



# Rackspace Technology

## Q4 2023 Earnings Presentation

March 12, 2024

# Disclaimer

## Forward-Looking Statements

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

## Non-GAAP Measures

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

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

Amounts on subsequent pages may not add due to rounding.

# Q4 2023 financial results

\$'s in millions

|                                      | Q4 2023         | Q/Q           | Y/Y             |
|--------------------------------------|-----------------|---------------|-----------------|
| <b>Total Revenue</b>                 | <b>\$720</b>    | <b>(2%)</b>   | <b>(9%)</b>     |
| Non-GAAP Net Revenue                 | \$413           | (4%)          | (14%)           |
| <b>Non-GAAP Gross Profit</b>         | <b>\$158</b>    | <b>(2%)</b>   | <b>(23%)</b>    |
| <i>Non-GAAP Gross Margin</i>         | 22.0%           | (0 pts)       | (4 pts)         |
| <i>Non-GAAP Net Gross Margin</i>     | 38.3%           | 1 pt          | (4 pts)         |
| <b>Non-GAAP Operating Profit</b>     | <b>\$48</b>     | <b>6%</b>     | <b>(34%)</b>    |
| <i>Non-GAAP Operating Margin</i>     | 6.7%            | 1 pt          | (3 pts)         |
| <i>Non-GAAP Net Operating Margin</i> | 11.7%           | 1 pt          | (4 pts)         |
| <b>Non-GAAP EPS</b>                  | <b>(\$0.03)</b> | <b>\$0.01</b> | <b>(\$0.09)</b> |
| <b>Adjusted EBITDA</b>               | <b>\$96</b>     | <b>(0%)</b>   | <b>(23%)</b>    |
| <i>Adj. EBITDA Margin</i>            | 13.4%           | (0 pts)       | (2 pts)         |

- Non-GAAP Net Revenue is a metric that applies net-accounting to public cloud infrastructure resale revenue (only the profit element of infrastructure resale is included)
- Non-GAAP Net Revenue provides investors with visibility to the true margin profile of our business

# Q4 2023 segment financials

\$'s in millions

|                                  | Total Rackspace | Private Cloud | Public Cloud | Q/Q %           |               |              | Y/Y %           |               |              |
|----------------------------------|-----------------|---------------|--------------|-----------------|---------------|--------------|-----------------|---------------|--------------|
|                                  |                 |               |              | Total Rackspace | Private Cloud | Public Cloud | Total Rackspace | Private Cloud | Public Cloud |
| <b>Total Revenue</b>             | <b>\$720</b>    | <b>\$285</b>  | <b>\$435</b> | (2%)            | (5%)          | 1%           | (9%)            | (14%)         | (5%)         |
| Non-GAAP Net Revenue             | \$413           | \$285         | \$128        | (4%)            | --            | (1%)         | (14%)           | --            | (14%)        |
| <b>Non-GAAP Gross Profit</b>     | <b>\$158</b>    | <b>\$106</b>  | <b>\$52</b>  | (2%)            | (6%)          | 7%           | (23%)           | (25%)         | (19%)        |
| Non-GAAP Gross Margin            | 22.0%           | 37.4%         | 11.9%        | 0 pts           | (1 pt)        | 1 pt         | (4 pts)         | (6 pts)       | (2 pts)      |
| Non-GAAP Net Gross Margin        | 38.3%           | --            | 40.2%        | 1 pt            | --            | 3 pts        | (4 pts)         | --            | (2 pts)      |
| <b>Segment Operating Profit</b>  | <b>\$103</b>    | <b>\$76</b>   | <b>\$27</b>  | (3%)            | (10%)         | 26%          | (26%)           | (30%)         | (16%)        |
| Segment Operating Margin         | 14.4%           | 26.8%         | 6.3%         | (0 pts)         | (2 pts)       | 1 pt         | (4 pts)         | (6 pts)       | (1 pt)       |
| Segment Net Operating Margin     | --              | --            | 21.2%        | --              | --            | 5 pts        | --              | --            | (0 pts)      |
| Corporate Functions              | (\$55)          |               |              | (10%)           |               |              | (18%)           |               |              |
| <b>Non-GAAP Operating Profit</b> | <b>\$48</b>     |               |              | <b>6%</b>       |               |              | <b>(34%)</b>    |               |              |
| Non-GAAP Operating Margin        | 6.7%            |               |              | 1 pt            |               |              | (3 pts)         |               |              |
| Non-GAAP Net Operating Margin    | 11.7%           |               |              | 1 pt            |               |              | (4 pts)         |               |              |

# Cash flow & capital expenditures

\$'s in millions

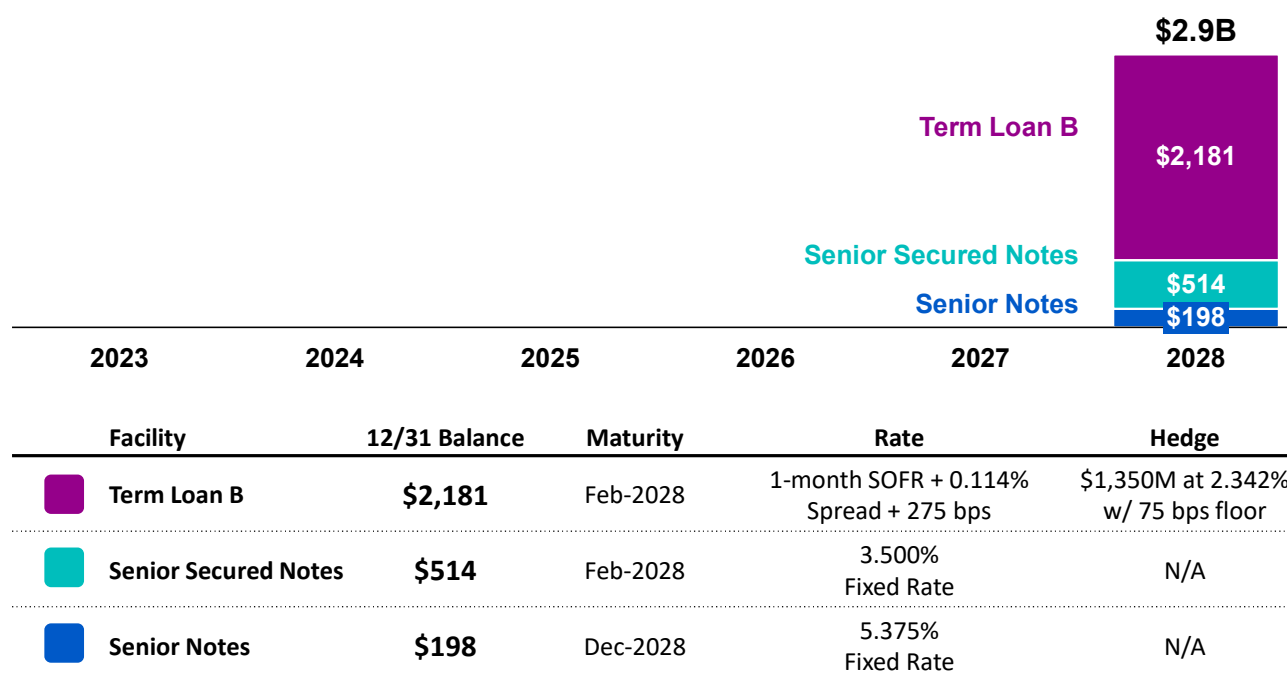
| As of December 31, 2023                      | Reported    |              | Normalized  |              |
|--|-------------|--------------|-------------|--------------|
|  | Q4'23       | 2023         | Q4'23       | 2023         |
| <b>Cash Provided by Operating Activities</b> | <b>\$72</b> | <b>\$375</b> | <b>\$62</b> | <b>\$159</b> |
| <b>Free Cash Flow</b>                        | <b>\$38</b> | <b>\$278</b> | <b>\$29</b> | <b>\$63</b>  |
| <i>LTM Free Cash Flow Yield</i>              |             | 63%          |             | 14%          |
| <b>Total Capital Expenditures</b>            | <b>\$38</b> | <b>\$181</b> | <b>\$38</b> | <b>\$181</b> |
| <i>Total CAPEX Intensity</i>                 | 5%          | 6%           | 5%          | 6%           |
| <b>Cash Capital Expenditures</b>             | <b>\$34</b> | <b>\$97</b>  | <b>\$34</b> | <b>\$97</b>  |
| <i>Cash CAPEX Intensity</i>                  | 5%          | 3%           | 5%          | 3%           |
| Cash & Cash Equivalents                      |             | <b>\$197</b> |             | <b>\$150</b> |
| Undrawn Revolving Credit Facility            |             | <b>\$375</b> |             | <b>\$375</b> |
| <b>Total Liquidity</b>                       |             | <b>\$572</b> |             | <b>\$525</b> |

\* Cash normalized for accounts receivable securitization and opportunistic repurchases of debt in the marketplace

# Debt structure overview as of 12/31/2023

\$'s in millions

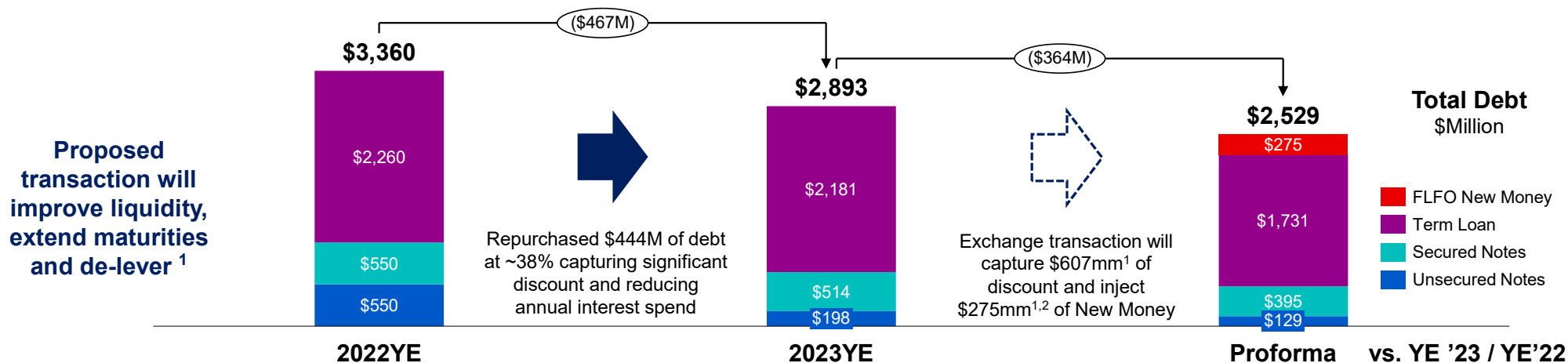
As of December 31, 2023



## Debt Highlights

- Total debt \$2.9B, Net Debt \$2.7B
- Primarily (~70%) fixed or hedged debt structure
- No funded corporate maturities until 2028
- No maintenance covenants
- During 2023, repurchased a total of \$444M of debt in the marketplace using \$172M of cash<sup>1</sup>. This included retiring \$56M in Term Loan B, \$36M in senior secured notes and \$352M in senior unsecured notes at an average price of 38% of par value

# Liability management resulting in roughly \$900M proforma Net Debt Reduction since 2022 YE



|  | 2022YE  | 2023YE  | Proforma | vs. YE '23 / YE'22 |
|--|---------|---------|----------|--------------------|
| <b>Gross Debt</b>                            | \$3,360 | \$2,893 | \$2,529  | (\$364) / (\$830)  |
| <b>(-) Cash</b>                              | \$228   | \$197   | \$327    | \$130 / \$99       |
| <b>= Net Debt</b>                            | \$3,132 | \$2,696 | \$2,202  | (\$494) / (\$930)  |
| <b>Gross Financial Leverage<sup>3</sup></b>  | 8.8x    | 7.6x    | 5.9x     | (1.7x) / (2.9x)    |
| <b>Financial Interest<sup>4</sup></b>        | \$234   | \$207   | \$194    | (\$13) / (\$40)    |
| <b>Fin Interest<sup>4</sup> ex-New Money</b> | \$234   | \$207   | \$162    | (\$45) / (\$71)    |



Sources: Company projections, public filings.

- (1) Includes impact of unsecured debt repurchases agreed to in the private exchange, assumes 100% participation.
- (2) Before impact of OID and commitment fees.

3. Gross financial leverage based on FY23 Adj. EBITDA. Excludes New Money.

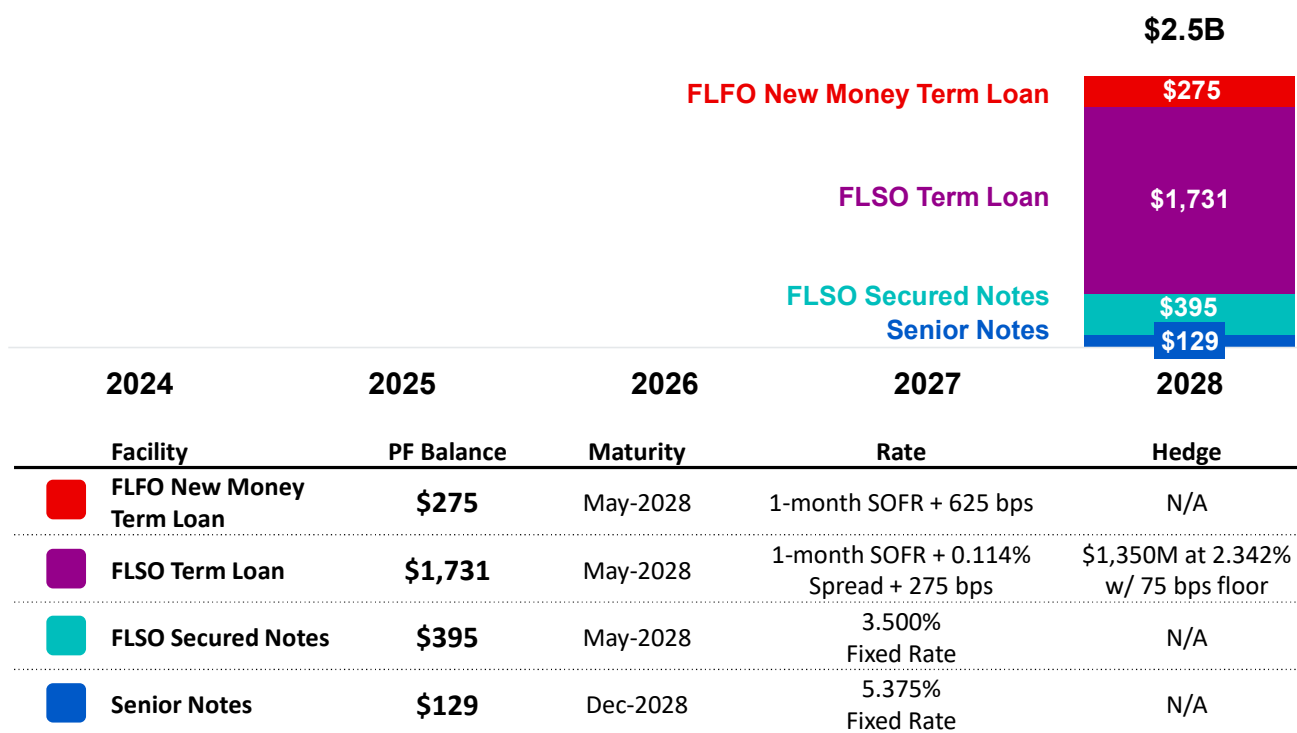
4. Financial interest expenses computed based on ending year balances and does not reflect actual interest expense for fiscal years 2022 and 2023. Excludes impact of capital leases, other financial obligations and AR Securitization Facility. Financial interest expense also excludes interest savings from debt repurchases



# Pro Forma Debt Structure Overview

\$'s in millions

PF for Closing of Public Debt Exchange (Assuming 100% Participation)



## Debt Highlights

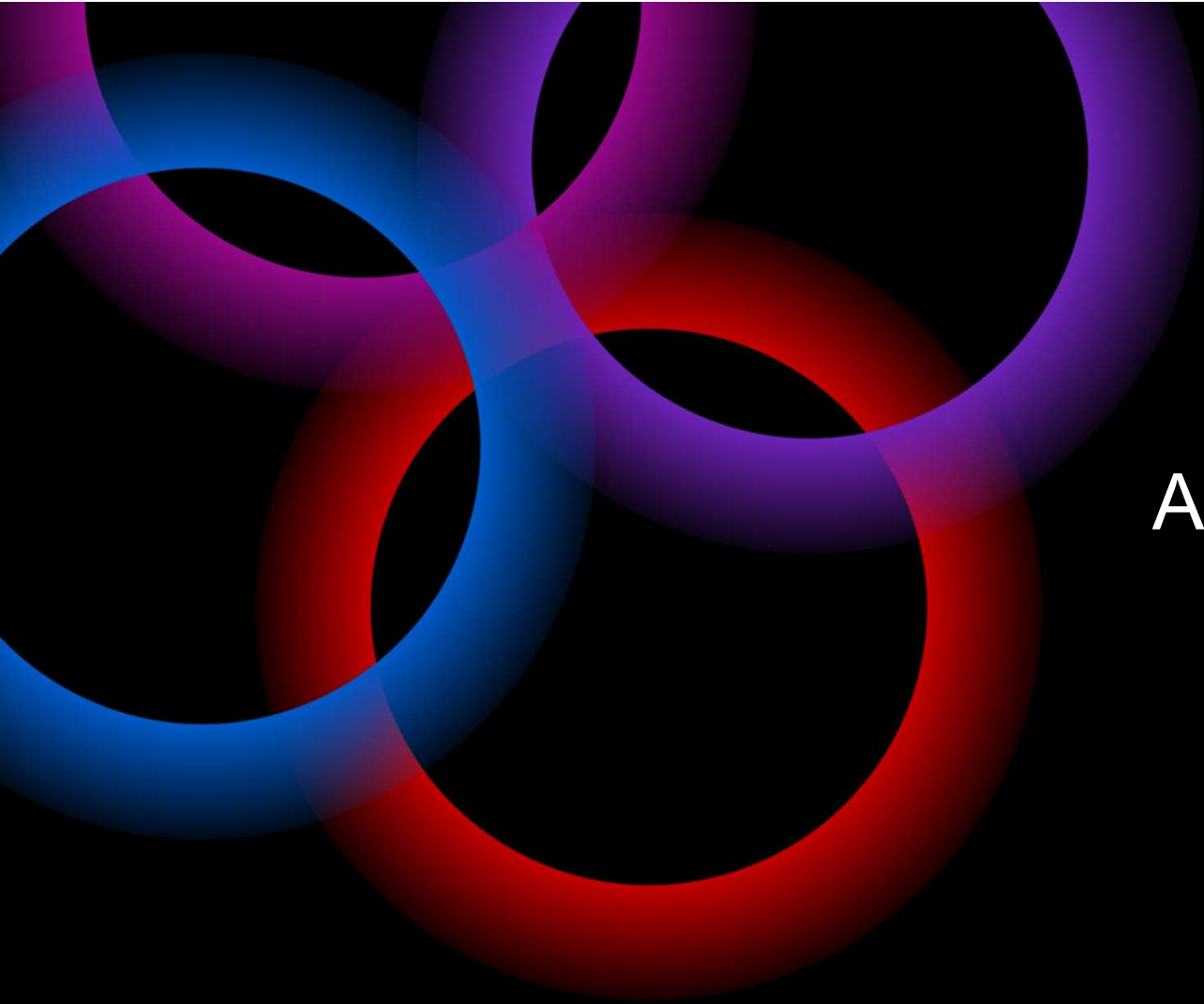
- Total debt \$2.5B, Net Debt \$2.2B
- \$275 million of new money funded at closing of the private debt exchange, open to participation from all creditors
- No changes to existing hedge on term loan
- No funded corporate maturities until 2028, RCF extended to 2028 in connection with the transaction
- No maintenance covenants



# Outlook

|                                  | <b>Q1 2024 Guidance</b>      |
|----------------------------------|------------------------------|
| Total Revenue                    | <b>\$680 - \$690 million</b> |
| Private Cloud Revenue            | \$268 - \$273 million        |
| Public Cloud Revenue             | \$412 - \$417 million        |
| Non-GAAP Operating Profit        | <b>\$12 - \$14 million</b>   |
| Non-GAAP Loss Per Share          | <b>(\$0.12) - (\$0.14)</b>   |
| Non-GAAP Other Income (Expense)  | (\$50) - (\$52) million      |
| Non-GAAP Tax Expense Rate        | 26%                          |
| Non-GAAP Weighted Average Shares | 221 - 223 million            |

NOTE: Refer to Appendix for more information on how we define Non-GAAP Tax Expense Rate and Non-GAAP Weighted Average Shares.



# Appendix

# FY 2023 financial results

\$'s in millions

|                                      | FY 2023         | Y/Y             |
|--------------------------------------|-----------------|-----------------|
| <b>Total Revenue</b>                 | <b>\$2,957</b>  | <b>(5%)</b>     |
| Non-GAAP Net Revenue                 | \$1,750         | (11%)           |
| <b>Non-GAAP Gross Profit</b>         | <b>\$662</b>    | <b>(25%)</b>    |
| <i>Non-GAAP Gross Margin</i>         | 22.4%           | (6 pts)         |
| <i>Non-GAAP Net Gross Margin</i>     | 37.8%           | (7 pts)         |
| <b>Non-GAAP Operating Profit</b>     | <b>\$183</b>    | <b>(50%)</b>    |
| <i>Non-GAAP Operating Margin</i>     | 6.2%            | (5 pts)         |
| <i>Non-GAAP Net Operating Margin</i> | 10.5%           | (8 pts)         |
| <b>Non-GAAP EPS</b>                  | <b>(\$0.15)</b> | <b>(\$0.69)</b> |
| <b>Adjusted EBITDA</b>               | <b>\$389</b>    | <b>(34%)</b>    |
| <i>Adj. EBITDA Margin</i>            | 13.1%           | (6 pts)         |

- Non-GAAP Net Revenue is a metric that applies net-accounting to public cloud infrastructure resale revenue (only the profit element of infrastructure resale is included)
- Non-GAAP Net Revenue provides investors with visibility to the true margin profile of our business

# FY 2023 segment financials

\$'s in millions

|                                  | FY'23 Total<br>Rackspace | Private<br>Cloud | Public<br>Cloud | Y/Y %                    |                  |                 |
|----------------------------------|--------------------------|------------------|-----------------|--------------------------|------------------|-----------------|
|                                  |                          |                  |                 | FY'23 Total<br>Rackspace | Private<br>Cloud | Public<br>Cloud |
| <b>Total Revenue</b>             | <b>\$2,957</b>           | <b>\$1,210</b>   | <b>\$1,747</b>  | <b>(5%)</b>              | <b>(12%)</b>     | <b>0%</b>       |
| Non-GAAP Net Revenue             | \$1,750                  | \$1,210          | \$540           | (11%)                    | --               | (8%)            |
| <b>Non-GAAP Gross Profit</b>     | <b>\$662</b>             | <b>\$462</b>     | <b>\$200</b>    | <b>(25%)</b>             | <b>(26%)</b>     | <b>(23%)</b>    |
| Non-GAAP Gross Margin            | 22.4%                    | 38.2%            | 11.4%           | (6 pts)                  | (7 pts)          | (3 pts)         |
| Non-GAAP Net Gross Margin        | 37.8%                    | --               | 37.0%           | (7 pts)                  | --               | (7 pts)         |
| <b>Segment Operating Profit</b>  | <b>\$431</b>             | <b>\$341</b>     | <b>\$90</b>     | <b>(30%)</b>             | <b>(31%)</b>     | <b>(28%)</b>    |
| Segment Operating Margin         | 14.6%                    | 28.2%            | 5.2%            | (5 pts)                  | (8 pts)          | (2 pts)         |
| Segment Net Operating Margin     | --                       | --               | 16.7%           | --                       | --               | (5 pts)         |
| Corporate Functions              | (\$248)                  |                  |                 | (3%)                     |                  |                 |
| <b>Non-GAAP Operating Profit</b> | <b>\$183</b>             |                  |                 | <b>(50%)</b>             |                  |                 |
| Non-GAAP Operating Margin        | 6.2%                     |                  |                 | (5 pts)                  |                  |                 |
| Non-GAAP Net Operating Margin    | 10.5%                    |                  |                 | (8 pts)                  |                  |                 |

# Debt repurchases in 2023

Throughout 2023, Rackspace **successfully retired \$444 million** of its outstanding debt due in 2028 via open market repurchases

## Strategic rationale

**Capture attractive discount**, with \$444M in debt repurchased at an average price of 38%, capturing a discount of \$276M

**Enhance cash flow profile** by reducing interest expense ~\$27M annually<sup>3</sup>

**Accelerate de-leveraging** by decreasing debt \$444M while spending \$172M<sup>1</sup> in cash, **reducing net leverage by ~0.7x<sup>2</sup>**

Put in place **\$300M AR securitization facility** to bolster liquidity and facilitate future opportunistic repurchases

## Key stats

Amount Retired

**\$444  
million**

Amount Spent<sup>1</sup>

**\$172  
million**

Discount Captured

**62%  
\$276 million**

Annual Interest Savings<sup>3</sup>

**\$27  
million**

Note:

1. Includes accrued interest

2. Based on LTM EBITDA as of 12/31/23

3. Annual interest savings based on modeling assumptions

# Non-GAAP Net Revenue Reconciliation

| <i>(In millions)</i>                     | Q4 2022        | Q1 2023        | Q2 2023        | Q3 2023        | Q4 2023        | 2022             | 2023             |
|--|----------------|----------------|----------------|----------------|----------------|------------------|------------------|
| Total Revenue                            | \$787.0        | \$758.7        | \$746.3        | \$732.4        | \$719.7        | \$3,122.3        | \$2,957.1        |
| Pass-through infrastructure resale costs | (306.3)        | (298.8)        | (299.7)        | (302.5)        | (306.4)        | (1,153.4)        | (1,207.4)        |
| <b>Non-GAAP Net Revenue</b>              | <b>\$480.7</b> | <b>\$459.9</b> | <b>\$446.6</b> | <b>\$429.9</b> | <b>\$413.3</b> | <b>\$1,968.9</b> | <b>\$1,749.7</b> |

# Non-GAAP Gross Profit Reconciliation

| <i>(In millions)</i>   | Q4 2022        | Q1 2023        | Q2 2023        | Q3 2023        | Q4 2023        | 2022           | 2023           |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| GAAP Gross Profit  | \$199.8        | \$169.6        | \$153.1        | \$152.0        | \$154.1        | \$856.9        | \$628.8        |
| Share-based compensation expense                             | 2.6            | 2.8            | 2.6            | 2.0            | 1.7            | 11.6           | 9.1            |
| Special bonuses and other compensation expense               | 0.3            | 0.7            | 1.4            | 1.2            | 0.7            | 1.9            | 4.0            |
| Purchase accounting impact on expense                        | 0.6            | 0.6            | 0.7            | 0.6            | 0.7            | 2.7            | 2.6            |
| Restructuring and transformation expenses                    | 1.7            | 4.7            | 5.1            | 6.2            | 0.9            | 10.9           | 16.9           |
| Hosted Exchange incident expenses, net of insurance proceeds | 0.2            | 0.3            | -              | -              | -              | 0.2            | 0.3            |
| Total Adjustments  | \$5.4          | \$9.1          | \$9.8          | \$10.0         | \$4.0          | \$27.3         | \$32.9         |
| <b>Non-GAAP Gross Profit</b>                                 | <b>\$205.2</b> | <b>\$178.7</b> | <b>\$162.9</b> | <b>\$162.0</b> | <b>\$158.1</b> | <b>\$884.2</b> | <b>\$661.7</b> |



# Non-GAAP Net Income (Loss) Reconciliation

| <i>(In millions)</i>   | Q4 2022       | Q1 2023        | Q2 2023         | Q3 2023        | Q4 2023        | 2022           | 2023            |
|--|---------------|----------------|-----------------|----------------|----------------|----------------|-----------------|
| Net income (loss)  | \$(214.0)     | \$(612.0)      | \$(27.2)        | \$(226.6)      | \$28.0         | \$(804.8)      | \$(837.8)       |
| Share-based compensation expense                             | 10.0          | 15.2           | 19.5            | 17.2           | 13.5           | 69.5           | 65.4            |
| Special bonuses and other compensation expense               | 1.8           | 2.2            | 4.2             | 3.3            | 2.4            | 10.0           | 12.1            |
| Transaction-related adjustments, net                         | 1.4           | 1.3            | 1.2             | 1.6            | 1.1            | 11.0           | 5.2             |
| Restructuring and transformation expenses                    | 24.7          | 25.6           | 23.1            | 14.3           | 7.8            | 99.0           | 70.8            |
| Hosted Exchange incident expenses, net of insurance proceeds | 5.9           | 3.2            | 1.7             | (5.3)          | (4.4)          | 5.9            | (4.8)           |
| Impairment of goodwill                                       | 129.3         | 543.1          | -               | 165.7          | -              | 534.5          | 708.8           |
| UK office closure  | -             | -              | 12.1            | -              | -              | -              | 12.1            |
| Impairment of assets, net                                    | 87.4          | -              | -               | 48.4           | 3.8            | 146.1          | 52.2            |
| Net (gain) loss on divestiture and investments               | (0.2)         | (0.1)          | (0.1)           | -              | (0.1)          | 0.2            | (0.3)           |
| Gain on debt extinguishment                                  | -             | (12.8)         | (94.9)          | (55.4)         | (108.2)        | -              | (271.3)         |
| Other adjustments  | (5.5)         | (2.1)          | (0.2)           | 2.6            | (1.3)          | 10.0           | (1.0)           |
| Amortization of intangible assets                            | 40.4          | 40.9           | 41.0            | 39.7           | 39.4           | 166.8          | 161.0           |
| Tax effect of non-GAAP adjustments                           | (67.7)        | (9.2)          | 6.1             | (13.6)         | 11.6           | (133.3)        | (5.1)           |
| <b>Non-GAAP Net Income (Loss)</b>                            | <b>\$13.5</b> | <b>\$(4.7)</b> | <b>\$(13.5)</b> | <b>\$(8.1)</b> | <b>\$(6.4)</b> | <b>\$114.9</b> | <b>\$(32.7)</b> |

# Non-GAAP Operating Profit Reconciliation

| <i>(In millions)</i>   | Q4 2022       | Q1 2023       | Q2 2023       | Q3 2023       | Q4 2023       | 2022           | 2023           |
|--|---------------|---------------|---------------|---------------|---------------|----------------|----------------|
| Loss from operations   | \$(227.2)     | \$(581.0)     | \$(63.8)      | \$(239.4)     | \$(15.2)      | \$(679.0)      | \$(899.4)      |
| Share-based compensation expense                             | 10.0          | 15.2          | 19.5          | 17.2          | 13.5          | 69.5           | 65.4           |
| Special bonuses and other compensation expense               | 1.8           | 2.2           | 4.2           | 3.3           | 2.4           | 10.0           | 12.1           |
| Transaction-related adjustments, net                         | 1.4           | 1.3           | 1.2           | 1.6           | 1.1           | 11.0           | 5.2            |
| Restructuring and transformation expenses                    | 24.7          | 25.6          | 23.1          | 14.3          | 7.8           | 99.0           | 70.8           |
| Hosted Exchange incident expenses, net of insurance proceeds | 5.9           | 3.2           | 1.7           | (5.3)         | (4.4)         | 5.9            | (4.8)          |
| Impairment of goodwill                                       | 129.3         | 543.1         | -             | 165.7         | -             | 534.5          | 708.8          |
| UK office closure  | -             | -             | 12.1          | -             | -             | -              | 12.1           |
| Impairment of assets, net                                    | 87.4          | -             | -             | 48.4          | 3.8           | 146.1          | 52.2           |
| Amortization of intangible assets                            | 40.4          | 40.9          | 41.0          | 39.7          | 39.4          | 166.8          | 161.0          |
| Total Adjustments  | \$300.9       | \$631.5       | \$102.8       | \$284.9       | \$63.6        | \$1,042.8      | \$1,082.8      |
| <b>Non-GAAP Operating Profit</b>                             | <b>\$73.7</b> | <b>\$50.5</b> | <b>\$39.0</b> | <b>\$45.5</b> | <b>\$48.4</b> | <b>\$363.8</b> | <b>\$183.4</b> |

# Adjusted EBITDA Reconciliation

| <i>(In millions)</i>   | Q4 2022        | Q1 2023        | Q2 2023       | Q3 2023       | Q4 2023       | 2022           | 2023           |
|--|----------------|----------------|---------------|---------------|---------------|----------------|----------------|
| Net income (loss)  | \$(214.0)      | \$(612.0)      | \$(27.2)      | \$(226.6)     | \$28.0        | \$(804.8)      | \$(837.8)      |
| Share-based compensation expense                             | 10.0           | 15.2           | 19.5          | 17.2          | 13.5          | 69.5           | 65.4           |
| Special bonuses and other compensation expense               | 1.8            | 2.2            | 4.2           | 3.3           | 2.4           | 10.0           | 12.1           |
| Transaction-related adjustments, net                         | 1.4            | 1.3            | 1.2           | 1.6           | 1.1           | 11.0           | 5.2            |
| Restructuring and transformation expenses                    | 24.7           | 25.6           | 23.1          | 14.3          | 7.8           | 99.0           | 70.8           |
| Hosted Exchange incident expenses, net of insurance proceeds | 5.9            | 3.2            | 1.7           | (5.3)         | (4.4)         | 5.9            | (4.8)          |
| Impairment of goodwill                                       | 129.3          | 543.1          | -             | 165.7         | -             | 534.5          | 708.8          |
| UK office closure  | -              | -              | 12.1          | -             | -             | -              | 12.1           |
| Impairment of assets, net                                    | 87.4           | -              | -             | 48.4          | 3.8           | 146.1          | 52.2           |
| Net (gain) loss on divestiture and investments               | (0.2)          | (0.1)          | (0.1)         | -             | (0.1)         | 0.2            | (0.3)          |
| Gain on debt extinguishment                                  | -              | (12.8)         | (94.9)        | (55.4)        | (108.2)       | -              | (271.3)        |
| Other (income) expense, net                                  | (5.5)          | (2.1)          | (0.2)         | 2.6           | 4.7           | 10.0           | 5.0            |
| Interest expense   | 55.6           | 56.9           | 57.3          | 56.5          | 50.9          | 208.5          | 221.6          |
| Provision (benefit) for income taxes                         | (63.1)         | (10.9)         | 1.3           | (16.5)        | 9.5           | (92.9)         | (16.6)         |
| Depreciation and amortization                                | 91.4           | 93.6           | 95.5          | 90.1          | 87.2          | 387.5          | 366.4          |
| <b>Adjusted EBITDA</b>                                       | <b>\$124.7</b> | <b>\$103.2</b> | <b>\$93.5</b> | <b>\$95.9</b> | <b>\$96.2</b> | <b>\$584.5</b> | <b>\$388.8</b> |

# Non-GAAP Earnings (Loss) Per Share Reconciliation

| <i>(In millions)</i>  | Q4 2022       | Q1 2023         | Q2 2023         | Q3 2023         | Q4 2023         | 2022          | 2023            |
|---|---------------|-----------------|-----------------|-----------------|-----------------|---------------|-----------------|
| Net income (loss) attributable to common stockholders                       | \$(214.0)     | \$(612.0)       | \$(27.2)        | \$(226.6)       | \$28.0          | \$(804.8)     | \$(837.8)       |
| Non-GAAP Net Income (Loss)  | \$13.5        | \$(4.7)         | \$(13.5)        | \$(8.1)         | \$(6.4)         | \$114.9       | (32.7)          |
| Weighted average number of shares – Diluted                                 | 211.6         | 213.2           | 215.1           | 216.0           | 219.6           | 211.2         | 215.3           |
| Effect of dilutive securities   | 0.3           | 1.1             | 1.2             | 6.4             | -               | 1.3           | 3.1             |
| Non-GAAP weighted average number of shares – Diluted                        | 211.9         | 214.3           | 216.3           | 222.4           | 219.6           | 212.5         | 218.4           |
| Net income (loss) per share – Diluted                                       | \$(1.01)      | \$(2.87)        | \$(0.13)        | \$(1.05)        | \$0.13          | \$(3.81)      | \$(3.89)        |
| Per share impacts of adjustments to net income (loss)                       | 1.08          | 2.85            | 0.06            | 1.01            | (0.16)          | 4.35          | 3.74            |
| Per share impacts of shares dilutive after adjustments to net income (loss) | (0.01)        | 0.00            | 0.01            | 0.00            | 0.00            | 0.00          | 0.00            |
| <b>Non-GAAP Earnings (Loss) per Share</b>                                   | <b>\$0.06</b> | <b>\$(0.02)</b> | <b>\$(0.06)</b> | <b>\$(0.04)</b> | <b>\$(0.03)</b> | <b>\$0.54</b> | <b>\$(0.15)</b> |

# Free Cash Flow Reconciliation

| <i>(In millions)</i>                                | Q4 2022       | Q1 2023         | Q2 2023       | Q3 2023        | Q4 2023       | 2022           | 2023           |
|---|---------------|-----------------|---------------|----------------|---------------|----------------|----------------|
| Net cash provided by (used in) operating activities | \$27.5        | \$(1.9)         | \$37.8        | \$266.8        | \$72.2        | \$246.7        | \$374.9        |
| Cash purchases of property, equipment and software  | (15.0)        | (12.1)          | (23.4)        | (27.5)         | (33.9)        | (80.4)         | (96.9)         |
| <b>Free Cash Flow</b>                               | <b>\$12.5</b> | <b>\$(14.0)</b> | <b>\$14.4</b> | <b>\$239.3</b> | <b>\$38.3</b> | <b>\$166.3</b> | <b>\$278.0</b> |

# Normalized Cash Flow Reconciliations

| <i>(In millions)</i>                                    | Q4 2022       | Q1 2023        | Q2 2023       | Q3 2023       | Q4 2023       | 2022           | 2023           |
|---|---------------|----------------|---------------|---------------|---------------|----------------|----------------|
| Net cash provided by (used in) operating activities     | \$27.5        | \$(1.9)        | \$37.8        | \$266.8       | \$72.2        | \$246.7        | \$374.9        |
| Accounts receivable securitization and associated fees  | -             | -              | -             | (205.7)       | (9.8)         | -              | (215.5)        |
| <b>Normalized Cash Provided by Operating Activities</b> | <b>\$27.5</b> | <b>\$(1.9)</b> | <b>\$37.8</b> | <b>\$61.1</b> | <b>\$62.4</b> | <b>\$246.7</b> | <b>\$159.4</b> |

| <i>(In millions)</i>                                   | Q4 2022       | Q1 2023         | Q2 2023       | Q3 2023       | Q4 2023       | 2022           | 2023          |
|--|---------------|-----------------|---------------|---------------|---------------|----------------|---------------|
| Free cash flow   | \$12.5        | \$(14.0)        | \$14.4        | \$239.3       | \$38.3        | \$166.3        | \$278.0       |
| Accounts receivable securitization and associated fees | -             | -               | -             | (205.7)       | (9.8)         | -              | (215.5)       |
| <b>Normalized Free Cash Flow</b>                       | <b>\$12.5</b> | <b>\$(14.0)</b> | <b>\$14.4</b> | <b>\$33.6</b> | <b>\$28.5</b> | <b>\$166.3</b> | <b>\$62.5</b> |

| <i>(In millions)</i>                             | Q4 2022        | Q1 2023        | Q2 2023        | Q3 2023        | Q4 2023        | 2022           | 2023           |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Cash & Cash Equivalents                          | \$228.4        | \$174.3        | \$159.9        | \$277.8        | \$196.8        | \$228.4        | \$196.8        |
| Cumulative AR securitization and associated fees | -              | -              | -              | (205.7)        | (215.5)        | -              | (215.5)        |
| Cumulative debt repurchases                      | -              | 9.7            | 55.5           | 84.5           | 168.8          | -              | 168.8          |
| Outstanding revolving credit facility            | -              | -              | (50.0)         | -              | -              | -              | -              |
| <b>Normalized Cash &amp; Cash Equivalents</b>    | <b>\$228.4</b> | <b>\$184.0</b> | <b>\$165.4</b> | <b>\$156.6</b> | <b>\$150.1</b> | <b>\$228.4</b> | <b>\$150.1</b> |

# Definitions

|   |  |
|---|--|
| <b>Non-GAAP Net Revenue</b>             | Non-GAAP Net Revenue applies net-accounting to public cloud infrastructure resale revenue. This means only the profit element of infrastructure resale is included in Non-GAAP Net Revenue in addition to public cloud services and private cloud revenues.  |
| <b>Segment Operating Profit</b>         | Segment revenue less expenses directly attributable to running the respective segments' business. These expenses exclude centralized corporate function costs.   |
| <b>Corporate Functions</b>              | Costs that are not allocated to segments. These costs are related to centralized corporate functions that provide services to the segments in areas such as accounting, information technology, marketing, legal and human resources.  |
| <b>Capital Intensity</b>                | Capital intensity reflects capital expenditures divided by revenue for the same period.  |
| <b>Non-GAAP Tax Expense Rate</b>        | 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. We used a structural non-GAAP tax rate of 26% for all periods which reflects the removal of the tax effect of non-GAAP pre-tax adjustments and non-recurring tax adjustments on a year-over-year basis. 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. |
| <b>Non-GAAP Weighted Average Shares</b> | Reflects impact of awards that would have been anti-dilutive to net loss per share, and therefore not included in the calculation, but would be dilutive to Non-GAAP EPS and are therefore included in the share count for purposes of this non-GAAP measure. Potential common share equivalents consist of shares issuable upon the exercise of stock options, vesting of restricted stock 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.                                       |



The logo features the text 'rackspace' in a bold, italicized, lowercase sans-serif font, with 'technology' in a smaller, italicized, lowercase sans-serif font below it. A registered trademark symbol (®) is located at the end of 'technology'. The text is white and centered within a solid black circle. This circle is surrounded by a larger, semi-transparent circular gradient that transitions from a bright red at the top to a deep purple at the bottom. The entire graphic is set against a solid black background.

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