

**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 September 30, 2022.

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.)

1 Fanatical Place

City of Windcrest

San Antonio, Texas 78218

(Address of principal executive offices, including zip code)

(210) 312-4000

(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 and post 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 November 4, 2022, 211,109,876 shares of the registrant's common stock, par value \$0.01 per share, were outstanding.

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**RACKSPACE TECHNOLOGY, INC.**  
**TABLE OF CONTENTS**

**Part I - Financial Information**

Item 1.	Financial Statements:	
	<a href="#">Unaudited Consolidated Balance Sheets as of December 31, 2021 and September 30, 2022</a>	<a href="#">3</a>
	<a href="#">Unaudited Consolidated Statements of Comprehensive Loss for the Three and Nine Months Ended September 30, 2021 and September 30, 2022</a>	<a href="#">4</a>
	<a href="#">Unaudited Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2021 and September 30, 2022</a>	<a href="#">5</a>
	<a href="#">Unaudited Consolidated Statements of Stockholders' Equity for the Three and Nine Months Ended September 30, 2021 and September 30, 2022</a>	<a href="#">7</a>
	<a href="#">Notes to the Unaudited Consolidated Financial Statements</a>	<a href="#">9</a>
Item 2.	<a href="#">Management's Discussion and Analysis of Financial Condition and Results of Operations</a>	<a href="#">29</a>
Item 3.	<a href="#">Quantitative and Qualitative Disclosures About Market Risk</a>	<a href="#">54</a>
Item 4.	<a href="#">Controls and Procedures</a>	<a href="#">55</a>

**Part II - Other Information**

Item 1.	<a href="#">Legal Proceedings</a>	<a href="#">56</a>
Item 1A.	<a href="#">Risk Factors</a>	<a href="#">56</a>
Item 2.	<a href="#">Unregistered Sales of Equity Securities and Use of Proceeds</a>	<a href="#">56</a>
Item 3.	<a href="#">Defaults Upon Senior Securities</a>	<a href="#">56</a>
Item 4.	<a href="#">Mine Safety Disclosures</a>	<a href="#">56</a>
Item 5.	<a href="#">Other Information</a>	<a href="#">56</a>
Item 6.	<a href="#">Exhibits</a>	<a href="#">57</a>
	<a href="#">Signatures</a>	<a href="#">58</a>

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## SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

*This Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2022 (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, including without limitation, the effects of the COVID-19 pandemic on our results of operations and business, 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, 2021. 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," "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.*

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

(In millions, except per share data)	December 31, 2021	September 30, 2022
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 272.8	\$ 249.1
Accounts receivable, net of allowance for credit losses and accrued customer credits of \$18.4 and \$19.3, respectively	554.3	593.4
Prepaid expenses	110.0	95.1
Other current assets	52.4	96.3
Total current assets	989.5	1,033.9
Property, equipment and software, net	826.7	707.5
Goodwill, net	2,706.8	2,270.6
Intangible assets, net	1,466.5	1,291.1
Operating right-of-use assets	161.8	138.3
Other non-current assets	177.4	246.3
Total assets	\$ 6,328.7	\$ 5,687.7
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 369.5	\$ 409.1
Accrued compensation and benefits	104.5	92.7
Deferred revenue	98.6	88.3
Debt	23.0	23.0
Accrued interest	27.6	33.3
Operating lease liabilities	60.4	55.8
Finance lease liabilities	64.6	62.2
Financing obligations	48.0	25.1
Other current liabilities	41.2	36.8
Total current liabilities	837.4	826.3
Non-current liabilities:		
Debt	3,310.9	3,299.3
Operating lease liabilities	114.8	88.4
Finance lease liabilities	345.1	303.4
Financing obligations	62.9	50.9
Deferred income taxes	205.8	187.2
Other non-current liabilities	124.4	116.6
Total liabilities	5,001.3	4,872.1
Commitments and Contingencies (Note 7)		
Stockholders' equity:		
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; 211.2 and 214.2 shares issued; 211.2 and 211.1 shares outstanding, respectively	2.1	2.1
Additional paid-in capital	2,500.0	2,562.3
Accumulated other comprehensive income	6.9	54.6
Accumulated deficit	(1,181.6)	(1,772.4)
Treasury stock, at cost; zero and 3.1 shares held, respectively	—	(31.0)
Total stockholders' equity	1,327.4	815.6
Total liabilities and stockholders' equity	\$ 6,328.7	\$ 5,687.7

See accompanying notes to the unaudited consolidated financial statements.

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

(In millions, except per share data)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2022	2021	2022
Revenue	\$ 762.5	\$ 787.6	\$ 2,232.2	\$ 2,335.3
Cost of revenue	(530.8)	(580.5)	(1,529.7)	(1,678.2)
Gross profit	231.7	207.1	702.5	657.1
Selling, general and administrative expenses	(234.6)	(219.9)	(698.2)	(645.0)
Impairment of goodwill	—	(405.2)	—	(405.2)
Impairment of assets	—	(58.7)	—	(58.7)
Gain on sale of land	—	—	19.9	—
Income (loss) from operations	(2.9)	(476.7)	24.2	(451.8)
Other income (expense):				
Interest expense	(51.5)	(52.3)	(154.6)	(152.9)
Loss on investments, net	—	(0.1)	(3.6)	(0.4)
Debt modification and extinguishment costs	—	—	(37.5)	—
Other income (expense), net	0.1	(6.0)	(1.1)	(15.5)
Total other income (expense)	(51.4)	(58.4)	(196.8)	(168.8)
Loss before income taxes	(54.3)	(535.1)	(172.6)	(620.6)
Benefit for income taxes	19.5	23.4	37.2	29.8
Net loss	\$ (34.8)	\$ (511.7)	\$ (135.4)	\$ (590.8)
Other comprehensive income (loss), net of tax				
Foreign currency translation adjustments	\$ (8.8)	\$ (22.5)	\$ (3.1)	\$ (45.3)
Unrealized gain on derivative contracts	0.6	31.4	4.0	84.7
Amount reclassified from accumulated other comprehensive income (loss) to earnings	4.5	0.6	13.0	8.3
Other comprehensive income (loss)	(3.7)	9.5	13.9	47.7
Comprehensive loss	\$ (38.5)	\$ (502.2)	\$ (121.5)	\$ (543.1)
Net loss per share:				
Basic and diluted	\$ (0.17)	\$ (2.43)	\$ (0.65)	\$ (2.80)
Weighted average number of shares outstanding:				
Basic and diluted	209.3	210.8	207.3	210.7

See accompanying notes to the unaudited consolidated financial statements.

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

(In millions)	Nine Months Ended September 30,	
	2021	2022
<b>Cash Flows From Operating Activities</b>		
Net loss	\$ (135.4)	\$ (590.8)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	321.2	296.4
Amortization of operating right-of-use assets	51.4	44.0
Deferred income taxes	(35.2)	(46.7)
Share-based compensation expense	56.7	59.5
Impairment of goodwill	—	405.2
Impairment of assets	—	58.7
Gain on sale of land	(19.9)	—
Debt modification and extinguishment costs	37.5	—
Unrealized loss on derivative contracts	12.7	13.9
Loss on investments, net	3.6	0.4
Provision for bad debts and accrued customer credits	(6.1)	6.7
Amortization of debt issuance costs and debt discount	6.8	6.0
Non-cash fair value adjustments	—	3.0
Other operating activities	(1.3)	(0.3)
Changes in operating assets and liabilities:		
Accounts receivable	(44.6)	(50.8)
Prepaid expenses and other current assets	20.1	2.4
Accounts payable, accrued expenses, and other current liabilities	87.1	46.6
Deferred revenue	14.4	(15.3)
Operating lease liabilities	(49.1)	(50.3)
Other non-current assets and liabilities	(8.7)	30.6
Net cash provided by operating activities	311.2	219.2
<b>Cash Flows From Investing Activities</b>		
Purchases of property, equipment and software	(87.2)	(65.4)
Acquisitions, net of cash acquired	—	(7.7)
Proceeds from sale of land	31.3	—
Purchase of convertible promissory note	—	(15.0)
Other investing activities	3.7	4.6
Net cash used in investing activities	(52.2)	(83.5)
<b>Cash Flows From Financing Activities</b>		
Proceeds from employee stock plans	51.4	2.7
Shares of common stock repurchased	—	(31.0)
Proceeds from borrowings under long-term debt arrangements	2,838.5	—
Payments on long-term debt	(2,872.1)	(17.3)
Payments for debt issuance costs	(34.5)	—
Payments on financing component of interest rate swap	(8.6)	(12.9)
Principal payments of finance lease liabilities	(35.7)	(49.6)
Principal payments of financing obligations	(40.6)	(37.4)
Other financing activities	—	(3.3)
Net cash used in financing activities	(101.6)	(148.8)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(2.1)	(10.2)
Increase (decrease) in cash, cash equivalents, and restricted cash	155.3	(23.3)
Cash, cash equivalents, and restricted cash at beginning of period	108.1	275.4
Cash, cash equivalents, and restricted cash at end of period	\$ 263.4	\$ 252.1

**Supplemental Cash Flow Information**

Cash payments for interest, net of amount capitalized	\$	132.3	\$	127.1
Cash payments for income taxes, net of refunds	\$	7.5	\$	9.0
<b>Non-cash Investing and Financing Activities</b>				
Acquisition of property, equipment and software by finance leases	\$	52.6	\$	19.6
Acquisition of property, equipment and software by financing obligations		42.7		7.1
Increase (decrease) in property, equipment and software accrued in liabilities		(6.8)		6.9
Non-cash purchases of property, equipment and software	\$	88.5	\$	33.6
Other non-cash investing and financing activities	\$	0.7	\$	—

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

(In millions)	Nine Months Ended September 30,	
	2021	2022
Cash and cash equivalents	\$ 260.0	\$ 249.1
Restricted cash included in other non-current assets	3.4	3.0
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	\$ 263.4	\$ 252.1

See accompanying notes to the unaudited consolidated financial statements.



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

(In millions)	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Treasury Stock, at Cost		Total Stockholders' Equity
	Shares	Amount				Shares	Amount	
<b>Balance at June 30, 2021</b>	209.0	\$ 2.1	\$ 2,445.3	\$ (1.0)	\$ (1,063.9)	—	\$ —	\$ 1,382.5
Exercise of stock options and release of stock awards	0.9	—	7.9	—	—	—	—	7.9
Share-based compensation expense	—	—	19.1	—	—	—	—	19.1
Net loss	—	—	—	—	(34.8)	—	—	(34.8)
Other comprehensive loss	—	—	—	(3.7)	—	—	—	(3.7)
<b>Balance at September 30, 2021</b>	<u>209.9</u>	<u>\$ 2.1</u>	<u>\$ 2,472.3</u>	<u>\$ (4.7)</u>	<u>\$ (1,098.7)</u>	<u>—</u>	<u>\$ —</u>	<u>\$ 1,371.0</u>

(In millions)	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Treasury Stock, at Cost		Total Stockholders' Equity
	Shares	Amount				Shares	Amount	
<b>Balance at December 31, 2020</b>	201.8	\$ 2.0	\$ 2,363.6	\$ (18.6)	\$ (963.3)	—	\$ —	\$ 1,383.7
Issuance of common stock	2.7	—	—	—	—	—	—	—
Exercise of stock options and release of stock awards	5.0	0.1	45.7	—	—	—	—	45.8
Issuance of shares from Employee Stock Purchase Plan	0.4	—	6.3	—	—	—	—	6.3
Share-based compensation expense	—	—	56.7	—	—	—	—	56.7
Net loss	—	—	—	—	(135.4)	—	—	(135.4)
Other comprehensive income	—	—	—	13.9	—	—	—	13.9
<b>Balance at September 30, 2021</b>	<u>209.9</u>	<u>\$ 2.1</u>	<u>\$ 2,472.3</u>	<u>\$ (4.7)</u>	<u>\$ (1,098.7)</u>	<u>—</u>	<u>\$ —</u>	<u>\$ 1,371.0</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	
<b>Balance at June 30, 2022</b>	213.5	\$ 2.1	\$ 2,542.9	\$ 45.1	\$ (1,260.7)	3.1	\$ (31.0)	\$ 1,298.4
Exercise of stock options and release of stock awards	0.7	—	—	—	—	—	—	—
Share-based compensation expense	—	—	19.4	—	—	—	—	19.4
Net loss	—	—	—	—	(511.7)	—	—	(511.7)
Other comprehensive income	—	—	—	9.5	—	—	—	9.5
<b>Balance at September 30, 2022</b>	<u>214.2</u>	<u>\$ 2.1</u>	<u>\$ 2,562.3</u>	<u>\$ 54.6</u>	<u>\$ (1,772.4)</u>	<u>3.1</u>	<u>\$ (31.0)</u>	<u>\$ 815.6</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	
<b>Balance at December 31, 2021</b>	211.2	\$ 2.1	\$ 2,500.0	\$ 6.9	\$ (1,181.6)	—	\$ —	\$ 1,327.4
Exercise of stock options and release of stock awards	2.7	—	0.7	—	—	—	—	0.7
Issuance of shares from Employee Stock Purchase Plans	0.3	—	2.1	—	—	—	—	2.1
Share-based compensation expense	—	—	59.5	—	—	—	—	59.5
Net loss	—	—	—	—	(590.8)	—	—	(590.8)
Other comprehensive income	—	—	—	47.7	—	—	—	47.7
Repurchase of common stock	—	—	—	—	—	3.1	(31.0)	(31.0)
<b>Balance at September 30, 2022</b>	<u>214.2</u>	<u>\$ 2.1</u>	<u>\$ 2,562.3</u>	<u>\$ 54.6</u>	<u>\$ (1,772.4)</u>	<u>3.1</u>	<u>\$ (31.0)</u>	<u>\$ 815.6</u>

See accompanying notes to the unaudited consolidated financial statements.

**RACKSPACE TECHNOLOGY, INC.**  
**NOTES TO THE UNAUDITED 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.

On January 18, 2022, we acquired 100% of Just Analytics Pte. Ltd. ("Just Analytics"), a leading provider of cloud-based data, analytics, and artificial intelligence services based in the Asia, Pacific and Japan region. The acquisition was completed for \$7.7 million in cash consideration, net of cash acquired, together with future deferred payments that are considered post-combination compensation costs and will be recognized over the next three years. The acquisition of Just Analytics was not material to the unaudited consolidated financial statements.

The unaudited 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 consolidated financial statements as of September 30, 2022, and for the three and nine months ended September 30, 2021 and 2022, 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 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, 2021 ("Annual Report"). The unaudited interim 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 September 30, 2022, our results of operations and stockholders' equity for the three and nine months ended September 30, 2021 and 2022, and our cash flows for the nine months ended September 30, 2021 and 2022.

The results of operations for the three and nine months ended September 30, 2022 are not necessarily indicative of the results of operations to be expected for the year ending December 31, 2022, or for any other interim period, or for any other future year.

### ***Use of Estimates***

The preparation of 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 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.

### ***Impact of COVID-19***

The effects of COVID-19 (and any variations thereof) continue to evolve, and the full impact and duration of the virus are unknown. Currently, COVID-19 has not had a significant impact on our operations or financial performance; however, there are remaining uncertainties as a result of COVID-19, particularly the possibility of new variant strain(s) of the virus, the potential resurgence in the spread of the virus and the pace of economic recovery, which continue to impact the estimates and assumptions needed to prepare our consolidated financial statements and footnotes.

### ***Russia and Ukraine Conflict***

Political and economic uncertainty surrounding the Russian conflict in Ukraine could have a material adverse effect on our business. Currently, the conflict has not had a significant impact on our operations or financial performance. However, our overall performance depends in part on worldwide economic and geopolitical conditions. We are monitoring the situation and the potential for the conflict to spread to other countries which could adversely impact our customers and operations, and we may take actions that modify our business operations as may be required by federal, state or local authorities, or that we determine are in the best interests of our employees, customers, partners, suppliers and stockholders.

### ***Subsequent Events***

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. Due to current real estate market conditions and the unique nature of the facility, the ultimate sale price of the property will likely be below its current net book value resulting in the recognition of an impairment charge or a loss on the sale, the amount of which could be material.

### ***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 nine months ended September 30, 2022.

### ***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, and (iv) 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.

During the third quarter of 2022, 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 September 1, 2022, 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 of excess carrying value over fair value, consistency of operating margins and cash flows, budgeted-to-actual performance from prior year, overall change in economic climate, changes in the industry and competitive environment, and earnings quality and sustainability. In addition, as of September 1, 2022, we lowered our projected operating results primarily due to product mix shifts and market concerns related to inflation, supply chain disruption issues and other macroeconomic factors. 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 September 1, 2022. We engaged a third-party valuation specialist to assist in the performance of the impairment analysis of our reporting units.

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. We have two reporting units with goodwill: Multicloud Services and Apps & Cross Platform. Goodwill allocated to our third reporting unit, OpenStack Public Cloud, was fully impaired during the fourth quarter of 2021.

For the interim quantitative goodwill impairment analysis performed as of September 1, 2022, we compared 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 regarding revenue growth rates, risk-adjusted discount rates, terminal period growth rates, economic and market trends and other expectations about the anticipated operating results of our reporting units. 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. 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 interim quantitative goodwill impairment analysis performed as of September 1, 2022 indicated an impairment of goodwill within our Multicloud Services reporting unit, and we recorded a non-cash impairment charge of \$405.2 million within "Impairment of goodwill" in our Consolidated Statements of Comprehensive Loss for the three and nine months ended September 30, 2022. See Note 5, "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 compared the fair value of the asset to its carrying amount to determine potential impairment. As of September 1, 2022, due to the factors discussed in the goodwill analysis above, we performed a quantitative assessment of our indefinite-lived intangible asset utilizing a relief from royalty method and determined the estimated fair value of the Rackspace trade name was less than its carrying value. As a result, we recorded a \$21.0 million non-cash impairment charge which is included in "Impairment of assets" in our Consolidated Statements of Comprehensive Loss for the three and nine months ended September 30, 2022.

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, estimation of future revenue and projected margins, which are dependent on internal cash flow forecasts, estimation of the terminal growth rates and capital spending, and determination of 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, 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. As of September 1, 2022, prior to performing the goodwill impairment analysis, we performed a recoverability test 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. Based on the results of the recoverability test, we determined that, as of September 1, 2022, the fair value of the OpenStack Public Cloud asset group's underlying assets was less than the carrying value. Fair values of the OpenStack Public Cloud long-lived assets were determined using the cost approach. The cost approach utilized assumptions for the current replacement costs of similar assets adjusted for estimated depreciation and deterioration of the existing equipment and economic obsolescence. Estimates of floor values for the property, equipment and software, net, were considered relative to potential economic support for the assets such that the concluded value did not fall below the estimated floor value of these assets.

As a result, we recorded non-cash impairment charges totaling \$37.7 million related to property, equipment and software, net and intangible assets, which are included in "Impairment of assets" on our Consolidated Statements of Comprehensive Loss for the three and nine months ended September 30, 2022. See Note 4, "Property, Equipment and Software, Net," and Note 5, "Goodwill and Intangible Assets," for more information.

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.

### ***Recent Accounting Pronouncements***

#### *Recently Adopted*

##### Business Combinations

In October 2021, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2021-08, *Business Combinations (ASC 805) - Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*. ASU 2021-08 requires that an entity (acquirer) recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Accounting Standards Codification No. 606, *Revenue from Contracts with Customers* ("ASC 606"). At the acquisition date, an acquirer should account for the related revenue contracts in accordance with ASC 606 as if it had originated the contracts. To achieve this, an acquirer may assess how the acquiree applied ASC 606 to determine what to record for the acquired revenue contracts. This standard allows the company a practical expedient to remove the requirement to measure and recognize such contracts in accordance with ASC 606. The guidance is applied prospectively upon adoption. We early adopted this guidance on January 1, 2022 and applied the practical expedient to our accounting for the acquisition of Just Analytics. The adoption of the guidance did not have a material impact on our consolidated financial statements.

*Not Yet Adopted*

Reference Rate Reform

The United Kingdom's Financial Conduct Authority, which regulates the London Interbank Offered Rate ("LIBOR"), announced that it will not compel panel banks to contribute to the overnight 1, 3, 6 and 12 months U.S. dollar LIBOR tenors after June 30, 2023 and all other tenors after December 31, 2021. U.S. dollar LIBOR may be replaced by the Secured Overnight Financing Rate or other benchmark rates over the next several years. In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (ASC 848) - Facilitation of the Effects of Reference Rate Reform on Financial Reporting* containing practical expedients for reference rate reform related activities that impact debt, leases, derivatives and other contracts. The guidance in ASU 2020-04 is optional and may be applied from March 12, 2020 through December 31, 2022 as reference rate reform activities occur. In January 2021, the FASB issued an update that provides supplemental guidance and clarification of the reference rate reform. We have elected to apply certain practical expedients in the past. We continue to evaluate the impact of the guidance and may apply other elections prior to December 31, 2022, as applicable, as additional changes in the market occur. Currently, borrowings under our Senior Facilities use LIBOR as a benchmark for establishing the applicable interest rate, but the First Lien Credit Agreement includes provisions relating to the future discontinuance of LIBOR and sets forth mechanics for establishing the replacement of LIBOR with an alternative benchmark rate.

## 2. Customer Contracts

The following table presents the balances related to customer contracts:

(In millions)	Consolidated Balance Sheets Account	December 31, 2021	September 30, 2022
Accounts receivable, net	Accounts receivable, net <sup>(1)</sup>	\$ 554.3	\$ 593.4
Current portion of contract assets	Other current assets	\$ 15.2	\$ 14.7
Non-current portion of contract assets	Other non-current assets	\$ 13.1	\$ 12.6
Current portion of deferred revenue	Deferred revenue	\$ 98.6	\$ 88.3
Non-current portion of deferred revenue	Other non-current liabilities	\$ 13.6	\$ 6.6

(1) Allowance for credit losses and accrued customer credits was \$18.4 million and \$19.3 million as of December 31, 2021 and September 30, 2022, respectively.

Amounts recognized in revenue for the three months ended September 30, 2021 and 2022, which were included in deferred revenue as of the beginning of each period, totaled \$26.4 million and \$23.6 million, respectively. Amounts recognized in revenue for the nine months ended September 30, 2021 and 2022, which were included in deferred revenue as of the beginning of each period, totaled \$54.7 million and \$59.1 million, respectively.

### *Cost Incurred to Obtain and Fulfill a Contract*

As of December 31, 2021 and September 30, 2022, the balances of capitalized costs to obtain a contract were \$58.0 million and \$55.7 million, respectively, and the balances of capitalized costs to fulfill a contract were \$23.5 million and \$18.7 million, respectively. These capitalized costs are included in "Other non-current assets" on the Consolidated Balance Sheets.

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

(In millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2022	2021	2022
Amortization of capitalized sales commissions	\$ 11.1	\$ 10.6	\$ 32.6	\$ 32.9
Amortization of capitalized implementation costs	\$ 4.6	\$ 3.9	\$ 13.5	\$ 12.5

### *Remaining Performance Obligations*

As of September 30, 2022, the aggregate amount of transaction price allocated to remaining performance obligations was \$645.4 million, of which 23% is expected to be recognized as revenue during the remainder of 2022 and the remainder thereafter. These remaining performance obligations primarily relate to our fixed-term arrangements. Our other revenue arrangements are usage-based, and as such, we recognize revenue based on the right to invoice for the services performed.

### *Convertible Promissory Note*

On September 27, 2022, we entered into a convertible note purchase agreement with a private company that is also a customer and a vendor. Pursuant to the purchase agreement, we purchased an unsecured convertible promissory note (the "Note") in an aggregate principal amount of \$15.0 million. The Note will accrue simple interest at a rate of 6% per annum and matures on September 27, 2027, unless earlier converted per the terms of the agreement. We have elected to apply the fair value option under Accounting Standards Codification ("ASC") No. 825, *Financial Instruments*, to account for the Note. As of September 30, 2022, the fair value of the Note was \$12.0 million and is included in "Other non-current assets" on our Consolidated Balance Sheets.



### 3. Net Loss Per Share

Basic net loss per share is calculated by dividing net loss attributable to common stockholders by the weighted average shares outstanding during the period.

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

(In millions, except per share data)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2022	2021	2022
<b>Basic and diluted net loss per share:</b>				
Net loss attributable to common stockholders	\$ (34.8)	\$ (511.7)	\$ (135.4)	\$ (590.8)
Weighted average shares outstanding:				
Common stock	209.3	210.8	207.3	210.7
Number of shares used in per share computations	209.3	210.8	207.3	210.7
Net loss per share	\$ (0.17)	\$ (2.43)	\$ (0.65)	\$ (2.80)

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. Since we were in a net loss position for all periods presented, basic net loss per share is the same as diluted net loss per share for all periods as the inclusion of all potential common shares outstanding would have been anti-dilutive. We excluded 20.7 million and 24.2 million potential common shares from the computation of dilutive loss per share for the three months ended September 30, 2021 and 2022, respectively, and 20.7 million and 24.2 million potential shares for the nine months ended September 30, 2021 and 2022, respectively, because the effect would have been anti-dilutive.

### 4. Property, Equipment and Software, net

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

(In millions)	December 31, 2021	September 30, 2022
Computers and equipment	\$ 1,206.5	\$ 1,108.3
Software	465.6	464.4
Furniture and fixtures	21.9	16.7
Buildings and leasehold improvements	512.9	477.8
Land	21.2	20.4
Property, equipment and software, at cost	2,228.1	2,087.6
Less: Accumulated depreciation	(1,413.4)	(1,392.1)
Work in process	12.0	12.0
Property, equipment and software, net	\$ 826.7	\$ 707.5

On January 15, 2021, we completed the sale of a parcel of undeveloped land in the United Kingdom adjacent to one of our existing data centers. The net book value of the land prior to the sale was \$11.4 million and we received cash proceeds of \$32.2 million, less brokerage and professional fees of \$0.9 million, resulting in net cash proceeds of \$31.3 million. Therefore, we recorded a gain on sale of land of \$19.9 million to "Gain on sale of land" in the Consolidated Statements of Comprehensive Loss for the nine months ended September 30, 2021.

For the three and nine months ended September 30, 2022, we recognized property, equipment and software impairment charges of \$15.3 million related to the OpenStack Public Cloud long-lived assets. See Note 1, "Company Overview, Basis of Presentation, and Summary of Significant Accounting Policies," for discussion of the long-lived asset impairment charges.

## 5. Goodwill and Intangible Assets

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

(In millions)	Multicloud Services	Apps & Cross Platform	OpenStack Public Cloud	Total Consolidated
Balance as of December 31, 2021	\$ 2,384.3	\$ 322.5	\$ —	\$ 2,706.8
Just Analytics acquisition	—	5.9	—	5.9
Impairment of goodwill	(405.2)	—	—	(405.2)
Foreign currency translation	(36.3)	(0.6)	—	(36.9)
Balance as of September 30, 2022	<u>\$ 1,942.8</u>	<u>\$ 327.8</u>	<u>\$ —</u>	<u>\$ 2,270.6</u>
Gross goodwill	\$ 2,643.0	\$ 327.8	\$ 52.4	\$ 3,023.2
Less: Accumulated impairment charges	(700.2)	—	(52.4)	(752.6)
Goodwill, net as of September 30, 2022	<u>\$ 1,942.8</u>	<u>\$ 327.8</u>	<u>\$ —</u>	<u>\$ 2,270.6</u>

As of September 30, 2022, our accumulated goodwill impairment charges totaled \$752.6 million. See Note 1, "Company Overview, Basis of Presentation, and Summary of Significant Accounting Policies," for discussion of the goodwill impairment charge recorded during the three and nine months ended September 30, 2022.

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

(In millions)	December 31, 2021			September 30, 2022		
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
Customer relationships	\$ 1,983.0	\$ (784.1)	\$ 1,198.9	\$ 1,948.2	\$ (897.8)	\$ 1,050.4
Property tax abatement	16.0	(9.2)	6.8	15.7	(10.5)	5.2
Other	28.2	(17.4)	10.8	27.4	(20.9)	6.5
Total definite-lived intangible assets	2,027.2	(810.7)	1,216.5	1,991.3	(929.2)	1,062.1
Trade name (indefinite-lived)	250.0	—	250.0	229.0	—	229.0
Total intangible assets other than goodwill	<u>\$ 2,277.2</u>	<u>\$ (810.7)</u>	<u>\$ 1,466.5</u>	<u>\$ 2,220.3</u>	<u>\$ (929.2)</u>	<u>\$ 1,291.1</u>

During the three and nine months ended September 30, 2022 we recognized impairment charges of \$21.0 million and \$22.4 million related to our trade name indefinite-lived intangible asset and the OpenStack Public Cloud definite-lived intangible assets, respectively. For additional information, see the discussion of our impairment charges in Note 1, "Company Overview, Basis of Presentation, and Summary of Significant Accounting Policies."

## 6. Debt

Debt consisted of the following:

(In millions, except %)		December 31, 2021		September 30, 2022	
Debt Instrument	Maturity Date	Interest Rate <sup>(1)</sup>	Amount	Interest Rate <sup>(1)</sup>	Amount
Term Loan Facility	February 15, 2028	3.50%	\$ 2,282.8	5.62%	\$ 2,265.5
Revolving Credit Facility	August 7, 2025	—%	—	—%	—
3.50% Senior Secured Notes	February 15, 2028	3.50%	550.0	3.50%	550.0
5.375% Senior Notes	December 1, 2028	5.375%	550.0	5.375%	550.0
Less: unamortized debt issuance costs			(36.3)		(32.1)
Less: unamortized debt discount			(12.6)		(11.1)
<b>Total debt</b>			<b>3,333.9</b>		<b>3,322.3</b>
Less: current portion of debt			(23.0)		(23.0)
<b>Debt, excluding current portion</b>			<b>\$ 3,310.9</b>		<b>\$ 3,299.3</b>

(1) Interest rates are as of each respective balance sheet date.

### Senior Facilities

Our senior secured credit facilities include a first lien term loan facility (the "Term Loan Facility") and a revolving credit facility (the "Revolving Credit Facility" and, together with the Term Loan Facility, 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 new 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. We used the borrowings under the Term Loan Facility, together with the proceeds from the issuance of the 3.50% Senior Secured Notes described below (together, the "February 2021 Refinancing Transaction"), to repay all borrowings under our prior term loan facility (the "Prior Term Loan Facility"), to pay related fees and expenses and for general corporate purposes.

Borrowings under the Senior Facilities bear interest at an annual rate equal to an applicable margin plus, at our option, either (a) a LIBOR rate determined by reference to the costs of funds for Eurodollar deposits for the interest period relevant to such borrowing, adjusted for certain additional costs, 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) the one-month adjusted LIBOR plus 1.00%. The applicable margin for the Term Loan Facility is 2.75% for LIBOR loans and 1.75% for base rate loans and the applicable margin for the Revolving Credit Facility is 3.00% for LIBOR loans and 2.00% for base rate loans. Interest is due at the end of each interest period elected, not exceeding 90 days, for LIBOR loans and at the end of every calendar quarter for base rate loans.

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 September 30, 2022, the interest rate on the Term Loan Facility was 5.62%. We are required to make quarterly principal payments of \$5.8 million, which began on June 30, 2021. See Note 12, "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, except in connection with a repricing event, as defined in the First Lien Credit Agreement.

The fair value of the Term Loan Facility as of September 30, 2022 was \$1,611.3 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.

Rackspace Technology Global is the borrower under the Senior Facilities, and all obligations under the Senior Facilities are (i) guaranteed by Inception Parent, Inc., Rackspace Technology Global's immediate parent company, on a limited recourse basis and secured by the equity interests of Rackspace Technology Global held by Inception Parent, Inc. and (ii) guaranteed by Rackspace Technology Global's wholly-owned domestic restricted subsidiaries and secured by substantially all material owned assets of Rackspace Technology Global and the subsidiary guarantors, including the equity interests held by each, in each case subject to certain exceptions. The only financial covenant is with respect to the Revolving Credit Facility which limits the net first lien 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 Revolving Credit Facility and letters of credit issued thereunder (excluding \$25.0 million of undrawn letters of credit and cash collateralized letters of credit) is equal to or greater than 35% of the Revolving Credit Facility commitments at the end of a fiscal quarter. Other covenants include limitations on restricted payments, indebtedness, investments, liens, asset sales and transactions with affiliates.

As of September 30, 2022, we were in compliance with all covenants under the Senior Facilities.

The Revolving Credit Facility matures on August 7, 2025. As of September 30, 2022, we had total commitments of \$375.0 million and no outstanding borrowings under the Revolving Credit Facility or letters of credit issued thereunder.

### ***3.50% Senior Secured Notes due 2028***

On February 9, 2021, Rackspace Technology Global issued \$550.0 million aggregate principal amount of 3.50% Senior Secured Notes due 2028 (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. As noted above, we used the net proceeds from the issuance of the 3.50% Senior Secured Notes, together with borrowings under the Term Loan Facility described above, to repay all borrowings outstanding under the Prior Term Loan Facility, to pay related fees and expenses and for general corporate purposes.

Rackspace Technology Global is the issuer of the 3.50% Senior Secured Notes, and obligations under the 3.50% Senior Secured Notes are fully and unconditionally guaranteed, jointly and severally, by all of Rackspace Technology Global's wholly-owned domestic restricted subsidiaries (as subsidiary guarantors) that guarantee the Senior Facilities. The 3.50% Senior Secured Notes and the related guarantees are secured by first-priority security interests in substantially all material owned assets of Rackspace Technology Global and the subsidiary guarantors, including the equity interest held by each, subject to certain exceptions, which assets also secure the Senior Facilities. The indenture governing the 3.50% Senior Secured Notes (the "3.50% Notes Indenture") describes certain terms and conditions under which other current and future domestic subsidiaries are required to become guarantors of the 3.50% Senior Secured Notes.

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: prior to February 15, 2024, at a redemption price equal to 100.000% of the principal amount, plus the applicable premium described in the 3.50% Notes Indenture and accrued and unpaid interest, if any, to but excluding the redemption date; 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. Rackspace Technology Global may also redeem prior to February 15, 2024 up to 40.0% of the aggregate principal amount of the 3.50% Senior Secured Notes with funds in an aggregate amount not to exceed the net cash proceeds from certain equity offerings at a redemption price equal to 103.500% of the principal amount of the 3.50% Senior Secured Notes to be redeemed, 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 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 September 30, 2022, Rackspace Technology Global was in compliance with all covenants under the 3.50% Notes Indenture.

The fair value of the 3.50% Senior Secured Notes as of September 30, 2022 was \$360.3 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 5.375% Senior Notes due 2028 (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 is the issuer of the 5.375% Senior Notes, and obligations under the 5.375% Senior Notes are guaranteed on a senior unsecured basis by all of Rackspace Technology Global's wholly-owned domestic restricted subsidiaries (as subsidiary guarantors) that guarantee the Senior Facilities. The 5.375% Senior Notes are effectively junior to the indebtedness under the Senior Facilities and the 3.50% Senior Secured Notes, to the extent of the collateral securing the Senior Facilities and the 3.50% Senior Secured Notes. The indenture governing the 5.375% Senior Notes (the "5.375% Notes Indenture") describes certain terms and conditions under which other current and future domestic subsidiaries are required to become guarantors of the 5.375% Senior Notes.

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: prior to December 1, 2023, at a redemption price equal to 100.000% of the principal amount, plus the applicable premium described in the 5.375% Notes Indenture and accrued and unpaid interest, if any, to but excluding the redemption date; 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. Rackspace Technology Global may also redeem prior to December 1, 2023 up to 40.0% of the aggregate principal amount of the 5.375% Senior Notes with funds in an aggregate amount not to exceed the net cash proceeds from certain equity offerings at a redemption price equal to 105.375% of the principal amount of the 5.375% Senior Notes to be redeemed, plus accrued and unpaid interest, if any, to, but excluding, the redemption date.

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 September 30, 2022, 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 September 30, 2022 was \$250.3 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.

### ***Accounts Receivable Financing Agreement***

Under the accounts receivable financing agreement (the "Receivables Financing Facility") entered into in 2020, a bankruptcy-remote special purpose vehicle ("SPV") indirectly wholly owned by Rackspace Technology Global granted a security interest in all of its current and future receivables and related assets in exchange for a credit facility permitting borrowings of up to a maximum aggregate amount of \$100.0 million from time to time. Rackspace Technology Global was the primary beneficiary of the SPV.

During the nine months ended September 30, 2021, the SPV repaid the outstanding balance of \$50.0 million and terminated the Receivables Financing Facility. The termination resulted in expense of \$0.5 million recorded within "Debt modification and extinguishment costs" in our Consolidated Statements of Comprehensive Loss for the nine months ended September 30, 2021. The expense was comprised of the write-off of the unamortized debt issuance costs, as well as third party fees associated with the termination.

### ***February 2021 Refinancing Transaction***

The February 2021 Refinancing Transaction represented an extinguishment and modification of debt. We derecognized \$2,795.6 million of the Prior Term Loan Facility and wrote off \$9.4 million in unamortized debt issuance costs and debt discount associated with the portion of the Prior Term Loan Facility that was deemed extinguished. We recognized \$2,300.0 million borrowed under the Term Loan Facility and \$41.0 million of associated debt issuance costs and debt discount, including amounts allocated from the Prior Term Loan Facility, both classified as a direct deduction from the carrying value of non-current debt on our Consolidated Balance Sheets. We recognized \$550.0 million aggregate principal amount of the 3.50% Senior Secured Notes due 2028 and \$6.8 million of associated debt issuance costs, including amounts allocated from the Prior Term Loan Facility. The February 2021 Refinancing Transaction resulted in expense of \$37.0 million recorded within "Debt modification and extinguishment costs" in our Consolidated Statements of Comprehensive Loss for the nine months ended September 30, 2021. The expense was comprised of the write-off of unamortized debt issuance costs and debt discount associated with the portion of the Prior Term Loan Facility that was deemed extinguished, as well as \$27.6 million in third party fees associated with the modification.

## **7. 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.

## 8. July 2021 Restructuring Plan

On July 21, 2021, we committed to an internal restructuring plan (the "July 2021 Restructuring Plan") to drive a change in the type and location of certain positions that was expected to result in the termination of approximately 10% of our workforce. Substantially all of the employees impacted by the reduction in workforce were notified of the reduction on July 22, 2021 and have since exited the company.

During the three and nine months ended September 30, 2021, we incurred employee related costs, which consisted of one-time termination benefits and certain contractual termination benefits with executives, and other costs, which were accounted for as exit and disposal costs under ASC No. 420, *Exit or Disposal Cost Obligations* ("ASC 420"). Other costs consisted of professional fees and non-cash charges related to a contract termination with a third-party. These costs are recorded within "Selling, general and administrative expenses" in the Consolidated Statements of Comprehensive Loss, the components of which were as follows:

(In millions)	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2021
Employee related costs	\$ 8.6	\$ 11.1
Other	7.5	11.4
Total restructuring charges	<u>\$ 16.1</u>	<u>\$ 22.5</u>

A portion of the other costs are non-cash charges, representing \$4.4 million and \$5.4 million in the three and nine months ended September 30, 2021, respectively. These amounts are related to a contract termination with a third-party.

During the three and nine months ended September 30, 2022, we did not incur any material exit and disposal costs under ASC 420.

Liability activity for previously accrued restructuring costs that are expected to be settled in cash are presented in the table below.

(In millions)	Employee Related	Other	Total
Liability as of December 31, 2021	\$ 7.1	\$ 0.6	\$ 7.7
Charges	—	—	—
Cash payments	(7.1)	(0.6)	(7.7)
Liability as of September 30, 2022	\$ —	\$ —	\$ —
Total cumulative costs incurred as of September 30, 2022	<u>\$ 13.8</u>	<u>\$ 6.0</u>	<u>\$ 19.8</u>

We do not expect to incur any additional future ASC 420 exit and disposal costs related to the July 2021 Restructuring Plan.

## 9. Share Repurchase Program

On March 3, 2022, our board of directors authorized a program to repurchase up to \$75.0 million of shares of our common stock from time to time through open-market transactions, privately negotiated transactions, accelerated share repurchases, and other transactions in accordance with applicable security laws. The program expires on September 30, 2023 and can be discontinued at any time. During the nine months ended September 30, 2022, we repurchased \$31.0 million, or 3.1 million shares, of our common stock on the open market under this program. No shares were repurchased during the three months ended September 30, 2022. Shares purchased pursuant to the program are recorded as treasury stock at cost in the Consolidated Balance Sheets. As of September 30, 2022, approximately \$44.0 million of the amount authorized by the board under the current program remained available for additional purchases.

## 10. Share-Based Compensation

On April 21, 2022, the Board of Directors approved a proposed 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 25.0 million shares to 50.0 million shares, subject to stockholder approval. The proposed amendment was subsequently approved by our stockholders as part of the 2022 Annual Meeting of Stockholders held on June 10, 2022.

During the nine months ended September 30, 2022, we granted 8.2 million restricted stock units ("RSUs") under the 2020 Incentive Plan with a weighted-average grant date fair value of \$10.16. 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 nine months ended September 30, 2022, 1.2 million performance stock units ("PSUs") were granted under the 2020 Incentive Plan with a weighted-average grant date fair value of \$11.70. These 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.

Share-based compensation expense recognized was as follows:

(In millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2022	2021	2022
Cost of revenue	\$ 4.0	\$ 2.8	\$ 13.2	\$ 9.0
Selling, general and administrative expenses	15.1	16.6	43.5	50.5
Pre-tax share-based compensation expense	19.1	19.4	56.7	59.5
Less: Income tax benefit	(4.0)	(4.1)	(11.9)	(12.5)
Total share-based compensation expense, net of tax	\$ 15.1	\$ 15.3	\$ 44.8	\$ 47.0

As of September 30, 2022, there was \$126.7 million of total unrecognized compensation cost related to stock options, RSUs, PSUs, and the ESPP, 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.

## 11. 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 and nine months ended September 30, 2022, our effective tax rate is lower than the U.S. federal statutory rate of 21% primarily due to the tax impact associated with the goodwill impairment recorded in the third quarter, the majority of which was nondeductible for income tax purposes, as well as the net impact of the geographic distribution of our earnings and tax effects from nondeductible share-based compensation. On August 16, 2022, the Inflation Reduction Act of 2022 ("IRA") was enacted into law. The IRA introduces a new corporate minimum tax of 15% on global adjusted financial statement income. Additionally, the IRA imposes a 1% excise tax on stock repurchases made after December 31, 2022. We are currently evaluating the impact of the IRA but do not expect there will be a material impact to our consolidated financial statements.



## 12. 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. 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 a quarterly basis, we net settle with the counterparty for the difference between the fixed rate specified in each swap agreement and the variable rate based upon the three-month LIBOR as applied to the notional amount of the swap.

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 (loss)" in the 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 (loss)" in the period when the underlying transaction affects earnings. Any stranded income tax effects are released from "Accumulated other comprehensive income (loss)" into "Benefit (provision) 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 the remaining 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 (loss)" for the de-designated December 2016 and December 2018 swaps at the de-designation date was approximately \$51.6 million, and will be 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 will remain undesignated to economically offset the now 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 will offset and are classified as operating activities in the 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. This new \$1.35 billion swap is indexed to three-month LIBOR and will be 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 Consolidated Statements of Cash Flows while the portion treated as an at-market derivative will be classified as operating activities.

As of December 31, 2021 and September 30, 2022, 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, 2021		September 30, 2022		Maturity Date
		Notional Amount (in millions)	Status	Notional Amount (in millions)	Status	
<b>Entered into December 2016:</b>						
February 3, 2017	1.9040%	\$ 450.0	Active	\$ —	Matured	February 3, 2022
February 3, 2017	1.9040%	450.0	Active	—	Matured	February 3, 2022
<b>Entered into December 2018:</b>						
February 3, 2019	2.7490%	—	Terminated	—	Terminated	November 3, 2023
February 3, 2020	2.7350%	—	Terminated	—	Terminated	November 3, 2023
February 3, 2021	2.7360%	—	Terminated	—	Terminated	November 3, 2023
February 3, 2022	2.7800%	—	Terminated	—	Terminated	November 3, 2023
<b>Entered into February 2021:</b>						
February 3, 2021	(1.9040)%	(900.0)	Active	—	Matured	February 3, 2022
February 9, 2021	2.3820%	1,350.0	Active	1,350.0	Active	February 9, 2026
Total		\$ 1,350.0		\$ 1,350.0		

Our interest rate swap agreements, excluding the portion treated as debt, are recognized at fair value in the 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 Consolidated Balance Sheets**

The fair values of our derivatives and their location on the Consolidated Balance Sheets as of December 31, 2021 and September 30, 2022 were as follows:

(In millions)	Location	December 31, 2021		September 30, 2022	
		Assets	Liabilities	Assets	Liabilities
<b>Derivatives not designated as hedging instruments</b>					
Interest rate swaps	Other current assets <sup>(1)</sup>	\$ 1.5	\$ —	\$ —	\$ —
Interest rate swaps	Other current liabilities	—	1.5	—	—
Total		\$ 1.5	\$ 1.5	\$ —	\$ —
<b>Derivatives designated as hedging instruments</b>					
Interest rate swaps	Other current assets	\$ —	\$ —	\$ 36.6	\$ —
Interest rate swaps	Other non-current assets	23.6	—	94.6	—
Interest rate swaps	Other current liabilities <sup>(2)</sup>	—	20.8	—	17.3
Interest rate swaps	Other non-current liabilities <sup>(3)</sup>	—	56.4	—	43.5
Total		\$ 23.6	\$ 77.2	\$ 131.2	\$ 60.8

(1) The entire balance as of December 31, 2021 is comprised of the receive-fixed interest rate swap for which the fair value option has been elected.

(2) The balance as of December 31, 2021 and September 30, 2022 includes \$17.2 million and \$17.3 million, respectively, related to the financing component of the pay-fixed interest rate swap.

(3) 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, 2021			September 30, 2022		
	Gross Amounts on Balance Sheet	Effects of Counterparty Netting	Net Amounts	Gross Amounts on Balance Sheet	Effects of Counterparty Netting	Net Amounts
<b>Assets</b>						
Interest rate swaps	\$ 25.1	\$ (25.1)	\$ —	\$ 131.2	\$ (60.8)	\$ 70.4
<b>Liabilities</b>						
Interest rate swaps	\$ 78.7	\$ (25.1)	\$ 53.6	\$ 60.8	\$ (60.8)	\$ —

### *Effect of Derivatives on the Consolidated Statements of Comprehensive Loss*

The effect of our derivatives and their location on the Consolidated Statements of Comprehensive Loss for the three and nine months ended September 30, 2021 and 2022 was as follows:

(In millions)		Three Months Ended September 30,		Nine Months Ended September 30,	
		2021	2022	2021	2022
<b>Derivatives not designated as hedging instruments</b>					
	<b>Location</b>				
Interest rate swaps	Interest expense	\$ (4.9)	\$ (4.7)	\$ (14.3)	\$ (13.9)
Foreign currency contracts <sup>(1)</sup>	Other income (expense), net	\$ 2.9	\$ —	\$ 0.9	\$ —
<b>Derivatives designated as hedging instruments</b>					
	<b>Location</b>				
Interest rate swaps	Interest expense	\$ (1.3)	\$ 3.8	\$ (4.9)	\$ 2.5

(1) Relates to two foreign currency forward contracts settled on November 30, 2021. As of December 31, 2021 and September 30, 2022, we do not have any outstanding foreign currency hedging contracts.

Interest expense was \$51.5 million and \$52.3 million for the three months ended September 30, 2021 and 2022, respectively, and \$154.6 million and \$152.9 million for the nine months ended September 30, 2021 and 2022, respectively. As of September 30, 2022, the amount of cash flow hedge gain included within "Accumulated other comprehensive income (loss)" that is expected to be reclassified as a reduction to "Interest expense" over the next 12 months is approximately \$24.9 million. See Note 13, "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 September 30, 2022, our outstanding interest rate swap agreement was in a net asset position.

### 13. Accumulated Other Comprehensive Income (Loss)

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

(In millions)	Accumulated Foreign Currency Translation Adjustments	Accumulated Loss on Derivative Contracts	Accumulated Other Comprehensive Loss
<b>Balance at June 30, 2021</b>	\$ 26.5	\$ (27.5)	\$ (1.0)
Foreign currency translation adjustments, net of tax benefit of \$0.8	(8.8)	—	(8.8)
Unrealized gain on derivative contracts, net of tax expense of \$0.2	—	0.6	0.6
Amount reclassified from Accumulated comprehensive income (loss) into earnings, net of tax benefit of \$1.6 <sup>(1)</sup>	—	4.5	4.5
<b>Balance at September 30, 2021</b>	<u>\$ 17.7</u>	<u>\$ (22.4)</u>	<u>\$ (4.7)</u>

(1) Includes interest expense recognized of \$1.2 million and amortization of off-market swap value and accumulated loss at hedge de-designation of \$4.9 million for the three months ended September 30, 2021.

(In millions)	Accumulated Foreign Currency Translation Adjustments	Accumulated Loss on Derivative Contracts	Accumulated Other Comprehensive Loss
<b>Balance at December 31, 2020</b>	\$ 20.8	\$ (39.4)	\$ (18.6)
Foreign currency translation adjustments, net of tax benefit of \$0.5	(3.1)	—	(3.1)
Unrealized gain on derivative contracts, net of tax expense of \$1.4	—	4.0	4.0
Amount reclassified from Accumulated comprehensive income (loss) into earnings, net of tax benefit of \$4.5 <sup>(1)</sup>	—	13.0	13.0
<b>Balance at September 30, 2021</b>	<u>\$ 17.7</u>	<u>\$ (22.4)</u>	<u>\$ (4.7)</u>

(1) Includes interest expense recognized of \$5.2 million and amortization of off-market swap value and accumulated loss at hedge de-designation of \$12.3 million for the nine months ended September 30, 2021.

(In millions)	Accumulated Foreign Currency Translation Adjustments	Accumulated Gain on Derivative Contracts	Accumulated Other Comprehensive Income
<b>Balance at June 30, 2022</b>	\$ (5.6)	\$ 50.7	\$ 45.1
Foreign currency translation adjustments, net of tax benefit of \$1.7	(22.5)	—	(22.5)
Unrealized gain on derivative contracts, net of tax expense of \$10.8	—	31.4	31.4
Amount reclassified from Accumulated comprehensive income (loss) into earnings, net of tax benefit of \$0.2 <sup>(1)</sup>	—	0.6	0.6
<b>Balance at September 30, 2022</b>	<u>\$ (28.1)</u>	<u>\$ 82.7</u>	<u>\$ 54.6</u>

(1) Include amortization of off-market swap value and accumulated loss at hedge de-designation of \$4.7 million for the three months ended September 30, 2022, partially offset by a reduction to interest expense recognized of \$3.9 million.

(In millions)	Accumulated Foreign Currency Translation Adjustments	Accumulated Gain (Loss) on Derivative Contracts	Accumulated Other Comprehensive Income
<b>Balance at December 31, 2021</b>	\$ 17.2	\$ (10.3)	\$ 6.9
Foreign currency translation adjustments, net of tax benefit of \$3.9	(45.3)	—	(45.3)
Unrealized gain on derivative contracts, net of tax expense of \$29.2	—	84.7	84.7
Amount reclassified from Accumulated comprehensive income (loss) into earnings, net of tax benefit of \$2.9 <sup>(1)</sup>	—	8.3	8.3
<b>Balance at September 30, 2022</b>	<b>\$ (28.1)</b>	<b>\$ 82.7</b>	<b>\$ 54.6</b>

(1) Includes amortization of off-market swap value and accumulated loss at hedge de-designation of \$13.9 million for the nine months ended September 30, 2022, partially offset by a reduction to interest expense recognized of \$2.7 million.

#### 14. Related Party Transactions

Affiliates of ABRY Partners, LLC and ABRY Partners II, LLC (collectively, “ABRY”), are Term Loan Facility lenders under the First Lien Credit Agreement. As of September 30, 2022, the outstanding principal amount of the Term Loan Facility was \$2,265.5 million, of which \$56.2 million, or 2.5%, is due to ABRY affiliates. Investment funds affiliated with ABRY are also co-investors in Rackspace Technology.

Apollo Global Securities, LLC, an affiliate of Apollo, received \$0.6 million in connection with their role as an initial purchaser of the 3.50% Senior Secured Notes issued on February 9, 2021 and \$2.3 million in arranger fees in connection with the entry into the Term Loan Facility on February 9, 2021.

On February 2, 2021, we issued 2,665,935 shares of common stock to DPH 123, LLC, an ABRY affiliate, for no additional consideration pursuant to the Agreement and Plan of Merger, dated as of September 6, 2017, in connection with our November 15, 2017 acquisition of Datapipe Parent, Inc.

## 15. Segment Reporting

We have organized our operations into the following three operating segments, which correspond directly to our reportable segments: Multicloud Services, Apps & Cross Platform, and OpenStack Public Cloud. 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 gross profit. For the calculation of segment gross profit, we allocate certain costs, such as data center operating costs, customer support costs, license expense, and depreciation, to our segments generally based on segment revenue.

The table below presents a reconciliation of revenue by reportable segment to consolidated revenue and a reconciliation of consolidated segment gross profit to consolidated loss before income taxes for the three and nine months ended September 30, 2021 and 2022.

(In millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2022	2021	2022
<i>Revenue by segment:</i>				
Multicloud Services	\$ 625.1	\$ 649.7	\$ 1,809.8	\$ 1,923.1
Apps & Cross Platform	92.8	101.5	282.8	296.4
OpenStack Public Cloud	44.6	36.4	139.6	115.8
Total consolidated revenue	\$ 762.5	\$ 787.6	\$ 2,232.2	\$ 2,335.3
<i>Segment gross profit:</i>				
Multicloud Services	\$ 200.4	\$ 167.2	\$ 598.8	\$ 538.7
Apps & Cross Platform	33.8	34.8	100.7	104.8
OpenStack Public Cloud	16.1	9.7	50.8	35.5
Total consolidated segment gross profit	250.3	211.7	750.3	679.0
Less:				
Share-based compensation expense	(4.0)	(2.8)	(13.2)	(9.0)
Other compensation expense <sup>(1)</sup>	(0.4)	(0.4)	(2.1)	(1.6)
Purchase accounting impact on expense <sup>(2)</sup>	(1.2)	(0.6)	(3.6)	(2.1)
Restructuring and transformation expenses <sup>(3)</sup>	(13.0)	(0.8)	(28.9)	(9.2)
Selling, general and administrative expenses	(234.6)	(219.9)	(698.2)	(645.0)
Impairment of goodwill	—	(405.2)	—	(405.2)
Impairment of assets	—	(58.7)	—	(58.7)
Gain on sale of land	—	—	19.9	—
Interest expense	(51.5)	(52.3)	(154.6)	(152.9)
Loss on investments, net	—	(0.1)	(3.6)	(0.4)
Debt modification and extinguishment costs	—	—	(37.5)	—
Other income (expense), net	0.1	(6.0)	(1.1)	(15.5)
Total consolidated loss before income taxes	\$ (54.3)	\$ (535.1)	\$ (172.6)	\$ (620.6)

(1) 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.

(2) Adjustment for the impact of purchase accounting from the Rackspace Acquisition on expenses.

(3) Adjustment for the impact of business transformation and optimization activities, as well as associated severance, facility closure costs and lease termination expenses. This amount also includes certain costs associated with the July 2021 Restructuring Plan which are not accounted for as exit and disposal costs under ASC 420, including one-time offshore build out costs.

**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 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 multicloud technology services 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 three reportable segments: (1) Multicloud Services, (2) Apps & Cross Platform and (3) OpenStack Public Cloud. Our Multicloud Services segment includes our multicloud services offerings, as well as professional services related to designing and building multicloud solutions and cloud-native applications. Our Apps & Cross Platform segment includes managed applications, managed security and data services, as well as professional services related to designing and implementing application, security and data services. In early 2017, we determined that our OpenStack Public Cloud offering was not core to our go-forward operations and we ceased to incentivize our sales team to promote and sell the product by the end of that year. We continue to serve our existing OpenStack Public Cloud customer base while we focus our growth strategy and investments on our Multicloud Services and Apps & Cross Platform offerings. See Item 1 of Part I, Financial Statements - Note 15, "Segment Reporting," for additional information about our segments. We refer to certain supplementary "Core" financial measures, which reflect 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.

On July 21, 2021, we committed to an internal restructuring plan (the "July 2021 Restructuring Plan"), to drive a change in the type and location of certain positions that was expected to result in the termination of approximately 10% of our workforce. We recorded total charges of \$1.0 million and \$5.2 million for the three and nine months ended September 30, 2022, respectively, related to this restructuring plan which are not accounted for as exit and disposal costs under ASC 420, consisting primarily of one-time offshore build out costs. We recorded total charges of \$34.1 million and \$40.5 million for the three and nine months ended September 30, 2021, respectively, related to this restructuring plan. This included \$16.1 million and \$22.5 million for the three and nine months ended September 30, 2021 for employee related costs and other costs accounted for as exit and disposal costs under ASC 420 as described in Item 1 of Part I, Financial Statements - Note 8, "July 2021 Restructuring Plan." We do not expect to incur any further expenses related to the July 2021 Restructuring Plan.

### ***Subsequent Events***

For a description of subsequent events, see "Subsequent Events" in Item 1 of Part I, Financial Statements - Note 1, "Company Overview, Basis of Presentation, and Summary of Significant Accounting Policies."

### ***Company Evaluating Strategic Alternatives***

On May 10, 2022, we announced that following a recently completed in-depth strategic review and evaluation of various strategic options for our businesses, and also based on inbound interest for one of our product lines, we had concluded that a sum of the parts valuation of Rackspace Technology could be greater than our current enterprise value. This is in part driven by the attractive growth profile of Public Cloud. Accordingly, we evaluated strategic alternatives and other options and decided that continuing to execute our strategy in the hypergrowth multicloud market as a standalone company is our best path forward for value creation.

### ***Impact of COVID-19***

The effects of COVID-19 and its variants continue to evolve, and the full impact and duration of the virus are unknown. Managing COVID-19 continues to severely impact healthcare systems and businesses worldwide. The effects of COVID-19 and its variants and the response to the virus have negatively impacted overall economic conditions. To date, COVID-19 and its variants have not adversely affected our results of operations or financial condition in any material respect. However, there are remaining uncertainties as a result of COVID-19, particularly the possibility of new variant strain(s) of the virus, the potential resurgence in the spread of the virus and the pace of economic recovery. The full extent to which COVID-19 and its variants may impact our financial condition or results of operations over the medium to long term, therefore, remains uncertain. Due to our recurring revenue business model, the effect of COVID-19 and its variants may not be fully reflected in our results of operations until future periods, if at all. We will continue to actively monitor the situation and may take further actions that alter our business operations as may be required by federal, state or local authorities, or that we determine are in the best interests of our employees, customers, partners, suppliers and stockholders.



### ***Russia and Ukraine Conflict***

Political and economic uncertainty surrounding the Russian conflict in Ukraine could have a material adverse effect on our business. Currently, the conflict has not had a significant impact on our operations or financial performance. However, our overall performance depends in part on worldwide economic and geopolitical conditions. We are monitoring the situation and the potential for the conflict to spread to other countries which could adversely impact our customers and operations, and we may take actions that modify our business operations as may be required by federal, state or local authorities, or that we determine are in the best interests of our employees, customers, partners, suppliers and stockholders.

### **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 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 Amazon Web Services ("AWS"), Microsoft Azure, Google Cloud, Oracle, SAP and VMware. We believe we are unique in our ability to serve customers across major technology stacks and deployment options, all while delivering a Fanatical Customer 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 within our Multicloud Services segment has shifted in recent years, from mature offerings such as managed hosting and colocation to managed public cloud services. Since the mature offerings are hosted on our own infrastructure, these offerings carry a higher gross margin, but also a higher burden on the company for operating expenses and capital expenditures. Conversely, as managed public cloud services are hosted on third-party infrastructure, these services carry a lower gross margin, but also a correspondingly lower operating expense and capital expenditure burdens. As a result, despite the difference in gross margins between the mature offerings and the growth offerings, the operating margins for the different classes of offerings are relatively similar.

### ***Shift in Capital Intensity***

In recent years, the mix of our consolidated revenues has shifted from high capital intensity service offerings to low capital intensity service offerings and we expect this mix shift to continue. Historically, we primarily offered managed hosting and OpenStack Public Cloud services to our customers, which required us to deploy servers and equipment to ensure adequate capacity for new customers and, in certain cases, on behalf of customers at the start or during the performance of a contract, resulting in a high level of anticipatory and success-based capital expenditures. Today, the vast majority of our revenue is derived from service offerings, such as managed public cloud services, application services and professional services, which have significantly lower success-based capital requirements because they allow us to leverage our partners' infrastructure or technology to make our capital expenditures more efficient. As a result, we have recently experienced and expect to continue to experience changes in our capital expenditures requirements.

Our capital expenditures equaled 5% and 4% of our revenue for the three months ended September 30, 2021 and 2022, respectively, and 8% and 4% of our revenue for the nine months ended September 30, 2021 and 2022, respectively. While there is some variability in capital expenditures from quarter to quarter due to timing of purchases, we expect to maintain current capex intensity levels over the longer term.

### ***Human Capital***

Our ability to be successful and to execute on our strategies depends on our ability to hire and retain qualified employees. Like others in our industry, we are realizing higher than historical levels of voluntary attrition. As a result, we are accelerating our best shoring efforts and expanding the geographic reach of our recruiting pool. The company continues to enhance and develop programs to attract, retain and develop top talent.

## **Key Components of Statement of Operations**

### ***Revenue***

A substantial amount of our revenue, particularly within our Multicloud Services 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. Our public cloud services within the Multicloud Services segment and most of our Apps & Cross Platform and OpenStack Public Cloud services 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. Employee related costs and other costs incurred, as discussed in Item 1 of Part I, Financial Statements - Note 8, "July 2021 Restructuring Plan," are also included within SG&A.

***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. 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 11, "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 September 30, 2021 Compared to Three Months Ended September 30, 2022

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 September 30,				Year-Over-Year Comparison	
	2021		2022		Amount	% Change
	Amount	% Revenue	Amount	% Revenue		
Revenue	\$ 762.5	100.0 %	\$ 787.6	100.0 %	\$ 25.1	3.3 %
Cost of revenue	(530.8)	(69.6)%	(580.5)	(73.7)%	(49.7)	9.4 %
Gross profit	231.7	30.4 %	207.1	26.3 %	(24.6)	(10.6)%
Selling, general and administrative expenses	(234.6)	(30.8)%	(219.9)	(27.9)%	14.7	(6.3)%
Impairment of goodwill	—	— %	(405.2)	(51.4)%	(405.2)	100.0 %
Impairment of assets	—	— %	(58.7)	(7.5)%	(58.7)	100.0 %
Loss from operations	(2.9)	(0.4)%	(476.7)	(60.5)%	(473.8)	NM
Other income (expense):						
Interest expense	(51.5)	(6.8)%	(52.3)	(6.6)%	(0.8)	1.6 %
Loss on investments, net	—	— %	(0.1)	(0.0)%	(0.1)	100.0 %
Other income (expense), net	0.1	0.0 %	(6.0)	(0.8)%	(6.1)	NM
Total other income (expense)	(51.4)	(6.7)%	(58.4)	(7.4)%	(7.0)	13.6 %
Loss before income taxes	(54.3)	(7.1)%	(535.1)	(67.9)%	(480.8)	NM
Benefit for income taxes	19.5	2.5 %	23.4	3.0 %	3.9	20.0 %
Net loss	\$ (34.8)	(4.6)%	\$ (511.7)	(65.0)%	\$ (476.9)	NM

NM = not meaningful.

### Revenue

Revenue increased \$25 million, or 3.3%, to \$788 million in the three months ended September 30, 2022 from \$763 million in the three months ended September 30, 2021. Revenue was positively impacted by new customer acquisition and growing customer spend in our Multicloud Services and Apps & Cross Platform segments, as discussed below.

After removing the impact of foreign currency fluctuations, on a constant currency basis, revenue increased 5.3% year-over-year. The following table presents revenue growth by segment:

(In millions, except %)	Three Months Ended September 30,		% Change	
	2021	2022	Actual	Constant Currency <sup>(1)</sup>
Multicloud Services	\$ 625.1	\$ 649.7	3.9 %	6.0 %
Apps & Cross Platform	92.8	101.5	9.4 %	10.4 %
Core Revenue	717.9	751.2	4.6 %	6.6 %
OpenStack Public Cloud	44.6	36.4	(18.4)%	(16.2)%
Total	\$ 762.5	\$ 787.6	3.3 %	5.3 %

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

Multicloud Services revenue in the three months ended September 30, 2022 increased 4% on an actual basis, and 6% on a constant currency basis, from the three months ended September 30, 2021. Underlying growth was driven by both the acquisition of new customers and increased spend by existing customers, partially offset by cancellations by existing customers. Offerings in this segment with the strongest growth include managed public cloud services on AWS, Microsoft Azure and Google Cloud, and Rackspace Services for VMware Cloud.

Apps & Cross Platform revenue in the three months ended September 30, 2022 increased 9% on an actual basis, and 10% on a constant currency basis, from the three months ended September 30, 2021, driven by growth in professional services across our SaaS applications and data services offerings.

OpenStack Public Cloud revenue in the three months ended September 30, 2022 decreased 18% on an actual basis, and 16% on a constant currency basis, from the three months ended September 30, 2021 due to customer churn.

#### *Cost of Revenue*

Cost of revenue increased \$50 million, or 9%, to \$581 million in the three months ended September 30, 2022 from \$531 million in the three months ended September 30, 2021, primarily due to an increase in usage charges for third-party infrastructure associated with growth in these offerings. The increase in expense was partially offset by a decline in personnel costs primarily due to cost savings as a result of shifting roles to lower-cost locations as part of our continued focus on business optimization initiatives, including the July 2021 Restructuring Plan. In addition, there was a year-over-year decrease in depreciation expense primarily related to certain property, equipment and software reaching the end of its useful life for depreciation purposes as we shift towards faster-growing, value-added service offerings which have significantly lower capital requirements than our legacy capital-intensive revenue streams.

As a percentage of revenue, cost of revenue increased 410 basis points in the three months ended September 30, 2022 to 73.7% from 69.6% in the three months ended September 30, 2021, primarily driven by a 580 basis point increase in usage charges for third-party infrastructure, partially offset by a decrease related to personnel costs and depreciation expense.

#### *Gross Profit and Non-GAAP Gross Profit*

Our consolidated gross profit was \$207 million in the three months ended September 30, 2022, a decrease of \$25 million from \$232 million in the three months ended September 30, 2021. Our Non-GAAP Gross Profit was \$212 million in the three months ended September 30, 2022, a decrease of \$39 million from \$250 million in the three months ended September 30, 2021. Non-GAAP Gross Profit is a non-GAAP financial measure. See “*Non-GAAP Financial Measures*” below for more information. Our consolidated gross margin was 26.3% in the three months ended September 30, 2022, a decrease of 410 basis points from 30.4% in the three months ended September 30, 2021.

The table below presents a reconciliation of total consolidated gross profit to Non-GAAP Gross Profit, which represents the total of our individual segment gross profit measures.

(In millions)	Three Months Ended September 30,	
	2021	2022
Total consolidated gross profit	\$ 231.7	\$ 207.1
Share-based compensation expense	4.0	2.8
Other compensation expense <sup>(1)</sup>	0.4	0.4
Purchase accounting impact on expense <sup>(2)</sup>	1.2	0.6
Restructuring and transformation expenses <sup>(3)</sup>	13.0	0.8
Non-GAAP Gross Profit	\$ 250.3	\$ 211.7

- (1) 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.
- (2) Adjustment for the impact of purchase accounting from the Rackspace Acquisition on expenses.
- (3) Adjustment for the impact of business transformation and optimization activities, as well as associated severance, facility closure costs and lease termination expenses. This amount also includes certain costs associated with the July 2021 Restructuring Plan which are not accounted for as exit and disposal costs under ASC 420, including one-time offshore build out costs.

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

(In millions, except %)	Three Months Ended September 30,				Year-Over-Year Comparison	
	2021		2022		Amount	% Change
Segment gross profit:	Amount	% of Segment Revenue	Amount	% of Segment Revenue		
Multicloud Services	\$ 200.4	32.1 %	\$ 167.2	25.7 %	\$ (33.2)	(16.6)%
Apps & Cross Platform	33.8	36.4 %	34.8	34.3 %	1.0	3.0 %
OpenStack Public Cloud	16.1	36.1 %	9.7	26.6 %	(6.4)	(39.8)%
Non-GAAP Gross Profit	\$ 250.3		\$ 211.7		\$ (38.6)	(15.4)%

Multicloud Services gross profit decreased 17% in the three months ended September 30, 2022 from the three months ended September 30, 2021. Segment gross profit as a percentage of segment revenue decreased by 640 basis points, reflecting a 14% increase in segment cost of revenue and a 4% increase in segment revenue. The increase in costs was mainly driven by higher third-party infrastructure costs due to the increase in revenue in our growth offerings resulting in a larger proportion of these services within this segment, partially offset by lower personnel and depreciation expense.

Apps & Cross Platform gross profit increased 3% in the three months ended September 30, 2022 from the three months ended September 30, 2021. Segment gross profit as a percentage of segment revenue decreased by 210 basis points, reflecting a 13% increase in segment cost of revenue and a 9% increase in segment revenue. The increase in cost of revenue was primarily driven by the segment's higher business volume as well as higher third-party infrastructure costs.

OpenStack Public Cloud gross profit decreased 40% in the three months ended September 30, 2022 from the three months ended September 30, 2021 due to customer churn. Segment gross profit as a percentage of segment revenue decreased by 950 basis points, reflecting an 18% decrease in segment revenue, partially offset by a 6% decrease in segment cost of revenue.

The aggregate amount of costs reflected in consolidated gross profit but excluded from Non-GAAP Gross Profit was \$4.6 million in the three months ended September 30, 2022, a decrease of \$14.0 million from \$18.6 million in the three months ended September 30, 2021, reflecting lower restructuring and transformation expenses, share-based compensation expense, and purchase accounting adjustments.

For more information about our segment gross profit, see Item 1 of Part I, Financial Statements - Note 15, "Segment Reporting."

### *Selling, General and Administrative Expenses*

Selling, general and administrative expenses decreased \$15 million, or 6%, to \$220 million in the three months ended September 30, 2022 from \$235 million in the three months ended September 30, 2021, due to a decline 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. The prior period included \$16 million of restructuring charges related to the July 2021 Restructuring Plan accounted for as exit and disposal costs under ASC 420, of which \$9 million were personnel related costs. There were also reductions in costs related to other business optimization and integration initiatives compared to the prior period, as well as lower amortization expense related to certain intangible assets reaching the end of their useful life. These reductions in expense were partially offset by an increase in travel expense as a result of the easing of COVID-19 restrictions.

As a percentage of revenue, selling, general and administrative expenses decreased 290 basis points, to 27.9% in the three months ended September 30, 2022 from 30.8% in the three months ended September 30, 2021, for the reasons discussed above.

### *Impairment of Goodwill*

We performed an interim goodwill impairment analysis as of September 1, 2022 based on our assessment of several events and circumstances that affect the significant inputs used to determine the fair value of our reporting units, including the significance of the amount of excess carrying value over fair value, consistency of operating margins and cash flows, budgeted-to-actual performance from prior year, overall change in economic climate, changes in the industry and competitive environment, and earnings quality and sustainability. In addition, as of September 1, 2022, we lowered our projected operating results primarily due to product mix shifts and market concerns related to inflation, supply chain disruption issues and other macroeconomic factors. As a result, we determined that the carrying value of our Multicloud Services reporting unit exceeded its fair value and recorded an impairment of goodwill of \$405 million in the three months ended September 30, 2022. There was no such impairment in the three months ended September 30, 2021. See Item 1 of Part I, Financial Statements - Note 5, "Goodwill and Intangible Assets" for further discussion.

### *Impairment of Assets*

We also evaluated our indefinite-lived intangible asset and long-lived assets for impairment as of September 1, 2022. As a result of these evaluations, we recorded total impairment charges of \$59 million in the three months ended September 30, 2022, consisting of a \$21 million impairment of our indefinite-lived intangible asset and a \$38 million impairment of OpenStack Public Cloud long-lived assets. There were no such impairments in the three months ended September 30, 2021. See Item 1 of Part I, Financial Statements - Note 4, "Property, Equipment and Software, net" and Note 5, "Goodwill and Intangible Assets" for further discussion.

### *Other Income (Expense), Net*

We had \$6 million of other expense in the three months ended September 30, 2022 primarily due to foreign currency transaction losses.

### *Benefit for Income Taxes*

Our income tax benefit was \$23 million in the three months ended September 30, 2022 and \$20 million in the three months ended September 30, 2021. Our effective tax rate was 4.4% in the three months ended September 30, 2022 and 35.8% in the three months ended September 30, 2021. The decrease in the effective tax rate year-over-year is primarily due to the tax impact associated with the goodwill impairment recorded in the third quarter of 2022, the geographic distribution of profits, which in the three months ended September 30, 2021, included the release of historic tax reserves, and application of the global intangible low taxed income ("GILTI") provisions that were implemented with the Tax Cuts and Jobs Act that was passed on December 22, 2017. The difference between the effective tax rate and the statutory rate for the three months ended September 30, 2022 is primarily due to the tax impact associated with the goodwill impairment, the geographic distribution of profits and tax effects from nondeductible share-based compensation. The majority of the goodwill impairment recorded in the third quarter of 2022 was nondeductible for income tax purposes.

**Nine Months Ended September 30, 2021 Compared to Nine Months Ended September 30, 2022**

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 %)	Nine Months Ended September 30,				Year-Over-Year Comparison	
	2021		2022		Amount	% Change
	Amount	% Revenue	Amount	% Revenue		
Revenue	\$ 2,232.2	100.0 %	\$ 2,335.3	100.0 %	\$ 103.1	4.6 %
Cost of revenue	(1,529.7)	(68.5)%	(1,678.2)	(71.9)%	(148.5)	9.7 %
Gross profit	702.5	31.5 %	657.1	28.1 %	(45.4)	(6.5)%
Selling, general and administrative expenses	(698.2)	(31.3)%	(645.0)	(27.6)%	53.2	(7.6)%
Impairment of goodwill	—	— %	(405.2)	(17.3)%	(405.2)	100.0 %
Impairment of assets	—	— %	(58.7)	(2.5)%	(58.7)	100.0 %
Gain on sale of land	19.9	0.9 %	—	— %	(19.9)	(100.0)%
Income (loss) from operations	24.2	1.1 %	(451.8)	(19.3)%	(476.0)	NM
Other income (expense):						
Interest expense	(154.6)	(6.9)%	(152.9)	(6.5)%	1.7	(1.1)%
Loss on investments, net	(3.6)	(0.2)%	(0.4)	(0.0)%	3.2	(88.9)%
Debt modification and extinguishment costs	(37.5)	(1.7)%	—	— %	37.5	(100.0)%
Other expense, net	(1.1)	(0.0)%	(15.5)	(0.7)%	(14.4)	NM
Total other income (expense)	(196.8)	(8.8)%	(168.8)	(7.2)%	28.0	(14.2)%
Loss before income taxes	(172.6)	(7.7)%	(620.6)	(26.6)%	(448.0)	NM
Benefit for income taxes	37.2	1.7 %	29.8	1.3 %	(7.4)	(19.9)%
Net loss	\$ (135.4)	(6.1)%	\$ (590.8)	(25.3)%	\$ (455.4)	NM

NM = not meaningful.

**Revenue**

Revenue increased \$103 million, or 4.6%, to \$2,335 million in the nine months ended September 30, 2022 from \$2,232 million in the nine months ended September 30, 2021. Revenue was positively impacted by new customer acquisition and growing customer spend in our Multicloud Services and Apps & Cross Platform segments, as discussed below.

After removing the impact from foreign currency fluctuations, on a constant currency basis, revenue increased 5.9% year-over-year. The following table presents revenue growth by segment:

(In millions, except %)	Nine Months Ended September 30,		% Change	
	2021	2022	Actual	Constant Currency <sup>(1)</sup>
Multicloud Services	\$ 1,809.8	\$ 1,923.1	6.3 %	7.7 %
Apps & Cross Platform	282.8	296.4	4.8 %	5.5 %
Core Revenue	2,092.6	2,219.5	6.1 %	7.4 %
OpenStack Public Cloud	139.6	115.8	(17.1)%	(15.7)%
Total	\$ 2,232.2	\$ 2,335.3	4.6 %	5.9 %

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

Multicloud Services revenue in the nine months ended September 30, 2022 increased 6%, on an actual basis, and 8% on a constant currency basis, from the nine months ended September 30, 2021. Underlying growth was driven by both the acquisition of new customers and increased spend by existing customers, partially offset by cancellations by existing customers. Offerings in this segment with the strongest growth include managed public cloud services on AWS, Microsoft Azure and Google Cloud, and Rackspace Services for VMware Cloud.



Apps & Cross Platform revenue in the nine months ended September 30, 2022 increased 5% on an actual basis, and 6% on a constant currency basis, from the nine months ended September 30, 2021, driven by growth in professional services across our SaaS applications and data services offerings, partially offset by the discontinuation of a non-core line of business in 2021.

OpenStack Public Cloud revenue in the nine months ended September 30, 2022 decreased 17% on an actual basis, and 16% on a constant currency basis, from the nine months ended September 30, 2021 due to customer churn.

#### *Cost of Revenue*

Cost of revenue increased \$149 million, or 10%, to \$1,678 million in the nine months ended September 30, 2022 from \$1,530 million in the nine months ended September 30, 2021, primarily due to an increase in usage charges for third-party infrastructure associated with growth in these offerings. The increase in expense was partially offset by a decline in personnel costs primarily due to cost savings as a result of shifting roles to lower-cost locations as part of our continued focus on business optimization initiatives, including the July 2021 Restructuring Plan. We also had higher severance in the prior period. In addition, there were year-over-year data center expense reductions as a result of initiatives to lower our cost structure, which included the consolidation of data center facilities. Depreciation expense also decreased between periods primarily due to certain property, equipment and software reaching the end of its useful life for depreciation purposes as we shift towards faster-growing, value-added service offerings which have significantly lower capital requirements than our legacy capital-intensive revenue streams.

As a percentage of revenue, cost of revenue increased 340 basis points in the nine months ended September 30, 2022 to 71.9% from 68.5% in the nine months ended September 30, 2021, primarily driven by a 710 basis point increase in usage charges for third-party infrastructure, partially offset by a decrease related to personnel costs, data center, and depreciation expense.

#### *Gross Profit and Non-GAAP Gross Profit*

Our consolidated gross profit was \$657 million in the nine months ended September 30, 2022, a decrease of \$45 million from \$703 million in the nine months ended September 30, 2021. Our Non-GAAP Gross Profit was \$679 million in the nine months ended September 30, 2022, a decrease of \$71 million from \$750 million in the nine months ended September 30, 2021. Non-GAAP Gross Profit is a non-GAAP financial measure. See “*Non-GAAP Financial Measures*” below for more information. Our consolidated gross margin was 28.1% in the nine months ended September 30, 2022, a decrease of 340 basis points from 31.5% in the nine months ended September 30, 2021.

The table below presents a reconciliation of total consolidated gross profit to Non-GAAP Gross Profit, which represents the total of our individual segment gross profit measures.

(In millions)	Nine Months Ended September 30,	
	2021	2022
Total consolidated gross profit	\$ 702.5	\$ 657.1
Share-based compensation expense	13.2	9.0
Other compensation expense <sup>(1)</sup>	2.1	1.6
Purchase accounting impact on expense <sup>(2)</sup>	3.6	2.1
Restructuring and transformation expenses <sup>(3)</sup>	28.9	9.2
Non-GAAP Gross Profit	<u>\$ 750.3</u>	<u>\$ 679.0</u>

- (1) 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.
- (2) Adjustment for the impact of purchase accounting from the Rackspace Acquisition on expenses.
- (3) Adjustment for the impact of business transformation and optimization activities, as well as associated severance, facility closure costs and lease termination expenses. This amount also includes certain costs associated with the July 2021 Restructuring Plan which are not accounted for as exit and disposal costs under ASC 420, including one-time offshore build out costs.

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

(In millions, except %)	Nine Months Ended September 30,				Year-Over-Year Comparison	
	2021		2022		Amount	% Change
	Amount	% of Segment Revenue	Amount	% of Segment Revenue		
<b>Segment gross profit:</b>						
Multicloud Services	\$ 598.8	33.1 %	\$ 538.7	28.0 %	\$ (60.1)	(10.0)%
Apps & Cross Platform	100.7	35.6 %	104.8	35.4 %	4.1	4.1 %
OpenStack Public Cloud	50.8	36.4 %	35.5	30.7 %	(15.3)	(30.1)%
Non-GAAP Gross Profit	<u>\$ 750.3</u>		<u>\$ 679.0</u>		<u>\$ (71.3)</u>	(9.5)%

Multicloud Services gross profit decreased 10% in the nine months ended September 30, 2022 from the nine months ended September 30, 2021. Segment gross profit as a percentage of segment revenue decreased by 510 basis points, reflecting a 14% increase in segment cost of revenue and a 6% increase in segment revenue. The increase in costs was mainly driven by higher third-party infrastructure costs due to the increase in revenue in our growth offerings resulting in a larger proportion of these services within this segment, partially offset by lower personnel, data center, and depreciation expense.

Apps & Cross Platform gross profit increased 4% in the nine months ended September 30, 2022 from the nine months ended September 30, 2021. Segment gross profit as a percentage of segment revenue decreased by 20 basis points, reflecting a 5% increase in segment cost of revenue and a 5% increase in segment revenue.

OpenStack Public Cloud gross profit decreased 30% in the nine months ended September 30, 2022 from the nine months ended September 30, 2021, due to customer churn. Segment gross profit as a percentage of segment revenue decreased by 570 basis points, reflecting a 17% decrease in segment revenue, partially offset by a 10% decrease in segment cost of revenue.

The aggregate amount of costs reflected in consolidated gross profit but excluded from Non-GAAP gross profit was \$21.9 million in the nine months ended September 30, 2022, a decrease of \$25.9 million from \$47.8 million in the nine months ended September 30, 2021, reflecting lower restructuring and transformation expenses, share-based and other compensation expense, and purchase accounting adjustments.

For more information about our segment gross profit, see Item 1 of Part I, Financial Statements - Note 15, "Segment Reporting."

### *Selling, General and Administrative Expenses*

Selling, general and administrative expenses decreased \$53 million, or 8%, to \$645 million in the nine months ended September 30, 2022 from \$698 million in the nine months ended September 30, 2021, due to a decline 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. We also had lower severance expense, partially offset by higher share-based compensation expense between periods. The prior period included \$23 million of restructuring charges related to the July 2021 Restructuring Plan accounted for as exit and disposal costs under ASC 420, of which \$11 million were personnel related costs. There were also reductions in costs related to other business optimization and integration initiatives compared to the prior period, as well as lower amortization expense related to certain intangible assets reaching the end of their useful life. These reductions in expense were partially offset by an increase in travel expense as a result of the easing of COVID-19 restrictions.

As a percentage of revenue, selling, general and administrative expenses decreased 370 basis points, to 27.6% in the nine months ended September 30, 2022 from 31.3% in the nine months ended September 30, 2021, for the reasons discussed above.

### *Impairment of Goodwill*

We performed an interim goodwill impairment analysis as of September 1, 2022 based on our assessment of several events and circumstances that affect the significant inputs used to determine the fair value of our reporting units, including the significance of the amount of excess carrying value over fair value, consistency of operating margins and cash flows, budgeted-to-actual performance from prior year, overall change in economic climate, changes in the industry and competitive environment, and earnings quality and sustainability. In addition, as of September 1, 2022, we lowered our projected operating results primarily due to product mix shifts and market concerns related to inflation, supply chain disruption issues and other macroeconomic factors. As a result, we determined that the carrying value of our Multicloud Services reporting unit exceeded its fair value and recorded an impairment of goodwill of \$405 million in the nine months ended September 30, 2022. There was no such impairment in the nine months ended September 30, 2021. See Item 1 of Part I, Financial Statements - Note 5, "Goodwill and Intangible Assets" for further discussion.

### *Impairment of Assets*

We also evaluated our indefinite-lived intangible asset and long-lived assets for impairment as of September 1, 2022. As a result of these evaluations, we recorded total impairment charges of \$59 million in the nine months ended September 30, 2022, consisting of a \$21 million impairment of our indefinite-lived intangible asset and a \$38 million impairment of OpenStack Public Cloud long-lived assets. There were no such impairments in the nine months ended September 30, 2021. See Item 1 of Part I, Financial Statements - Note 4, "Property, Equipment and Software, net" and Note 5, "Goodwill and Intangible Assets" for further discussion.

### *Gain on Sale of Land*

In January 2021, we recorded a \$20 million gain related to the sale of a parcel of undeveloped land in the United Kingdom adjacent to one of our existing data centers, as further discussed in Item 1 of Part I, Financial Statements - Note 4, "Property, Equipment and Software, net."

### *Interest Expense*

Interest expense decreased \$2 million to \$153 million in the nine months ended September 30, 2022 from \$155 million in the nine months ended September 30, 2021, primarily driven by a reduction in total debt outstanding and lower interest rates as a result of the February 2021 Refinancing Transaction.

### *Debt Modification and Extinguishment Costs*

In the nine months ended September 30, 2021 we recorded \$37 million and \$0.5 million of debt modification and extinguishment costs related to the February 2021 Refinancing Transaction and termination of the Receivables Financing Facility, respectively, as further discussed in Item 1 of Part I, Financial Statements - Note 6, "Debt."

*Other Expense, Net*

The increase in other expense, net to \$16 million in the nine months ended September 30, 2022 from \$1 million in the nine months ended September 30, 2021 is primarily related to foreign currency transaction losses.

*Benefit for Income Taxes*

Our income tax benefit decreased to \$30 million in the nine months ended September 30, 2022 from \$37 million in the nine months ended September 30, 2021. Our effective tax rate decreased from 21.5% in the nine months ended September 30, 2021 to 4.8% in the nine months ended September 30, 2022. The decrease in the effective tax rate year-over-year and the difference between the effective tax rate for the nine months ended September 30, 2022 and the statutory rate are primarily due to the tax impact associated with the goodwill impairment recorded in the third quarter of 2022, the majority of which was nondeductible for income tax purposes, geographic distribution of profits and tax effects from nondeductible share-based compensation.

## 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 Per Share (“EPS”), 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 table presents, by segment, actual and constant currency revenue and constant currency revenue growth rates, for and between the periods indicated:

	Three Months Ended September 30, 2021	Three Months Ended September 30, 2022			% Change	
	Revenue	Revenue	Foreign Currency Translation <sup>(a)</sup>	Revenue in Constant Currency	Actual	Constant Currency
(In millions, except %)						
Multicloud Services	\$ 625.1	\$ 649.7	\$ 13.1	\$ 662.8	3.9 %	6.0 %
Apps & Cross Platform	92.8	101.5	0.9	102.4	9.4 %	10.4 %
OpenStack Public Cloud	44.6	36.4	1.0	37.4	(18.4)%	(16.2)%
Total	\$ 762.5	\$ 787.6	\$ 15.0	\$ 802.6	3.3 %	5.3 %

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

	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2022			% Change	
	Revenue	Revenue	Foreign Currency Translation <sup>(a)</sup>	Revenue in Constant Currency	Actual	Constant Currency
(In millions, except %)						
Multicloud Services	\$ 1,809.8	\$ 1,923.1	\$ 25.2	\$ 1,948.3	6.3 %	7.7 %
Apps & Cross Platform	282.8	296.4	1.9	298.3	4.8 %	5.5 %
OpenStack Public Cloud	139.6	115.8	1.9	117.7	(17.1)%	(15.7)%
Total	\$ 2,232.2	\$ 2,335.3	\$ 29.0	\$ 2,364.3	4.6 %	5.9 %

(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, which represents the total of our individual segment gross profit measures, because we believe the measure is useful in analyzing trends in our underlying, recurring gross margins. We define Non-GAAP Gross Profit as our consolidated gross profit, adjusted to exclude the impact of share-based compensation expense and other non-recurring or unusual compensation items, purchase accounting-related effects, and certain business transformation-related costs. For a reconciliation of total consolidated gross profit to Non-GAAP Gross Profit, see “*Gross Profit and Non-GAAP Gross Profit*” in the year-over-year comparison under “Results of Operations” above.

### ***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, the amortization of acquired intangible assets 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, the amortization of acquired intangible assets 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, certain other non-operating, non-recurring or non-core gains and losses, interest expense, income taxes, and depreciation and amortization.

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, Non-GAAP Operating Profit and Adjusted EBITDA to the most directly comparable GAAP financial measures:

#### Net loss reconciliation to Non-GAAP Net Income

(In millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2022	2021	2022
Net loss	\$ (34.8)	\$ (511.7)	\$ (135.4)	\$ (590.8)
Share-based compensation expense	19.1	19.4	56.7	59.5
Special bonuses and other compensation expense <sup>(a)</sup>	2.1	2.4	9.1	8.2
Transaction-related adjustments, net <sup>(b)</sup>	6.5	2.4	21.8	9.6
Restructuring and transformation expenses <sup>(c)</sup>	55.2	26.1	132.9	74.3
Impairment of goodwill	—	405.2	—	405.2
Impairment of assets	—	58.7	—	58.7
Gain on sale of land	—	—	(19.9)	—
Net loss on divestiture and investments <sup>(d)</sup>	—	0.1	3.6	0.4
Debt modification and extinguishment costs <sup>(e)</sup>	—	—	37.5	—
Other (income) expense, net <sup>(f)</sup>	(0.1)	6.0	1.1	15.5
Amortization of intangible assets <sup>(g)</sup>	43.9	42.0	137.4	126.4
Tax effect of non-GAAP adjustments <sup>(h)</sup>	(38.3)	(30.6)	(91.2)	(65.6)
Non-GAAP Net Income	\$ 53.6	\$ 20.0	\$ 153.6	\$ 101.4

#### Income (loss) from operations reconciliation to Non-GAAP Operating Profit

(In millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2022	2021	2022
Income (loss) from operations	\$ (2.9)	\$ (476.7)	\$ 24.2	\$ (451.8)
Share-based compensation expense	19.1	19.4	56.7	59.5
Special bonuses and other compensation expense <sup>(a)</sup>	2.1	2.4	9.1	8.2
Transaction-related adjustments, net <sup>(b)</sup>	6.5	2.4	21.8	9.6
Restructuring and transformation expenses <sup>(c)</sup>	55.2	26.1	132.9	74.3
Impairment of goodwill	—	405.2	—	405.2
Impairment of assets	—	58.7	—	58.7
Gain on sale of land	—	—	(19.9)	—
Amortization of intangible assets <sup>(g)</sup>	43.9	42.0	137.4	126.4
Non-GAAP Operating Profit	\$ 123.9	\$ 79.5	\$ 362.2	\$ 290.1

**Net loss reconciliation to Adjusted EBITDA**

(In millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2022	2021	2022
Net loss	\$ (34.8)	\$ (511.7)	\$ (135.4)	\$ (590.8)
Share-based compensation expense	19.1	19.4	56.7	59.5
Special bonuses and other compensation expense <sup>(a)</sup>	2.1	2.4	9.1	8.2
Transaction-related adjustments, net <sup>(b)</sup>	6.5	2.4	21.8	9.6
Restructuring and transformation expenses <sup>(c)</sup>	55.2	26.1	132.9	74.3
Impairment of goodwill	—	405.2	—	405.2
Impairment of assets	—	58.7	—	58.7
Gain on sale of land	—	—	(19.9)	—
Net loss on divestiture and investments <sup>(d)</sup>	—	0.1	3.6	0.4
Debt modification and extinguishment costs <sup>(e)</sup>	—	—	37.5	—
Other (income) expense, net <sup>(f)</sup>	(0.1)	6.0	1.1	15.5
Interest expense	51.5	52.3	154.6	152.9
Benefit for income taxes	(19.5)	(23.4)	(37.2)	(29.8)
Depreciation and amortization <sup>(g)</sup>	103.1	96.6	317.8	296.1
Adjusted EBITDA	\$ 183.1	\$ 134.1	\$ 542.6	\$ 459.8

- (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.
- (b) Includes legal, professional, accounting and other advisory fees related to acquisitions, certain one-time costs related to being a first year public company, integration costs of acquired businesses, purchase accounting adjustments (including deferred revenue fair value discount), 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, facility closure costs, and lease termination expenses. This amount also includes employee related costs and other costs related to the July 2021 Restructuring Plan of \$16.1 million and \$22.5 million for the three and nine months ended September 30, 2021, respectively, which are accounted for as exit and disposal costs under ASC 420. In addition, it includes certain costs associated with the July 2021 Restructuring Plan which are not accounted for as exit and disposal costs under ASC 420, including one-time offshore build out costs.
- (d) Includes gains and losses on investment and from dispositions.
- (e) Includes expenses related the February 2021 Refinancing Transaction and termination of the Receivables Financing Facility.
- (f) Primarily consists of foreign currency gains and losses.
- (g) All of our intangible assets are attributable to acquisitions, including the Rackspace Acquisition in 2016.
- (h) 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 2021 and 2022 interim periods, we based it on an average of the 2020 and estimated 2021 tax rates and 2021 and estimated 2022 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.
- (i) Excludes accelerated depreciation expense related to facility closures.



### Non-GAAP Earnings Per Share (EPS)

We define Non-GAAP EPS as Non-GAAP Net Income 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 earnings per share but dilutive to Non-GAAP EPS. Management uses Non-GAAP EPS 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 EPS. The following table reconciles Non-GAAP EPS to our GAAP net loss per share on a diluted basis:

(In millions, except per share amounts)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2022	2021	2022
Net loss attributable to common stockholders	\$ (34.8)	\$ (511.7)	\$ (135.4)	\$ (590.8)
Non-GAAP Net Income	\$ 53.6	\$ 20.0	\$ 153.6	\$ 101.4
Weighted average number of shares - Diluted	209.3	210.8	207.3	210.7
Effect of dilutive securities <sup>(a)</sup>	2.6	0.2	4.8	0.5
Non-GAAP weighted average number of shares - Diluted	211.9	211.0	212.1	211.2
Net loss per share - Diluted	\$ (0.17)	\$ (2.43)	\$ (0.65)	\$ (2.80)
Per share impacts of adjustments to net loss <sup>(b)</sup>	0.42	2.52	1.39	3.29
Per share impacts of shares dilutive after adjustments to net loss <sup>(a)</sup>	(0.00)	0.01	(0.02)	(0.01)
Non-GAAP EPS	\$ 0.25	\$ 0.10	\$ 0.72	\$ 0.48

- (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 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.
- (b) Reflects the aggregate adjustments made to reconcile Non-GAAP Net Income to our net 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 Revolving Credit Facility. As of September 30, 2022, the Revolving Credit Facility provided for up to \$375 million of borrowings, none of which was drawn as of September 30, 2022. 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 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, including the Senior Facilities, the 5.375% Senior Notes and the 3.50% Senior Secured Notes, 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 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 5.375% Notes Indenture, the "Indentures"), if applicable), for cash or other consideration.

On February 2, 2021, we issued 2,665,935 shares of common stock to DPH 123, LLC, an ABRY affiliate, for no additional consideration pursuant to the Agreement and Plan of Merger, dated as of September 6, 2017, (the "Datapipe Merger Agreement"), in connection with our November 15, 2017 acquisition of Datapipe Parent, Inc. We will be required to issue additional shares of our common stock to DPH 123, LLC based on the MOIC exceeding certain thresholds as defined in the Datapipe Merger Agreement. If the MOIC exceeds 3.0x, which is indicated by a volume weighted average trading price ("VWAP") of our common stock over 30 consecutive trading days of more than \$25.00, we will be required to issue an additional 2,665,935 shares.

On March 3, 2022, our board of directors authorized a program to repurchase up to \$75 million of shares of our common stock from time to time through open-market transactions, privately negotiated transactions, accelerated share repurchases, and other transactions in accordance with applicable security laws. During the nine months ended September 30, 2022, we repurchased \$31 million, or 3.1 million shares, of our common stock on the open market under this program. As of September 30, 2022, approximately \$44 million of the amount authorized by the board under the current program remained available for additional purchases.

At September 30, 2022, we held \$249 million in cash and cash equivalents (not including \$3 million in restricted cash, which is included in "Other non-current assets"), of which \$150 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 \$76 million outstanding with respect to these arrangements as of September 30, 2022. 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 \$510 million outstanding with respect to operating and finance lease agreements as of September 30, 2022. We may choose to utilize such leasing arrangements in future periods.

As of September 30, 2022, we had \$3,366 million aggregate principal amount outstanding under our Term Loan Facility, 5.375% Senior Notes, and 3.50% Senior Secured Notes, with \$375 million of borrowing capacity available under the Revolving Credit Facility. Our liquidity requirements are significant, primarily due to debt service requirements.

## **Debt**

### *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 Revolving Credit Facility (together, the "Senior Facilities"). We used the borrowings under the Term Loan Facility, together with the proceeds from the issuance of the 3.50% Senior Secured Notes described below (together, the "February 2021 Refinancing Transaction"), to repay all borrowings under the prior term loan facility (the "Prior Term Loan Facility"), to pay related fees and expenses and for general corporate purposes. The Term Loan Facility will mature on February 15, 2028 and the Revolving Credit Facility will mature on August 7, 2025. We may request one or more incremental term loan facilities, one or more incremental revolving credit facilities and/or increase the commitments under the Revolving Credit Facility in an amount equal to the greater of \$860 million and 1.0x Pro Forma Adjusted EBITDA (as defined in the amended First Lien Credit Agreement), plus additional amounts, subject to compliance with applicable leverage ratios and certain terms and conditions.

Interest on the Term Loan Facility is due at the end of each interest period elected, not exceeding 90 days, for LIBOR loans and at the end of every calendar quarter for base rate loans. As of September 30, 2022, the interest rate on the Term Loan Facility was 5.62%. We are required to make quarterly amortization payments of \$5.8 million, which began on June 30, 2021. The 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. The Senior Facilities require us to make certain mandatory prepayments under certain conditions defined in the credit agreement.

Rackspace Technology Global, our wholly-owned subsidiary, is the borrower under the Senior Facilities, and all obligations under the Senior Facilities are (i) guaranteed by Inception Parent, Rackspace Technology Global's immediate parent company, on a limited recourse basis and secured by the equity interests of Rackspace Technology Global held by Inception Parent and (ii) guaranteed by Rackspace Technology Global's wholly-owned domestic restricted subsidiaries and secured by substantially all material owned assets of Rackspace Technology Global and the subsidiary guarantors, including the equity interests held by each, in each case subject to certain exceptions.

As of September 30, 2022, \$2,266 million aggregate principal amount of the Term Loan Facility remained outstanding. See Item 1 of Part I, Financial Statements - Note 6, "Debt," for more information regarding our Senior Facilities and the February 2021 Refinancing Transaction.

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 the LIBOR rate. See Item 1 of Part I, Financial Statements - Note 12, "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. We may redeem some or all of the 3.50% Senior Secured Notes at our option prior to February 15, 2024 subject to certain limitations and conditions outlined in the 3.50% Notes Indenture.

The 3.50% Senior Secured Notes are secured by first-priority security interests in substantially all material owned assets of Rackspace Technology Global and the subsidiary guarantors, including the equity interest held by each, subject to certain exceptions, which assets also secure the Senior Facilities.

As of September 30, 2022, \$550 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.

As of September 30, 2022, \$550 million aggregate principal amount of the 5.375% Senior Notes remained outstanding.

#### Debt covenants

Our Term Loan Facility is not subject to a financial maintenance covenant. The Revolving Credit Facility includes a financial maintenance covenant that limits the borrower's net first lien leverage ratio to a maximum of 5.00 to 1.00. The net first lien leverage ratio is calculated as the ratio of (x) the total amount of the borrower's first lien debt for borrowed money (which is currently identical to the total amount outstanding under the Senior Facilities), less the borrower's unrestricted cash and cash equivalents, to (y) consolidated EBITDA (as defined under the First Lien Credit Agreement governing the Senior Facilities). However, this financial maintenance covenant will only be applicable and tested if the aggregate amount of outstanding borrowings under the 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 equal to or greater than 35% of the Revolving Credit Facility commitments as of the last day of such fiscal quarter. Additional covenants in the 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 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 Senior Facilities the calculation of consolidated EBITDA takes into account the impact of certain changes in GAAP subsequent to the original closing date other than with respect to capital leases.

As of September 30, 2022, we were in compliance with all covenants under the Senior Facilities and the Indentures.

#### Capital Expenditures

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

(In millions)	Nine Months Ended September 30,	
	2021	2022
Customer gear	\$ 104.9	\$ 53.7
Data center build outs	10.6	2.5
Office build outs	1.9	—
Capitalized software and other projects	58.3	42.8
Total capital expenditures	\$ 175.7	\$ 99.0

Capital expenditures were \$99 million in the nine months ended September 30, 2022, compared to \$176 million in the nine months ended September 30, 2021, a decrease of \$77 million. The decrease in capitalized customer gear is due to the continued mix shift of our revenues from high capital intensity service offerings to low capital intensity service offerings. The decrease in capitalized software and other projects is driven by the shift of internal software development work to lower cost geographies. Capital expenditures were also particularly higher in the prior year period due to the renewal of multi-year, enterprise storage and software license agreements.

### **Cash Flows**

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

(In millions)	Nine Months Ended September 30,	
	2021	2022
Cash provided by operating activities	\$ 311.2	\$ 219.2
Cash used in investing activities	\$ (52.2)	\$ (83.5)
Cash used in financing activities	\$ (101.6)	\$ (148.8)

#### *Cash Provided by Operating Activities*

Net cash provided by 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 provided by operating activities decreased \$92 million, or 30%, in the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021. This decrease was primarily driven by a \$284 million increase in operating expense payments, largely for third-party infrastructure costs. Partially offsetting this reduction in cash provided by operating activities was a \$62 million decrease in employee-related payments mainly due to a shift in headcount to our offshore service centers. In addition, there was a \$122 million increase in cash collections, primarily reflecting higher revenue levels and an increased focus on collection efforts with customers, and to a lesser extent, timing of collections.

#### *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 \$31 million, or 60%, in the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021. This was mainly due to the receipt of net proceeds of \$31 million in the prior year from the January 2021 sale of a parcel of undeveloped land in the United Kingdom adjacent to one of our existing data centers. During the nine months ended September 30, 2022, we made an \$8 million cash payment in connection with the acquisition of Just Analytics and a \$15 million payment for the purchase of a convertible promissory note that matures in 2027. These outflows in the current year period were offset by a \$22 million reduction in cash purchases of property, equipment, and software year-over-year.

#### *Cash 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 used in financing activities increased \$47 million, or 46%, in the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021. The change was primarily driven by a \$49 million reduction in proceeds from employee stock plans year-over-year. The remaining variance includes \$31 million in common stock share repurchases as part of the program authorized in March 2022, a \$14 million increase in finance lease principal payments, and a \$4 million increase in payments on the financing component of our interest rate swap during the nine months ended September 30, 2022. These drivers were partially offset by a \$51 million reduction in net payments related to long-term debt activity between periods, including debt issuance costs. The nine months ended September 30, 2021 included the February 2021 Refinancing Transaction and a \$65 million repayment on the now terminated Receivables Financing Facility, while the current period only includes quarterly principal payments on our Term Loan Facility.

### **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." For a description of accounting pronouncements recently adopted and issued, see Item 1 of Part I, Financial Statements - Note 1, "Company Overview, Basis of Presentation, and Summary of Significant Accounting Policies."

#### ***Goodwill and Indefinite-Lived Intangible Assets***

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, and (iv) 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. We have two reporting units with goodwill: Multicloud Services and Apps & Cross Platform. Goodwill allocated to our third reporting unit, OpenStack Public Cloud, was fully impaired during the fourth quarter of 2021.

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 and projected margins, which are dependent on internal cash flow forecasts; (iii) estimation of the terminal growth rates and capital spending; and (iv) determination of 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.

As of September 1, 2022, 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 unit as of September 1, 2022, for which we engaged a third-party valuation specialist to assist.

For the interim quantitative goodwill impairment analysis performed as of September 1, 2022, we utilized 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 regarding revenue growth rates, risk-adjusted discount rate, terminal period growth rate, economic and market trends and other expectations about the anticipated operating results of our reporting units. 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. We utilized a range of our weighted-average cost of capital of 10.0% 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 September 1, 2022. As a result of our interim goodwill impairment test performed as of September 1, 2022, we determined that the carrying amount of our Multicloud Services reporting unit exceeded its fair value and recorded a goodwill impairment charge of \$405 million, which is included in "Impairment of goodwill" in our Consolidated Statements of Comprehensive Loss for the three and nine months ended September 30, 2022. The impairment was driven by deteriorating forecasted margins and cash flows within this reporting unit primarily due to slower than anticipated product mix shifts. The Apps & Cross Platform reporting unit was determined to have a fair value that exceeded its carrying value by approximately 15% 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 unit 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 Multicloud Services and Apps & Cross Platform reporting units of approximately \$235 million and \$33 million, respectively.

As of September 1, 2022, 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% and a discount rate of 10.7%. We determined the estimated fair value of the Rackspace trade name was less than its carrying value. As a result, we recorded a \$21 million non-cash impairment charge, which is included in "Impairment of assets" in our Consolidated Statements of Comprehensive Loss for the three and nine months ended September 30, 2022.

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, estimation of future revenue and projected margins, which are dependent on internal cash flow forecasts, estimation of the terminal growth rates and capital spending, and determination of 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***

As of September 1, 2022, due to the factors discussed above, we performed an interim impairment review of the recoverability of our long-lived assets by asset group. Based on the results of the recoverability test, we determined that, as of September 1, 2022, the fair value of the OpenStack Public Cloud asset group's underlying assets was less than the carrying value. Fair values of the OpenStack Public Cloud long-lived assets were determined using the cost approach. The cost approach utilized assumptions for the current replacement costs of similar assets adjusted for estimated depreciation and deterioration of the existing equipment and economic obsolescence. Estimates of floor values for the property, equipment and software, net, were considered relative to potential economic support for the assets such that the concluded value did not fall below the estimated floor value of these assets. We concluded that the carrying value of the OpenStack Public Cloud long-lived assets, including customer relationship intangibles and property, equipment and software, net, were impaired and recorded non-cash impairment charges of \$38 million, which is included in "Impairment of assets" in our Consolidated Statements of Comprehensive Loss for the three and nine months ended September 30, 2022.



### 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, which includes our \$375 million Revolving Credit Facility and \$2,266 million outstanding under the Term Loan Facility. As of September 30, 2022, there were no outstanding borrowings under the Revolving Credit Facility and therefore our only variable-rate debt outstanding was the \$2,266 million outstanding under the Term Loan Facility. As of September 30, 2022, assuming the 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.

Our Term Loan Facility bears interest at an annual rate equal to an applicable margin plus three-month LIBOR, subject to a 0.75% floor. We have entered into interest rate swap agreements indexed to three-month LIBOR in order to manage our risk from fluctuations in three-month LIBOR above the 0.75% floor. During the nine months ended September 30, 2022, three of these swap agreements matured. The fixed rate for the remaining swap agreement is presented in the table below. As of September 30, 2022, the interest rate on the Term Loan Facility was 5.62%, equal to an applicable margin of 2.75% plus three-month LIBOR for the interest period of 2.87%.

The key terms of the swap outstanding as of September 30, 2022 are presented below:

<b>Transaction Date</b>	<b>Effective Date</b>	<b>Notional Amount (in millions)</b>	<b>Fixed Rate Paid</b>	<b>Maturity Date</b>
February 2021	February 9, 2021	\$ 1,350.0	2.3820%	February 9, 2026

See Item 1 of Part I, Financial Statements - Note 12, "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 nine months ended September 30, 2022, we recognized foreign currency transaction losses of \$16 million within "Other income (expense), net" in our Consolidated Statements of Comprehensive 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 nine months ended September 30, 2022, we expensed approximately \$32 million for utility companies to power our data centers, representing approximately 1% 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 Principal Executive and 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 Principal Executive and 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 Principal Executive and 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 Principal Executive and 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**

### **Purchases of Equity Securities by the Issuer and Affiliated Purchasers**

During the three months ended September 30, 2022, we did not repurchase any of our common stock.

On March 3, 2022, our board of directors authorized a program to repurchase up to \$75.0 million of shares of our common stock. The authorization was effective immediately, expires on September 30, 2023 and can be discontinued at any time. Under the program, shares may be repurchased from time to time through open-market transactions (including pre-set trading plans), privately negotiated transactions, accelerated share repurchases, and other transactions in accordance with applicable security laws. As of September 30, 2022, \$44.0 million remains available to be purchased under this program.

## **ITEM 3 – DEFAULTS UPON SENIOR SECURITIES**

None.

## **ITEM 4 – MINE SAFETY DISCLOSURES**

Not Applicable.

## **ITEM 5 – OTHER INFORMATION**

In connection with his previously announced retirement, on November 8, 2022, the company entered into a separation agreement and release (the "Separation Agreement") with Mr. Subroto Mukerji, pursuant to which he will be eligible to receive separation benefits including eighteen months of salary, eighteen months of target bonus, a pro-rata portion of the 2022 Corporate Cash Bonus payment based on actual achievement, legal fees up to \$7,500, and an aggregate lump-sum payment equal to eighteen months of COBRA benefits. Mr. Mukerji will also be eligible to receive the next vesting tranche of certain of his time-based restricted stock units granted in 2021 and 2022.

**ITEM 6 – EXHIBITS**

<b>Exhibit Number</b>	<b>Exhibit Description</b>
10.1†	<a href="#">Amended and restated employment agreement between Rackspace Technology, Inc. and Amar Maletira, effective September 27, 2022</a>
10.2†	<a href="#">Transition agreement and release of claims, between Rackspace Technology, Inc. and Kevin Jones, effective September 27, 2022</a>
10.3†	<a href="#">Settlement agreement between Rackspace Limited and Martin Blackburn, dated as of November 2, 2022</a>
10.4†	<a href="#">Separation agreement and release between Rackspace US, Inc. and Subroto Mukerji, dated as of November 8, 2022</a>
31.1*	<a href="#">Certification of the Principal Executive and Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
32.1**	<a href="#">Certification of the Principal Executive and Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
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 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: November 9, 2022

By: /s/ Amar Maletira  
Amar Maletira  
Chief Executive Officer  
*(Principal Executive and Financial Officer)*

## EMPLOYMENT AGREEMENT

This Amended and Restated Employment Agreement (“Agreement”) entered into on September 27, 2022 (the “Effective Date”) is made by and between Rackspace Technology, Inc., a Delaware corporation (together with its successors and assigns, the “Company”) and Amar Maletira (“Employee”).

WHEREAS, the Company currently employs Employee pursuant to that certain Employment Agreement dated as of October 16, 2020 (the “Prior Agreement”);

WHEREAS, except as explicitly provided herein, the Company and Employee desire to amend and restate the Prior Agreement in its entirety and replace it with this Agreement; and

WHEREAS, effective as of the Effective Date, the Company desires to continue to employ Employee and Employee desires to continue to be so employed with the Company, upon and subject to the terms and conditions set forth herein.

Now in consideration of the foregoing and for other good and valuable consideration and intending to be legally bound as of the “Effective Date,” the Company and Employee agree as follows:

### 1. TERM OF EMPLOYMENT

The term of employment under this Agreement shall commence on the Effective Date and shall continue until terminated as provided in Section 7 below (the “Employment Period”).

### 2. TITLE AND EXCLUSIVE SERVICES

(a) **Title and Duties.** During the Employment Period, Employee shall serve as the Company’s Chief Executive Officer and Employee will perform job duties and have responsibilities and authorities that are usual and customary for this position in a company the nature and size of the Company. Further, Employee shall serve as the Company’s Chief Financial Officer (“CFO”) and Employee will perform job duties and have responsibilities and authorities that are usual and customary for this position on a temporary basis for no additional compensation until the Company appoints a replacement principal financial officer. For so long as Apollo Global Management, Inc. (together with its subsidiaries and its investment funds, “Apollo”) is the majority shareholder of the Company, during the Employment Period, the Company shall nominate Employee to serve as a member of the Company’s board of directors (the “Board”). If Employee is appointed to any other position during the Employment Period consistent with his position as the Company’s Chief Executive Officer, this section shall be deemed to be amended to add the new position. In any position that Employee holds with the Company or any of its subsidiaries or affiliates (other than as a member of the Board), Employee shall report solely and directly to the Board.

(b) **Exclusive Services.** Employee shall not be employed or render services elsewhere during the Employment Period. Notwithstanding the foregoing provision of this Section, during the Employment Period, Employee may devote reasonable time to activities other than those required under this Agreement, including activities of a charitable, educational, religious or similar nature (including professional associations), or activities related to corporate board or advisory board positions for non-competitive companies, subject to Board approval not to be unreasonably withheld, and to the management of Employee’s personal investments, to the extent such activities do not interfere in a material way with the business of the Company.

### 3. COMPENSATION AND BENEFITS

(a) **Base Salary.** During the Employment Period, Employee shall be paid an annual base salary of \$900,000 (“Annual Base Salary”), which shall be paid in accordance with customary payroll practices (but in all events no less frequently than monthly) and shall be eligible for increases in Annual Base Salary consistent with Company’s ordinary compensation cycles and process for the Company’s senior executives (“Peer Executives”). After any such increase, “Annual Base Salary” for purposes of this Agreement shall mean such increased amount.

(b) **Annual Corporate Bonus.** With respect to each calendar year that ends during the Employment Period, Employee shall be eligible to receive an annual cash bonus (the “Annual Bonus”), with a target Annual Bonus amount equal to 150% of Annual Base Salary (“Target Bonus”), with a maximum potential amount of 200% of Annual Base Salary, and with the actual bonus determined pursuant to the Rackspace Corporate Cash Bonus Plan (or any successor plan) and as approved by the Board or Compensation Committee of the Board (“Compensation Committee”); provided that if the performance goals for an applicable year are achieved at or exceeding the target performance goals, Employee shall be paid no less than the Target Bonus for the applicable year. Each such Annual Bonus shall be payable on such date as is determined by the Board or the Compensation Committee, but in any event within the period required by Section 409A of the Internal Revenue Code of 1986, as amended (the “Code”) and its implementing regulations (“Section 409A”) such that it qualifies as a “short-term deferral” pursuant to Section 1.409A-1(b)(4) of the Department of Treasury Regulations (or any successor thereto). Notwithstanding the foregoing, no Annual Bonus shall be payable with respect to any calendar year (except as provided in Section 8 below) unless Employee remains continuously employed with Company through the payment date. If Employee’s target bonus as a percentage of Base Salary is increased during the Employment Period, “Target Bonus” for purposes of this Agreement shall mean such increased amount.

(c) **Retention Equity Awards.** In consideration for signing this Agreement, promptly following the Effective Date (but no later than 30 days thereafter), the Company will grant Employee one-time retention grants pursuant to the Rackspace Technology, Inc. 2020 Equity Incentive Plan (or any successor plan) (“Equity Plan”) in the form of (i) restricted stock units (“RSUs”) and (ii) performance stock units (“PSUs”), in each case, of the Company’s common stock, par value \$.01 per share (“Common Stock”). Each of the number of RSUs and target number of PSUs granted to Employee shall be determined by dividing \$7,500,000 (i.e., \$15,000,000 in the aggregate) by a 30-trading day volume weighted average market closing price of the Company’s NASDAQ-traded Common Stock immediately prior to the Effective Date (the “Retention Equity Grants”). The RSUs shall vest in equal annual installments on each anniversary of the Effective Date over a three-year period ending on the third anniversary of the Effective Date, and, except as otherwise set forth in Section 8(e)(3) below, subject to Employee’s continued employment through the applicable vesting date. The PSUs shall be eligible to vest in equal annual installments (within 30 days following the end of the applicable one-year, two-year or three-year measurement period) over a three-year performance period beginning on January 1, 2023 and ending on December 31, 2025, and, except as otherwise set forth in Section 8(e)(3) below, subject to Employee’s continued employment through the applicable vesting date and the achievement of the performance conditions included in the PSU Retention Equity Grant. The Retention Equity Grants will be issued pursuant and subject to the Equity Plan, with its RSUs being in the form provided as Exhibit B to the Prior Agreement and its PSUs being in the form used for PSU grants made on March 22, 2022, in each case as modified to be consistent with the terms provided in this Agreement (the “Grant Agreements”). Employee will be entitled to dividend equivalents if and to the extent granted to Peer Executives on both vested and unvested RSUs and PSUs granted pursuant to the Retention Equity Grants.

(d) **Annual Equity Awards.** Following the Effective Date and for each calendar year of the Employment Period thereafter, Employee will be eligible to receive equity awards on the same basis and terms (including the form and mix of awards, vesting and forfeiture terms and date on which such awards are granted) no less favorable to him than those applicable to any Peer Executive (other than for one-off grants) subject to Employee's continued employment through the applicable date of grant. Commencing in calendar year 2023, the Company shall grant Employee, no later than when the Company provides annual equity grants to Peer Executives for the applicable calendar year, an annual equity award having a target grant date value of a minimum of \$11,000,000 in the form determined in the sole discretion of the Board or the Compensation Committee; provided that for calendar years 2023 and 2024, Employee shall receive annual equity awards in the form of (i) RSUs and (ii) PSUs. Each of the number of RSUs and target number of PSUs granted to Employee for each of the grants in 2023 and 2024 will be determined by dividing \$5,500,000 (i.e., \$11,000,000 in the aggregate) by a 60-trading day volume weighted average price of the Company's NASDAQ-traded Common Stock immediately prior to the grant date (or if more favorable to Employee the share price used for Peer Executives for such award). Except as otherwise provided in this Section 3(d) and/or Section 8(e)(3) below, the RSUs and the PSUs will vest according to the terms of the Equity Plan and grant agreements applicable to Peer Executives; provided that Employee's rights under any applicable grant agreement may not be materially impaired (other than an impairment that is or that would likely be the result of Company's lawful compliance with the terms of this Agreement) without his written consent, which consent will not be unreasonably withheld, conditioned or delayed. For all years following 2024, the Board or the Compensation Committee, as applicable, will determine the composition of Employee's annual equity grants (which, for the avoidance of doubt, will have a target grant date value of a minimum of \$11,000,000). With respect to any granted RSU or PSU awards, Employee will be entitled to dividend equivalents on both vested and unvested RSUs and PSUs if and to the extent granted to Peer Executives.

(e) **PTO.** Employee is eligible for PTO (paid time off) of no less than 4 weeks per calendar year subject to the Company's policies.

(f) **Employment Benefit Plans.** During the Employment Period, Employee may participate in employee benefit plans in which Peer Executives may participate, according to the terms of applicable policies and as stated in the Employee Handbook. Employee acknowledges receipt of the Employee Handbook available on the intercompany website and will review and abide by its terms.

(g) **Expenses and Potential Relocation.** During the Employment Period, the Company will reimburse Employee for pre-approved travel and business expenses pursuant to Company policy and also agrees to pay directly to Employee's counsel the fees incurred by Employee in connection with the review and negotiation of this Agreement, capped at \$15,000. Employee's place of employment shall be in or within reasonable commuting distance to Cupertino, California. Although Employee is not required to relocate, Employee acknowledges and agrees that Employee may be required to spend a significant amount of time in San Antonio, Texas as reasonably requested by the Company. If Employee elects to relocate to the Company's headquarters during employment, Employee will be offered a standard executive relocation package (which will include a reimbursement for taxes, such that, after taking into account all applicable taxes, Employee is not out-of-pocket for any relocation expenses or reimbursements (but without regard to any lump sum payment for discretionary incidentals), with such reimbursement for taxes to be paid to Employee at the time Employee is required pay any taxes due on such reimbursement to the appropriate tax authorities but in all events no later than the date required by Section 1.409A-3(i)(1)(v) of the Department of Treasury Regulations).

#### 4. NONDISCLOSURE OF CONFIDENTIAL INFORMATION

(a) Company has provided and will continue to provide to Employee confidential information and trade secrets including but not limited to Company's operational, sales, marketing, personally identifiable information about employees, employee contact information and/or materials used for training and or/employee development, and engineering information, customer lists, business contracts, partner agreements, pricing and strategy information, product and cost or pricing data, compensation information, strategic business plans, budgets, financial statements, and other information Company treats as confidential or proprietary (collectively the "Confidential Information"). This section is not intended to limit Employee's rights to discuss Employee's compensation or other terms and conditions of employment as allowed by law and "Confidential Information" does not include information which is known to the general public or within the relevant trade or industry through no breach of Employee of this Section 4. Employee will not be liable under any Federal or State trade secret law for the disclosure of a trade secret that is made in confidence to a Federal, State or local government official, either directly or indirectly, or to an attorney, solely for the purpose of reporting or investigating a suspected violation of law or that is made in a document filed in a lawsuit so long as it is filed under seal. Employee acknowledges that such Confidential Information is proprietary and agrees not to disclose it to anyone outside Company except to the extent that (i) it is necessary in connection with performing Employee's duties; (ii) Employee is required by court order to disclose the Confidential Information, provided that, unless prohibited by law or regulation, Employee shall promptly inform Company, shall cooperate, at Company's sole expense, with the Company to obtain a protective order or otherwise restrict disclosure, and shall use reasonable best efforts to only disclose Confidential Information to the minimum extent necessary to comply with the court order. In addition, Employee may disclose Confidential Information to the extent required by law or by any governmental or regulatory or self-regulatory agency with actual or apparent authority to require Employee to disclose such information and to the extent necessary in connection with any dispute between the Company and Employee regarding this Agreement, any equity grant agreement (including the Grant Agreements or any grant agreement issued in connection with the grants under Section 3(d) above), the Indemnification Agreement (as defined below) or any other written agreement between the Company (or any of its subsidiaries or affiliates) and Employee. Employee agrees to never use Confidential Information in competing, directly or indirectly, with Company. When employment ends, Employee will immediately return all Confidential Information to the Company; provided Employee shall be permitted to retain, this Agreement, all agreements and plans governing his compensation and/or equity awards, the Indemnification Agreement, and any information or documents he reasonably believes is necessary to prepare his tax returns.

(b) The terms of this Section 4 shall survive the expiration or termination of this Agreement for any reason.

#### 5. NON-HIRE OF COMPANY EMPLOYEES

(a) To further preserve the Confidential Information, during employment and for six (6) months after employment ends, Employee will not, directly or indirectly, (i) hire or engage any current employee of the Company with whom he worked directly; (ii) solicit or encourage any employee with whom he worked directly to terminate employment or services with the Company; or (iii) solicit or encourage any employee with whom he worked directly to accept employment with or provide services to Employee or any business associated with Employee. For the avoidance of doubt, this prohibition will not prevent any employer or entity to whom Employee is providing services from soliciting or hiring such employees as long as Employee is not involved, directly or indirectly, in such solicitation and/or hiring.



(b) The terms of this Section 5 shall survive the expiration or termination of this Agreement for any reason.

## 6. NON-SOLICITATION OF CUSTOMERS AND SUPPLIERS

(a) To further preserve the Confidential Information, for eighteen (18) months after employment ends, Employee agrees not to directly or indirectly, on Employee's own behalf or on behalf of any other person or entity, recruit or otherwise solicit or induce any customer or supplier of the Company with whom Employee had direct contact, (i) to terminate its business arrangement with the Company, or (ii) otherwise change its relationship with the Company or establish any relationship with Employee or any of Employee's affiliates, in each case, for any business purpose deemed competitive with the business of the Company. For the avoidance of doubt, this prohibition will not prevent any employer or entity to whom Employee is providing services from soliciting any customer or supplier of the Company to do business with it as long as Employee is not involved, directly or indirectly, in such solicitation.

(b) The terms of this Section 6 shall survive the expiration or termination of this Agreement for any reason.

(c) Except as otherwise expressly set forth in Sections 4, 5, or 6 of this Agreement, following termination of Employee's employment there are no other restrictions on his activities and if there is a conflict between any provision of this Agreement and the provision of any Company (or its subsidiary's or affiliate's) plan, policy or other written agreement, the provisions of this Agreement shall govern.

## 7. TERMINATION

Employee's employment may be terminated prior to the end of the Employment Period only by mutual written agreement or:

(a) **Death.** The date of Employee's death shall be the termination date.

(b) **Disability.** Company may terminate this Agreement and Employee's employment if Employee becomes covered for long term disability benefits under any long term disability plan maintained by the Company or its subsidiaries in which Employee participates ("Disability").

(c) **Termination By Employee For Good Reason.** Employee may terminate Employee's employment at any time for "Good Reason," if any of the following actions are taken without his express written consent: (i) a material reduction in Employee's duties, responsibilities or authority, including, without limitation, (x) removal of Employee from (i) the position of Chief Executive Officer of the Company (or following a Change in Control (as defined in the Equity Plan) the failure of Employee to be the Chief Executive Officer of the successor entity, including its ultimate parent) or (ii) any other position to which he has been appointed (other than as a member of the Board), or (y) for so long as Apollo is the majority shareholder of the Company, the failure to appoint or re-elect Employee, or the removal of Employee, as a member of the Board; (ii) a reduction in Employee's Annual Base Salary or Target Bonus, (iii) any material breach by the Company or its subsidiaries of any term of provision of this Agreement or any other written agreement to which Employee is a party, including the Grant Agreements or any grant agreement entered into in connection with the grants made pursuant to Section 3(d) above, (iv) Employee being required to work solely or substantially at a location more than 50 miles from a location where Employee has been permitted to work as of the date of beginning employment, (v) any requirement that Employee report to someone other than the Board (or following a Change in Control, the board of directors

(or similar governing body) of the successor entity, including its ultimate parent), or (vi) the failure of a successor to all or substantially all of the assets of the Company to assume this Agreement either contractually or as a matter of law as of the date of such transaction; provided that any such event shall not constitute Good Reason unless and until Employee shall have provided the Company with written notice thereof no later than forty five (45) days following the initial occurrence of such event (or if later, the date Employee learns of it) and, except in the case of clause (vi), the Company shall have failed to fully remedy such event within forty five (45) days of receipt of such notice, and Employee shall have terminated Employee's employment with the Company within thirty (30) days following the expiration of such remedial period (or in the case of clause (vi), within thirty (30) days following delivery of the notice that Employee has Good Reason to resign).

(d) **Termination by Employee Without Good Reason.** Employee may resign his employment without Good Reason any time upon forty-five (45) days' advance written notice. Employee's termination of his employment in accordance with this Section 7(d) shall not be deemed to be a breach of this Agreement.

(e) **Termination By Company.** The Board may terminate Employee's employment with or without Cause and determine the termination date (which in all events cannot be any earlier than the date the termination notice is effectively given). "Cause" shall have the meaning ascribed to such term in the Equity Plan as in effect on the Effective Date (provided the last sentence of such definition shall not be applicable to Employee). Any act or omission of Employee will not be the basis of a Cause termination to the extent that Employee (i) has relied on the advice or followed the instructions of any counsel (internal or external) for the Company (or any of its subsidiaries or affiliates), any accounting firm providing services to the Company (or any of its subsidiaries or affiliates) or any outside firm providing advice to the Company (or any of its subsidiaries or affiliates), (ii) has followed the instructions or directions of the Board and following such instructions or directions was not a violation of applicable law or Employee's duties to the Company, or (iii) had a reasonable and good faith belief that such act or omission was in (or not opposed to) the best interests of the Company (or its subsidiaries or affiliates, as applicable) and not a violation of applicable law or his duties to the Company. Notwithstanding the foregoing, Employee's employment shall not be terminated for Cause unless and until there has been a resolution duly adopted by the affirmative vote of more than half of the entire membership of the Board (not counting Employee or any employee director) finding by the Board that Employee has engaged in conduct set forth in the Cause definition and specifying the particulars thereof in reasonable detail.

(f) **Termination of all Positions.** Upon termination of Employee's employment for any reason, Employee agrees to resign, as of the date of such termination or such other date requested by the Company, from all positions on the Board and all committees thereof, if applicable, and from the board of directors or similar governing bodies (and all committees thereof) of all other affiliates of the Company) and from all other positions and offices that Employee then holds with the Company and its subsidiaries and affiliates. Employee agrees to promptly execute such documents as the Company, in good faith, shall reasonably deem necessary to effect such resignations, and in the event that Employee is unable or unwilling to execute any such document, Executive hereby grants his proxy to any officer of the Company to so execute on his behalf.

## 8. COMPENSATION UPON TERMINATION AND/OR CHANGE IN CONTROL

(a) Subject to Section 16 below, upon termination of Employee's employment for any reason, Employee (or his estate) shall be entitled to receive: (i) any amount of Employee's Annual Base Salary earned through the date of termination but not yet paid and any expenses or reimbursements owed to Employee (or on his behalf) under Section 3(g), (ii) except for a

resignation by Employee without Good Reason or a Cause termination, any unpaid Annual Bonus for any performance year which has been completed on or prior to the termination date, paid in accordance with Section 3(b) above, (iii) Employee's rights with respect to any equity and/or long-term incentive awards, which have vested as of the date of termination, and (iv) any amount or entitlement arising from Employee's participation in, or benefits under, any employee benefit plans, programs, or arrangements under Section 3(e) and 3(f) above (other than severance plans, programs, or arrangements), which amounts or entitlements shall be payable in accordance with the terms and conditions of such employee benefit plans, programs, or arrangements, including, where applicable, any death and disability benefits (the "Accrued Obligations").

(b) **Death.** Subject to Section 16 below, the Company shall pay to Employee's estate, (i) within thirty (30) days the Accrued Obligations (except for clause (iv) of such definition which are payable as set forth in such clause), and (ii) a lump sum payment payable on the 60th day following the termination day, less ordinary payroll deductions, of the amount equal to (A) six (6) months of the applicable premium cost for continued Company group health coverage for Employee's dependent survivors ("Family Members") pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1986, as amended ("COBRA"), based on Employee's elections with respect to health coverage for Family Members in effect as of immediately prior to Employee's termination (which amount will be based on the premium for the first month of COBRA coverage), regardless of whether COBRA continuation is elected, and (B) a pro rata Target Bonus based on the number of days Employee was employed during the calendar year.

(c) **Disability.** If the Company terminates Employee's employment in accordance with Section 7(b), subject to Section 16 below, the Company shall pay to Employee (or his legal representative, if applicable), (i) within thirty (30) days the Accrued Obligations (except for clause (iv) of such definition which are payable as set forth in such clause), and (ii) a lump sum payment payable on the 60th day following the termination date, less ordinary payroll deductions, of the amount equal to (A) six (6) months of the applicable premium cost for continued Company group health coverage for Employee and Employee's Family Members pursuant to COBRA, based on Employee's elections with respect to health coverage for himself and Family Members in effect as of immediately prior to Employee's termination (which amount will be based on the premium for the first month of COBRA coverage), regardless of whether COBRA continuation is elected, and (B) a pro rata Target Bonus based on the number of days Employee was employed during the calendar year.

(d) **Termination By Company For Cause or by Employee without Good Reason:** If the Company terminates Employee's employment for Cause or Employee resigns his employment without Good Reason in accordance with Section 7(d) above, the Company shall, within thirty (30) days, pay to Employee, the Accrued Obligations (except for clause (iv) of such definition which are payable as set forth in such clause). Notwithstanding the foregoing, if Employee qualifies for retirement treatment under any Company and/or affiliate's plan, policy or written agreement, Employee shall also receive the payments and/or benefits due for a retirement.

(e) **Termination With Severance and/or Change in Control.**

(1) Termination By Company Without Cause or Termination by Employee for Good Reason - Severance: If Company terminates Employee's employment without Cause and not by reason of death or Disability or if Employee terminates his employment for Good Reason, Company will pay, within thirty (30) days, the Accrued Obligations (except for clause (iv) of such definition which are payable as set forth in such clause). In addition, for such terminations, if Employee signs on or prior to the 50th day following such termination date and does not revoke within the 7-day revocation period a Severance Agreement and General Release of Claims (as defined and more fully described in Section 8(e)(5) below), subject to Section 16

below, Company will pay Employee: (i) in periodic payments in accordance with ordinary payroll practices and deductions as set forth in Section 3(a) above over the 18 month period following the date of termination, an amount equal to 1.5 times the sum of (x) Annual Base Salary, plus (y) a 150% of Target Bonus, provided that any payments which qualify as deferred compensation under Section 409A of the Code and which are payable prior to the 60th day following the “separation from service” date (for purposes of Section 409A and as more fully described in Section 16 below) shall be paid on the 60th day following such “separation from service” date, (ii) a pro rata Annual Bonus, which represents the unpaid pro-rata portion of the actual annual performance bonus that Employee would otherwise be entitled to receive based on the actual level of achievement of the applicable performance objectives (but assuming that all personal and/or subjective performance goals are earned at 100%) for the fiscal year in which Employee’s termination occurs, to be paid in a lump sum at the same time bonuses are paid to Peer Executives and in all events in accordance with Section 3(b) above and (iii) a lump sum payment on the 60th day following the termination date equal to eighteen (18) months of the applicable premium cost for continued Company group health coverage for Employee and his Family Members pursuant to COBRA based Employee’s elections with respect to health coverage for Employee and his Family Members in effect as of immediately prior to Employee’s termination (which amount will be based on the premium for the first month of COBRA coverage), regardless of whether COBRA continuation is elected.

(2) Severance/Change in Control: If there is a Change in Control (as defined in the Equity Plan) *and* within ninety (90) days before and on or twenty-four (24) months following the date of the Change in Control Employee is terminated by Company without Cause and not by reason of death or Disability or Employee terminates employment for Good Reason, the Company will pay, within thirty (30) days, the Accrued Obligations (except for clause (iv) of such definition which are payable as set forth in such clause). In addition, for such a termination, if Employee signs on or prior to the 50th day following such termination date and does not revoke within the applicable 7-day revocation period the Severance Agreement and General Release of Claims (as defined and more fully described in Section 8(e)(5) below), in lieu of the severance payments outlined in Section 8(e)(1), subject to Section 16 below, the Company will pay Employee: (i) cash severance equal to 2.0 times the sum of (A) the Annual Base Salary plus (B) the Target Bonus, payable (x) if such termination date is prior to the Change in Control, or such termination date occurs on or after a Change in Control but the Change in Control does not qualify as a “change in control event” within the meaning of Section 409A, in periodic payments in accordance with ordinary payroll practices and deductions as set forth in Section 3(a) above over the 18 month period following the date of termination, provided that any payments which qualify as deferred compensation under Section 409A of the Code and which are payable prior to the 60th day following the “separation from service” date shall be paid on the 60th day following such “separation from service” date and (y) if such termination date is on or after a Change in Control which qualifies as a “change in control event” within the meaning of Section 409A, in a lump sum on the 60th day following the termination date, (ii) a pro rata Target Bonus, based on the number of days Employee was employed in the fiscal year in which the termination date occurs, paid in a lump sum on the 60<sup>th</sup> day following the termination date, and (iii) a lump sum payment on the 60th day following the termination date equal to eighteen (18) months of the applicable premium cost for continued Company group health coverage for Employee and his Family Members pursuant to the COBRA, based on Employee’s elections with respect to health coverage for Employee and his Family Members in effect as of immediately prior to Employee’s termination (which amount will be based on the premium for the first month of COBRA coverage) regardless of whether COBRA continuation is elected, plus the “Health Insurance Tax Payment” described in Section 4.01(d) of the Rackspace Technology, Inc. Executive Change in Control Severance Plan, as adopted and effective March 16, 2021 (the “CIC Plan”). For the avoidance of doubt, Employee has waived participation in the CIC Plan and the Company and the Compensation Committee have accepted such waiver.

(3) Accelerated Vesting of Granted Equity: Notwithstanding the terms of the Equity Plan and/or the Grant Agreements, or any other grant agreement or written agreement governing any equity award, including, without limitation, a RSU and/or PSU grant, the Company agrees that any granted, outstanding equity that has not yet vested shall immediately accelerate and vest and be non-forfeitable and, if vesting is based on performance metrics, such equity will vest at the greater of (x) as if target performance were achieved or (y) as otherwise provided in the applicable grant agreement, on the earlier of (i) the effective date of a Change in Control (as defined in the Equity Plan), or (ii) the effective date of a termination by Company on account of death or Disability, termination by Company without Cause or termination by Employee for Good Reason; and will be delivered within 70 days of such vesting date unless the applicable grant agreement or Equity Plan provides for an earlier delivery date, in each case, other than clause (i), subject to Employee signing on or prior to the 50th day following such termination date and not revoking within the applicable 7-day revocation period, the Severance Agreement and General Release of Claims (as defined in Section 8(e)(5) below). In addition, simultaneous with or as soon as practicable after the acceleration of any such equity pursuant to clause (i) of the preceding sentence (but in all events no later than thirty (30) days following the Change in Control), the Company (or its successor) will make a payment to Employee equal to the “Tax Payment” described in Section 4.01(f) of the CIC Plan.

(4) Breach of Agreement; Commencement of Subsequent Employment with a Competitor within One Year; Re-hire: If Employee (i) materially breaches Section 4 or breaches Sections 5 or 6 of this Agreement, the Company shall provide Employee with written notice of the event or events giving rise to such breach and if Employee fails to cure such breach within twenty (20) days after receipt of written notice from the Company describing such breach or such breach is not curable, (ii) provides services as an employee, independent contractor, officer, owner (i.e., through active management), direct consultant to a Competitor (as defined below) prior to the first anniversary of the date Employee’s employment is terminated, or (iii) is rehired by Company with Employee’s express consent, in case of clauses (i) and (iii), during any period during which Employee is entitled to receive payments pursuant to Section 8(d), 8(e)(1) or 8(e)(2) (other than the Accrued Obligations), and in case of clause (ii) the one year period prior to the first anniversary of Employee’s termination date), the payments pursuant to Section 8(d), 8(e)(1) or 8(e)(2) (other than the Accrued Obligations) shall cease immediately. The foregoing shall not affect Company’s right to enforce the provisions of this Agreement by injunctive relief or otherwise. Employee agrees to immediately notify the Company upon the occurrence of any event specified in clause (ii) of the first sentence of this paragraph. For purposes of this Section 8(e) (4), “Competitor” shall mean any business anywhere in the world that sells hosting and information technology services substantially similar to those services provided by the Company, namely (i) provisioning, hosting, management, monitoring, supporting, or maintenance of applications, computer servers (whether dedicated, shared or virtual) and network connectivity in a datacenter for remote use via the Internet, (ii) hosted email, storage, collaboration, compute, virtual networking and similar services, and (iii) all similar related services.

(5) Severance Agreement and General Release of Claims. The Severance Agreement and General Release of Claims required under this Section 8 shall be provided to Employee by the Company no later than five (5) days following his termination date and shall comply with the following terms: (i) it shall not require Employee to waive any rights he has to the Accrued Obligations, his severance rights under the applicable section of this Section 8 and/or his rights to be indemnified and/or advancement expenses under applicable law or under the Indemnification Agreement or his rights to be covered under directors’ and officers’ liability insurance policies as set forth in Section 19 below; and (ii) it will only contain the following additional terms unrelated to a general release of claims: (w) the limitations set forth in Section 8(e)(4) and the restrictive covenants consistent with Sections 4, 5 and 6 of this Agreement, (x) a cooperation provision consistent with Section 13 below, (y) a requirement to return Company property and Confidential Information consistent with Section 4 above and (z) a mutual non-

disparagement provision (with Employee's non-disparagement obligations only extending to the Company and its related entities and their officers, directors and employees and the Company's non-disparagement obligations being limited to press release and official Company internal or external announcements and/or emails and the executive leadership team), with standard carveouts for any party to make truthful statements to the extent necessary as required by law or by any government or regulatory or self-regulatory agency or body with actual or apparent authority to require such party to make such disclosure or to the extent necessary in connection with any claim or suit which is the subject to a motion for injunctive relief or arbitration.

(6) No Mitigation or Offset. The Company agrees that, in order for Employee to be eligible to receive the payments and other benefits under this Agreement, Employee is not required to seek other employment or to attempt in any way to reduce any amounts payable to Employee by the Company pursuant to this Section 8. Further, the amount of any payment or benefit provided for in Section 8 shall not be reduced by any compensation earned by Employee following the date of termination of his employment as the result of employment by another employer or otherwise, by retirement benefits, by offset against any amount claimed to be owed by Employee to the Company or otherwise.

## 9. OWNERSHIP OF MATERIALS

Employee agrees that all inventions, improvements, discoveries, designs, technology, and works of authorship (including but not limited to computer software) made, created, conceived, or reduced to practice by Employee, whether alone or in cooperation with others, during employment with the Company, together with all patent, trademark, copyright, trade secret, and other intellectual property rights related to any of the foregoing throughout the world, are among other things works made for hire and belong exclusively to the Company, and Employee hereby assigns all such rights to the Company. Employee agrees, at the Company's sole cost and expense and as may be reasonably requested by the Company, to execute any documents, testify in any legal proceedings, and do all things reasonably necessary or desirable to secure Company's rights to the foregoing, including without limitation executing inventors' declarations and assignment forms.

## 10. PARTIES BENEFITED; ASSIGNMENTS

This Agreement shall be binding upon Employee, Employee's heirs and Employee's personal representative or representatives, and upon Company and its respective successors and assigns. Neither this Agreement nor any rights or obligations hereunder may be assigned by Employee, other than by will or by the laws of descent and distribution. The Company may assign its rights and obligation under this Agreement only to any successor to all or substantially all the assets of the Company, by merger or otherwise; provided such successor agrees to expressly assume this Agreement and perform the Company's obligations hereunder. If Employee should die while any payment, benefit or entitlement is due to him hereunder, such payment, benefit or entitlement shall be paid to his spouse (or if she is not alive, to his estate).

## 11. GOVERNING LAW

This Agreement is intended to qualify as a "top hat plan" under the Employee Retirement Income Security Act of 1974, as amended, and as such shall be governed by federal law. To the extent not preempted by federal law, this Agreement shall be governed, construed, interpreted, and enforced in accordance with the substantive laws of the State of Delaware, without reference to the principles of conflicts of law of Delaware or any other jurisdiction, and where applicable, the laws of the United States; provided that Sections 4, 5, 6 and 8(e)(4) shall be governed, construed, interpreted, and enforced in accordance with the substantive laws of the State of Texas, without reference to the principles of conflicts of law of Texas or any other jurisdiction.

Each of the Company and Employee (on behalf of itself and its affiliates), following representation and advice of counsel, expressly consents to the personal jurisdiction of the Delaware state and federal courts for any lawsuit relating to this Agreement (other than Sections 4, 5, 6 and 8(e)(4) of this Agreement and expressly consents to the personal jurisdiction of the Texas state and federal courts for any lawsuit relating to Sections 4, 5, 6 and 8(e)(4) of this Agreement, waives any other requirement (whether imposed by statute, rule of court, or otherwise) with respect to such personal jurisdiction or service of process, and waives any objection to jurisdiction based on improper venue or improper jurisdiction.

Each party hereto hereby waives, to the fullest extent permitted by applicable law, any right it may have to a trial by jury in respect of any suit, action, or proceeding arising out of or relating to this Agreement. Each party hereto (i) certifies that no representative, agent, or attorney of any other party has represented, expressly or otherwise, that such party would not, in the event of any action, suit, or proceeding, seek to enforce the foregoing waiver and (ii) acknowledges that it and the other party hereto have been induced to enter into this Agreement by, among other things, the mutual waiver and certifications in this Section.

Employee acknowledges that he is represented by counsel in connection with Employee's review and agreement to all terms and conditions of this Agreement.

Employee acknowledges and agrees that this Agreement has been negotiated by the parties. In the event of a conflict between any provision of this Agreement and the provision of any plan, policy, program or other written agreement of the Company or any of its affiliates, the provisions of this Agreement shall control.

## 12. DEFINITION OF COMPANY

The definition of "Company" for purposes of Section 4, 5, 6 and 9 shall mean Rackspace Technology, Inc., Rackspace US, Inc., and their present and future divisions, operating companies, subsidiaries, affiliates (other than any shareholder) and successors. Notwithstanding anything herein to the contrary, the Company may cause all cash payment or reimbursement obligations hereunder to be satisfied by a subsidiary of the Company.

## 13. LITIGATION AND REGULATORY COOPERATION

During the Employment Period and for three (3) years thereafter, subject to his business and personal commitments, Employee shall reasonably cooperate in the defense or prosecution of claims, investigations, or other similar actions which relate to events or occurrences during employment and of which he has knowledge, unless such cooperation would be adverse to his legal interests. Employee agrees, unless precluded by law, to promptly inform the Company if Employee is asked to participate (or otherwise become involved) in any such claim, investigation or action. Employee's cooperation shall include being available to prepare for discovery or trial and to act as a witness. Company will pay an hourly rate (based on Annual Base Salary as of the last day of employment) for cooperation (other than as a witness at a court or arbitration proceeding, in which case no hourly rate will be paid) that occurs after employment, and reimburse for reasonable expenses, including travel expenses and reasonable attorneys' fees and costs. Employee shall also remain entitled to any rights he has to be indemnified, advanced expenses and/or covered under any applicable directors' and officers' liability insurance policies.

## 14. DISPUTE RESOLUTION

(a) **Injunctive Relief:** Employee agrees that irreparable damages to Company may result from Employee's breach of this Agreement. A breach or threat of breach of this Agreement shall give the non-breaching party the right to seek a temporary restraining order and

a preliminary or permanent injunction enjoining the breaching party from violating this Agreement in order to prevent immediate and irreparable harm. Each party shall be responsible and/or liable only for its or his own legal fees and other costs and expenses of litigation or threatening to bring a claim. Pursuit of equitable relief under this Agreement shall have no effect regarding the continued enforceability of the Arbitration Section below. Remedies for breach under this Section are cumulative and not exclusive; the parties may elect to pursue any remedies available under this Agreement.

(b) **Arbitration:** The parties agree that any dispute or claim, that could be brought in court including discrimination or retaliation claims, relating to this Agreement or arising out of Employee's employment or termination of employment, shall be submitted to binding arbitration, except claims regarding: (i) workers' compensation benefits; (ii) unemployment benefits; (iii) Company's employee welfare benefit plans, if the plan contains a final and binding appeal procedure for the resolution of disputes under the plan; (iv) wage and hour disputes within the jurisdiction of any state Labor Commissioner; and (v) issues that could be brought before the National Labor Relations Board or covered by the National Labor Relations Act. *This Agreement is not intended to prohibit Employee from filing a claim or communicating with any governmental agency including the Equal Employment Opportunity Commission, the National Labor Relations Board or the Department of Labor.* The arbitration shall be conducted in San Antonio, Texas. The arbitration shall proceed in accordance with the *National Rules for Resolution of Employment Disputes of the American Arbitration Association* ("AAA") in effect at the time the claim or dispute arose, unless other rules are agreed upon by the parties. Unless agreed to in writing, the arbitration shall be conducted by one arbitrator from AAA or a comparable arbitration service, and who is selected pursuant to the National Rules for Resolution of Employment Disputes of the AAA, or other rules as the parties may agree to in writing. Any claims received after the applicable statute of limitations period shall be deemed null and void. The parties further agree that by entering into this Agreement, the right to participate in a class or collective action is waived. CLAIMS MAY BE ASSERTED AGAINST THE OTHER PARTY ONLY IN AN INDIVIDUAL CAPACITY AND NOT AS A PLAINTIFF OR CLASS MEMBER IN ANY PURPORTED CLASS OR REPRESENTATIVE PROCEEDING. Further, unless the parties agree otherwise, the arbitrator may not consolidate more than one person's claims and may not otherwise preside over any form of a representative, collective or class proceeding. The arbitrator shall issue a reasoned award with findings of fact and conclusions of law. Either party may bring an action in any court of competent jurisdiction to compel arbitration under this Agreement, or to enforce or vacate an arbitration award. However, in actions seeking to vacate an award, the standard of review to be applied by said court to the arbitrator's findings of fact and conclusions of law will be the same as that applied by an appellate court reviewing a decision of a trial court sitting without a jury, unless state law requires otherwise. Company will pay the actual fee for the arbitrator and the claimant's filing fee; unless otherwise provided by law and awarded by the arbitrator, each party will pay their own attorneys' fees and other expenses; provided, that, if Employee is required to incur attorneys' fees in order to obtain any payments or benefits under Section 8(e)(2) or 8(e)(3) (but solely with respect to the Change in Control provisions in such section), and provided that Employee prevails on at least one material issue related to such a claim, then the Company shall reimburse the attorneys' fees incurred by Employee.

#### 15. REPRESENTATIONS AND WARRANTIES OF EMPLOYEE AND COMPANY

(a) Unless and until the Company makes this Agreement publicly available, Employee shall keep all terms of this Agreement confidential, except as may be disclosed to Employee's spouse, accountants or attorneys, each of whom shall agree to keep all terms of this Agreement confidential. Employee represents that Employee is under no contractual or other restriction inconsistent with the execution of this Agreement, or the performance of Employee's



duties hereunder. Employee authorizes the Company for eighteen (18) months following his termination date to inform any prospective employer of the existence and terms of this Agreement without liability for interference with Employee's prospective employment.

(b) The Company represents and warrants that (i) it is fully authorized by action of the Board (and of any other person or body whose action is required) to enter into this Agreement and perform its obligations, (ii) the execution, deliver and performance of this Agreement by the Company does not violate any applicable law, regulation, order, judgement or decree or any agreement, arrangement, plan or corporate governance document to which it is a party or by which it is bound and (iii) upon the execution and delivery of this Agreement by the parties hereto, this Agreement shall be its valid and binding obligation, enforceable against it in accordance with its terms and conditions, except to the extent that enforceability may be limited by applicable bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally.

#### 16. SECTION 409A COMPLIANCE

(a) **General.** The parties hereto acknowledge and agree that, to the extent applicable, the payments, benefits and/or entitlements under this Agreement are intended to either comply with or be exempt from the provisions of Section 409A such that Employee is not subject to tax, interest or penalties under Section 409A. This Agreement shall be interpreted in accordance with such intent. Notwithstanding any provision of this Agreement to the contrary, in the event that the Company determines that any amounts payable hereunder will be taxable currently to Employee under Section 409A, the Company and Employee shall cooperate in good faith to (i) adopt such amendments to this Agreement and appropriate policies and procedures, including amendments and policies with retroactive effect, that they mutually determine to be necessary or appropriate to preserve the intended tax treatment of the benefits provided by this Agreement, to preserve the economic benefits of this Agreement, and to avoid less-favorable accounting or tax consequences for the Company, and/or (ii) take such other actions as mutually determined to be necessary or appropriate to exempt the amounts payable hereunder from Section 409A or to comply with the requirements of Section 409A and thereby avoid the application of penalty taxes thereunder; provided, however, that this Section does not create an obligation on the part of the Company to modify this Agreement or any other arrangement or plan and does not guarantee that the amounts payable hereunder will not be subject to interest or penalties under Section 409A, and in no event whatsoever shall the Company or any of its affiliates be liable for any additional tax, interest, or penalties that may be imposed on Employee with respect to any payments under this Agreement as a result of Section 409A or any damages for failing to comply with Section 409A.

(b) **Separation from Service under Section 409A and Other Provisions.** Notwithstanding any provision to the contrary in this Agreement: (i) if and to the extent that any payment or benefit under this Agreement constitutes "non-qualified deferred compensation" subject to Section 409A or is intended to be exempt from Section 409A and, in either case, is payable to Employee upon a termination of employment, such payment or benefit shall be made or provided to Employee only upon a "separation from service" within the meaning of Section 1.409A-1(h) of the Department of Treasury Regulations (and using the default presumptions thereunder) and each reference to "termination date," "date of termination," "termination of employment," or such similar term shall be interpreted to mean a "separation from service"; (ii) if Employee is deemed at the time of Employee's separation from service to be a "specified employee" for purposes of Section 409A(a)(2)(B)(i) of the Code and any payment, compensation or other benefit provided to Employee in connection with his termination of employment is determined in whole or part, to constitute "non-qualified deferred compensation" within the meaning of Section 409A, no part of such payment, compensation or other benefit shall be paid to Employee prior to the earlier of (A) the day that is the first business day after the expiration of

the six-month period measured from the date of Employee's "separation from service", and (B) the date of Employee's death; provided, that upon the earlier of such dates, all payments deferred pursuant to this Section 16(b) shall be paid to Employee in a lump sum, and any remaining payments, compensation or other benefits shall be paid as otherwise provided herein; (iii) the determination of whether Employee is a "specified employee" for purposes of Section 409A(a)(2)(B)(i) of the Code as of the time of Employee's separation from service shall be made by the Company in accordance with the terms of Section 409A (including, without limitation, Section 1.409A-1(i) of the Department of Treasury Regulations and any successor provision thereto); (iv) for purposes of Section 409A of the Code, Employee's right to receive installment payments (including payment of the severance payment under clause (i) of the second sentence of Section 8(e)(1) and clause (i)(x) of the second sentence to Section 8(e)(2)) of any payment hereunder shall be treated as a right to receive a series of separate and distinct payments; (v) whenever a payment under this Agreement specifies a payment period with a reference to a number of days (e.g., "payment shall be made within thirty (30) days following the termination date"), the actual date of payment within the specified period shall be within the sole discretion of the Company, and if such payment can be made in one of two calendar years it shall be paid during such specified period but in the second calendar year; (vi) there shall be no offset or reduction against any payments, compensation or benefits under this Agreement if such offset or reduction would result in the imposition of additional taxes, interest or penalties under Section 409A on any payment, benefit or entitlement payable to Employee; and (vii) all reimbursements provided under this Agreement shall be made or provided in accordance with the requirements of Section 409A, including, to the extent that any reimbursement of expenses or in-kind benefits constitutes "deferred compensation" under Section 409A, (A) such reimbursement or benefit shall be provided no later than December 31 of the year following the year in which the expense was incurred, (B) the amount of expenses reimbursed in one year shall not affect the amount eligible for reimbursement in any subsequent year, (C) the amount of any in-kind benefits provided in one year shall not affect the amount of in-kind benefits provided in any other year and (D) reimbursements and in-kind benefits shall not be subject to liquidation or exchange for another benefit.

#### 17. WITHHOLDING

The Company shall be entitled to withhold from any amounts payable under this Agreement any federal, state, and local withholding and other taxes that the Company is required to withhold. The Company shall be entitled to rely on an opinion of counsel if any questions as to the amount or requirement of withholding shall arise.

#### 18. EXCESS PARACHUTE PAYMENTS

If any payment, benefit, entitlement or distribution by the Company (or any of its subsidiaries or affiliates) or, by the person(s) or entity or entities effecting the change in control or change in ownership of a substantial portion of the assets of a corporation, to or for the benefit of Employee, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise (including, without limitation, pursuant to or by reason of any other agreement, policy, plan, program, or arrangement, including without limitation any stock option, stock appreciation right, or similar right, or the lapse or termination of any restriction on or the vesting or exercisability of any of the foregoing) (a "Payment"), would (i) constitute a "parachute payment" within the meaning of Section 280G of the Code (or any successor provision thereto or any similar statute or code), and (ii) but for this sentence, be subject to excise tax imposed by Section 4999 of the Code (or any successor provision thereto) or to any similar tax imposed by state or local law, or any interest or penalties with respect to such excise tax (such tax or taxes, together with any such interest or penalties, are hereafter collectively referred to as the "Excise Tax"), then, in the event that the after-tax value of all Payments to Employee (such after-tax value to reflect the reduction for the Excise Tax and all federal, state, and local income,

employment, and other taxes on such Payments) would, in the aggregate, be less than the after-tax value to Employee (reflecting a reduction for all such taxes in a like manner) of the amount that is 2.99 times Employee's "base amount" within the meaning of Section 280G(b)(3) of the Code (the "Safe Harbor Amount"), (a) the cash portions of the Payments payable to Employee under this Agreement shall be reduced, in the reverse order in which they are due to be paid commencing with the latest such payment, until the Parachute Value (as defined below) of all Payments paid to Employee, in the aggregate, equals the Safe Harbor Amount, and (b) if the reduction of the cash portions of the Payments, payable under this Agreement, to zero would not be sufficient to reduce the Parachute Value of all Payments to the Safe Harbor Amount, then any cash portions of the Payments payable to Employee under any other agreements, policies, plans, programs, or arrangements shall be reduced, in the reverse order in which they are due to be paid commencing with the latest such payment, until the Parachute Value of all Payments paid to Employee, in the aggregate, equals the Safe Harbor Amount, and (c) if the reduction of all cash portions of the Payments, payable pursuant to this Agreement or otherwise, to zero would not be sufficient to reduce the Parachute Value of all Payments to the Safe Harbor Amount, then non-cash portions of the Payments shall be reduced, in the reverse order in which they are due to be paid commencing with the latest such payment, until the Parachute Value of all Payments paid to Employee, in the aggregate, equals the Safe Harbor Amount; provided that in all events any Payment which receives the favorable valuation under Q&A-24 (b) and (c) of Treas. Reg. §1-280G shall not be reduced before all Payments which do not receive such favorable valuation have been reduced. All calculations under this Section shall be determined by a national accounting firm selected by the Company (which may include the Company's outside auditors). The Company shall pay all costs to obtain and provide such calculations to Employee and the Company and such calculations shall be provided to any Payment being paid to Employee. For purposes of this Agreement, the "Parachute Value" of a Payment shall mean the present value as of the date of the change in ownership or effective control, within the meaning of Section 280G of the Code, of the portion of such Payment that constitutes a "parachute payment" under Section 280G(b)(2) of the Code, as determined for purposes of determining whether and to what extent the Excise Tax will apply to such Payment.

#### 19. INDEMNIFICATION/D&O LIABILITY INSURANCE COVERAGE

The Company agrees to continue satisfying its obligations under the indemnification agreement entered into between the Company and Employee as of November 23, 2020 (the "Indemnification Agreement"). Both during the Employment Period and thereafter, the Company agrees that Employee shall be covered under its directors' and officers' liability insurance policies on a basis no less favorable to Employee than any other director or senior executive of the Company is so covered until such time as suits and/or claims can no longer be brought against Employee as a matter of law.

#### 20. MISCELLANEOUS

This Agreement may not be modified, amended, or terminated except by an instrument in writing signed by Employee and the Chief Legal Officer of the Company (by an authorized officer of the Company) and that expressly identifies the amended provision of this Agreement. This Agreement contains the entire agreement of the parties on the subject matters in this Agreement and supersedes the Prior Agreement and any prior oral agreements or understandings between the parties. However, except with respect to the provisions in Section 8(e)(3) and the provisions of the Retention Equity Grants set forth in Section 3(c) and the provisions relating to the annual equity grants in Section 3(d), to the extent of any conflict in the terms of this Agreement and the Equity Plan, the Grant Agreements and any other grant agreement applicable to the annual equity grants to which Employee is subject, the terms of the Equity Plan and related grant agreements control; provided that any reference in a grant agreement to the Prior Agreement shall be deemed to be a reference to this Agreement and any reference to Section

8(f)(3) of the Prior Agreement shall be deemed to be a reference to Section 8(e)(3) of this Agreement. This Agreement may be executed in counterparts, a counterpart transmitted via electronic means, and all executed counterparts, when taken together, shall constitute sufficient proof of the parties' entry into this Agreement. The failure of a party to require performance of any provision of this Agreement shall not affect the right of such party to later enforce any provision. A waiver of the breach of any term or condition of this Agreement shall not be deemed a waiver of any subsequent breach of the same or any other term or condition. The headings in this Agreement are inserted for convenience of reference only and shall not control the meaning of any provision hereof.

If any provision of this Agreement shall, for any reason, be held unenforceable, such unenforceability shall not affect the remaining provisions hereof, except as specifically noted in this Agreement, or the application of such provisions to other persons or circumstances, all of which shall be enforced to the greatest extent permitted by law. The Company and Employee agree that the restrictions contained in Section 4, 5, and 6, are reasonable in scope and duration and are necessary to protect Confidential Information. If any restrictive covenant is held to be unenforceable because of the scope, duration or geographic area of such restrictive covenant, the parties agree that a court or arbitrator may reduce the scope, duration, or geographic area, and in its reduced form, such provision shall be enforceable. Should a court or arbitrator find that Employee violated the provisions of Sections 4, 5, and 6, then in addition to all other remedies available to Company, the duration of these covenants shall be extended for the period of time when Employee began such violation until Employee permanently ceases such violation.

If any provision of this Agreement is held to be illegal, invalid, or unenforceable by a court or arbitrator under Section 14 above under present or future laws effective during the term of Employee's employment under this Agreement, such provision shall be fully severable, this Agreement shall be construed and enforced as if such illegal, invalid, or unenforceable provision were never a part of this Agreement, and the remaining provisions of this Agreement shall remain in full force and effect and shall not be affected by the illegal, invalid, or unenforceable provision or by its severance from this Agreement.

Upon full execution by the Company and Employee, this Agreement shall be effective on the date first written above.

**EMPLOYEE:**

/s/ Amar Maletira  
\_\_\_\_\_  
Amar Maletira

**COMPANY:**

/s/ Holly Windham  
\_\_\_\_\_  
Rackspace Technology, Inc.  
By: Holly Windham  
Its: Executive Vice President

Signature Page to Employment Agreement

## TRANSITION AGREEMENT AND RELEASE OF CLAIMS

This Transition Agreement and Release of Claims (this “Release”) is entered into between Kevin Jones (“Executive”) and Rackspace Technology, Inc. (“Rackspace”) (together with its subsidiaries and affiliates, the “Company”) and together with Executive, the “Parties”). The Parties agree that Executive’s last day as Chief Executive Officer of the Company was September 23, 2022 (the “Transition Date”) and that Executive will continue serving the Company as an employee through October 30, 2022 (the “Termination Date”), at which point the Company will terminate Executive’s employment with the Company without Cause (as defined in the certain employment agreement dated March 13, 2019 and amended as of April 1, 2021 between the Company and Executive, the “Employment Agreement”) pursuant to Section 4(a)(iv) of the Employment Agreement. As of the Transition Date, Executive no longer serves on the Board of Directors of the Company (the “Board”), and Executive acknowledges his resignation from the Board.

### 1. Release of Claims

In partial consideration of the payments and benefits described in this Release, to which Executive agrees that Executive is not entitled until and unless Executive executes and lets become effective this Release and the Reaffirmation Release (as defined below) in accordance with the terms hereof, Executive, for and on behalf of himself and his heirs, successors and assigns, subject to the last sentence of this Section 1, hereby waives and releases any common law, statutory or other complaints, claims, charges or causes of action of any kind whatsoever, both known and unknown, in law or in equity, which Executive ever had, now has or may have against the Company and its shareholders, parents, subsidiaries, affiliates, predecessors, successors, assigns, directors, officers, partners, members, managers, employees, trustees (in their official and individual capacities), employee benefit plans and their administrators and fiduciaries (in their official and individual capacities), representatives or agents, and each of their affiliates, successors and assigns, (collectively, the “Releasees”) by reason of facts or omissions which have occurred on or prior to the date that Executive signs this Release, including, without limitation, any complaint, charge or cause of action arising out of Executive’s employment or termination of employment, or any term or condition of that employment, or arising under federal, state, local or foreign laws pertaining to employment, including the Age Discrimination in Employment Act of 1967 (“ADEA,” a law which prohibits discrimination on the basis of age), the Older Workers Benefit Protection Act, the National Labor Relations Act, the Civil Rights Act of 1991, the Americans With Disabilities Act of 1990, Title VII of the Civil Rights Act of 1964, the Employee Retirement Income Security Act of 1974, the Family and Medical Leave Act, the Sarbanes-Oxley Act of 2002, all as amended, and any other Federal, state and local laws relating to discrimination on the basis of age, sex or other protected class, all claims under Federal, state or local laws for express or implied breach of contract, wrongful discharge, defamation, intentional infliction of emotional distress, and any related claims for attorneys’ fees and costs. Executive further agrees that this Agreement may be pleaded as a full defense to any action, suit, arbitration or other proceeding covered by the terms hereof which is or may be initiated, prosecuted or maintained by Executive, Executive’s descendants, dependents, heirs, executors, administrators or permitted assigns. By signing this Release, Executive acknowledges that Executive intends to waive and release any rights known or unknown that Executive may have against the Releasees under these and any other laws; provided, that Executive does not waive or release claims with respect to (i) any rights he may have to the severance payments or benefits set forth in Section 2 below, (ii) rights to any vested benefits under the Company’s employee benefit plans, (iii) any existing rights to indemnification protection that is otherwise provided to Executive by the Company or (iv) rights that cannot be released as a matter of law, (collectively, the “Unreleased Claims”).

### 2. Separation Payments and Benefits.

The Accrued Obligations (as defined in the Employment Agreement) will have been paid to Executive by the Company on or promptly following the Termination Date. Subject to this Release and the Reaffirmation Release becoming effective and Executive’s continued compliance with any restrictive covenants that Executive is subject to in favor of the Company, including, without limitation, the covenants included in Sections 6 and 7 of the Employment Agreement (the

“Covenants”), Executive will become entitled to the payments and benefits described in this Section 2, which fully supersede any severance payments or benefits under the Employment Agreement or under any other Company plan, agreement or policy.

a. Cash Severance and Benefits. Consistent with Section 5 of the Employment Agreement, Executive will be entitled to the following payments and benefits following a termination without Cause.

i. The Company will pay Executive his annual base salary (\$930,000) in accordance with the Company’s customary payroll practices during the period beginning on the Termination Date and ending on the earlier to occur of (A) the twelve (12) month anniversary of the Termination Date and (B) the first date that Executive breaches any of the Covenants.

ii. The Company will pay Executive an amount equal to his lump-sum target bonus (\$1,395,000) payable within sixty (60) days following the Termination Date. For the avoidance of doubt, Executive will forfeit Executive’s 2022 annual bonus opportunity in exchange for no compensation.

iii. If timely elected by Executive under the Company’s health and welfare plans, the Company will pay Executive any COBRA premiums from the Termination Date until the earlier of (x) the twelve (12) month anniversary of the Termination Date and (y) the first date that Executive is no longer eligible for COBRA.

provided, however, the installment payments payable pursuant to this Section 2 shall commence on the first payroll period following Executive’s execution and non-revocation of this Release and the Reaffirmation Release pursuant to Section 5 below.

b. RSU Grant. The Company will grant Executive an award of restricted stock units (“RSUs”) of the Company’s common stock, par value \$.01 per share (“Common Stock”), prior to the Termination Date (such date, the “RSU Grant Date”). The number of RSUs issued pursuant to this Section 2(b) shall be determined by dividing \$1,162,500 by a 60-trading day volume weighted average price of the Company’s NASDAQ-traded Common Stock immediately prior to the RSU Grant Date. The RSUs issued pursuant to this Section 2(b) shall vest and be delivered on the eighteen (18) month anniversary of the Termination Date, subject to Executive (x) not having breached any of the Covenants prior to the eighteen (18) month anniversary of the Termination Date and (y) executing and not revoking the Reaffirmation Release.

c. Existing Equity Treatment; Vesting of Certain RSUs and Options. Executive will immediately and fully vest into (i) 516,906 RSUs (representing approximately half of the unvested RSUs outstanding under each of Executive’s time-based March 16, 2021 and August 19, 2021 RSU award grants) and (ii) in satisfaction of any vesting obligations as a result of termination of employment under Executive’s April 22, 2019 option grant, 67,510 time-based Rackspace stock options, with each individual stock option having an exercise price of \$12.88, in each case, on the date that the Reaffirmation Release becomes effective. All of Executive’s other outstanding unvested equity awards will be forfeited for no consideration as of the Termination Date, other than for unvested Rackspace stock options which will remain outstanding (but not subject to any further time-based vesting) for ninety (90) days following the Termination Date in accordance with the terms of Executive’s stock option award dated as of April 22, 2019, as amended as of July 2020, and at the end of such 90-day period, shall be forfeited, and any outstanding vested stock options will remain exercisable for ninety (90) days following the Termination Date, and at the end such 90-day period, shall be forfeited.

d. Lease Payments and Breakage Fees. With respect to that lease contract associated with the Apartment Lease Contract dated June 29, 2022, between Executive and Cellars Residential, LLC (the “Lease”), the Company agrees that it will reimburse Executive on an after-tax basis for any and all lease breakage fees incurred in connection with terminating the lease, not to exceed twenty seven thousand nine hundred dollars (\$27,900). Any eligible

reimbursements shall be subject to Executive presenting appropriate documentation to the Company in accordance with the Company's expense reimbursement policies and procedures.

e. Relocation Reimbursement. The Company agrees it shall reimburse Executive on an after-tax basis for Executive's out-of-pocket reasonable relocation expenses incurred, up to a maximum of ten thousand dollars (\$10,000).

f. Legal Fees. The Company agrees it shall reimburse Executive for Executive's legal fees incurred in connection with preparation of this Release, up to a maximum of ten thousand dollars (\$10,000).

g. Payment Timing: Section 409A. Notwithstanding anything in this Agreement to the contrary, the parties hereto agree and acknowledge that Section 10 of the Employment Agreement is hereby incorporated by reference and that any payments or benefits owed to Executive pursuant to this Section 2 are intended to be made in a manner that is either (i) exempt from Section 409A of the Code ("Section 409A") or (ii) compliant with Section 409A.

### **3. Proceedings**

Executive acknowledges that Executive has not filed any complaint, charge, claim or proceeding, against any of the Releasees before any local, state, federal or foreign agency, court or other body (each individually a "Proceeding"). Executive represents that Executive is not aware of any basis on which such a Proceeding could reasonably be instituted. Executive (i) acknowledges that Executive will not initiate or cause to be initiated on his behalf any Proceeding and will not participate in any Proceeding, in each case, except as required by law; and (ii) waives any right Executive may have to benefit in any manner from any relief (whether monetary or otherwise) arising out of any Proceeding, including any Proceeding conducted by the Equal Employment Opportunity Commission ("EEOC"). Further, Executive understands that, by executing this Release, Executive will be limiting the availability of certain remedies that Executive may have against the Company and limiting also the ability of Executive to pursue certain claims against the Releasees. Notwithstanding the above, nothing in Section 1 of this Release shall prevent Executive from (i) initiating or causing to be initiated on his behalf any complaint, charge, claim or proceeding against the Company before any local, state or federal agency, court or other body challenging the validity of the waiver of his claims under the ADEA contained in Section 1 of this Release (but no other portion of such waiver); or (ii) initiating or participating in an investigation or proceeding conducted by the EEOC.

### **4. Time to Consider**

Executive acknowledges that Executive has been advised that he has twenty-one (21) days from the date of receipt of this Release to consider all the provisions of this Release and he does hereby knowingly and voluntarily waive said given twenty-one (21) day period. EXECUTIVE FURTHER ACKNOWLEDGES THAT EXECUTIVE HAS READ THIS RELEASE CAREFULLY, HAS BEEN ADVISED BY THE COMPANY TO, AND HAS IN FACT, CONSULTED AN ATTORNEY, AND FULLY UNDERSTANDS THAT BY SIGNING BELOW EXECUTIVE IS GIVING UP CERTAIN RIGHTS WHICH HE MAY HAVE TO SUE OR ASSERT A CLAIM AGAINST ANY OF THE RELEASEES, AS DESCRIBED IN SECTION 1 OF THIS RELEASE AND THE OTHER PROVISIONS HEREOF. EXECUTIVE ACKNOWLEDGES THAT EXECUTIVE HAS NOT BEEN FORCED OR PRESSURED IN ANY MANNER WHATSOEVER TO SIGN THIS RELEASE, AND EXECUTIVE AGREES TO ALL OF ITS TERMS VOLUNTARILY.

### **5. Revocation and Reaffirmation Release**

a. Executive hereby acknowledges and understands that Executive shall have seven (7) days from the date of execution of this Release to revoke this Release (including, without limitation, any and all claims arising under the ADEA) and that neither the Company nor any



other person is obligated to provide any benefits to Executive set forth in this Release until eight (8) days have passed since Executive's signing of this Release without Executive having revoked this Release, in which event this Release shall become effective and the Company immediately shall arrange and/or pay for any such benefits otherwise attributable to said eight- (8) day period, consistent with the terms of this Release. If Executive revokes this Release, Executive will be deemed not to have accepted the terms of this Release, and no action will be required of the Company under any section of this Release.

b. Executive further acknowledges that the payments and benefits set forth in Section 2 are subject to, in addition to any other requirements set forth herein, Executive executing and not revoking the Reaffirmation Release set forth as Exhibit A hereto (the "Reaffirmation Release") on or after the Termination Date and within the time period specified in Exhibit A.

#### 6. No Admission

This Release does not constitute an admission of liability or wrongdoing of any kind by Executive or the Company.

#### 7. General Provisions

A failure of any of the Releasees to insist on strict compliance with any provision of this Release shall not be deemed a waiver of such provision or any other provision hereof. If any provision of this Release is determined to be so broad as to be unenforceable, such provision shall be interpreted to be only so broad as is enforceable, and in the event that any provision is determined to be entirely unenforceable, such provision shall be deemed severable, such that all other provisions of this Release shall remain valid and binding upon Executive and the Releasees.

#### 8. Governing Law

The validity, interpretations, construction and performance of this Release shall be governed by the laws of the State of Delaware without giving effect to conflict of laws principles.

#### 9. Acknowledgments

Executive acknowledges that Executive (i) has not breached any of the Covenants, (ii) understands that Executive remains subject to the cooperation covenant set forth in Section 9 of the Employment Agreement and (iii) has read and understands the contents of this Release and affirms that no representations other than those contained herein have been made to induce or influence Executive's execution of the Release, and that Executive executes this Release knowingly and voluntarily and upon independent advice of Executive's own choosing.

IN WITNESS WHEREOF, this Release has been executed and delivered as of the date written below.

September 27, 2022  
\_\_\_\_\_  
DATE

/s/ Kevin Jones  
\_\_\_\_\_  
Kevin Jones

September 27, 2022  
\_\_\_\_\_  
DATE

/s/ Holly Windham  
\_\_\_\_\_  
Rackspace Technology, Inc  
By: Holly Windham  
Its: Executive Vice President

**Exhibit A**  
**REAFFIRMATION RELEASE**

Kevin Jones (“Executive”) has confirmed my understanding and agreement to the commitments set forth in that certain Release between Executive and Rackspace Technology, Inc. (together with its subsidiaries and affiliates, the “Company”) dated as of September 27, 2022 (the “Agreement”) as of the date of my execution. This page represents my reaffirmation of the commitments set forth in Section 1 of the Agreement as of the date hereof, and Executive hereby agrees that the general release of claims pursuant to Section 1 of the Agreement will be extended to cover any act, omission or occurrence occurring up to and including the date hereof.

(a) **Consideration Period.** Executive acknowledges that Executive has 21 days following the date of Executive’s separation from the Company to consider the terms and conditions of this Reaffirmation Release, and to decide whether to sign and enter into this Reaffirmation Release. In the event that Executive elects to sign this Reaffirmation Release prior to the expiration of the 21-day period, Executive acknowledges that in doing so Executive will voluntarily waive any remaining consideration period. Executive understands and agrees that any changes to the initially drafted terms of this Reaffirmation Release are not material and shall not restart the running of this period.

(b) **7-Day Revocation Period.** Executive has seven (7) days after Executive’s execution of this Reaffirmation Release to revoke Executive’s **acceptance** of it (the “Revocation Period”). Any such revocation must be made in writing to Holly Windham. Each of Executive and the Company acknowledge and agree that this Reaffirmation Release is neither effective nor enforceable and the Company is not obligated to perform the promises contained herein or in the Agreement in the event that the Reaffirmation Release is revoked or until expiration of the seven (7) day revocation period.

Executive ratifies and reaffirms the commitments set forth in the Agreement and the release included in Section 1 of the Agreement:

---

Kevin Jones

Dated:

大成 DENTONS

Settlement Agreement

between

**MARTIN BLACKBURN**

and

**RACKSPACE LIMITED**

**Without prejudice and subject to contract**

Dentons UK & Middle East LLP  
One Fleet Place  
London EC4M 7WS  
United Kingdom  
DX 242

# Contents

<b>1</b>	<b>Definitions</b>	<b>1</b>
<b>2</b>	<b>Termination of contract</b>	<b>2</b>
<b>3</b>	<b>Complaints</b>	<b>3</b>
<b>4</b>	<b>Settlement of claims</b>	<b>3</b>
<b>5</b>	<b>Settlement Payment, Equity Acceleration</b>	<b>4</b>
<b>6</b>	<b>Tax indemnity</b>	<b>5</b>
<b>7</b>	<b>Proceedings</b>	<b>5</b>
<b>8</b>	<b>Employer property</b>	<b>5</b>
<b>9</b>	<b>Statutory Requirements</b>	<b>6</b>
<b>10</b>	<b>Confidentiality and Announcements</b>	<b>6</b>
<b>11</b>	<b>Statements</b>	<b>7</b>
<b>12</b>	<b>Social media</b>	<b>7</b>
<b>13</b>	<b>Restrictions</b>	<b>7</b>
<b>14</b>	<b>Resignation as a director</b>	<b>7</b>
<b>15</b>	<b>Independent advice</b>	<b>7</b>
<b>16</b>	<b>Legal fees</b>	<b>8</b>
<b>17</b>	<b>Warranties</b>	<b>8</b>
<b>18</b>	<b>Continuing obligations</b>	<b>9</b>
<b>19</b>	<b>Entire agreement</b>	<b>9</b>
<b>20</b>	<b>Counterparts</b>	<b>10</b>
<b>21</b>	<b>Third party rights</b>	<b>10</b>
<b>22</b>	<b>Governing law</b>	<b>10</b>
<b>23</b>	<b>Jurisdiction</b>	<b>10</b>
	<b>Schedule 1 – Statutory Claims</b>	<b>11</b>
<b>1</b>	<b>Claims:</b>	<b>11</b>
	<b>Schedule 2 – Letter of resignation</b>	<b>13</b>
	<b>Schedule 3 – Certificate</b>	<b>14</b>
	<b>Schedule 4 – Equity Acceleration Letter (Separate and Provided)</b>	<b>15</b>
	<b>Schedule 5 - Announcement</b>	<b>17</b>

## WITHOUT PREJUDICE AND SUBJECT TO CONTRACT

This Settlement Agreement is made by deed on 2 November 2022

### between

(1) **RACKSPACE LIMITED**, a company incorporated and registered in England and Wales (Registered Number: 03897010) and having its registered office at Unit 5, Millington Road, Hyde Park, Hayes, Middlesex, UB3 4AZ (the **Employer** or **we/us/our**)

### and

(2) **MARTIN BLACKBURN**, whose home address is Corran Crest Hill, Peaslake, Guildford, Surrey, GU5 9PE (the **Employee** or **you/your**).

## WHEREAS

A We have had a protected conversation in accordance with Section 111A of the Employment Rights Act 1996. As a result of the protected conversation the Employment will terminate on the Termination Date and we desire to settle fully and finally any and all differences between you and us relating to the Employment and its termination.

## IT IS AGREED AS FOLLOWS:

### 1 Definitions

1.1 In this Agreement the following words and expressions will bear the meanings set out below:

**Associated Company** means a company which is a subsidiary or a holding company (as those expressions are defined by Section 1159 of the Companies Act 2006) of the Employer or a subsidiary (other than the Employer) of a holding company of the Employer.

**Employment** means your employment by us.

**Legal Adviser** means Christopher Jones of CJ Jones Solicitors LLP, 9 Mallow Street, London, EC1Y 8RO.

**Particular Claims** means the claims listed in Clause 3.

**Post-Employment Notice Pay** has the meaning given in section 402D of the Income Tax (Earnings and Pensions) Act 2003 (ITEPA).

**Post-Employment Notice Period** has the meaning given in section 402E(5) of ITEPA.

**Service Agreement** means the service agreement between you and us dated 1 November 2019.

**Settlement Payment** means the payment set out in Clause 5.

**Statutory Claims** means the claims listed in Schedule 1.

**Statutory Requirements** means the conditions relating to compromise agreements and/or settlement agreements under section 147 of the Equality Act 2010, section 288(2B) of the Trade Union and Labour Relations (Consolidation) Act 1992, section 203(3) of the

Employment Rights Act 1996, regulation 35(3) of the Working Time Regulations 1998, section 49(4) of the National Minimum Wage Act 1998, regulation 41(4) of the Transnational Information and Consultation of Employees Regulations 1999, regulation 9 of the Part-Time Workers (Prevention of Less Favourable Treatment) Regulations 2000, regulation 10 of the Fixed-Term Employees (Prevention of Less Favourable Treatment) Regulations 2002, regulation 40(4) of the Information and Consultation of Employees Regulations 2004, paragraph 13 of the schedule to the Occupational and Personal Pension Schemes (Consultation by Employers and Miscellaneous Amendment) Regulations 2006, regulation 62 of the Companies (Cross Border Mergers) Regulations 2007 and section 58 of the Pensions Act 2008.

**Termination Date** is 7 December 2022 or such other date as we may agree in writing.

- 1.2 Headings are for convenience only and will not affect the construction or interpretation of this Agreement.
- 1.3 All Schedules form part of this Agreement. The Schedules will have effect as if they were set out in full in the body of the Agreement. Any reference to this Agreement includes the Schedules.

## **2 Termination of contract**

- 2.1 The Employment will terminate on the Termination Date.
- 2.2 Subject to you fulfilling your obligations under the Service Agreement and this Agreement, we will:
  - (a) pay your salary up to the Termination Date in the usual way;
  - (b) continue to provide any benefits to you in the usual way up to the Termination Date;
  - (c) reimburse you for all business expenses you properly incur up to the Termination Date provided that you submit the expenses claim and valid receipts within 14 days of the Termination Date and comply with our rules and procedures in relation to expenses; and
  - (d) deduct from the sums due under this Clause 2 any outstanding sums you owe us.
- 2.3 Within 30 days following your Termination Date, the Company shall make a payment to you in lieu of your 12 month notice entitlement under the Service Agreement in the amount of £506,000 (the PILON), less all required deductions for tax and employee National Insurance contributions.
- 2.4 The payments and benefits in this Clause 2 shall be subject to the income tax and National Insurance contributions that we are obliged by law to pay or deduct. The parties agree that the amount of the PILON is equal to or exceeds the amount given by the formula in section 402D(1) of ITEPA and, accordingly, believe that your Post-Employment Notice Pay is nil.
- 2.5 You confirm that, except as provided in this Agreement, there are no other sums due to you from us or any Associated Company whether under the Service Agreement or otherwise.

### 3 Complaints

You believe that you have or may have the following claims against us arising from the Employment and/or the termination of the Employment:

- (a) Wrongful/unfair dismissal,
- (b) a breach of contract claim.

### 4 Settlement of claims

4.1 Without admission of liability by us, and subject to Clause 4.2, you accept this Agreement in full and final settlement of:

- (a) the Particular Claims;
- (b) the Statutory Claims; and
- (c) all and any claims present, future or contingent you have or may have against us and/or any Associated Company and any director, officer, employee and agent of ours and/or any Associated Company arising from the Employment and/or its termination or otherwise, whether claims are, or could be, known to the parties or in their contemplation at the date of this Agreement. Without prejudice to the foregoing generality, this settlement applies to all claims (whether under statute, common law, European law or otherwise) including damages, breach of any contract with us, pension or pension rights howsoever arising (other than accrued pension rights), redundancy pay, compensation for unfair dismissal, unlawful deduction of wages, claims for personal injury, loss of office or employment or otherwise.

4.2 The waiver in Clause 4.1 does not apply to the following:

- (a) any claim in relation to accrued pension rights in relation to a company pension scheme;
- (b) any claim in respect of personal injury of which you are not aware and could not reasonably be expected to be aware at the date of this Agreement (other than claims under discrimination legislation); or
- (c) any claim by you to enforce the terms of this Agreement.

4.3 Clause 4.4 applies if you present a complaint to, or institute proceedings before, a court or Employment Tribunal in relation to a complaint against:

- (a) us; and/or
- (b) any Associated Company; and/or
- (c) any director, officer, employee and agent of ours and/or of any Associated Company,

arising from the Employment and/or the termination of the Employment, which you have not waived under this Clause 4, other than a claim preserved by Clause 4.2 (a **New Complaint**).

4.4 If you present a New Complaint, you agree to enter into, and take legal advice on, a further settlement agreement, waiving the New Complaint. You acknowledge that we will not:

- (a) pay any consideration; or
- (b) make any contribution towards the legal fees you incur,

in relation to such a further settlement agreement.

## 5 Settlement Payment, Equity Acceleration

5.1 Subject to and conditional on you fulfilling your obligations under this Agreement, the Employer shall:

- (a) Within 28 days of receipt by us of a copy of this Agreement signed by you and a letter from the Legal Adviser dated today's date in the form set out in Schedule 3, whichever is later, pay to you £230,000, less the deductions specified in this Clause 5, as compensation for termination of employment ("the **Settlement Payment**"). The Settlement Payment is the equivalent of Employee's base salary for 6 months.
- (b) Pay the Employee his pro rata 2022 bonus payment, which represents a pro-rata portion of the annual bonus that Employee otherwise would have been entitled to receive (if Employee was employed at the time of the payout for the 2022 bonus plan), based on the number of days worked in 2022 divided by 365 and based on the 2022 performance achievement levels, (the "**2022 Bonus Payment**"). This 2022 Bonus Payment will be paid in a lump sum when bonuses for 2022 are paid to other similarly situated employees. The Company agrees that no retroactive criteria will be introduced related to the annual bonus and the payout of a pro rata bonus for 2022 will not be lowered on account of your individual performance.
- (c) Modify the Employee's equity on the amended terms and conditions set forth in that certain letter agreement attached as Schedule 4 and to be executed by the parties upon the date of this Agreement ("the **Equity Acceleration**").
- (d) The Company shall make a payment to the Employee in respect of 20 days' accrued but untaken holiday up to and including the Termination Date in the amount to £38,923.08. This payment will be made on the first reasonable payroll date following the Termination Date.
- (e) The Company agrees to keep Employee (and family) on his current medical plan with the Company for a period of 12 months following the Termination Date.
- (f) For a period of 3 months following the Termination Date, the Company agrees to preserve Employee's email and provide Employee with administrative support who will have access to Employee's email and calendar and will assist with any necessary Rackspace business transactions.

5.2 We will pay the Settlement Payment, 2022 Bonus Payment and implement the Equity Acceleration, less all required deductions for tax and employee National Insurance contributions. It is acknowledged and agreed that the parties believe the following to be correct:

- (a) No part of the Settlement Payment is taxable as Post-Employment Notice Pay.
- (b) The first £30,000 of the Settlement Payment will be tax free, as it is a termination award under the threshold within the meaning of sections 402A(1) and 403 of ITEPA.



- (c) The balance of the Settlement Payment (being £200,000) will be taxable as a termination award exceeding the threshold within the meaning of sections 402A(1) and 403 of ITEPA. We shall accordingly deduct income tax from it at the appropriate rate.
- (d) The 2022 Bonus Payment will be subject to the income tax and National Insurance contributions that we are obliged by law to pay or deduct.

## **6 Tax indemnity**

6.1 You agree that you:

- (a) will at all times remain liable for any further income tax or any employee's National Insurance contributions due on the and other benefits provided under this Agreement;
- (b) must indemnify us and keep us indemnified on demand against such income tax and employee's National Insurance contributions (including, without limitation, any interest, penalties or fines in connection therewith).

## **7 Proceedings**

7.1 Subject to Clause 4.2, you renounce all right, title and interest and undertakes not to present a complaint to, or to institute or continue any proceedings before, a court or Employment Tribunal in connection with the Employment and/or its termination or otherwise.

7.2 This Clause applies if you institute or continue any proceedings in a Court of Law, Tribunal or otherwise against us, any Associated Company or any director, officer, employee or agent of ours and/or any Associated Company relating to the Employment or its termination or otherwise (other than a claim preserved under Clause 4.2). Where this Clause applies, you acknowledge and agree that the net Settlement Payment and 2022 Bonus Payment you received will be immediately repayable to us as a debt and upon demand by us and the Equity Acceleration shall be null and void.

7.3 You agree to cooperate with us, or our advisers, in any internal investigation or administrative, regulatory, judicial or quasi-judicial proceedings. You acknowledge that this could involve, but is not limited to, responding to or defending any regulatory or legal process, providing information in relation to any such process, giving and reviewing witness statements and giving evidence in person on our behalf. We will reimburse any reasonable expenses you incur as a consequence of complying with the obligations under this Clause, provided that we approve such expenses in advance.

## **8 Employer property**

8.1 You confirm that you:

- (a) will return to us on or before the Termination Date all documents, records, computer equipment and software, mobile phones, keys, credit, debit and charge cards, security and access passes or other property of ours; and
- (b) you will not retain any copies of any such property.

8.2 You will delete by the Termination Date, and in any event will confirm by the Termination Date, that you have deleted, to the extent technically practicable, from any personal phone,

personal computer, optical disk, writable media or memory, cloud or other network or internet storage, used by you (other than those in our possession or control) all documents and information belonging to, obtained from, or prepared for us or any of our customers or clients including for the avoidance of doubt telephone numbers and contact details for our contacts.

## **9 Statutory Requirements**

You acknowledge that the Statutory Requirements are intended to be and have been satisfied.

## **10 Confidentiality and Announcements**

10.1 You confirm that you have kept and will keep the fact and terms of this Agreement and the circumstances giving rise to the termination of the Employment confidential and have not disclosed, and will not disclose (or through any failure to exercise due care and diligence, permit or cause any unauthorised disclosure), them to any third party except where disclosure is:

- (a) to HM Revenue & Customs;
- (b) to any regulatory or law enforcement body or supervisory authority;
- (c) where necessary or appropriate to:
  - (i) your spouse, civil partner or partner, immediate family or legal or professional advisors, subject to the undertaking at Clause 10.2 below;
  - (ii) your insurer for the purposes of processing a claim for loss of employment;
  - (iii) your recruitment consultant or prospective employer to the extent necessary to discuss your employment history; or
  - (iv) otherwise required by law.

10.2 You undertake to advise any immediate family member or professional advisor that the fact and terms of this Agreement and the circumstances giving rise to the termination of the Employment are confidential and must not be disclosed to any other party.

10.3 You undertake not to disclose or use any trade secret or other information that you are aware or ought reasonably to be aware we, or any Associated Company, regard as confidential. This provision will cease to apply to any information which comes into the public domain other than as a result of breach of confidence by you or any other party.

10.4 You acknowledge that your compliance with this Clause 10 (Confidentiality) is a material condition of this Agreement.

10.5 Nothing in this Clause 10 will prevent you from:

- (a) making a protected disclosure within the meaning of Part 4A (Protected Disclosures) of the Employment Rights Act 1996 (this includes protected disclosures made about matters previously disclosed to another recipient);
- (b) making a disclosure to a regulator regarding any misconduct, wrongdoing or serious breach of regulatory requirement;

- (c) reporting a criminal offence to a law enforcement agency; or
- (d) cooperating with any law enforcement agency regarding any criminal investigation or prosecution.

10.6 The Company will make an announcement prior to the Termination Date consistent with the form set out in 0 and neither party will make any statement to third parties (save as specified in clause 10.1) which is in advance or inconsistent with that announcement except as may be reasonably required by the Company for business transition purposes.

## **11 Statements**

11.1 You agree and undertake that you will not with effect from the date of this Agreement:

- (a) make any comments or statements of any nature that are derogatory to or disparaging of, or have the effect of lowering our reputation or that of any Associated Company or any of our or their directors, officers, employees or agents; and/or
- (b) take part in any conduct which may bring us into disrepute or bring any Associated Company or any of our or their directors, officers, employees or agents into disrepute.

11.2 We will not authorise our employees to make any comment or statement of any nature that is derogatory to or disparaging of you.

## **12 Social media**

Immediately following the Termination Date, you agree to update your LinkedIn account or other professional networking site (**Networking Accounts**) so that the Networking Accounts no longer state that you are employed by us or any Associated Company.

## **13 Restrictions**

You hereby agree that you will not after the Termination Date wrongfully represent yourself as being employed by or otherwise connected with us or any Associated Company.

## **14 Resignation as a director**

14.1 You agree that by signing this Agreement you are, without further compensation for loss of office, resigning with immediate effect from all directorships and offices held in the Employer or any of our Associated Companies (and all related trusteeships). You must deliver with this signed Agreement letters of resignation in the terms of the attached Schedule 2 addressed to the directors of each company or the trustees of each trust listed in Schedule 2.

14.2 You irrevocably appoint the Employer to be your attorney in your name and on your behalf to sign, execute or do any such instrument or thing and generally to use your name in order to give us (or our nominee) the full benefit of the provisions of this Clause 14.

## **15 Independent advice**

15.1 You declare and acknowledge that, before signing this Agreement, you:

- (a) have received advice from the Legal Adviser, who is a qualified lawyer, as to the terms and effect of this Agreement and, in particular, as to its effect on your ability to pursue your rights before an Employment Tribunal;
- (b) have been advised by the Legal Adviser that a contract of insurance or a professional indemnity covering the risk of a claim in relation to such advice is and will remain for the foreseeable future in force; and
- (c) understand and agree that the Legal Adviser is not employed by or acting in this matter for us or an Associated Company.

15.2 By signing the certificate at Schedule 3, the Legal Adviser warrants that the statements set out in Clauses 15.1(a), 15.1(b), and 15.1(c) and in the certificate are true.

## **16 Legal fees**

We will pay a contribution of up to £8,713 towards the reasonable legal fees (including disbursements) you incur in connection with this Agreement. We will pay this contribution within 28 days of receipt after the date of this Agreement of an appropriate invoice from the Legal Adviser addressed to you but marked as payable by us.

## **17 Warranties**

17.1 In signing this Agreement you represent and warrant as at the date of this Agreement that:

- (a) you have instructed the Legal Adviser to advise you whether you may have any claims against us and/or any Associated Company arising out of or in connection with the Employment and/or its termination;
- (b) you have made a full and frank disclosure to the Legal Adviser of all the information that is in your possession which the Legal Adviser requires to advise whether you have or may have any such claims with the express intention that all such claims be compromised fully and effectively;
- (c) on the basis of the Legal Adviser's advice you have no claims, other than the Particular Claims, against us and/or any Associated Company including, without limitation, any basis to claim compensation for personal injury against us or any Associated Company or any director, officer, employee or agent of ours and/or any Associated Company;
- (d) there are no circumstances of which you are aware or of which you ought reasonably to be aware that would amount to a repudiatory breach by you of any express or implied term of the Service Agreement that would entitle (or would have entitled) us to terminate your employment without notice or payment in lieu of notice and any payment to you pursuant to Clause 5 is conditional on this being so;
- (e) you have not withheld or failed to disclose any material fact concerning the discharge of your duties to us and/or any Associated Company or any breach of any material term (express or implied) of the Employment Contract;
- (f) you have not instituted and will not institute Employment Tribunal or Court proceedings in respect of any claim arising in connection with the Employment and/or

its termination or otherwise (unless such proceedings are required to enforce a claim preserved under Clause 4.2 above);

- (g) you will not raise a data subject access request;
- (h) you will withdraw any grievance you have raised that is still outstanding;
- (i) throughout the Employment you have acted in our best interests and have not knowingly committed any breach of duty of any kind owed to us and/or any Associated Company; and
- (j) at the date of this Agreement you have not received or accepted any offer of employment or engagement from any person, employer or firm and do not have any expectation of such an offer,

and, if it is not so, the Settlement Payment and 2022 Bonus Payment will not be payable, or if it has already been paid will become repayable as a debt and upon demand, and the Equity Acceleration shall be null and void.

- 17.2 You undertake not to do anything on or before the Termination Date which would be a breach of Clauses 17.1(d) or 17.1(i) above if done before you signed this Agreement.
- 17.3 Without prejudice to any other Clause in this Agreement, you agree that in the event the validity of this Agreement is challenged you will enter into a COT3 agreement with us in full and final settlement of all claims without further payment.
- 17.4 Without prejudice to any other Clause in this Agreement, the parties agree and acknowledge that, in the event there is a successful claim following a challenge to the validity of this Agreement, it would not be just and equitable for a court or tribunal to award any compensation in respect of such claim.

## **18 Continuing obligations**

- 18.1 The Employee agrees that the provisions of Clause 15 (Confidentiality) and Clause 17 (Intellectual Property) of the Service Agreement will remain in full force and effect notwithstanding the termination of the Employment.
- 18.2 The Employee agrees that the provisions of Clause 14 (Post Termination Restrictions) of the Service Agreement will continue to apply for 12 months with effect from the Termination Date and undertakes to comply with these provisions until their expiry.

## **19 Entire agreement**

- 19.1 This Agreement contains the entire and only agreement between the parties, and both parties acknowledge that, on entering into this Agreement, they have not relied on any written or oral representation or undertaking other than as expressly stated in this Agreement, and that (subject to Clause 18) this Agreement supersedes any previous contract or arrangement between the parties.
- 19.2 This Agreement is without prejudice and subject to contract until the date that it is signed by both parties. At that point it will be treated as an open document evidencing an agreement binding on the parties notwithstanding that it may still be labelled or headed "Without Prejudice" and/or "Subject to Contract".

## **20 Counterparts**

- 20.1 The parties may execute this Agreement in any number of counterparts, each of which, when executed and delivered, will be an original, and all the counterparts together will constitute the same instrument.

## **21 Third party rights**

Except as expressly provided elsewhere in this Agreement, no person other than you, the Employer and any Associated Company will have any rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Agreement. This does not affect any right or remedy of a third party that exists, or is available, apart from that Act.

## **22 Governing law**

This Agreement and any dispute or claim arising out of or in connection with it or its subject matter or formation (including non-contractual disputes or claims) will be governed by and construed in accordance with the law of England and Wales.

## **23 Jurisdiction**

The parties irrevocably agree that the courts of England and Wales will have exclusive jurisdiction to settle any dispute or claim arising out of or in connection with this Agreement or its subject matter or formation (including non-contractual disputes or claims). This Settlement Agreement is executed and delivered as a Deed on the date and year first above written.

## **Schedule 1 – Statutory Claims**

- 1 Claims:
- 1.1 a claim for breach of contract or wrongful dismissal;
- 1.2 a claim for unfair dismissal, under the Employment Rights Act 1996;
- 1.3 a claim for a statutory redundancy payment, under the Employment Rights Act 1996;
- 1.4 a claim in relation to an unauthorised deduction from wages, under the Employment Rights Act 1996;
- 1.5 a claim for an unlawful detriment, under the Employment Rights Act 1996;
- 1.6 a claim in relation to employment particulars, under the Employment Rights Act 1996;
- 1.7 a claim in relation to guarantee payments, under the Employment Rights Act 1996;
- 1.8 a claim in relation to Sunday working for shop and betting workers, under the Employment Rights Act 1996;
- 1.9 a claim in relation to protected disclosures, under the Employment Rights Act 1996 and the Public Interest Disclosure Act 1998;
- 1.10 a claim in relation to suspension from work, under the Employment Rights Act 1996;
- 1.11 a claim in relation to maternity, paternity, adoption and parental rights and flexible working, under the Employment Rights Act 1996;
- 1.12 a claim in relation to time off work, under the Employment Rights Act 1996;
- 1.13 a claim in relation to the right to a written statement of reasons for dismissal, under the Employment Rights Act 1996;
- 1.14 a claim in relation to working time or holiday pay, under the Working Time Regulations 1998;
- 1.15 a claim in relation to the national minimum wage, under the National Minimum Wage Act 1998;
- 1.16 a claim for equality of terms under the Equality Act 2010;
- 1.17 a claim for pregnancy or maternity discrimination, direct or indirect discrimination, harassment or victimisation related to sex, marital or civil partnership status, pregnancy or maternity or gender reassignment under the Equality Act 2010;
- 1.18 a claim for direct or indirect discrimination, harassment or victimisation related to race under the Equality Act 2010;
- 1.19 a claim for direct or indirect discrimination, harassment or victimisation related to disability, discrimination arising from disability or failure to make adjustments under the Equality Act 2010;

- 1.20 a claim for direct or indirect discrimination, harassment or victimisation related to age, under the Equality Act 2010;
- 1.21 a claim for less favourable treatment on the grounds of part-time status, under the Part-Time Workers (Prevention of Less Favourable Treatment) Regulations 2000;
- 1.22 a claim for less favourable treatment on the grounds of fixed-term status, under the Fixed-Term Employees (Prevention of Less Favourable Treatment) Regulations 2002;
- 1.23 a claim a claim for direct or indirect discrimination, harassment or victimisation related to religion or belief under the Equality Act 2010;
- 1.24 a claim for direct or indirect discrimination, harassment or victimisation related to sexual orientation under the Equality Act 2010;
- 1.25 a claim for failure to comply with obligations under the Transnational Information and Consultation etc. Regulations 1999;
- 1.26 a claim for failure to comply with obligations under the Information and Consultation of Employees Regulations 2004;
- 1.27 a claim for failure to comply with obligations under the Occupational and Personal Pension Schemes (Consultation by Employers and Miscellaneous Amendment) Regulation s 2006;
- 1.28 a claim in relation to the obligations to elect appropriate representatives or inform and consult or any entitlement to a protective award, under the Trade Union and Labour Relations (Consolidation) Act 1992;
- 1.29 a claim in relation to the obligations to elect appropriate representatives or inform and consult or any entitlement to compensation, under the Transfer of Undertakings (Protection of Employment) Regulations 2006;
- 1.30 a claim for failure to comply with obligations under the Human Rights Act 1998;
- 1.31 a claim for failure to comply with obligations under the Data Protection Act 2018 and/or the General Data Protection Regulation (EU) 2016/679;
- 1.32 a claim in relation to existing personal injury, whether or not you are aware of such claims;
- 1.33 a claim arising as a consequence of the United Kingdom's membership of, or exit from, the European Union.



## Schedule 2 – Letter of resignation

The Directors  
Rackspace Limited (the **Company**)  
Unit 5  
Millington Road  
Hyde Park  
Hayes  
Middlesex  
UB3 4AZ

2 November 2022

Dear Sirs

I, **Martin Blackburn** of \_\_\_\_\_, hereby resign my office as Director of the Company with immediate effect from today's date.

I confirm that I have no claim whatsoever against the Employer or any Associated Company in respect of my resignation as a director and I waive any such claim that may hereafter become available to me by reason of such resignation.

Yours sincerely

.....

### Schedule 3 – Certificate

I hereby certify as follows:

I am a solicitor holding a current practising certificate.

Before Martin Blackburn (the **Employee**) signed the Settlement Agreement to which this certificate is annexed, I provided independent advice to them on the terms and effect of the Settlement Agreement with Rackspace Limited (the **Employer**) and in particular its effect on their ability to pursue their rights before an Employment Tribunal.

I am not employed by and not acting (and have not acted) in relation to this matter for the Employer or any Associated Company.

When I gave the advice referred to above, there was in force a policy of insurance or an indemnity provided for members of a profession covering the Employee in respect of loss arising in consequence of the advice I have given.

I gave advice to the Employee as a relevant independent adviser within the meaning of the Acts and Regulations referred to in Clause 9.

Signed ..... Dated.....

Name of Solicitor: Christopher Jones  
Firm: CJ Jones Solicitors LLP  
Address: 9 Mallow Street, London, EC1Y 8RO

## Schedule 4 – Equity Acceleration Letter (Separate and Provided)

2 November 2022  
Martin Blackburn

Re: Extension of MEP Option Exercise & Acceleration of RSU Vesting

Dear Martin:

Reference is hereby made to the following:

- Settlement Agreement, dated as of 2 November 2022, by and between you and Rackspace Limited (the “Settlement Agreement”);
- Restricted Stock Unit Award Agreement, dated as of March 16, 2021 (the “March 2021 RSU Agreement”) by and between you and the Company pursuant to which you were granted 45,873 Restricted Stock Units;
- Restricted Stock Unit Award Agreement, dated as of August 19, 2021 (the “August 2021 RSU Agreement”) by and between you and the Company pursuant to which you were granted 149,758 Restricted Stock Units; and
- Restricted Stock Unit Award Agreement, dated as of March 22, 2022 (the “2022 RSU Agreement” together with the March 2021 RSU Agreement and August 2021 RSU Agreement, the “RSU Agreements”) by and between you and the Company pursuant to which you were granted 70,530 Restricted Stock Units.

Terms used but not defined herein have the meanings set forth in the Settlement Agreement, March 2021 RSU Agreement, August 2021 RSU Agreement or 2022 RSU Agreement, as applicable.

“Company” means Rackspace Technology, Inc

It is deemed that your resignation takes effect from the Termination Date.

Subject to the terms and conditions set forth in the Settlement Agreement and your acknowledgment and acceptance of this letter agreement, as evidenced by your signature below, you and the Company hereby agree as follows:

1. Notwithstanding the terms of the March 2021 RSU Agreement, the Company hereby acknowledges and agrees that 15,291 Restricted Stock Units awarded under the March 2021 RSU Agreement will be deemed to vest on your Termination Date.
2. Notwithstanding the terms of the August 2021 RSU Agreement, the Company hereby acknowledges and agrees that 24,960 Restricted Stock Units awarded under the August 2021 RSU Agreement will be deemed to vest on your Termination Date.
3. Notwithstanding the terms of the 2022 RSU Agreement, the Company hereby acknowledges and agrees that 23,510 Restricted Stock Units awarded under the 2022 RSU Agreement will be deemed to vest on your Termination Date.
4. You further acknowledge:
  - a. You are familiar with Rackspace Technology's Securities Trading Policy and agree to comply with it. You further acknowledge that if your Termination Date falls within a trading blackout window, you will need to wait until the trading blackout window is lifted after the Company's next scheduled earnings call to sell any shares of the Company.
  - b. It is your responsibility to update your account information with E\*Trade to reflect your current contact information and to monitor your E\*Trade account.

5. Section 19 (*Governing Law; Consent to Jurisdiction*), 23 (*Counterparts*), 24 (*Entire Agreement*), 26 (*Enforcement*) and 27 (*Waiver of Jury Trial*) of each of the RSU Agreements shall apply to this letter agreement *mutatis mutandis*.

Signature Page to Letter Agreement – Martin Blackburn

Rackspace Technology, Inc

By: \_\_\_\_\_

Name: Holly Windham

Title: EVP, Chief Legal & People Officer

Acknowledged and agreed this \_\_\_\_ day of \_\_\_\_\_ 2022.

\_\_\_\_\_  
Martin Blackburn

## **Schedule 5 – Announcement**

Martin Blackburn will be leaving the company at the end of the month. In his almost 3 years at Rackspace Technology, Martin's leadership has been the driving force in the EMEA region which has set it on its current trajectory and laid the foundation for future success. Martin also has built a strong leadership team, who will be key leaders in our new two business unit model. Over the next few weeks, Martin and I will be working together to smoothly transition responsibilities. I want to thank Martin for his contributions to our customers, our business, and Rackers and wish him all the best in his future endeavours.

EXECUTED as a DEED by **MARTIN BLACKBURN**

At /s/ Martin Blackburn  
.....

On 03 November 2022

Before the following witness:

Full name:

Sophie Blackburn

..... /s/ Sophie Blackburn

Address: .....  
Witness Signature

.....  
.....  
.....

EXECUTED as a DEED for and on behalf of  
**RACKSPACE LIMITED**

/s/ Holly Windham  
.....  
Director/Authorised Signatory

At Holly Windham  
On 03 November 2022 EVP, Chief Legal and People Officer

Before the following witness:

Full name:

Laurie Gerhart

..... /s/ Laurie Gerhart

Address: .....  
Witness Signature  
Sr. Executive Assistant

.....  
.....  
.....

**CONFIDENTIAL SEPARATION AGREEMENT AND RELEASE**

This Separation Agreement and Release (“Agreement”) is between **Subroto Mukerji** (“Employee” or “You”) and Rackspace US, Inc. (“Rackspace” or the “Company”).

1. **End of Employment.** Your Employment End Date is November 15, 2022.

2. **Payments**

a. **Severance Amount.**

(i) **Base Salary Payment:** Rackspace will pay \$900,000, less applicable withholdings and other ordinary payroll deductions (the “Base Salary Severance Amount”). This Base Salary Severance Amount does not include any unpaid wages, which will be paid separately. The Base Salary Severance Amount will be paid in 39 equal, biweekly installments, beginning on the first or second payroll date after the Effective Date of this Agreement (the “Severance Pay Period”).

(ii) **Current On-Target Bonus Payment:** Rackspace will pay \$810,000, less applicable withholdings and other ordinary payroll deductions (the “Current On-Target Bonus Amount”). The Current On-Target Bonus Payment will be paid in 39 equal biweekly installments, beginning on the first or second payroll date after the Effective Date of this Agreement.

The Base Salary Severance Amount and Current On-Target Bonus installment payments (together the “Severance Payments”) will continue until all payments have been made unless you: (i) are in breach of or do not comply with any of the obligations set forth in this Agreement as determined by the Company (ii) are rehired by Rackspace in any capacity during the payment period, or (iii) if you compete with Company or are hired or engaged in any capacity by any competitor of the Company (to be determined in the Company’s reasonable discretion), during the Severance Pay Period, then the Severance Payments shall cease (together the “Severance Cessation Reasons”). The foregoing shall not affect Company’s right to enforce the Non-Compete pursuant to Section 8. For purposes of this sub-section, a “competitor” of Company means; any business anywhere in the world that sells Competitive IT Services as defined in Section 8.

(iii) **Bonus for 2022.** Provided you have not triggered one of the Severance Cessation Reasons outlined above, Rackspace will pay you the annual bonus, less applicable federal and state withholding and other ordinary payroll deductions, which represents the annual bonus that you otherwise would have been entitled to receive (if you were employed at the time of the payout for the 2022 bonus plan), based on the 2022 performance achievement levels, (the “2022 Bonus Payment”). This 2022 Bonus Payment will be paid in a lump sum when bonuses for 2022 are paid to other similarly situated employees.

(iv) **Medical Benefit Payment.** You will receive a lump sum cash payment in the amount of \$23,487.48, less applicable withholdings and other ordinary payroll deductions, which is equal to the applicable premium cost for 18 months of continued Company group health coverage for you and any spouse and/or dependents (“Family Members”) pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1986, as amended (“COBRA”), based on your elections with respect to health coverage for you and your Family Members in effect as of immediately prior to your termination (which amount will be based on the premium for the first month of COBRA coverage); the lump sum payment will be made regardless of whether you

elect COBRA continuation coverage. If you choose to elect COBRA you must do so within 30 days of your Employment End Date.

(v) Equity Acceleration. The Company agrees to accelerate the vesting of certain of your options on the terms and conditions set forth in that certain letter agreement attached hereto as Exhibit A and to be executed by the Parties on the Effective Date.

(vi) Attorney Fee Payment. The Company agrees to pay the reasonable legal fees up to \$7,500 incurred by Employee in obtaining advice on the termination of his employment and the terms of this Agreement, such fees to be payable to the attorney/attorney's firm on production of an invoice to the Company.

3. **No Other Payments**. After the Company pays you the amounts outlined in this Agreement, Rackspace is not obligated to make any additional severance, bonus or wage-related payments to you in any amount or for any purpose, other than any unpaid wages, earned commissions, or payment for paid time off as may be required by applicable law.

4. **Release**. In exchange for the promises in this Agreement, you agree to irrevocably and unconditionally release all Claims you may now have or that you could have asserted against the Released Parties as set forth in this section. The "Released Parties" are Rackspace US, Inc., Rackspace Hosting, Inc., Datapipe, Inc. and all of their respective affiliates, subsidiaries, related companies, partnerships, or joint ventures, and, with respect to each of them, their predecessors and successors; and with respect to each entity, all of its past and present employees, officers, directors, fiduciaries, agents, administrators, stockholders, owners, investors, and representatives, assigns, attorneys, agents, both in their individual and corporate capacities, and any other persons acting by, through, under or in concert with any of the persons or entities listed in this subsection.

You understand and agree that you are waiving and releasing all claims against the Released Parties, of any known and unknown claims, promises, causes of action, including but not limited to breach of contract, conversion, invasion of privacy, intentional infliction of emotional distress, promissory estoppel, equitable estoppel, assault, battery, defamation, disparagement, negligence, fraud, torts, and any and all similar rights of any type ("Released Claims" or "Claim(s)") that you may have against any Released Party. You further understand that the Claims that you are releasing may arise under many different laws (including statutes, regulations, other administrative guidance, and common law doctrines), including, but not limited to: ***the Age Discrimination in Employment Act***; Title VII of the Civil Rights Act; Section 1981 of the Civil Rights Act; Executive Order 11246; the Equal Pay Act; Lilly Ledbetter Fair Pay Act; the Americans with Disabilities Act, as amended, Section 503 and 504 of the Rehabilitation Act; the Genetic Information Nondiscrimination Act; the Texas Workers' Compensation Act; Chapter 21 of the Texas Labor Code; the Worker Adjustment and Retraining Notification Act; the Employee Retirement Income Security Act; the Fair Labor Standards Act; the National Labor Relations Act; the Family and Medical Leave Act; the Uniformed Services Employment and Reemployment Rights Act; the Defend Trade Secrets Act; any federal, state, or local laws restricting an employer's right to terminate employees, or otherwise regulating employment; any federal, state, or local law enforcing express or implied employment contracts or requiring an employer to deal with employees fairly or in good faith; Claims for physical or personal injury (including, but not limited to, Claims based on the negligence of the Released Parties), wrongful discharge, intentional infliction of emotional distress, fraud, fraud in the inducement, negligent misrepresentation, negligent infliction of emotional distress, defamation, invasion of privacy, conversion, theft, interference with contract or with prospective economic advantage, negligent investigation, claims for wages, severance, bonus, salary, commission and/or benefits, breach of express or implied contract, and breach of covenants of good faith and fair dealing, and similar



or related Claims. Nothing in this section is intended to limit or restrict any rights that cannot, by express and unequivocal terms of law, be limited, waived, or extinguished.

**PLEASE NOTE THAT THIS RELEASE INCLUDES A RELEASE OF CLAIMS FOR NEGLIGENCE AND GROSS NEGLIGENCE. THIS DOCUMENT IS INTENDED TO BE A COMPLETE RELEASE OF ALL CLAIMS.**

You understand that you are releasing Claims up to and including the date you sign this Agreement, including Claims that you may not know about. You affirm that this is your knowing and voluntary intent, even though you recognize that someday you might learn that some or all of the facts you currently believe to be true are untrue, and even though you might then regret having signed this Release. Nevertheless, you are assuming that risk, and you agree that this Release will remain effective in all respects in any such case. You expressly waive all rights you might have under any law that is intended to protect you from waiving unknown Claims. You understand the significance of doing so.

**Certain Actions Not Prohibited.** Nothing in this Agreement is intended to interfere with your right to report possible violations of federal, state or local law or regulation to any governmental or law enforcement agency or entity, to respond to law enforcement inquiries or to make other disclosures that are protected under the whistleblower provisions of federal or state law or regulation. By signing this Agreement, you acknowledge that nothing in this Agreement shall affect any eligibility that you may have to receive a whistleblower award or bounty for information provided to the Securities and Exchange Commission (“**SEC**”) or any other government agency or official. Nothing in this Agreement shall be construed to affect the rights and responsibilities of the Equal Employment Opportunity Commission (the “**EEOC**”), the National Labor Relations Board (the “**NLRB**”), the Occupational Safety and Health Commission (“**OSHA**”) or any other federal, state or local agency with similar responsibilities. Likewise, this waiver will not be used to justify interfering with the protected right of any employee to file a charge or participate in an investigation or proceeding conducted by the EEOC, the NLRB, OSHA or any similar agency. However, to the fullest extent permitted by applicable law, you waive the right to receive or participate in any payment or benefits arising out of any such proceeding.

**Future Claims; Counsel.** This Agreement does not release any claims or causes of action that accrue or arise after the date you sign this Agreement. You are advised to review this Agreement with an attorney, at your expense, concerning its effect prior to signing it.

5. **Confidential Information, Company Property.**

a. You will not, directly or indirectly, for your own benefit or for the benefit of another, reveal, use or disclose to any other person, firm, corporation, or other party, or make, directly or indirectly, any commercial or other use of any information not publicly known about Rackspace or its prospects, services, suppliers, products, customers, finances, data processing, purchasing, accounting or marketing systems, whether current or in development, such information being privileged, confidential business and/or trade secret information of Rackspace (“Confidential Information”).

b. As a result of your employment by Rackspace, you may have had access to, or knowledge of, confidential business information or trade secrets of third parties. You also agree to preserve and protect the confidentiality of such third-party confidential information and trade secrets to the same extent, and on the same basis, as the privileged confidential business and/or trade secret information of Rackspace.

c. All written materials, records, and other documents made by, or coming into the possession of, you during the period of your employment by Rackspace which contain or disclose Confidential Information will be and remain the property of Rackspace. Upon termination of your employment with Rackspace, you will promptly deliver the same, and all copies thereof, to Rackspace.

d. On or before the Employment End Date, you will return to the Company all property belonging to the Company that you possess or possessed but provided to a third party, including but not limited to, all equipment or other materials and all originals and copies of Company documents, files, memoranda, notes, computer-readable information (maintained on a removable drive, home computer, or in any other form) and video or tape recordings of any kind other than personal materials relating solely to you. You warrant and represent that you have not retained, distributed or caused to be distributed, and will not retain, distribute or cause to be distributed, any original or duplicates of any such Company property specified in this section.

e. You are hereby notified in accordance with the Defend Trade Secrets Act of 2016 that you will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that: (a) is made (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (b) is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding. You are further notified that if you file a lawsuit for retaliation against the Company for reporting a suspected violation of law, you may disclose the Company's trade secrets to your attorney and use the trade secret information in the court proceeding if you: (a) file any document containing the trade secret under seal; and (b) do not disclose the trade secret, except pursuant to court order.

6. **Non-Hire of Company Employees.** To further preserve the Confidential Information, for 12 months after your Employment End Date, you will not, directly or indirectly, (i) hire or engage any current employee of Company; (ii) solicit or encourage any employee to terminate employment or services with Company; or (iii) solicit or encourage any employee to accept employment with or provide services to you or any business associated with you.

7. **Non-Solicitation of Customers and Suppliers.** To further preserve the Confidential Information, for 12 months after your Employment End Date, you agree not to directly or indirectly, on your own behalf or on behalf of any other person or entity, recruit or otherwise solicit or induce any customer or supplier of the Company, to terminate its employment or arrangement with the Company, otherwise change its relationship with the Company or establish any relationship with you or any of your affiliates for any business purpose deemed competitive with the business of the Company.

8. **Non-Competition Agreement.** To further preserve the Confidential Information, you agree that for 12 months after your Employment End Date (the "Restricted Period"), you will not work, as an employee, contractor, officer, owner, consultant, or director, in any business anywhere in the world that sells managed, dedicated or cloud computing services substantially similar to those services provided by the Company, including but not limited to (i) professional advisory services for the migration, deployment or management of cloud technologies; (ii) provisioning, hosting, management, monitoring, supporting, or maintenance of applications, computer servers (whether dedicated, shared or virtual) and network connectivity in a datacenter for remote use via the Internet; (iii) hosted or managed email, storage, collaboration, compute, virtual networking, applications, and similar services, or (iv) any related IT services or products substantially similar to the Company's products or services, all of the foregoing being defined for the purposes of this Agreement as "Competitive IT Services." Notwithstanding the foregoing, you shall be permitted to acquire a passive stock or equity interest in such a business, provided

that the stock or other equity interest acquired is not more than two percent (2%) of the outstanding interest in such business. Provided, that the forgoing restriction shall not prevent you from becoming an employee of or contractor for a division of any Competitive IT Services company so long as the division for which you will work does not provide Competitive IT Services, and as long as you do not, during the Restricted Period, perform services (including but not limited to providing information, advice, strategy, recruiting or any other interaction with regard to business matters) for any division of such company that provides Competitive IT Services.

The Restricted Period outlined above will be tolled and will not run during any such time that you are in breach of this Agreement or in violation of any of the covenants contained in this Agreement, and once tolled will not begin to run again until such time as all violations have ceased.

You recognize that the restrictions in this section may substantially limit your future flexibility in many ways. You acknowledge you have received adequate consideration for the promises and restrictions set forth in this Agreement. You agree to waive any objection to the validity of these restrictions and acknowledge that these limited prohibitions are reasonable as to time, geographical area and scope of activities to be restrained and that these limited prohibitions do not impose a greater restraint than is necessary to protect Rackspace's goodwill, proprietary information and other business interests. You further agree that any breach of these covenants will result in irreparable damage and injury to Rackspace and that Rackspace will be entitled to injunctive relief in any court of competent jurisdiction without the necessity of posting any bond.

9. **Litigation and Regulatory Compliance.** After employment, you shall reasonably cooperate in the defense or prosecution of claims, investigations, or other actions which relate to events or occurrences during employment. You agree, unless precluded by law, to promptly inform the Company if you are asked to participate (or otherwise become involved) in any such claim, investigation or action. Your cooperation shall include being available to prepare for discovery or trial and to act as a witness. Company will pay an hourly rate (based on base salary as of the last day of employment) for cooperation that occurs after employment, and reimburse for reasonable expenses, including travel expenses, reasonable attorneys' fees and costs.

10. **Section 409A.** This Agreement is intended to comply with, or otherwise be exempt from, Section 409A of the Internal Revenue Code ("Code"). To the extent that any provision in this Agreement is ambiguous as to its compliance with Section 409A of the Code, the provision will be read in such a manner so that no payments due under this Agreement will be subject to an "additional tax" as defined in Section 409(a)(1)(B) of the Code. If the Company determines in good faith that any provision of this Agreement would cause you to incur an additional tax, penalty, or interest under Section 409A of the Code, you and the Company will use reasonable efforts to reform such provision, if possible, in a mutually agreeable fashion to maintain to the maximum extent practicable the original intent of the applicable provision without violating the provisions of Section 409A of the Code or causing the imposition of such additional tax, penalty, or interest under Section 409A of the Code. The preceding provisions, however, will not be construed as a guarantee by the Company of any particular tax effect to you under this Agreement.

11. **Tax Consequences.** You acknowledge and agree that you are solely responsible for the tax consequences to you of any benefits conferred on you, or any payments made to you or on your behalf, under the terms of this Agreement. Rackspace has not made any representations to you concerning any possible tax consequences of any payments made pursuant to this Agreement.

12. **Entire Agreement.** This Agreement represents the entire agreement by and between the parties and there are no other agreements or understandings related to your employment with any of the Released Parties or the subject matter of this Agreement other than your equity grant agreement(s), if any, and your Confidentiality Agreement, which survive the end of your employment and continue in effect. You represent and acknowledge that: (a) in executing this Agreement, you are not relying, and have not relied, on any representation(s) by any of the Released Parties, except as expressly contained in this Agreement and that you relied on your own judgment; and (b) you have not transferred or assigned, to any person or entity, any claim involving any of the Released Parties or any portion thereof or interest therein. This Agreement may not be changed except by written agreement signed by the parties.

13. **Binding Heirs, Successors and Assigns.** Except as herein expressly provided, the terms and provisions of this Agreement will inure to the benefit of and be binding upon the heirs, successors, assigns and legal representatives of the parties.

14. **Arbitration.** All claims and matters in question arising out of this Agreement or the relationship between the Parties, whether sounding in contract, tort, a statutory cause of action or otherwise, will be resolved by binding arbitration pursuant to the Federal Arbitration Act. Either Party, however, may bring an action in any court of competent jurisdiction to compel arbitration under this Agreement; enforce or vacate an arbitration award; or seek injunctive relief. This arbitration will be administered by the American Arbitration Association (“AAA”) in accordance with the National Rules for Resolution of Employment Disputes of the American Arbitration Association (“National Rules”) in effect at the time the dispute arose. There will be one arbitrator selected pursuant to the National Rules, unless the Parties agree on a different arbitration service. The arbitrator will issue a reasoned award within six (6) months of the filing of the arbitration notice. The Company will pay for your initial filing fee to the extent that it is more than a court filing.

15. **Jurisdiction.** The substantive laws of Texas govern this Agreement, and exclusive venue for any dispute will be Bexar County, Texas or in San Antonio, Texas.

16. **Headings.** The headings in this Agreement were used for administrative convenience only and will not be used in interpreting or construing the meaning of any provision.

17. **Invalid Provision.** If any provision of this Agreement is or may be held by a court of competent jurisdiction to be invalid, void, or unenforceable to any extent, the validity of the remaining parts, terms or provision of this Agreement will not be affected thereby, and such illegal or invalid part, term, or provision will be deemed not to be part of this Agreement. The remaining provisions will nevertheless survive and continue in full force and effect.

18. **Interpretation.** This Agreement will be construed as a whole according to its fair meaning. It will not be construed strictly for or against you. Unless the context indicates otherwise, the singular or plural number will be deemed to include the other. Captions are intended solely for the convenience of reference and will not be used in the interpretation of this Agreement.

19. **Consideration of Agreement.** You are advised that you should consult an attorney before accepting this Agreement. You understand that you have twenty-one (21) calendar days from the date this Agreement is provided to you to decide whether to sign it. If you fail to sign and return this Agreement within twenty-one (21) days from the date that it was provided to you, all payment amounts offered in this Agreement are withdrawn and revoked automatically, and you will not be entitled to any payment or benefits that you are not otherwise entitled to under law. You may decide to sign and return this Agreement prior to the expiration of the twenty-one

(21) day period. However, if you choose to do so, then you affirm that this is your voluntary choice.

20. **Revocation Period.** You understand and acknowledge that you have seven (7) calendar days following the date that you sign this Agreement to revoke your acceptance of the Agreement. This Agreement will not become effective and enforceable and the payment amounts offered in this Agreement will not become payable until after this revocation period has expired without revocation.

21. **Counterparts.** This Agreement may be executed in a number of identical counterparts, each of which for all purposes is deemed an original and all of which constitute collectively one Agreement.

22. **Effective Date.** This Agreement, if signed and returned to the Company, is effective and enforceable the later of: (i) your Employment End Date or (ii) seven (7) calendar days following the date it is signed and returned, if not revoked during the seven day period (the “Effective Date”).

23. **Review by Employee.** You acknowledge the following:

- (1) That you carefully read this Agreement, and that you understand it;
- (2) That you were advised and have had the opportunity to consult an attorney, at your expense, regarding the terms and meaning of this Agreement;
- (3) That you understand your deadline of twenty-one (21) days to consider whether to agree to and accept this Agreement;
- (4) That you understand that the Agreement is effective and enforceable on the Effective Date as defined above.

[SIGNATURE PAGE FOLLOWS]

PLEASE READ THIS AGREEMENT CAREFULLY AND CONSIDER ALL OF ITS PROVISIONS BEFORE SIGNING IT. IT INCLUDES A RELEASE OF KNOWN AND UNKNOWN CLAIMS, INCLUDING CLAIMS BASED ON NEGLIGENCE. IF YOU WISH, YOU SHOULD TAKE ADVANTAGE OF THE FULL REVIEW PERIOD AFFORDED UNDER THIS AGREEMENT AND YOU SHOULD CONSULT AN ATTORNEY OF YOUR CHOOSING.

Employee:

By: /s/ Subroto Mukerji  
Subroto Mukerji

Date: November 8, 2022

Rackspace:

By: /s/ Holly Windham  
Holly Windham  
EVP, Chief Legal & People Officer

Date: November 8, 2022

**EXHIBIT A**

November \_\_, 2022

Subroto Mukerji

Re: Acceleration of RSU Vesting

Dear Subroto:

Reference is hereby made to the following:

- Separation Agreement and Release, dated as of November 15, 2022, by and between you and Rackspace US, Inc. (the "Separation Agreement");
- Restricted Stock Unit Award Agreement, dated as of March 16, 2021 (the "March 2021 RSU Agreement") by and between you and the Company pursuant to which you were granted 91,746 Restricted Stock Units;
- Restricted Stock Unit Award Agreement, dated as of August 19, 2021 (the "August 2021 RSU Agreement") by and between you and the Company pursuant to which you were granted 233,997 Restricted Stock Units; and
- Restricted Stock Unit Award Agreement, dated as of March 22, 2022 (the "2022 RSU Agreement" together with the March 2021 RSU Agreement and August 2021 RSU Agreement, the "RSU Agreements") by and between you and the Company pursuant to which you were granted 110,497 Restricted Stock Units.

Terms used but not defined herein have the meanings set forth in the Separation Agreement, March 2021 RSU Agreement, August 2021 RSU Agreement or 2022 RSU Agreement, as applicable.

Subject to the terms and conditions set forth in the Separation Agreement and your acknowledgment and acceptance of this letter agreement, as evidenced by your signature below, you and the Company hereby agree as follows:

1. Notwithstanding the terms of the March 2021 RSU Agreement, the Company hereby acknowledges and agrees that 30,582 Restricted Stock Units awarded under the March 2021 RSU Agreement will be deemed to vest on your Employment End Date.
2. Notwithstanding the terms of the August 2021 RSU Agreement, the Company hereby acknowledges and agrees that 39,000 Restricted Stock Units awarded under the August 2021 RSU Agreement will be deemed to vest on your Employment End Date.
3. Notwithstanding the terms of the 2022 RSU Agreement, the Company hereby acknowledges and agrees that 36,832 Restricted Stock Units awarded under the 2022 RSU Agreement will be deemed to vest on your Employment End Date.
4. You further acknowledge:
  - a. You are familiar with Rackspace Technology's Securities Trading Policy and agree to comply with it. You further acknowledge that if your Employment End Date falls within a trading blackout window, you will need to wait until the trading blackout window is lifted after the Company's next scheduled earnings call to sell any shares of the Company.

- b. It is your responsibility to update your account information with E\*Trade to reflect
- 5. Section 19 (*Governing Law; Consent to Jurisdiction*), 23 (*Counterparts*), 24 (*Entire Agreement*), 26 (*Enforcement*) and 27 (*Waiver of Jury Trial*) of each of the RSU Agreements shall apply to this letter agreement *mutatis mutandis*.

[Signature Page Follows]



Signature Page to Letter Agreement – Subroto Mukerji

Rackspace Technology, Inc

By: \_\_\_\_\_

Name: Holly Windham

Title: EVP, Chief Legal & People Officer

Acknowledged and agreed this \_\_\_\_ day of \_\_\_\_\_ 2022.

\_\_\_\_\_  
Subroto Mukerji

**CERTIFICATION OF PRINCIPAL EXECUTIVE AND 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, 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. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me 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 my 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 my 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. I have disclosed, based on my 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: November 9, 2022

By: /s/ Amar Maletira  
Amar Maletira  
Chief Executive Officer  
(Principal Executive and Financial Officer)

**CERTIFICATION OF PRINCIPAL EXECUTIVE AND FINANCIAL 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 (Principal Executive and 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 September 30, 2022 (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: November 9, 2022

By: /s/ Amar Maletira  
Amar Maletira  
Chief Executive Officer  
*(Principal Executive and Financial Officer)*