Rackspace Technology

1st Quarter 2021
Earnings Presentation

May 10, 2021

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Disclaimer

Forward-Looking Statements

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

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Agenda

Summary results and RXT overview
Kevin Jones

Financial results
Amar Maletira

Concluding remarks
Kevin Jones

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Q1 2021 key messages

↑	**Exceeded Q1 expectations**	• First quarter revenue, Non-GAAP Operating Profit and Non-GAAP EPS exceeded guidance set in February 2021
↑	**Revenue growth**	• Tectonic shift to multicloud expected to continue to drive double-digit revenue growth in Q2 and FY 2021
↑	**New product launches**	• Recent product launches have impressed customers and we are seeing excellent early sales traction
↑	**Cash flow**	• Working capital improvements drove $103 million of operating cash flow
↑	**Capital structure**	• Debt refinanced at historically low interest rates • No significant debt maturities for 7 years

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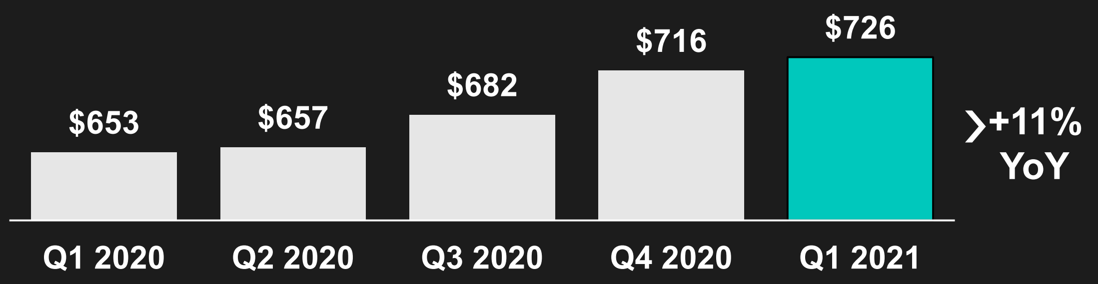
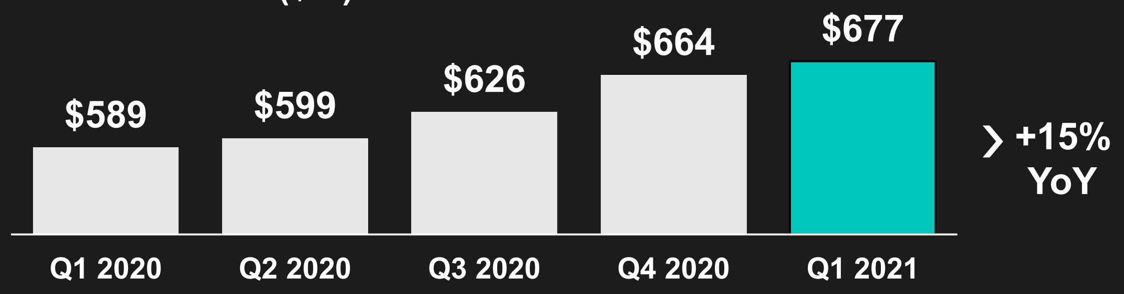
Note: Refer to Appendix for definition and reconciliation of Non-GAAP Operating Profit and Non-GAAP EPS to the most comparable GAAP measure.

Q1 2021 results at-a-glance

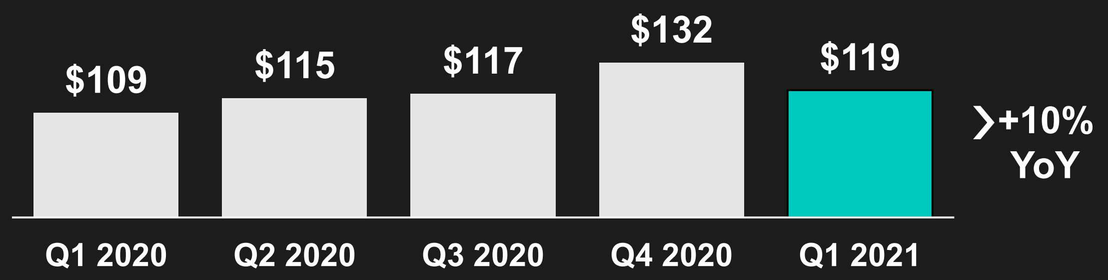
Revenue ($M)



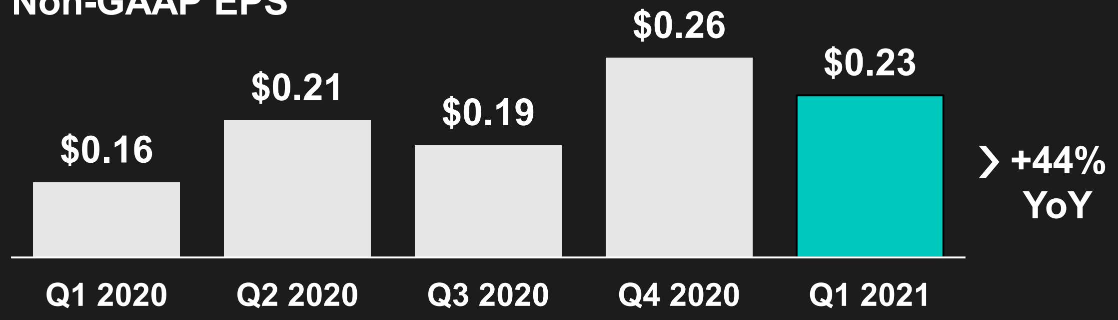
Core Revenue ($M)



Non-GAAP Operating Profit ($M)



Non-GAAP EPS



STRONG DOUBLE DIGIT YEAR OVER YEAR REVENUE AND PROFIT GROWTH
Q1 NEW SALES BOOKINGS OF $244 MILLION

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

Rackspace Technology: the un-GSI

Global Systems Integrators (GSIs)		NON-GSI		un-GSI
Breadth & depth	+	Cloud focus	=	rackspace technology
Size & scale		Disruptive technology		
		Flexible delivery model		
		Agility & speed		

Launched Innovative New Service Offerings for the Multicloud Market

Rackspace Elastic Engineering

aws

Microsoft Azure

Google Cloud

vmware

+

Rackspace Services for
vmware
Cloud

“(Rackspace Elastic Engineering) definitely fits with the trend that customers are seeking to engage for more rapid results and with greater flexibility than afforded by traditional managed services models.”[1]

– Bill Martorelli, Forrester Research

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[1] https://www.techrepublic.com/article/pods-and-elastic-engineering-rackspace-adds-new-services-to-support-cloud-operations/

RACKSPACE

ELASTIC ENGINEERING

aws | Microsoft Azure | Google Cloud | vmware

Reinventing managed services for cloud

ARCHITECTURE

AUTOMATION

OPTIMIZATION

RELIABILITY

MIGRATIONS

SECURITY

Lead Cloud Architect

Engagement Manager

Cloud Architect

Cloud Engineers

Sr. Cloud Engineers

Rackspace
Elastic Engineering Pod

Extension of Customers' Team

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Rackspace Services for VMware Cloud

Multi-Tenancy	Consumption Pricing	Self Service	Rapid Deployment	Automation
Application Driven Choices	Optimize Costs	Control Your Environment	Resources On Demand	Out of the Box Automation

The best place to run vmware®

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Porsche fuels its Multicloud strategy with Rackspace Technology.

Challenge

Digitization and automation in the automotive industry has led to many innovative new technologies. As a result, navigating the various cloud environments and governing the iconic sports car brand's IT infrastructure was a high priority.

Solution

Professional Services – IT transformation, migration, security
Public Cloud – AWS

Achievement

Web site went live on time with performance, security and the ongoing management required for successful operation and compliance.

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EMEA - Automotive

PORSCHE

Autodesk revolutionizes water treatment operations with SaaS transformation

Challenge

Primarily existing as a desktop product business with on-premises client servers for most of its history, Autodesk’s Innovyze subsidiary wanted to address the real-time operational needs of utilities by unifying their discrete product offerings onto a common platform. They needed an equally skilled partner that could work hand-in-hand with their teams to help them hit their aggressive timelines.

Solution

Cloud Native DevOps, IoT Edge Solution, SaaS Modernization, MLOps Foundations, Managed Public Cloud on AWS, Elastic Engineering; AWS IoT Greengrass, Amazon Sagemaker Studio.

Achievement

By moving to the cloud, unifying its infrastructure and leveraging the leading technologies, our customer was able to introduce Info360 — a SaaS platform that supports real-world water life cycle management on a common data model, allowing customers to deliver the highest possible service at the lowest possible cost.

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AUTODESK

“The Rackspace Technology teams are well-matched to the skill level and rigor of our internal teams, which [was something] we’ve found extremely lacking in other external consultants.”

– Rick Gruenhagen, CTO, Autodesk/Innovyze

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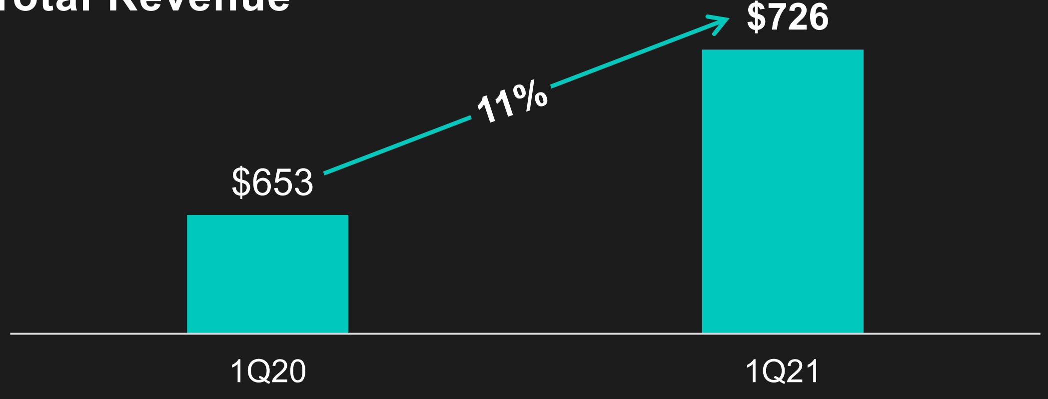
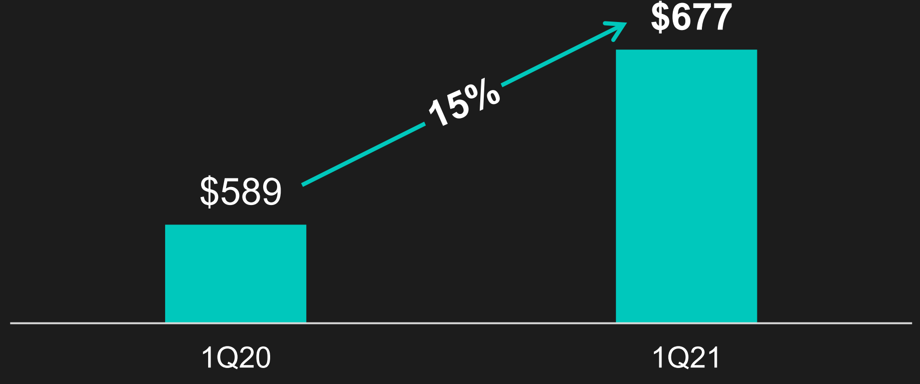
Q1 2021 Financial Highlights

($M, except per share data)

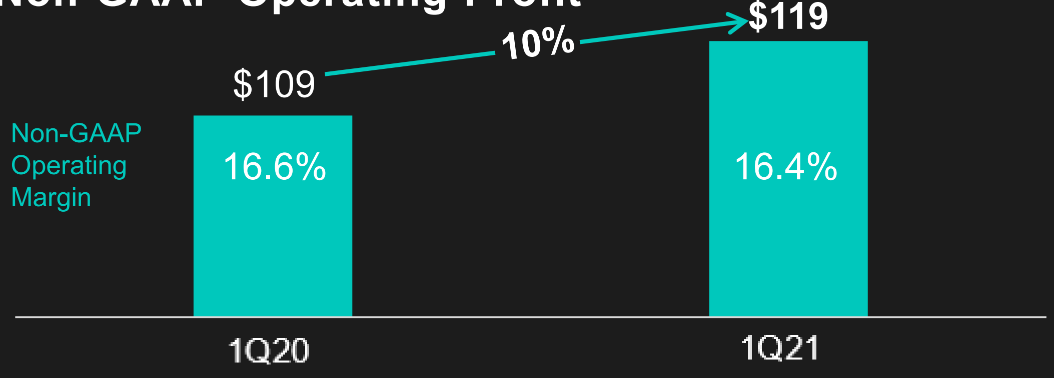
Total Revenue



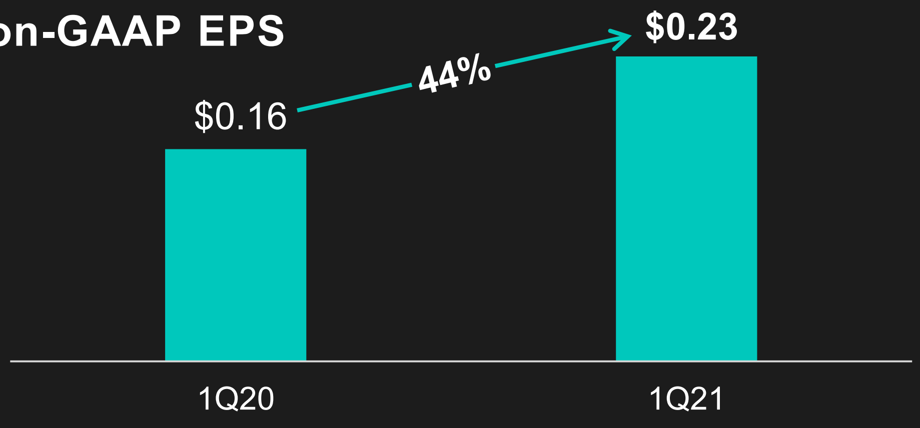
Core Revenue



Non-GAAP Operating Profit



Non-GAAP EPS



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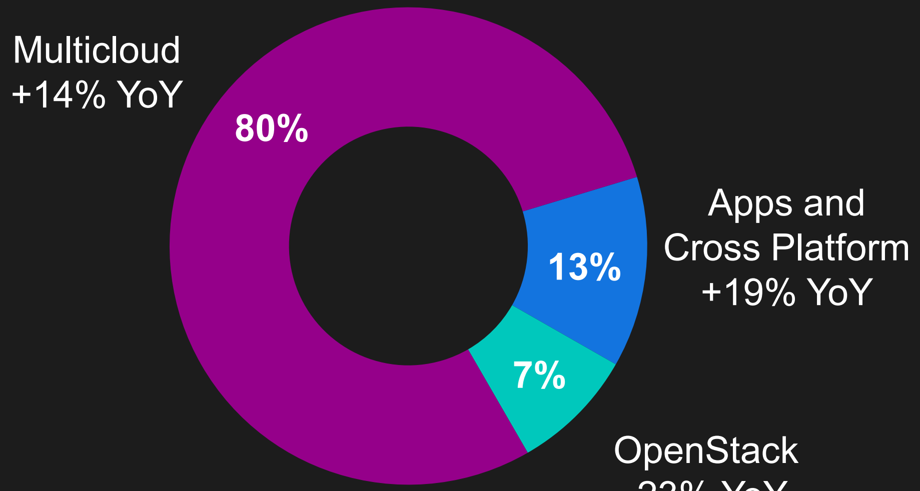
Note: Refer to Appendix for more information on how we define Core.
Also refer to Appendix for a reconciliation of Non-GAAP Operating Profit and Non-GAAP EPS to the most comparable GAAP measure.

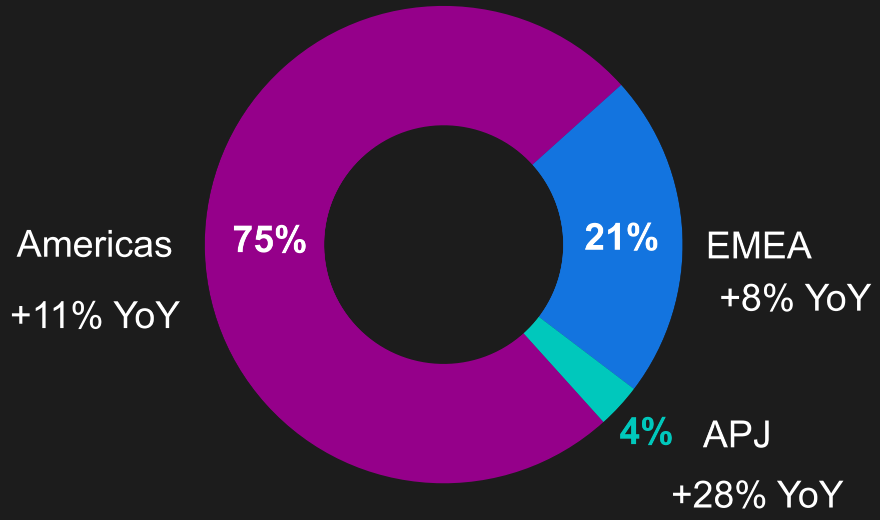
Q1 2021 Revenue Detail

Revenue by Segment



Significant growth in Multicloud, applications and data services offset decline in OpenStack

Revenue by Geography



Broad based growth across all geographies

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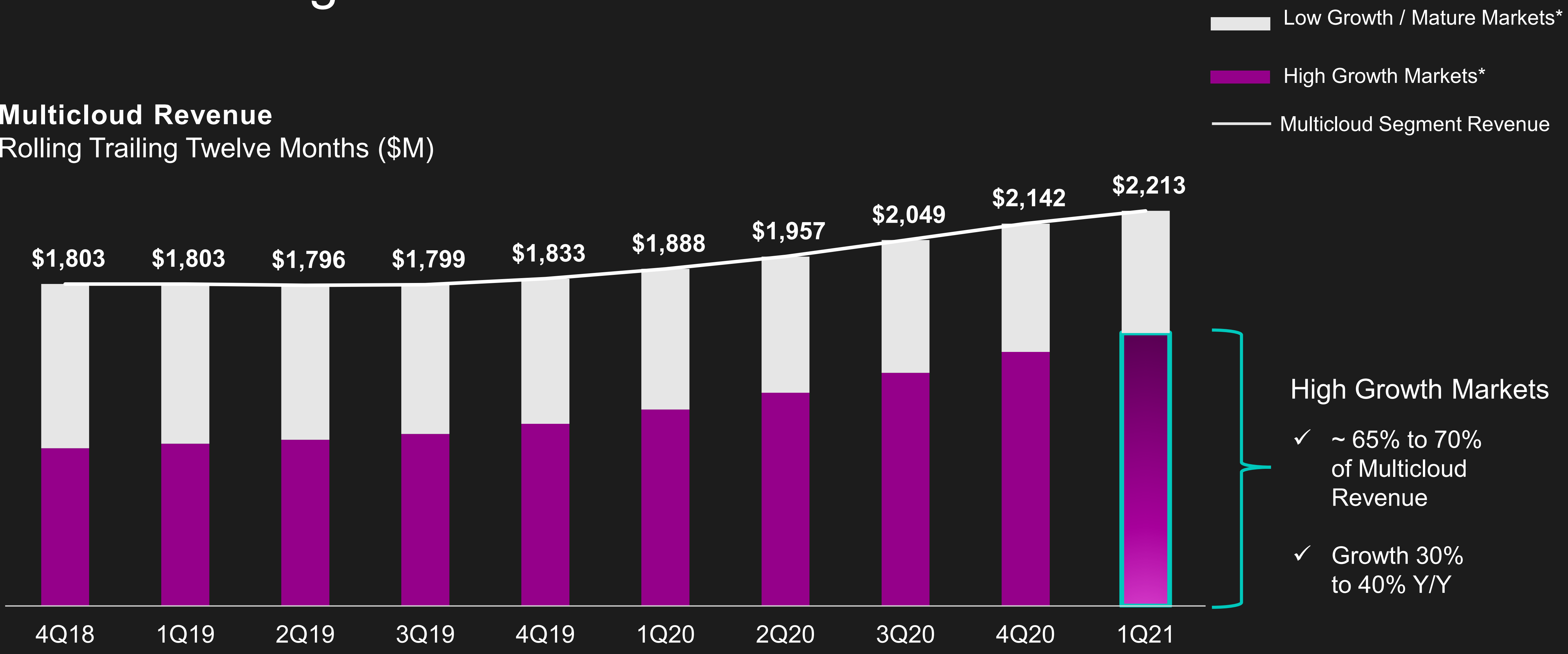
Multicloud Segment Trend

Multicloud Revenue
Rolling Trailing Twelve Months ($M)



High Growth Markets

- ✓ ~ 65% to 70% of Multicloud Revenue
- ✓ Growth 30% to 40% Y/Y

* 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

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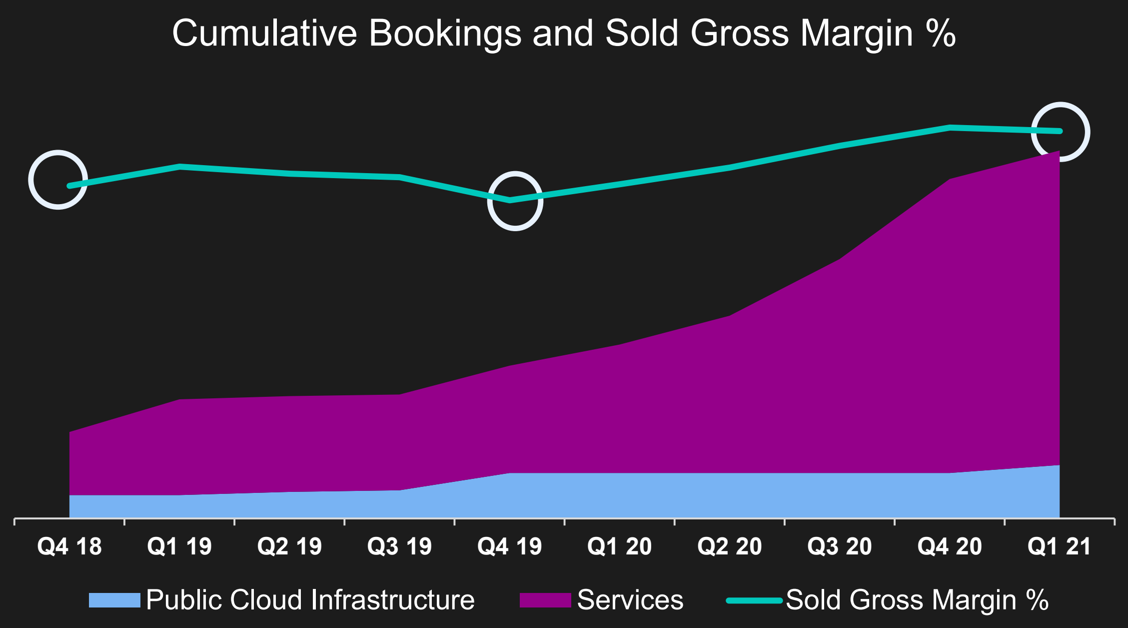
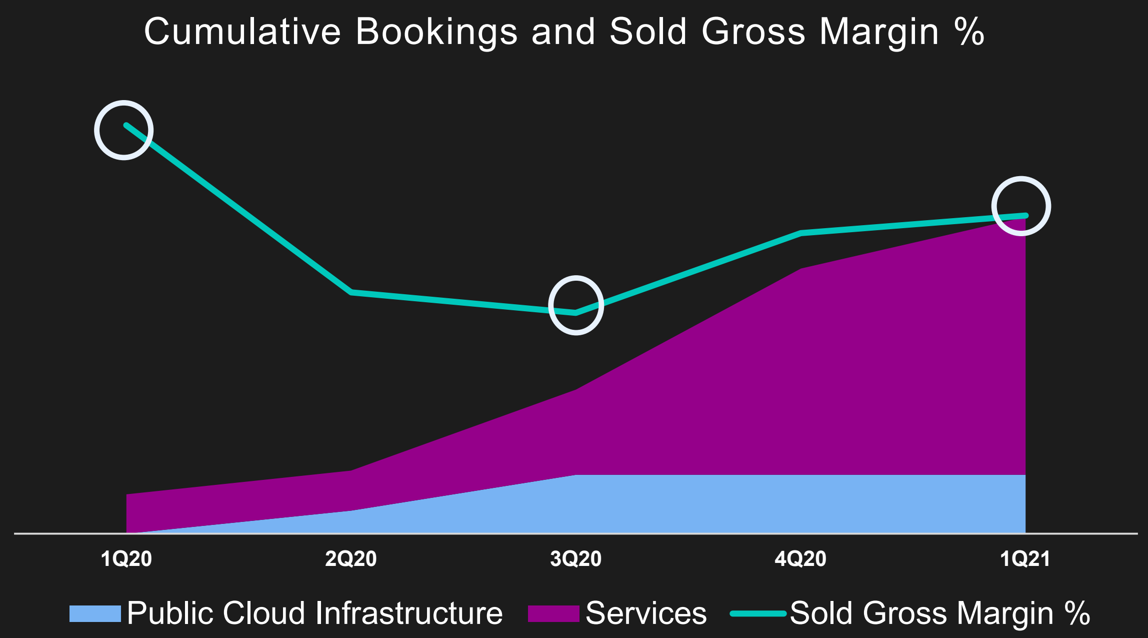
Land and Expand in Action





Customer 1:

- Financial services industry
- Higher mix of infrastructure at outset
- As services revenue grows, margin expands

Customer 2:

- Manufacturing industry
- Infrastructure ramps early in the relationship
- As services revenue grows, margin expands

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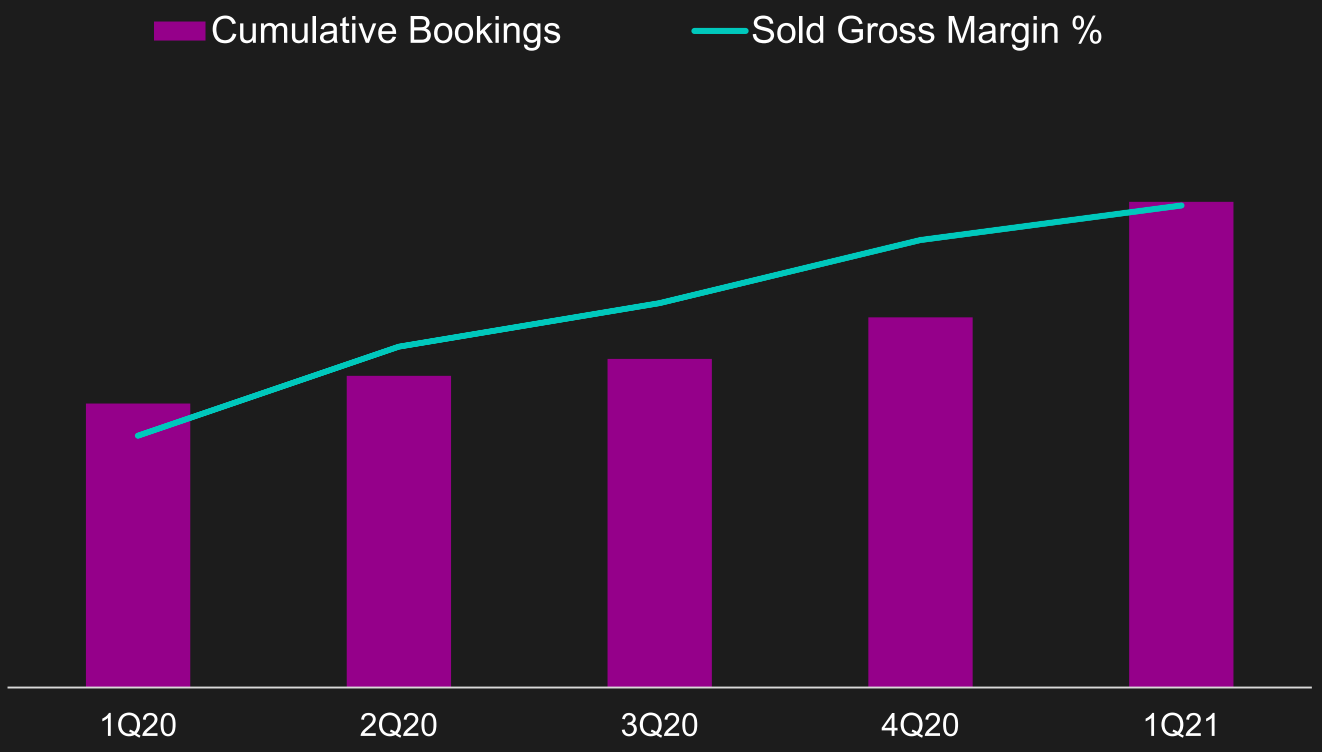
Q1 2020 Managed Public Cloud Cohort



Q1 ’21 vs. Q1 ’20

+230 basis points of sold gross margin improvement

+21% cumulative bookings growth

* Managed public cloud includes of solutions that include services, infrastructure, and software spanning all three public cloud platforms – AWS, Google Cloud, and Microsoft Azure. Cohort represents 80% of the bookings value for managed public cloud in 1Q 2020

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Cash Flow and Balance Sheet Metrics

Cash Provided by Operating Activities **$103M**	Total Capital Expenditures **$59M**	Cash Capital Expenditures **$37M**	Cash & Cash Equivalents **$198M**
Free Cash Flow **$66M**	Total CAPEX Intensity **8%**	Cash CAPEX Intensity **5%**	Undrawn Revolving Credit Facility **$375M**

Strong first quarter operating and free cash flow driven by improved working capital management.

CAPEX intensity in line with expectations

Ample liquidity at quarter end

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Note: Refer to Appendix for more information on how we define capital intensity.

Outlook

	2Q21	FY 2021
Revenue	$735 - $745 million	$2.9 - $3.1 billion
Core Revenue	$690 - $698 million	$2.7 - $2.9 billion
Non-GAAP Operating Profit	$113 - $117 million	$500 - $530 million
Non-GAAP EPS	$0.21 - $0.23	$0.95 - $1.05
Non-GAAP Other Income (Expense)	($52) – ($53) million	($212) – ($222) million
Non-GAAP Tax Expense Rate	26%	26%
Non-GAAP Weighted Average Shares	214 – 215 million	215 - 217 million

NOTE: Refer to Appendix for more information on how we define Core, Non-GAAP Tax Expense Rate, and Non-GAAP Weighted Average Shares. In 2021, Non-GAAP Other Income and Expense is only expected to include interest expense.

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Rackspace Technology investment thesis

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

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

Demonstrated track record of execution to drive growth and efficiency

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

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

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Appendix

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Non-GAAP reconciliations

GROSS PROFIT

(in millions)	Q1'20	Q2'20	Q3'20	Q4'20	Q1'21
Non-GAAP Gross Profit	$256.2	$251.4	$255.5	$262.9	$249.9
Share-based compensation expense	(1.8)	(2.3)	(4.5)	(5.9)	(4.9)
Other compensation expense	(1.9)	(1.5)	(1.5)	(1.0)	(1.3)
Purchase accounting impact on expense	(1.9)	(1.6)	(1.2)	(1.2)	(1.2)
Restructuring and transformation expenses	(1.3)	(4.1)	(2.5)	(7.4)	(7.2)
Total Adjustments	$(6.9)	$(9.5)	$(9.7)	$(15.5)	$(14.6)
GAAP Gross Profit	**$249.3**	**$241.9**	**$245.8**	**$247.4**	**$235.3**

OPERATING PROFIT

(in millions)	Q1'20	Q2'20	Q3'20	Q4'20	Q1'21
Non-GAAP Operating Profit	$108.5	$115.3	$117.4	$131.7	$118.9
Share-based compensation expense	(7.5)	(9.1)	(40.2)	(17.7)	(17.2)
Special bonuses and other compensation expense	(8.3)	(5.8)	(5.0)	(18.4)	(4.0)
Transaction-related adjustments, net	(8.4)	(8.1)	(18.9)	(11.3)	(8.4)
Restructuring and transformation expenses	(15.0)	(22.1)	(22.6)	(45.1)	(38.6)
Management fees	(3.6)	(3.5)	(1.3)	-	-
Gain on sale of land	-	-	-	-	19.9
Amortization of intangible assets	(44.2)	(44.0)	(44.1)	(44.0)	(46.4)
Total Adjustments	$(87.0)	$(92.6)	$(132.1)	$(136.5)	$(94.7)
GAAP Income (Loss) from Operations	**$21.5**	**$22.7**	**$(14.7)**	**$(4.8)**	**$24.2**

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Non-GAAP reconciliations

(In millions)	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021
Net loss	$(48.2)	$(32.6)	$(101.2)	$(63.8)	$(64.0)
Share-based compensation expense	7.5	9.1	40.2	17.7	17.2
Special bonuses and other compensation expense	8.3	5.8	5.0	18.4	4.0
Transaction-related adjustments, net	8.4	8.1	18.9	11.3	8.4
Restructuring and transformation expenses	15.0	22.1	22.6	45.1	38.6
Management fees	3.6	3.5	1.3	-	-
Gain on sale of land	-	-	-	-	(19.9)
Net (gain) loss on divestiture and investments	0.1	(1.0)	-	0.2	3.7
Debt modification and extinguishment costs	-	-	37.0	34.5	37.0
Other (income) expense, net	0.6	(0.3)	(0.7)	(2.1)	1.8
Amortization of intangible assets	44.2	44.0	44.1	44.0	46.4
Tax effect of non-GAAP adjustments	(12.5)	(24.4)	(30.8)	(51.7)	(24.1)
Non-GAAP Net Income	**27.0**	**34.3**	**36.4**	**53.6**	**49.1**
Interest expense	72.0	68.9	68.3	59.2	52.6
Benefit for income taxes	(3.0)	(12.3)	(18.1)	(32.8)	(6.9)
Tax effect of non-GAAP adjustments	12.5	24.4	30.8	51.7	24.1
Non-GAAP Operating Profit	**108.5**	**115.3**	**117.4**	**131.7**	**118.9**
Depreciation	77.1	72.3	73.4	67.1	61.3
Adjusted EBITDA	**$185.6**	**$187.6**	**$190.8**	**$198.8**	**$180.2**

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Non-GAAP Earnings Per Share reconciliation

(In millions, except per share amounts)		Q1 2020		Q2 2020		Q3 2020		Q4 2020		Q1 2021
Net loss attributable to common stockholders	$	(48.2)	$	(32.6)	$	(101.2)	$	(63.8)	$	(64.0)
Non-GAAP Net Income	$	27.0	$	34.3	$	36.4	$	53.6	$	49.1
Weighted average number of shares - Diluted		165.4		165.5		186.7		200.7		204.6
Effect of dilutive securities		0.9		1.9		5.9		6.2		6.5
Non-GAAP weighted average number of shares - Diluted		166.3		167.4		192.6		206.9		211.1
Net loss per share - Diluted	$	(0.29)	$	(0.20)	$	(0.54)	$	(0.32)	$	(0.31)
Per share impacts of adjustments to net loss		0.45		0.41		0.74		0.59		0.55
Per share impacts of shares dilutive after adjustments to net loss		(0.00)		(0.00)		(0.01)		(0.01)		(0.01)
Non-GAAP EPS	$	0.16	$	0.21	$	0.19	$	0.26	$	0.23

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Definitions

Bookings	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 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. When computing this long-term rate for the 2020 and 2021 interim periods, we based it on an average of the 2019 and estimated 2020 tax rates and 2020 and estimated 2021 tax rates, respectively, recomputed to remove the tax effect of non-GAAP pre-tax adjustments and non-recurring tax adjustments, resulting in a structural non-GAAP tax rate of 26% for both periods. The non-GAAP tax rate could be subject to change for a variety of reasons, including the rapidly evolving global tax environment, significant changes in our geographic earnings mix including due to acquisition activity, or other changes to our strategy or business operations. We will re-evaluate our long-term non-GAAP tax rate as appropriate. We believe that making these adjustments facilitates a better evaluation of our current operating performance and comparisons to prior periods.
Non-GAAP Weighted Average Shares	Reflects impact of awards that would have been anti-dilutive to Net loss per share, and therefore not included in the calculation, but would be dilutive to Non-GAAP EPS and are therefore included in the share count for purposes of this non-GAAP measure. Potential common share equivalents consist of shares issuable upon the exercise of stock options, vesting of restricted stock or purchase under the Employee Stock Purchase Plan (the "ESPP"), as well as contingent shares associated with our acquisition of Datapipe Parent, Inc. Certain of our potential common share equivalents are contingent on Apollo achieving pre-established performance targets based on a multiple of their invested capital ("MOIC"), which are included in the denominator for the entire period if such shares would be issuable as of the end of the reporting period assuming the end of the reporting period was the end of the contingency period.

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