



**rackspace**<sup>®</sup>  
HOSTING



# Safe Harbor Statement

This presentation contains "forward-looking" statements that involve risks, uncertainties and assumptions. If the risks or uncertainties ever materialize or the assumptions prove incorrect, our results may differ materially from those expressed or implied by such forward-looking statements. All statements other than statements of historical fact could be deemed forward-looking, including, but not limited to, any projections of financial information; any statements about historical results that may suggest trends for our business; any statements of the plans, strategies, and objectives of management for future operations; any statements of expectation or belief regarding future events, potential markets or market size, technology developments, or enforceability of our intellectual property rights; and any statements of assumptions underlying any of the items mentioned.


These statements are based on estimates and information available to us at the time of this presentation and are not guarantees of future performance. Actual results could differ materially from our current expectations as a result of many factors, including but not limited to: the unpredictable nature of our rapidly evolving market and quarterly fluctuations in our business; the effects of competition; and any adverse changes in our indirect channel relationships. These and other risks and uncertainties associated with our business are described in our quarterly report on Form 10-Q for the quarter ended March 31, 2009, filed with the SEC on May 12, 2009. We assume no obligation and do not intend to update these forward-looking statements.

## Non-GAAP Financial Measures

Please note that certain financial measures used in this presentation, such as Adjusted EBITDA , are expressed on a non-GAAP basis. Adjusted EBITDA has been adjusted to exclude charges relating to stock-based compensation. Our GAAP results and GAAP to non-GAAP reconciliation can be found in this presentation, and have been posted on the Investors page of our website, which is found at [www.rackspace.com](http://www.rackspace.com).




# NYSE: RAX

 **Founded: 1998 / IPO 2008**

 **Headquarters: San Antonio, TX**

Offices: Austin, TX  
London, UK  
Amsterdam, NL  
Hong Kong, China

 **Data Centers:** San Antonio, Dallas, Chicago, Virginia, London, Hong Kong

 **2,661 Rackers; 62,078 customers; 50,038 servers**

## Strategy

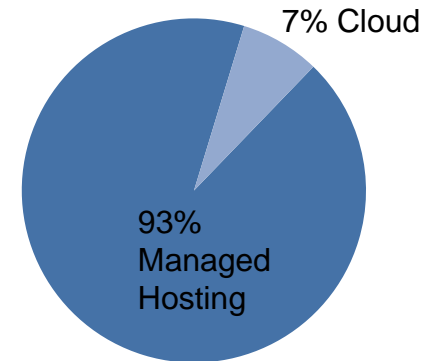
 **The Leader and Specialist in Hosted Computing**

 **Fanatical Experience for Businesses**

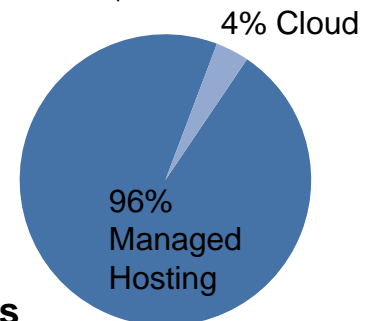
 **Complete Hybrid Hosting Suite of On-Demand Computing Services**

## Revenue

1Q 2009  
\$145M



1Q 2008  
\$120M



# On-Demand Computing Market Opportunity

Cloud Technologies Radically Increases an Already Attractive Opportunity



**On-Demand Computing** – Market opportunity is very large and growing



**Paradigm Shift** – Companies will consume IT over the web from service providers: radically less expensive; automated; non-core/strategic



**Cloud Computing** – New set of technologies that make existing market opportunity larger and rapidly accelerating paradigm shift



**Full Suite of Services** – Cloud + Dedicated Hosting = Hybrid Hosting

- Cloud computing is a natural extension of hosting

## **Managed Hosting Market:**

\$6.7B	▶	\$17.8B
2007		2011
27.6% CAGR		

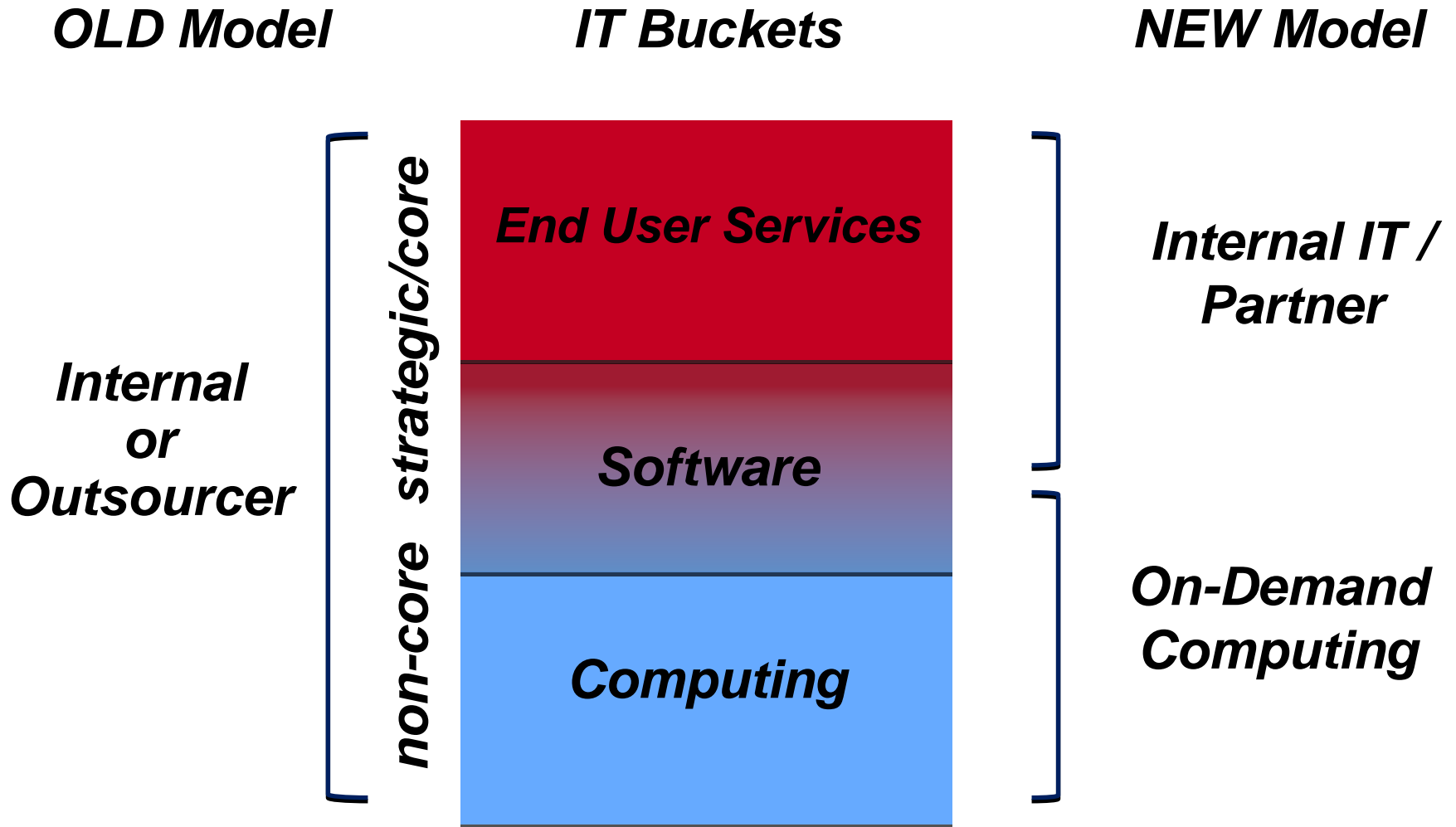
## **Cloud Hosting Market:**

\$16.2B	▶	\$42.3B
2008		2012
27.1% CAGR		

Source: Tier1Research (Managed Hosting: US Market Overview Winter 2009); IDC estimates for Cloud market data



# On-Demand Computing and IT



# On-Demand Computing: Customer Value Proposition

## It's Easier:

- Automated and Productized
- Plug and Play

## It's More Valuable:

- Technical Headaches Belong to Us
- Fit to Need
- Offloads Maintenance
- Redirects IT Focus to Higher Value Work

## It's Cheaper:

- Scale Economies
- Shared for Higher Utilization
- Frees Up Capital
- Complex Asset to Routine Variable Cost



# On-Demand Hybrid Hosting Suite

Technology Form Factor for Every IT Workload

**Dedicated: "Custom"**

**Cloud: "Packaged"**

**SaaS: "Standard"**



**IaaS**

CLOUD SERVERS™



**PaaS**

CLOUD SITES™



CLOUD FILES™

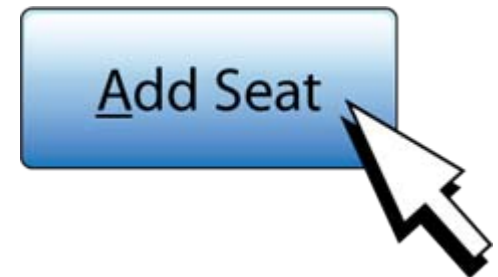


**JUNGLE DISK**

ERP  
OSS  
Workflow  
Apps  
Website

Blogs  
Wikis  
Subversion  
Test/Dev  
Department sites

Email  
Workspaces  
Chat  
IM



# Full Suite of Computing On-Demand Services

## Technology Form Factor for Every IT Workload



Source: Tier1Research, 2008 and company estimates of publicly available data of leading cloud hosting and fee business email providers





# Rackspace – Business Model

## On-Demand Hosting Suite Attracts Broad Group of Customers

- General purpose technology service
- No customer >2% of sales
- Customers in more than 120 countries

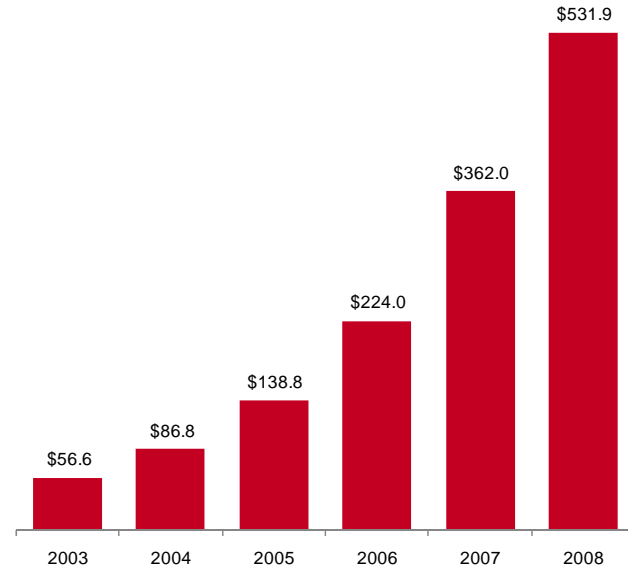
## Fanatical Support Differentiation Delivers Growth

- Subscription based, recurring revenue model
- World class technology service experience for businesses
- Cloud offering experiencing hyper growth
- 57% CAGR from 2003 to 2008

## “Loyalty Model” Drives Profitability and Returns

- Disciplined focus on profitable growth using unit based economics
- Lean services delivery model

ANNUAL REVENUE(\$M)

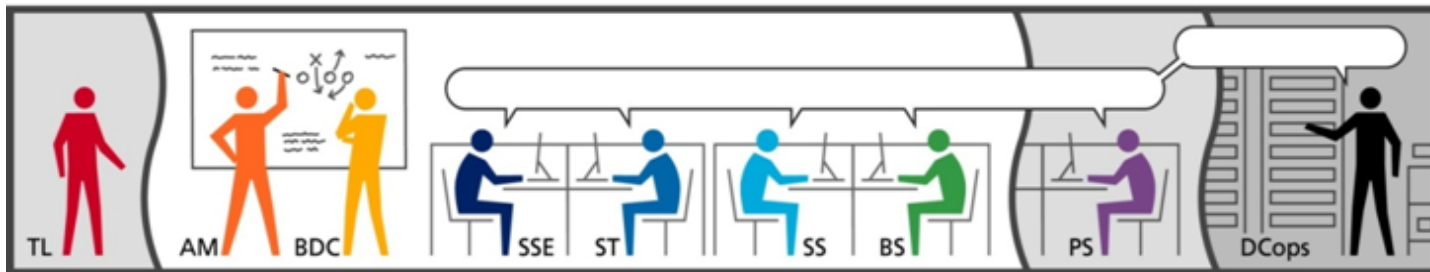


# Fanatical Support Drives Higher Profitability and Returns

- Lower Churn: Extends customer lifecycle, reduces sales & marketing costs and increases capital efficiencies
- Customer Promoters: Viral selling opportunity drives lower customer acquisition costs and higher margins
- More Engaged Employees: Higher-performing employees with lower employee churn

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- ▶ Account Manager
- ▶ Business Development Consultant
- ▶ Senior Systems Engineer
- ▶ Support Technician
- ▶ Support Specialist
- ▶ Billing Specialist
- ▶ Professional Services
- ▶ Data Center Operations

