

Rackspace Technology

4th Quarter 2021

Earnings Presentation

February 22, 2022

Disclaimer

Forward-Looking Statements

Rackspace Technology has made statements in this presentation and other reports, filings, and other public written and verbal announcements that are forward-looking and therefore subject to risks and uncertainties. All statements, other than statements of historical fact, included in this document are, or could be, “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 and are made in reliance on the safe harbor protections provided thereunder. These forward-looking statements relate to anticipated financial performance, management’s plans and objectives for future operations, business prospects, outcome of regulatory proceedings, market conditions, our ability to successfully respond to the challenges posed by the COVID-19 pandemic, and other matters. Any forward-looking statement made in this presentation speaks only as of the date on which it is made. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future developments or otherwise. Forward-looking statements can be identified by various words such as “expects,” “intends,” “will,” “anticipates,” “believes,” “confident,” “continue,” “propose,” “seeks,” “could,” “may,” “should,” “estimates,” “forecasts,” “might,” “goals,” “objectives,” “targets,” “planned,” “projects,” and similar expressions. These forward-looking statements are based on management’s current beliefs and assumptions and on information currently available to management. Rackspace Technology cautions that these statements are subject to risks and uncertainties, many of which are outside of our control, and could cause future events or results to be materially different from those stated or implied in this document, including among others, risk factors that are described in Rackspace Technology, Inc.’s Registration Statement on Form S-1, Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and other filings with the Securities and Exchange Commission, including the sections entitled “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” contained therein.

Non-GAAP Measures

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

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

Amounts on subsequent pages may not add due to rounding.



Kevin Jones
Chief Executive Officer



Amar Maletira
President and Chief Financial Officer

Agenda



**Summary results
and RXT overview**
Kevin Jones



Financial results
Amar Maletira



Q&A Session

Q4 2021 key messages



Continued Cloud market growth

- Rackspace Technology well-positioned as the pure play Cloud Solutions company.



Strong Q4 Performance

- Revenue and Core revenue exceeded expectations
- Profitability metrics at the high end of expectations.



Cash flow

- Delivered \$60 million cash flow from operations in Q4 2021
- Full year cash flow from operations of \$371 million



New Service Offerings

- Expanded successful Elastic Engineering model
- Additional certifications in growing Google Cloud and Microsoft Azure specializations
- Strengthened data service offerings with acquisition of Just Analytics

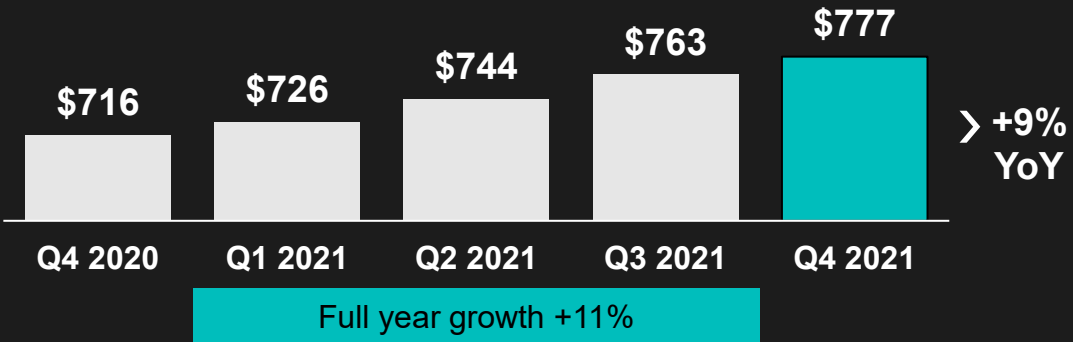


Sales Performance

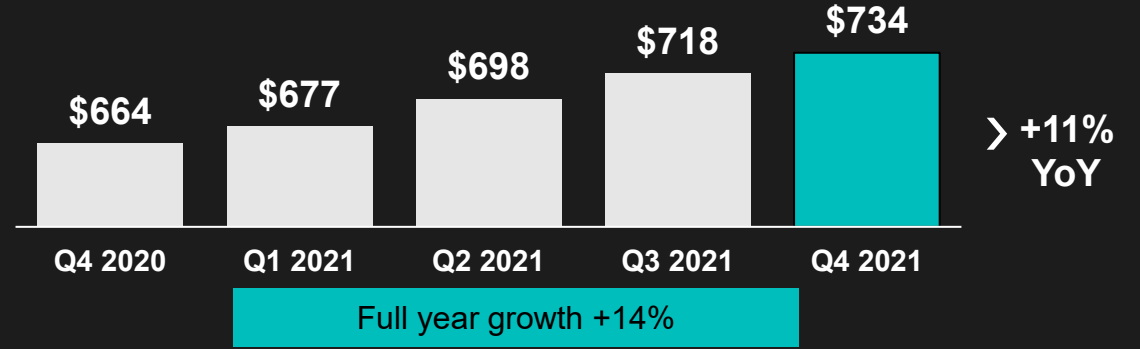
- Record quarterly new sales Bookings of \$329 million, +12% YoY and +64% Q/Q
- BT partnership expands presence in Europe, accelerates momentum in private cloud

Q4 2021 results at-a-glance

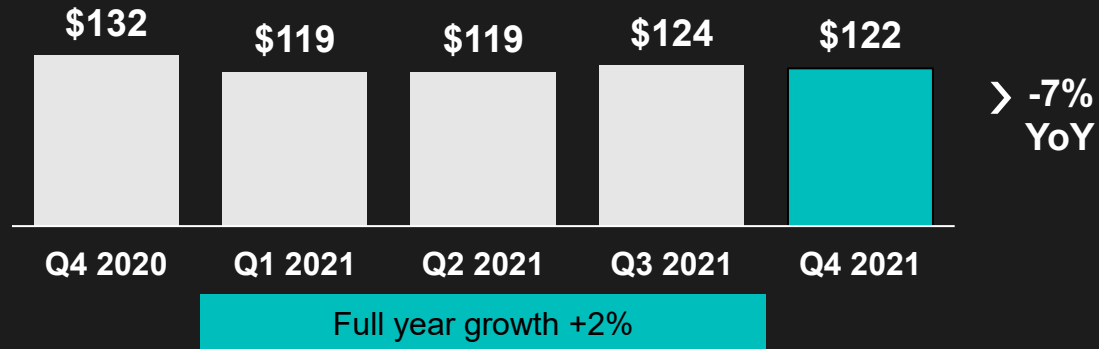
Revenue (\$M)



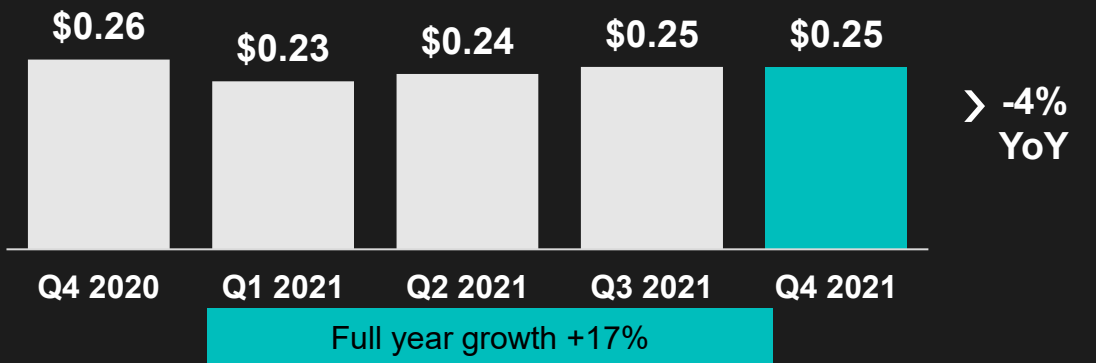
Core Revenue (\$M)



Non-GAAP Operating Profit (\$M)



Non-GAAP EPS



Q4 BOOKINGS \$329 MILLION
FULL YEAR BOOKINGS \$1.03 BILLION

BT Partnership

- Largest new business win in Rackspace Technology history
- Expands presence in the European market
- BT's hybrid cloud offerings will be based on Rackspace Services for VMWare Cloud
- Current enterprise customers of BT hybrid cloud offerings to become Rackspace Technology customers
- BT and Rackspace Technology will jointly create new offerings to address market needs



Just Analytics Acquisition

Leading provider of cloud-based data analytics and artificial intelligence services in the APJ region.

Singapore based with employee presence in Vietnam and India

Expands RXT's Microsoft Azure product suite

TAM = **\$145 billion**


Industry Leading Partnerships

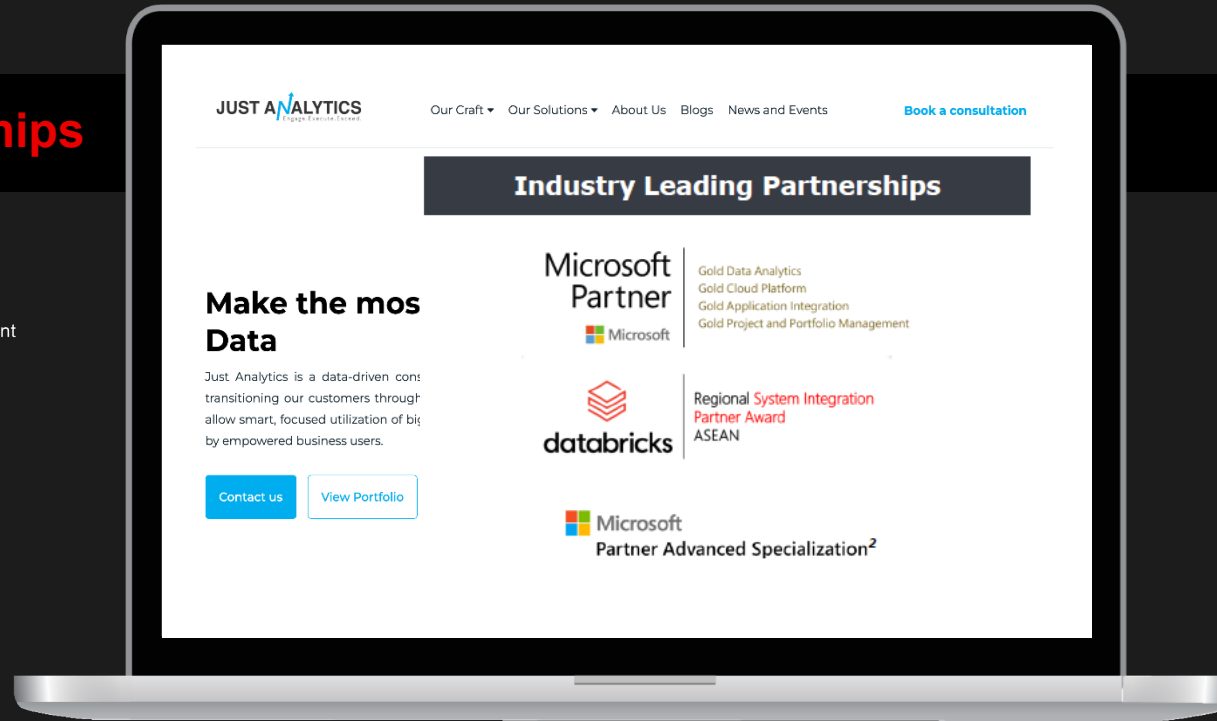
Microsoft
Partner


Gold Data Analytics
Gold Cloud Platform
Gold Application Integration
Gold Project and Portfolio Management


databricks

Regional System Integration
Partner Award
ASEAN

 Microsoft
Partner Advanced Specialization



Select Blue-Chip Clients



CapitaLand

ASM 

SUNTORY

PHILIPS

Grab

IKEA

DBS


PRUDENTIAL

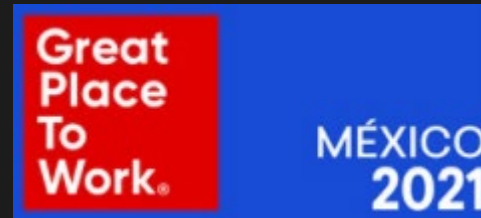
Continued Incremental Improvement in ESG

ENVIRONMENTAL



CDP Disclosure Survey Now
Accessible by RXT Investors

SOCIAL



Named **Top Workplace for the
Next Generation of Talent**

Named **#2 Best Place to Work
in IT in Mexico**

GOVERNANCE



Added **Shashank Samant**
President and CEO of
GlobalLogic Inc., a Hitachi
Group Company, as
Independent Board Director

VoltaGrid brings intelligent power solutions to remote areas with help from AWS.

Challenge

Start-up VoltaGrid needed support to design and deploy an end-to-end cloud native solution that incorporated an edge device, leveraging machine learning and AI, to build a customer-facing portal.

Solution

Cloud Native Development, Internet of Things (IoT), Security

Achievement

The newly built VoltaGrid application is being used to sell mobile power services to customers. Using the AI Ecosystem portal, VoltaGrid can monitor, measure and report on each customer's power consumption, fuel costs and emissions in real-time at remote locations.



“I had to build the solution fast and by working with Rackspace Technology I was able to quickly and easily access the expertise I needed when I needed it.”

John Chavner, Director, Technology and Cloud Development, VoltaGrid

Private cloud expansion brings **Pipedrive** closer to UK and European customers

Challenge

Pipedrive, the global sales-first CRM and intelligent revenue management platform for small businesses, had reached 100,000 customers and was looking to expand its user base further, especially in Europe, including the UK

Solution

Managed Private Cloud – Managed Public Cloud / AWS

Achievement

Thanks to its new private cloud environment, Pipedrive is closer to many of its European customers, minimizing response times and meeting the new territory's security, compliance and data sovereignty requirements.



“We significantly benefit from Rackspace Technology’s innovation, and as our managed cloud provider helps us to scale to match the fast-moving development of its platform’s functionality and rapidly growing customer numbers.”

Agur Jõgi, CTO, Pipedrive

Agenda



**Summary results
and RXT overview**
Kevin Jones



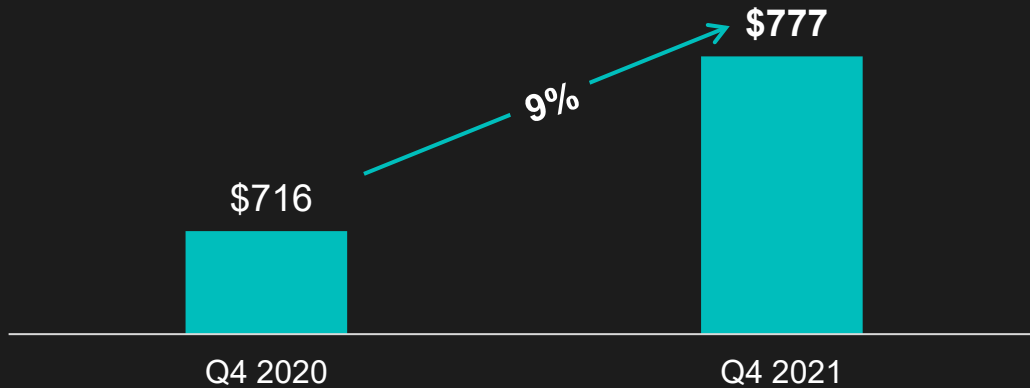
Financial results
Amar Maletira



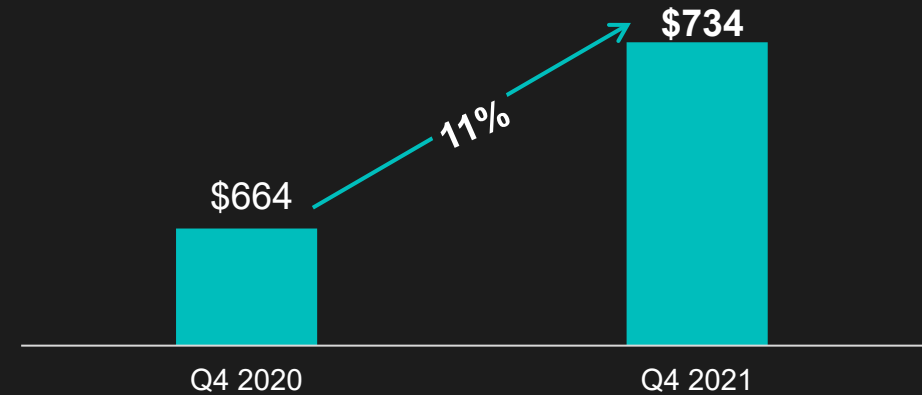
Q&A Session

Q4 2021 Financial Highlights

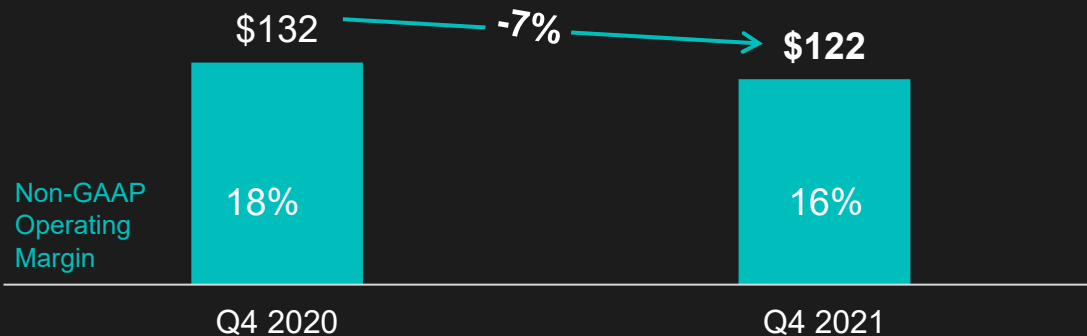
Revenue (\$M)



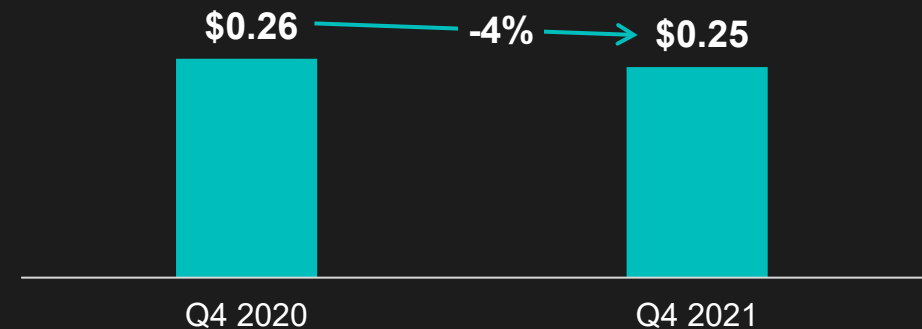
Core Revenue (\$M)



Non-GAAP Operating Profit (\$M)

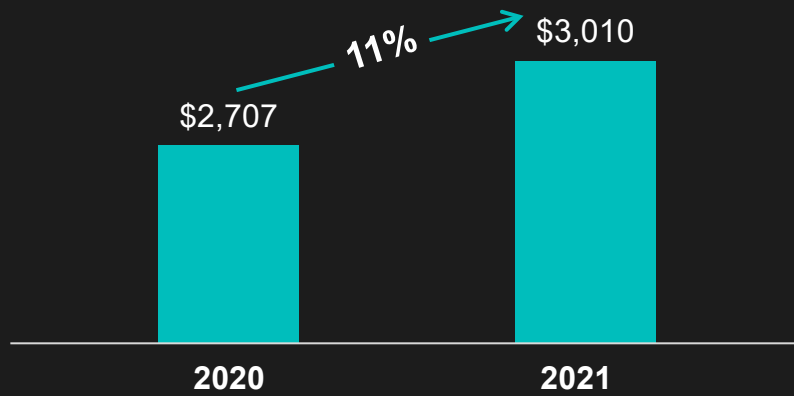


Non-GAAP EPS

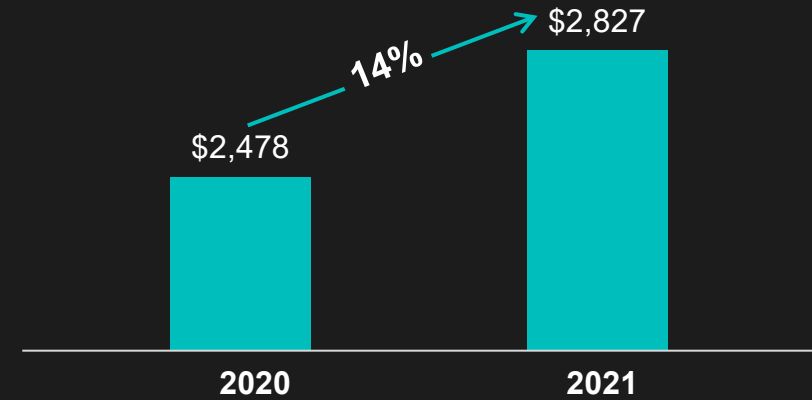


2021 Financial Highlights

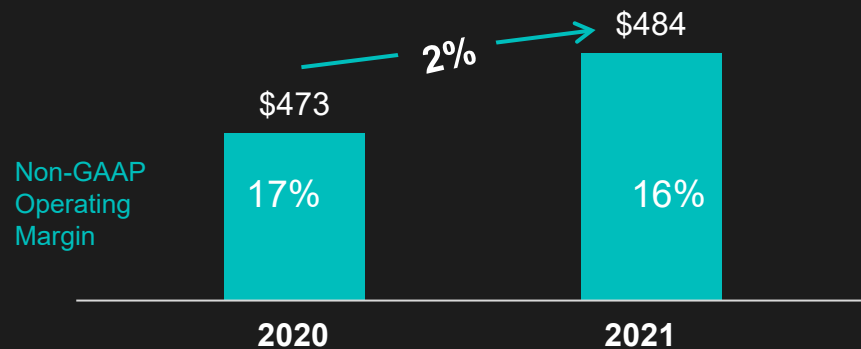
Revenue (\$M)



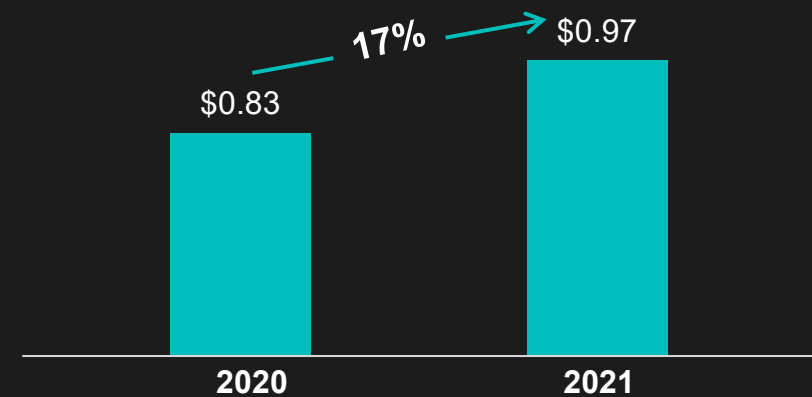
Core Revenue (\$M)



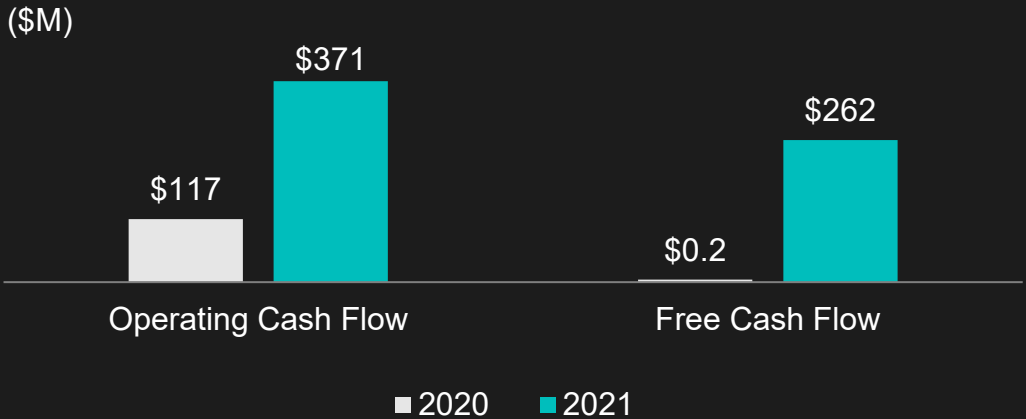
Non-GAAP Operating Profit (\$M)



Non-GAAP EPS



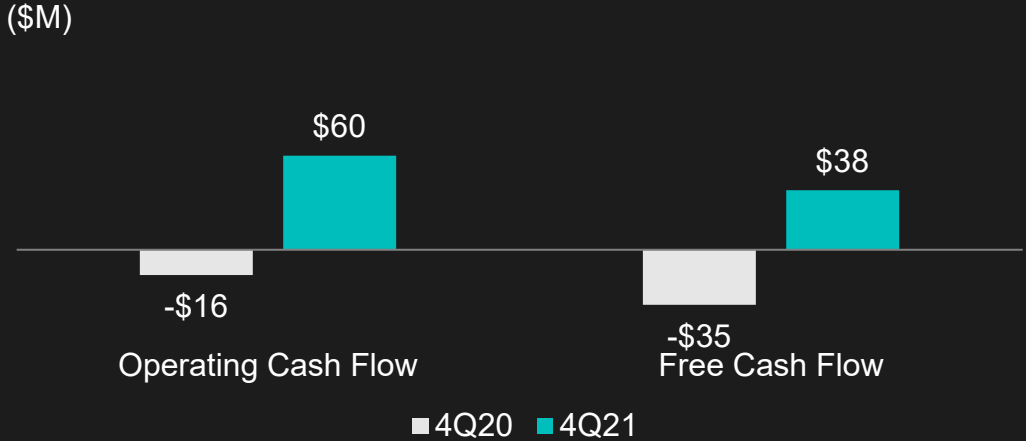
Dramatic Cash Flow Turnaround in 2021



- Cash balances increased from \$105 million to \$273 million in 2021
- \$648 million of liquidity at year end

Total Capital Expenditures

- 2020: \$225 million
- 2021: \$203 million



Total CAPEX Intensity

- 2020: 8%
- 2021: 7%

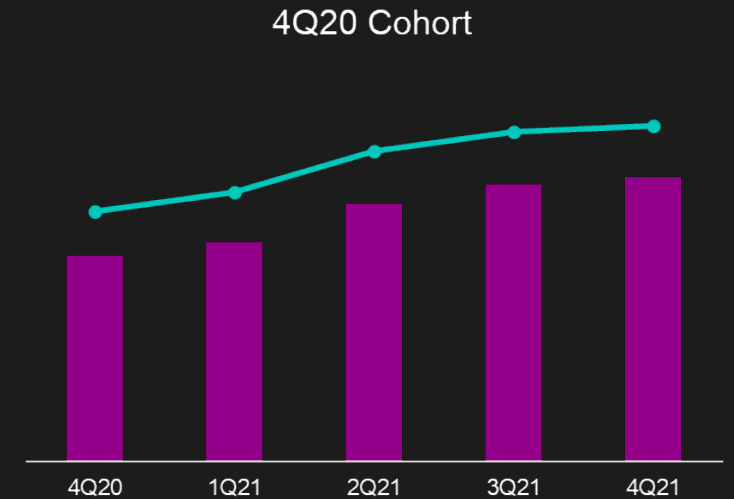
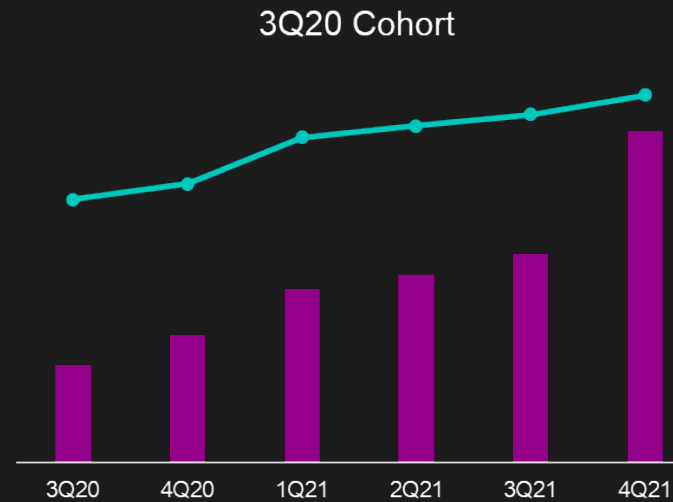
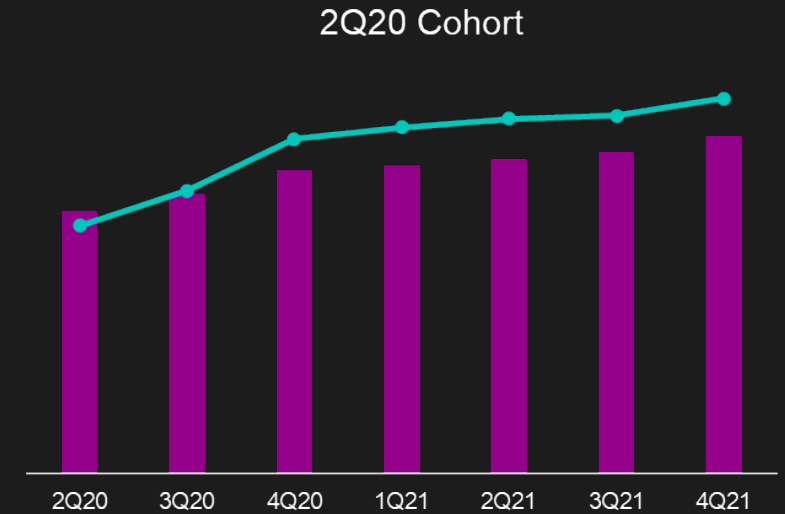
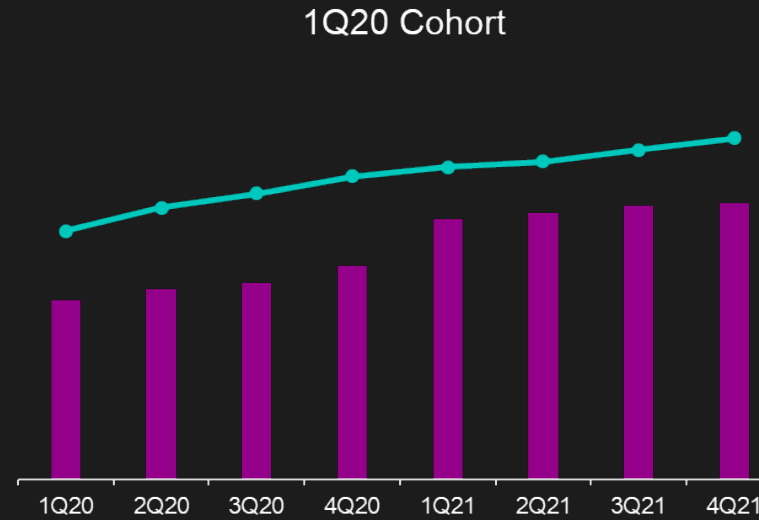
Note: Refer to Appendix for more information on how we define capital intensity. Free cash flow is a Non-GAAP metric and is presented as cash flow from operations less cash paid for purchases of property, equipment and software. Refer to Appendix for a reconciliation of Free Cash Flow to the most comparable GAAP measure.

Land and Expand is Working

Managed Public Cloud Cohorts Continue to Grow

Double-digit cumulative bookings growth and 300-500 basis points of sold gross margin improvement for all 2020 Cohorts

Cumulative Bookings Sold Margin%

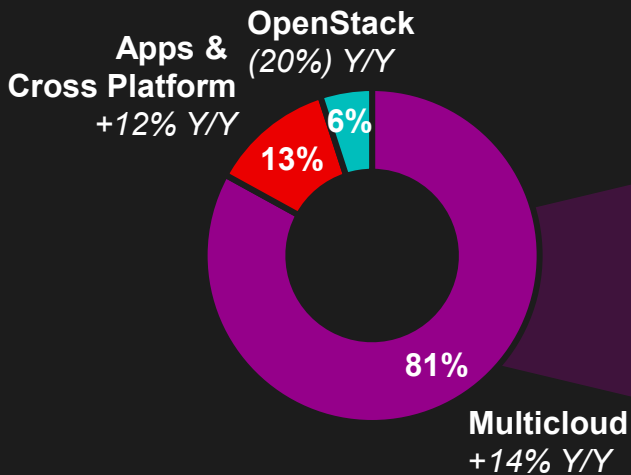


Multicloud Revenue Transition Continued in 2021

Growth Markets Exceed 75% of Multicloud Revenue

RACKSPACE REVENUE

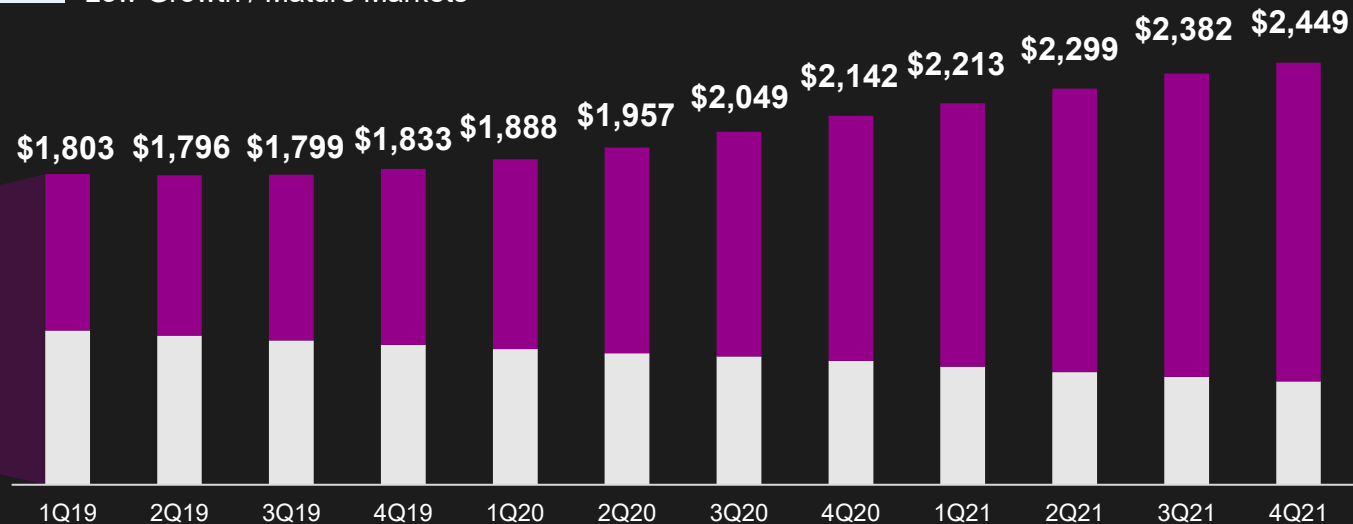
2021 revenue mix and Y/Y growth



MULTICLOUD SEGMENT REVENUE

Rolling trailing twelve months (\$M)

- High Growth Markets*
- Low Growth / Mature Markets*



High Growth Markets

~ 75% to 80% of Multicloud Revenue

30% to 40% Y/Y growth

* Multicloud offerings in high growth markets include Managed Public Cloud (AWS, Azure & GCP), and VMware Cloud

* Multicloud offerings in low growth/mature markets include Non-VMware private cloud & Managed hosting

Outlook

	Q1 2022
Revenue	\$768 - \$778 million
Core Revenue	\$730 - \$738 million
Non-GAAP Operating Profit	\$108 - \$112 million
Non-GAAP EPS	\$0.20 - \$0.22
Non-GAAP Other Income (Expense)	(\$51) – (\$52) million
Non-GAAP Tax Expense Rate	26%
Non-GAAP Weighted Average Shares	214 – 216 million

Agenda



Summary results
and RXT overview
Kevin Jones



Financial results
Amar Maletira



Q&A Session

Appendix

Non-GAAP Gross Profit Reconciliation

<i>(In millions)</i>	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	2020	2021
GAAP Gross Profit	\$247.4	\$235.3	\$235.5	\$231.7	\$234.3	\$984.4	\$936.8
Share-based compensation expense	5.9	4.9	4.3	4.0	3.5	14.5	16.7
Other compensation expense	1.0	1.3	0.4	0.4	0.6	5.9	2.7
Purchase accounting impact on expense	1.2	1.2	1.2	1.2	1.1	5.9	4.7
Restructuring and transformation expenses	7.4	7.2	8.7	13.0	6.6	15.3	35.5
Total Adjustments	\$15.5	\$14.6	\$14.6	\$18.6	\$11.8	\$41.6	\$59.6
Non-GAAP Gross Profit	\$262.9	\$249.9	\$250.1	\$250.3	\$246.1	\$1,026.0	\$996.4

Non-GAAP Net Income Reconciliation

<i>(In millions)</i>	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	2020	2021
Net loss	\$(63.8)	\$(64.0)	\$(36.6)	\$(34.8)	\$(82.9)	\$(245.8)	\$(218.3)
Share-based compensation expense	17.7	17.2	20.4	19.1	18.7	74.5	75.4
Special bonuses and other compensation expense	18.4	4.0	3.0	2.1	2.7	37.5	11.8
Transaction-related adjustments, net	11.3	8.4	6.9	6.5	3.9	46.7	25.7
Restructuring and transformation expenses	45.1	38.6	39.1	55.2	28.6	104.8	161.5
Management fees	-	-	-	-	-	8.4	-
Impairment of goodwill	-	-	-	-	52.4	-	52.4
Gain on sale of land	-	(19.9)	-	-	-	-	(19.9)
Net (gain) loss on divestiture and investments	0.2	3.7	(0.1)	-	(0.6)	(0.7)	3.0
Debt modification costs and extinguishment loss	34.5	37.0	0.5	-	-	71.5	37.5
Other (income) expense, net	(2.1)	1.8	(0.6)	(0.1)	(0.1)	(2.5)	1.0
Amortization of intangible assets	44.0	46.4	47.1	43.9	42.3	176.3	179.7
Tax effect of non-GAAP adjustments	(51.7)	(24.1)	(28.8)	(38.3)	(12.1)	(119.4)	(103.3)
Non-GAAP Net Income	\$53.6	\$49.1	\$50.9	\$53.6	\$52.9	\$151.3	\$206.5

Non-GAAP Operating Profit Reconciliation

<i>(In millions)</i>	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	2020	2021
Income (loss) from operations	\$(4.8)	\$24.2	\$2.9	\$(2.9)	\$(26.7)	\$24.7	\$(2.5)
Share-based compensation expense	17.7	17.2	20.4	19.1	18.7	74.5	75.4
Special bonuses and other compensation expense	18.4	4.0	3.0	2.1	2.7	37.5	11.8
Transaction-related adjustments, net	11.3	8.4	6.9	6.5	3.9	46.7	25.7
Restructuring and transformation expenses	45.1	38.6	39.1	55.2	28.6	104.8	161.5
Management fees	-	-	-	-	-	8.4	-
Impairment of goodwill	-	-	-	-	52.4	-	52.4
Gain on sale of land	-	(19.9)	-	-	-	-	(19.9)
Amortization of intangible assets	44.0	46.4	47.1	43.9	42.3	176.3	179.7
Total Adjustments	\$136.5	\$94.7	\$116.5	\$126.8	\$148.6	\$448.2	\$486.6
Non-GAAP Operating Profit	\$131.7	\$118.9	\$119.4	\$123.9	\$121.9	\$472.9	\$484.1

Adjusted EBITDA Reconciliation

<i>(In millions)</i>	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	2020	2021
Net loss	\$(63.8)	\$(64.0)	\$(36.6)	\$(34.8)	\$(82.9)	\$(245.8)	\$(218.3)
Share-based compensation expense	17.7	17.2	20.4	19.1	18.7	74.5	75.4
Special bonuses and other compensation expense	18.4	4.0	3.0	2.1	2.7	37.5	11.8
Transaction-related adjustments, net	11.3	8.4	6.9	6.5	3.9	46.7	25.7
Restructuring and transformation expenses	45.1	38.6	39.1	55.2	28.6	104.8	161.5
Management fees	-	-	-	-	-	8.4	-
Impairment of goodwill	-	-	-	-	52.4	-	52.4
Gain on sale of land	-	(19.9)	-	-	-	-	(19.9)
Net (gain) loss on divestiture and investments	0.2	3.7	(0.1)	-	(0.6)	(0.7)	3.0
Debt modification costs and extinguishment loss	34.5	37.0	0.5	-	-	71.5	37.5
Other (income) expense, net	(2.1)	1.8	(0.6)	(0.1)	(0.1)	(2.5)	1.0
Interest expense	59.2	52.6	50.5	51.5	50.5	268.4	205.1
Provision (benefit) for income taxes	(32.8)	(6.9)	(10.8)	(19.5)	6.4	(66.2)	(30.8)
Depreciation and amortization	111.1	107.7	107.0	103.1	103.6	466.2	421.4
Adjusted EBITDA	\$198.8	\$180.2	\$179.3	\$183.1	\$183.2	\$762.8	\$725.8

Non-GAAP EPS Reconciliation

<i>(In millions)</i>	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	2020	2021
Net loss attributable to common stockholders	\$(63.8)	\$(64.0)	\$(36.6)	\$(34.8)	\$(82.9)	\$(245.8)	\$(218.3)
Non-GAAP Net Income	\$53.6	\$49.1	\$50.9	\$53.6	\$52.9	\$151.3	\$206.5
Weighted average number of shares – Diluted	200.7	204.6	207.9	209.3	210.3	179.6	208.0
Effect of dilutive securities	6.2	6.5	5.4	2.6	2.1	3.7	4.2
Non-GAAP weighted average number of shares – Diluted	206.9	211.1	213.3	211.9	212.4	183.3	212.2
Net loss per share – Diluted	\$(0.32)	\$(0.31)	\$(0.18)	\$(0.17)	\$(0.39)	\$(1.37)	\$(1.05)
Per share impacts of adjustments to net loss	0.59	0.55	0.42	0.42	0.65	2.21	2.04
Per share impacts of shares dilutive after adjustments to net loss	(0.01)	(0.01)	(0.00)	(0.00)	(0.01)	(0.01)	(0.02)
Non-GAAP EPS	\$0.26	\$0.23	\$0.24	\$0.25	\$0.25	\$0.83	\$0.97

Free Cash Flow Reconciliation

<i>(In millions)</i>	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	2020	2021
Net cash provided by operating activities	\$(16.0)	\$103.2	\$105.7	\$102.3	\$59.6	\$116.7	\$370.8
Cash purchases of property, equipment and software	(18.9)	(36.9)	(29.1)	(21.2)	(21.2)	(116.5)	(108.4)
Free Cash Flow	\$(34.9)	\$66.3	\$76.6	\$81.1	\$38.4	\$0.2	\$262.4

Definitions

We calculate Bookings for a given period as the annualized monthly value of our recurring customer contracts entered into during the period from (i) new customers and (ii) net upgrades by existing customers within the same workload, plus the actual (not annualized) estimated value of professional services consulting, advisory or project-based orders received during the period. "Recurring customer contracts" are any contracts entered into on a multi-year or month-to-month basis, but excluding any professional services contracts for consulting, advisory or project-based work.

Bookings

Bookings for any period may reflect orders that we perform in the same period, orders that remain outstanding as of the end of the period and the annualized value of recurring month-to-month contracts entered into during the period, even if the terms of such contracts do not require the contract to be renewed. Bookings include net upgrades by existing customers within the same workload, but exclude net downgrades by such customers within that workload. Any customer that contracts for a new workload is considered a new customer and the entire value of the contract or upgrade is recorded in Bookings, irrespective of whether the same customer canceled or downgraded other workloads. Bookings also do not include the impact of any known contract non-renewals or service cancellations by our customers, except for positive net upgrades by existing customers. In cases where a new or upgrading customer enters into a multi-year contract, Bookings include only the annualized contract value. Bookings do not include usage-based fees in excess of contracted minimum commitments until actually incurred.

We use Bookings to measure the amount of new business generated in a period, which we believe is an important indicator of new customer acquisition and our ability to cross-sell new services to existing customers. Bookings are also used by management as a factor in determining performance-based compensation for our sales force. While we believe Bookings, in combination with other metrics, is an indicator of our near-term future revenue opportunity, it is not intended to be used as a projection of future revenue. Our calculation of Bookings may differ from similarly titled metrics presented by other companies.

Core

Core reflects the results or otherwise pertain to the performance of our Multicloud Services and Apps & Cross Platform segments, in the aggregate. Our Core financial measures exclude the results and performance of our OpenStack Public Cloud segment.

Net Promoter Score (NPS)

NPS is a customer loyalty metric that measures customers' willingness to not only return for another purchase or service but also make a recommendation to other organizations or colleagues. Net Promoter Score is a number from -100 to 100.

Capital Intensity

Capital intensity reflects capital expenditures divided by revenue for the same period.

Non-GAAP Tax Expense Rate

We utilize an estimated structural long-term non-GAAP tax rate in order to provide consistency across reporting periods, removing the effect of non-recurring tax adjustments, which include but are not limited to tax rate changes, U.S. tax reform, share-based compensation, audit conclusions and changes to valuation allowances. 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.

Non-GAAP Weighted Average Shares

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

rackspace
technologyTM