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C O R P O R A T E   P A R T I C I P A N T S

Pat Walravens
JMP Securities - Analyst

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Rackspace Hosting, Inc. - President of Cloud Division

P R E S E N T A T I O N

Operator

Good day, everyone, and welcome to today's JMP Securities call with Rackspace Hosting.

At this time, all participants are in a listen-only mode. Later, you will have the opportunity to ask questions during the question-and-answer session. Please note that this call may be recorded. I will be standing by if you should need any assistance.

It is now my pleasure to turn the conference over to Pat Walravens. Please go ahead.

Pat Walravens - *JMP Securities - Analyst*

Great, thank you, Shauna. Hi, I am Pat Walravens. I cover the software industry at JMP Securities. We are delighted to have Lew Moorman from Rackspace joining us here today. Lew is the President of the Cloud division and the Chief Strategy Officer for Rackspace. Thank you for joining us, Lew!

Lew Moorman - *Rackspace Hosting, Inc. - President of Cloud Division*

Happy to be here, thanks for having us.

Pat Walravens - *JMP Securities - Analyst*

So, what I'd like to do today is basically address some of the key questions that I think investors have around Rackspace and particularly around the Cloud services. I've got a series of questions; we will start general and get more specific, and then we will open up the line at some point if we have some questions actually from the investors and then we will come back to us. I see the whole thing lasting no more than 30 or 40 minutes.

Lew Moorman - *Rackspace Hosting, Inc. - President of Cloud Division*

Great.

Pat Walravens - *JMP Securities - Analyst*

So let's start with your background. Can you tell me a little bit about your background, when you joined Rackspace and sort of what roles you've had?

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Lew Moorman - *Rackspace Hosting, Inc. - President of Cloud Division*

Sure, yes. So I am an old-timer around here. I started in 2000, right at the peak of the boom when, as a tiny, $3.5 million company we thought we had hit the IPO market and all get rich quick. It didn't quite work out that way. The IPO market closed and we have been sweating away here for the last ten years and making good progress.

So I was brought on to run strategy and work on our product efforts. Since its early days, it was a startup; we all did a little bit of everything. So I've had my hand in finance, marketing but really been in charge of our new initiatives, so our new businesses. We started a company called ServerBeach which we ended up selling. We started the division called intensive, obviously Mosso and our acquisitions, so all of the new business initiatives have really been my responsibility over the last 9.5 years.

Pat Walravens - *JMP Securities - Analyst*

Great, great. So right now you are running the Cloud services. Can you just briefly give us an overview? What are the Cloud services at Rackspace?

Lew Moorman - *Rackspace Hosting, Inc. - President of Cloud Division*

Yes, so the way we think about it is our original and core business has been dedicated hosting. We call it managed hosting because we add a layer of support on top of it, but really it's about dedicated computing. Every customer gets their own servers, their own private networks. It's sort of like running on-premise computing, but we take care of it all, and you can buy the subscription. So you get a lot of the advantages of on-premise -- the flexibility and the security and those kinds of things -- but it is run by a service provider.

Our cloud services are multitenant, so all of them are really run in multitenant environments, which helps bring costs down. They are highly automated and run -- and built on top of software that helps provision things and have them run extremely smoothly. So all of our Cloud businesses are really these multitenant businesses, and we really have two flavors. One is Cloud Hosting, which is the next generation of traditional hosting, which allows you, in a multitenant environment, to run your own custom applications, and then we have our E-mail and Applications division which is currently our primary application e-mail, which is really delivering the full application experience for businesses to run those core applications that sort of pretty much every business needs to run. So those are our two main sort of subunits within the Cloud Services Group.

Pat Walravens - *JMP Securities - Analyst*

Okay, great. Just so customers can have it, what are the names of the products? When you go on the website and you see --

Lew Moorman - *Rackspace Hosting, Inc. - President of Cloud Division*

Yes, so I think this obviously caused some confusion. I think in Cloud Hosting is where the main confusion is, so we have something we call Cloud sites, which was originally called Mosso. It was a business unit we started and is a platform (inaudible) service offer which we could talk about the details of that, but really it means it is a .net and lamp environment that allows you to run your applications on this sort of fully managed and operated cluster of computers, so automatic scaling, all those kinds of things are built in.

Then we have Cloud servers and Cloud files, which are traditional infrastructure service offerings where you can deploy servers by the hour, instantly also attach unlimited storage to it. So it's more sort of the raw building blocks. So those are the real main offers in our Cloud Hosting division.

Pat Walravens - *JMP Securities - Analyst*

Okay, so we have Cloud sites, Cloud files and Cloud servers?

Lew Moorman - *Rackspace Hosting, Inc. - President of Cloud Division*

That's right.

Pat Walravens - *JMP Securities - Analyst*

All right, great. Now, often I find that history is really helpful to people, so can you tell us which of these came first? What year that was in? And then you had three acquisitions along the way, right? If you could just briefly walk through (multiple speakers).

Lew Moorman - *Rackspace Hosting, Inc. - President of Cloud Division*

Yes, yes, so it's a good question. So I think, in the early days of hosting, e-mail had always been kind of bundled with the traditional shared hosting account. Since we were a dedicated hosting company, a lot of what happened is people who were in shared hosting graduated to dedicated hosting, and they said, well, hey, we need someone to help us with our mail. We need you to run our mail. So we looked to add mail services sort of real corporate e-mail services in sort of the 2005-2006 area, and we partnered with a company called Webmail.US, which was based in Blacksburg Virginia, and we integrated that offer and sold it and delivered fanatical Support on top of it, and it was really a great hit. We had a great cultural affinity with this company. They were a customer of ours, and we ended up acquiring that company in 2007. It has really been the heart of our mail offer since then. So we have added exchange and bunch of other services on top of it, and we are now supporting 1.3 million business users, paid business users, on that platform and we are very, very excited about it.

Now, on the Cloud Hosting side is a little different story. We had a couple employees that had been in our business for a long time and really felt there was a better way to do hosting and wanted to take a group of smart people and go think through it and figure it out. So we allowed sort of 10, 15 employees to go and sort of rethink hosting. They came up with Mosso, which is now the Cloud sites offer. What they really wanted to do was make scaling completely seamless, make provisioning automated and fast, and that's really what they've built. It has really sort of matured. This is a much more complicated -- I think platforms-as-a-service are sort of going to take longer to mature, but it's been a very popular offer. We're running 130,000 applications on it, and it's something we're very, very proud of and doing a lot of R&D on to continue to advance.

We've quickly found out that one of the big problems -- and look, I think Amazon has done a lot to sort of shake up the market. They came out with S3, and S3 really solved a problem with the Internet, which is how in the heck are you going to store and deliver huge media files, all of the photos, all of the archived data? This is a real problem to do on traditional EMC type expensive storage. So S3 was really the first offer to do sort of web-scale type storage.

We decided to put an effort around building something similar called Cloud Files, which we built in-house and are very proud of and it's doing very well today. We've partnered with Limelight Networks to put CDN on it so you can distribute the files globally.

The last part was compute. So how do you get compute on demand, which is an essential part of the experience?

We were in the process of building an offer ourselves, but we met a company called Slicehost. It's based in St. Louis, just a tremendous sort of group that had built a great offer there, that had grown virally like a weed. These guys had just done computing sort of virtual dedicated hosting -- they just did it right. We had a good cultural fit with them and we decided to acquire them. They are all working for us now and helping us to power our Cloud servers offer and so we are using that core engine to do the Cloud servers offer.

Pat Walravens - *JMP Securities - Analyst*

Okay, so Cloud sites, Cloud files, organic -- right?

Lew Moorman - *Rackspace Hosting, Inc. - President of Cloud Division*

Cloud sites, Cloud files built internally, and then Cloud servers -- the engine built was built by Slicehost that we acquired in 2008.

Pat Walravens - *JMP Securities - Analyst*

Okay, great. So now one of the questions that I get a lot is, well, Rackspace has 51,000 Cloud service customers. What does that mean? You know, Pat, how many are in the different products? Is there any way you can break it down? I really haven't had a good answer to that so I'm going to pass (multiple speakers) you break that number down first of all and give us some sense of what it means?

Lew Moorman - *Rackspace Hosting, Inc. - President of Cloud Division*

Yes, the conference calls always seem to sort of push at this.

At least we break out the two core businesses. (laughter)

Pat Walravens - *JMP Securities - Analyst*

Yes, that's really helpful.

Lew Moorman - *Rackspace Hosting, Inc. - President of Cloud Division*

So I think that -- so look, I think the best way to talk about it is I think most people want to know just generally sort of how much of it is mail, how much of it is the Cloud Hosting side of it. We feel great about the attraction of both businesses, so we are very bullish on both businesses. But I would say, at least in terms of customer adds, more than half of them, well more than half of them are on the Cloud Hosting side on a daily basis today. So we are getting great traction in that space and feel really good about the progress at the Cloud Hosting site.

Pat Walravens - *JMP Securities - Analyst*

Okay, so you had over 8000 customer adds last quarter and you're saying over half of those were Cloud Hosting, so it's not all mail? It's not all the mail?

Lew Moorman - *Rackspace Hosting, Inc. - President of Cloud Division*

No, no, no. We are very excited about both pieces of this business and think they are critical to our future.

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Pat Walravens - *JMP Securities - Analyst*

Okay, so then the other area where I get sort of a similar question is, they say, "Well, if you take the number of customers and the revenue and you divide it, right? You'll see that a year ago the average revenue per customer in Cloud Services was $325 per quarter, and now it is $254 per quarter, so --

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Lew Moorman - *Rackspace Hosting, Inc. - President of Cloud Division*

Right.

Pat Walravens - *JMP Securities - Analyst*

-- so is that a problem? It looks like it's going down. Is it keep going down? How should we think about it.

Lew Moorman - *Rackspace Hosting, Inc. - President of Cloud Division*

Yes, so it's encouraging for me, believe it or not, because it is really -- what's happened is, first of all, we acquired Slicehost, which was a heckuva business and had a lot of good traction, and with that offer Slicehost has a $20 a month offer and Cloud Servers allows you to get in for $11 a month. So what's happening is we've got, in that instance, very easiest fastest way to get in. So we've reached a price point where it is extremely low, and so we are getting a lot of traction of customers who are coming in, experimenting with it, and starting small. And so the average customer that's coming in is starting with the smallest, and they grow over time. So I think that looking at the averages is really misleading, because we have so much growth happening right now and they start small.

The key thing is going to be -- that we look at internally -- is what happens to a customer over a year? Do they grow? And we are seeing that they do grow. So once they get in and they are fit for the services, they buy more over time.

But we want to bring the hurdles down as low as possible for people to experiment with this. One of the great things about the Cloud model that we didn't have in the dedicated model is that someone can go up and sign up today, and spend $0.10 and launch a server, get a blog running or anything running, and turn it down. They can really feel our service and understand it and see if it's a fit for them. It's much harder to do that in a dedicated environment where you are provisioning things uniquely for each customer. So we love the idea that you can get on cheaply, and so the high growth is really going to bring it down as people start to get on and experiment.

Pat Walravens - *JMP Securities - Analyst*

Okay, that's helpful. Now, how should we think about what's going on between the managed services customers and the Cloud Service customers? And so again, the skeptic would say, "Well, they are just cannibalizing the managed service business." Is that what's going on, or what's really happening?

Lew Moorman - *Rackspace Hosting, Inc. - President of Cloud Division*

No, so we really -- I mean we really think that -- look, we want to solve computing for businesses. That's what we want to do. We think that you need a set of tools to do that. It's all really based on workload. So there's going to be some workloads where you really need to customize and you need to be able to sort of have full control over things. There's going to be other workloads like e-mail where you say, "look, just deliver the seat to me." So all these offers are really a spectrum of ease versus control and flexibility.

What we're finding, especially with our bigger customers, is they are adding these services on top of their traditional managed hosting for workloads that they wouldn't have thought to bring to us before. They can now do test [dev] with us, or archiving, or e-mail, or things that sort of wouldn't have been sort of economic or made since in a fully managed environment for us. So we feel that these are mostly additive.

Now, there is no question there are single-server customers that don't need a dedicated server. It is overkill. They should move to a Cloud server, move to Cloud sites. We are definitely seeing some of that. But we think that, in aggregate, this creates new tools; it helps us solve problems more broadly for companies, and really more broadly than any other competitor can do because we have such a wide set of offers.

Pat Walravens - *JMP Securities - Analyst*

They save money when they do that? Your single-server customer?

Lew Moorman - *Rackspace Hosting, Inc. - President of Cloud Division*

They do. Yes, they absolutely do.

Pat Walravens - *JMP Securities - Analyst*

There's a little bit of a (multiple speakers) --

Lew Moorman - *Rackspace Hosting, Inc. - President of Cloud Division*

Absolutely, I mean there's no question there's customers who are spending several hundred dollars, who then go and can do it for cheaper on the Cloud. Look, in the long run, the economics work out well for us as well. So look, we want to get customers. We have a saying internally about customer fit. Let's get the customers to the best fit for the workload they are trying to accomplish, and we are going to create loyal, referring customers over the long haul. But we are really finding that it is really additive in helping us solve a bigger piece of the IT equation for our customers.

Pat Walravens - *JMP Securities - Analyst*

Okay, great. So let's move to what I think are sort of the two biggest areas of concern, which are -- we will do infrastructure service first and then we will do platform as a service.

Lew Moorman - *Rackspace Hosting, Inc. - President of Cloud Division*

Great.

Pat Walravens - *JMP Securities - Analyst*

So, on infrastructure as a service, who are you competing against, right? Which customers are you targeting? Is it the same customers your competition is targeting? Why do people buy from you instead of the competition?

Lew Moorman - *Rackspace Hosting, Inc. - President of Cloud Division*

Yes, so look, I mean, we really think of it as Amazon (inaudible). These are the players that seem to have the most traction. Amazon was a great pioneer in this space and you've got to give them credit; they've executed extremely well. So I think that they are the primary competition in this space.

You know, why do people choose us? We have a different approach. I mean we really do have a different approach. We do not want to just replicate their offers. It's very easy to look at our offer and say, well, they sell servers by the hour; Amazon sells servers by the hour. But we do a lot of things differently. It sort of gets to our sort of fanatical support, service-oriented approach -- is that sort of things like how you do IPs, do you include DNS? We have persistent storage built into the system not requiring you to attach another service. These are all things that make it much easier to consume the Cloud and to use it the way you use traditional infrastructure.

It's not that their way is bad. And they built it because, to run a system like Amazon.com, you have to think completely differently.

The average person that just wants to run through your typical application, they want to be able to do it the way they've always done it. They don't want to have to re-architect their application. So we want to make it to where you can come use our Cloud without having to re-architect things. But you get the power of it sort of out of the box.

So there's a lot of little, little differences in there, plus we include support. So it is really a business-class service that sort of is ready to use for everybody. So I think that's sort of the main issue.

Now, who are we targeting? Look, I think that, right now, this is a service that we think every business needs to use.

Pat Walravens - *JMP Securities - Analyst*

Initially.

Lew Moorman - *Rackspace Hosting, Inc. - President of Cloud Division*

Initially, look, it's -- in terms of --the vast majority of them are small businesses that are using it, but I would tell you that a number of larger enterprises and institutions that are experimenting with it, playing with it, running certain workloads on it, it's actually impressing us. So we are going to be able to talk a lot more about that in the fall when they get some of these success stories out. But there are real financial institutions, medical institutions, there are real businesses using these tools. It's not just a toy for startups.

Pat Walravens - *JMP Securities - Analyst*

Is there a different type of user or customer that is gravitating towards Amazon? I mean, is there a case you can see where you are like, Amazon is probably a better fit for that?

Lew Moorman - *Rackspace Hosting, Inc. - President of Cloud Division*

Well, that's a good question. I think that the advantage, some of the advantages -- I mean Amazon going first has had some advantages. They've built sort of an ecosystem. We are going to be making some announcements in the near term about our ecosystem, and we feel really good about the partner traction we are getting. The development around the ecosystem is really, really strong.

We also have a couple of gaps. So you know, we do not offer Windows today, and so that is a gap that we have. We are working on Windows and we plan to do Windows like the way we do our core servers. We are going to do some things a little differently that we think are going to be advantaged.

We're also not global yet, so we are just US only. And Amazon is in Europe. So I think those are a couple of places where we have some gaps that we need to fill.

The place where we are finding traction from people from Amazon is customers that want to run Cloud infrastructure along with traditional managed hosting. So we talked about a company called Glam Media in our conference call. That was a large Amazon customer that really wanted to run raw, bare metal sort of dedicated hosting alongside Cloud Hosting, so they've moved their structure to us to get the best of those both worlds. So we think, again, that suite is really going to make a difference.

Pat Walravens - *JMP Securities - Analyst*

Yes. I'm going to go off my script for just a second here (inaudible). So I mean, Cloud services, what does that mean, you are not in Europe? You know what I mean? It's kind of counterintuitive (laughter).

Lew Moorman - *Rackspace Hosting, Inc. - President of Cloud Division*

Well, you know, there are still physical assets behind these things. It's not all ethereal.

Pat Walravens - *JMP Securities - Analyst*

Is it a late (multiple speakers).

Lew Moorman - *Rackspace Hosting, Inc. - President of Cloud Division*

No, it's just -- I mean literally we have -- we are experiencing such growth in the US and we are launching services. It's just a matter of to put the infrastructure there, to have the software works seamlessly, to do all the things we really need to get the full offer there, it's just a work, it's a matter of priority. So you know, we just really launched Cloud servers in March, so it's just a matter of getting there. So it's just getting the work done.

Pat Walravens - *JMP Securities - Analyst*

Okay. Let's do the same thing for the platform-as-a-service. Who is it (inaudible)? Is it Google and Salesforce? Microsoft? Who are the (multiple speakers)?

Lew Moorman - *Rackspace Hosting, Inc. - President of Cloud Division*

Look, I think that the platform-as-a-service market is sort of, I think there's going to be a lot of attention around it over the next couple of years, because platform-as-a-service is the true promise of the Cloud. You put your application up there; it scales completely seamlessly; everything is taken care of for you. It really is sort of the ultimate goal of what any Cloud offer should be.

If you look at infrastructure-as-a-service, you still launch a server, you still have to cluster a server, you still have to sort of manage the failover, you still have to patch those servers. It is much easier and faster, but there is still some of the basic system administration that has to be done. Platform-as-a-service attracts all of that away.

Now, the problem with it is you have to make more compromises. You have to buy into our version of the OS our version of .net and Lamp. But if you can do that, it really does become powerful.

You know, right now, we feel really good. We are running over 130,000 applications on our platform as a service offer, which as far as we know is the biggest, and people running, again, real businesses on it, really important events. You know, the Fox Teen Choice Awards, all of their voting was done on our service. We've been involved in the elections, all kinds of things that have been done on this platform.

I would say that the other similar offers out there are App Engine, which Google has done some interesting things there. And Azure is coming. So I think Azure is going to be a very similar type platform (multiple speakers)

Pat Walravens - *JMP Securities - Analyst*

Thank you for telling us how to pronounce that! (laughter)

Lew Moorman - *Rackspace Hosting, Inc. - President of Cloud Division*

Yes, at least that's the way they tell me to pronounce it. So yes, as Azure will be coming out later this fall and it looks like it's going to be an interesting offer as well.

So, I think those are the real folks that are in it. Force.com is absolutely interesting; it's a great extension of the Salesforce platform, but I think it is really about building useful applications on top of Salesforce. It's not a general purpose application platform, which is really what I think we're up to and Google and Microsoft are up to.

Pat Walravens - *JMP Securities - Analyst*

Okay, so Force.com, not general purpose -- Azure not out yet, right. Google App, Google Apps Engine -- when does that -- sort of what's the [usescape] that might make more sense of that versus you (multiple speakers)?

Lew Moorman - *Rackspace Hosting, Inc. - President of Cloud Division*

You know, I think that with App Engine there's no question they are bringing to bear their -- they have just incredible technology, so the file system they have and the scalable data store they have. But this is a whole new business for them in terms of running business applications for folks. It's in beta, and there's a lot of compromises you have to make. So it's hard to tell.

Look, they have the technical [chops] to do it and you can't take Google lightly.

Pat Walravens - *JMP Securities - Analyst*

If you have a question, though, is there anyone you can call Google for an answer?

Lew Moorman - *Rackspace Hosting, Inc. - President of Cloud Division*

Not that I know of.

Pat Walravens - *JMP Securities - Analyst*

Right (laughter).

Lew Moorman - *Rackspace Hosting, Inc. - President of Cloud Division*

So look, we are actually -- they announced at their developer conference that they had 80,000 applications on it, which really surprised me because it's free, first of all, right now. I mean yes, it's in beta, but it's free and they have the biggest marketing machine in the world, and App Engine you would think has just got enormous presence. So only running only running 80,000 applications really strikes me as low. I was sort of surprised to see that. I think it's just because it's really being viewed as sort of a way to get a window into their technology, not really a tool for people to rely on.

Pat Walravens - *JMP Securities - Analyst*

Okay, great. What don't we pause there and see if we have any questions from people in the audience? Shauna, can you poll for questions?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). It appears we have no questions at this time.

Pat Walravens - *JMP Securities - Analyst*

You know, people are little shy on these things. All right, well, let me finish up with two more questions. One is around marketing; the other is in terms of whether we should expect more acquisitions.

But first, how are you guys going about attracting customers for the Cloud services? What's your marketing strategy?

Lew Moorman - *Rackspace Hosting, Inc. - President of Cloud Division*

Yes, so recently, we have consolidated the (technical difficulty) into Rackspace, so I think that was one big move that showed how serious we are about it and it consolidated under the brand that really we are investing in around the world. So most of that brand has been eliminated. The male trust brand has been eliminated and it's now all under that umbrella. So if you go to our homepage today you will see these three offers are all put on equal footing. So our managed hosting, our Cloud hosting, and our e-mail and applications business. So I think that's one major push.

I would say the other thing about these businesses that we are pleasantly surprised about is that they are extremely viral because they are so easy to try and for people to talk about in this community, such a buzz with chatter. So these business units we have found very attractive cost acquisitions for these businesses.

Now, look, we are doing all sorts of social media things, and we are working with developers. We have a team very focused on the developer community and building an ecosystem because that's a big part of it. But I wouldn't say it is a traditional -- we are not doing a ton of traditional media spend. We really want to reach out to the developers and the communities and sort of show them success and help them sort of use it and experiment with it.

Pat Walravens - *JMP Securities - Analyst*

Did you buy a keywords?

Lew Moorman - *Rackspace Hosting, Inc. - President of Cloud Division*

We do buy some keywords. You might as well. So I mean, everyone buys some keywords. I would say we are much -- our goal in the long run is to not buy many keywords, obviously. I think that it works; I think that it's very crowded in that space. I think that it's very good for awareness purposes.

But look, we've done a lot of crazy things in marketing in this business. We were one of the first companies to buy keywords in 2000. In fact, we are very proud. Google used to run magazine ads and they would feature us because we were one of their biggest customers early on. But we are also sort of today we started this thing called Building 43. We hired Robert Scoble to do. We really believe in creating valuable content and engaging with the users about how to help them think about IT differently, give them valuable information to do it. This is sort of a new marketing method that has really gained prominence that we want to sort of lead on. So you'll see some creative things from us I think in the next year or so around this.

Pat Walravens - *JMP Securities - Analyst*

Okay, acquisitions -- so you know, you did three. Should we expect more? How should we think about that? How do you think about it?

Lew Moorman - *Rackspace Hosting, Inc. - President of Cloud Division*

Well, look, we are always looking. So I think that there's no question there are a lot of really great technologies and businesses out there that have, that would make a lot of sense to our user base. We definitely think we have a relationship with a lot of businesses, and we want to find things, the right set of things, to help them solve their computing needs. We really think about ourselves as solving computing for business. We have a lot more to do to sort of round that out.

Now, look, we're going to be very selective on it. We are not an M&A machine. We want to find -- we are a very culture-driven company, so we really want to find the right types of people, and we want to find the right set of things that expand us at the right pace. It's very easy to sort of go too fast and to move too aggressively.

So we are looking. We have a lot -- this is one of the great things about the ecosystem piece, is that we get people to build on top of our Cloud, get to know them, see how our customers react to it. We want to help our partners succeed and get exposure to our customers. So we will see. I mean it's not a stated strategy. It is sort of I would say more opportunistic about it.

Pat Walravens - *JMP Securities - Analyst*

Okay, last question -- so what should we look for over the next call it six months Cloud services? There are one or two things we should look for. What are they?

Lew Moorman - *Rackspace Hosting, Inc. - President of Cloud Division*

Yes, so I think that there's two things I would say. We are going to continue to be extremely aggressive on the Cloud Hosting side of things -- is that we really just got the complete offer in March. I think Windows is going to be coming. The ability to sort of use this hybrid nature with our traditional managed hosting -- this story is something that we feel very strongly about, and

feel that it really creates a lot of good options for businesses. So I think you're just going to see us being extremely aggressive around trying to talk about it and build our ecosystem around it and grow that business.

I think the world is trying to figure out who the winners are going to be. We plan to work hard at it. So I think that we are going to aggressively add to the offer, and we are hiring talented people if they are available.

So I think that sort of the Cloud Hosting space is something that you're going to keep seeing us do aggressive things on.

I would say e-mail is another business. This is a business that I don't think most of the world knows we are really in this space.

Pat Walravens - *JMP Securities - Analyst*

No.

Lew Moorman - *Rackspace Hosting, Inc. - President of Cloud Division*

I think that's a place where we can really improve because we've got a heckuva lot of happy businesses on it, and they really love our platform. I think that this is not something that any business should run. E-mail is extremely complicated. The technologies behind it are getting more complicated. Mobility makes it complicated -- security issues, spam -- and I mean this is a really complicated thing. We are really proud of the offer we have, but I think we could do a lot better job of talking to the world about it.

Also, I think there's a number of opportunities to expand from e-mail, so whether it's -- our Jungle Disk offer has really got some sort of great technology to create file share and collaboration services. There's other services sort of of that nature that every business really needs to run that I think you're going to see us kind of start to open up some of those opportunities. So we want to expand that offer, and we think, on the application side, there's a lot of opportunity to do it.

Pat Walravens - *JMP Securities - Analyst*

All right. Well Lew, thank you so much.

Lew Moorman - *Rackspace Hosting, Inc. - President of Cloud Division*

You bet! I enjoyed it.

Pat Walravens - *JMP Securities - Analyst*

Shauna, that's it. Thank you so much.

Operator

Okay. This concludes your teleconference. Thank you for your participation. You may now disconnect.

Aug. 18. 2009 / 6:00PM, RAX - Rackspace to Host Investor Conference Call with JMP Securities