounting and other advisory fees related to acquisitions, certain one-time compliance costs related to being a public company, integration costs of acquired businesses, purchase accounting adjustments, payroll costs for employees that dedicate significant time to supporting these projects and exploratory acquisition and divestiture costs and expenses related to financing activities.
- (3) Includes consulting and advisory fees related to business transformation and optimization activities, payroll costs for employees that dedicate significant time to these projects, as well as associated severance, certain facility closure costs, and lease termination expenses. The six months ended June 30, 2024 also includes a \$9.0 million MEIA early termination fee associated with the sale of our corporate headquarters in March 2024.
- (4) All of our intangible assets are attributable to acquisitions, including the Rackspace Acquisition in 2016.
- (5) Expense recognized related to the closure of a UK office that we exited in the second quarter of 2023 prior to the lease end date.

The table below presents depreciation expense included in segment operating profit above for the three and six months ended June 30, 2023 and 2024.

(In millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2024	2023	2024
Public Cloud	\$ 2.5	\$ 2.0	\$ 4.6	\$ 3.5
Private Cloud	44.9	28.4	88.8	57.0
Corporate functions	9.3	5.1	17.1	11.2
Total depreciation expense	<u>\$ 56.7</u>	<u>\$ 35.5</u>	<u>\$ 110.5</u>	<u>\$ 71.7</u>

Management does not use total assets by segment to evaluate segment performance or allocate resources. As such, total assets by segment are not disclosed.

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

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

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

Overview

We are a leading end-to-end, hybrid, multicloud, and AI solutions company. We design, build and operate our customers' cloud environments across all major technology platforms, irrespective of technology stack or deployment model. We partner with our customers at every stage of their cloud journey, enabling them to modernize applications, build new products, and adopt innovative technologies.

We operate our business and report our results through two reportable segments: Public Cloud and Private Cloud. Our Public Cloud segment is a services-centric, capital-light model providing value-added cloud solutions through managed services, Elastic Engineering and professional services offerings for customer environments hosted on the AWS, Microsoft Azure and Google Cloud public cloud platforms. Our Private Cloud segment is a technology-forward, capital-intensive model providing managed service offerings for customer environments hosted in one of our data centers as well as in those owned by customers or by third parties such as colocation providers. Private Cloud also includes our legacy OpenStack Public Cloud business that we ceased to actively market to customers in 2017. See Item 1 of Part I, Financial Statements - Note 13, "Segment Reporting," for additional information about our segments.

Key Factors Affecting Our Performance

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

Differentiating Our Service Offerings in a Competitive Market Environment

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

Customer Relationships and Retention

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

Business Mix Shift

The mix of revenue has shifted in recent years, from our Private Cloud offerings to infrastructure resale and services within Public Cloud. Private Cloud offerings are generally hosted on our own infrastructure and deliver higher segment operating margins, but also require a higher level of capital expenditures. Conversely, Public Cloud segment operating margins are lower, driven by high volumes of infrastructure resale revenue which come at significantly lower margins. However, Public Cloud requires significantly less capital expenditures. Going forward, we will continue to take a workload-centric approach and both Public and Private Cloud will be the net recipients of the workloads. The focus in Private Cloud will be to defend and expand our revenue with new solutions. The focus in Public Cloud is on expanding segment operating margins by driving cost efficiencies and growing higher-margin services revenue.

Key Components of Statement of Operations

Revenue

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

Cost of revenue

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

Selling, general and administrative expenses (SG&A)

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

SG&A also includes transaction costs related to acquisitions and financings along with costs related to integration and business transformation initiatives which may impact the comparability of SG&A between periods.

Income taxes

Our income tax benefit (provision) and deferred tax assets and liabilities reflect management's best assessment of estimated current and future taxes to be paid. To date, we have recorded consolidated tax benefits, reflecting our net losses, though certain of our non-U.S. subsidiaries have incurred corporate tax expense according to the relevant taxing jurisdictions. We are under certain domestic and foreign tax audits. Due to the complexity involved with certain tax matters, there is the possibility that the various taxing authorities may disagree with certain tax positions filed on our income tax returns. We believe we have made adequate provision for all uncertain tax positions. See Item 1 of Part I, Financial Statements - Note 10, "Taxes."

Results of Operations

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

Three Months Ended June 30, 2023 Compared to Three Months Ended June 30, 2024

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

(In millions, except %)	Three Months Ended June 30,				Year-Over-Year Comparison	
	2023		2024		Amount	% Change
	Amount	% Revenue	Amount	% Revenue		
Revenue	\$ 746.3	100.0 %	\$ 684.9	100.0 %	\$ (61.4)	(8.2)%
Cost of revenue	(593.2)	(79.5)%	(553.5)	(80.8)%	39.7	(6.7)%
Gross profit	153.1	20.5 %	131.4	19.2 %	(21.7)	(14.2)%
Selling, general and administrative expenses	(216.9)	(29.1)%	(185.2)	(27.0)%	31.7	(14.6)%
Loss from operations	(63.8)	(8.5)%	(53.8)	(7.9)%	10.0	(15.7)%
Other income (expense):						
Interest expense	(57.3)	(7.7)%	(18.4)	(2.7)%	38.9	(67.9)%
Gain on investments, net	0.1	0.0 %	—	— %	(0.1)	(100.0)%
Debt modification costs and gain on debt extinguishment	94.9	12.7 %	72.5	10.6 %	(22.4)	(23.6)%
Other income (expense), net	0.2	0.0 %	(5.2)	(0.8)%	(5.4)	NM
Total other income (expense)	37.9	5.1 %	48.9	7.2 %	11.0	29.0 %
Loss before income taxes	(25.9)	(3.5)%	(4.9)	(0.7)%	21.0	(81.1)%
Benefit (provision) for income taxes	(1.3)	(0.2)%	29.9	4.4 %	31.2	NM
Net income (loss)	\$ (27.2)	(3.6)%	\$ 25.0	3.7 %	\$ 52.2	NM

NM = not meaningful.

Revenue

Revenue decreased \$61 million, or 8.2%, to \$685 million in the three months ended June 30, 2024 from \$746 million in the three months ended June 30, 2023. Revenue declined due to decreases in both Private Cloud and Public Cloud revenue, as discussed below.

After removing the impact of foreign currency fluctuations, on a constant currency basis, revenue decreased 8.3% year-over-year. The following table presents revenue growth by segment:

(In millions, except %)	Three Months Ended June 30,		% Change	
	2023	2024	Actual	Constant Currency ^(a)
Public Cloud	\$ 433.7	\$ 424.9	(2.0)%	(2.0)%
Private Cloud	312.6	260.0	(16.8)%	(17.0)%
Total	\$ 746.3	\$ 684.9	(8.2)%	(8.3)%

(a) Refer to "Non-GAAP Financial Measures" in this section for further explanation and reconciliation.

Public Cloud revenue in the three months ended June 30, 2024 decreased 2.0% on an actual and constant currency basis, from the three months ended June 30, 2023. The decline was due to macro-economic pressures, which caused a tightening of customer discretionary spend and optimizations, along with continued cyclical headwinds in IT services.

Private Cloud revenue in the three months ended June 30, 2024 decreased 16.8% on an actual basis and 17.0% on a constant currency basis, from the three months ended June 30, 2023, due to customers rolling off old generation private cloud offerings and expected decline in legacy OpenStack offerings.

Cost of Revenue

Cost of revenue decreased \$40 million, or 7%, to \$554 million in the three months ended June 30, 2024 from \$593 million in the three months ended June 30, 2023. The decrease in cost of revenue was primarily due to a decline in personnel costs associated with a reduction in headcount between periods and lower severance expense. Also contributing to the reduction in cost of revenue was an increase in the useful life of certain customer gear assets, as discussed in Item 1 of Part I, Financial Statements - Note 1, "Company Overview, Basis of Presentation, and Summary of Significant Accounting Policies", which resulted in a decline in depreciation expense between periods. A reduction in license expense due to decreased usage further contributed to the decrease in cost of revenue between periods. Increased usage charges for third-party infrastructure partially offset these reductions.

As a percentage of revenue, cost of revenue increased 130 basis points in the three months ended June 30, 2024 to 80.8% from 79.5% in the three months ended June 30, 2023 as the decline in revenue growth outpaced the decrease in cost of revenue.

Gross Profit

Our gross profit was \$131 million in the three months ended June 30, 2024, a decrease of \$22 million from \$153 million in the three months ended June 30, 2023. Our gross margin was 19.2% in the three months ended June 30, 2024, a decrease of 130 basis points from 20.5% in the three months ended June 30, 2023.

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased \$32 million, or 15%, to \$185 million in the three months ended June 30, 2024 from \$217 million in the three months ended June 30, 2023. The three months ended June 30, 2023 includes \$12 million of expense recognized for a UK office that we exited in the second quarter of 2023, prior to the lease end date. Other cost fluctuations included lower professional fees, a reduction in depreciation and amortization expense, and business optimization related expenses between periods. Personnel costs decreased marginally between periods driven by a reduction in severance and commissions expense.

As a percentage of revenue, selling, general and administrative expenses decreased 210 basis points, to 27.0% in the three months ended June 30, 2024 from 29.1% in the three months ended June 30, 2023 driven by the factors discussed above.

Loss from Operations, Segment Operating Profit, and Non-GAAP Operating Profit

Our loss from operations was \$54 million in the three months ended June 30, 2024 compared to \$64 million in the three months ended June 30, 2023. Our Non-GAAP Operating Profit was \$23 million in the three months ended June 30, 2024, a decrease of \$16 million from \$39 million in the three months ended June 30, 2023. Non-GAAP Operating Profit is a non-GAAP financial measure. See "Non-GAAP Financial Measures" below for more information.

The table below presents a reconciliation of loss from operations to Non-GAAP Operating Profit.

(In millions)	Three Months Ended June 30,	
	2023	2024
Loss from operations	\$ (63.8)	\$ (53.8)
Share-based compensation expense	19.5	19.5
Special bonuses and other compensation expense ^(a)	4.2	3.3
Transaction-related adjustments, net ^(b)	1.2	1.6
Restructuring and transformation expenses ^(c)	23.1	13.7
Hosted Exchange incident expenses, net of proceeds received or expected to be received under our insurance coverage	1.7	(0.1)
Amortization of intangible assets ^(d)	41.0	38.6
UK office closure ^(e)	12.1	—
Non-GAAP Operating Profit	\$ 39.0	\$ 22.8

- (a) Includes expense related to retention bonuses, mainly relating to restructuring and integration projects, and the related payroll tax, senior executive signing bonuses and relocation costs, and payroll taxes associated with the exercise of stock options and vesting of restricted stock. Beginning in the second quarter of 2023, includes expense related to the one-time grant of long-term incentive bonuses as a component of our annual compensation award process.
- (b) Includes legal, professional, accounting and other advisory fees related to acquisitions, certain one-time compliance costs related to being a public company, integration costs of acquired businesses, purchase accounting adjustments, payroll costs for employees that dedicate significant time to supporting these projects and exploratory acquisition and divestiture costs and expenses related to financing activities.
- (c) Includes consulting and advisory fees related to business transformation and optimization activities, payroll costs for employees that dedicate significant time to these projects, as well as associated severance, certain facility closure costs, and lease termination expenses.
- (d) All of our intangible assets are attributable to acquisitions, including the Rackspace Acquisition in 2016.
- (e) Expense recognized related to the closure of a UK office that we exited in the second quarter of 2023 prior to the lease end date.

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

(In millions, except %)	Three Months Ended June 30,				Year-Over-Year Comparison	
	2023		2024		Amount	% Change
	Amount	% of Segment Revenue	Amount	% of Segment Revenue		
Segment operating profit:						
Public Cloud	\$ 15.8	3.6 %	\$ 11.8	2.8 %	\$ (4.0)	(25.3)%
Private Cloud	88.0	28.2 %	69.7	26.8 %	(18.3)	(20.8)%
Total consolidated segment operating profit	103.8		81.5		(22.3)	(21.5)%
Corporate functions	(64.8)		(58.7)		6.1	(9.4)%
Non-GAAP Operating Profit	\$ 39.0		\$ 22.8		\$ (16.2)	(41.5)%

Public Cloud operating profit decreased 25% in the three months ended June 30, 2024 from the three months ended June 30, 2023. Segment operating profit as a percentage of segment revenue decreased by 80 basis points, reflecting a 2% decrease in segment revenue, partially offset by a 1% decrease in segment operating expenses.

Private Cloud operating profit decreased 21% in the three months ended June 30, 2024 from the three months ended June 30, 2023. Segment operating profit as a percentage of segment revenue decreased by 140 basis points due to a 17% decrease in segment revenue, partially offset by a 15% decrease in segment operating expenses. The decrease in costs was mainly driven by a reduction in personnel costs from cost savings as a result of shifting roles to lower-cost locations as part of our continued focus on business optimization initiatives.

Centralized corporate functions that provide services to the segments in areas such as accounting, information technology, marketing, legal and human resources are not allocated to the segments and are included in "corporate functions" in the table above. This expense decreased 9% in the three months ended June 30, 2024 from the three months ended June 30, 2023 due to a reduction in depreciation and amortization expense driven by certain assets reaching the end of their useful life. Additionally, our continued focus on cost management further contributed to the cost reduction.

For more information about our segment operating profit, see Item 1 of Part I, Financial Statements - Note 13, "Segment Reporting."

Interest Expense

Interest expense decreased \$39 million, or 68%, to \$18 million in the three months ended June 30, 2024 from \$57 million in the three months ended June 30, 2023, primarily due to the accounting for contractual interest payments on debt instruments entered into as part of the March 2024 Refinancing Transactions, portions of which are recorded as a reduction of related premiums and not as interest expense, which reduces interest expense relative to contractual interest cost.

Debt Modification Costs and Gain on Debt Extinguishment

We recorded \$73 million of debt modification costs and gain on debt extinguishment in the three months ended June 30, 2024, which included a \$49 million gain on debt extinguishment related to repurchases of an aggregate \$68 million principal amount of 3.50% FLSO Senior Secured Notes, FLSO Term Loan Facility, and 5.375% Senior Notes during the period. The remaining amount is related to the closing of the Public Note Exchange in April 2024, which was initiated as part of the March 2024 Refinancing Transactions.

We recorded a \$95 million gain on debt extinguishment in the three months ended June 30, 2023 related to repurchases of \$142 million principal amount of 5.375% Senior Notes.

For more information, see Item 1 of Part I, Financial Statements - Note 7, "Debt."

Other Income (Expense), Net

We had \$5 million of other expense and \$0.2 million of other income in the three months ended June 30, 2024 and June 30, 2023, respectively, primarily due to costs incurred in the three months ended June 30, 2024 related to the accounts receivable purchase agreement entered into in September 2023 and the impact of foreign currency losses.

Benefit (Provision) for Income Taxes

Our income tax benefit was \$30 million in the three months ended June 30, 2024 compared to \$1 million income tax expense in the three months ended June 30, 2023. Our effective tax rate increased to 612.6% in the three months ended June 30, 2024 from (5.1)% in the three months ended June 30, 2023. The increase in the effective tax rate year-over-year is primarily due to the tax impact associated with changes in the valuation allowance and the March 2024 Refinancing Transactions. The difference between the effective tax rate and the statutory rate for the three months ended June 30, 2024 is primarily due to the tax impact associated with changes in the valuation allowance and the impact of the March 2024 Refinancing Transactions.

Six Months Ended June 30, 2023 Compared to Six Months Ended June 30, 2024

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

(In millions, except %)	Six Months Ended June 30,				Year-Over-Year Comparison	
	2023		2024		Amount	% Change
	Amount	% Revenue	Amount	% Revenue		
Revenue	\$ 1,505.0	100.0 %	\$ 1,375.7	100.0 %	\$ (129.3)	(8.6)%
Cost of revenue	(1,182.3)	(78.6)%	(1,111.5)	(80.8)%	70.8	(6.0)%
Gross profit	322.7	21.4 %	264.2	19.2 %	(58.5)	(18.1)%
Selling, general and administrative expenses	(424.4)	(28.2)%	(377.6)	(27.5)%	46.8	(11.0)%
Impairment of goodwill	(543.1)	(36.1)%	(573.2)	(41.7)%	(30.1)	5.5 %
Impairment of assets, net	—	— %	(20.0)	(1.5)%	(20.0)	100.0 %
Loss from operations	(644.8)	(42.8)%	(706.6)	(51.4)%	(61.8)	9.6 %
Other income (expense):						
Interest expense	(114.2)	(7.6)%	(62.1)	(4.5)%	52.1	(45.6)%
Gain on investments, net	0.2	0.0 %	0.1	0.0 %	(0.1)	(50.0)%
Debt modification costs and gain on debt extinguishment	107.7	7.2 %	129.2	9.4 %	21.5	20.0 %
Other income (expense), net	2.3	0.2 %	(10.8)	(0.8)%	(13.1)	NM
Total other income (expense)	(4.0)	(0.3)%	56.4	4.1 %	60.4	NM
Loss before income taxes	(648.8)	(43.1)%	(650.2)	(47.3)%	(1.4)	0.2 %
Benefit for income taxes	9.6	0.6 %	34.6	2.5 %	25.0	NM
Net loss	\$ (639.2)	(42.5)%	\$ (615.6)	(44.7)%	\$ 23.6	(3.7)%

NM = not meaningful.

Revenue

Revenue decreased \$129 million, or 8.6%, to \$1,376 million in the six months ended June 30, 2024 from \$1,505 million in the six months ended June 30, 2023. Revenue declined due to decreases in both Private Cloud and Public Cloud revenue, as discussed below.

After removing the impact from foreign currency fluctuations, on a constant currency basis, revenue decreased 8.8% year-over-year. The following table presents revenue growth by segment:

(In millions, except %)	Six Months Ended June 30,		% Change	
	2023	2024	Actual	Constant Currency ^(a)
Public Cloud	\$ 877.2	\$ 847.3	(3.4)%	(3.5)%
Private Cloud	627.8	528.4	(15.8)%	(16.3)%
Total	\$ 1,505.0	\$ 1,375.7	(8.6)%	(8.8)%

(a) Refer to "Non-GAAP Financial Measures" in this section for further explanation and reconciliation.

Public Cloud revenue in the six months ended June 30, 2024 decreased 3.4% on an actual basis and 3.5% on a constant currency basis, from the six months ended June 30, 2023. The decline was due to macro-economic pressures, which caused a tightening of customer discretionary spend and optimizations, along with continued cyclical headwinds in IT services.

Private Cloud revenue in the six months ended June 30, 2024 decreased 15.8% on an actual basis and 16.3% on a constant currency basis, from the six months ended June 30, 2023, due to customers rolling off old generation private cloud offerings and expected decline in legacy OpenStack offerings.

Cost of Revenue

Cost of revenue decreased \$71 million, or 6%, to \$1,112 million in the six months ended June 30, 2024 from \$1,182 million in the six months ended June 30, 2023. The decrease in cost of revenue was primarily due to a decline in personnel costs associated with a reduction in headcount between periods and lower severance expense. Also contributing to the reduction in cost of revenue was an increase in the useful life of certain customer gear assets, as discussed in Item 1 of Part I, Financial Statements - Note 1, "Company Overview, Basis of Presentation, and Summary of Significant Accounting Policies", which resulted in a decline in depreciation expense between periods. A reduction in license expense due to decreased usage further contributed to the decrease in cost of revenue between periods. Increased usage charges for third-party infrastructure partially offset these reductions.

As a percentage of revenue, cost of revenue increased 220 basis points in the six months ended June 30, 2024 to 80.8% from 78.6% in the six months ended June 30, 2023, as the decline in revenue growth outpaced the decrease in cost of revenue. Usage charges for third-party infrastructure drove a 470 basis point increase. The decrease in personnel costs and depreciation expense, discussed above, partially offset the increase.

Gross Profit

Our gross profit was \$264 million in the six months ended June 30, 2024, a decrease of \$59 million from \$323 million in the six months ended June 30, 2023. Our gross margin was 19.2% in the six months ended June 30, 2024, a decrease of 220 basis points from 21.4% in the six months ended June 30, 2023.

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased \$47 million, or 11%, to \$378 million in the six months ended June 30, 2024 from \$424 million in the six months ended June 30, 2023. The six months ended June 30, 2023 includes \$12 million of expense recognized for a UK office that we exited in the second quarter of 2023, prior to the lease end date. In addition, personnel costs decreased due to a reduction in salaries driven by lower headcount and decreases in severance and commissions expense, partially offset by an increase in non-equity incentive compensation. Other non-personnel cost fluctuations included lower professional fees, a reduction in depreciation and amortization expense, and business optimization related expenses between periods.

As a percentage of revenue, selling, general and administrative expenses decreased 70 basis points, to 27.5% in the six months ended June 30, 2024 from 28.2% in the six months ended June 30, 2023.

Loss from Operations, Segment Operating Profit, and Non-GAAP Operating Profit

Our loss from operations was \$707 million in the six months ended June 30, 2024 compared to \$645 million in the six months ended June 30, 2023. Our Non-GAAP Operating Profit was \$39 million in the six months ended June 30, 2024, a decrease of \$51 million from \$90 million in the six months ended June 30, 2023. Non-GAAP Operating Profit is a non-GAAP financial measure. See "Non-GAAP Financial Measures" below for more information.

The table below presents a reconciliation of loss from operations to Non-GAAP Operating Profit.

(In millions)	Six Months Ended June 30,	
	2023	2024
Loss from operations	\$ (644.8)	\$ (706.6)
Share-based compensation expense	34.7	32.3
Special bonuses and other compensation expense ^(a)	6.4	6.4
Transaction-related adjustments, net ^(b)	2.5	2.6
Restructuring and transformation expenses ^(c)	48.7	33.7
Hosted Exchange incident expenses, net of proceeds received or expected to be received under our insurance coverage	4.9	0.1
Impairment of goodwill	543.1	573.2
Impairment of assets, net	—	20.0
Amortization of intangible assets ^(d)	81.9	77.3
UK office closure ^(e)	12.1	—
Non-GAAP Operating Profit	\$ 89.5	\$ 39.0

- (a) Includes expense related to retention bonuses, mainly relating to restructuring and integration projects, and the related payroll tax, senior executive signing bonuses and relocation costs, and payroll taxes associated with the exercise of stock options and vesting of restricted stock. Beginning in the second quarter of 2023, includes expense related to the one-time grant of long-term incentive bonuses as a component of our annual compensation award process.
- (b) Includes legal, professional, accounting and other advisory fees related to acquisitions, certain one-time compliance costs related to being a public company, integration costs of acquired businesses, purchase accounting adjustments, payroll costs for employees that dedicate significant time to supporting these projects and exploratory acquisition and divestiture costs and expenses related to financing activities.
- (c) Includes consulting and advisory fees related to business transformation and optimization activities, payroll costs for employees that dedicate significant time to these projects, as well as associated severance, certain facility closure costs, and lease termination expenses. The six months ended June 30, 2024 also includes a \$9.0 million MEIA early termination fee associated with the sale of our corporate headquarters in March 2024.
- (d) All of our intangible assets are attributable to acquisitions, including the Rackspace Acquisition in 2016.
- (e) Expense recognized related to the closure of a UK office that we exited in the second quarter of 2023 prior to the lease end date.

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

(In millions, except %)	Six Months Ended June 30,				Year-Over-Year Comparison	
	2023		2024		Amount	% Change
	Amount	% of Segment Revenue	Amount	% of Segment Revenue		
Segment operating profit:						
Public Cloud	\$ 39.2	4.5 %	\$ 21.1	2.5 %	\$ (18.1)	(46.2)%
Private Cloud	182.0	29.0 %	141.4	26.8 %	(40.6)	(22.3)%
Total consolidated segment operating profit	221.2		162.5		(58.7)	(26.5)%
Corporate functions	(131.7)		(123.5)		8.2	(6.2)%
Non-GAAP Operating Profit	\$ 89.5		\$ 39.0		\$ (50.5)	(56.4)%

Public Cloud operating profit decreased 46% in the six months ended June 30, 2024 from the six months ended June 30, 2023. Segment operating profit as a percentage of segment revenue decreased by 200 basis points, reflecting a 3% decrease in segment revenue, partially offset by a 1% decrease in segment operating expenses.

Private Cloud operating profit decreased 22% in the six months ended June 30, 2024 from the six months ended June 30, 2023. Segment operating profit as a percentage of segment revenue decreased by 220 basis points, due to a 16% decrease in segment revenue, partially offset by a 13% decrease in segment operating expenses. The decrease in costs was mainly driven by a reduction in personnel costs from cost savings as a result of shifting roles to lower cost locations as part of our continued focus on business optimization initiatives.

Centralized corporate functions that provide services to the segments in areas such as accounting, information technology, marketing, legal and human resources are not allocated to the segments and are included in "corporate functions" in the table above. This expense decreased 6% in the six months ended June 30, 2024 from the six months ended June 30, 2023 due to a reduction in depreciation and amortization expense driven by certain assets reaching the end of their useful life. Additionally, our continued focus on cost management further contributed to the cost reduction.

For more information about our segment operating profit, see Item 1 of Part I, Financial Statements - Note 13, "Segment Reporting."

Impairment of Goodwill

We recorded a total of \$543 million and \$573 million in non-cash goodwill impairment charges in the six months ended June 30, 2023 and June 30, 2024, respectively.

In connection with the debt refinancing transactions that were completed in March and April 2024, as further described in Item 1 of Part I, Financial Statements - Note 7, "Debt", we updated our internal forecasts. As of February 29, 2024, we assessed our Board approved 2024 internal budget along with several events and circumstances that could affect the significant inputs used to determine the fair value of our reporting units, including the significance of the amount, if any, of excess carrying value over fair value, consistency of our current and forecasted operating margins and cash flows, budgeted-to-actual performance, timing of the expected effects of our strategic initiatives, overall change in economic climate, changes in the industry and competitive environment, changes to our risk-adjusted discount rates and earnings quality and sustainability. After considering all available evidence in our evaluation of goodwill impairment indicators, we determined it appropriate to perform an interim quantitative assessment of our reporting units as of February 29, 2024. The results of this goodwill impairment analysis indicated an impairment of goodwill within our Public Cloud and Private Cloud reporting units of \$385 million and \$188 million, respectively, recorded in the first quarter of 2024.

Due to the change in our segment reporting as a result of the business reorganization as of January 1, 2023, we completed a quantitative goodwill impairment analysis both prior and subsequent to the aforementioned change. The results of the quantitative goodwill impairment analysis performed as of January 1, 2023, subsequent to the change, indicated an impairment within our Private Cloud reporting unit, and we recorded a non-cash impairment charge of \$271 million in the first quarter of 2023.

During the first quarter of 2023, we experienced a sustained decline in our stock price resulting in our market capitalization being less than the carrying value of our combined reporting units. As of March 31, 2023, we assessed several events and circumstances that could affect the significant inputs used to determine the fair value of our reporting units, including the significance of the amount, if any, of excess carrying value over fair value, consistency of operating margins and cash flows, budgeted-to-actual performance for the first three months of the year, overall change in economic climate, changes in the industry and competitive environment, and earnings quality and sustainability. After considering all available evidence in our evaluation of goodwill impairment indicators, we determined it appropriate to perform an interim quantitative assessment of our reporting units as of March 31, 2023. The results of this quantitative goodwill impairment analysis indicated an impairment within our Private Cloud reporting unit, and we recorded an additional non-cash impairment charge of \$272 million in the first quarter of 2023.

Impairment of Assets, Net

We evaluated our indefinite-lived intangible asset for impairment as of February 29, 2024. As a result of this evaluation, we recorded a \$20 million impairment of our indefinite-lived intangible asset in the six months ended June 30, 2024. There was no such impairment in the six months ended June 30, 2023.

Interest Expense

Interest expense decreased \$52 million, or 46%, to \$62 million in the six months ended June 30, 2024 from \$114 million in the six months ended June 30, 2023, primarily due to the accounting for contractual interest payments on debt instruments entered into as part of the March 2024 Refinancing Transactions, portions of which are recorded as a reduction of related premiums and not as interest expense, which reduces interest expense relative to contractual interest cost.

Debt Modification Costs and Gain on Debt Extinguishment

We recorded \$80 million debt modification costs and gain on debt extinguishment in the six months ended June 30, 2024 related to the March 2024 Refinancing Transactions. In addition, we recorded a \$49 million gain on debt extinguishment related to repurchases of an aggregate \$68 million principal amount of 3.50% FLSO Senior Secured Notes, FLSO Term Loan Facility, and 5.375% Senior Notes during the period.

We recorded a \$108 million gain on debt extinguishment in the six months ended June 30, 2023 related to repurchases of \$165 million principal amount of 5.375% Senior Notes.

For more information, see Item 1 of Part I, Financial Statements - Note 7, "Debt."

Other Income (Expense), Net

We had \$11 million of other expense in the six months ended June 30, 2024 and \$2 million of other income in the six months ended June 30, 2023, respectively, primarily due to costs incurred in the six months ended June 30, 2024 related to the accounts receivable purchase agreement entered into in September 2023 and the impact of foreign currency losses.

Benefit for Income Taxes

Our income tax benefit increased to \$35 million in the six months ended June 30, 2024 from \$10 million in the six months ended June 30, 2023. Our effective tax rate increased to 5.3% in the six months ended June 30, 2024 from 1.5% in the six months ended June 30, 2023. The increase in the effective tax rate year-over-year is primarily due to the tax impact associated with changes in the valuation allowance, geographic distribution of profits, the tax impact associated with goodwill impairments recorded in both the first quarter of 2024 and the first quarter of 2023, the majority of which were nondeductible for income tax purposes, and the income tax benefit of \$88 million related to the March 2024 Refinancing Transactions discussed above. The difference between the effective tax rate and the statutory rate for the six months ended June 30, 2024 is primarily due to the tax impact associated with changes in the valuation allowance, the tax impact associated with the goodwill impairment recorded in the first quarter of 2024, and the impact of the March 2024 Refinancing Transactions.

Non-GAAP Financial Measures

We track several non-GAAP financial measures to monitor and manage our underlying financial performance. The following discussion includes the presentation of constant currency revenue, Non-GAAP Gross Profit, Non-GAAP Net Income (Loss), Non-GAAP Operating Profit, Adjusted EBITDA and Non-GAAP Earnings (Loss) Per Share, which are non-GAAP financial measures that exclude the impact of certain costs, losses and gains that are required to be included in our profit and loss measures under GAAP. Although we believe these measures are useful to investors and analysts for the same reasons they are useful to management, as discussed below, these measures are not a substitute for, or superior to, U.S. GAAP financial measures or disclosures. Other companies may calculate similarly-titled non-GAAP measures differently, limiting their usefulness as comparative measures. We have reconciled each of these non-GAAP measures to the applicable most comparable GAAP measure throughout this MD&A.

Constant Currency Revenue

We use constant currency revenue as an additional metric for understanding and assessing our growth excluding the effect of foreign currency rate fluctuations on our international business operations. Constant currency information compares results between periods as if exchange rates had remained constant period over period and is calculated by translating the non-U.S. dollar income statement balances for the most current period to U.S. dollars using the average exchange rate from the comparative period rather than the actual exchange rates in effect during the respective period. We also believe this is an important metric to help investors evaluate our performance in comparison to prior periods.

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

	Three Months Ended June 30, 2023		Three Months Ended June 30, 2024		% Change	
	Revenue	Revenue	Foreign Currency Translation ^(a)	Revenue in Constant Currency	Actual	Constant Currency
(In millions, except %)						
Public Cloud	\$ 433.7	\$ 424.9	\$ —	\$ 424.9	(2.0)%	(2.0)%
Private Cloud	312.6	260.0	(0.5)	259.5	(16.8)%	(17.0)%
Total	\$ 746.3	\$ 684.9	\$ (0.5)	\$ 684.4	(8.2)%	(8.3)%

(a) The effect of foreign currency is calculated by translating current period results using the average exchange rate from the prior comparative period.

	Six Months Ended June 30, 2023		Six Months Ended June 30, 2024		% Change	
	Revenue	Revenue	Foreign Currency Translation ^(a)	Revenue in Constant Currency	Actual	Constant Currency
(In millions, except %)						
Public Cloud	\$ 877.2	\$ 847.3	\$ (0.7)	\$ 846.6	(3.4)%	(3.5)%
Private Cloud	627.8	528.4	(2.6)	525.8	(15.8)%	(16.3)%
Total	\$ 1,505.0	\$ 1,375.7	\$ (3.3)	\$ 1,372.4	(8.6)%	(8.8)%

(a) The effect of foreign currency is calculated by translating current period results using the average exchange rate from the prior comparative period.

Non-GAAP Gross Profit

We present Non-GAAP Gross Profit in this MD&A because we believe the measure is useful in analyzing trends in our underlying, recurring gross margins. We define Non-GAAP Gross Profit as gross profit, adjusted to exclude the impact of share-based compensation expense and other non-recurring or unusual compensation items, purchase accounting-related effects, certain business transformation-related costs, and costs related to the Hosted Exchange incident.

The table below presents a reconciliation of gross profit to Non-GAAP Gross Profit:

(In millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2024	2023	2024
Gross profit	\$ 153.1	\$ 131.4	\$ 322.7	\$ 264.2
Share-based compensation expense	2.6	2.0	5.4	3.9
Special bonuses and other compensation expense ^(a)	1.4	1.0	2.1	1.9
Purchase accounting impact on expense ^(b)	0.7	0.6	1.3	1.2
Restructuring and transformation expenses ^(c)	5.1	4.3	9.8	9.2
Hosted Exchange incident expenses, net of proceeds received or expected to be received under our insurance coverage	—	—	0.3	—
Non-GAAP Gross Profit	\$ 162.9	\$ 139.3	\$ 341.6	\$ 280.4

- (a) Adjustments for retention bonuses, mainly in connection with restructuring and transformation projects, and the related payroll tax, and payroll taxes associated with the exercise of stock options and vesting of restricted stock. Beginning in the second quarter of 2023, includes expense related to the one-time grant of long-term incentive bonuses as a component of our annual compensation award process.
- (b) Adjustment for the impact of purchase accounting from the Rackspace Acquisition on expenses.
- (c) Adjustment for the impact of business transformation and optimization activities, as well as associated severance, certain facility closure costs and lease termination expenses.

Non-GAAP Net Income (Loss), Non-GAAP Operating Profit and Adjusted EBITDA

We present Non-GAAP Net Income (Loss), Non-GAAP Operating Profit and Adjusted EBITDA because they are a basis upon which management assesses our performance and we believe they are useful to evaluating our financial performance. We believe that excluding items from net income that may not be indicative of, or are unrelated to, our core operating results, and that may vary in frequency or magnitude, enhances the comparability of our results and provides a better baseline for analyzing trends in our business.

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

We define Non-GAAP Net Income (Loss) as net income (loss) adjusted to exclude the impact of non-cash charges for share-based compensation, special bonuses and other compensation expense, transaction-related costs and adjustments, restructuring and transformation charges, costs related to the Hosted Exchange incident, the amortization of acquired intangible assets, goodwill and asset impairment charges, costs related to the closure of a UK office, the interest expense impact from the debt Refinancing Transactions, and certain other non-operating, non-recurring or non-core gains and losses, as well as the tax effects of these non-GAAP adjustments.

We define Non-GAAP Operating Profit as income (loss) from operations adjusted to exclude the impact of non-cash charges for share-based compensation, special bonuses and other compensation expense, transaction-related costs and adjustments, restructuring and transformation charges, costs related to the Hosted Exchange incident, the amortization of acquired intangible assets, goodwill and asset impairment charges, costs related to the closure of a UK office, and certain other non-operating, non-recurring or non-core gains and losses.

We define Adjusted EBITDA as net income (loss) adjusted to exclude the impact of non-cash charges for share-based compensation, special bonuses and other compensation expense, transaction-related costs and adjustments, restructuring and transformation charges, costs related to the Hosted Exchange incident, costs related to the closure of a UK office, certain other non-operating, non-recurring or non-core gains and losses, interest expense, expenses for our accounts receivable purchase agreement, income taxes, depreciation and amortization, and goodwill and asset impairment charges.

Non-GAAP Operating Profit and Adjusted EBITDA are management's principal metrics for measuring our underlying financial performance. Non-GAAP Operating Profit and Adjusted EBITDA, along with other quantitative and qualitative information, are also the principal financial measures used by management and our board of directors in determining performance-based compensation for our management and key employees.

These non-GAAP measures are not intended to imply that we would have generated higher income or avoided net losses if the Rackspace Acquisition and the subsequent transactions and initiatives had not occurred. In the future we may incur expenses or charges such as those added back to calculate Non-GAAP Net Income (Loss), Non-GAAP Operating Profit or Adjusted EBITDA. Our presentation of Non-GAAP Net Income (Loss), Non-GAAP Operating Profit and Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by these items. Other companies, including our peer companies, may calculate similarly-titled measures in a different manner from us, and therefore, our non-GAAP measures may not be comparable to similarly-titled measures of other companies. Investors are cautioned against using these measures to the exclusion of our results in accordance with GAAP.

The following tables present a reconciliation of Non-GAAP Net Income (Loss) and Adjusted EBITDA to the most directly comparable GAAP financial measures. For a reconciliation of income (loss) from operations to Non-GAAP Operating Profit, see "*Loss from Operations, Segment Operating Profit, and Non-GAAP Operating Profit*" in the year-over-year comparison under "Results of Operations" above.

Net income (loss) reconciliation to Non-GAAP Net Loss

(In millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2024	2023	2024
Net income (loss)	\$ (27.2)	\$ 25.0	\$ (639.2)	\$ (615.6)
Share-based compensation expense	19.5	19.5	34.7	32.3
Special bonuses and other compensation expense ^(a)	4.2	3.3	6.4	6.4
Transaction-related adjustments, net ^(b)	1.2	1.6	2.5	2.6
Restructuring and transformation expenses ^(c)	23.1	13.7	48.7	33.7
Hosted Exchange incident expenses, net of proceeds received or expected to be received under our insurance coverage	1.7	(0.1)	4.9	0.1
Impairment of goodwill	—	—	543.1	573.2
UK office closure ^(d)	12.1	—	12.1	—
Impairment of assets, net	—	—	—	20.0
Net gain on divestiture and investments ^(e)	(0.1)	—	(0.2)	(0.1)
Debt modification costs and gain on debt extinguishment	(94.9)	(72.5)	(107.7)	(129.2)
Interest expense impact from the Refinancing Transactions ^(f)	—	(25.6)	—	(25.6)
Other adjustments ^(g)	(0.2)	0.1	(2.3)	0.5
Amortization of intangible assets ^(h)	41.0	38.6	81.9	77.3
Tax effect of non-GAAP adjustments ⁽ⁱ⁾	6.1	(23.0)	(3.1)	(19.3)
Non-GAAP Net Loss	\$ (13.5)	\$ (19.4)	\$ (18.2)	\$ (43.7)

Net income (loss) reconciliation to Adjusted EBITDA

(In millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2024	2023	2024
Net income (loss)	\$ (27.2)	\$ 25.0	\$ (639.2)	\$ (615.6)
Share-based compensation expense	19.5	19.5	34.7	32.3
Special bonuses and other compensation expense ^(a)	4.2	3.3	6.4	6.4
Transaction-related adjustments, net ^(b)	1.2	1.6	2.5	2.6
Restructuring and transformation expenses ^(c)	23.1	13.7	48.7	33.7
Hosted Exchange incident expenses, net of proceeds received or expected to be received under our insurance coverage	1.7	(0.1)	4.9	0.1
Impairment of goodwill	—	—	543.1	573.2
UK office closure ^(d)	12.1	—	12.1	—
Impairment of assets, net	—	—	—	20.0
Net gain on divestiture and investments ^(e)	(0.1)	—	(0.2)	(0.1)
Debt modification costs and gain on debt extinguishment	(94.9)	(72.5)	(107.7)	(129.2)
Other (income) expense, net ^(f)	(0.2)	5.2	(2.3)	10.8
Interest expense	57.3	18.4	114.2	62.1
Provision (benefit) for income taxes	1.3	(29.9)	(9.6)	(34.6)
Depreciation and amortization ^(k)	95.5	73.4	189.1	148.3
Adjusted EBITDA	\$ 93.5	\$ 57.6	\$ 196.7	\$ 110.0

- (a) Includes expense related to retention bonuses, mainly relating to restructuring and integration projects, and the related payroll tax, senior executive signing bonuses and relocation costs, and payroll taxes associated with the exercise of stock options and vesting of restricted stock. Beginning in the second quarter of 2023, includes expense related to the one-time grant of long-term incentive bonuses as a component of our annual compensation award process.
- (b) Includes legal, professional, accounting and other advisory fees related to acquisitions, certain one-time compliance costs related to being a public company, integration costs of acquired businesses, purchase accounting adjustments, payroll costs for employees that dedicate significant time to supporting these projects and exploratory acquisition and divestiture costs and expenses related to financing activities.
- (c) Includes consulting and advisory fees related to business transformation and optimization activities, payroll costs for employees that dedicate significant time to these projects, as well as associated severance, certain facility closure costs, and lease termination expenses. The six months ended June 30, 2024 also includes a \$9.0 million MEIA early termination fee associated with the sale of our corporate headquarters in March 2024.
- (d) Expense recognized related to the closure of a UK office that we exited in the second quarter of 2023 prior to the lease end date.
- (e) Includes gains and losses on investment and from dispositions.
- (f) Interest expense impact due to the accounting for contractual interest payments on debt instruments entered into as part of the March 2024 Refinancing Transactions, which reduced interest expense relative to contractual interest cost.
- (g) Primarily consists of foreign currency gains and losses.
- (h) All of our intangible assets are attributable to acquisitions, including the Rackspace Acquisition in 2016.
- (i) 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 2023 and 2024 interim periods, we based it on an average of the 2022 and estimated 2023 tax rates and 2023 and estimated 2024 tax rates, respectively, recomputed to remove the tax effect of non-GAAP pre-tax adjustments and non-recurring tax adjustments, resulting in a structural non-GAAP tax rate of 26% for all periods. The non-GAAP tax rate could be subject to change for a variety of reasons, including the rapidly evolving global tax environment, significant changes in our geographic earnings mix including due to acquisition activity, or other changes to our strategy or business operations. We will re-evaluate our long-term non-GAAP tax rate as appropriate. We believe that making these adjustments facilitates a better evaluation of our current operating performance and comparisons to prior periods.
- (j) Primarily consists of foreign currency gains and losses and expense related to our accounts receivable purchase agreement.
- (k) Excludes accelerated depreciation expense related to facility closures.

Non-GAAP Earnings (Loss) Per Share

We define Non-GAAP Earnings (Loss) Per Share as Non-GAAP Net Income (Loss) divided by our GAAP weighted average number of shares outstanding for the period on a diluted basis and further adjusted for the weighted average number of shares associated with securities which are anti-dilutive to GAAP loss per share but dilutive to Non-GAAP Earnings (Loss) Per Share. Management uses Non-GAAP Earnings (Loss) Per Share to evaluate the performance of our business on a comparable basis from period to period, including by adjusting for the impact of the issuance of shares that would be dilutive to Non-GAAP Earnings (Loss) Per Share. The following table reconciles Non-GAAP Earnings (Loss) Per Share to our GAAP net earnings (loss) per share on a diluted basis:

(In millions, except per share amounts)	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2024	2023	2024
Net income (loss) attributable to common stockholders	\$ (27.2)	\$ 25.0	\$ (639.2)	\$ (615.6)
Non-GAAP Net Loss	\$ (13.5)	\$ (19.4)	\$ (18.2)	\$ (43.7)
Weighted average number of shares - Diluted	215.1	229.6	214.2	222.2
Effect of dilutive securities ^(a)	1.2	—	1.4	7.3
Non-GAAP weighted average number of shares - Diluted	216.3	229.6	215.6	229.5
Net earnings (loss) per share - Diluted	\$ (0.13)	\$ 0.11	\$ (2.98)	\$ (2.77)
Per share impacts of adjustments to net income (loss) ^(b)	0.06	(0.19)	2.90	2.57
Per share impacts of shares dilutive after adjustments to net income (loss)	0.01	0.00	0.00	0.01
Non-GAAP Earnings (Loss) Per Share	\$ (0.06)	\$ (0.08)	\$ (0.08)	\$ (0.19)

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

(b) Reflects the aggregate adjustments made to reconcile Non-GAAP Net Income (Loss) to our net income (loss), as noted in the above table, divided by the GAAP diluted number of shares outstanding for the relevant period.

Liquidity and Capital Resources

Overview

We primarily finance our operations and capital expenditures with internally-generated cash from operations and hardware leases, and if necessary, borrowings under the New Revolving Credit Facility. As of June 30, 2024, the New Revolving Credit Facility provided for up to \$375 million of borrowings, none of which was drawn and outstanding as of June 30, 2024. Our primary uses of cash are working capital requirements, debt service requirements and capital expenditures. Based on our current level of operations and available cash, we believe our sources will provide sufficient liquidity over at least the next twelve months. We cannot provide assurance, however, that our business will generate sufficient cash flows from operations or that future borrowings will be available to us under the New Revolving Credit Facility or from other sources in an amount sufficient to enable us to pay our indebtedness or to fund our other liquidity needs. Our ability to do so depends on prevailing economic conditions and other factors, many of which are beyond our control. In addition, upon the occurrence of certain events, such as a change of control, we could be required to repay or refinance our indebtedness. We cannot assure that we will be able to refinance any of our indebtedness on commercially reasonable terms or at all. Any future acquisitions, joint ventures or other similar transactions will likely require additional capital, and there can be no assurance that any such capital will be available to us on acceptable terms or at all.

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

On September 29, 2023, indirect subsidiaries of the company entered into a revolving agreement where a bankruptcy-remote special purpose vehicle can sell accounts receivable, based upon the face amount of eligible receivables in the collateral pool, up to an aggregate maximum limit of \$300 million to a financial institution on a recurring basis in exchange for cash. On February 12, 2024, the revolving agreement was amended to include certain international subsidiaries of the company as parties to the agreement and Rackspace Receivables Canada Limited, a Canadian indirect subsidiary of the company, was established as a special purpose vehicle.

At June 30, 2024, we held \$190 million in cash and cash equivalents (not including \$3 million in restricted cash, which is included in "Other non-current assets"), of which \$124 million was held by foreign entities.

We have entered into installment payment arrangements with certain equipment and software vendors, along with sale-leaseback arrangements for equipment and certain property leases that are considered financing obligations. We had \$58 million outstanding with respect to these arrangements as of June 30, 2024. We may choose to utilize these various sources of funding in future periods.

We also lease certain equipment and real estate under operating and finance lease agreements. We had \$495 million outstanding with respect to operating and finance lease agreements as of June 30, 2024. We may choose to utilize such leasing arrangements in future periods.

As of June 30, 2024, we had \$2,484 million aggregate principal amount outstanding under the FLSO Term Loan Facility, the FLFO Term Loan Facility, the Term Loan Facility, 3.50% FLSO Senior Secured Notes, 5.375% Senior Notes, and 3.50% Senior Secured Notes, with \$375 million of borrowing capacity available under the New Revolving Credit Facility. Our liquidity requirements are significant, primarily due to debt service requirements.

Debt

In March 2024, we initiated a series of debt refinancing transactions that substantially impacted our existing debt instruments: the Senior Facilities, the 3.50% Senior Secured Notes, and the 5.375% Senior Notes. We also entered into new debt instruments: the New Senior Facilities, which includes the FLSO Term Loan Facility, the FLFO Term Loan Facility, and the New Revolving Credit Facility, and the 3.50% FLSO Senior Secured Notes.

See Item 1 of Part I, Financial Statements - Note 7, “Debt,” for more information regarding the March 2024 Refinancing Transactions and the related accounting impacts.

New Debt Instruments

New Senior Facilities

On March 12, 2024, Rackspace Finance Holdings, LLC (“Rackspace Finance Holdings”), Rackspace Finance, LLC (“Rackspace Finance”), the lenders and issuing banks party thereto and Citibank, N.A., as the administrative agent and collateral agent, entered into the credit agreement governing the FLSO Term Loan Facility, FLFO Term Loan Facility and New Revolving Credit Facility (together, the “New Senior Facilities”) (the “New First Lien Credit Agreement”).

FLSO Term Loan Facility

Rackspace Finance issued the FLSO Term Loan Facility in an aggregate principal amount of \$1,687 million. The FLSO Term Loan Facility matures on May 15, 2028.

As of June 30, 2024, the contractual interest rate on the FLSO Term Loan Facility was 8.19%. We are required to make quarterly principal payments of \$4 million, which began on March 31, 2024.

Rackspace Finance is the borrower and all obligations under the FLSO Term Loan Facility are guaranteed on a senior secured basis, jointly and severally, by Rackspace Finance Holdings on a limited-recourse basis and by certain of Rackspace Finance’s subsidiaries (the “Subsidiary Guarantors”). The obligations under the FLSO Term Loan Facility are secured by a pledge of Rackspace Finance’s capital stock directly held by Rackspace Finance Holdings and substantially all of Rackspace Finance’s and the Subsidiary Guarantors’ assets, subject to exceptions.

During the three months ended June 30, 2024, Rackspace Finance repurchased and surrendered for cancellation \$19 million principal amount of the FLSO Term Loan Facility for \$9 million.

As of June 30, 2024, \$1,659 million in aggregate principal amount of the FLSO Term Loan Facility remained outstanding.

We have entered into interest rate swap agreements to manage the interest rate risk associated with interest payments on the FLSO Term Loan Facility that result from fluctuations in Term SOFR. See Item 1 of Part I, Financial Statements - Note 11, “Derivatives,” for more information on the interest rate swap agreements.

During the three months ended June 30, 2024, Rackspace Finance initiated repurchases of an additional \$24 million aggregate principal amount of the FLSO Term Loan Facility for \$11 million. These repurchases subsequently settled on July 15, 2024.

FLFO Term Loan Facility

Rackspace Finance issued the FLFO Term Loan Facility in an aggregate principal amount \$275 million. The FLFO Term Loan Facility matures on May 15, 2028.

As of June 30, 2024, the contractual interest rate on the FLFO Term Loan Facility was 11.69%. We are required to make quarterly principal payments of \$0.7 million, which began on June 30, 2024.

Rackspace Finance is the borrower and all obligations under the FLFO Term Loan Facility are guaranteed on a senior secured basis, jointly and severally, by Rackspace Finance Holdings on a limited-recourse basis and by the Subsidiary Guarantors. The obligations under the FLFO Term Loan Facility are secured by the same collateral that secures the FLSO Term Loan Facility, the New Revolving Credit Facility and the 3.50% FLSO Senior Secured Notes.

As of June 30, 2024, \$274 million aggregate principal amount of the FLFO Term Loan Facility remained outstanding.

We have entered into interest rate swap agreements to manage the interest rate risk associated with interest payments on the FLFO Term Loan Facility that result from fluctuations in Term SOFR. See Item 1 of Part I, Financial Statements - Note 11, "Derivatives," for more information on the interest rate swap agreements.

New Revolving Credit Facility

Rackspace Finance established the New Revolving Credit Facility in an aggregate principal amount of \$375 million of commitments. All revolving lenders under the prior Revolving Credit Facility exchanged their revolving loan commitments for commitments in respect of the New Revolving Credit Facility, which replaces in full the prior Revolving Credit Facility. The New Revolving Credit Facility matures on May 15, 2028.

The New Revolving Credit Facility includes a commitment fee equal to 0.50% per annum in respect of the unused commitments that is due quarterly. This fee is subject to one step-down based on the net first lien leverage ratio.

Rackspace Finance is the borrower and all obligations under the New Revolving Credit Facility are guaranteed on a senior secured basis, jointly and severally, by Rackspace Finance Holdings on a limited-recourse basis and by the Subsidiary Guarantors. The obligations under the New Revolving Credit Facility are secured by the same collateral that secures the FLSO Term Loan Facility, the FLFO Term Loan Facility and the 3.50% FLSO Senior Secured Notes.

As of June 30, 2024, we had total commitments of \$375 million, no outstanding borrowings under the New Revolving Credit Facility, and \$24 million of letters of credit issued thereunder. As such, as of June 30, 2024, we had \$375 million of available commitments remaining.

3.50% FLSO Senior Secured Notes due 2028

On March 12, 2024, Rackspace Finance issued \$267 million initial aggregate principal amount of 3.50% FLSO Senior Secured Notes. The 3.50% FLSO Senior Secured Notes will mature on May 15, 2028 and bear interest at an annual fixed rate of 3.50%. Interest is payable semiannually on each February 15 and August 15, commencing on August 15, 2024.

On April 16, 2024, we completed the Public Note Exchange, pursuant to which (i) \$138 million aggregate principal amount of the existing 3.50% Senior Secured Notes were exchanged or purchased for cancellation and (ii) \$97 million aggregate principal amount of 3.50% FLSO Senior Secured Notes were issued by Rackspace Finance.

Rackspace Finance is the borrower and all obligations under the 3.50% FLSO Senior Secured Notes are fully and unconditionally guaranteed, jointly and severally, by Rackspace Finance Holdings on a limited-recourse basis and by the Subsidiary Guarantors. The obligations under the 3.50% FLSO Senior Secured Notes are secured by the same collateral that secures the FLSO Term Loan Facility, the FLFO Term Loan Facility and the New Revolving Credit Facility.

During the three months ended June 30, 2024, Rackspace Finance repurchased and surrendered for cancellation \$46 million principal amount of the 3.50% FLSO Senior Secured Notes for \$19 million, including accrued interest of \$0.4 million.

As of June 30, 2024, \$319 million aggregate principal amount of the 3.50% FLSO Senior Secured Notes were outstanding.

Existing Debt Instruments

Senior Facilities

On February 9, 2021, we amended and restated the credit agreement governing our senior secured credit facilities (the "First Lien Credit Agreement"), which included a new seven-year \$2,300 million senior secured first lien term loan facility (the "Term Loan Facility") and the prior Revolving Credit Facility (together, the "Senior Facilities"). The Term Loan Facility will mature on February 15, 2028 and the prior Revolving Credit Facility was set to mature on August 7, 2025.

Interest on the Term Loan Facility is due at the end of each interest period elected, not exceeding 90 days, for SOFR loans and at the end of every calendar quarter for base rate loans. As of June 30, 2024, the contractual interest rate on the Term Loan Facility was 8.19%. We are required to make quarterly amortization payments of \$0.2 million. The Revolving Credit Facility included a commitment fee equal to 0.50% per annum in respect of the unused commitments that was due quarterly. This fee was subject to one step-down based on the net first lien leverage ratio. The Senior Facilities require us to make certain mandatory prepayments under certain conditions defined in the First Lien Credit Agreement.

As of June 30, 2024, \$62 million aggregate principal amount of the Term Loan Facility remained outstanding and the prior Revolving Credit Facility was replaced in full by the New Revolving Credit Facility. See Item 1 of Part I, Financial Statements - Note 7, "Debt," for more information regarding our Senior Facilities.

We have entered into interest rate swap agreements to manage the interest rate risk associated with interest payments on the Term Loan Facility that result from fluctuations in Term SOFR. See Item 1 of Part I, Financial Statements - Note 11, "Derivatives," for more information on the interest rate swap agreements.

3.50% Senior Secured Notes due 2028

On February 9, 2021, Rackspace Technology Global issued \$550 million aggregate principal amount of 3.50% Senior Secured Notes. The 3.50% Senior Secured Notes will mature on February 15, 2028 and bear interest at an annual fixed rate of 3.50%. Interest is payable semiannually on each February 15 and August 15, commencing on August 15, 2021.

As of June 30, 2024, \$44 million aggregate principal amount of the 3.50% Senior Secured Notes remained outstanding.

5.375% Senior Notes due 2028

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

During the three months ended June 30, 2024, Rackspace Technology Global repurchased and surrendered for cancellation \$3 million principal amount of 5.375% Senior Notes for \$1 million.

As of June 30, 2024, \$125 million aggregate principal amount of the 5.375% Senior Notes remained outstanding.

Debt covenants

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

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

Our "consolidated EBITDA," as defined under our debt instruments, is calculated in the same manner as our Adjusted EBITDA, presented elsewhere in this report, except that our debt instruments allow us to adjust for additional items, including certain start-up costs, and to give pro forma effect to acquisitions, including resulting synergies, and internal cost savings initiatives. In addition, under the Indentures, the calculation of consolidated EBITDA does not take into account substantially any changes in GAAP subsequent to the date of issuance, whereas under the New Senior Facilities and Senior Facilities the calculation of consolidated EBITDA takes into account the impact of certain changes in GAAP subsequent to December 1, 2020 other than with respect to capital leases.

As of June 30, 2024, we were in compliance with all covenants under the New Senior Facilities, the Senior Facilities and the Indentures.

Supplemental Financial Information

In accordance with the 3.50% FLSO Senior Secured Notes Indenture, Rackspace Finance Holdings, Rackspace Finance and certain subsidiaries of Rackspace Finance (together with their restricted subsidiaries, the “New Credit Group”) are obligors under the 3.50% FLSO Senior Secured Notes. The following presents summarized financial information for the New Credit Group after eliminating intercompany transactions and balances among the New Credit Group.

As of June 30, 2024, the New Credit Group had total assets of \$3,316 million and total liabilities of \$3,891 million, which included total debt of \$2,640 million. The financial information for the New Credit Group differs from the financial information for the company and its consolidated subsidiaries primarily because Rackspace Technology Global has (i) debt that is not guaranteed by the New Credit Group, which debt was \$230 million as of June 30, 2024, and (ii) Rackspace Technology Global is the party to the interest rate swap which had a net asset value of \$49 million as of June 30, 2024.

Capital Expenditures

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

(In millions)	Six Months Ended June 30,	
	2023	2024
Customer gear	\$ 82.3	\$ 55.0
Data center build outs	2.2	1.8
Office build outs	1.1	0.3
Capitalized software and other projects	30.6	21.5
Total capital expenditures	\$ 116.2	\$ 78.6

Capital expenditures were \$79 million in the six months ended June 30, 2024, compared to \$116 million in the six months ended June 30, 2023, a decrease of \$38 million. The decrease in capital expenditures was driven by purchases of customer gear originally intended to support a specific new customer during the first quarter of 2023. This new customer did not materialize as expected; however, the gear is fungible and has been redeployed to support other business requirements. This gear was acquired through a finance lease.

Cash Flows

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

(In millions)	Six Months Ended June 30,	
	2023	2024
Cash provided by (used in) operating activities	\$ 35.9	\$ (66.2)
Cash used in investing activities	\$ (34.9)	\$ (49.5)
Cash provided by (used in) financing activities	\$ (70.8)	\$ 110.4

Cash Provided by (Used in) Operating Activities

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

Net cash used in operating activities was \$66 million in the six months ended June 30, 2024 compared to cash provided by operating activities of \$36 million in the six months ended June 30, 2023. The reduction in operating cash between periods was primarily driven by decreased customer receipts, \$32 million in third party fees paid in connection with the March 2024 Refinancing Transactions, a \$9 million early termination fee associated with the sale of our corporate headquarters, and lower cash interest payments, including the impact of the March 2024 Refinancing Transactions for which a portion of our contractual cash interest payments are now presented as repayments of debt in financing activities.

Cash Used in Investing Activities

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

Net cash used in investing activities increased \$15 million, or 42%, in the six months ended June 30, 2024 compared to the six months ended June 30, 2023 due to a \$31 million increase in cash purchases of property, equipment, and software between periods, partially offset by \$17 million of net proceeds received in the current year from the March 2024 sale of our corporate headquarters facility.

Cash Provided by (Used in) Financing Activities

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

Net cash provided by financing activities was \$110 million in the six months ended June 30, 2024 compared to \$71 million of net cash used in financing activities in the six months ended June 30, 2023. The change was primarily driven by proceeds from the new FLFO Term Loan Facility as part of the the March 2024 Refinancing Transactions, partially offset by higher debt repayments which includes the impact of certain contractual cash interest payments that were previously classified within operating cash flow but are now presented as repayments of debt.

Critical Accounting Policies and Estimates

Our critical accounting policies and estimates have not changed from those described in our Annual Report under "Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies and Estimates."

Goodwill and Indefinite-Lived Intangible Assets

Goodwill

Goodwill represents the excess of the purchase price over the fair value of identifiable net assets of businesses acquired. Our indefinite-lived intangible assets consists of our Rackspace trade name, which was recorded at fair value on our balance sheet at the date of the Rackspace Acquisition.

Application of the goodwill and other indefinite-lived intangible asset impairment test requires judgment, including the identification of reporting units, assignment of assets and liabilities to reporting units, assignment of goodwill to reporting units and determination of the fair value of each reporting unit. We test goodwill and our indefinite-lived intangible asset, the Rackspace trade name, for impairment on an annual basis as of October 1st or more frequently if events or circumstances indicate a potential impairment. These events or circumstances could include a significant change in the business climate, regulatory environment, established business plans, operating performance indicators or competition. Potential impairment indicators may also include, but are not limited to, (i) the results of our most recent annual or interim impairment testing, (ii) downward revisions to internal forecasts, and the magnitude thereof, if any, (iii) declines in our market capitalization below our book value, and the magnitude and duration of those declines, if any, (iv) a reorganization resulting in a change to our operating segments, and (v) other macroeconomic factors, such as increases in interest rates that may affect the weighted average cost of capital, volatility in the equity and debt markets, or fluctuations in foreign currency exchange rates that may negatively impact our reported results of operations.

Goodwill is tested for impairment at the reporting unit level. A reporting unit is an operating segment or one level below an operating segment (referred to as a component). We allocate goodwill to reporting units based on the reporting unit expected to benefit from the business combination. Assets and liabilities are assigned to each of our reporting units if they are employed by a reporting unit and are considered in the determination of the reporting unit fair value. Certain assets and liabilities are shared by multiple reporting units, and thus, are allocated to each reporting unit based on the relative size of a reporting unit, primarily based on revenue. Prior to October 1, 2023, we had two reporting units with goodwill: Public Cloud and Private Cloud. Goodwill allocated to our third reporting unit, OpenStack Public Cloud, was fully impaired during the fourth quarter of 2021. As of October 1, 2023, we reassessed our reporting unit structure and aggregated the OpenStack Public Cloud reporting unit into our Private Cloud reporting unit. We currently have two reporting units: Public Cloud and Private Cloud.

We estimate the fair values of our reporting units and the Rackspace trade name using the discounted cash flow method and relief-from-royalty method, respectively. These calculations require the use of significant estimates and assumptions, such as: (i) the royalty rate; (ii) the estimation of future revenue growth rates, projected gross profit margins, projected operating costs, and projected capital expenditures, which are dependent on internal cash flow forecasts; (iii) estimation of the terminal growth rates; and (iv) determination of the risk-adjusted discount rates. The discount rates used are based on our weighted average cost of capital and are adjusted for risks and uncertainties inherent in our business and in our estimation of future cash flows. As part of the goodwill impairment test, we also consider our market capitalization in assessing the reasonableness of the combined fair values estimated for our reporting units, including OpenStack Public Cloud. The estimates and assumptions used to calculate the fair value of our reporting units and the Rackspace trade name from year to year are based on operating results, market conditions, and other factors. Changes in these estimates and assumptions could produce materially different results.

For the quantitative goodwill impairment analysis, we utilize the income approach to determine the fair value of our reporting units. The income approach utilizes a discounted cash flow method which is based on the present value of projected cash flows. The discounted cash flow models reflect our assumptions and considerations regarding revenue growth rates, projected gross profit margins, projected operating costs, projected capital expenditures, risk-adjusted discount rates, terminal period growth rates, and economic market trends. The terminal period growth rate is selected based on economic conditions and consideration of growth rates used in the forecast period and historical performance of the reporting unit.

In connection with the debt refinancing transactions that were completed in March and April 2024, as further described in Item 1 of Part I, Financial Statements - Note 7, "Debt", we updated our internal forecasts. Our updated internal forecasts considered our year-to-date operating performance, current customer bookings and revised expectations based on current performance, revisions to our expected growth and timing of such growth based on current and expected performance, current customer retention rates, revisions to the timing of the expected effects of our strategic initiatives and overall related risks, including macroeconomic factors, to achieving our forecasts. Our Board of Directors reviewed and approved our internal budget for fiscal year 2024 on February 28, 2024. As of February 29, 2024, we assessed our Board approved 2024 internal budget along with several events and circumstances that could affect the significant inputs used to determine the fair value of our reporting units, including the significance of the amount, if any, of excess carrying value over fair value, consistency of our current and forecasted operating margins and cash flows, budgeted-to-actual performance, timing of the expected effects of our strategic initiatives, overall change in economic climate, changes in the industry and competitive environment, changes to our risk-adjusted discount rates and earnings quality and sustainability. After considering all available evidence in our evaluation of goodwill impairment indicators, we determined it appropriate to perform an interim quantitative assessment of our reporting units as of February 29, 2024.

For the quantitative goodwill impairment analysis performed as of February 29, 2024, we utilized a range of our weighted-average cost of capital of 13.0% to 14.0% as our base rate, which was then subsequently risk-adjusted to determine the discount rate used for each reporting unit. After determining the fair value of our reporting units, we reconciled the combined fair value of the reporting units to the company's market capitalization as of February 29, 2024. As a result, we determined that the carrying amount of our Public Cloud and Private Cloud reporting units exceeded their fair value. We recorded a goodwill impairment charge of \$385 million and \$188 million for Public Cloud and Private Cloud, respectively, during the first quarter of 2024, which is included in "Impairment of goodwill" in our Condensed Consolidated Statements of Comprehensive Income (Loss). The impairment was driven by the company's cash flow projections as revised in the first quarter of 2024 to reflect current market conditions and expected business performance, including strategic business shifts and the timing when the benefits of such shifts will be realized.

We performed sensitivity analyses on the key inputs and assumptions used in determining the estimated fair value of our reporting units by utilizing changes in assumptions that reflect reasonably likely future changes in the discount rate used in the weighted-average cost of capital calculation and the terminal growth rate. Assuming all other assumptions and inputs used in the discounted cash flow analysis are held constant, a 50 basis point increase or decrease in the discount rate assumption would result in decreases or increases in fair value of our Private Cloud and Public Cloud reporting units of approximately \$101 million and \$14 million, respectively.

Due to the change in our segment reporting as a result of the business reorganization as of January 1, 2023, we completed a quantitative goodwill impairment analysis both prior and subsequent to the aforementioned change. We reassigned goodwill to the updated reporting units using a relative fair value approach. The results of the quantitative goodwill impairment analysis performed as of January 1, 2023, subsequent to the change, indicated an impairment within our Private Cloud reporting unit, and we recorded a non-cash impairment charge of \$271 million in the first quarter of 2023.

For the quantitative goodwill impairment analysis performed as of January 1, 2023, we utilized a range of our weighted-average cost of capital of 10.5% to 12.0% as our discount rate, which was risk-adjusted for each reporting unit. After determining the fair value of our reporting units, we reconciled the combined fair value of the reporting units to the company's market capitalization as of January 1, 2023. As a result, we determined that the carrying amount of our Private Cloud reporting unit exceeded its fair value and recorded a goodwill impairment charge of \$271 million during the first quarter of 2023, which is included in "Impairment of goodwill" in our Condensed Consolidated Statements of Comprehensive Income (Loss). The impairment primarily resulted from the reallocation of certain costs between the three reporting units to reflect the going-forward operating model following the business reorganization. The Public Cloud reporting unit was determined to have a fair value that exceeded its carrying value by approximately 20% and therefore no impairment was recognized.

We performed sensitivity analyses on the key inputs and assumptions used in determining the estimated fair value of our reporting units by utilizing changes in assumptions that reflect reasonably likely future changes in the discount rate used in the weighted-average cost of capital calculation and the terminal growth rate. Assuming all other assumptions and inputs used in the discounted cash flow analysis are held constant, a 50 basis point increase in the discount rate assumption would result in decreases in fair value of our Private Cloud and Public Cloud reporting units of approximately \$175 million and \$67 million, respectively.

During the first quarter of 2023, we experienced a sustained decline in our stock price resulting in our market capitalization being less than the carrying value of our combined reporting units. As of March 31, 2023, we assessed several events and circumstances that could affect the significant inputs used to determine the fair value of our reporting units, including the significance of the amount, if any, of excess carrying value over fair value, consistency of operating margins and cash flows, budgeted-to-actual performance for the first three months of the year, overall change in economic climate, changes in the industry and competitive environment, and earnings quality and sustainability. After considering all available evidence in our evaluation of goodwill impairment indicators, we determined it appropriate to perform an interim quantitative assessment of our reporting units as of March 31, 2023.

For the quantitative goodwill impairment analysis performed as of March 31, 2023, we utilized a range of our weighted-average cost of capital of 10.0% to 11.5% as our discount rate, which was risk-adjusted for each reporting unit. After determining the fair value of our reporting units, we reconciled the combined fair value of the reporting units to the company's market capitalization as of March 31, 2023. As a result, we determined that the carrying amount of our Private Cloud reporting unit exceeded its fair value and recorded a goodwill impairment charge of \$272 million during the first quarter of 2023, which is included in "Impairment of goodwill" in our Condensed Consolidated Statements of Comprehensive Income (Loss). The impairment was driven by the company's most recent cash flow projections as revised in the first quarter of 2023 which reflected current market conditions and current trends in business performance, including slower than anticipated actualization of bookings. The Public Cloud reporting unit was determined to have a fair value that exceeded its carrying value by approximately 14% and therefore no impairment was recognized.

We performed sensitivity analyses on the key inputs and assumptions used in determining the estimated fair value of our reporting units by utilizing changes in assumptions that reflect reasonably likely future changes in the discount rate used in the weighted-average cost of capital calculation and the terminal growth rate. Assuming all other assumptions and inputs used in the discounted cash flow analysis are held constant, a 50 basis point increase in the discount rate assumption would result in decreases in fair value of our Private Cloud and Public Cloud reporting units of approximately \$80 million and \$65 million, respectively.

Indefinite-Lived Intangible Assets

As of January 1, 2023, March 31, 2023 and February 29, 2024, due to the factors discussed above, we performed a quantitative assessment of our indefinite-lived intangible asset utilizing a relief from royalty method. Significant estimates and assumptions included in the relief from royalty method are expectations of revenue growth rates, and selection of royalty rate and discount rate. We utilized a royalty rate of 0.5% for all periods and a discount rate of 11.0% as of January 1, 2023 and March 31, 2023, and a discount rate of 13.7% as of February 29, 2024. We completed the quantitative assessments of our indefinite-lived intangible asset prior to testing our goodwill for impairment as of January 1, 2023 and March 31, 2023 which did not indicate any impairment of the Rackspace trade name.

The quantitative test as of February 29, 2024 indicated that the estimated fair value of the Rackspace trade name was less than its carrying value. As a result, we recorded a \$20 million non-cash impairment charge during the first quarter of 2024 which is included in "Impairment of assets, net" in our Condensed Consolidated Statements of Comprehensive Income (Loss).

The fair value determination of our reporting units and our indefinite-lived intangible asset is judgmental in nature and requires the use of estimates and assumptions that are sensitive to changes. Assumptions include estimation of the royalty rate for the trade name, estimation of future revenue growth rates, projected gross profit margins, projected operating costs, projected capital expenditures, which are dependent on internal cash flow forecasts, estimation of the terminal growth rates, and determination of risk-adjusted discount rates. As a result, there can be no assurance that the estimates and assumptions made for purposes of the quantitative goodwill and indefinite-lived intangible impairment tests will prove to be an accurate prediction of future results. Examples of events or circumstances that could reasonably be expected to negatively affect the underlying key assumptions and ultimately impact the estimated fair value of our reporting units may include such items as: (i) volatility in the equity and debt markets or other macroeconomic factors, (ii) an increase in the weighted-average cost of capital due to further increases in interest rates, (iii) decrease in future cash flows due to lower than expected sales, or (iv) fluctuations in foreign currency exchange rates that may negatively impact our reported results of operations. Accordingly, if our current cash flow assumptions are not realized, we experience further sustained declines in our stock price or market capitalization, or increases in costs of capital, it is possible that an additional impairment charge may be recorded in the future, which could be material.

Long-Lived Assets

We also performed recoverability tests of our long-lived assets in conjunction with the goodwill impairment analyses as of January 1, 2023, March 31, 2023, and February 29, 2024 which did not result in any impairment charges.

ITEM 3 – QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rates

We are exposed to interest rate risk associated with fluctuations in interest rates on our floating-rate debt under our Senior Facilities and New Senior Facilities, which includes our \$375 million New Revolving Credit Facility and \$1,996 million outstanding under the Term Loan Facility, FLSO Term Loan Facility, and FLFO Term Loan Facility. As of June 30, 2024, there was no outstanding borrowings under the New Revolving Credit Facility and therefore our only variable-rate debt outstanding was the \$1,996 million outstanding under the Term Loan Facility, FLSO Term Loan Facility, and FLFO Term Loan Facility. As of June 30, 2024, assuming the New Revolving Credit Facility was fully drawn, each 0.125% change in assumed blended interest rates would result in a \$3 million change in annual interest expense on indebtedness under the Senior Facilities and New Senior Facilities.

Our Term Loan Facility, FLSO Term Loan Facility, and FLFO Term Loan Facility bear interest at an annual rate equal to an applicable margin plus one-month Term SOFR, subject to a 0.75% floor. We have entered into an interest rate swap agreement indexed to one-month Term SOFR (subject to a floor of 0.75%) in order to manage our risk from fluctuations in one-month Term SOFR above the 0.75% floor.

The key terms of the swap outstanding as of June 30, 2024 are presented below:

Transaction Date	Effective Date	Notional Amount (in millions)	Fixed Rate Paid	Maturity Date
February 2021	February 9, 2021	\$ 1,350.0	2.34150%	February 9, 2026

See Item 1 of Part I, Financial Statements - Note 11, "Derivatives," for more information on interest rate swaps.

Foreign Currencies

We are subject to foreign currency translation risk due to the translation of the results of our subsidiaries from their respective functional currencies to the U.S. dollar, our functional currency. As a result, we discuss our revenue on a constant currency as well as actual basis, highlighting our sensitivity to changes in foreign exchange rates. See "*Constant Currency Revenue*." While the majority of our customers are invoiced, and the majority of our expenses are paid, by us or our subsidiaries in their respective functional currencies, we also have exposure to foreign currency transaction gains and losses as the result of certain receivables due from our foreign subsidiaries. As such, the results of operations and cash flows of our foreign subsidiaries are subject to fluctuations in foreign currency exchange rates. In the six months ended June 30, 2024, we recognized foreign currency transaction losses of \$0.1 million within "Other income (expense), net" in our Condensed Consolidated Statements of Comprehensive Income (Loss). As we grow our international operations, our exposure to foreign currency translation and transaction risk could become more significant.

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

Power Prices

We are a large consumer of power. In the six months ended June 30, 2024, we expensed approximately \$22 million for utility companies to power our data centers, representing approximately 2% of our revenue. Power costs vary by geography, the source of power generation and seasonal fluctuations and are subject to certain proposed legislation that may increase our exposure to increased power costs. We have power contracts for data centers in the Dallas-Fort Worth, San Jose, Somerset, New Jersey and London areas that allow us to procure power either on a fixed price or on a variable price basis.

ITEM 4 – CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

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

Changes in Internal Control

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

Inherent Limitations of Internal Controls

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

PART II – OTHER INFORMATION

ITEM 1 – LEGAL PROCEEDINGS

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

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

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

ITEM 1A – RISK FACTORS

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

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

Unregistered Sales of Equity Securities

Not Applicable.

Use of Proceeds

None.

ITEM 3 – DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4 – MINE SAFETY DISCLOSURES

Not Applicable.

ITEM 5 – OTHER INFORMATION

Rule 10b5-1 Trading Arrangements

During the fiscal quarter ended June 30, 2024, none of the company's directors or officers (as defined in Rule 16a-1(f) of the Exchange Act) adopted, modified or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement" (as each term is defined in Item 408 of Regulation S-K).

ITEM 6 – EXHIBITS

Exhibit Number		Exhibit Description
10.1	*†	Rackspace Technology, Inc. Amendment No. 3 to 2020 Equity Incentive Plan
10.2	*†	Form of Restricted Stock Unit Award Agreement between Rackspace Technology, Inc. and certain of its executive officers under the 2020 Equity Incentive Plan.
10.3	*†	Form of Cash-Settled Performance Award Agreement between Rackspace Technology, Inc. and certain of its executive officers under the 2020 Equity Incentive Plan.
10.4	*†	Form of Long-Term Cash-Settled Performance Award Agreement between Rackspace Technology, Inc. and certain of its directors under the 2020 Equity Incentive Plan.
31.1	*	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	*	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	**	Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	**	Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	*	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)
101.SCH	*	Inline XBRL Taxonomy Extension Schema Document
101.CAL	*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed herewith.

** Furnished herewith.

† Indicates management contract or compensatory plan.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

RACKSPACE TECHNOLOGY, INC.

Date: August 9, 2024

By: /s/ Mark Marino
Mark Marino
Chief Financial Officer

RACKSPACE TECHNOLOGY, INC.
AMENDMENT NO. 3 TO
2020 EQUITY INCENTIVE PLAN

The Rackspace Technology, Inc. 2020 Equity Incentive Plan, as amended, (the “2020 Equity Incentive Plan”) of Rackspace Technology, Inc. (the “Company”) is hereby amended, effective as of April 24, 2024 (the “Effective Date”), as follows:

1. Amendment to Section 3.1(a). Section 3.1(a) of the 2020 Equity Incentive Plan is hereby amended and restated in its entirety to read as follows:
 - (a) Subject to Sections 3.1(b) and 12.2, the aggregate number of Shares which may be issued or transferred pursuant to Awards under the Plan shall be no more than 87,900,000 Shares (the “Share Limit”). All of the Shares reserved under the Plan may be designated as Incentive Stock Options. The Share Limit shall be reduced, on the date of grant of an Award, by the relevant number of shares of Common Stock for each Award granted under the Plan (since its adoption on the Effective Date) that is valued by reference to a share of Common Stock; provided that Awards that are valued by reference to shares of Common Stock but are required to be paid in cash pursuant to their terms shall not reduce the Share Limit. Any Shares distributed pursuant to an Award may consist, in whole or in part, of authorized and unissued Common Stock, treasury Common Stock or Common Stock purchased on the open market.
2. Effectiveness. In accordance with Section 12.1(b) of the 2020 Equity Incentive Plan, the effectiveness of this Amendment No. 3 to the 2020 Equity Incentive Plan (this “Amendment”) is subject to the approval of the Company’s stockholders at the Company’s 2024 annual general meeting of stockholders. For the avoidance of doubt, if stockholder approval is not obtained, this Amendment shall be void ab initio and of no force and effect.
3. Governing Law. This Amendment shall be governed by and construed in accordance with the internal laws of the State of Delaware applicable to contracts made and performed wholly within the State of Delaware, without giving effect to the conflict of laws provisions thereof.
4. Effect on the Plan. This Amendment shall not constitute a waiver, amendment or modification of any provision of the 2020 Equity Incentive Plan not expressly referred to herein. Except as expressly amended or modified herein, the provisions of the 2020 Equity Incentive Plan are and shall remain in full force and effect and are hereby ratified and confirmed. On and after the Effective Date, each reference in the 2020 Equity Incentive Plan to “the Plan”, “herein”, “hereof”, “hereunder” or words of similar import shall mean and be a reference to the 2020 Equity Incentive Plan as amended hereby. To the extent that a provision of this Amendment conflicts with or differs from a provision of the 2020 Equity Incentive Plan, such provision of this Amendment shall prevail and govern for all purposes and in all respects.
5. Capitalized Terms. Capitalized terms used and not defined in this Amendment shall have the meanings ascribed to them in the 2020 Equity Incentive Plan.

**RACKSPACE TECHNOLOGY, INC. 2020 EQUITY INCENTIVE
PLAN RESTRICTED STOCK UNIT AGREEMENT**

This **RESTRICTED STOCK UNIT AGREEMENT** (this “Agreement”), including any addendum to the Agreement for the Participant’s country (the “Addendum”), dated as of

%%OPTION_DATE,'Month DD, YYYY'%%-%%

(the “Grant Date”), by and among **RACKSPACE TECHNOLOGY, INC.**, a Delaware corporation (the “Company”), and the following (the “Participant”):

%%FIRST_NAME_MIDDLE_NAME_LAST_NAME%%-%%

WHEREAS, the Company, acting through a Committee (as defined in the Company’s 2020 Equity Incentive Plan, as amended (the “Plan”)), has granted to the Participant, effective as of the date of this Agreement, Restricted Stock Units under the Plan to acquire a number of shares of Common Stock as specified in the attached Notice of Grant on the terms and subject to the conditions set forth in this Agreement and the Plan;

NOW, THEREFORE, in consideration of the promises and of the mutual agreements contained in this Agreement, the parties hereto agree as follows:

Section 1. The Plan. The terms and provisions of the Plan are hereby incorporated into this Agreement as if set forth herein in their entirety (including, without limitation, the provisions of Article 8 and Article 12). In the event of a conflict between any provision of this Agreement and the Plan, the provisions of the Plan shall control. A copy of the Plan may be obtained from the Company by the Participant upon request. Capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Plan.

Section 2. Vesting. Subject to the Participant’s continued employment or other service relationship with the Company or one of its Subsidiaries (such applicable entity, the “Employer”) through each applicable vesting date (except as otherwise provided in this Section 2), the Restricted Stock Units shall become non-forfeitable and shall vest according to the schedule included in the attached Notice of Grant; provided, however, that the portion of the Restricted Stock Units that were not vested immediately prior to such event shall immediately vest in full upon (i) a Change in Control or (ii) the death or Disability of the Participant.

Notwithstanding anything contained herein to the contrary, the Restricted Stock Units shall cease vesting as of the date of the Participant’s Termination of Service for any reason other than the death or Disability of the Participant and no portion of the Restricted Stock Units that is not vested as of such time shall vest thereafter (*i.e.*, that portion of the Restricted Stock Units that is not vested shall be forfeited immediately). The Restricted Stock Units will be immediately forfeited by the Participant and cancelled by the Company.

Section 3. Delivery of Shares. As soon as practicable after the vesting date or other vesting event under this Agreement but in no event later than the seventieth (70th) calendar day following such vesting date, the Participant shall receive the number of Shares that correspond to the number of Restricted Stock Units that have become vested on the applicable vesting date. Notwithstanding the foregoing, in accordance with Section 8.3 of the Plan, the Committee, at its sole discretion, may settle the Restricted

Stock Units in cash if necessary or appropriate for legal or administrative reasons based on laws in the Participant's jurisdiction.

Section 4. Restrictive Covenants. The Participant acknowledges and agrees that by accepting the Restricted Stock Units issued hereunder, the Participant shall be bound by, and shall abide by, the covenants set forth in this Section 4, in addition to any other representations, warranties, and covenants set forth in (but subject to any exceptions set forth in) any service agreement or other document required by the Committee with respect to such grant.

(a) Non-Solicitation; No Hire. To the fullest extent permitted by applicable law, the Participant agrees that during the Participant's employment or other service relationship with the Company or, if different, the Employer, and for the six month period following the Participant's Termination of Service for any reason, the Participant will not, directly or indirectly, on the Participant's own behalf or on behalf of another, (i) solicit, induce or attempt to solicit or induce any officer, director or employee of the Company or any Subsidiary to terminate their relationship with or leave the employ of the Company or any Subsidiary, or in any way interfere with the relationship between any member of the Company or any Subsidiary, on the one hand, and any officer, director or employee thereof, on the other hand, (ii) hire (or other similar arrangement) any Person (in any capacity whether as an officer, director, employee or consultant) who is or at any time was an officer, director or employee of the Company or any Subsidiary until six (6) months after such individual's relationship (whether as an officer, director or employee) with the Company or any Subsidiary has ended, or (iii) induce or attempt to induce any customer, supplier, prospect, licensee or other business relation of the Company or any Subsidiary to cease doing business with the Company or any Subsidiary, or in any way interfere with the relationship between any such customer, supplier, prospect, licensee or business relation, on the one hand, and the Company or any Subsidiary, on the other hand.

(b) Non-Disparagement. The Participant shall not, at any time, directly or indirectly, knowingly disparage, criticize, or otherwise make derogatory statements regarding the Company or any Subsidiary, or any of its successors, directors or officers. The foregoing shall not be violated by the Participant's truthful responses to legal process or inquiry by a governmental authority.

(c) Restrictive Covenants Generally. If, at the time of enforcement of the covenants contained in this Section 4 (the "Restrictive Covenants"), a court shall hold that the duration, scope or area restrictions stated herein are unreasonable under circumstances then existing, the parties agree that the maximum duration, scope or area reasonable under such circumstances shall be substituted for the stated duration, scope or area and that the court shall be allowed and directed to revise the restrictions contained herein to cover the maximum period, scope and area permitted by applicable law. The Participant hereby acknowledges that the Restrictive Covenants are reasonable in terms of duration, scope and area restrictions and are necessary to protect the goodwill of the Company or any Subsidiary. The Participant further acknowledges and agrees that the Restrictive Covenants are being agreed to by the Participant in connection with the Company's issuance of an Award to the Participant under the Plan, and are in addition to, not in substitution for, any restrictive covenants to which the Participant is or may become subject in connection with any relationship with the Company or any Subsidiary.

(d) Enforcement. If the Participant breaches any of the Restrictive Covenants, the Company or, if different, the Employer shall have the following rights and remedies, each of which rights and remedies shall be independent of the others and severally enforceable, and each of which is in addition to, and not in lieu of, any other rights and remedies available to the Company or, if different, the Employer at law or in equity: (i) the right and remedy to seek to have the Restrictive Covenants specifically enforced by any court of competent jurisdiction (without posting a bond), it being agreed that any breach or threatened breach of the Restrictive Covenants would cause irreparable injury to the Company or any

Subsidiary and that money damages would not provide an adequate remedy to the Company or any Subsidiary; (ii) in the event of a final judicial finding of a material breach, the right and remedy to require the Participant to account for and pay over to the Company any profits, monies, accruals, increments or other benefits derived or received by the Participant as the result of (A) any transactions constituting a breach of the Restrictive Covenants and (B) disposition of the Restricted Stock Units or Shares, and (iii) in the event of a final judicial finding of a material breach, the right to cause the Restricted Stock Units to be immediately forfeited effective as of the date on which such breach first occurs. In the event of any breach or violation by the Participant of any of the Restrictive Covenants, the time period of such covenant with respect to the Participant shall, to the fullest extent permitted by law, be tolled until such breach or violation is resolved. The Participant expressly agrees that the Company may take such actions as are necessary or appropriate to effectuate the foregoing (as applicable to the Participant) or applicable law without further consent or action being required by the Participant. For purposes of the foregoing and as a condition to the grant of the Restricted Stock Units, the Participant expressly and explicitly authorizes the Company to issue instructions, on the Participant's behalf, to any stock plan service provider engaged by the Company to administer awards granted under the Plan, to re-convey, transfer or otherwise return such Shares and/or other amounts to the Company.

(e) Advice to Seek Independent Counsel. The Participant is hereby advised in writing to consult with an attorney before entering into the covenants outlined in this Section 4. The Participant acknowledges that prior to acceptance of this Agreement, the Participant has been advised by the Company of the Participant's right to seek independent advice from an attorney of the Participant's own selection regarding this Agreement, including the restraints imposed upon him or her pursuant to this Section 4. The Participant acknowledges that the Participant has entered into this Agreement knowingly and voluntarily and with full knowledge and understanding of the provisions of this Agreement after being given the opportunity to consult with counsel. The Participant further represents that in entering into this Agreement, the Participant is not relying on any statements or representations made by any of the Company's directors, officers, employees or agents which are not expressly set forth herein, and that the Participant is relying only upon the Participant's own judgment and any advice provided by the Participant's attorney. The Participant acknowledges he or she has been provided at minimum 14 calendar days to review the provisions contained herein.

(f) Disclosure Rights. Notwithstanding the foregoing, no section of this Section 4 is intended to or shall limit, prevent, impede or interfere with the Participant's non-waivable right, without prior notice to the Company or, if different, the Employer, to provide information to the government, participate in investigations, testify in proceedings regarding the Company or any other Subsidiary's past or future conduct, engage in any activities protected under whistleblower, or to receive and fully retain a monetary award from a government-administered whistleblower award program for providing information directly to a government agency. The Participant does not need prior authorization from the Company or, if different, the Employer to make any such reports or disclosures and is not required to notify the Company or, if different, the Employer that the Participant has made such reports or disclosures.

Section 5. Restriction on Transfer. The Restricted Stock Units may not be transferred, pledged, assigned, hypothecated or otherwise disposed of in any way by the Participant. The Restricted Stock Units shall not be subject to execution, attachment or similar process. Any attempted assignment, transfer, pledge, hypothecation or other disposition of the Restricted Stock Units contrary to the provisions hereof, and the levy of any execution, attachment or similar process upon the Restricted Stock Units, shall be null and void and without effect.

Section 6. Participant's Employment or Other Service Relationship. Nothing in this Agreement nor the grant of the Restricted Stock Units shall confer upon the Participant any right to continue the Participant's employment or other service relationship with the Company or, if different, the Employer or interfere in any way with the right of the Company or, if different, the Employer to terminate the

Participant's employment or other service relationship or to increase or decrease the Participant's compensation at any time. The grant of Restricted Stock Units is an exceptional, voluntary and one-time benefit and does not create any contractual or other right to receive any other grant of other Awards (including Restricted Stock Units) under the Plan in the future, or benefits in lieu of Restricted Stock Units, even if Restricted Stock Units have been granted in the past. The grant of the Restricted Stock Units does not form or amend part of the Participant's entitlement to remuneration or benefits in terms of his or her employment or other service relationship with the Company or, if different, the Employer, if any, at any time.

Section 7. Termination. For the avoidance of doubt, the Restricted Stock Units shall cease vesting and shall be forfeited immediately as of the date of the Participant's Termination of Service and cancelled by the Company; provided, however, that the Restricted Stock Units shall immediately vest upon (i) a Change in Control or (ii) the death or Disability of the Participant.

Section 8. Responsibility for Taxes. The Participant acknowledges that, regardless of any action taken by the Company or the Employer, the ultimate liability for all income tax, social insurance, payroll tax, fringe benefits tax, payment on account or other tax-related items related to the Participant's participation in the Plan and legally applicable to the Participant ("Tax-Related Items") is and remains the Participant's ultimate responsibility and Participant's actual tax liabilities may exceed the amount actually withheld by the Company or the Employer. The Participant further acknowledges that the Company and/or the Employer (i) make no representations or undertakings regarding the treatment of any Tax- Related Items in connection with any aspect of the Restricted Stock Units, including, but not limited to, the grant or vesting of the Restricted Stock Units, the subsequent sale of Shares acquired pursuant to such vesting; and (ii) do not commit to and are under no obligation to structure the terms of the grant or any aspect of Restricted Stock Units to reduce or eliminate the Participant's liability for Tax-Related Items or achieve any particular tax result. The Participant shall not make any claim against the Company, the Employer or any other Subsidiary, or their respective board, officers or employees related to Tax-Related Items arising from the Restricted Stock Units. Further, if the Participant is subject to Tax-Related Items in more than one jurisdiction, the Participant acknowledges that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

(a) In connection with the relevant taxable or tax withholding event, as applicable, the Participant agrees to make adequate arrangements satisfactory to the Company and/or the Employer to satisfy all Tax-Related Items. In this regard, the Participant authorizes the Company and/or the Employer, or their respective agents, to satisfy any applicable withholding obligations with regard to Tax-Related Items by withholding Shares to be issued upon vesting. Alternatively, if the Company determines in its sole discretion that withholding Shares is not feasible under applicable tax or securities laws or has or potentially has adverse accounting, financial, contractual or other consequences, the Participant authorizes the Company and/or the Employer, or their respective agents, at their discretion and with no obligation to do so, to satisfy any applicable withholding obligations with regard to Tax- Related Items by one or a combination of the following:

- (i) withholding from the Participant's wages or other cash compensation paid to the Participant by the Company, the Employer or any other Subsidiary;
- (ii) withholding from proceeds of the sale of Shares acquired at vesting either through a voluntary sale or through a mandatory sale arranged by the Company (on the Participant's behalf pursuant to this authorization) without further consent, including by aggregating such Shares into sell orders that include Shares held by other participants and routing such sell orders

to the special handling desk or other trading desk managed by the Company's stock plan administrator;

(iii) cash payment made by the Participant to the Company, provided that (i) the Participant made the appropriate elections as may be specified in the Participant's E*TRADE account from time to time AND (ii) such cash payment is actually made or available to the Company in the Participant's E*TRADE account within forty-eight (48) hours immediately following the applicable vest date; and/or

(iv) any other methods approved by the Committee and permitted by applicable laws.

(c) Depending on the withholding method, the Company and/or the Employer may withhold or account for Tax-Related Items by considering applicable withholding amounts or other applicable withholding rates, including minimum or maximum applicable rates in the Participant's jurisdiction(s). If the Company and/or the Employer withhold more than the amount necessary to satisfy the liability for Tax-Related Items, the Participant may receive a refund of any over- withheld amount in cash and will have no entitlement to the equivalent in Shares or, if not refunded, the Participant may be able to seek a refund from the applicable tax authorities. If the Company and/or the Employer withhold less than the amount necessary to satisfy the liability for Tax-Related Items, the Participant may be required to pay additional Tax-Related Items directly to the applicable tax authorities or to the Company and/or the Employer. The Participant agrees to pay to the Company or the Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold or account for as a result of the Participant's participation in the Plan that cannot be satisfied by the means previously described. If the obligation for Tax- Related Items is satisfied by withholding in Shares, the Participant is deemed, for tax purposes, to have been issued the full number of Shares subject to the vested Restricted Stock Units, notwithstanding that a number of the Shares is held back solely for the purpose of paying the Tax- Related items. The Company may refuse to issue or deliver the Shares or the proceeds of the sale of Shares, if the Participant fails to comply with his or her obligations in connection with the Tax- Related Items.

Section 9. Nature of Grant. In accepting the Restricted Stock Units, the Participant acknowledges, understands and agrees that:

(a) the Plan is established voluntarily by the Company, it is discretionary in nature, and may be modified, amended, suspended or terminated by the Company at any time, to the extent permitted by the Plan;

(b) all decisions with respect to future Restricted Stock Units or other grants, if any, will be at the sole discretion of the Company;

(c) the Participant is voluntarily participating in the Plan;

(d) the Restricted Stock Units and any Shares acquired upon vesting, and the income and value of same, are not intended to replace any pension rights or compensation;

(e) the Restricted Stock Units and any Shares acquired upon vesting, and the income and value of same, are not part of normal or expected compensation for any purpose, including, without limitation, for purposes of calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, bonuses, long-service awards, leave-related payments, holiday pay, pension or retirement or welfare benefits or similar mandatory payments;

(f) the future value of the Shares underlying the Restricted Stock Units is unknown, indeterminable, and cannot be predicted with certainty;

(g) if the Restricted Stock Units vest and the Participant acquires Shares, the value of such Stock may increase or decrease in value;

(h) unless otherwise agreed with the Company, the Restricted Stock Units and the Shares subject to the Restricted Stock Units, and the income and value of same, are not granted as consideration for, or in connection with, the service the Participant may provide as a director of any Subsidiary;

(i) no claim or entitlement to compensation or damages shall arise from forfeiture of the Restricted Stock Units resulting from a Termination of Service (for any reason whatsoever, whether or not later found to be invalid or in breach of employment laws in the jurisdiction where the Participant is employed or rendering services or the terms of the Participant's employment or service agreement, if any);

(j) unless otherwise provided in the Plan or by the Company in its sole discretion, the Restricted Stock Units and the benefits evidenced by this Agreement do not create any entitlement to have the Restricted Stock Units or any such benefits transferred to, or assumed by, another company nor to be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the Shares;

(k) neither the Company, the Employer nor any other Subsidiary or Affiliate shall be liable for any foreign exchange rate fluctuation between the Participant's local currency and the United States Dollar that may affect the value of the Restricted Stock Units or of any amounts due to the Participant pursuant to the vesting of the Restricted Stock Units or the subsequent sale of any Shares acquired upon vesting; and

(l) the Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding the Participant's participation in the Plan or the Participant's acquisition or sale of the Shares. The Participant should consult with his or her personal tax, legal and financial advisors regarding his or her participation in the Plan before taking any action related to the Plan.

Section 10. Data Privacy Consent.

The Company is located at 19122 US Highway 281N, Suite 128, San Antonio, TX 78258-7667, USA and grants employees of the Company and its other Subsidiaries and Affiliates, the opportunity to participate in the Plan, at the Company's sole discretion. If the Participant would like to participate in the Plan, the Participant understands that he or she should review the following information about the Company's data processing practices and declare his or her consent.

(a) *Data Collection and Usage. The Company collects, processes and uses the Participant's personal data, including, but without limitation, name, home address and telephone number, date of birth, social insurance number or other identification number (e.g., resident registration number), passport number, salary, citizenship, job title, any Shares of stock or directorships held in the Company, and details of all awards, canceled, vested, or outstanding in the Participant's favor, which the Company receives from the Participant or the Participant's Employer. If the Company offers the Participant the opportunity to participate in the Plan, then the Company will collect the Participant's personal data for purposes of allocating stock and implementing, administering and managing the Plan. The Company's legal basis for the processing of the Participant's personal data would be the Participant's consent.*

(b) *Stock Plan Administration Service Providers. The Company transfers participant data to E*Trade and/or Morgan Stanley Smith Barney, an independent service provider based in the United States, which assists the Company with the implementation, administration and management of the Plan, and if the Participant's Restricted Stock Units vest, the Company transfers*

shareholder data to Computershare, an independent service provider based in the United States, which assists the Company with its stock administration. In the future, the Company may select different service provider(s) and share the Participant's personal data with another company that serves in similar capacities. The Company's service providers may open an account for the Participant. The Participant will be asked to agree on separate terms and data processing practices with the applicable service providers, which, as it relates to Plan administration service provider, is a condition to the Participant's ability to participate in the Plan.

(c) International Data Transfers. The Company and its service providers are based in the United States. If the Participant is outside of the United States, the Participant should note that his or her country may have enacted data privacy laws that are different from the United States.

(d) Data Retention. The Company will use the Participant's personal data only as long as is necessary to implement, administer and manage the Participant's participation in the Plan or as required to comply with legal or regulatory obligations, including under tax and security laws. When the Company no longer needs the Participant's personal data, the Company will remove it from its systems.

(e) Voluntariness and Consequences of Consent Denial or Withdrawal. The Participant's participation in the Plan and the Participant's grant of consent is purely voluntary. The Participant may deny or withdraw his or her consent at any time. If the Participant does not consent, or if the Participant withdraws his or her consent, the Participant cannot participate in the Plan. This would not affect the Participant's salary as an employee; the Participant would merely forfeit the opportunities associated with the Plan.

(f) Data Subject Rights. The Participant has a number of rights under data privacy laws in his or her country. Depending on where the Participant is based, his or her rights may include the right to (i) request access or copies of personal data the Company processes, (ii) rectification of incorrect data, (iii) deletion of data, (iv) restrictions on processing, (v) portability of data, (vi) to lodge complaints with competent authorities in the Participant's country, and/or (vii) a list with the names and addresses of any potential recipients of the Participant's personal data. To receive clarification regarding the Participant's rights or to exercise his or her rights, the Participant should please contact the Company at Attn: Stock Plan Administrator, 1718 Dry Creek Way, Suite 115, San Antonio, TX 78259-1837, USA.

(g) The Participant also understands that the Company may rely on a different legal basis for the processing or transfer of data in the future and/or request the Participant to provide another data privacy consent. If applicable and upon request of the Company, the Participant agrees to provide an executed acknowledgement or data privacy consent form to the Company or the Employer (or any other acknowledgements, agreements or consents) that the Company and/or the Employer may deem necessary to obtain under the data privacy laws in the Participant's country, either now or in the future. The Participant understands that he or she will not be able to participate in the Plan if the Participant fails to execute any such acknowledgement, agreement or consent requested by the Company and/or the Employer.

Section 11. Compliance with Law. Notwithstanding any other provisions of the Plan or this Agreement, unless there is an exemption from any registration, qualification or other legal requirement applicable to the Shares, the Company shall not be required to deliver any Shares issuable upon vesting of the Restricted Stock Units prior to the completion of any registration or qualification of the Shares under any U.S. or non-U.S. local, state or federal securities or exchange control law or regulation or under rulings or regulations of the U.S. Securities and Exchange Commission (“SEC”) or of any other governmental regulatory body, or prior to obtaining any approval or other clearance from any U.S. or non-

U.S. local, state or federal governmental agency, which registration, qualification or approval the Company shall, in its absolute discretion, deem necessary or advisable. The Participant understands that the Company is under no obligation to register or qualify the Shares with the SEC or any U.S. or non-U.S. state or other securities commission or to seek approval or clearance from any governmental authority for the issuance or sale of the Shares and the inability of the Company to obtain approval from any regulatory body having authority deemed by the Company to be necessary for the lawful issuance and sale of any Shares pursuant to the Restricted Stock Units shall relieve the Company of any liability with respect to the non-issuance or sale of the Shares as to which such approval shall not have been obtained.

Section 12. Electronic Delivery and Acceptance. The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. The Participant hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

By the Participant's electronic signature or acceptance, the Participant and the Company agree that the Restricted Stock Units are granted under and governed by the terms and conditions of the Plan and this Agreement. The Participant has reviewed the Plan and this Agreement in their entirety, has had an opportunity to obtain the advice of counsel prior to accepting this Agreement and fully understands all provisions of the Plan and Agreement. The Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Committee upon any questions relating to the Plan and Agreement.

Section 13. Language. The Participant acknowledges that he or she is sufficiently proficient in English to understand the terms and conditions of this Agreement. Furthermore, if the Participant has received this Agreement, or any other document related to the Restricted Stock Units and/or the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.

Section 14. Addendum. Notwithstanding any provisions in this Agreement, the Restricted Stock Units shall be subject to any special terms and conditions set forth in any Addendum to this Agreement for the Participant's country. Moreover, if the Participant relocates to one of the countries included in the Addendum, the special terms and conditions for such country will apply to the Participant, to the extent the Committee determines that the application of such terms and conditions is necessary or advisable for legal or administrative reasons. The Addendum constitutes part of this Agreement.

Section 15. Imposition of Other Requirements. The Company reserves the right to impose other requirements on the Participant's participation in the Plan, on the Restricted Stock Units and on any Shares purchased upon vesting of the Restricted Stock Units, to the extent the Company determines it is necessary or advisable for legal or administrative reasons, and to require the Participant to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

Section 16. Notices. All notices, claims, certificates, requests, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given and delivered if personally delivered or if sent by an internationally recognized overnight courier, by facsimile, by email, or by registered or certified mail, return receipt requested and postage prepaid, addressed as follows:

If to the Company, to it at its current executive offices and to: 1718 Dry Creek Way, Suite 115
San Antonio, TX 78259-1837
Attn: Deputy General Counsel, Corporate & Securities Legalnotice@rackspace.com

If to the Participant, to him or her at the address set forth on the signature page hereto or to such other address as the party to whom notice is to be given may have furnished to the other party in writing in accordance herewith.

Any such notice or communication shall be deemed to have been received (a) in the case of personal delivery, on the date of such delivery (or if such date is not a business day, on the next business day after the date of delivery), (b) in the case of internationally recognized overnight courier, on the next business day after the date sent, (c) in the case of email, when transmitted via email (in each case, if no “system error” or other notice of non-delivery is generated) to the applicable party and its legal counsel set forth above, and (d) in the case of mailing, on the third business day following that on which the piece of mail containing such communication is posted.

Section 17. Waiver of Breach. The waiver by either party of a breach of any provision of this Agreement must be in writing and shall not operate or be construed as a waiver of any other or subsequent breach.

Section 18. Participant’s Undertaking. The Participant hereby agrees to take whatever additional actions and execute whatever additional documents the Company may in its reasonable judgment deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on the Participant pursuant to the express provisions of this Agreement and the Plan.

Section 19. Modification of Rights. The rights of the Participant are subject to modification and termination in certain events as provided in this Agreement and the Plan (with respect to the Restricted Stock Units granted hereby). Notwithstanding the foregoing, the Participant’s rights under this Agreement and the Plan may not be materially impaired without the Participant’s consent.

Section 20. Governing Law; Consent to Jurisdiction.

NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN ANY SERVICE AGREEMENT, THIS AGREEMENT WILL BE GOVERNED BY AND CONSTRUED EXCLUSIVELY IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE, WITHOUT GIVING EFFECT TO ANY CHOICE OF LAW OR CONFLICTING PROVISION OR RULE (WHETHER OF THE STATE OF DELAWARE OR ANY OTHER JURISDICTION) THAT WOULD CAUSE THE LAWS OF ANY JURISDICTION OTHER THAN THE STATE OF DELAWARE TO BE APPLIED. IN FURTHERANCE OF THE FOREGOING, THE INTERNAL LAW OF THE STATE OF DELAWARE WILL CONTROL THE INTERPRETATION AND CONSTRUCTION OF THIS AGREEMENT, EVEN IF UNDER SUCH JURISDICTION’S CHOICE OF LAW OR CONFLICT OF LAW ANALYSIS, THE SUBSTANTIVE LAW OF SOME OTHER JURISDICTION WOULD ORDINARILY APPLY.

(a) Notwithstanding anything to the contrary contained in any service agreement, each of the parties hereto irrevocably (i) consents to submit itself to the personal jurisdiction of the Delaware Court of Chancery, or in the event (but only in the event) that the Delaware Court of Chancery does not have subject matter jurisdiction over such legal action or proceeding, the United States District Court for the District of Delaware, or in the event (but only in the event) that such United States District Court for the District of Delaware also does not have subject matter jurisdiction over such legal action or proceeding, any Delaware state court sitting in New Castle County, in connection with any matter based upon or arising out of this Agreement or the actions of the parties hereof or any restrictive covenants to which the Participant is subject to under any service agreement, (ii) agrees that it will not attempt to deny or defeat such personal jurisdiction by motion or other request for leave from any such court and (iii) agrees that it will not bring any action relating to this Agreement or any restrictive covenants to which the Participant is subject to under any service agreement in any court other than the courts of the State of

Delaware, as described above. Each party to this Agreement hereby irrevocably waives, and agrees not to assert, by way of motion, as a defense, counterclaim or otherwise, in any action or proceeding with respect to this Agreement or any restrictive covenants to which the Participant is subject to under any service agreement, any claim that it is not personally subject to the jurisdiction of the above-named courts for any reason, that it or its property is exempt or immune from jurisdiction of any such court or from any legal process commenced in such courts (whether through service of notice, attachment prior to judgment, attachment in aid of execution of judgment, execution of judgment or otherwise), and to the fullest extent permitted by applicable law, that the suit, action or proceeding in any such court is brought in an inconvenient forum, that the venue of such suit, action or proceeding is improper, or that this Agreement or the subject matter hereof or any restrictive covenants to which the Participant is subject to under any service agreement, may not be enforced in or by such courts and further irrevocably waives, to the fullest extent permitted by applicable law, the benefit of any defense that would hinder, fetter or delay the levy, execution or collection of any amount to which a party hereto is entitled pursuant to the final judgment of any court having jurisdiction.

Section 21. Insider Trading/Market Abuse Restrictions. Depending on the Participant's country, the Participant may be subject to insider trading restrictions and/or market abuse laws in applicable jurisdictions, which may affect the Participant's ability to, directly or indirectly, acquire, sell or attempt to sell Shares or otherwise dispose of Shares or rights to Shares (*e.g.*, the Restricted Stock Units) under the Plan during such times as the Participant is considered to have "inside information" regarding the Company (as defined by the laws in the applicable jurisdictions or the Participant's country). The Participant could be prohibited from (i) disclosing the inside information to any third party, which may include fellow employees (other than on a "need to know" basis); (ii) "tipping" third parties or causing them to otherwise buy or sell securities; and (iii) cancelling or amending orders the Participant placed before he or she possessed inside information. Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under any applicable Company insider trading policy. The Participant is responsible for ensuring the Participant's compliance with any applicable restrictions and is advised to speak with his or her personal legal advisor on this matter.

Section 22. Exchange Control, Tax And/Or Foreign Asset/Account Reporting. The Participant acknowledges that, depending on his or her country, the Participant may be subject to foreign asset/account, exchange control and/or tax reporting requirements as a result of the acquisition, holding and/or transfer of Shares or cash derived from his or her participation in the Plan, in, to and/or from a brokerage/bank account or legal entity located outside the Participant's country. The applicable laws of the Participant's country may require that the Participant report such accounts, assets, the balances therein, the value thereof and/or the transactions related thereto to the applicable authorities in such country. The Participant agrees to take any and all actions, and consents to any and all actions taken by the Company or the Employer as may be required to allow the Company or the Employer to comply with local laws, rules and regulations in the Participant's country of residence (and country of employment, if different). The Participant acknowledges that he or she is responsible for ensuring compliance with any applicable foreign asset/account, exchange control and tax reporting requirements and is advised to consult his or her personal legal advisor on this matter.

Section 23. Section 409A. It is the intent of this Agreement that it and all payments and benefits hereunder be exempt from, or comply with, the requirements of Section 409A so that none of the Restricted Stock Units provided under this Agreement or Shares issuable thereunder will be subject to the additional tax imposed under Section 409A, and any ambiguities herein will be interpreted to be so exempt or so comply. Each payment payable under this Agreement is intended to constitute a separate payment for purposes of Treasury Regulation Section 1.409A-2(b)(2).

Section 24. Counterparts. This Agreement may be executed in one or more counterparts, and each such counterpart shall be deemed to be an original, but all such counterparts together shall constitute but one agreement.

Section 25. Entire Agreement. The Notice of Grant, this Agreement and the Plan (and the other writings referred to herein) constitute the entire agreement between the parties with respect to the subject matter hereof and thereof and supersede all prior written or oral negotiations, commitments, representations and agreements with respect thereto, except for other agreements between the parties that contain restrictive covenants included in an employment agreement or in the standard Rackspace Confidentiality, Dispute Resolution and Intellectual Property Agreement. In the event of a conflict between agreements containing restrictive covenants, the restriction that provides the most protection to the Company shall supercede and apply.

Section 26. Severability. It is the desire and intent of the parties hereto that the provisions of this Agreement be enforced to the fullest extent permissible under the laws and public policies applied in each jurisdiction in which enforcement is sought. Accordingly, if any particular provision of this Agreement shall be adjudicated by a court of competent jurisdiction to be invalid, prohibited or unenforceable for any reason, such provision, as to such jurisdiction, shall be ineffective, without invalidating the remaining provisions of this Agreement or affecting the validity or enforceability of such provision in any other jurisdiction. Notwithstanding the foregoing, if such provision could be more narrowly drawn so as not to be invalid, prohibited or unenforceable in such jurisdiction, it shall, as to such jurisdiction, be so narrowly drawn, without invalidating the remaining provisions of this Agreement or affecting the validity or enforceability of such provision in any other jurisdiction.

Section 27. Enforcement. In the event the Company or the Participant institutes litigation to enforce or protect its rights under this Agreement or the Plan, each party shall be solely responsible for all attorneys' fees, out-of-pocket costs and disbursements it incurs relating to such litigation.

Section 28. Waiver of Jury Trial. EACH PARTY HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT THAT IT MAY LEGALLY AND EFFECTIVELY DO SO, TRIAL BY JURY IN ANY SUIT, ACTION OR PROCEEDING ARISING HEREUNDER.

Section 29. Required Acceptance. This Agreement is conditioned upon the Participant's agreement to all terms of this Agreement including the Restrictive Covenants which include, among other provisions, certain non-solicitation, nondisclosure, and non-disparagement rights. If the Participant does not agree (whether electronically or otherwise) to this Agreement within thirty (30) days from the Grant Date, the Restricted Stock Units shall be terminable by the Company.

Section 30. Recoupment/Clawback Policy; Compensation Subject to Recovery. The Participant acknowledges that the Company adopted the Executive Officer Incentive Compensation Clawback Policy (the "Clawback Policy") to which the Participant is or may in the future become subject. In consideration of the grant of the Restricted Stock Units, the Participant agrees to abide by the Company's Clawback Policy and any determinations of the Board or the Compensation Committee pursuant to the Clawback Policy or any similar clawback or recoupment policy which the Company may adopt from time to time to the extent the Board determines in good faith that the adoption and maintenance of such policy is necessary to maintain corporate governance best practices and/or comply with the Dodd-Frank Wall Street Reform and Consumer Protection Act and implementing rules and regulations thereunder, or is otherwise required by applicable law. The Participant acknowledges and agrees that the Restricted Stock Units received by the Participant pursuant to this Agreement shall be subject to forfeiture, recovery by the Company or other action pursuant to the Clawback Policy or any such other clawback or recoupment policy. This Section 30 shall survive the termination of the Holder's employment for any reason. The

foregoing remedy is in addition to and separate from any other relief available to the Company due to the Participant's misconduct or fraud. Any determination by the Board or the Compensation Committee with respect to the foregoing shall be final, conclusive and binding upon the Holder and all persons claiming through the Holder.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have executed this Restricted Stock Unit Agreement as of the date first written above.

RACKSPACE TECHNOLOGY, INC.

By: Kellie Teal-Guess

Name: Kellie Teal-Guess

Title: Chief Human Resources Officer

PARTICIPANT

%%FIRST_NAME_LAST_NAME%-%

**ADDENDUM TO THE RESTRICTED STOCK UNIT AGREEMENT FOR NON-U.S.
PARTICIPANTS**

Capitalized terms used but not defined in this Addendum have the meanings set forth in the Plan and/or Agreement.

Terms and Conditions

This Addendum includes additional terms and conditions that govern the Restricted Stock Units granted to the Participant under the Plan if the Participant resides and/or works in one of the countries listed below.

If the Participant is a citizen or resident of a country other than the one in which he or she is currently residing and/or working or transfers to another country after the grant of the Restricted Stock Units, or is considered a resident of another country for local law purposes, the Company shall, in its sole discretion, determine to what extent the terms and conditions contained herein shall apply to the Participant under these circumstances.

Notifications

This Addendum also includes information regarding exchange controls and certain other issues of which the Participant should be aware with respect to his or her participation in the Plan. The information is based on the securities, exchange control and other laws in effect in the respective countries as of March 2022. Such laws are often complex and change frequently. As a result, the Company strongly recommends that the Participant not rely on the information in this Addendum as the only source of information relating to the consequences of the Participant's participation in the Plan because the information may be out of date at the time that the Restricted Stock Units vest or at the time the Participant sells Shares acquired under the Plan.

The information contained herein is general in nature and may not apply to the Participant's particular situation and the Company is not in a position to assure the Participant of any particular result. Accordingly, the Participant is advised to seek appropriate professional advice as to how the relevant laws in the Participant's country may apply to his or her situation.

If the Participant is a citizen or resident of a country other than the one in which he or she is currently residing and/or working or transfers to another country after the grant of the Restricted Stock Units, or is considered a resident of another country for local law purposes, the information contained herein may not be applicable to the Participant in the same manner.

**DATA PRIVACY NOTICE FOR PARTICIPANTS IN THE EUROPEAN UNION (“EU”)
/ EUROPEAN ECONOMIC AREA (“EEA”) / SWITZERLAND / UNITED KINGDOM (“UK”)**

The following provisions replace Section 10 of the Agreement:

The Company is located at 1718 Dry Creek Way, Suite 115, San Antonio, TX 78259- 1837, USA and grants employees of the Company and its other Subsidiaries and Affiliates, the opportunity to participate in the Plan, at the Company's sole discretion. If the Participant would like to participate in the Plan, the Participant understands that he or she should review the following information about the Company's data processing practices.

(a) **Data Collection and Usage.** *The Company collects, processes and uses the Participant's personal data, including, but without limitation, name, home address and telephone number, date of birth, social insurance number or other identification number (e.g., resident registration number), passport number, salary, citizenship, job title, any Shares of stock or directorships held in the Company, and details of all awards, canceled, vested, or outstanding in the Participant's favor (the “Data”), which the Company receives from the Participant or the Participant's Employer. If the Company offers the Participant the opportunity to participate in the Plan, then the Company will collect the Data for purposes of allocating stock and implementing, administering and managing the Plan. The Company's legal basis for the processing of the Participant's personal data would be the implementation, administration and management of the Participant's participation in the Plan.*

(b) **Purposes and Legal Bases of Processing** *The Company processes the Data for the purpose of performing its contractual obligations under the Agreement, granting the Restricted Stock Units, implementing, administering and managing Participant's participation in the Plan. The legal basis for the processing of the Data by the Company and the third party service providers described below is the necessity of the data processing for the Company to perform its contractual obligations under the Agreement and for the Company's legitimate business interests of managing the Plan and generally administering employee equity awards.*

(c) **Stock Plan Administration Service Providers.** *The Company transfers participant data to E*Trade, an independent service provider based in the United States, which assists the Company with the implementation, administration and management of the Plan, and if the Restricted Stock Units vest, the Company transfers shareholder data to Computershare, an independent service provider based in the United States, which assists the Company with its stock administration. In the future, the Company may select different service provider(s) and share the Participant's personal data with another company that serves in similar capacities. The Company's service providers may open an account for the Participant. The Participant will be asked to agree on separate terms and data processing practices with the applicable service providers, which, as it relates to Plan administration service provider, is a condition to the Participant's ability to participate in the Plan. The Company and its service providers are based in the United States. If the Participant is outside of the United States, the Participant should note that his or her country may have enacted data privacy laws that are different from the United States.*

(d) **Data Retention.** *The Company will use the Participant's personal data only as long as is necessary to implement, administer and manage the Participant's participation in the Plan or as required to comply with legal or regulatory obligations, including under tax, exchange control, securities, and labor laws. When the Company no longer needs the Participant's Data, the Company will remove it from its systems. The Company may keep some of the Data longer to satisfy legal or*

regulatory obligations and the Company's legal basis for such use would be necessary to comply with legal obligations.

(e) ***Contractual Requirement*** *The Participant's provision of Data and its processing as described above is a contractual requirement and a condition of the Participant's ability to participate in the Plan. The Participant understands that, as a consequence of the Participant's refusing to provide Data, the Company may not be able to allow the Participant to participate in the Plan, grant Restricted Stock Units to the Participant or administer or maintain such awards. However, the Participant's participation in the Plan and acceptance of the Agreement terms are purely voluntary. While Employee will not receive Restricted Stock Units if the Participant decides against participating in the Plan or providing Data as described above, the Participant's career and salary will not be affected in any way if the Participant chooses not to participate in the Plan or provide Data.*

(f) ***Data Subject Rights***. *The Participant has a number of rights under data privacy laws in his or her country. Depending on where the Participant is based, his or her rights may include the right to (i) request access or copies of personal data the Company processes, (ii) rectification of incorrect data, (iii) deletion of data, (iv) restrictions on processing, (v) portability of data, (vi) to lodge complaints with competent authorities in the Participant's country, and/or (vii) a list with the names and addresses of any potential recipients of the Participant's personal data. To receive clarification regarding the Participant's rights or to exercise his or her rights, the Participant should please contact the Company at Attn: Stock Plan Administrator, 1718 Dry Creek Way, Suite 115, San Antonio, TX 78259-1837, USA.*

AUSTRALIA

Terms and Conditions

Tax Information. The Plan is a plan to which Subdivision 83A-C of the Income Tax Assessment Act 1997 (Cth) (the "Act") applies (subject to conditions in the Act).

Notifications

Securities Law Notification. Any information given by or on behalf of the Company is general information only. *The Participant should obtain his or her own financial product advice from an independent person who is licensed by the Australian Securities and Investments Commission ("ASIC") to give advice about participating in the Plan.*

The grant of Restricted Stock Units under the terms of the Plan and the Agreement does not require disclosure under the *Corporations Act 2001* (Cth) (the "Corporations Act"). No document provided to the Participant in connection with his or her participation in the Plan (including this Agreement):

is a prospectus, product disclosure statement or other disclosure document for purposes of the Corporations Act; or

has been filed or reviewed by a regulator in Australia (including ASIC).

The Participant should not rely on any oral statements made in connection with his or her participation in the Plan. The Participant should rely only upon the statements contained in this Agreement, when considering whether to participate in the Plan.

In the event that Shares are issued to the Participant under the Plan, the value of any Shares will be affected by the Australian / U.S. dollar exchange rate, in addition to fluctuations in value caused by the fortunes of the Company.

If the Participant offers any Shares for sale to a person or entity resident in Australia, the offer may be subject to disclosure requirements under Australian law. *The Participant should consult with his or her personal legal advisor prior to making any such offer to ensure compliance with the applicable requirements.*

BELGIUM

Notifications

Foreign Asset/Account Reporting Notification. Belgian residents are required to report any securities (*e.g.*, Shares acquired under the Plan) or bank accounts opened and maintained outside Belgium (*e.g.*, any brokerage account opened in connection with the Plan) on their annual tax returns. Belgian residents are also required to complete a separate report providing the National Bank of Belgium with details regarding any such account, including the account number, the name of the bank in which such account is held and the country in which such account is located. The forms to complete this report are available on the website of the National Bank of Belgium. Belgian residents should consult with their personal tax advisors to determine their personal reporting obligations.

Annual Securities Accounts Tax. An annual securities accounts tax may be payable if the total value of securities held in a Belgian or foreign securities account (*e.g.*, Shares acquired under the Plan) exceeds a certain threshold on four reference dates within the relevant reporting period (*i.e.*, December 31, March 31, June 30 and September 30). In such cases, the tax will be due on the value of the qualifying securities held in such account. The Participant should consult with his or her personal tax advisor regarding the application of this tax.

CANADA

Terms and Conditions

Restricted Stock Units Payable Only in Shares. Notwithstanding Section 3 of the Agreement, the grant of the Restricted Stock Units does not provide any right for the Participant to receive a cash payment, and settlement of the Restricted Stock Units is payable only in Shares.

The following provisions will apply to Participants who are residents of Quebec:

Language Consent. The parties acknowledge that it is their express wish that the Agreement, as well as all documents, notices and legal proceeds entered into, given or instituted pursuant hereto or relating directly or indirectly hereto, be drawn up in English.

Consentement relatif à la langue utilisée: *Les parties reconnaissent avoir exigé la rédaction en anglais de cette convention, ainsi que de tous documents exécutés, avis donnés et procédures judiciaires intentées, directement ou indirectement, relativement à ou suite à la présente convention.*

Data Privacy Notice. This provision supplements Section 10 of the Agreement:

The Participant hereby authorizes the Company and the Company's representatives, including any broker(s) designated by the Company to discuss with and obtain all relevant information from all personnel, professional or not, involved in the administration and operation of the Plan. The Participant further authorizes the Employer, the Company, and any other Affiliate or Subsidiary to disclose and discuss the Plan with their respective advisors. The Participant further authorizes the Employer, Company, and any other Affiliate or Subsidiary to record such information and to keep such information in the Participant's

employee file. The Participant acknowledges that the Participant's personal information, including any sensitive personal information, may be transferred or disclosed outside the Province of Quebec, including to the United States. Finally, the Participant acknowledges that the Company, the Employer or any other affiliate or other parties involved in the administration of the Plan use technology for profiling purposes and to make automated decisions that may have an impact on the Participant or the administration of the Plan.

Notifications

Securities Law Notification. The Participant acknowledges that he or she is permitted to sell Shares acquired under the Plan, provided the sale of the Shares acquired under the Plan takes place outside of Canada.

Foreign Asset/Account Reporting Notification. The Participant is required to report any foreign specified property (including Shares acquired under the Plan) with a value exceeding C\$100,000 on Form T1135 (Foreign Income Verification Statement) on an annual basis. The statement is due at the same time as the Participant's annual tax return. The Restricted Stock Units must be reported (generally at a nil cost) if the \$100,000 cost threshold is exceeded because of other foreign specified property the Participant holds at any time during the year. If Shares are acquired, their cost generally is the adjusted cost base ("ACB") of the Shares. The ACB ordinarily would equal the fair market value of the Shares at the time of acquisition, but if the Participant owns other Shares, this ACB may have to be averaged with the ACB of the other Shares. The form must be filed by April 30 of the following year. The Participant is strongly advised to check with his or her personal advisor regarding the Participant's reporting obligations.

COLOMBIA

Terms and Conditions

Nature of Grant. By electing to participate in the Plan, the Participant acknowledges and agrees that he or she has received a copy of the Plan and the Agreement, have read and understood the terms and conditions of the Plan and the Agreement and consent to participation in the Plan under the terms and conditions contained therein. In addition to the terms specified in the Plan and this Agreement, by participating in the Plan, the Participant expressly acknowledges and agrees that pursuant to Article 128 of the Colombian Labor Code, the Plan and related benefits do not constitute a component of the Participant's "salary" for any legal purpose.

Securities Law Notification. The Shares are not and will not be registered with the Colombian registry of publicly traded securities (*Registro Nacional de Valores y Emisores*). Therefore, the Shares may not be offered to the public in Colombia. Nothing in the Agreement should be construed as making a public offer of securities in Colombia. An offer of Shares to employees will not be considered a public offer provided that it meets the conditions set forth in Article 6.1.1.1.1 in Decree 2555,2010. In the event that the Company, in its sole discretion, determines that the offer of the Plan in Colombia may constitute a "public offer of securities," the Participant understands and agrees that the Company may, in its sole discretion, cease to offer the Plan in Colombia. In the event that the Company exercises its discretion to cease offering the Plan in Colombia, the Participant will no longer be permitted to participate in the Plan as of the date established by the Company.

Notifications

Exchange Control Notification. The Participant must register their investments with the Central Bank of Colombia (Banco de la República). The registration method will vary depending on whether cash is remitted from Colombia (either by the Participant or the Employer), or no cash consideration is paid at all. Upon liquidation of assets held abroad, the Participant must (i) cancel the registration with the Central Bank

and (ii) repatriate the proceeds from the sale or liquidation to Colombia and file the appropriate Central Bank form (usually through the Participant's local bank). The Participant is personally responsible for complying with applicable exchange control requirements in Colombia.

Foreign Asset/Account Reporting Notification. The Participant must file an annual informative return with the Colombian Tax Office detailing any assets held abroad. If the individual value of any of these assets exceeds a certain threshold, the Participant must describe each asset and indicate the jurisdiction in which it is located, its nature and its value.

EGYPT

Notifications

Exchange Control Notification. If the Participant transfers funds received upon settlement of Restricted Stock Units into Egypt, the Participant is required to transfer the funds through a registered bank in Egypt.

GERMANY

Notifications

Exchange Control Notification. Cross-border payments in excess of €12,500 (including transactions made in connection with the sale of securities) must be reported monthly to the German Federal Bank (*Bundesbank*). If the Participant makes or receives a payment in excess of this amount in connection with the Participant's participation in the Plan, the Participant must report the payment to Bundesbank electronically using the "General Statistics Reporting Portal" ("*Allgemeines Meldeportal Statistik*") available via Bundesbank's website (www.bundesbank.de).

Foreign Asset/Account Reporting Notification. If the Participant's acquisition of Shares leads to a so-called qualified participation at any point during the calendar year, the Participant will need to report the acquisition when he or she files a tax return for the relevant year. A qualified participation occurs only if

(i) the Participant owns 1% or more of the Company and the value of the Shares exceeds €150,000 or (ii) the Participant holds Shares exceeding 10% of the Company's total common stock.

HONG KONG

Terms and Conditions

Restriction on Sale of Shares. Should any portion of the Restricted Stock Units vest within six months of the Grant Date, the Participant agrees that the Participant will not dispose of the Shares acquired at vesting prior to the six-month anniversary of the Grant Date.

Notifications

Securities Law Notification. *WARNING: The Restricted Stock Units and any Shares to be issued upon vesting do not constitute a public offering of securities under Hong Kong law and are available only to employees of the Company or any other Subsidiary. The Plan, the Agreement and other incidental communication materials related to the Restricted Stock Units have not been prepared in accordance with and are not intended to constitute a 'prospectus' for a public offering of securities under the applicable companies and securities legislation in Hong Kong, and the documents have not been reviewed by any regulatory authority in Hong Kong. The Plan, the Agreement and the incidental communication materials are intended only for the Participant's personal use and not for distribution to any other persons. If the Participant has any questions or concerns about any of the contents of the Plan, the Agreement or any other incidental communication materials, the Participant should obtain independent professional advice.*

INDIA

Notifications

Exchange Control Notification. It is the Participant's responsibility to comply with any applicable exchange control regulations in India. The Participant must repatriate the proceeds from the sale of Shares or the receipt of any dividends (if applicable) to India within a certain time period after receipt. The Participant must retain the foreign inward remittance certificate received from the bank where the foreign currency is deposited in the event that the Reserve Bank of India or the Employer requests proof of repatriation. It is the Participant's responsibility to comply with these requirements.

Foreign Asset/Account Reporting Notification. The Participant is required to declare any foreign bank accounts for which Participant has signing authority and any foreign financial assets (including Shares acquired under the Plan) in his or her annual tax return. It is the Participant's responsibility to comply with this reporting obligation and the Participant should consult his or her personal advisor in this regard.

JAPAN

Terms and Conditions

Compliance with Law. By accepting the Restricted Stock Units, the Participant agrees to comply with all applicable Japanese laws and report and pay any and all applicable Tax-Related Items associated with the receipt of Restricted Stock Units and any payment made to the Participant upon vesting of Restricted Stock Units. The Participant acknowledges that the Japanese tax authorities are aware that employees of Japanese affiliates of U.S. companies may earn substantial income as a result of participation in an equity incentive plan, and may audit the tax returns of such employees to confirm that they have correctly reported the resulting income.

Notifications

Exchange Control Notification. Japanese residents acquiring Shares valued at more than ¥100,000,000 in a single transaction must file a Securities Acquisition Report with the Ministry of Finance through the Bank of Japan within 20 days of the acquisition of Shares.

Foreign Asset/Account Reporting Notification. If the Participant holds assets outside of Japan with a total net fair market value exceeding ¥50,000,000 as of December 31 (each year), the Participant is required to comply with annual tax reporting obligations with respect to such assets by March 15 of the following year. The Participant is advised to consult with a personal tax advisor to ensure compliance with applicable reporting requirements.

MEXICO

Terms and Conditions

Labor Law Acknowledgement. The following provision applies if the Participant resides in Mexico and receives Restricted Stock Units from the Company:

- (a) The Participant's participation in the Plan does not constitute an acquired right;
- (b) The Plan and the Participant's participation in it are offered by the Company on a wholly discretionary basis;
- (c) The Participant's participation in the Plan is voluntary;
- (d) The Company and its Subsidiaries and Affiliates are not responsible for any decrease in the value of any Shares acquired under the Plan;
- (e) By accepting the Restricted Stock Units, the Participant acknowledges that the Company, with registered offices in the U.S.A. at 19122 US Highway 281N, Suite 128, San Antonio, TX 78258-7667, is solely responsible for the administration of the Plan. The Participant further acknowledges that his or her participation in the Plan, the grant of the Restricted Stock Units and any acquisition of Shares under the Plan do not constitute an employment relationship between the Participant and the Company because the Participant is participating in the Plan on a wholly commercial basis and his or her sole Employer is Rackspace Mexico S. de R.L. de C.V. Based on the foregoing, the Participant expressly acknowledges that the Plan and the benefits that he or she may derive from participation in the Plan do not establish any rights between the Participant and the Employer and do not form part of the employment conditions and/or benefits provided by the Employer, and any modification of the Plan or its termination shall not constitute a change or impairment of the terms and conditions of the Participant's employment;
- (f) The Participant further understands that his or her participation in the Plan is the result of a unilateral and discretionary decision of the Company and, therefore, the Company reserves the absolute right to amend and/or discontinue the Participant's participation in the Plan at any time, without any liability to the Participant; and
- (g) Finally, the Participant hereby declares that he or she does not reserve to him- or herself any action or right to bring any claim against the Company for any compensation or damages regarding any provision of the Plan or the benefits derived under the Plan, and that he or she therefore grants a full and broad release to the Company, its Subsidiaries, Affiliates, branches, representation offices, shareholders, officers, agents or legal representatives, with respect to any claim that may arise.

Spanish Translation

- (a) *La participación del beneficiario en el Plan no constituye un derecho adquirido;*

- (b) *El Plan y la participación del beneficiario en el mismo, son ofrecidos por la Compañía de manera completamente discrecional;*
- (c) *La participación del beneficiario en el Plan es voluntaria;*
- (d) *La Compañía y sus subsidiarias o afiliadas no son responsables de ninguna disminución en el valor de las acciones adquiridas dentro del Plan;*
- (e) *Al aceptar las Unidades de Acción Restringidas, el beneficiario reconoce que la Compañía, con domicilio registrado en 19122 US Highway 281N, Suite 128, San Antonio, TX 78258-7667, E.U.A. es la única responsable de la administración del Plan. Además, el beneficiario reconoce que su participación en el Plan, la concesión de Unidades de Acción Restringidas y cualquier adquisición de acciones bajo el Plan no constituyen una relación laboral entre el beneficiario y la Compañía, ya que el beneficiario está participando en el Plan sobre una base comercial y su único empleador es Rackspace México S. de R.L. de C.V. Por lo anterior, el beneficiario expresamente reconoce que el Plan y los beneficios que puedan derivarse de su participación no establecen ningún derecho entre el beneficiario y su empleador y que no forman parte de las condiciones de trabajo y/o beneficios otorgados por su empleador, y cualquier modificación del Plan o su terminación no constituirá un cambio o modificación de los términos y condiciones de empleo del beneficiario;*
- (f) *Además, el beneficiario comprende que su participación en el Plan es el resultado de una decisión unilateral y discrecional de la Compañía, por lo que esta se reserva el derecho absoluto de modificar y/o suspender la participación del beneficiario en el Plan en cualquier momento, sin responsabilidad alguna del beneficiario; y*
- (g) *Finalmente, el beneficiario manifiesta que no se reserva acción o derecho alguno que origine una demanda en contra de la Compañía, por cualquier indemnización o daño relacionada con las disposiciones del Plan o a los beneficios otorgados en el mismo, y en consecuencia el beneficiario deslinda de total responsabilidad a la Compañía, sus subsidiarias, afiliadas, sucursales, oficinas de representación, sus accionistas, directores, agentes y representantes legales de cualquier demanda que pudiera surgir.*

NETHERLANDS

There are no country-specific provisions.

NEW ZEALAND

Notifications

Securities Law Notification. WARNING: This is an offer of rights to receive Shares upon vesting of the Restricted Stock Units in accordance with the terms of the Agreement and the Plan. The Shares, once acquired, will give the Participant a stake of ownership in the Company. The Participant may receive a return if dividends are paid on the Shares.

If the Company runs into financial difficulties and is wound up, the Participant will be paid only after all creditors and holders of preference shares (if any) have been paid. The Participant may lose some or all of his or her investment.

New Zealand law normally requires people who offer financial products to give information to investors before they invest. This information is designed to help investors make an informed decision. The usual rules do not apply to this offer because it is made under an employee share purchase scheme. As a result, the Participant may not be given all the information usually required. The Participant will also have fewer other legal protections for this investment. The Participant acknowledges that he or she should ask questions, read all documents carefully, and seek independent financial advice before committing himself or herself.

The Shares are quoted on the Nasdaq Global Select Market. This means that if the Participant acquires Shares under the Plan, the Participant may be able to sell such Shares on the Nasdaq Global Select Market if there are interested buyers. The price will depend on the demand for the Shares.

For information on risk factors impacting the Company's business that may affect the value of the Shares, the Participant should refer to the risk factors discussion in the Company's Annual Report on Form 10-K and Quarterly Reports on Form 10-Q, which are filed with the U.S. Securities and Exchange Commission and are available online at www.sec.gov, as well as on the Company's "Investor Relations" website at <https://www.rackspace.com/about/investor-relations>.

POLAND

Notifications

Foreign Asset/Account Reporting Notifications. Polish residents holding foreign securities (e.g., Shares) and/or maintaining accounts abroad must report information to the National Bank of Poland on transactions and balances regarding such securities and cash deposited in such accounts if the value of such securities and cash (when combined with all other assets possessed abroad) exceeds certain thresholds. If required, the reports must be filed on a quarterly basis on special forms that are available on the website of the National Bank of Poland. Polish residents should consult with their personal tax advisor to determine their personal reporting obligations.

Exchange Control Notification. Transfers of funds into and out of Poland in excess of €15,000 (or PLN 15,000 if such transfer of funds is connected with business activity of an entrepreneur) must be made via a bank account held at a bank in Poland. Additionally, Polish residents are required to store all documents connected with any foreign exchange transactions that Polish residents are engaged in for a period of five years, as measured from the end of the year in which such transaction occurred.

SAUDI ARABIA

Notifications

Securities Law Notification. The Agreement may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Rules on the Offer of Securities and Continuing Obligations issued by the Capital Market Authority.

The Capital Market Authority does not make any representation as to the accuracy or completeness of the Agreement, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of the Agreement. The Participant is hereby advised to conduct the Participant's own due diligence on the accuracy of the information relating to the shares. If the Participant does not understand the contents of the Agreement, the Participant should consult an authorized financial advisor.

SINGAPORE

Notifications

Securities Law Notification. The Participant agrees that any Shares acquired pursuant to the Restricted Stock Units will not be offered for sale in Singapore prior to the six-month anniversary of the Date of

Grant, unless such sale or offer is made pursuant to the exemptions under Part XIII Division (1) Subdivision (4) (other than section 280) of the Securities and Futures Act (Chapter 289, 2006 Ed.) (“SFA”), or pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

Securities Law Notification. The grant of the Restricted Stock Units is being made pursuant to the “Qualifying Person” exemption¹ under section 273(1)(f) of the SFA under which it is exempt from the prospectus and registration requirements and is not made with a view to the underlying Shares being subsequently offered for sale to any other party. The Plan has not been and will not be lodged or registered as a prospectus with the Monetary Authority of Singapore.

Director Notification Obligation. If the Participant is a director, associate director or shadow director¹ of a Singapore Affiliate or Subsidiary, the Participant must notify the Singapore Affiliate or Subsidiary in writing of an interest (e.g., Restricted Stock Units, Shares, etc.) in the Company or any Affiliate or Subsidiary within two business days of (i) acquiring or disposing of such interest, (ii) any change in a previously disclosed interest (e.g., sale of Shares), or (iii) becoming a director, associate director or shadow director.

¹ A shadow director is an individual who is not on the board of directors of the Singapore Affiliate or Subsidiary but who has sufficient control so that the board of directors of the Singapore Affiliate or Subsidiary acts in accordance with the directions or instructions of the individual.

SWEDEN

Terms and Conditions

Responsibility for Taxes. The following provision supplements Section 8 of the Agreement:

Without limiting the Company’s and the Employer’s authority to satisfy their withholding obligations for Tax-Related Items as set forth in Section 8 of the Agreement, by enrolling in the Plan, the Participant authorizes the Company and/or the Employer to withhold Shares or to sell Shares otherwise deliverable to the Participant upon vesting/settlement to satisfy Tax-Related Items, regardless of whether the Company and/or the Employer has an obligation to withhold such Tax-Related Items.

SWITZERLAND

Notifications

Securities Law Notification. Because the offer of the Restricted Stock Units is considered a private offering in Switzerland; it is not subject to registration in Switzerland. Neither this document nor any other materials relating to the Restricted Stock Units (i) constitute a prospectus according to articles 35 et seq. of the Swiss Federal Act on Financial Services (“FinSA”), (ii) may be publicly distributed nor otherwise made publicly available in Switzerland to any person other than the Participant or (iii) has been or will be filed with, approved or supervised by any Swiss reviewing body according to article 51 FinSA or any Swiss regulatory authority, including the Swiss Financial Market Supervisory Authority (“FINMA”).

UNITED ARAB EMIRATES

Notifications

Securities Law Notification. Participation in the Plan is being offered only to Eligible Individuals and is in the nature of providing equity incentives to Eligible Individuals. Any documents related to participation in

the Plan, including the Plan, the Agreement and any other grant documents (“Restricted Stock Unit Documents”), are intended for distribution only to such Eligible Individuals and must not be delivered to, or relied on by, any other person. The United Arab Emirates securities or financial/economic authorities have no responsibility for reviewing or verifying any Restricted Stock Unit Documents and have not approved the Restricted Stock Unit Documents nor taken steps to verify the information set out in them, and thus, are not responsible for their content.

The securities to which this statement relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the securities offered should conduct their own due diligence on the securities. The Participant is aware that he or she should, as a prospective stockholder, conduct his or her own due diligence on the securities. The Participant acknowledges that if he or she does not understand the contents of the Restricted Stock Unit Documents, the Participant should consult an authorized financial advisor.

UNITED KINGDOM

Settlement. The following provision supplements Section 3 of the Agreement:

Notwithstanding any discretion contained in the Plan or the Agreement, the Restricted Stock Units will not be settled in cash or a combination of cash and shares of Common Stock. The Restricted Stock Units will be settled only in Shares.

Responsibility for Taxes. The following provision supplements Section 8 of the Agreement:

Without limitation to Section 8 of the Agreement, the Participant agrees to be liable for any Tax- Related Items related to the Participant's participation in the Plan and legally applicable to the Participant and hereby covenants to pay any such Tax-Related Items, as and when requested by the Employer or by Her Majesty's Revenue & Customs (“HMRC”) (or any other tax authority or any other relevant authority). The Participant also agrees to indemnify and keep indemnified the Employer against any Tax-Related Items that the Employer is required to pay or withhold on the Participant's behalf or have paid or will pay to HMRC (or any other tax authority or any other relevant authority).

Notwithstanding the foregoing, if the Participant is a director or executive officer, the Participant understands that he or she may not be able to indemnify the Company for the amount of any Tax- Related Items not collected from or paid by the Participant, in case the indemnification could be considered to be a loan. In this case, the Tax-Related Items not collected or paid may constitute a benefit to the Participant on which additional income tax and National Insurance contributions (“NICs”) may be payable. The Participant understands that he or she will be responsible for reporting and paying any income tax due on this additional benefit directly to HMRC under the self assessment regime and for paying to the Company and/or the Employer (as appropriate) the amount of any NICs due on this additional benefit, which may also be recovered from the Participant by any of the means referred to in Section 8 of the Agreement.

National Insurance Contributions. As a condition of participation in the Plan and the vesting of the Restricted Stock Units, the Participant agrees to accept any liability for secondary Class 1 NICs which may be payable by the Company and/or the Employer in connection with the Restricted Stock Units and any event giving rise to Tax-Related Items (the “Employer NICs”). Without limitation to the foregoing, the Participant agrees to execute a joint election with the Company, the form of such joint election being formally approved by HMRC (the “Joint Election”), and any other required consent or election. The Participant further agrees to execute such other joint elections as may be required between the Participant and any successor to the Company and/or the Employer. The Participant further agrees that the Company

and/or the Employer may collect the Employer NICs from the Participant by any of the means set forth in Section 8 of the Agreement. The Participant must enter into the Joint Election attached as Exhibit A hereto concurrent with the execution of the Agreement.

If the Participant does not enter into a Joint Election prior to the vesting of the Restricted Stock Units or if approval of the Joint Election has been withdrawn by HMRC, the Restricted Stock Units shall become null and void without any liability to the Company and/or the Employer.

RACKSPACE TECHNOLOGY, INC.
2020 EQUITY INCENTIVE PLAN
NOTICE OF GRANT OF CASH-SETTLED PERFORMANCE AWARD (INDEXED CASH)

Unless otherwise defined herein, the terms defined in the 2020 Rackspace Technology, Inc.'s Equity Incentive Plan, as amended from time to time (the "Plan"), shall have the same defined meanings in this Notice of Grant (the "Notice of Grant") of Cash-Settled Performance Award (the "Indexed Cash Award") and in the Cash-Settled Performance Award Agreement (the "Agreement").

Participant: %%FIRST_NAME_MIDDLE_NAME_LAST_NAME%-%

Participant has been granted a Cash-Based Award under the Plan in the form of this Indexed Cash Award, to be settled in cash and subject to the terms and conditions of the Plan and the Agreement, as follows:

Grant Number: %%OPTION_NUMBER%-%
Date of Grant: %%OPTION_DATE,'Month DD, YYYY'%-%
Total Target Payout Amount: USD %%TOTAL_CASH_GRANTED,'999,999,999'%-%

Vesting Schedule:

Subject to the satisfaction of the Performance Goals, accelerated vesting and/or forfeiture and other terms and conditions as set forth in the Agreement or the Plan, the Indexed Cash Award will vest, in whole or in part, in accordance with the following schedule:

<u>Tranche</u>	<u>Vesting Date</u>	<u>Target Payout Amount</u>	<u>Measurement Date</u>	<u>Measurement Period</u>
1	[VEST DATE 1]	USD %%CASH_PERIOD1,'999,999,999'%- %	[MEASUREMENT DATE 1]	[MEASUREMENT START DATE 1 - MEASUREMENT END DATE 1]
2	[VEST DATE 2]	USD %%CASH_PERIOD2,'999,999,999'%- %	[MEASUREMENT DATE 2]	[MEASUREMENT START DATE 2 - MEASUREMENT END DATE 2]
3	[VEST DATE 3]	USD %%CASH_PERIOD3,'999,999,999'%- %	[MEASUREMENT DATE 3]	[MEASUREMENT START DATE 3 - MEASUREMENT END DATE 3]

RACKSPACE TECHNOLOGY, INC.
2020 EQUITY INCENTIVE PLAN
CASH-SETTLED PERFORMANCE AWARD AGREEMENT (INDEXED CASH)

This CASH-SETTLED PERFORMANCE AWARD AGREEMENT (this “Agreement”), dated as of

%%OPTION_DATE,'Month DD, YYYY'%%-%%

(the “Grant Date”), by and among RACKSPACE TECHNOLOGY, INC., a Delaware corporation (the “Company”), and the following individual (the “Participant”):

%%FIRST_NAME_MIDDLE_NAME_LAST_NAME%%-%%.

WHEREAS, the Company, acting through a Committee (as defined in the Company’s 2020 Equity Incentive Plan, as amended (the “Plan”)) or delegation of authority, as applicable, has granted to the Participant, effective as of the Grant Date, a Cash-Based Award under the Plan in the form of this Cash-Settled Performance Award (the “Indexed Cash Award”) as specified in the attached Notice of Grant, to be settled in cash as further described herein and subject to the terms and conditions set forth in this Agreement and the Plan;

NOW, THEREFORE, in consideration of the promises and of the mutual agreements contained in this Agreement, the parties hereto agree as follows:

Section (1) The Plan. The terms and provisions of the Plan are hereby incorporated into this Agreement as if set forth herein in their entirety (including, without limitation, the provisions of Article 8 and Article 12). In the event of a conflict between any provision of this Agreement and the Plan, the provisions of the Plan shall control. A copy of the Plan may be obtained from the Company by the Participant upon request. Capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Plan.

As a condition to the grant of the Indexed Cash Award, the Participant agrees that this Agreement, together with the grant of any other applicable cash or equity-based awards under the Plan, satisfies all obligations and liabilities of the Company in connection with any “annual equity award” or similar contemplated by his or her employment agreement or offer letter, as applicable, for the calendar year in which it was granted.

Section (2) Vesting. Subject to the Participant’s continued employment or other service relationship with the Company or one of its Subsidiaries (such applicable entity, the “Employer”) through each applicable Vesting Date in accordance with Section 7, each Tranche of this Indexed Cash Award shall be earned and shall vest and become non-forfeitable based on the Company’s Stock Price Performance for the Measurement Period for such Tranche, as described below (the “Performance Goal”):

(a) First, the Company shall calculate the beginning stock price (the “RXT Beginning Stock Price”) by using the VWAP ending on and including the first day in each Measurement Period.

Second, for each Tranche, the Company shall calculate the ending stock price (the “RXT Ending Stock Price”) for the applicable Measurement Period by using the VWAP ending on and including the applicable Measurement Date.

Third, the Company will determine the “Vesting Percentage” for each Tranche by comparing the RXT Beginning Stock Price to the RXT Ending Stock Price according to the table below (the “Stock Price Performance”), but subject to the caps provided in Section 2(b). Such determination shall be made as soon as reasonably practicable after, but in no event later than the Vesting Date.

Fourth, the “Actual Payout Amount” for each Tranche shall be determined following the conclusion of each Measurement Period as follows: (A) one-third of the Total Target Payout Amount as set forth on the Notice of Grant accompanying this Agreement shall be multiplied by (B) the Vesting Percentage for such Tranche according to the actual Performance Level achieved based on the Company’s Stock Price Performance.

Finally, on the Vesting Date for each Tranche, the Actual Payout Amount shall vest and become non-forfeitable.

Performance Level	Stock Price Performance	Vesting Percentage*
Minimum	[PERFORMANCE LEVEL MINIMUM]	[XXX]%
Target	[PERFORMANCE LEVEL TARGET]	[XXX]%
Maximum	[PERFORMANCE LEVEL MAXIMUM]	[XXX]%

*The Vesting Percentage for Stock Price Performance between Performance Levels shall be determined by linear interpolation.

(b) The Vesting Percentage for any Tranche shall not exceed [XXX]%.

(c) Definitions. For purposes hereof, capitalized but not otherwise defined terms herein shall have the meanings ascribed below. For convenience, many of the below defined terms are summarized in a table on the Notice of Grant accompanying this Agreement.

(i) “Tranche” shall mean each of

- (A) one-third of the Total Target Payout Amount included on the Notice of Grant accompanying this Agreement, which shall be earned and eligible to vest based on the Company’s Stock Price Performance for the First Tranche Measurement Period (the “First Tranche”);
- (B) one-third of the Total Target Payout Amount included on the Notice of Grant accompanying this Agreement, which shall be earned and eligible to vest based on the Company’s Stock Price Performance for the Second Tranche Measurement Period (the “Second Tranche”); and
- (C) one-third of the Total Target Payout Amount included on the Notice of Grant accompanying this Agreement, which shall be earned and eligible to vest based on the Company’s Stock Price Performance for the Third Tranche Measurement Period (the “Third Tranche”).

(ii) “Measurement Period” means (subject to Section 3) each of (A) for the First Tranche, the period from the [Measurement Start Date 1] through [Measurement Date 1] (the “First Tranche Measurement Period”), (B) for the Second Tranche, the period

from [Measurement Start Date 2] through [Measurement Date 2] (the “Second Tranche Measurement Period”) and (C) for the Third Tranche, the period from [Measurement Start Date 3] through [Measurement Date 3] (the “Third Tranche Measurement Period”).

(iii) “Performance Period” means (subject to Section 3) the period commencing [Measurement Start Date 1] and ending on (and including) [Measurement Date 3].

(iv) “Vesting Date” shall mean, for each Tranche, the date that is the first day of the quarter that is at least 90 days after the Measurement Date for such Tranche; provided, that the Committee may, in its sole discretion, accelerate the Vesting Date for any Tranche to a date that is after the calculation of the Vesting Percentage for such Tranche.

(v) “VWAP” means the volume weighted average market closing price of one share of the Company’s common stock, par value \$0.01 per share (the “Common Stock”) as reported on any national securities exchange on which the Common Stock is then traded for the thirty (30) consecutive trading days immediately preceding and including the Grant Date or Measurement Date, as applicable.

(vi) “Measurement Date” means (subject to Section 3) each of (A) for the First Tranche, [Measurement Date 1], (B) for the Second Tranche, [Measurement Date 2] and (C) for the Third Tranche, [Measurement Date 3].

Section (3) Change in Control. If the Company has a Change in Control during the Performance Period, then, subject to Section 2(b) but notwithstanding any other provision herein to the contrary, (i) each Measurement Period that has not ended before the effective date of such Change in Control will end as of the effective date of such Change in Control, (ii) each Measurement Date that has not occurred prior to the effective date of such Change in Control shall be deemed to be the effective date of such Change in Control, (iii) the Performance Period shall end as of the effective date of such Change in Control; (iv) the Vesting Percentage for each Tranche that has not already vested shall be determined as soon as reasonably practicable after, but in no event later than 20 days after, the effective date of such Change in Control; (v) the Vesting Date for each such Tranche shall be deemed to be the Measurement Date; and (vi) the Vesting Percentage for each such Tranche shall be not less than 100%.

Section (4) Settlement. To the extent that any portion of the Indexed Cash Award is earned and vests under Section 2 of this Agreement, the Company will pay the Participant the Actual Payout Amount in cash, subject to withholding of Tax-Related Items pursuant to Section 8 below. The settlement date on which payment of the Actual Payout Amount will be made to the Participant will be on or before the first regularly scheduled pay period in Participant’s local jurisdiction following the Vesting Date; provided, however, that in the event that the Indexed Cash Award vests on a Change in Control pursuant to Section 3 or on such other applicable vesting event under this Agreement, settlement of the Actual Payout Amount due on such vesting of the Indexed Cash Award shall be made as soon as practicable after the Change in Control or other applicable vesting event but in no event later than the seventieth (70th) calendar day thereafter, subject to Section 22(b) below, if applicable.

This Indexed Cash Award is denominated in United States Dollars. If Participant’s base salary is paid in a currency other than United States Dollars, the Actual Payout Amount will be converted to the

Participant's local currency equivalent shortly before the settlement date to allow sufficient time for administrative processes leading up to the settlement date.

Section (5) Restriction on Transfer. The Indexed Cash Award may not be transferred, pledged, assigned, hypothecated or otherwise disposed of in any way by the Participant, other than as provided in Section 10.3(b) of the Plan. The Indexed Cash Award shall not be subject to execution, attachment or similar process. Any attempted assignment, transfer, pledge, hypothecation or other disposition of the Indexed Cash Award contrary to the provisions hereof, and the levy of any execution, attachment or similar process upon the Indexed Cash Award, shall be null and void and without effect.

Section (6) Participant's Employment or Other Service Relationship. Nothing in this Agreement nor the grant of the Indexed Cash Award shall confer upon the Participant any right to continue the Participant's employment or other service relationship with the Company or, if different, the Employer or interfere in any way with the right of the Company or, if different, the Employer to terminate the Participant's employment or other service relationship or to increase or decrease the Participant's compensation at any time. The grant of the Indexed Cash Award is an exceptional, voluntary and one-time benefit and does not create any contractual or other right to receive any other grant of other Awards (including Indexed Cash Awards) under the Plan in the future, or benefits in lieu of Indexed Cash Awards, even if Indexed Cash Awards have been granted in the past. The grant of this Indexed Cash Award does not form or amend part of the Participant's entitlement to remuneration or benefits in terms of his or her employment or other service relationship with the Company or, if different, the Employer, if any, at any time.

Section (7) Termination. Notwithstanding anything contained herein to the contrary and except as may be provided in the Participant's employment or services agreement with the Company or the Company's Executive Change in Control Severance Plan, no portion of any Tranche of this Indexed Cash Award shall be eligible for vesting if the Participant has a Termination of Service for any reason before the Vesting Date for such Tranche, and no portion of any Tranche of this Indexed Cash Award that has a Vesting Date after the date of the Participant's Termination of Service shall vest thereafter (i.e., the portion of the Indexed Cash Award associated with such Tranche shall be forfeited immediately upon Participant's Termination of Service) and cancelled by the Company, except Termination of Service as a result of the death or Disability of the Participant.

For the avoidance of doubt, if the Participant has a Termination of Service after the Measurement Date for a Tranche of the Performance Units but before the Vesting Date of such Tranche, the Performance Units of such Tranche shall not be eligible to vest on such Vesting Date and will cease vesting and be forfeited immediately upon Participant's Termination of Service and cancelled by the Company.

Upon the death or Disability of the Participant, any portion of the Indexed Cash Award that was not vested immediately prior to the Participant's death or Disability shall immediately vest in full at the Target Performance Level.

Section (8) Responsibility for Taxes.

(a) The Participant acknowledges that, regardless of any action taken by the Company or the Employer, the ultimate liability for all income tax, social insurance, payroll tax, fringe benefits tax, payment on account or other tax related items related to the Participant's participation in the Plan and legally applicable to the Participant ("Tax-Related Items") is and remains the Participant's responsibility and may exceed the amount actually withheld by the

Company or the Employer. The Participant further acknowledges that the Company and/or the Employer

(i) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Indexed Cash Award, including, but not limited to, the grant or vesting of the Indexed Cash Award, or the receipt of a cash payment acquired pursuant to such vesting; and

(ii) (do not commit to and are under no obligation to structure the terms of the grant or any aspect of Indexed Cash Awards to reduce or eliminate the Participant's liability for Tax-Related Items or achieve any particular tax result. The Participant shall not make any claim against the Company, the Employer or any other Subsidiary, or their respective board, officers or employees related to Tax-Related Items arising from the Indexed Cash Award. Further, if the Participant is subject to Tax-Related Items in more than one jurisdiction, the Participant acknowledges that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

(b) In connection with any relevant taxable or tax withholding event, as applicable, the Participant agrees to make adequate arrangements satisfactory to the Company and/or the Employer to satisfy all Tax-Related Items. To satisfy any withholding obligations of the Company and/or the Employer with respect to Tax-Related Items, the Company or the Employer will generally withhold cash which would otherwise be payable to the Participant pursuant to the vesting of the Indexed Cash Award sufficient to cover the withholding obligation for Tax Related Items. Alternatively, or in addition, the Participant authorizes the Company and/or the Employer, or their respective agents, at their discretion and with no obligation to do so, to satisfy any applicable withholding obligations with regard to Tax-Related Items by one or a combination of the following:

(i) withholding from the Participant's wages or other cash compensation paid to the Participant by the Company, the Employer or any other Subsidiary;

(ii) requiring the Participant to tender a cash payment to the Company or the Employer; and/or

(iii) any other methods approved by the Committee and permitted by applicable laws.

(c) Depending on the withholding method, the Company may withhold or account for Tax-Related Items by considering applicable minimum statutory withholding amounts or other applicable withholding rates, including maximum applicable rates, in which case the Participant may receive a refund of any over-withheld amount or, if not refunded, the Participant may seek a refund from the local tax authorities. Finally, the Participant agrees to pay to the Company or the Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold or account for as a result of the Participant's participation in the Plan that cannot be satisfied by the means previously described. The Company may refuse to deliver the cash payment if the Participant fails to comply with his or her obligations in connection with the Tax-Related Items.

Section (9) Nature of Grant. In accepting the Indexed Cash Award, the Participant acknowledges, understands and agrees that:

- (a) the Plan is established voluntarily by the Company, it is discretionary in nature, and may be modified, amended, suspended or terminated by the Company at any time, to the extent permitted by the Plan;
- (b) all decisions with respect to future Indexed Cash Awards or other grants or Awards, if any, will be at the sole discretion of the Company;
- (c) the Participant is voluntarily participating in the Plan;
- (d) the Indexed Cash Award and any cash payment acquired upon vesting, and the income and value of same, are not intended to replace any pension rights or compensation;
- (e) the Indexed Cash Award and any cash payment acquired upon vesting, and the income and value of same, are not part of normal or expected compensation for any purpose, including, without limitation, for purposes of calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, bonuses, long-service awards, leave-related payments, holiday pay, pension or retirement or welfare benefits or similar mandatory payments;
- (f) unless otherwise agreed with the Company, the Indexed Cash Award and the income and value of same, are not granted as consideration for, or in connection with, the service the Participant may provide as a director of any Subsidiary;
- (g) no claim or entitlement to compensation or damages shall arise from forfeiture of the Indexed Cash Award resulting from a Termination of Service (for any reason whatsoever, whether or not later found to be invalid or in breach of employment laws in the jurisdiction where the Participant is employed or rendering services or the terms of the Participant's employment or service agreement, if any) or from the application of any recoupment or clawback policy or requirement;
- (h) unless otherwise provided in the Plan or by the Company in its sole discretion, the Indexed Cash Award and the benefits evidenced by this Agreement do not create any entitlement to have the Indexed Cash Award or any such benefits transferred to, or assumed by, another company nor to be exchanged, cashed out or substituted for, in connection with any corporate transaction;
- (i) neither the Company, the Employer nor any other Subsidiary or Affiliate shall be liable for any foreign exchange rate fluctuation between the Participant's local currency and the United States Dollar that may affect the value of the Indexed Cash Award or of any amounts due to the Participant pursuant to the vesting of the Indexed Cash Award; and
- (j) the Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding the Participant's participation in the Plan. The Participant should consult with his or her personal tax, legal and financial advisors regarding his or her participation in the Plan before taking any action related to the Plan.

Section (10) **Adjustment of Performance Goals.** The Committee shall have the right to adjust or modify the calculation of the Performance Goals as permitted under the Plan or contemplated herein. In addition, the Performance Goals and the calculated level of achievement of the Performance Goals may be equitably adjusted from time to time in any manner that the Committee deems necessary or appropriate in its sole discretion. For instance, adjustments may be made to take account of (i) subject to Section 3, any acquisitions, divestitures, reorganization, restructuring, or any other specific unusual or nonrecurring events or conditions that occur during the Performance Period, and/or (ii) any changes in tax laws, accounting principles, or other laws or regulatory rules affecting reported results, including such changes that result in gains, losses or expenses determined to be extraordinary or unusual in nature or infrequent in occurrence, in each case, affecting the Company or any of its subsidiaries or the financial statements of the Company or any of its subsidiaries.

Section (11) **Data Privacy Consent.** **The Company is located at 19122 US Highway 281N, Suite 128, San Antonio, TX 78258-7667, USA and grants certain employees of the Company and its other Subsidiaries and Affiliates, the opportunity to participate in the Plan, at the Company's sole discretion. If the Participant would like to participate in the Plan, the Participant understands that he or she should review the following information about the Company's data processing practices and declare his or her consent.**

(a) **Data Collection and Usage.** The Company collects, processes and uses the Participant's personal data, including, but without limitation, name, home address and telephone number, date of birth, social insurance number or other identification number (e.g., resident registration number), passport number, salary, citizenship, job title, any shares of Common Stock or directorships held in the Company, and details of all awards, canceled, vested, or outstanding in the Participant's favor, which the Company receives from the Participant or the Participant's Employer. If the Company offers the Participant the opportunity to participate in the Plan, then the Company will collect the Participant's personal data for purposes of allocating stock and implementing, administering and managing the Plan. The Company's legal basis for the processing of the Participant's personal data would be the Participant's consent.

(b) **Stock Plan Administration Service Providers.** The Company transfers participant data to E*Trade and/or Morgan Stanley Smith Barney, independent service providers based in the United States, which assists the Company with the implementation, administration and management of the Plan, and if the Indexed Cash Award vests, the Company may transfer personal data to Computershare, an independent service provider based in the United States, which assists the Company with its stock administration. In the future, the Company may select different service provider(s) and share the Participant's personal data with another company that serves in similar capacities. The Company's service providers may open an account for the Participant. The Participant will be asked to agree on separate terms and data processing practices with the applicable service providers, which, as it relates to Plan administration service provider, is a condition to the Participant's ability to participate in the Plan.

(c) **International Data Transfers.** The Company and its service providers are based in the United States. If the Participant is outside of the United States, the Participant should note that his or her country may have enacted data privacy laws that are different from the United States.

(d) **Data Retention.** The Company will use the Participant's personal data only as long as is necessary to implement, administer and manage the Participant's participation in the Plan or as required to comply with legal or regulatory obligations, including under tax and security laws. When the Company no longer reasonably requires access to the Participant's personal data, the Company will remove it from its systems.

(e) **Voluntariness and Consequences of Consent Denial or Withdrawal.** The Participant's participation in the Plan and the Participant's grant of consent is purely voluntary. The Participant may deny or withdraw his or her consent at any time. If the Participant does not consent, or if the Participant withdraws his or her consent, the Participant cannot participate in the Plan. This would not affect the Participant's salary as an employee; the Participant would merely forfeit the opportunities associated with this Agreement and the Plan.

(f) **Data Subject Rights.** The Participant has a number of rights under data privacy laws in his or her country. Depending on where the Participant is based, his or her rights may include the right to (i) request access or copies of personal data the Company processes, (ii) rectification of incorrect data, (iii) deletion of data, (iv) restrictions on processing, (v) portability of data, (vi) to lodge complaints with competent authorities in the Participant's country, and/or (vii) a list with the names and addresses of any potential recipients of the Participant's personal data. To receive clarification regarding the Participant's rights or to exercise his or her rights, the Participant should please contact the Company at Attn: Stock Plan Administrator, 19122 US Highway 281N, Suite 128, San Antonio, TX 78258-7667.

(g) The Participant also understands that the Company may rely on a different legal basis for the processing or transfer of data in the future and/or request the Participant to provide another data privacy consent. If applicable and upon request of the Company, the Participant agrees to provide an executed acknowledgement or data privacy consent form to the Company or the Employer (or any other acknowledgements, agreements or consents) that the Company and/or the Employer may deem necessary to obtain under the data privacy laws in the Participant's country, either now or in the future. The Participant understands that he or she will not be able to participate in the Plan if the Participant fails to execute any such acknowledgement, agreement or consent requested by the Company and/or the Employer.

Section (12) Electronic Delivery and Acceptance. The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. The Participant hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

Section (13) Language. The Participant acknowledges that he or she is sufficiently proficient in English to understand the terms and conditions of this Agreement. Furthermore, if the Participant has received this Agreement, or any other document related to the Indexed Cash Award and/or the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control unless otherwise required by applicable laws.

Section (14) Repayment of Awards. Consistent with Section 10.5 of the Plan, if, after the cash payment is made to the Participant the Company is required to restate previously reported financial results for any Measurement Period for which performance is measured for this grant, the Committee will require the Participant to repay any amounts paid in excess of the amounts that would have been paid based on

the restated financial results. The Committee will issue a written notice of repayment documenting the corrected calculation and the amount and terms of repayment. The Participant must repay the amount specified in the notice of repayment. The Committee may, in its discretion, reduce a future payout as necessary to recoup any amounts outstanding under a previously issued notice of repayment. Further, for the avoidance of doubt, the Indexed Cash Award and any cash paid thereunder are also subject to forfeiture and recoupment to the extent set forth in Section 10.5 of the Plan.

Section (15) Imposition of Other Requirements. The Company reserves the right to impose other requirements on the Participant's participation in the Plan, on the Indexed Cash Award and on any cash payment upon vesting of the Indexed Cash Award, to the extent the Company determines it is necessary or advisable for legal or administrative reasons, and to require the Participant to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

Section (16) Notices. All notices, claims, certificates, requests, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given and delivered if personally delivered or if sent by an internationally recognized overnight courier, by facsimile, by email, or by registered or certified mail, return receipt requested and postage prepaid, addressed as follows:

If to the Company, to it at its current executive offices and to:
19122 US Highway 281N, Suite 128, San Antonio, TX 78258-7667
Attn: Chief Legal Officer
cc: legalnotice@rackspace.com

If to the Participant, to him or her at the address set forth on the signature page hereto or to such other address as the party to whom notice is to be given may have furnished to the other party in writing in accordance herewith.

Any such notice or communication shall be deemed to have been received (a) in the case of personal delivery, on the date of such delivery (or if such date is not a business day, on the next business day after the date of delivery), (b) in the case of internationally recognized overnight courier, on the next business day after the date sent, (c) in the case of email, when transmitted via email (in each case, if no "system error" or other notice of non-delivery is generated) to the applicable party and its legal counsel set forth above, and (d) in the case of mailing, on the third business day following that on which the piece of mail containing such communication is posted.

Section (17) Waiver of Breach. The waiver by either party of a breach of any provision of this Agreement must be in writing and shall not operate or be construed as a waiver of any other or subsequent breach.

Section (18) Participant's Undertaking. The Participant hereby agrees to take whatever additional actions and execute whatever additional documents the Company may in its reasonable judgment deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on the Participant pursuant to the express provisions of this Agreement and the Plan.

Section (19) Modification of Rights. The rights of the Participant are subject to modification and termination in certain events as provided in this Agreement and the Plan (with respect to the Indexed Cash Award granted hereby). Notwithstanding the foregoing, the Participant's rights under this Agreement and the Plan may not be impaired without the Participant's consent.

Section (20) Governing Law; Dispute Resolution.

- (a) NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN ANY SERVICE AGREEMENT, THIS AGREEMENT WILL BE GOVERNED BY AND CONSTRUED EXCLUSIVELY IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE, WITHOUT GIVING EFFECT TO ANY CHOICE OF LAW OR CONFLICTING PROVISION OR RULE (WHETHER OF THE STATE OF DELAWARE OR ANY OTHER JURISDICTION) THAT WOULD CAUSE THE LAWS OF ANY JURISDICTION OTHER THAN THE STATE OF DELAWARE TO BE APPLIED. IN FURTHERANCE OF THE FOREGOING, THE INTERNAL LAW OF THE STATE OF DELAWARE WILL CONTROL THE INTERPRETATION AND CONSTRUCTION OF THIS AGREEMENT, EVEN IF UNDER SUCH JURISDICTION'S CHOICE OF LAW OR CONFLICT OF LAW ANALYSIS, THE SUBSTANTIVE LAW OF SOME OTHER JURISDICTION WOULD ORDINARILY APPLY.
- (b) Notwithstanding anything to the contrary set forth in the Plan, the Company and the Participant agree that any suit, action or proceeding brought by or against a party in connection with this Agreement or Executive's employment with or separation from the Company shall be brought solely in the state districts courts of Texas. Each party expressly and irrevocably consents and submits to the jurisdiction, forum, and venue of such courts in connection with any such legal proceedings, including to enforce this Agreement or its/his rights or obligations hereunder, and both parties agree to accept service of process by the other party or any of its agents in connection with any such proceeding.

Section (21) Exchange Control, Tax And/Or Foreign Asset/Account Reporting. The Participant acknowledges that, depending on his or her country, the Participant may be subject to foreign asset/account, exchange control and/or tax reporting requirements as a result of the acquisition, holding and/or transfer of cash derived from his or her participation in the Plan, in, to and/or from a brokerage/bank account or legal entity located outside the Participant's country. The applicable laws of the Participant's country may require that the Participant report such accounts, assets, the balances therein, the value thereof and/or the transactions related thereto to the applicable authorities in such country. The Participant acknowledges that he or she is responsible for ensuring compliance with any applicable foreign asset/account, exchange control and tax reporting requirements and is advised to consult his or her personal legal advisor on this matter.

Section (22) Section 409A.

- (a) It is the intent of this Agreement that it and all payments and benefits hereunder be exempt from, or comply with, the requirements of Section 409A so that no portion of the Indexed Cash Award provided under this Agreement or cash payment thereunder will be subject to the additional tax imposed under Section 409A, and any ambiguities herein will be interpreted to be so exempt or so comply. Each payment payable under this Agreement is intended to constitute a separate payment for purposes of Treasury Regulation Section 1.409A-2(b)(2).
- (b) This paragraph applies only if the Company determines that Participant is a "specified employee," as defined in the regulations under Section 409A at the time of Participant's

“separation from service,” as defined in Treasury Regulation Section 1.409A-1(h), and it is determined that settlement of this Indexed Cash Award is not exempt from Section 409A. If this paragraph applies, and the event triggering settlement is Participant’s “separation from service,” then any portion of the Indexed Cash Award that otherwise would have been settled during the first six months following Participant’s “separation from service” will instead be settled on the first business day following the earlier of (i) the six-month anniversary of Participant’s separation from service or (ii) Participant’s death.

Section (23) Counterparts. This Agreement may be executed in one or more counterparts, and each such counterpart shall be deemed to be an original, but all such counterparts together shall constitute but one agreement.

Section (24) Entire Agreement. The Notice of Grant, this Agreement and the Plan (and the other writings referred to herein) constitute the entire agreement between the parties with respect to the subject matter hereof and thereof and supersede all prior written or oral negotiations, commitments, representations and agreements with respect thereto.

Section (25) Severability. It is the desire and intent of the parties hereto that the provisions of this Agreement be enforced to the fullest extent permissible under the laws and public policies applied in each jurisdiction in which enforcement is sought. Accordingly, if any particular provision of this Agreement shall be adjudicated by a court of competent jurisdiction to be invalid, prohibited or unenforceable for any reason, such provision, as to such jurisdiction, shall be ineffective, without invalidating the remaining provisions of this Agreement or affecting the validity or enforceability of such provision in any other jurisdiction. Notwithstanding the foregoing, if such provision could be more narrowly drawn so as not to be invalid, prohibited or unenforceable in such jurisdiction, it shall, as to such jurisdiction, be so narrowly drawn, without invalidating the remaining provisions of this Agreement or affecting the validity or enforceability of such provision in any other jurisdiction.

Section (26) Enforcement. In the event the Company or the Participant institutes litigation to enforce or protect its rights under this Agreement or the Plan, each party shall be solely responsible for all attorneys’ fees, out-of-pocket costs and disbursements it incurs relating to such litigation.

Section (27) Waiver of Jury Trial. EACH PARTY HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT THAT IT MAY LEGALLY AND EFFECTIVELY DO SO, TRIAL BY JURY IN ANY SUIT, ACTION OR PROCEEDING ARISING HEREUNDER.

Section (28) Required Acceptance; Termination of Prior Agreement. If the Participant does not agree (whether electronically or otherwise) to this Agreement within thirty (30) days from the Grant Date, the Indexed Cash Award shall be terminable by the Company.

Section (29) Recoupment/Clawback Policy; Compensation Subject to Recovery. The Participant acknowledges that the Company adopted the Executive Officer Incentive Compensation Clawback Policy (the “Clawback Policy”) to which the Participant is or may in the future become subject. In consideration of the grant of the Indexed Cash Award, the Participant agrees to abide by the Company’s Clawback Policy and any determinations of the Board or the Compensation Committee pursuant to the Clawback Policy or any similar clawback or recoupment policy which the Company may adopt from time to time to the extent the Board determines in good faith that the adoption and maintenance of such policy is

necessary to maintain corporate governance best practices and/or comply with the Dodd-Frank Wall Street Reform and Consumer Protection Act and implementing rules and regulations thereunder, or is otherwise required by applicable law. The Participant acknowledges and agrees that the Actual Payout Amount received by the Participant pursuant to this Agreement shall be subject to forfeiture, recovery by the Company or other action pursuant to the Clawback Policy or any such other clawback or recoupment policy. This Section 29 shall survive the Participant's Termination of Service for any reason. The foregoing remedy is in addition to and separate from any other relief available to the Company due to the Participant's misconduct or fraud. Any determination by the Board or the Compensation Committee with respect to the foregoing shall be final, conclusive and binding upon the Holder and all persons claiming through the Participant.

Signature page follows

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

RACKSPACE TECHNOLOGY, INC.

By: Kellie Teal-Guess
Name: Kellie Teal-Guess
Title: Chief Human Resources Officer

PARTICIPANT

Name: _____
%%FIRST_NAME_MIDDLE_NAME_LAST_NAME%%-%

**RACKSPACE TECHNOLOGY, INC. 2020 EQUITY INCENTIVE PLAN
NOTICE OF GRANT OF RESTRICTED STOCK UNITS FOR DIRECTORS**

Unless otherwise defined herein, the terms defined in the 2020 Rackspace Technology, Inc.'s Equity Incentive Plan, as amended (the "Plan"), shall have the same defined meanings in this Notice of Grant of Restricted Stock Units for Directors (the "Notice of Grant") and Restricted Stock Unit Agreement for Directors (the "Agreement").

Participant: %%FIRST_NAME%-_%MIDDLE_NAME%-_%LAST_NAME%-%

Participant has been granted Restricted Stock Units over Common Stock of Rackspace Technology, Inc., subject to the terms and conditions of the Plan and this Agreement, as follows:

Grant Number: %%OPTION_NUMBER%-%
Date of Grant: %%OPTION_DATE,'Month DD, YYYY'%-%
Number of Restricted Stock %%TOTAL_SHARES_GRANTED,'999,999,999'%-%
Units Granted:

Vesting Schedule:

Subject to accelerated vesting and/or forfeiture as set forth in the Agreement or in the Plan, the Restricted Stock Units will vest [INSERT VEST SCHEDULE DESCRIPTION], as set forth in Section 2 of the Agreement.

RACKSPACE TECHNOLOGY, INC.
2020 EQUITY INCENTIVE PLAN
RESTRICTED STOCK UNIT AGREEMENT FOR DIRECTORS

This **RESTRICTED STOCK UNIT AGREEMENT FOR DIRECTORS** (this “Agreement”), including any addendum to the Agreement for the Participant’s country (the “Addendum”) dated as of:

%%OPTION_DATE,'Month DD, YYYY'%%-%%

(the “Grant Date”), by and among **RACKSPACE TECHNOLOGY, INC.**, a Delaware corporation (the “Company”), and the following individual (the “Participant”).

%%FIRST_NAME%%-%%_%%LAST_NAME%%-%%.

WHEREAS, pursuant to the Rackspace Technology, Inc. Non-Employee Director Compensation Policy, the Company, acting through the Board, has granted to the Participant, effective as of the date of this Agreement, Restricted Stock Units under the Company’s 2020 Equity Incentive Plan (the “Plan”) to acquire a number of shares of Common Stock (as defined in the Plan) on the terms and subject to the conditions set forth in this Agreement and the Plan;

NOW, THEREFORE, in consideration of the promises and of the mutual agreements contained in this Agreement, the parties hereto agree as follows:

Section 1. The Plan. The terms and provisions of the Plan are hereby incorporated into this Agreement as if set forth herein in their entirety (including, without limitation, the provisions of Article 8 and Article 12). In the event of a conflict between any provision of this Agreement and the Plan, the provisions of the Plan shall control. A copy of the Plan may be obtained from the Company by the Participant upon request. Capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Plan.

Section 2. Vesting. Subject to the Participant’s continued service, the Restricted Stock Units shall become non-forfeitable and shall vest [INSERT VEST SCHEDULE DESCRIPTION]; provided, however, that the Restricted Stock Units shall immediately vest upon a (i) Change in Control or (ii) the death or Disability of the Participant.

Notwithstanding anything contained herein to the contrary, the Restricted Stock Units shall cease vesting as of the date of the Participant’s Termination of Service for any reason other than the death or Disability of the Participant and no portion of the Restricted Stock Units that is not vested as of such time shall vest thereafter (*i.e.*, that portion of the Restricted Stock Units that is not vested shall be forfeited immediately). The Restricted Stock Units will be immediately forfeited by the Participant and cancelled by the Company.

Section 3. Delivery of Shares. As soon as practicable after the vesting date or other vesting event under this Agreement but in no event later than the seventieth (70th) calendar day following such vesting date, the Participant shall receive the number of Shares that correspond to the number of Restricted Stock Units that have become vested on the applicable vesting date. Notwithstanding the foregoing, in accordance with Section 8.3 of the Plan, the Board, at its sole

discretion, may settle the Restricted Stock Units in cash if necessary or appropriate for legal or administrative reasons based on laws in the Participant's jurisdiction.

Section 4. Restriction on Transfer. The Restricted Stock Units may not be transferred, pledged, assigned, hypothecated or otherwise disposed of in any way by the Participant. The Restricted Stock Units shall not be subject to execution, attachment or similar process. Any attempted assignment, transfer, pledge, hypothecation or other disposition of the Restricted Stock Units contrary to the provisions hereof, and the levy of any execution, attachment or similar process upon the Restricted Stock Units, shall be null and void and without effect.

Section 5. Participant's Service Relationship as a Director. Nothing in this Agreement nor the grant of the Restricted Stock Units shall confer upon the Participant any right to continue the Participant's service relationship as a director or interfere in any way with any right of removal with respect to such director, as provided under the Company's Second Amended and Restated Certificate of Incorporation, as amended from time to time, or with the Board's authority to increase or decrease the Participant's compensation. The grant of Restricted Stock Units is an exceptional and voluntary benefit.

Section 6. Termination. For the avoidance of doubt, the Restricted Stock Units shall cease vesting and shall be forfeited immediately as of the date of the Participant's Termination of Service and cancelled by the Company; provided, however, that the Restricted Stock Units shall immediately vest upon (a) a Change in Control or (b) the death or Disability of the Participant.

Section 7. Responsibility for Taxes.

- (a) The Participant acknowledges that, regardless of any action taken by the Company, the ultimate liability for all income tax, social insurance, payroll tax, fringe benefits tax, payment on account or other tax-related items related to the Participant's participation in the Plan and legally applicable to the Participant ("Tax-Related Items") is and remains the Participant's responsibility and may exceed the amount (if any) actually withheld by the Company. The Participant further acknowledges that the Company (i) makes no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Restricted Stock Units, including, but not limited to, the grant or vesting of the Restricted Stock Units, the subsequent sale of Shares acquired pursuant to such vesting; and (ii) does not commit to and is under no obligation to structure the terms of the grant or any aspect of Restricted Stock Units to reduce or eliminate the Participant's liability for Tax-Related Items or achieve any particular tax result. The Participant shall not make any claim against the Company, or any other Subsidiary, or their respective boards, officers or employees related to Tax-Related Items arising from the Restricted Stock Units. Further, if the Participant is subject to Tax-Related Items in more than one jurisdiction, the Participant acknowledges that the Company may be required to withhold or account for Tax-Related Items in more than one jurisdiction.
- (b) The Company shall not be responsible for withholding any applicable Tax-Related Items from a director, unless required by Applicable Law. To the extent that Tax-Related Items are required to be withheld under Applicable Law, the

Participant agrees to make adequate arrangements satisfactory to the Company to satisfy all Tax-Related Items. In this regard, the Participant authorizes the Company, or its respective agents, to satisfy any applicable withholding obligations with regard to Tax-Related Items by withholding Shares to be issued upon vesting. Alternatively, if the Company determines in its sole discretion that withholding Shares is not feasible under applicable tax or securities laws or potentially has adverse accounting, financial, contractual or other consequences, the Participant authorizes the Company, or its respective agents, at their discretion and with no obligation to do so, to satisfy any applicable withholding obligations with regard to Tax-Related Items by one or a combination of the following:

- (i) withholding from the Participant's cash compensation payable to the Participant by the Company;
 - (ii) withholding from proceeds of the sale of Shares acquired at vesting either through a voluntary sale or through a mandatory sale arranged by the Company (on the director's behalf pursuant to this authorization) without further consent, including by aggregating such Shares into sell orders that include Shares held by other participants and routing such sell orders to the special handling desk or other trading desk managed by the Company's stock plan administrator;
 - (iii) cash payment made by the Participant to the Company; provided that (i) the participant made the appropriate elections as may be specified in the Participant's stock plan account from time to time AND (ii) such cash payment is actually made or available to the Company in the Participant's stock plan account within forty-eight (48) hours immediately following the applicable vest date; and/or
 - (iv) any other methods approved by the Board and permitted by applicable laws.
- (c) To the extent that withholding is required by Applicable Law, the Company may withhold or account for Tax-Related Items by considering applicable minimum statutory withholding amounts or other applicable withholding rates, including maximum applicable rates, in which case the Participant may receive a refund of any over-withheld amount and will have no entitlement to the Share equivalent or, if not refunded, the Participant may seek a refund from the applicable tax authorities. If the obligation for Tax-Related Items is satisfied by withholding in Shares, the Participant is deemed, for tax purposes, to have been issued the full number of Shares subject to the vested Restricted Stock Units, notwithstanding that a number of the Shares is held back solely for the purpose of paying the Tax-Related Items. Finally, the Participant agrees to pay to the Company any amount of Tax-Related Items that the Company may be required to withhold or account for as a result of the Participant's participation in the Plan that cannot be satisfied by the means previously described. The Company may refuse to issue or deliver the Shares or the proceeds of the sale of Shares, if the Participant fails to comply with his or her obligations in connection with the Tax-Related Items.

Section 8. Nature of Grant. In accepting the Restricted Stock Units, the Participant acknowledges, understands and agrees that:

- (a) the Plan is established voluntarily by the Company, it is discretionary in nature, and may be modified, amended, suspended or terminated by the Company at any time, to the extent permitted by the Plan;
- (b) all decisions with respect to future Restricted Stock Units or other grants, if any, will be at the sole discretion of the Company;
- (c) the Participant is voluntarily participating in the Plan;
- (d) the future value of the Shares underlying the Restricted Stock Units is unknown, indeterminable, and cannot be predicted with certainty;
- (e) if the Restricted Stock Units vest and the Participant acquires Shares, the value of such Stock may increase or decrease in value;
- (f) unless otherwise provided in the Plan or by the Company in its sole discretion, the Restricted Stock Units and the benefits evidenced by this Agreement do not create any entitlement to have the Restricted Stock Units or any such benefits transferred to, or assumed by, another company nor to be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the Shares; and
- (g) the Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding the Participant's participation in the Plan or the Participant's acquisition or sale of the Shares. The Participant should consult with his or her personal tax, legal and financial advisors regarding his or her participation in the Plan before taking any action related to the Plan.

Section 9. Data Privacy Consent.

The Company is located at 19122 US Highway 281N, Suite 128, San Antonio, TX 78258-7667 and grants the Participant the opportunity to participate in the Plan, at the Company's sole discretion. If the Participant would like to participate in the Plan, the Participant understands that he or she should review the following information about the Company's data processing practices and declare his or her consent.

- a *Data Collection and Usage. The Company collects, processes and uses the Participant's personal data, including, but without limitation, name, home address and telephone number, date of birth, social insurance number or other identification number (e.g., resident registration number), passport number, salary, citizenship, job title, any Shares of stock or directorships held in the Company, and details of all awards, canceled, vested, or outstanding in the Participant's favor, which the Company receives from the Participant. If the Company offers the Participant the opportunity to participate in the Plan, then the Company will collect the Participant's personal data for purposes of allocating stock and implementing, administering and managing the Plan. The Company's legal basis for the processing of the Participant's personal data would be the Participant's consent.*
- b *Stock Plan Administration Service Providers. The Company transfers participant data to E*Trade and/or Morgan Stanley Smith Barney, an independent service provider*

based in the United States, which assists the Company with the implementation, administration and management of the Plan, and if the Participant's Restricted Stock Units vest, the Company transfers shareholder data to Computershare, an independent service provider based in the United States, which assists the Company with its stock administration. In the future, the Company may select different service provider(s) and share the Participant's personal data with another company that serves in similar capacities. The Company's service providers may open an account for the Participant. The Participant will be asked to agree on separate terms and data processing practices with the applicable service providers, which, as it relates to Plan administration service provider, is a condition to the Participant's ability to participate in the Plan.

- c International Data Transfers. The Company and its service providers are based in the United States. If the Participant is outside of the United States, the Participant should note that his or her country may have enacted data privacy laws that are different from the United States.*
- d Data Retention. The Company will use the Participant's personal data only as long as is necessary to implement, administer and manage the Participant's participation in the Plan or as required to comply with legal or regulatory obligations, including under tax and security laws. When the Company no longer needs the Participant's personal data, the Company will remove it from its systems.*
- e Voluntariness and Consequences of Consent Denial or Withdrawal. The Participant's participation in the Plan and the Participant's grant of consent is purely voluntary. The Participant may deny or withdraw his or her consent at any time. If the Participant does not consent, or if the Participant withdraws his or her consent, the Participant cannot participate in the Plan. This may cause the Participant to forfeit the opportunities associated with the Plan.*
- f Data Subject Rights. The Participant has a number of rights under data privacy laws in his or her country. Depending on where the Participant is based, his or her rights may include the right to (i) request access or copies of personal data the Company processes, (ii) rectification of incorrect data, (iii) deletion of data, (iv) restrictions on processing, (v) portability of data, (vi) to lodge complaints with competent authorities in the Participant's country, and/or (vii) a list with the names and addresses of any potential recipients of the Participant's personal data. To receive clarification regarding the Participant's rights or to exercise his or her rights, the Participant should please contact the Company at Attn: Stock Plan Administrator, 1718 Dry Creek Way, Suite 115, San Antonio, TX 78259-1837, USA.*
- g The Participant also understands that the Company may rely on a different legal basis for the processing or transfer of data in the future and/or request the Participant to provide another data privacy consent. If applicable and upon request of the Company, the Participant agrees to provide an executed acknowledgement or data privacy consent form to the Company (or any other acknowledgements, agreements or consents) that the Company may deem necessary to obtain under the data privacy laws in the Participant's country, either now or in the future. The Participant understands*

that he or she will not be able to participate in the Plan if the Participant fails to execute any such acknowledgement, agreement or consent requested by the Company.

Section 10. Compliance with Law. Notwithstanding any other provisions of the Plan or this Agreement, unless there is an exemption from any registration, qualification or other legal requirement applicable to the Shares, the Company shall not be required to deliver any Shares issuable upon vesting of the Restricted Stock Units prior to the completion of any registration or qualification of the Shares under any U.S. or non-U.S. local, state or federal securities or exchange control law or regulation or under rulings or regulations of the U.S. Securities and Exchange Commission (“SEC”) or of any other governmental regulatory body, or prior to obtaining any approval or other clearance from any U.S. or non-U.S. local, state or federal governmental agency, which registration, qualification or approval the Company shall, in its absolute discretion, deem necessary or advisable. The Participant understands that the Company is under no obligation to register or qualify the Shares with the SEC or any U.S. or non-U.S. state or other securities commission or to seek approval or clearance from any governmental authority for the issuance or sale of the Shares and the inability of the Company to obtain approval from any regulatory body having authority deemed by the Company to be necessary for the lawful issuance and sale of any Shares pursuant to the Restricted Stock Units shall relieve the Company of any liability with respect to the non-issuance or sale of the Shares as to which such approval shall not have been obtained.

Section 11. Electronic Delivery and Acceptance. The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. The Participant hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

Section 12. Language. The Participant acknowledges that he or she is sufficiently proficient in English to understand the terms and conditions of this Agreement. Furthermore, if the Participant has received this Agreement, or any other document related to the Restricted Stock Units and/or the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.

Section 13. Addendum. Notwithstanding any provisions in this Agreement, the Restricted Stock Units shall be subject to any special terms and conditions set forth in any Addendum to this Agreement for the Participant’s country. Moreover, if the Participant relocates to one of the countries included in the Addendum, the special terms and conditions for such country will apply to the Participant, to the extent the Committee determines that the application of such terms and conditions is necessary or advisable for legal or administrative reasons. The Addendum constitutes part of this Agreement.

Section 14. Imposition of Other Requirements. The Company reserves the right to impose other requirements on the Participant’s participation in the Plan, on the Restricted Stock Units and on any Shares purchased upon vesting of the Restricted Stock Units, to the extent the Company determines it is necessary or advisable for legal or administrative reasons, and to require the Participant to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

Section 15. Notices. All notices, claims, certificates, requests, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given and delivered if personally delivered or if sent by an internationally recognized overnight courier, by facsimile, by email, or by registered or certified mail, return receipt requested and postage prepaid, addressed as follows:

If to the Company, to it at its current executive offices and to:
1718 Dry Creek Way, Suite 115
San Antonio, TX 78259-1837
Attn: Deputy General Counsel, Corporate & Securities
Legalnotice@rackspace.com

If to the Participant, to him or her at the address set forth on the signature page hereto or to such other address as the party to whom notice is to be given may have furnished to the other party in writing in accordance herewith.

Any such notice or communication shall be deemed to have been received (a) in the case of personal delivery, on the date of such delivery (or if such date is not a business day, on the next business day after the date of delivery), (b) in the case of internationally recognized overnight courier, on the next business day after the date sent, (c) in the case of email, when transmitted via email (in each case, if no “system error” or other notice of non-delivery is generated) to the applicable party and its legal counsel set forth above, and (d) in the case of mailing, on the third business day following that on which the piece of mail containing such communication is posted.

Section 16. Waiver of Breach. The waiver by either party of a breach of any provision of this Agreement must be in writing and shall not operate or be construed as a waiver of any other or subsequent breach.

Section 17. Participant’s Undertaking. The Participant hereby agrees to take whatever additional actions and execute whatever additional documents the Company may in its reasonable judgment deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on the Participant pursuant to the express provisions of this Agreement and the Plan.

Section 18. Modification of Rights. The rights of the Participant are subject to modification and termination in certain events as provided in this Agreement and the Plan (with respect to the Restricted Stock Units granted hereby). Notwithstanding the foregoing, the Participant’s rights under this Agreement and the Plan may not be materially impaired without the Participant’s consent.

Section 19. Governing Law; Consent to Jurisdiction.

- (a) NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN ANY SERVICE AGREEMENT, THIS AGREEMENT WILL BE GOVERNED BY AND CONSTRUED EXCLUSIVELY IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE, WITHOUT GIVING EFFECT TO ANY CHOICE OF LAW OR CONFLICTING PROVISION OR RULE

(WHETHER OF THE STATE OF DELAWARE OR ANY OTHER JURISDICTION) THAT WOULD CAUSE THE LAWS OF ANY JURISDICTION OTHER THAN THE STATE OF DELAWARE TO BE APPLIED. IN FURTHERANCE OF THE FOREGOING, THE INTERNAL LAW OF THE STATE OF DELAWARE WILL CONTROL THE INTERPRETATION AND CONSTRUCTION OF THIS AGREEMENT, EVEN IF UNDER SUCH JURISDICTION'S CHOICE OF LAW OR CONFLICT OF LAW ANALYSIS, THE SUBSTANTIVE LAW OF SOME OTHER JURISDICTION WOULD ORDINARILY APPLY.

- (b) Notwithstanding anything to the contrary contained in any service agreement, each of the parties hereto irrevocably (i) consents to submit itself to the personal jurisdiction of the Delaware Court of Chancery, or in the event (but only in the event) that the Delaware Court of Chancery does not have subject matter jurisdiction over such legal action or proceeding, the United States District Court for the District of Delaware, or in the event (but only in the event) that such United States District Court for the District of Delaware also does not have subject matter jurisdiction over such legal action or proceeding, any Delaware state court sitting in New Castle County, in connection with any matter based upon or arising out of this Agreement or the actions of the parties hereof or any restrictive covenants to which the Participant is subject to under any service agreement, (ii) agrees that it will not attempt to deny or defeat such personal jurisdiction by motion or other request for leave from any such court and (iii) agrees that it will not bring any action relating to this Agreement or any restrictive covenants to which the Participant is subject to under any service agreement in any court other than the courts of the State of Delaware, as described above. Each party to this Agreement hereby irrevocably waives, and agrees not to assert, by way of motion, as a defense, counterclaim or otherwise, in any action or proceeding with respect to this Agreement or any restrictive covenants to which the Participant is subject to under any service agreement, any claim that it is not personally subject to the jurisdiction of the above-named courts for any reason, that it or its property is exempt or immune from jurisdiction of any such court or from any legal process commenced in such courts (whether through service of notice, attachment prior to judgment, attachment in aid of execution of judgment, execution of judgment or otherwise), and to the fullest extent permitted by applicable law, that the suit, action or proceeding in any such court is brought in an inconvenient forum, that the venue of such suit, action or proceeding is improper, or that this Agreement or the subject matter hereof or any restrictive covenants to which the Participant is subject to under any service agreement, may not be enforced in or by such courts and further irrevocably waives, to the fullest extent permitted by applicable law, the benefit of any defense that would hinder, fetter or delay the levy, execution or collection of any amount to which a party hereto is entitled pursuant to the final judgment of any court having jurisdiction.

Section 20. Insider Trading/Market Abuse Restrictions. The Participant may be subject to insider trading restrictions and/or market abuse laws in applicable jurisdictions, which may affect the Participant's ability to, directly or indirectly, acquire, sell or attempt to sell Shares or otherwise dispose of Shares or rights to Shares (e.g., the Restricted Stock Units) under the Plan

during such times as the Participant is considered to have “inside information” regarding the Company (as defined by the laws in the applicable jurisdictions or the Participant's country). The Participant could be prohibited from (i) disclosing the inside information to any third party, which may include fellow employees (other than on a “need to know” basis); (ii) “tipping” third parties or causing them to otherwise buy or sell securities; and (iii) cancelling or amending orders the Participant placed before he or she possessed inside information. Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under any applicable Company insider trading policy. The Participant is responsible for ensuring the Participant's compliance with any applicable restrictions and is advised to speak with his or her personal legal advisor on this matter.

Section 21. Exchange Control, Tax And/Or Foreign Asset/Account Reporting. The Participant acknowledges that, depending on his or her country, the Participant may be subject to foreign asset/account, exchange control and/or tax reporting requirements as a result of the acquisition, holding and/or transfer of Shares or cash derived from his or her participation in the Plan, in, to and/or from a brokerage/bank account or legal entity located outside the Participant's country. The applicable laws of the Participant's country may require that the Participant report such accounts, assets, the balances therein, the value thereof and/or the transactions related thereto to the applicable authorities in such country. The Participant acknowledges that he or she is responsible for ensuring compliance with any applicable foreign asset/account, exchange control and tax reporting requirements and is advised to consult his or her personal legal advisor on this matter.

Section 22. Section 409A. It is the intent of this Agreement that it and all payments and benefits hereunder be exempt from, or comply with, the requirements of Section 409A so that none of the Restricted Stock Units provided under this Agreement or Shares issuable thereunder will be subject to the additional tax imposed under Section 409A, and any ambiguities herein will be interpreted to be so exempt or so comply. Each payment payable under this Agreement is intended to constitute a separate payment for purposes of Treasury Regulation Section 1.409A-2(b)(2).

Section 23. Counterparts. This Agreement may be executed in one or more counterparts, and each such counterpart shall be deemed to be an original, but all such counterparts together shall constitute but one agreement.

Section 24. Entire Agreement. The Notice of Grant, this Agreement and the Plan (and the other writings referred to herein) constitute the entire agreement between the parties with respect to the subject matter hereof and thereof and supersede all prior written or oral negotiations, commitments, representations and agreements with respect thereto.

Section 25. Severability. It is the desire and intent of the parties hereto that the provisions of this Agreement be enforced to the fullest extent permissible under the laws and public policies applied in each jurisdiction in which enforcement is sought. Accordingly, if any particular provision of this Agreement shall be adjudicated by a court of competent jurisdiction to be invalid, prohibited or unenforceable for any reason, such provision, as to such jurisdiction, shall be ineffective, without invalidating the remaining provisions of this Agreement or affecting the validity or enforceability of such provision in any other jurisdiction. Notwithstanding the foregoing, if such provision could be more narrowly drawn so as not to be invalid, prohibited or

unenforceable in such jurisdiction, it shall, as to such jurisdiction, be so narrowly drawn, without invalidating the remaining provisions of this Agreement or affecting the validity or enforceability of such provision in any other jurisdiction.

Section 26. Enforcement. In the event the Company or the Participant institutes litigation to enforce or protect its rights under this Agreement or the Plan, each party shall be solely responsible for all attorneys' fees, out-of-pocket costs and disbursements it incurs relating to such litigation.

Section 27. Waiver of Jury Trial. EACH PARTY HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT THAT IT MAY LEGALLY AND EFFECTIVELY DO SO, TRIAL BY JURY IN ANY SUIT, ACTION OR PROCEEDING ARISING HEREUNDER.

Section 28. Required Acceptance. This Agreement is conditioned upon the Participant's agreement to all terms of this Agreement. If the Participant has not affirmatively rejected this Agreement by notifying the Company within thirty (30) days from the Grant Date of the Restricted Stock Units, the Participant will be deemed to have accepted the grant of Restricted Stock Units and agreed to all terms of this Agreement.

**ADDENDUM TO THE
RESTRICTED STOCK UNIT AGREEMENT FOR DIRECTORS**

Capitalized terms used but not defined in this Addendum have the meanings set forth in the Plan and/or Agreement.

Terms and Conditions

This Addendum includes additional terms and conditions that govern the Restricted Stock Units granted to the Participant under the Plan if the Participant resides in one of the countries listed below.

If the Participant is a citizen or resident of a country other than the one in which he or she is currently residing or transfers to another country after the grant of the Restricted Stock Units, or is considered a resident of another country for local law purposes, the Company shall, in its sole discretion, determine to what extent the terms and conditions contained herein shall apply to the Participant under these circumstances.

Notifications

This Addendum also includes information regarding exchange controls and certain other issues of which the Participant should be aware with respect to his or her participation in the Plan. The information is based on the securities, exchange control and other laws in effect in the respective countries as of June 2020. Such laws are often complex and change frequently. As a result, the Company strongly recommends that the Participant not rely on the information in this Addendum as the only source of information relating to the consequences of the Participant's participation in the Plan because the information may be out of date at the time that the Restricted Stock Units vest or at the time the Participant sells Shares acquired under the Plan.

The information contained herein is general in nature and may not apply to the Participant's particular situation and the Company is not in a position to assure the Participant of any particular result. Accordingly, the Participant is advised to seek appropriate professional advice as to how the relevant laws in the Participant's country may apply to his or her situation.

If the Participant is a citizen or resident of a country other than the one in which he or she is currently residing or transfers to another country after the grant of the Restricted Stock Units, or is considered a resident of another country for local law purposes, the information contained herein may not be applicable to the Participant in the same manner.

Data Privacy Notice for Participants in the European Union (“EU”) / European Economic Area (“EEA”) / SWITZERLAND / United Kingdom (“UK”)

The following provisions replace Section 10 of the Agreement:

The Company is located at 19122 US Highway 281N, Suite 128, San Antonio, TX 78258-7667 USA and grants employees of the Company and its other Subsidiaries and Affiliates, the opportunity to participate in the Plan, at the Company's sole discretion. If the Participant would like to participate in the Plan, the Participant understands that he or she should review the following information about the Company's data processing practices.

- a ***Data Collection and Usage.*** *The Company collects, processes and uses the Participant's personal data, including, but without limitation, name, home address and telephone number, date of birth, social insurance number or other identification number (e.g., resident registration number), passport number, salary, citizenship, job title, any Shares of stock or directorships held in the Company, and details of all awards, canceled, vested, or outstanding in the Participant's favor (the “Data”), which the Company receives from the Participant or the Participant's Employer. If the Company offers the Participant the opportunity to participate in the Plan, then the Company will collect the Data for purposes of allocating stock and implementing, administering and managing the Plan. The Company's legal basis for the processing of the Participant's personal data would be the implementation, administration and management of the Participant's participation in the Plan.*
- b ***Purposes and Legal Bases of Processing*** *The Company processes the Data for the purpose of performing its contractual obligations under the Agreement, granting the Restricted Stock Units, implementing, administering and managing Participant's participation in the Plan. The legal basis for the processing of the Data by the Company and the third party service providers described below is the necessity of the data processing for the Company to perform its contractual obligations under the Agreement and for the Company's legitimate business interests of managing the Plan and generally administering employee equity awards.*
- c ***Stock Plan Administration Service Providers.*** *The Company transfers participant data to E*Trade, an independent service provider based in the United States, which assists the Company with the implementation, administration and management of the Plan, and if the Restricted Stock Units vest, the Company transfers shareholder data to Computershare, an independent service provider based in the United States, which assists the Company with its stock administration. In the future, the Company may select different service provider(s) and share the Participant's personal data with another company that serves in similar capacities. The Company's service providers may open an account for the Participant. The Participant will be asked to agree on separate terms and data processing practices with the applicable service providers, which, as it relates to Plan administration service provider, is a condition to the Participant's ability to participate in the Plan. The Company and its service providers are based in the United States. If the Participant is outside of the United States, the Participant should note that his or her country may have enacted data privacy laws that are different from the United States.*

- d **Data Retention.** *The Company will use the Participant's personal data only as long as is necessary to implement, administer and manage the Participant's participation in the Plan or as required to comply with legal or regulatory obligations, including under tax, exchange control, securities, and labor laws. When the Company no longer needs the Participant's Data, the Company will remove it from its systems. The Company may keep some of the Data longer to satisfy legal or regulatory obligations and the Company's legal basis for such use would be necessity to comply with legal obligations.*
- e **Contractual Requirement** *The Participant's provision of Data and its processing as described above is a contractual requirement and a condition to the Participant's ability to participate in the Plan. The Participant understands that, as a consequence of the Participant's refusing to provide Data, the Company may not be able to allow the Participant to participate in the Plan, grant Restricted Stock Units to the Participant or administer or maintain such awards. However, the Participant's participation in the Plan and acceptance of the Agreement terms are purely voluntary. While Employee will not receive Restricted Stock Units if the Participant decides against participating in the Plan or providing Data as described above, the Participant's career and salary will not be affected in any way if the Participant chooses not to participate in the Plan or provide Data.*
- f **Data Subject Rights.** *The Participant has a number of rights under data privacy laws in his or her country. Depending on where the Participant is based, his or her rights may include the right to (i) request access or copies of personal data the Company processes, (ii) rectification of incorrect data, (iii) deletion of data, (iv) restrictions on processing, (v) portability of data, (vi) to lodge complaints with competent authorities in the Participant's country, and/or (vii) a list with the names and addresses of any potential recipients of the Participant's personal data. To receive clarification regarding the Participant's rights or to exercise his or her rights, the Participant should please contact the Company at Attn: Stock Plan Administrator, 1718 Dry Creek Way, Suite 115, San Antonio, TX 78259-1837 USA.*

CANADA

Terms and Conditions

Restricted Stock Units Payable Only in Shares. Notwithstanding Section 3 of the Agreement, the grant of the Restricted Stock Units does not provide any right for the Participant to receive a cash payment, and settlement of the Restricted Stock Units is payable only in Shares.

The following provisions will apply to Participants who are residents of Quebec:

Language Consent. The parties acknowledge that it is their express wish that the Agreement, as well as all documents, notices and legal proceeds entered into, given or instituted pursuant hereto or relating directly or indirectly hereto, be drawn up in English.

Consentement relatif à la langue utilisée: *Les parties reconnaissent avoir exigé la rédaction en anglais de cette convention, ainsi que de tous documents exécutés, avis donnés et procédures judiciaires intentées, directement ou indirectement, relativement à ou suite à la présente convention.*

Data Privacy Notice. This provision supplements Section 9 of the Agreement:

The Participant hereby authorizes the Company and the Company's representatives to discuss with and obtain all relevant information from all personnel, professional or not, involved in the administration and operation of the Plan. The Participant further authorizes the Company and any other Affiliate or Subsidiary to disclose and discuss the Plan with their respective advisors. The Participant further authorizes the Company and any other Affiliate or Subsidiary to record such information and to keep such information in the Participant's electronic file.

Notifications

Securities Law Notification. The Participant acknowledges that he or she is permitted to sell Shares acquired under the Plan, provided the sale of the Shares acquired under the Plan takes place outside of Canada.

Foreign Asset/Account Reporting Notification. The Participant is required to report any foreign specified property (including Shares acquired under the Plan) with a value exceeding C\$100,000 on Form T1135 (Foreign Income Verification Statement) on an annual basis. The statement is due at the same time as the Participant's annual tax return. The Restricted Stock Units must be reported (generally at a nil cost) if the \$100,000 cost threshold is exceeded because of other foreign specified property the Participant holds at any time during the year. If Shares are acquired, their cost generally is the adjusted cost base ("ACB") of the Shares. The ACB ordinarily would equal the fair market value of the Shares at the time of acquisition, but if the Participant owns other Shares, this ACB may have to be averaged with the ACB of the other Shares. The form must be filed by April 30 of the following year. The Participant is strongly advised to check with his or her personal advisor regarding the Participant's reporting obligations.

United Kingdom

Settlement. The following provision supplements Section 3 of the Agreement:

Notwithstanding any discretion contained in the Plan or the Agreement, the Restricted Stock Units will not be settled in cash or a combination of cash and shares of Common Stock. The Restricted Stock Units will be settled only in Shares.

Responsibility for Taxes. The following provision supplements Section 8 of the Agreement:

Without limitation to Section 8 of the Agreement, the Participant agrees to be liable for any Tax-Related Items related to the Participant's participation in the Plan and legally applicable to the Participant and hereby covenants to pay any such Tax-Related Items, as and when requested by the Employer or by Her Majesty's Revenue & Customs ("HMRC") (or any other tax authority or any other relevant authority). The Participant also agrees to indemnify and keep indemnified the Employer against any Tax-Related Items that the Employer is required to pay or withhold on the Participant's behalf or have paid or will pay to HMRC (or any other tax authority or any other relevant authority).

Notwithstanding the foregoing, if the Participant is a director or executive officer, the Participant understands that he or she may not be able to indemnify the Company for the amount of any Tax-Related Items not collected from or paid by the Participant, in case the indemnification could be considered to be a loan. In this case, the Tax-Related Items not collected or paid may constitute a benefit to the Participant on which additional income tax and National Insurance contributions ("NICs") may be payable. The Participant understands that he or she will be responsible for reporting and paying any income tax due on this additional benefit directly to HMRC under the self assessment regime and for paying to the Company and/or the Employer (as appropriate) the amount of any NICs due on this additional benefit, which may also be recovered from the Participant by any of the means referred to in Section 8 of the Agreement.

National Insurance Contributions. As a condition of participation in the Plan and the vesting of the Restricted Stock Units, the Participant agrees to accept any liability for secondary Class 1 NICs which may be payable by the Company and/or the Employer in connection with the Restricted Stock Units and any event giving rise to Tax-Related Items (the "Employer NICs"). Without limitation to the foregoing, the Participant agrees to execute a joint election with the Company, the form of such joint election being formally approved by HMRC (the "Joint Election"), and any other required consent or election. The Participant further agrees to execute such other joint elections as may be required between the Participant and any successor to the Company and/or the Employer. The Participant further agrees that the Company and/or the Employer may collect the Employer NICs from the Participant by any of the means set forth in Section 8 of the Agreement. The Participant must enter into the Joint Election attached as Exhibit A hereto concurrent with the execution of the Agreement.

If the Participant does not enter into a Joint Election prior to the vesting of the Restricted Stock Units or if approval of the Joint Election has been withdrawn by HMRC, the Restricted Stock Units shall become null and void without any liability to the Company and/or the Employer.

Signature page follows

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

RACKSPACE TECHNOLOGY, INC.

By: Kellie Teal-Guess
Name: Kellie Teal-Guess
Title: Chief Human Resources Officer

PARTICIPANT

Name: _____
%%FIRST_NAME_MIDDLE_NAME_LAST_NAME%%

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

I, Amar Maletira, certify that:

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

Date: August 9, 2024

By: /s/ Amar Maletira
Amar Maletira
Chief Executive Officer; Director

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

I, Mark Marino, certify that:

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

Date: August 9, 2024

By: /s/ Mark Marino
Mark Marino
Chief Financial Officer

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

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

1. The Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, 2024 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Rackspace Technology, Inc.

Date: August 9, 2024

By: /s/ Amar Maletira
Amar Maletira
Chief Executive Officer; Director

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

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

1. The Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, 2024 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Rackspace Technology, Inc.

Date: August 9, 2024

By: /s/ Mark Marino
Mark Marino
Chief Financial Officer