

**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 March 31, 2024 .

OR

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

For the transition period from _____ to _____.

Commission File Number: 001-39420

RACKSPACE TECHNOLOGY, INC.

(Exact name of registrant as specified in its charter)



Delaware

(State or other jurisdiction of incorporation or organization)

81-3369925

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

19122 US Highway 281N , Suite 128

San Antonio , Texas 78258

(Address of principal executive offices, including zip code)

1- 800 - 961-4454

(Registrant's telephone number, including area code)

None

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

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

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

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

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

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

Large accelerated filer ☐

Non-accelerated filer ☐

Accelerated filer ☒

Smaller reporting company ☒

Emerging growth company ☐

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

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

On May 9, 2024, 223,850,547 shares of the registrant's common stock, par value \$0.01 per share, were outstanding.

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

This Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2024 (this "Quarterly Report") contains certain information that may constitute "forward-looking statements" within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. While we have specifically identified certain information as being forward-looking in the context of its presentation, we caution you that all statements contained in this report that are not clearly historical in nature, including statements regarding anticipated financial performance, management's plans and objectives for future operations, business prospects, market conditions, and other matters are forward-looking. Forward-looking statements are contained principally in the sections of this report entitled "Risk Factors," and "Management's Discussion and Analysis of Financial Condition and Results of Operations." Without limiting the generality of the preceding sentence, any time we use the words "expects," "intends," "will," "anticipates," "believes," "confident," "continue," "propose," "seeks," "could," "may," "should," "estimates," "forecasts," "might," "goals," "objectives," "targets," "planned," "projects," and similar expressions, we intend to clearly express that the information deals with possible future events and is forward-looking in nature. However, the absence of these words or similar expressions does not mean that a statement is not forward-looking.

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

TRADEMARKS, TRADE NAMES AND SERVICE MARKS

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

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

	December 31, 2023	March 31, 2024
(In millions, except per share data)		
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 196.8	\$ 282.6
Accounts receivable, net of allowance for credit losses and accrued customer credits of \$ 20.1 and \$ 20.3 , respectively	339.7	303.3
Prepaid expenses	87.4	111.1
Other current assets	114.2	91.3
Total current assets	738.1	788.3
Property, equipment and software, net	608.8	617.0
Goodwill, net	1,452.4	877.7
Intangible assets, net	1,019.0	960.2
Operating right-of-use assets	126.3	119.8
Other non-current assets	151.6	153.0
Total assets	\$ 4,096.2	\$ 3,516.0
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable and accrued expenses	\$ 432.7	\$ 410.2
Accrued compensation and benefits	72.2	64.0
Deferred revenue	78.8	78.7
Debt	23.0	20.3
Accrued interest	20.5	13.3
Operating lease liabilities	66.0	59.9
Finance lease liabilities	55.8	49.3
Financing obligations	14.0	17.2
Other current liabilities	36.5	41.0
Total current liabilities	799.5	753.9
Non-current liabilities:		
Debt	2,839.6	2,974.4
Operating lease liabilities	74.6	69.5
Finance lease liabilities	308.0	295.6
Financing obligations	52.4	45.7
Deferred income taxes	79.2	59.3
Other non-current liabilities	97.4	104.8
Total liabilities	4,250.7	4,303.2
Commitments and Contingencies (Note 8)		
Stockholders' deficit:		
Preferred stock, \$ 0.01 par value per share: 5.0 shares authorized; no shares issued or outstanding	—	—
Common stock, \$ 0.01 par value per share: 1,495.0 shares authorized; 220.5 and 226.6 shares issued; 217.4 and 223.5 shares outstanding, respectively	2.2	2.3
Additional paid-in capital	2,638.2	2,647.7
Accumulated other comprehensive income	60.3	58.6
Accumulated deficit	(2,824.2)	(3,464.8)
Treasury stock, at cost; 3.1 shares held	(31.0)	(31.0)
Total stockholders' deficit	(154.5)	(787.2)
Total liabilities and stockholders' deficit	\$ 4,096.2	\$ 3,516.0

See accompanying notes to the unaudited condensed consolidated financial statements.

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

(In millions, except per share data)	Three Months Ended March 31,	
	2023	2024
Revenue	\$ 758.7	\$ 690.8
Cost of revenue	(589.1)	(558.0)
Gross profit	169.6	132.8
Selling, general and administrative expenses	(207.5)	(192.4)
Impairment of goodwill	(543.1)	(573.2)
Impairment of assets, net	—	(20.0)
Loss from operations	(581.0)	(652.8)
Other income (expense):		
Interest expense	(56.9)	(43.7)
Gain on investments, net	0.1	0.1
Debt modification costs and gain on debt extinguishment	12.8	56.7
Other income (expense), net	2.1	(5.6)
Total other income (expense)	(41.9)	7.5
Loss before income taxes	(622.9)	(645.3)
Benefit for income taxes	10.9	4.7
Net loss	\$ (612.0)	\$ (640.6)
Other comprehensive income (loss), net of tax		
Foreign currency translation adjustments	\$ 3.4	\$ (3.7)
Unrealized gain (loss) on derivative contracts	(5.6)	13.1
Amount reclassified from accumulated other comprehensive income (loss) to earnings	(5.6)	(11.1)
Other comprehensive loss	(7.8)	(1.7)
Comprehensive loss	\$ (619.8)	\$ (642.3)
Net loss per share:		
Basic and diluted	\$ (2.87)	\$ (2.91)
Weighted average number of shares outstanding:		
Basic and diluted	213.2	219.8

See accompanying notes to the unaudited condensed consolidated financial statements.

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

(In millions)	Three Months Ended March 31,	
	2023	2024
Cash Flows From Operating Activities		
Net loss	\$ (612.0)	\$ (640.6)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	94.7	74.8
Amortization of operating right-of-use assets	15.1	15.8
Deferred income taxes	(17.3)	(24.4)
Share-based compensation expense	15.2	12.8
Impairment of goodwill	543.1	573.2
Impairment of assets, net	—	20.0
Debt modification costs and gain on debt extinguishment	(12.8)	(56.7)
Unrealized loss on derivative contracts	4.5	—
Gain on investments, net	(0.1)	(0.1)
Provision for bad debts and accrued customer credits	0.7	4.3
Amortization of debt issuance costs and debt discount and premium	2.0	(2.0)
Third party fees paid in connection with the Refinancing Transactions	—	(28.4)
Other operating activities	(0.1)	(0.2)
Changes in operating assets and liabilities:		
Accounts receivable	50.5	31.6
Prepaid expenses and other current assets	(1.5)	(14.7)
Accounts payable, accrued expenses, and other current liabilities	(100.3)	(50.3)
Deferred revenue	19.1	1.0
Operating lease liabilities	(19.9)	(20.5)
Other non-current assets and liabilities	17.2	14.1
Net cash used in operating activities	(1.9)	(90.3)
Cash Flows From Investing Activities		
Purchases of property, equipment and software	(12.1)	(28.1)
Proceeds from sale of headquarters	—	16.9
Other investing activities	0.4	0.1
Net cash used in investing activities	(11.7)	(11.1)
Cash Flows From Financing Activities		
Shares of common stock withheld for employee taxes	—	(3.4)
Proceeds from borrowings under long-term debt arrangements	—	275.0
Payments on long-term debt	(15.4)	(35.6)
Debt extinguishment costs	—	(22.1)
Payments on financing component of interest rate swap	(4.4)	(4.3)
Principal payments of finance lease liabilities	(18.6)	(17.9)
Principal payments of financing obligations	(2.9)	(3.5)
Net cash provided by (used in) financing activities	(41.3)	188.2
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	0.9	(1.0)
Increase (decrease) in cash, cash equivalents, and restricted cash	(54.0)	85.8
Cash, cash equivalents, and restricted cash at beginning of period	231.4	199.7
Cash, cash equivalents, and restricted cash at end of period	\$ 177.4	\$ 285.5

Supplemental Cash Flow Information			
Cash payments for interest, net of amount capitalized	\$	49.5	\$ 53.3
Cash payments for income taxes, net of refunds	\$	1.7	\$ 1.0
Non-cash Investing and Financing Activities			
Acquisition of property, equipment and software by finance leases	\$	50.7	\$ —
Other non-cash additions		—	(0.6)
Increase in property, equipment and software accrued in liabilities		8.7	18.1
Non-cash purchases of property, equipment and software	\$	59.4	\$ 17.5

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

(In millions)	Three Months Ended March 31,	
	2023	2024
Cash and cash equivalents	\$ 174.3	\$ 282.6
Restricted cash included in other non-current assets	3.1	2.9
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	<u>\$ 177.4</u>	<u>\$ 285.5</u>

See accompanying notes to the unaudited condensed consolidated financial statements.

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

(In millions)	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Treasury Stock, at Cost		Total Stockholders' Equity
	Shares	Amount				Shares	Amount	
Balance at December 31, 2022	215.7	\$ 2.2	\$ 2,573.3	\$ 71.4	\$ (1,986.4)	3.1	\$ (31.0)	\$ 629.5
Exercise of stock options and release of stock awards	2.4	—	—	—	—	—	—	—
Share-based compensation expense for equity classified awards	—	—	14.7	—	—	—	—	14.7
Net loss	—	—	—	—	(612.0)	—	—	(612.0)
Other comprehensive loss	—	—	—	(7.8)	—	—	—	(7.8)
Balance at March 31, 2023	<u>218.1</u>	<u>\$ 2.2</u>	<u>\$ 2,588.0</u>	<u>\$ 63.6</u>	<u>\$ (2,598.4)</u>	<u>3.1</u>	<u>\$ (31.0)</u>	<u>\$ 24.4</u>

(In millions)	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Treasury Stock, at Cost		Total Stockholders' Deficit
	Shares	Amount				Shares	Amount	
Balance at December 31, 2023	220.5	\$ 2.2	\$ 2,638.2	\$ 60.3	\$ (2,824.2)	3.1	\$ (31.0)	\$ (154.5)
Exercise of stock options and release of stock awards, net of shares withheld	6.1	0.1	(3.5)	—	—	—	—	(3.4)
Share-based compensation expense for equity classified awards	—	—	13.0	—	—	—	—	13.0
Net loss	—	—	—	—	(640.6)	—	—	(640.6)
Other comprehensive loss	—	—	—	(1.7)	—	—	—	(1.7)
Balance at March 31, 2024	<u>226.6</u>	<u>\$ 2.3</u>	<u>\$ 2,647.7</u>	<u>\$ 58.6</u>	<u>\$ (3,464.8)</u>	<u>3.1</u>	<u>\$ (31.0)</u>	<u>\$ (787.2)</u>

See accompanying notes to the unaudited condensed consolidated financial statements.

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

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

Nature of Operations and Basis of Presentation

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

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

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

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

Unaudited Interim Financial Information

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

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

Use of Estimates

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

Liquidity Overview

We are a highly leveraged company. As of March 31, 2024, we had \$ 2,598.2 million aggregate principal amount outstanding under our debt instruments, which are comprised of the first lien first out senior secured term loan facility (the "FLFO Term Loan Facility"), the first lien second out senior secured term loan facility (the "FLSO Term Loan Facility"), the first lien term loan facility (the "Term Loan Facility"), 3.50 % FLSO Senior Secured Notes due 2028 (the " 3.50 % FLSO Senior Secured Notes"), 5.375 % Senior Notes due 2028 (the " 5.375 % Senior Notes"), and 3.50 % Senior Secured Notes due 2028 (the " 3.50 % Senior Secured Notes"). We primarily finance our operations and capital expenditures with internally-generated cash from operations and hardware leases, and if necessary, borrowings under the senior secured first lien first out revolving credit facility (the " New Revolving Credit Facility"). As of March 31, 2024, the New Revolving Credit Facility provided for up to \$ 375.0 million of borrowings, none of which was drawn and outstanding as of March 31, 2024. Our primary uses of cash are working capital requirements, debt service requirements and capital expenditures. Based on our current level of operations and available cash and cash equivalents of \$ 282.6 million as of March 31, 2024, we believe our sources will provide sufficient liquidity over at least the next twelve months. We cannot provide assurance, however, that our business will generate sufficient cash flows from operations or that future borrowings will be available to us under the New Revolving Credit Facility or from other sources in an amount sufficient to enable us to pay our indebtedness or to fund our other liquidity needs. Our ability to do so depends on prevailing economic conditions and other factors, many of which are beyond our control.

Significant Accounting Policies and Estimates

Our Annual Report includes an additional discussion of the significant accounting policies and estimates used in the preparation of our consolidated financial statements. There were no material changes to our significant accounting policies and estimates during the three months ended March 31, 2024.

Change in Accounting Estimate

In the first quarter of 2024, we completed an assessment of the useful lives of certain assets within the "Computers and equipment" asset class. The timing of this review was based on a combination of factors accumulating over time that provided the company with updated information to make a better estimate on the economic lives of certain property and equipment. These factors included changes in our business model and recent technological advances that have increased efficiencies in how we operate and manage customer gear. The assessment resulted in an increase in the estimated useful life range of the "Computers and equipment" asset class from three-to- five years to five-to- seven years . This change in accounting estimate took effect at the start of the first quarter of 2024. The impact of this change was a reduction in depreciation expense of \$ 12.2 million compared to previous estimates for the three months ended March 31, 2024.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2. Customer Contracts

The following table presents the balances related to customer contracts:

(In millions)	Condensed Consolidated Balance Sheets Account	December 31, 2023	March 31, 2024
Accounts receivable, net	Accounts receivable, net ⁽¹⁾	\$ 339.7	\$ 303.3
Current portion of contract assets	Other current assets	\$ 10.7	\$ 8.9
Non-current portion of contract assets	Other non-current assets	\$ 8.6	\$ 7.4
Current portion of deferred revenue	Deferred revenue	\$ 78.8	\$ 78.7
Non-current portion of deferred revenue	Other non-current liabilities	\$ 5.3	\$ 6.2

(1) Allowance for credit losses and accrued customer credits was \$ 20.1 million and \$ 20.3 million as of December 31, 2023 and March 31, 2024, respectively.

Amounts recognized in revenue for the three months ended March 31, 2023, and 2024, which were included in deferred revenue as of the beginning of each period totaled \$ 39.1 million and \$ 45.6 million, respectively.

Cost Incurred to Obtain and Fulfill a Contract

As of December 31, 2023 and March 31, 2024, the balances of capitalized costs to obtain a contract were \$ 42.0 million and \$ 39.7 million, respectively, and the balances of capitalized costs to fulfill a contract were \$ 13.4 million and \$ 12.9 million, respectively. These capitalized costs are included in "Other non-current assets" on the Condensed Consolidated Balance Sheets.

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

(In millions)	Three Months Ended March 31,	
	2023	2024
Amortization of capitalized sales commissions	\$ 10.3	\$ 8.2
Amortization of capitalized implementation costs	\$ 3.6	\$ 2.7

Remaining Performance Obligations

As of March 31, 2024, the aggregate amount of transaction price allocated to remaining performance obligations was \$ 458.1 million, of which approximately 56 % is expected to be recognized as revenue during the remainder of 2024 and the remainder thereafter. These remaining performance obligations primarily relate to our fixed-term arrangements. The aggregate amount of transaction price excludes variable consideration related to our usage-based arrangements for which we recognize revenue based on the right to invoice for the services performed.

3. Sale of Receivables

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

In connection with accounts receivable sold during the three months ended March 31, 2024, we recorded \$ 5.8 million of expense, consisting of \$ 5.3 million of yield charges and fees and \$ 0.5 million of upfront transaction costs associated with the execution of the agreement, within "Other income (expense), net" in the Condensed Consolidated Statements of Comprehensive Loss for the three months ended March 31, 2024. The outstanding portfolio of sold accounts receivable derecognized from our Condensed Consolidated Balance Sheet as of December 31, 2023 and March 31, 2024 was \$ 223.8 million and \$ 218.3 million, respectively. The SPVs hold unsold accounts receivable of \$ 100.6 million as of March 31, 2024 that are pledged as collateral to PNC.

4. 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 March 31,	
	2023	2024
Basic and diluted net loss per share:		
Net loss attributable to common stockholders	\$ (612.0)	\$ (640.6)
Weighted average shares outstanding:		
Common stock	213.2	219.8
Number of shares used in per share computations	213.2	219.8
Net loss per share	\$ (2.87)	\$ (2.91)

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 both periods presented, basic net loss per share is the same as diluted net loss per share for both periods as the inclusion of all potential common shares outstanding would have been anti-dilutive. We excluded 41.1 million and 30.3 million potential common shares from the computation of dilutive loss per share for the three months ended March 31, 2023 and 2024, respectively, because the effect would have been anti-dilutive.

5. Property, Equipment and Software, net

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

(In millions)	December 31, 2023	March 31, 2024
Computers and equipment	\$ 1,154.9	\$ 1,164.0
Software	452.8	445.6
Furniture and fixtures	14.5	14.4
Buildings and leasehold improvements	411.8	410.6
Property, equipment and software, at cost	2,034.0	2,034.6
Less: Accumulated depreciation	(1,442.1)	(1,430.9)
Work in process	16.9	13.3
Property, equipment and software, net	\$ 608.8	\$ 617.0

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

In March 2024, we completed the sale of the property. The property's estimated fair value, less estimated cost to sell prior to the sale was \$ 16.9 million and we received cash proceeds of \$ 17.5 million, less brokerage and professional fees of \$ 0.6 million, resulting in net cash proceeds of \$ 16.9 million. In connection with the completion of the sale, we paid a \$ 9.0 million early termination fee to certain local governments related to our termination of the Master Economic Incentives Agreement (the "MEIA") associated with the property. This amount is included in "Selling, general and administrative expenses" in our Condensed Consolidated Statements of Comprehensive Loss for the three months ended March 31, 2024.

6. Goodwill and Intangible Assets

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

(In millions)	Public Cloud	Private Cloud	Total
Gross goodwill as of December 31, 2023	\$ 597.7	\$ 1,563.5	\$ 2,161.2
Less: impairment charges	—	(708.8)	(708.8)
Goodwill, net as of December 31, 2023	597.7	854.7	1,452.4
Impairment of goodwill	(385.4)	(187.8)	(573.2)
Foreign currency translation	(1.0)	(0.5)	(1.5)
Goodwill, net as of March 31, 2024	\$ 211.3	\$ 666.4	\$ 877.7
Gross goodwill as of March 31, 2024	\$ 596.7	\$ 1,563.0	\$ 2,159.7
Less: accumulated impairment charges ⁽¹⁾	(385.4)	(896.6)	(1,282.0)
Goodwill, net as of March 31, 2024	\$ 211.3	\$ 666.4	\$ 877.7

(1) On a consolidated basis, gross and net goodwill as of March 31, 2024 was \$ 3,041.6 million and \$ 877.7 million, respectively. Accumulated impairment charges on a consolidated basis was \$ 2,163.9 million as of March 31, 2024.

See Note 1, "Company Overview, Basis of Presentation, and Summary of Significant Accounting Policies," for discussion of the goodwill impairment charges recorded during the three months ended March 31, 2023 and 2024.

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

(In millions)	December 31, 2023			March 31, 2024		
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
Customer relationships	\$ 1,932.0	\$ (1,073.9)	\$ 858.1	\$ 1,931.3	\$ (1,111.8)	\$ 819.5
Other	27.8	(26.9)	0.9	27.7	(27.0)	0.7
Total definite-lived intangible assets	1,959.8	(1,100.8)	859.0	1,959.0	(1,138.8)	820.2
Trade name (indefinite-lived)	160.0	—	160.0	140.0	—	140.0
Total intangible assets other than goodwill	\$ 2,119.8	\$ (1,100.8)	\$ 1,019.0	\$ 2,099.0	\$ (1,138.8)	\$ 960.2

During the three months ended March 31, 2024 we recognized impairment charges of \$ 20.0 million related to our trade name indefinite-lived intangible asset.

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

7. Debt

Debt consisted of the following:

(In millions, except %)

Debt Instrument	Maturity Date	December 31, 2023		March 31, 2024	
		Interest Rate ⁽¹⁾	Amount	Interest Rate ⁽¹⁾	Amount
FLSO Term Loan Facility	May 15, 2028	— %	\$ —	8.18 %	\$ 1,683.0
FLFO Term Loan Facility	May 15, 2028	— %	—	11.68 %	275.0
Term Loan Facility	February 15, 2028	8.23 %	2,181.2	8.18 %	62.3
New Revolving Credit Facility	May 15, 2028	—%	—	—%	—
Revolving Credit Facility	August 7, 2025	—%	—	—%	—
3.50 % FLSO Senior Secured Notes	May 15, 2028	—%	—	3.50 %	267.3
3.50 % Senior Secured Notes	February 15, 2028	3.50 %	513.7	3.50 %	182.3
5.375 % Senior Notes	December 1, 2028	5.375 %	197.6	5.375 %	128.3
Total principal amount outstanding			2,892.5		2,598.2
Unamortized debt issuance costs, debt premium, and debt discount			(29.9)		396.5
Total debt			2,862.6		2,994.7
Less: current portion of debt			(23.0)		(20.3)
Debt, excluding current portion			\$ 2,839.6		\$ 2,974.4

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

March 2024 Refinancing Transactions

Private Exchange

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

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

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

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

Public Exchanges

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

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

New Revolving Credit Facility

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

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

Accounting Impacts

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

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

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

In connection with the March 2024 Refinancing Transactions, the company recorded a gain of \$ 56.7 million after deducting third-party costs and lender fees incurred. The gain is included in "Debt modification costs and gain on debt extinguishment" in our Condensed Consolidated Statements of Comprehensive Loss for the three months ended March 31, 2024. The company incurred third party fees of \$ 28.4 million.

New Debt Instruments

New Senior Facilities

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

FLSO Term Loan Facility

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

As of March 31, 2024, the contractual interest rate on the FLSO Term Loan Facility was 8.18 %. We are required to make quarterly principal payments of \$ 4.2 million, which began on March 31, 2024. See Note 11, "Derivatives," for information on interest rate swap agreements we utilize to manage the interest rate risk on the FLSO Term Loan Facility.

Affiliates of ABRY Partners, LLC and ABRY Partners II, LLC (collectively, "ABRY") are FLSO Term Loan Facility lenders under the New First Lien Credit Agreement. As of March 31, 2024, the outstanding principal amount of the FLSO Term Loan Facility was \$ 1,683.0 million, of which \$ 50.0 million, or 3.0 %, is due to ABRY affiliates. Investment funds affiliated with ABRY are also co-investors in Rackspace Technology.

As of March 31, 2024, Apollo Global Management, Inc. also held \$ 81.1 million, or 4.8 %, of the outstanding principal amount of the FLSO Term Loan Facility.

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

The fair value of the FLSO Term Loan Facility as of March 31, 2024 was \$ 822.5 million, based on quoted market prices for identical assets that are traded in over-the-counter secondary markets that are not considered active. The fair value of the FLSO Term Loan Facility is classified as Level 2 within the fair value hierarchy.

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

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

FLFO Term Loan Facility

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

As of March 31, 2024, the contractual interest rate on the FLFO Term Loan Facility was 11.68 %. We are required to make quarterly principal payments of \$ 0.7 million, beginning on June 30, 2024. See Note 11, "Derivatives," for information on interest rate swap agreements we utilize to manage the interest rate risk on the FLFO Term Loan Facility.

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

The fair value of the FLFO Term Loan Facility as of March 31, 2024 was \$ 276.0 million, based on quoted market prices for identical assets that are traded in over-the-counter secondary markets that are not considered active. The fair value of the FLFO Term Loan Facility is classified as Level 2 within the fair value hierarchy.

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

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

New Revolving Credit Facility

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

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

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

As of March 31, 2024, we had total commitments of \$ 375.0 million, no outstanding borrowings under the New Revolving Credit Facility, and \$ 3.5 million of letters of credit issued thereunder. As such, as of March 31, 2024, we had \$ 375.0 million of available commitments remaining.

As of March 31, 2024, we were in compliance with all covenants under the New Senior Facilities.

3.50 % FLSO Senior Secured Notes due 2028

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

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

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

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

As of March 31, 2024, we were in compliance with all covenants under the 3.50 % FLSO Senior Secured Notes Indenture.

The fair value of the 3.50 % FLSO Senior Secured Notes as of March 31, 2024 was \$ 134.3 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 % FLSO Senior Secured Notes are classified as Level 2 within the fair value hierarchy.

Existing Debt Instruments

Senior Facilities

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

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

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

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

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

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

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

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

As of March 31, 2024, the contractual interest rate on the Term Loan Facility was 8.18 %. We are required to make quarterly principal payments of \$ 0.2 million. See Note 11, "Derivatives," for information on interest rate swap agreements we utilize to manage the interest rate risk on the Term Loan Facility.

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

The fair value of the Term Loan Facility as of March 31, 2024 was \$ 22.4 million, based on quoted market prices for identical assets that are traded in over-the-counter secondary markets that are not considered active. The fair value of the Term Loan Facility is classified as Level 2 within the fair value hierarchy.

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

As of March 31, 2024, we were in compliance with all covenants under the Senior Facilities.

3.50 % Senior Secured Notes due 2028

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

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

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

As of March 31, 2024, Rackspace Technology Global was in compliance with all covenants under the 3.50 % Notes Indenture.

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

The fair value of the 3.50 % Senior Secured Notes as of March 31, 2024 was \$ 65.6 million, based on quoted market prices for identical assets that are traded in over-the-counter secondary markets that are not considered active. The fair value of the 3.50 % Senior Secured Notes are classified as Level 2 within the fair value hierarchy.

5.375 % Senior Notes due 2028

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

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

During the three months ended March 31, 2023, Rackspace Technology Global repurchased and surrendered for cancellation \$ 22.7 million principal amount of 5.375 % Senior Notes for \$ 10.0 million, including accrued interest of \$ 0.3 million. In connection with these repurchases, we recorded a gain, included in "Debt modification costs and gain on debt extinguishment", of \$ 12.8 million in our Condensed Consolidated Statements of Comprehensive Loss for the three months ended March 31, 2023.

As previously described in "*March 2024 Refinancing Transactions*" above, as part of the Private Exchange, we repurchased and cancelled \$ 69.3 million aggregate principal amount of the 5.375 % Senior Notes during the three months ended March 31, 2024.

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

As of March 31, 2024, Rackspace Technology Global was in compliance with all covenants under the 5.375 % Notes Indenture.

The fair value of the 5.375 % Senior Notes as of March 31, 2024 was \$ 33.4 million, based on quoted market prices for identical assets that are traded in over-the-counter secondary markets that are not considered active. The fair value of the 5.375 % Senior Notes are classified as Level 2 within the fair value hierarchy.

8. Commitments and Contingencies

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

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

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

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

Headquarters Lease

In February 2023, we signed an agreement to lease approximately 93,000 square feet of office space in San Antonio, Texas, which will serve as our new corporate headquarters. The initial lease term is 11 years, with three 5-year renewal options. In addition to monthly base rent, we will also pay a share of common area maintenance and operating expenses. As of March 31, 2024, the lease had not yet commenced. The lease subsequently commenced in the second quarter of 2024.

9. Share-Based Compensation

During the three months ended March 31, 2024, we granted 3.2 million restricted stock units ("RSUs") under the 2020 Incentive Plan with a weighted-average grant date fair value of \$ 1.92 . The majority of the RSUs were granted as part of our promotion and recruitment process and vest ratably over a three-year period, subject to continued service.

In addition, during the three months ended March 31, 2024, 0.6 million performance stock units ("PSUs") were granted under the 2020 Incentive Plan with a weighted-average grant date fair value of \$ 2.78 . The PSUs represent the target amount of grants, and the actual number of shares awarded upon vesting may vary depending upon the achievement of the relevant market condition which is based on Rackspace's Total Shareholder Return ("TSR") relative to the TSR of a comparator group of IT and Cloud Services Companies. The awards are eligible to vest in equal annual installments over three years based on the attainment of the market condition and the employee's continued service through the end of the applicable measurement period and were valued using a Monte Carlo simulation.

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

(In millions)	Three Months Ended March 31,	
	2023	2024
Equity classified awards	\$ 14.7	\$ 13.0
Liability classified awards	0.5	(0.2)
Total share-based compensation expense	<u>\$ 15.2</u>	<u>\$ 12.8</u>

Total share-based compensation expense recognized was as follows:

(In millions)	Three Months Ended March 31,	
	2023	2024
Cost of revenue	\$ 2.8	\$ 1.9
Selling, general and administrative expenses	12.4	10.9
Pre-tax share-based compensation expense	15.2	12.8
Less: Income tax benefit	(3.2)	(2.7)
Total share-based compensation expense, net of tax	<u>\$ 12.0</u>	<u>\$ 10.1</u>

As of March 31, 2024, there was \$ 64.6 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.

10. Taxes

We are subject to U.S. federal income tax and various state, local, and international income taxes in numerous jurisdictions. The differences between our effective tax rate and the U.S. federal statutory rate of 21% generally result from various factors, including the geographical distribution of taxable income, tax credits, contingency reserves for uncertain tax positions, and permanent differences between the book and tax treatment of certain items. Additionally, the amount of income taxes paid is subject to our interpretation of applicable tax laws in the jurisdictions in which we file. For the three months ended March 31, 2024, our effective tax rate is lower than the U.S. federal statutory rate of 21% primarily due to the tax impact associated with changes in the valuation allowance related to disallowed interest, the tax impact associated with the goodwill impairment recorded in the first quarter of 2024, the majority of which was nondeductible for income tax purposes, and the tax impact of the March 2024 Refinancing Transactions discussed below. The tax impact of the March 2024 Refinancing Transactions include excluded cancellation of indebtedness income ("CODI"), federal and state attribution reduction and changes in valuation allowance. In December 2021, the Organisation for Economic Co-operation and Development (the "OECD") issued model rules for a new global minimum tax framework (Pillar Two). Governments in many of the countries where we operate have issued, or are in the process of issuing, legislation on this rule. We are currently evaluating, but do not expect this rule to have a material impact on our consolidated financial statements.

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

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

For purposes of determining the interim tax provision for the three months ended March 31, 2024, the company estimates that all of its federal (and certain of its state) net operating loss and tax credit carryovers will be eliminated as a result of tax attribute reduction for excluded CODI. For the three months ended March 31, 2024, the company recorded an income tax benefit of \$ 51.1 million related to the net effects of the March 2024 Refinancing Transactions, including excluded CODI, federal and state tax attribute reduction, and resulting changes in valuation allowance. The total income tax benefit recorded in the three months ended March 31, 2024 was a tax benefit of \$ 4.7 million which includes the \$ 51.1 million tax benefit from the March 2024 Refinancing Transactions.

11. Derivatives

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

Interest Rate Swaps

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

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

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

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

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

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

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

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

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

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

The key terms of interest rate swaps are presented below:

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

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

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

Fair Values of Derivatives on the Condensed Consolidated Balance Sheets

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

		December 31, 2023		March 31, 2024	
		Assets	Liabilities	Assets	Liabilities
(In millions)					
Derivatives designated as hedging instruments	Location				
Interest rate swaps	Other current assets	\$ 47.0	\$ —	\$ 50.0	\$ —
Interest rate swaps	Other non-current assets	36.8	—	36.5	—
Interest rate swaps	Other current liabilities ⁽¹⁾	—	17.3	—	17.3
Interest rate swaps	Other non-current liabilities ⁽¹⁾	—	20.3	—	16.0
Total		<u>\$ 83.8</u>	<u>\$ 37.6</u>	<u>\$ 86.5</u>	<u>\$ 33.3</u>

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

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

(In millions)	December 31, 2023			March 31, 2024		
	Gross Amounts on Balance Sheet	Effects of Counterparty Netting	Net Amounts	Gross Amounts on Balance Sheet	Effects of Counterparty Netting	Net Amounts
Assets						
Interest rate swaps	\$ 83.8	\$ (37.6)	\$ 46.2	\$ 86.5	\$ (33.3)	\$ 53.2
Liabilities						
Interest rate swaps	\$ 37.6	\$ (37.6)	\$ —	\$ 33.3	\$ (33.3)	\$ —

Effect of Derivatives on the Condensed Consolidated Statements of Comprehensive Loss

The effect of our derivatives and their location on the Condensed Consolidated Statements of Comprehensive Loss for the three months ended March 31, 2023 and 2024 was as follows:

(In millions)		Three Months Ended March 31,	
		2023	2024
Derivatives not designated as hedging instruments	Location		
Interest rate swaps	Interest income (expense)	\$ (4.6)	\$ —
Derivatives designated as hedging instruments	Location		
Interest rate swaps	Interest income (expense)	\$ 12.2	\$ 14.9

Interest expense was \$ 56.9 million and \$ 43.7 million for the three months ended March 31, 2023 and 2024, respectively. As of March 31, 2024, the amount of cash flow hedge gain included within "Accumulated other comprehensive income" that is expected to be reclassified as a reduction to "Interest expense" over the next 12 months is approximately \$ 52.7 million. See Note 12, "Accumulated Other Comprehensive Income (Loss)," for information regarding changes in fair value of our derivatives designated as hedging instruments.

Credit-risk-related Contingent Features

We have agreements with interest rate swap counterparties that contain a provision whereby if we default on any of our material indebtedness, then we could also be declared in default of our interest rate swap agreements. As of March 31, 2024, our outstanding interest rate swap agreement was in a net asset position.

12. Accumulated Other Comprehensive Income (Loss)

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

(In millions)	Accumulated Foreign Currency Translation Adjustments	Accumulated Gain on Derivative Contracts	Accumulated Other Comprehensive Income
Balance at December 31, 2022	\$ (10.0)	\$ 81.4	\$ 71.4
Foreign currency translation adjustments, net of tax expense of \$ 0.4	3.4	—	3.4
Unrealized loss on derivative contracts, net of tax benefit of \$ 1.9	—	(5.6)	(5.6)
Amount reclassified from Accumulated comprehensive income (loss) into earnings, net of tax expense of \$ 2.0 ⁽¹⁾	—	(5.6)	(5.6)
Balance at March 31, 2023	\$ (6.6)	\$ 70.2	\$ 63.6

(1) Includes a reduction to interest expense recognized of \$ 12.2 million related to the cash flow hedge gain for the three months ended March 31, 2023, partially offset by an increase to interest expense for the amortization of off-market swap value and accumulated loss at hedge de-designation of \$ 4.6 million.

(In millions)	Accumulated Foreign Currency Translation Adjustments	Accumulated Gain on Derivative Contracts	Accumulated Other Comprehensive Income
Balance at December 31, 2023	\$ (2.0)	\$ 62.3	\$ 60.3
Foreign currency translation adjustments, net of tax benefit of \$ 0.2	(3.7)	—	(3.7)
Unrealized gain on derivative contracts, net of tax expense of \$ 4.5	—	13.1	13.1
Amount reclassified from Accumulated comprehensive income (loss) into earnings, net of tax expense of \$ 3.8 ⁽¹⁾	—	(11.1)	(11.1)
Balance at March 31, 2024	\$ (5.7)	\$ 64.3	\$ 58.6

(1) Includes a reduction to interest expense recognized of \$ 14.9 million related to the cash flow hedge gain for the three months ended March 31, 2024.

13. Segment Reporting

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

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

During the first quarter of 2024, we identified that an immaterial amount of revenue for a certain Private Cloud product offering was incorrectly reported in the Public Cloud segment in historical periods. Revenue by segment for the three months ended March 31, 2023 has been corrected in the table below by reducing Public Cloud revenue by \$ 1.1 million and increasing Private Cloud revenue by \$ 1.1 million.

The table below presents a reconciliation of revenue by reportable segment to consolidated revenue and a reconciliation of consolidated segment operating profit to consolidated loss before income taxes for the three months ended March 31, 2023 and 2024.

(In millions)	Three Months Ended March 31,	
	2023	2024
<i>Revenue by segment:</i>		
Public Cloud	\$ 443.5	\$ 422.4
Private Cloud	315.2	268.4
Total consolidated revenue	<u>\$ 758.7</u>	<u>\$ 690.8</u>
<i>Segment operating profit:</i>		
Public Cloud	\$ 23.4	\$ 9.3
Private Cloud	94.0	71.7
Total consolidated segment operating profit	117.4	81.0
Corporate functions	(66.9)	(64.8)
Share-based compensation expense	(15.2)	(12.8)
Special bonuses and other compensation expense ⁽¹⁾	(2.2)	(3.1)
Transaction-related adjustments, net ⁽²⁾	(1.3)	(1.0)
Restructuring and transformation expenses ⁽³⁾	(25.6)	(20.0)
Hosted Exchange incident expenses, net of proceeds received or expected to be received under our insurance coverage	(3.2)	(0.2)
Amortization of intangible assets ⁽⁴⁾	(40.9)	(38.7)
Impairment of goodwill	(543.1)	(573.2)
Impairment of assets, net	—	(20.0)
Interest expense	(56.9)	(43.7)
Gain on investments, net	0.1	0.1
Debt modification costs and gain on debt extinguishment	12.8	56.7
Other income (expense), net	2.1	(5.6)
Total consolidated loss before income taxes	<u>\$ (622.9)</u>	<u>\$ (645.3)</u>

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

The table below presents depreciation expense included in segment operating profit above for the three months ended March 31, 2023 and 2024.

		Three Months Ended March 31,	
		2023	2024
illions)			
c Cloud	\$	\$1.1	1.5
te Cloud		43.9	28.6
orate functions		7.8	6.1
tal depreciation expense	\$	<u>53.8</u>	<u>36.2</u>

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

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

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

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

Overview

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

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

Key Factors Affecting Our Performance

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

Differentiating Our Service Offerings in a Competitive Market Environment

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

Customer Relationships and Retention

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

Business Mix Shift

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

Key Components of Statement of Operations

Revenue

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

Cost of revenue

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

Selling, general and administrative expenses (SG&A)

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

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

Income taxes

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

Results of Operations

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

Three Months Ended March 31, 2023 Compared to Three Months Ended March 31, 2024

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

(In millions, except %)	Three Months Ended March 31,				Year-Over-Year Comparison	
	2023		2024			
	Amount	% Revenue	Amount	% Revenue	Amount	% Change
Revenue	\$ 758.7	100.0 %	\$ 690.8	100.0 %	\$ (67.9)	(8.9)%
Cost of revenue	(589.1)	(77.6) %	(558.0)	(80.8) %	31.1	(5.3)%
Gross profit	169.6	22.4 %	132.8	19.2 %	(36.8)	(21.7)%
Selling, general and administrative expenses	(207.5)	(27.4) %	(192.4)	(27.9) %	15.1	(7.3)%
Impairment of goodwill	(543.1)	(71.6) %	(573.2)	(83.0) %	(30.1)	5.5 %
Impairment of assets, net	—	— %	(20.0)	(2.9) %	(20.0)	100.0 %
Loss from operations	(581.0)	(76.6) %	(652.8)	(94.5) %	(71.8)	12.4 %
Other income (expense):						
Interest expense	(56.9)	(7.5) %	(43.7)	(6.3) %	13.2	(23.2)%
Gain on investments, net	0.1	0.0 %	0.1	0.0 %	—	— %
Debt modification costs and gain on debt extinguishment	12.8	1.7 %	56.7	8.2 %	43.9	NM
Other income (expense), net	2.1	0.3 %	(5.6)	(0.8) %	(7.7)	NM
Total other income (expense)	(41.9)	(5.5) %	7.5	1.1 %	49.4	NM
Loss before income taxes	(622.9)	(82.1) %	(645.3)	(93.4) %	(22.4)	3.6 %
Benefit for income taxes	10.9	1.4 %	4.7	0.7 %	(6.2)	(56.9)%
Net loss	\$ (612.0)	(80.7) %	\$ (640.6)	(92.7) %	\$ (28.6)	4.7 %

NM = not meaningful.

Revenue

Revenue decreased \$68 million, or 8.9%, to \$691 million in the three months ended March 31, 2024 from \$759 million in the three months ended March 31, 2023. Revenue declined due to decreases in both Private Cloud and Public Cloud revenue, as discussed below.

After removing the impact of foreign currency fluctuations, on a constant currency basis, revenue decreased 9.3% year-over-year. The following table presents revenue growth by segment:

(In millions, except %)	Three Months Ended March 31,		% Change	
	2023	2024	Actual	Constant Currency ^(a)
Public Cloud	\$ 443.5	\$ 422.4	(4.7)%	(4.9) %
Private Cloud	315.2	268.4	(14.9)%	(15.5) %
Total	\$ 758.7	\$ 690.8	(8.9)%	(9.3) %

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

Public Cloud revenue in the three months ended March 31, 2024 decreased 5% on an actual and constant currency basis, from the three months ended March 31, 2023. The decline was due to macro-economic pressures which caused a tightening of customer discretionary spend and optimizations, along with continued cyclical headwinds in IT services.

Private Cloud revenue in the three months ended March 31, 2024 decreased 15% on an actual basis and 16% on a constant currency basis, from the three months ended March 31, 2023, due to customers rolling off old generation private cloud offerings and expected decline in legacy OpenStack offerings.

Cost of Revenue

Cost of revenue decreased \$31 million, or 5%, to \$558 million in the three months ended March 31, 2024 from \$589 million in the three months ended March 31, 2023. The decrease in cost of revenue was primarily due to a decline in personnel costs associated with a reduction in headcount between periods and lower severance expense. Also contributing to the reduction in cost of revenue was an increase in the useful life of certain customer gear assets, as discussed in Item 1 of Part I, Financial Statements - Note 1, "Company Overview, Basis of Presentation, and Summary of Significant Accounting Policies", which resulted in a decline in depreciation expense between periods. Increased usage charges for third-party infrastructure partially offset these reductions.

As a percentage of revenue, cost of revenue increased 320 basis points in the three months ended March 31, 2024 to 80.8% from 77.6% in the three months ended March 31, 2023 as the decline in revenue growth outpaced the decrease in cost of revenue. Usage charges for third-party infrastructure drove a 510 basis point increase. Higher data center and license expense also contributed to the increase between periods. The decrease in personnel costs and depreciation expense, discussed above, partially offset the increase.

Gross Profit

Our gross profit was \$133 million in the three months ended March 31, 2024, a decrease of \$37 million from \$170 million in the three months ended March 31, 2023. Our gross margin was 19.2% in the three months ended March 31, 2024, a decrease of 320 basis points from 22.4% in the three months ended March 31, 2023.

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased \$15 million, or 7%, to \$192 million in the three months ended March 31, 2024 from \$208 million in the three months ended March 31, 2023. The decrease was due to a decline in personnel costs associated with a reduction in salaries driven by lower headcount and decreases in severance and commissions expense. Other non-personnel costs fluctuations included lower professional fees and a reduction in depreciation and amortization expense between periods. The first quarter of 2024 includes a \$9 million early termination fee associated with the sale of our corporate headquarters, which partially offset the previously mentioned expense reductions.

As a percentage of revenue, selling, general and administrative expenses increased 50 basis points, to 27.9% in the three months ended March 31, 2024 from 27.4% in the three months ended March 31, 2023 as the decline in revenue growth outpaced the decrease in selling, general and administrative expenses.

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

Our loss from operations was \$653 million in the three months ended March 31, 2024 compared to \$581 million in the three months ended March 31, 2023. Our Non-GAAP Operating Profit was \$16 million in the three months ended March 31, 2024, a decrease of \$34 million from \$51 million in the three months ended March 31, 2023. Non-GAAP Operating Profit is a non-GAAP financial measure. See "Non-GAAP Financial Measures" below for more information.

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

(In millions)	Three Months Ended March 31,	
	2023	2024
Loss from operations	\$ (581.0)	\$ (652.8)
Share-based compensation expense	15.2	12.8
Special bonuses and other compensation expense ^(a)	2.2	3.1
Transaction-related adjustments, net ^(b)	1.3	1.0
Restructuring and transformation expenses ^(c)	25.6	20.0
Hosted Exchange incident expenses, net of proceeds received or expected to be received under our insurance coverage	3.2	0.2
Impairment of goodwill	543.1	573.2
Impairment of assets, net	—	20.0
Amortization of intangible assets ^(d)	40.9	38.7
Non-GAAP Operating Profit	\$ 50.5	\$ 16.2

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

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

(In millions, except %)	Three Months Ended March 31,				Year-Over-Year Comparison	
	2023		2024			
	Amount	% of Segment Revenue	Amount	% of Segment Revenue	Amount	% Change
Segment operating profit:						
Public Cloud	\$ 23.4	5.3 %	\$ 9.3	2.2 %	\$ (14.1)	(60.3)%
Private Cloud	94.0	29.8 %	71.7	26.7 %	(22.3)	(23.7)%
Total consolidated segment operating profit	117.4		81.0		(36.4)	(31.0)%
Corporate functions	(66.9)		(64.8)		2.1	(3.1)%
Non-GAAP Operating Profit	\$ 50.5		\$ 16.2		\$ (34.3)	(67.9)%

Public Cloud operating profit decreased 60% in the three months ended March 31, 2024 from the three months ended March 31, 2023. Segment operating profit as a percentage of segment revenue decreased by 310 basis points, reflecting a 5% decrease in segment revenue, partially offset by a 2% decrease in segment operating expenses primarily due to lower personnel costs.

Private Cloud operating profit decreased 24% in the three months ended March 31, 2024 from the three months ended March 31, 2023. Segment operating profit as a percentage of segment revenue decreased by 310 basis points, due to a 15% decrease in segment revenue, partially offset by an 11% decrease in segment operating expenses. The decrease in costs was mainly driven by a reduction in personnel costs.

Centralized corporate functions that provide services to the segments in areas such as accounting, information technology, marketing, legal and human resources are not allocated to the segments and are included in "corporate functions" in the table above. This expense decreased 3% in the three months ended March 31, 2024 from the three months ended March 31, 2023 primarily due to a reduction in depreciation and amortization expense between periods.

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

Impairment of Goodwill

We recorded a total of \$543 million and \$573 million in non-cash goodwill impairment charges in the three months ended March 31, 2023 and 2024, respectively.

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

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

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

Impairment of Assets, Net

We evaluated our indefinite-lived intangible asset for impairment as of February 29, 2024. As a result of this evaluation, we recorded a \$20 million impairment of our indefinite-lived intangible asset in the three months ended March 31, 2024. There was no such impairment in the three months ended March 31, 2023.

Interest Expense

Interest expense decreased \$13 million, or 23%, to \$44 million in the three months ended March 31, 2024 from \$57 million in the three months ended March 31, 2023, due primarily to debt repurchases between periods.

Debt Modification Costs and Gain on Debt Extinguishment

We recorded \$57 million of debt modification costs and gain on debt extinguishment in the three months ended March 31, 2024 related to the March 2024 Refinancing Transactions.

We recorded a \$13 million gain on debt extinguishment in the three months ended March 31, 2023 related to repurchases of \$23 million principal amount of 5.375% Senior Notes.

For more information about the March 2024 Refinancing Transactions, see Item 1 of Part I, Financial Statements - Note 7, "Debt."

Other Income (Expense), Net

We had \$6 million of other expense and \$2 million of other income in the three months ended March 31, 2024 and March 31, 2023, respectively, primarily due to costs incurred in the three months ended March 31, 2024 related to the accounts receivable purchase agreement entered into in September 2023 and the impact of foreign currency losses.

Benefit for Income Taxes

Our income tax benefit decreased to \$5 million in the three months ended March 31, 2024 from \$11 million in the three months ended March 31, 2023. Our effective tax rate decreased to 0.7% in the three months ended March 31, 2024 from 1.7% in the three months ended March 31, 2023. The decrease in the effective tax rate year-over-year is primarily due to the tax impact associated with changes in the valuation allowance, geographic distribution of profits, the tax impact associated with goodwill impairments recorded in both the first quarter of 2024 and the first quarter of 2023, the majority of which were nondeductible for income tax purposes, and the income tax benefit of \$51 million related to the March 2024 Refinancing Transactions discussed above. The difference between the effective tax rate and the statutory rate for the three months ended March 31, 2024 is primarily due to the tax impact associated with changes in the valuation allowance, the tax impact associated with the goodwill impairment recorded in the first quarter of 2024, and the impact of the March 2024 Refinancing Transactions.

Non-GAAP Financial Measures

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

Constant Currency Revenue

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

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

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2024			% Change	
	Revenue	Revenue	Foreign Currency Translation ^(a)	Revenue in Constant Currency	Actual	Constant Currency
(In millions, except %)						
Public Cloud	\$ 443.5	\$ 422.4	\$ (0.7)	\$ 421.7	(4.7)%	(4.9) %
Private Cloud	315.2	268.4	(2.1)	266.3	(14.9)%	(15.5) %
Total	\$ 758.7	\$ 690.8	\$ (2.8)	\$ 688.0	(8.9)%	(9.3) %

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

Non-GAAP Gross Profit

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

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

(In millions)	Three Months Ended March 31,	
	2023	2024
Gross profit	\$ 169.6	\$ 132.8
Share-based compensation expense	2.8	1.9
Special bonuses and other compensation expense ^(a)	0.7	0.9
Purchase accounting impact on expense ^(b)	0.6	0.6
Restructuring and transformation expenses ^(c)	4.7	4.9
Hosted Exchange incident expenses, net of proceeds received or expected to be received under our insurance coverage	0.3	—
Non-GAAP Gross Profit	\$ 178.7	\$ 141.1

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

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

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

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

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

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

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

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

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

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

Net loss reconciliation to Non-GAAP Net Loss

(In millions)	Three Months Ended March 31,	
	2023	2024
Net loss	\$ (612.0)	\$ (640.6)
Share-based compensation expense	15.2	12.8
Special bonuses and other compensation expense ^(a)	2.2	3.1
Transaction-related adjustments, net ^(b)	1.3	1.0
Restructuring and transformation expenses ^(c)	25.6	20.0
Hosted Exchange incident expenses, net of proceeds received or expected to be received under our insurance coverage	3.2	0.2
Impairment of goodwill	543.1	573.2
Impairment of assets, net	—	20.0
Net gain on divestiture and investments ^(d)	(0.1)	(0.1)
Debt modification costs and gain on debt extinguishment	(12.8)	(56.7)
Other adjustments ^(e)	(2.1)	0.4
Amortization of intangible assets ^(f)	40.9	38.7
Tax effect of non-GAAP adjustments ^(g)	(9.2)	3.7
Non-GAAP Net Loss	\$ (4.7)	\$ (24.3)

Net loss reconciliation to Adjusted EBITDA

(In millions)	Three Months Ended March 31,	
	2023	2024
Net loss	\$ (612.0)	\$ (640.6)
Share-based compensation expense	15.2	12.8
Special bonuses and other compensation expense ^(a)	2.2	3.1
Transaction-related adjustments, net ^(b)	1.3	1.0
Restructuring and transformation expenses ^(c)	25.6	20.0
Hosted Exchange incident expenses, net of proceeds received or expected to be received under our insurance coverage	3.2	0.2
Impairment of goodwill	543.1	573.2
Impairment of assets, net	—	20.0
Net gain on divestiture and investments ^(d)	(0.1)	(0.1)
Debt modification costs and gain on debt extinguishment	(12.8)	(56.7)
Other (income) expense, net ^(h)	(2.1)	5.6
Interest expense	56.9	43.7
Benefit for income taxes	(10.9)	(4.7)
Depreciation and amortization ⁽ⁱ⁾	93.6	74.9
Adjusted EBITDA	\$ 103.2	\$ 52.4

- (a) Includes expense related to retention bonuses, mainly relating to restructuring and integration projects, and the related payroll tax, senior executive signing bonuses and relocation costs, and payroll taxes associated with the exercise of stock options and vesting of restricted stock. Beginning in the second quarter of 2023, includes expense related to the one-time grant of long-term incentive bonuses as a component of our annual compensation award process.
- (b) Includes legal, professional, accounting and other advisory fees related to acquisitions, certain one-time compliance costs related to being a public company, integration costs of acquired businesses, purchase accounting adjustments, payroll costs for employees that dedicate significant time to supporting these projects and exploratory acquisition and divestiture costs and expenses related to financing activities.
- (c) Includes consulting and advisory fees related to business transformation and optimization activities, payroll costs for employees that dedicate significant time to these projects, as well as associated severance, certain facility closure costs, and lease termination expenses. The first quarter of 2024 also includes a \$9.0 million MEIA early termination fee associated with the sale of our corporate headquarters.
- (d) Includes gains and losses on investment and from dispositions.
- (e) Primarily consists of foreign currency gains and losses.
- (f) All of our intangible assets are attributable to acquisitions, including the Rackspace Acquisition in 2016.
- (g) We utilize an estimated structural long-term non-GAAP tax rate in order to provide consistency across reporting periods, removing the effect of non-recurring tax adjustments, which include but are not limited to tax rate changes, U.S. tax reform, share-based compensation, audit conclusions and changes to valuation allowances. When computing this long-term rate for the 2023 and 2024 interim periods, we based it on an average of the 2022 and estimated 2023 tax rates and 2023 and estimated 2024 tax rates, respectively, recomputed to remove the tax effect of non-GAAP pre-tax adjustments and non-recurring tax adjustments, resulting in a structural non-GAAP tax rate of 26% for both periods. The non-GAAP tax rate could be subject to change for a variety of reasons, including the rapidly evolving global tax environment, significant changes in our geographic earnings mix including due to acquisition activity, or other changes to our strategy or business operations. We will re-evaluate our long-term non-GAAP tax rate as appropriate. We believe that making these adjustments facilitates a better evaluation of our current operating performance and comparisons to prior periods.
- (h) Primarily consists of foreign currency gains and losses and expense related to our accounts receivable purchase agreement.
- (i) Excludes accelerated depreciation expense related to facility closures.

Non-GAAP Earnings (Loss) Per Share

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

(In millions, except per share amounts)	Three Months Ended March 31,	
	2023	2024
Net loss attributable to common stockholders	\$ (612.0)	\$ (640.6)
Non-GAAP Net Loss	\$ (4.7)	\$ (24.3)
Weighted average number of shares - Diluted	213.2	219.8
Effect of dilutive securities ^(a)	1.1	5.7
Non-GAAP weighted average number of shares - Diluted	214.3	225.5
Net loss per share - Diluted	\$ (2.87)	\$ (2.91)
Per share impacts of adjustments to net loss ^(b)	2.85	2.80
Per share impacts of shares dilutive after adjustments to net loss ^(a)	0.00	0.00
Non-GAAP Loss Per Share	\$ (0.02)	\$ (0.11)

- (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 Loss Per Share and are therefore included in the share count for purposes of this non-GAAP measure. Potential common share equivalents consist of shares issuable upon the exercise of stock options, vesting of restricted stock units (including performance-based restricted stock units) or purchases under the Employee Stock Purchase Plan (the "ESPP"), as well as contingent shares associated with our acquisition of Datapipe Parent, Inc. Certain of our potential common share equivalents are contingent on Apollo achieving pre-established performance targets based on a multiple of their invested capital ("MOIC"), which are included in the denominator for the entire period if such shares would be issuable as of the end of the reporting period assuming the end of the reporting period was the end of the contingency period.
- (b) Reflects the aggregate adjustments made to reconcile Non-GAAP Net Loss 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 New Revolving Credit Facility. As of March 31, 2024, the New Revolving Credit Facility provided for up to \$375 million of borrowings, none of which was drawn and outstanding as of March 31, 2024. Our primary uses of cash are working capital requirements, debt service requirements and capital expenditures. Based on our current level of operations and available cash, we believe our sources will provide sufficient liquidity over at least the next twelve months. We cannot provide assurance, however, that our business will generate sufficient cash flows from operations or that future borrowings will be available to us under the New Revolving Credit Facility or from other sources in an amount sufficient to enable us to pay our indebtedness or to fund our other liquidity needs. Our ability to do so depends on prevailing economic conditions and other factors, many of which are beyond our control. In addition, upon the occurrence of certain events, such as a change of control, we could be required to repay or refinance our indebtedness. We cannot assure that we will be able to refinance any of our indebtedness on commercially reasonable terms or at all. Any future acquisitions, joint ventures or other similar transactions will likely require additional capital, and there can be no assurance that any such capital will be available to us on acceptable terms or at all.

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

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

At March 31, 2024, we held \$283 million in cash and cash equivalents (not including \$3 million in restricted cash, which is included in "Other non-current assets"), of which \$111 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 \$63 million outstanding with respect to these arrangements as of March 31, 2024. We may choose to utilize these various sources of funding in future periods.

We also lease certain equipment and real estate under operating and finance lease agreements. We had \$474 million outstanding with respect to operating and finance lease agreements as of March 31, 2024. We may choose to utilize such leasing arrangements in future periods.

As of March 31, 2024, we had \$2,598 million aggregate principal amount outstanding under the FLSO Term Loan Facility, the FLFO Term Loan Facility, the Term Loan Facility, 3.50% FLSO Senior Secured Notes, 5.375% Senior Notes, and 3.50% Senior Secured Notes, with \$375 million of borrowing capacity available under the New Revolving Credit Facility. Our liquidity requirements are significant, primarily due to debt service requirements.

Debt

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

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

New Debt Instruments

New Senior Facilities

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

FLSO Term Loan Facility

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

As of March 31, 2024, the contractual interest rate on the FLSO Term Loan Facility was 8.18%. We are required to make quarterly principal payments of \$4 million, which began on March 31, 2024.

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

As of March 31, 2024, \$1,683 million in aggregate principal amount of the FLSO Term Loan Facility remained outstanding.

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

FLFO Term Loan Facility

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

As of March 31, 2024, the contractual interest rate on the FLFO Term Loan Facility was 11.68%. We are required to make quarterly principal payments of \$0.7 million, beginning on June 30, 2024.

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

As of March 31, 2024, \$275 million aggregate principal amount of the FLFO Term Loan Facility remained outstanding.

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

New Revolving Credit Facility

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

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

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

As of March 31, 2024, we had total commitments of \$375 million, no outstanding borrowings under the New Revolving Credit Facility, and \$3.5 million of letters of credit issued thereunder. As such, as of March 31, 2024, we had \$375 million of available commitments remaining.

3.50% FLSO Senior Secured Notes due 2028

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

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

As of March 31, 2024, \$267 million aggregate principal amount of the 3.50% FLSO Senior Secured Notes were outstanding.

Existing Debt Instruments

Senior Facilities

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

Interest on the Term Loan Facility is due at the end of each interest period elected, not exceeding 90 days, for SOFR loans and at the end of every calendar quarter for base rate loans. As of March 31, 2024, the contractual interest rate on the Term Loan Facility was 8.18%. We are required to make quarterly amortization payments of \$0.2 million. The Revolving Credit Facility included a commitment fee equal to 0.50% per annum in respect of the unused commitments that was due quarterly. This fee was subject to one step-down based on the net first lien leverage ratio. The Senior Facilities require us to make certain mandatory prepayments under certain conditions defined in the First Lien Credit Agreement.

As of March 31, 2024, \$62 million aggregate principal amount of the Term Loan Facility remained outstanding and the prior Revolving Credit Facility was replaced in full by the New Revolving Credit Facility. See Item 1 of Part I, Financial Statements - Note 7, "Debt," for more information regarding our Senior Facilities.

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

3.50% Senior Secured Notes due 2028

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

As of March 31, 2024, \$182 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 March 31, 2024, \$128 million aggregate principal amount of the 5.375% Senior Notes remained outstanding.

Debt covenants

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

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

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

As of March 31, 2024, we were in compliance with all covenants under the New Senior Facilities, the Senior Facilities and the Indentures.

Supplemental Financial Information

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

As of March 31, 2024, the New Credit Group had total assets of \$3,429 million and total liabilities of \$3,900 million, which included total debt of \$2,625 million. The financial information for the New Credit Group differs from the financial information for the company and its consolidated subsidiaries primarily because Rackspace Technology Global has (i) debt that is not guaranteed by the New Credit Group, which debt was \$370 million as of March 31, 2024, and (ii) Rackspace Technology Global is the party to the interest rate swap which had a net asset value of \$53 million as of March 31, 2024.

Capital Expenditures

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

(In millions)	Three Months Ended March 31,	
	2023	2024
Customer gear	\$ 62.6	\$ 32.6
Data center build outs	0.6	1.1
Office build outs	1.1	0.1
Capitalized software and other projects	7.2	11.8
Total capital expenditures	\$ 71.5	\$ 45.6

Capital expenditures were \$46 million in the three months ended March 31, 2024, compared to \$72 million in the three months ended March 31, 2023, a decrease of \$26 million. The decrease in capital expenditures was driven by purchases of customer gear originally intended to support a specific new customer during the first quarter of 2023. This new customer did not materialize as expected; however, the gear is fungible and has been redeployed to support other business requirements. This gear was acquired through a finance lease.

Cash Flows

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

(In millions)	Three Months Ended March 31,	
	2023	2024
Cash used in operating activities	\$ (1.9)	\$ (90.3)
Cash used in investing activities	\$ (11.7)	\$ (11.1)
Cash provided by (used in) financing activities	\$ (41.3)	\$ 188.2

Cash Used in Operating Activities

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

Net cash used in operating activities was \$90 million in the three months ended March 31, 2024 compared to \$2 million in the three months ended March 31, 2023. The reduction in operating cash was primarily driven by payments in the first quarter of 2024 including a \$45 million vendor prepayment, \$28 million in third party fees paid in connection with the March 2024 Refinancing Transactions, and a \$9 million early termination fee associated with the sale of our corporate headquarters.

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 decreased \$1 million, or 5%, in the three months ended March 31, 2024 compared to the three months ended March 31, 2023 due to \$17 million of net proceeds received in the current period from the March 2024 sale of our corporate headquarters facility, partially offset by a \$16 million increase in cash purchases of property, equipment, and software between periods.

Cash Provided by (Used) in Financing Activities

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

Net cash provided by financing activities was \$188 million in the three months ended March 31, 2024 compared to \$41 million of net cash used in financing activities in the three months ended March 31, 2023. The change was driven by the March 2024 Refinancing Transactions which resulted in net cash proceeds of \$217 million.

Critical Accounting Policies and Estimates

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

Goodwill and Indefinite-Lived Intangible Assets

Goodwill

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Indefinite-Lived Intangible Assets

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

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

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

Long-Lived Assets

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

ITEM 3 – QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rates

We are exposed to interest rate risk associated with fluctuations in interest rates on our floating-rate debt under our Senior Facilities and New Senior Facilities, which includes our \$375 million New Revolving Credit Facility and \$2,020 million outstanding under the Term Loan Facility, FLSO Term Loan Facility, and FLFO Term Loan Facility. As of March 31, 2024, there was no outstanding borrowings under the New Revolving Credit Facility and therefore our only variable-rate debt outstanding was the \$2,020 million outstanding under the Term Loan Facility, FLSO Term Loan Facility, and FLFO Term Loan Facility. As of March 31, 2024, assuming the New Revolving Credit Facility was fully drawn, each 0.125% change in assumed blended interest rates would result in a \$3 million change in annual interest expense on indebtedness under the Senior Facilities and New Senior Facilities.

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

The key terms of the swap outstanding as of March 31, 2024 are presented below:

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

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

Foreign Currencies

We are subject to foreign currency translation risk due to the translation of the results of our subsidiaries from their respective functional currencies to the U.S. dollar, our functional currency. As a result, we discuss our revenue on a constant currency as well as actual basis, highlighting our sensitivity to changes in foreign exchange rates. See "Constant Currency Revenue." While the majority of our customers are invoiced, and the majority of our expenses are paid, by us or our subsidiaries in their respective functional currencies, we also have exposure to foreign currency transaction gains and losses as the result of certain receivables due from our foreign subsidiaries. As such, the results of operations and cash flows of our foreign subsidiaries are subject to fluctuations in foreign currency exchange rates. In the three months ended March 31, 2024, we recognized foreign currency transaction gains of \$0.2 million within "Other income (expense), net" in our Condensed 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 three months ended March 31, 2024, we expensed a pproximately \$11 million for utility companies to power our data centers, representing approximately 2% of our revenue. Power costs vary by geography, the source of power generation and seasonal fluctuations and are subject to certain proposed legislation that may increase our exposure to increased power costs. We have power contracts for data centers in the Dallas-Fort Worth, San Jose, Somerset, New Jersey and London areas that allow us to procure power either on a fixed price or on a variable price basis.

ITEM 4 – CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

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

Changes in Internal Control

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

Inherent Limitations of Internal Controls

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

PART II – OTHER INFORMATION

ITEM 1 – LEGAL PROCEEDINGS

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

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

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

ITEM 1A – RISK FACTORS

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

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

Unregistered Sales of Equity Securities

Not Applicable.

Use of Proceeds

None.

ITEM 3 – DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4 – MINE SAFETY DISCLOSURES

Not Applicable.

ITEM 5 – OTHER INFORMATION

Rule 10b5-1 Trading Arrangements

During the fiscal quarter ended March 31, 2024, none of the company's directors or officers (as defined in Rule 16a-1(f) of the Exchange Act) adopted, modified or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement" (as each term is defined in Item 408 of Regulation S-K).

ITEM 6 – EXHIBITS

Exhibit Number	Exhibit Description
4.1	Indenture, dated March 12, 2024, among Rackspace Finance, LLC, the guarantors party thereto from time to time and Computershare Trust Company, N.A., as trustee (incorporated by reference from Exhibit 4.1 to Rackspace Technology, Inc.'s Form 8-K filed on March 12, 2024)
10.1	First Lien Credit Agreement, dated March 12, 2024, among Rackspace Finance Holdings, LLC, Rackspace Finance, LLC, the lenders and issuing banks party thereto and Citibank, N.A., as administrative agent and Citibank, N.A., acting through its agency & trust business, as collateral agent (incorporated by reference from Exhibit 10.1 to Rackspace Technology, Inc.'s Form 8-K, filed on March 12, 2024)
10.2	Incremental Assumption and Amendment Agreement No. 1, dated March 12, 2024, among Rackspace Finance Holdings, LLC, Rackspace Finance, LLC, the subsidiary loan parties party thereto, the lenders party thereto and Citibank, N.A., as administrative agent (incorporated by reference from Exhibit 10.2 to Rackspace Technology, Inc.'s Form 8-K filed on March 12, 2024)
10.3	Receivables Purchase Agreement, dated as of September 29, 2023, as amended on February 12, 2024, by and among Rackspace Receivables II LLC, Rackspace Receivables Canada Limited, the persons from time to time party thereto as purchasers, PNC Bank, National Association, Rackspace US, Inc., Rackspace International GmbH, Rackspace Limited and Onica Technologies Canada Inc. and PNC Capital Markets LLC as structuring agent (incorporated by reference from Exhibit 10.17 to Rackspace Technology, Inc.'s Form 10-K filed on March 15, 2024)
10.4	Separation Agreement and Release between Rackspace US, Inc. and Naushaza Molu, dated January 19, 2024 (incorporated by reference from Exhibit 10.28 to Rackspace Technology, Inc.'s Form 10-K filed on March 15, 2024)
10.5	Amended and Restated Employment Agreement between Rackspace US, Inc. and Mark Marino, effective January 12, 2024 (incorporated by reference from Exhibit 10.1 to Rackspace Technology, Inc.'s Form 8-K, filed on January 12, 2024)
10.6	* Employment Agreement between Rackspace US, Inc. and Brian Lillie, effective January 16, 2023.
10.7	* Employment Agreement between Rackspace US, Inc. and Dharmendra Kumar ("DK") Sinha, effective July 13, 2022.
31.1	* Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	* Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	** Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	** Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	* Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)
101.SCH	* Inline XBRL Taxonomy Extension Schema Document
101.CAL	* Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	* Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	* Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	* Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	* Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed herewith.

** Furnished herewith.

SIGNATURES

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

RACKSPACE TECHNOLOGY, INC.

Date: May 15, 2024

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

EMPLOYMENT AGREEMENT

This Employment Agreement ("Agreement") is between Rackspace US, Inc. ("Company") and Brian Lillie ("Employee").

1. TERM OF EMPLOYMENT

This Agreement commences January 23, 2023 ("Start Date") and ends on January 22, 2026 (the "Employment Period"); however, the Employment Period will thereafter be automatically extended for two year periods unless either Company or Employee gives written notice of non-renewal no later than ninety days prior to the expiration of the then-applicable Employment Period. The term "Employment Period" shall refer to the Employment Period if and as so extended.

2. TITLE AND EXCLUSIVE SERVICES

- (a) **Title and Duties.** Employee's level is Executive Vice President, and his title will be President Private Cloud. Employee will perform job duties that are usual and customary for this position. Employee will report to the Company's Chief Executive Officer. The Company agrees that Employee may reside and work from California and travel regularly to San Antonio, Texas as requested and approved by Company and other locations as required by the company and to facilitate the duties of the role. The Company reserves the right to assign to the Employee duties of a different nature, either additional to, or instead of, those referred to above, it being understood that Employee will not be assigned duties that conflict with the terms of any lawful, enforceable and ongoing post-employment restrictions with a prior employer or that Employee cannot reasonably perform.
- (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 the company's standard approval policy, and the management of the Employee's personal investments, to the extent such activities do not compete in a material way with the business of the Company. For purposes of clarification, the Company agrees to allow Employee to keep his board position with Lumentum and to continue to pursue charitable/humanitarian work primarily in Poland

3. COMPENSATION AND BENEFITS

- (a) **Base Salary.** Employee shall be paid an annual base salary of \$650,000.00 and shall be eligible for increases in base salary consistent with Company's ordinary compensation cycles and process; any such increase shall be deemed thereafter the Base Salary for purposes of this Agreement. The Base Salary shall not be decreased during the Employment Period without the written consent of the Employee
- (a) **Annual Corporate Bonus.** Employee is eligible for an annualized on-target bonus of 100% of annual base salary, with a maximum potential amount of 150% of annual base salary, subject to the Rackspace Technology, Inc. Annual Cash Incentive Plan, or successor plan, (the "Plan") as
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approved by the Board of Directors or Compensation Committee of Rackspace Technology, Inc. From time to time the Company will review Employee's Annual Corporate Bonus Target and may provide for an increase as it may deem appropriate its discretion; any such increase shall be deemed thereafter the Annual Corporate Bonus Target for purposes of this agreement. The Annual Corporate Bonus target will not be decreased during the Employment Period without the written consent of Employee.

- (b) **Recruiting Equity Award.** In consideration for signing this Agreement, promptly following the Start 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 \$3,500,000 (i.e., \$7,000,000 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 Start Date (the "Recruiting Equity Grants"). The RSUs shall vest in equal annual installments on each anniversary of the Start Date over a three-year period ending on the third anniversary of the Start Date, 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), subject to Employee's continued employment through the applicable vesting date and the achievement of the performance conditions included in the PSU Recruiting Equity Grant. The Recruiting Equity Grants will be issued pursuant and subject to the terms and conditions set forth in the 2020 Rackspace Technology, Inc. Equity Incentive Plan and the applicable grant agreements.
- (c) **Annual Equity Awards.** Employee will be eligible to receive equity awards on the same basis and terms (including 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 other similarly situated employees subject to Employee's continued employment through the applicable grant date.
- (d) **PTO.** Employee is eligible for ETO (earned time off) subject to the Company's policies but not less than 5 weeks per calendar year.
- (e) **Employment Benefit Plans.** Employee may participate in employee benefit plans in which other similarly situated employees 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.
- (f) **Expenses.** Company will reimburse Employee for approved travel and business expenses pursuant to Company policy.

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
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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. 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 Employee shall promptly inform Company, shall cooperate with Company to obtain a protective order or otherwise restrict disclosure, and shall only disclose Confidential Information to the minimum extent necessary to comply with the court order. 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 Company.

(b) Protected Rights. Employee understands that nothing contained in this Agreement limits Employee's ability to file a charge or complaint with the Equal Employment Opportunity Commission, the National Labor Relations Board, the Occupational Safety and Health Administration, the Securities and Exchange Commission or any other federal, state or local governmental agency or commission ("Government Agencies"). Employee further understands that this Agreement does not limit Employee's ability to communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to the Company. This Agreement does not limit Employee's right to receive an award for information provided to any Government Agencies.

(c) 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 twelve (12) months after employment ends, Employee will not, directly or indirectly, (i) solicit or encourage any employee to terminate employment or services with Company; or (ii) solicit or encourage any employee to accept employment with or provide services to Employee or any business associated with Employee. The restrictions set forth in this section shall not apply to solicitation, hiring or receipt of services provided by employees engaged via general advertising that was not targeted at Company's employees.

(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 twelve (12) 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, to terminate its employment or arrangement with the Company or otherwise change its relationship with the Company.
- (b) The terms of this Section 6 shall survive the expiration or termination of this Agreement for any reason.

7. TERMINATION

Employee's employment may be terminated prior to the end of this Agreement 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 or Employee's employment if Employee is unable to perform the essential functions of Employee's full-time position for more than 180 days in any 12-month period, subject to applicable law.
 - (c) **Termination By Employee For Good Reason.** Employee may terminate Employee's employment at any time for "Good Reason," which is: (i) Company's repeated failure to comply with a material term of this Agreement after written notice by Employee specifying the alleged failure; or (ii) a substantial and unusual reduction in responsibilities and authority, including reductions in Base Salary or Annual Corporate Bonus, demotion from reporting to CEO or material relocation of Employee's principal place of employment. If Employee elects to terminate Employee's employment for "Good Reason," Employee must first provide Company written notice within thirty (30) days, after which Company shall have sixty (60) days to cure. If Company has not cured and Employee elects to terminate employment, Employee must do so within ten (10) days after the end of the cure period.
 - (d) **Termination By Employee Without Good Reason.** Employee may resign his employment without Good Reason any time upon ninety (90) days' advance written notice to the Company. 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.** Company may terminate Employee's employment with or without Cause and determine the termination date. "Cause" means:
 - (1) willful misconduct, including, without limitation, violation of sexual or other harassment policy, gross negligence, misappropriation of or material misrepresentation regarding property of Company, other than customary and de minimis use of Company property for personal purposes, as determined in the discretion of Company, or failure to take reasonable and appropriate action to prevent material injury to the financial condition, business or reputation of the Company;
 - (2) abandonment of duties (other than by reason of disability);
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(3) willful or intentional failure to follow lawful directives of the Company (other than a failure resulting from incapacity due to physical or mental illness), or failure to meet reasonable performance objectives following a written warning and opportunity to cure for thirty (30) days;

(4) a felony conviction or indictment, a plea of guilty or nolo contendere by Employee, or other conduct by Employee that has or would result in material injury to Company's reputation, including indictment or conviction of fraud, theft, embezzlement, or a crime involving moral turpitude;

(5) a material breach of this Agreement; or

(6) a willful violation of a material provision in Company's employment and management policies.

8. COMPENSATION UPON TERMINATION

(a) Termination By Company For Cause: Company shall, within 30 days, pay to Employee, Employee's accrued and unpaid base salary through the termination date and any payments required under applicable employee benefit plans (other than plans which provide for severance or termination payments or benefits).

(b) Non-Renewal or Termination without Good Reason by Employee. If Employee gives notice of non-renewal under Section 1 or gives notice of termination without Good Reason, Company shall determine the employment termination date and will pay accrued and unpaid base salary through the employment termination date, and any payments required under applicable employee benefit plans (other than plans that provide for severance or termination payments or benefits). If the employment termination date is before the end of the Notice Period (as defined herein), Employee signs and does not revoke a Severance Agreement and General Release of claims in a form reasonably satisfactory to Company (a "Release") and subject to Employee's compliance with the terms of this Agreement, then Company will (i) in periodic payments in accordance with ordinary payroll practices and deductions, pay Employee an amount equal to Employee's pro-rata base salary through the end of the Notice Period, and (ii) accelerate the vesting of any time-based equity awards that would have, but for the Employee's termination of employment, vested before the end of the Notice Period. "Notice Period" shall mean the: (i) ninety days prior to the expiration of the then applicable Employment Period for notice of non-renewal; or (ii) ninety days prior to the last date of employment specified in his notice of termination without Good Reason.

(c) Termination With Severance.

(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 for Good Reason, Company will pay the accrued and unpaid base salary through the termination date and any payments required under applicable employee benefit plans (other than plans which provide for severance or termination payments or benefits). In addition, if Employee signs and does not revoke a Severance Agreement and General Release of claims in a form satisfactory to

Company, Company will pay Employee, in periodic payments in accordance with ordinary payroll practices and deductions, (i) the greater of Employee's current base salary for twelve (12) months or the amount that would be provided by the severance guidelines that are prevailing at the time of termination based on the Employee's location, (ii) an amount equal to Employee's target annual performance bonus; (iii) a pro rata bonus, which represents the unpaid pro-rata portion of the actual annual performance bonus (as outlined in Section 2) that Employee would otherwise be entitled to receive based on the actual level of achievement of the applicable performance objectives for the fiscal year in which Employee's termination occurs paid in a lump sum at the same time bonuses are paid to Company's other similarly situated employees, and (iii) a lump sum cash payment, less applicable withholdings and other ordinary payroll deductions, which is equal to the applicable premium cost for twelve (12) months of continued Company group health coverage for Employee and any spouse and dependents ("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 Employee and Employee's Family Members in effect immediately prior to Employee's termination (which amount will be based on the premium for the first month of COBRA coverage). The lump sum COBRA payment will be made on the same date that the first Severance payment is paid and will be paid regardless of whether Employee elects COBRA continuation coverage. If Employee chooses to elect COBRA, Employee must do so within 60 days of the later of (i) the date Employee is furnished the election notice or (ii) the date Employee loses coverage, and Employee shall be solely responsible for payment of any premiums due with respect to such coverage. The payments made and benefits provided pursuant to this section are referred to as (the "Severance Payments" or "Severance Pay Period").

- (2) Non-Renewal By Company - Severance: If Employee's employment ends because Company gives notice of non-renewal under Section 1, Company shall determine the termination date, even if such date is prior to the end of the Employment Period and will pay the accrued and unpaid base salary through the termination date and any payments required under applicable employee benefit plans (other than plans which provide for severance or termination payments or benefits). In addition, if Employee signs and does not revoke a Severance Agreement and General Release of claims in a form satisfactory to Company, Company will pay and provide Employee with the benefits set forth in Section 8(c)(l), above.

- (3) Re-hire During Severance Pay Period:

If Employee is rehired by Company or employed by or performing services in any capacity or business during any Severance Pay Period, the Severance Payments shall cease.

(d) Timing of Payments After Termination of Employment.

- (1) Death or Disability: If Employee's employment is terminated by reason of death or disability, then Company shall: (i) within thirty (30) days of the employment termination date, accelerate the vesting of any equity awards that would have, but for the Employee's termination of employment, vested within twelve (12) months of the employment
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termination date; and (ii) issue payment to Employee (or Employee's designee or estate if due to death) as follows:

- (x) Accrued but unpaid base salary shall be paid in accordance with applicable law and no later than 30 days after termination of employment;
- (y) Pro-rata annual bonus shall be paid out at the same time as annual bonuses for such fiscal year of the Company are paid to the Company's other similarly situated employees; and
- (z) any payments required under the applicable employee benefits plans as promptly following the date of employment termination as is reasonably feasible.

- (2) Timing: 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 spans two taxable years, then payment will be made in the second taxable year.

- (3) Offset or Reduction: 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.

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, that, in any way, relate to Company's business or use Company Confidential Information, 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 to execute any documents, testify in any legal proceedings, and do all things necessary or desirable to secure Company's rights to the foregoing, including without limitation executing inventors' declarations and assignment forms. If there is a separate signed agreement between Employee and the Company including terms directly related to intellectual property rights, then the intellectual property terms of that agreement shall control.

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 to any entity, including any successor to all or substantially all the assets of the Company, by merger or otherwise.

11. GOVERNING LAW

This Agreement shall be governed, construed, interpreted, and enforced in accordance with the substantive laws of the State of California, without reference to the principles of conflicts of law of California or any other jurisdiction, and where applicable, the laws of the United States. Each of the Company and Employee (on behalf of itself and its affiliates) expressly consents to the personal jurisdiction of the California state and federal courts for any lawsuit relating to 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 it is advisable to be represented by counsel in connection with Employee's review and agreement to all terms and conditions of this Agreement.

Employee acknowledges and agrees that entering into this Agreement is not a condition of Employee's employment with the Company or its affiliates.

12. DEFINITION OF COMPANY

"Company" shall include Rackspace US, Inc., and its past, present and future divisions, operating companies, subsidiaries, affiliates and successors.

13. LITIGATION AND REGULATORY COOPERATION

During and after employment, Employee shall reasonably cooperate in the defense or prosecution of claims, investigations, or other actions which relate to events or occurrences during employment. 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 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.

14. DISPUTE RESOLUTION

- (a) **Injunctive Relief:** Employee agrees that irreparable damages to Company will result from Employee's breach of this Agreement, including loss of revenue, loss of goodwill associated with Employee as a result of employment, and/or loss of the benefit to Company of any training, confidential, and/or trade secret information provided to Employee, and any other tangible and intangible investments made to and on behalf of Employee. 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. The breaching party shall pay to the non-
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breaching party reasonable attorneys' fees and costs associated with enforcement of this Agreement, including any appeals. 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, upon timely written request of either party, 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. The arbitration shall be conducted in California. The arbitration shall proceed in accordance with the *JAMS Comprehensive Arbitration Rules and Procedures* ("JAMS") 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 JAMS or a comparable arbitration service, and who is selected pursuant to the JAMS Comprehensive Arbitration Rules and Procedures, 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. If this specific provision is found to be unenforceable, then the entirety of this arbitration provision shall be null and void. 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.

15. REPRESENTATIONS AND WARRANTIES OF EMPLOYEE

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, the performance of Employee's duties hereunder, or the rights of Company. Employee authorizes the Company to inform any prospective employer of the existence and terms of this Agreement without liability for interference with Employee's prospective employment. Employee represents that Employee is under no disability that prevents Employee from performing the essential functions of Employee's position, with or without reasonable accommodation.

16. SECTION 409A COMPLIANCE

- (a) **General.** The parties hereto acknowledge and agree that, to the extent applicable, this Agreement shall be interpreted in accordance with, and incorporate the terms and conditions required by, Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and the Department of Treasury Regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the date hereof. 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 the Employee under Section 409A(a)(1)(A) of the Code and related Department of Treasury guidance, the Company and the 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 of the Code or to comply with the requirements of Section 409A of the Code 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 agreement, 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 as a result of Section 409A of the Code or any damages for failing to comply with Section 409A of the Code.
- (b) **Separation from Service under Section 409A.** Notwithstanding any provision to the contrary in this Agreement: (i) no Severance Payments shall be payable unless the termination of the Employee's employment constitutes a "separation from service" within the meaning of Section 1.409A-1(h) of the Department of Treasury Regulations; (ii) if the 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, to the extent that delayed commencement of any portion of the Severance Payments (after taking into account all exclusions applicable to such Severance Payment under Section 409A) is required in order to avoid a prohibited distribution under Section 409A(a)(2)(B)(i) of the Code, such portion of the Severance Payments shall not be provided to the Employee prior to the earlier of (A) the expiration of the six-month period measured from the date of the Employee's "separation from service" with the Company (as such term is defined in the Department of Treasury Regulations issued under Section 409A) and (B) the date of the Employee's death; provided, that upon the earlier of such dates, all payments deferred pursuant to this Section 18(b) shall be paid to the Employee in a lump sum, and any remaining Severance Payments shall be paid as otherwise provided herein; (iii) the determination of whether the 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 of the Code and applicable guidance thereunder (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, the Employee's right to receive installment payments of the Severance Payments shall be treated as a right to receive a series of separate and distinct payments; and (v) to the extent that any reimbursement of expenses or in-
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kind benefits constitutes "deferred compensation" under Section 409A, such reimbursement or benefit shall be provided no later than December 31 of the year following the year in which the expense was incurred. The amount of expenses reimbursed in one year shall not affect the amount eligible for reimbursement in any subsequent year. 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. Reimbursements and in-kind benefits are not 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, local, and foreign withholding and other taxes and charges 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 it is determined (as hereafter provided) that any payment or distribution by the Company to or for the benefit of Employee, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise 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 be subject to the excise tax imposed by Section 4999 of the Code (or any successor provision thereto) by reason of being contingent on a change in ownership or effective control of the Company or of a substantial portion of the assets of the Company, within the meaning of Section 280G 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. 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. 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. MISCELLANEOUS

This Agreement is not effective unless fully executed by all parties, including the CEO or authorized officer of the Company, and approved by the Executive Committee as required by Company or its affiliates. This Agreement may not be modified, amended, or terminated except by an instrument in writing signed by Employee and the CEO or authorized officer of the Company 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 any prior written or oral agreements or understandings between the parties except as noted in Section 10 above. No modification shall be valid unless in writing and signed by the parties. 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 parties agree to execute any further or future documents which may be necessary to allow the full performance of 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 for 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. 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 Employee violate the provisions of Sections 5 or 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 under present or future laws effective during the term of 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. Furthermore, in lieu of such illegal, invalid, or unenforceable provision, there shall be added automatically as part of this Agreement a provision as similar in terms to such illegal, invalid, or unenforceable provision as may be possible and be legal, valid, and enforceable.

Upon full execution by all parties, this Agreement shall be effective on the later date of the two signature dates below.

EMPLOYEE:

/s/ Brian Lillie

Date:

16 January 2023

COMPANY:

/s/ Kelly Butler

Date: 16 January 2023

Kelly Butler

Rackspace US, Inc.

Its: SVP, Global HR Services

EMPLOYMENT AGREEMENT

This Employment Agreement ("Agreement") is between Rackspace US, Inc. ("Company") and Dharmendra Kumar (D K) Sinha ("Employee").

1. TERM OF EMPLOYMENT

This Agreement commences July 18, 2022 ("Start Date"), and ends on July 17, 2026 (the "Employment Period"); however, the Employment Period will thereafter be automatically extended for two year periods unless either Company or Employee gives written notice of non-renewal no later than ninety days prior to the expiration of the then-applicable Employment Period. The term "Employment Period" shall refer to the Employment Period if and as so extended.

2. TITLE AND EXCLUSIVE SERVICES

- (a) **Title and Duties.** Employee's level is Executive Vice President, and his title will be President Public Cloud. Employee will perform job duties that are usual and customary for this position. Employee will report to the Company's Chief Executive Officer. The Company agrees that Employee may reside and work from California and travel regularly to San Antonio, Texas as requested and approved by Company and other locations as required by the company and to facilitate the duties of the role. The Company reserves the right to assign to the Employee duties of a different nature, either additional to, or instead of, those referred to above, it being understood that Employee will not be assigned duties that conflict with the terms of any lawful, enforceable and ongoing post-employment restrictions with a prior employer or that Employee cannot reasonably perform.
- (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 the company's standard approval policy, and the management of the Employee's personal investments, to the extent such activities do not compete in a material way with the business of the Company.

3. COMPENSATION AND BENEFITS

- (a) **Base Salary.** Employee shall be paid an annual base salary of \$650,000.00 and shall be eligible for increases in base salary consistent with Company's ordinary compensation cycles and process.
 - (b) **Annual Corporate Bonus.** Employee is eligible for an annualized on-target bonus of 100% of annual base salary, with a maximum potential amount of 150% of annual base salary, subject to the Rackspace Technology, Inc. Annual Cash Incentive Plan, or successor plan, (the "Plan") as approved by the Board of Directors or Compensation Committee of Rackspace Technology, Inc. However, with respect to a 2022 bonus, the parties agree that Employee's potential bonus, if earned and approved under the Plan will be guaranteed at 100% of his target and pro-rated based on the Start Date. The 2022 Annual Corporate Bonus will be paid on the ordinary bonus payment date in 2023 only if Employee is employed on the
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payout date and is otherwise eligible for a bonus under the achievement requirements and other terms of the Plan. The prorated amount is calculated by multiplying the amount of the Annual Corporate Bonus by a fraction, the numerator of which is the number of complete months Employee is actually employed by the Company during 2022 and the denominator of which is 12.

- (c) **Equity Award.** In consideration for signing this Agreement, Company will grant Employee a one-time recruiting grant of restricted stock units ("RSUs") of Rackspace Technology, Inc. common stock, par value \$.01 per share ("Common Stock"). The number of RSUs granted to Employee shall be determined by dividing \$7,000,000.00 by a 60-trading day volume weighted average price of the Company's NASDAQ-traded Common Stock. The RSU's shall vest as follows: one-third will vest on the 12 month anniversary of the grant date, one-third will vest on the 24 month anniversary of the grant date and one-third will vest on the 36 month anniversary of the grant date, in each case, subject to Employee's continued employment through the applicable vesting date. This grant will be issued pursuant and subject to the 2020 Rackspace Technology, Inc. Equity Incentive Plan (or any successor plan).
 - (d) **Annual Equity Awards.** Starting in fiscal year 2022 and for each fiscal year of the Employment Period thereafter, Employee will be eligible to receive equity awards (the "Annual Equity Award") on the same basis and terms (including 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 other similarly situated employees subject to Employee's continued employment through the applicable Grant Date. For the fiscal years 2023 and 2024, Company will recommend that the Compensation Committee approve an Annual Equity Award with recommended award value not less than \$5,500,000.00.
 - (e) **Signing Bonus.** Company will pay Employee a bonus (the "Signing Bonus") with a total amount equal to: \$675,000.00 (six hundred seventy-five thousand dollars). The Signing Bonus will be paid in two equal installments. Company will issue payment: (i) for the first installment of the Signing Bonus equal to \$337,500.00 (three hundred thirty-seven thousand, five hundred dollars), less applicable deductions and withholdings, on the first reasonably available payroll period following six months after the Start Date; and (ii) the second installment equal to \$337,500.00 (three hundred thirty-seven thousand, five hundred dollars), less applicable deductions and withholdings, on the first reasonably available payroll period in December 2023. Payment of each installment of the Signing Bonus is contingent upon Employee's continued, active employment with the Company through the date that the applicable installment period is issued.
 - (f) **PTO.** Employee is eligible for PTO (paid time off) subject to the Company's policies.
 - (g) **Employment Benefit Plans.** Employee may participate in employee benefit plans in which other similarly situated employees 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.
 - (h) **Expenses.** Company will reimburse Employee for approved travel and business expenses pursuant to Company policy.
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4. NONDISCLOSURE OF CONFIDENTIAL INFORMATION

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. 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 Employee shall promptly inform Company, shall cooperate with Company to obtain a protective order or otherwise restrict disclosure, and shall only disclose Confidential Information to the minimum extent necessary to comply with the court order. 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 Company.

- (a) Protected Rights. Employee understands that nothing contained in this Agreement limits Employee's ability to file a charge or complaint with the Equal Employment Opportunity Commission, the National Labor Relations Board, the Occupational Safety and Health Administration, the Securities and Exchange Commission or any other federal, state or local governmental agency or commission ("Government Agencies"). Employee further understands that this Agreement does not limit Employee's ability to communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to the Company. This Agreement does not limit Employee's right to receive an award for information provided to any Government Agencies.
- (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 twelve (12) months after employment ends, Employee will not, directly or indirectly, (i) solicit or encourage any employee to terminate employment or services with Company; or (ii) solicit or encourage any employee to accept employment with or provide services to Employee or any business associated with Employee. The restrictions set forth in this section shall not apply to solicitation, hiring or receipt of services provided by employees engaged via general advertising that was not targeted at Company's employees.
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- (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 six (6) 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, to terminate its employment or arrangement with the Company or otherwise change its relationship with the Company.
- (b) The terms of this Section 6 shall survive the expiration or termination of this Agreement for any reason.

7. TERMINATION

Employee's employment may be terminated prior to the end of this Agreement 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 or Employee's employment if Employee is unable to perform the essential functions of Employee's full-time position for more than 180 days in any 12-month period, subject to applicable law.
- (c) **Termination By Employee For Good Reason.** Employee may terminate Employee's employment at any time for "Good Reason," which is: (i) Company's repeated failure to comply with a material term of this Agreement after written notice by Employee specifying the alleged failure; or (ii) a substantial and unusual reduction in responsibilities and authority, including reductions in Base Salary or Annual Corporate Bonus, demotion from reporting to CEO or material relocation of Employee's principal place of employment. If Employee elects to terminate Employee's employment for "Good Reason," Employee must first provide Company written notice within thirty (30) days, after which Company shall have sixty (60) days to cure. If Company has not cured and Employee elects to terminate employment, Employee must do so within ten (10) days after the end of the cure period.
- (d) **Termination By Employee Without Good Reason.** Employee may resign his employment without Good Reason any time upon ninety (90) days' advance written notice to the Company. 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.** Company may terminate Employee's employment with or without Cause and determine the termination date. "Cause" means:
- (i) willful misconduct, including, without limitation, violation of sexual or other harassment policy, gross negligence, misappropriation of or material misrepresentation regarding property of Company, other than customary and de minimis use of Company property for personal purposes, as determined in the discretion of Company, or failure to take reasonable
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and appropriate action to prevent material injury to the financial condition, business or reputation of the Company;

(ii) abandonment of duties (other than by reason of disability);

(iii) willful or intentional failure to follow lawful directives of the Company (other than a failure resulting from incapacity due to physical or mental illness), or failure to meet reasonable performance objectives following a written warning and opportunity to cure for thirty (30) days;

(iv) a felony conviction or indictment, a plea of guilty or nolo contendere by Employee, or other conduct by Employee that has or would result in material injury to Company's reputation, including indictment or conviction of fraud, theft, embezzlement, or a crime involving moral turpitude;

(v) a material breach of this Agreement; or

(vi) a willful violation of a material provision in Company's employment and management policies.

8. COMPENSATION UPON TERMINATION

(a) **Termination By Company For Cause:** Company shall, within 30 days, pay to Employee, Employee's accrued and unpaid base salary through the termination date and any payments required under applicable employee benefit plans (other than plans which provide for severance or termination payments or benefits).

(b) **Non-Renewal or Termination without Good Reason by Employee.** If Employee gives notice of non-renewal under Section 1 or gives notice of termination without Good Reason, Company shall determine the employment termination date and will pay accrued and unpaid base salary through the employment termination date, and any payments required under applicable employee benefit plans (other than plans that provide for severance or termination payments or benefits). If the employment termination date is before the end of the Notice Period (as defined herein), Employee signs and does not revoke a Severance Agreement and General Release of claims in a form reasonably satisfactory to Company (a "Release") and subject to Employee's compliance with the terms of this Agreement, then Company will (i) in periodic payments in accordance with ordinary payroll practices and deductions, pay Employee an amount equal to Employee's pro-rata base salary through the end of the Notice Period, and (ii) accelerate the vesting of any time-based equity awards that would have, but for the Employee's termination of employment, vested before the end of the Notice Period. "Notice Period" shall mean the: (i) ninety days prior to the expiration of the then- applicable Employment Period for notice of non-renewal; or (ii) ninety days prior to the last date of employment specified in his notice of termination without Good Reason.

(c) **Termination With Severance.**

(i) 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 for Good Reason, Company will pay the accrued and unpaid base salary through the termination date and any payments required under applicable employee benefit plans (other than plans which provide for severance or termination payments or benefits). In addition, if Employee signs and does not revoke a Severance Agreement and General Release of claims in a form satisfactory to Company, Company will pay Employee, in periodic payments in accordance with ordinary payroll practices and deductions, (i) the greater of Employee's current base salary for twelve (12) months or the amount that would be provided by the severance guidelines that are prevailing at the time of termination based on the Employee's location, (ii) an amount equal to Employee's target annual performance bonus; (iii) a pro rata bonus, which represents the unpaid pro-rata portion of the actual annual performance bonus (as outlined in Section 2) that Employee would otherwise be entitled to receive based on the actual level of achievement of the applicable performance objectives for the fiscal year in which Employee's termination occurs paid in a lump sum at the same time bonuses are paid to Company's other similarly situated employees, and (iii) a lump sum cash payment, less applicable withholdings and other ordinary payroll deductions, which is equal to the applicable premium cost for twelve (12) months of continued Company group health coverage for Employee and any spouse and dependents ("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 Employee and Employee's Family Members in effect immediately prior to Employee's termination (which amount will be based on the premium for the first month of COBRA coverage). The lump sum COBRA payment will be made on the same date that the first Severance payment is paid and will be paid regardless of whether Employee elects COBRA continuation coverage. If Employee chooses to elect COBRA, Employee must do so within 60 days of the later of: (i) the date Employee is furnished the election notice or (ii) the date Employee loses coverage, and Employee shall be solely responsible for payment of any premiums due with respect to such coverage. The payments made and benefits provided pursuant to this section are referred to as (the "Severance Payments" or "Severance Pay Period").

- (ii) Non-Renewal By Company – Severance: If Employee's employment ends because Company gives notice of non-renewal under Section 1, Company shall determine the termination date, even if such date is prior to the end of the Employment Period and will pay the accrued and unpaid base salary through the termination date and any payments required under applicable employee benefit plans (other than plans which provide for severance or termination payments or benefits). In addition, if Employee signs and does not revoke a Severance Agreement and General Release of claims in a form satisfactory to Company, Company will pay and provide Employee with the benefits set forth in Section 8(c)(1), above.

- (iii) Re-hire During Severance Pay Period:

If Employee is rehired by Company or employed by or performing services in any capacity or business during any Severance Pay Period, the Severance Payments shall cease.

(d) Timing of Payments After Termination of Employment.

- (i) Death or Disability: If Employee's employment is terminated by reason of death or disability, then Company shall: (i) within thirty (30) days of the employment termination date, accelerate the vesting of any equity awards that would have, but for the Employee's termination of employment, vested within twelve (12) months of the employment termination date; and (ii) issue payment to Employee (or Employee's designee or estate if due to death) as follows:
 - (x) Accrued but unpaid base salary shall be paid in accordance with applicable law and no later than 30 days after termination of employment;
 - (y) Pro-rata annual bonus shall be paid out at the same time as annual bonuses for such fiscal year of the Company are paid to the Company's other similarly situated employees; and
 - (z) any payments required under the applicable employee benefits plans as promptly following the date of employment termination as is reasonably feasible.
- (ii) Timing: 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 spans two taxable years, then payment will be made in the second taxable year.
- (iii) Offset or Reduction: 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.

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, that, in any way, relate to Company's business or use Company Confidential Information, 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 to execute any documents, testify in any legal proceedings, and do all things necessary or desirable to secure Company's rights to the foregoing, including without limitation executing inventors' declarations and assignment forms. If there is a separate signed agreement between Employee and the Company including terms directly related to intellectual property rights, then the intellectual property terms of that agreement shall control.

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 to any entity, including any successor to all or substantially all the assets of the Company, by merger or otherwise.

11. GOVERNING LAW

This Agreement shall be governed, construed, interpreted, and enforced in accordance with the substantive laws of the State of California, without reference to the principles of conflicts of law of California or any other jurisdiction, and where applicable, the laws of the United States. Each of the Company and Employee (on behalf of itself and its affiliates) expressly consents to the personal jurisdiction of the California state and federal courts for any lawsuit relating to 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 it is advisable to be represented by counsel in connection with Employee's review and agreement to all terms and conditions of this Agreement.

Employee acknowledges and agrees that entering into this Agreement is not a condition of Employee's employment with the Company or its affiliates.

12. DEFINITION OF COMPANY

"Company" shall include Rackspace US, Inc., and its past, present and future divisions, operating companies, subsidiaries, affiliates and successors.

13. LITIGATION AND REGULATORY COOPERATION

During and after employment, Employee shall reasonably cooperate in the defense or prosecution of claims, investigations, or other actions which relate to events or occurrences during employment. 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 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.

14. DISPUTE RESOLUTION

(a) **Injunctive Relief:** Employee agrees that irreparable damages to Company will result from Employee's breach of this Agreement, including loss of revenue, loss of goodwill associated with Employee as a result of employment, and/or loss of the benefit to Company of any training, confidential, and/or trade secret information provided to Employee, and any other tangible and intangible investments made to and on behalf of Employee. 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. The breaching party shall pay to the non-breaching party reasonable attorneys' fees and costs associated with enforcement of this Agreement, including any appeals. 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, upon timely written request of either party, 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. The arbitration shall be conducted in California. 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. If this specific provision is found to be unenforceable, then the entirety of this arbitration provision shall be null and void. 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.

15. REPRESENTATIONS AND WARRANTIES OF EMPLOYEE

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, the performance of Employee's duties

hereunder, or the rights of Company. Employee authorizes the Company to inform any prospective employer of the existence and terms of this Agreement without liability for interference with Employee's prospective employment. Employee represents that Employee is under no disability that prevents Employee from performing the essential functions of Employee's position, with or without reasonable accommodation.

16. SECTION 409A COMPLIANCE

- (a) **General.** The parties hereto acknowledge and agree that, to the extent applicable, this Agreement shall be interpreted in accordance with, and incorporate the terms and conditions required by, Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and the Department of Treasury Regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the date hereof. 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 the Employee under Section 409A(a)(1)(A) of the Code and related Department of Treasury guidance, the Company and the 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 of the Code or to comply with the requirements of Section 409A of the Code 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 agreement, 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 as a result of Section 409A of the Code or any damages for failing to comply with Section 409A of the Code.
- (b) **Separation from Service under Section 409A.** Notwithstanding any provision to the contrary in this Agreement: (i) no Severance Payments shall be payable unless the termination of the Employee's employment constitutes a "separation from service" within the meaning of Section 1.409A-1(h) of the Department of Treasury Regulations; (ii) if the 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, to the extent that delayed commencement of any portion of the Severance Payments (after taking into account all exclusions applicable to such Severance Payment under Section 409A) is required in order to avoid a prohibited distribution under Section 409A(a)(2)(B)(i) of the Code, such portion of the Severance Payments shall not be provided to the Employee prior to the earlier of (A) the expiration of the six-month period measured from the date of the Employee's "separation from service" with the Company (as such term is defined in the Department of Treasury Regulations issued under Section 409A) and (B) the date of the Employee's death; provided, that upon the earlier of such dates, all payments deferred pursuant to this Section 18(b) shall be paid to the Employee in a lump sum, and any remaining Severance Payments shall be paid as otherwise provided herein; (iii) the determination of whether the Employee is a "specified
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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 of the Code and applicable guidance thereunder (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, the Employee's right to receive installment payments of the Severance Payments shall be treated as a right to receive a series of separate and distinct payments; and (v) to the extent that any reimbursement of expenses or in-kind benefits constitutes “deferred compensation” under Section 409A, such reimbursement or benefit shall be provided no later than December 31 of the year following the year in which the expense was incurred. The amount of expenses reimbursed in one year shall not affect the amount eligible for reimbursement in any subsequent year. 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. Reimbursements and in-kind benefits are not 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, local, and foreign withholding and other taxes and charges 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 it is determined (as hereafter provided) that any payment or distribution by the Company to or for the benefit of Employee, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise 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 be subject to the excise tax imposed by Section 4999 of the Code (or any successor provision thereto) by reason of being contingent on a change in ownership or effective control of the Company or of a substantial portion of the assets of the Company, within the meaning of Section 280G 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. 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. 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. MISCELLANEOUS

This Agreement is not effective unless fully executed by all parties, including the CEO or authorized officer of the Company, and approved by the Executive Committee as required by Company or its affiliates. This Agreement may not be modified, amended, or terminated except by an instrument in writing signed by Employee and the CEO or authorized officer of the Company 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 any prior written or oral agreements or understandings between the parties except as noted in Section 10 above. No modification shall be valid unless in writing and signed by the parties. 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 parties agree to execute any further or future documents which may be necessary to allow the full performance of 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 for 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. 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 Employee violate the provisions of Sections 5 or 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 under present or future laws effective during the term of 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. Furthermore, in lieu of such illegal, invalid, or unenforceable provision, there shall be added automatically as part of this Agreement a provision as similar in terms to such illegal, invalid, or unenforceable provision as may be possible and be legal, valid, and enforceable.

Rackspace will pay Employee \$10,000.00, less applicable withholdings and other ordinary payroll deductions, for attorneys' fees incurred in connection with this Agreement (the "Attorneys' Fees Payment").

Upon full execution by all parties, this Agreement shall be effective on the later date of the two signature dates below.

EMPLOYEE:

/s/ Dharmendra Kumar Sinha Date: 13 July 2022

COMPANY:

/s/ Holly Windham Date: 14 July 2022
Holly Windham
Rackspace US, Inc.
Its: EVP, Chief Legal and People Officer

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

I, Amar Maletira, certify that:

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

Date: May 15, 2024

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

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

I, Mark Marino, certify that:

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

Date: May 15, 2024

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

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

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

1. The Quarterly Report on Form 10-Q of the Company for the quarter ended March 31, 2024 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Rackspace Technology, Inc.

Date: May 15, 2024

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

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

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

1. The Quarterly Report on Form 10-Q of the Company for the quarter ended March 31, 2024 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Rackspace Technology, Inc.

Date: May 15, 2024

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