



Q2 FY16 FINANCIAL HIGHLIGHTS & SUPPLEMENTAL METRICS

September 21, 2015

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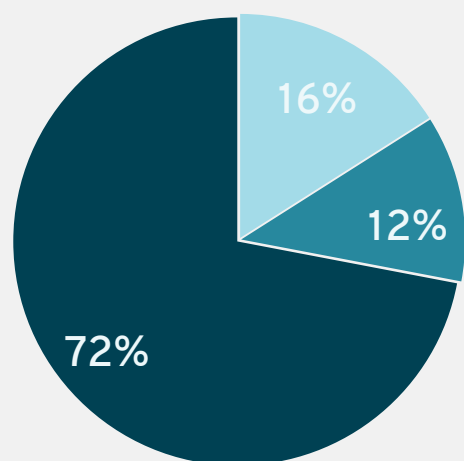
INTRODUCTION

The following presentation provides financial highlights and supplemental metrics for Red Hat's second fiscal quarter ended August 31, 2015. These financial highlights and supplemental metrics were made available on September 21, 2015 in connection with Red Hat's announcement of its financial results for the second quarter of fiscal year 2016. This presentation should be read in conjunction with Red Hat's press release issued on September 21, 2015 for its earnings announcement, as well as Red Hat's filings with the U.S. Securities and Exchange Commission which are available on Red Hat's investor relations website at <http://investors.redhat.com>.

FINANCIAL HIGHLIGHTS

STRONG REVENUE GROWTH

% OF TOTAL REVENUE



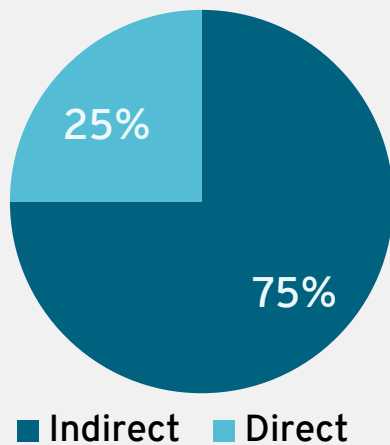
	Q216 Y/Y Growth	Q216 Y/Y Growth, cc ⁽¹⁾
App Dev & emerging tech	37%	48%
Infrastructure-related tech	9%	17%
Training & Consulting	11%	21%
Total Revenue	13%	21%

Q2 HIGHLIGHTS:

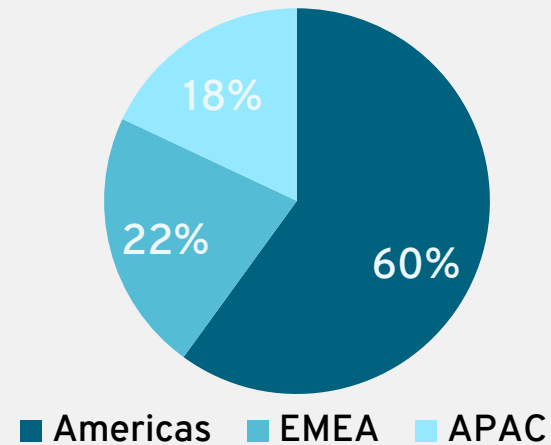
- 54th consecutive quarter of revenue growth
- Public cloud⁽²⁾ milestone reached: \$100M annual run-rate
- Raised FY16 guidance up to \$2.044B or 14% growth at high-end of range

BOOKINGS & DEAL METRICS

CHANNEL



GEOGRAPHY



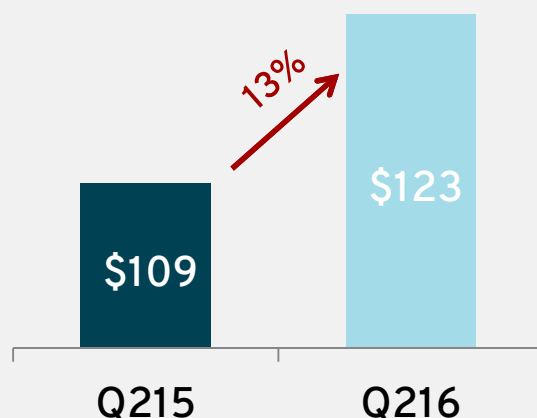
Q2 HIGHLIGHTS:

- Progress toward annual goal of 70% indirect channel
- 25/25 top deals renewed, up 115% of prior deal value
- Top 30 deals all over \$1M, including 3 over \$5M and 1 over \$10M

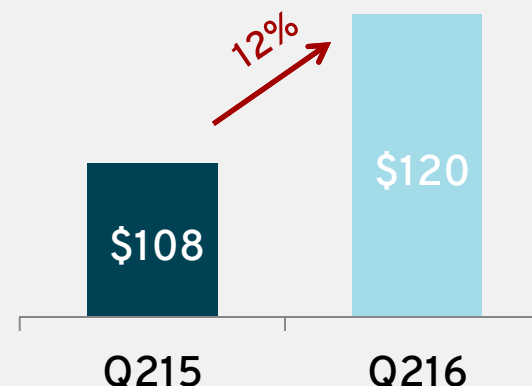
INCREASING PROFITABILITY & CASH FLOW

(\$ millions)

NON-GAAP OPERATING INCOME



OPERATING CASH FLOW



HIGHLIGHTS:

- 24% Non-GAAP operating margin
- \$0.47 Non-GAAP EPS, above guidance
- \$70M share repurchase
- 21% cash flow growth 1st half FY16
- 13% y/y total deferred revenue growth, 20% constant currency
- \$2B cash & investments balance

SUPPLEMENTAL FINANCIAL & BUSINESS METRICS

(Unaudited) (in thousands)	May-14	Aug-14	Nov-14	Feb-15		May-15	Aug-15
Revenue	Q115	Q215	Q315	Q415	FY15	Q116	Q216
Infrastructure-related subscriptions	319,051	331,967	332,897	340,777	1,324,693	354,018	362,926
y/y change	14%	16%	11%	12%	13%	11%	9%
constant currency y/y change			14%	17%	15%	19%	17%
App dev & emerging subscriptions	52,917	57,528	61,801	64,295	236,541	70,775	78,600
y/y change	45%	44%	45%	38%	43%	34%	37%
constant currency y/y change			48%	45%	45%	44%	48%
Subscription Revenue	371,968	389,495	394,698	405,072	1,561,234	424,793	441,526
y/y change	18%	19%	15%	15%	17%	14%	13%
constant currency y/y change	17%	19%	18%	21%	19%	23%	21%
Training & services revenue	51,786	56,404	61,196	58,869	228,255	56,208	62,622
y/y change	9%	18%	14%	20%	15%	9%	11%
constant currency y/y change	11%	20%	19%	28%	19%	18%	21%
Total Revenue	423,754	445,899	455,894	463,941	1,789,489	481,001	504,148
y/y change	17%	19%	15%	16%	17%	14%	13%
constant currency y/y change	17%	19%	18%	22%	19%	22%	21%

Percent of Total Revenue (in USD)

Infrastructure-related subscriptions	75%	74%	73%	73%	74%	74%	72%
App dev & emerging subscriptions	12%	13%	14%	14%	13%	15%	16%
Total Subscription Revenue	88%	87%	87%	87%	87%	88%	88%
Training & services revenue	12%	13%	13%	13%	13%	12%	12%
Total Revenue	100%	100%	100%	100%	100%	100%	100%

(Unaudited)
(in thousands, except per share amounts)

Non-GAAP Income Statement*:	Q115	Q215	Q315	Q415	FY15	Q116	Q216
Gross Profit	365,044	384,636	391,440	399,869	1,540,989	415,904	434,953
Operating Income	88,252	108,825	108,523	110,513	416,113	113,332	123,138
Net Income	64,220	78,488	79,215	80,584	302,507	81,457	87,809
Gross Margin	86.1%	86.3%	85.9%	86.2%	86.1%	86.5%	86.3%
Subscription Gross Margin	93.7%	93.9%	93.9%	93.9%	93.9%	94.0%	94.0%
Training & Services Gross Margin	32.2%	33.4%	33.7%	33.1%	34.6%	29.9%	31.9%
Operating Margin	20.8%	24.4%	23.8%	23.8%	23.3%	23.6%	24.4%
EPS Basic	0.34	0.42	0.43	0.44	1.62	0.44	0.48
EPS Diluted	0.34	0.41	0.42	0.43	1.60	0.44	0.47
Tax Rate	29%	29%	29%	31%	30%	29%	29%
					-		
Weighted Average Shares Outstanding					-		
Basic	189,372	188,162	185,039	183,459	186,529	183,130	183,179
Diluted	191,457	190,755	187,674	186,307	189,246	186,125	186,165
Balance Sheet	Q115	Q215	Q315	Q415	FY15	Q116	Q216
Total Cash & Investments	1,400,082	1,316,943	1,646,521	1,808,743		1,968,474	1,995,830
Prior Year Deferred Revenue Balance	1,059,894	1,059,597	1,123,293	1,289,197		1,272,569	1,251,797
Cash Flow Change	203,418	195,675	223,888	284,138		271,414	252,260
Currency Impact	9,256	(3,475)	(47,055)	(91,007)		(107,864)	(90,616)
Ending Deferred Revenue Balance	1,272,568	1,251,797	1,300,126	1,482,328		1,436,119	1,413,441
Cash Flow Statement	Q115	Q215	Q315	Q415	FY15	Q116	Q216
Short Term Deferred Revenue Change	(20,792)	(16,637)	44,334	180,854	187,759	(18,707)	(20,168)
Long Term Deferred Revenue Change	1,954	10,774	39,897	43,754	96,379	(12,855)	(4,849)
Total Change in Deferred Revenue	(18,838)	(5,863)	84,231	224,608	284,138	(31,562)	(25,017)
Net Operating Cash Flow	164,686	107,737	132,988	217,384	622,795	208,758	120,277

Bookings & Deal Metrics (in USD):	Q115	Q215	Q315	Q415	FY15	Q116	Q216
# of Top 25 Renewals	25	25	25	25		25	25
Top 25 Renewal Rates (of prior deal value)	>120%	~110%	~120%	~115%		~115%	~115%
Top 30 Deal Sizes							
Deals \$1M - \$5M	26	24	18	18		26	26
Deals \$5M - \$10M	3	5	9	11		0	3
Deals >\$10M	1	1	3	1		2	1
Deals containing App Dev & Emerging Tech	67%	70%	57%	80%	68%	73%	67%
Deals w/ only App Dev & Emerging Tech	13%	13%	7%	13%	12%	23%	20%
Indirect Channel Bookings	67%	69%	70%	68%	68%	75%	75%
Direct Bookings	33%	31%	30%	32%	32%	25%	25%
Bookings by Geography							
Americas	56%	59%	62%	63%	60%	55%	60%
EMEA	25%	24%	25%	25%	25%	25%	22%
APAC	19%	17%	13%	12%	15%	20%	18%
Average Contract Length (months)	21	21	24	22		20	20
% of Single Year Bookings	75%	74%	66%	73%	72%	79%	77%
% of Multi-Year Bookings	25%	26%	34%	27%	28%	21%	23%
Other:							
# Shares purchased (millions)	1.6	1.4	5.3	0.7	9.1	0	0.9
Aggregate Principal Amount (\$ millions)	80	80	375	0	535	0	70
Remaining Balance on Plan at quarter-end* (\$ millions)	160	80	80	80		500	430
Employees	6,550	6,911	7,133	7,292		7,501	7,917
Average EUR FX Rate	1.38	1.35	1.27	1.18	1.29	1.09	1.11
Average JPY FX Rate	102	102	110	119	108	120	123

RED HAT, INC.

Quarterly Non-GAAP Consolidated Statement of Ops (see accompanying Non-GAAP reconciliation)

(Unaudited)

(In thousands - except per share amounts)

	Q115 Quarter End 05/31/2014	Q215 Quarter End 08/31/2014	Q315 Quarter End 11/30/2014	Q415 Quarter End 02/28/2015	Q116 Quarter End 05/31/2015	Q216 Quarter End 08/31/2015
GAAP Revenue:						
Subscriptions	\$371,968	\$389,495	\$394,699	\$405,073	\$424,793	\$441,526
Training and services	51,786	56,404	61,196	58,869	56,208	62,622
Total subscription, training and services revenue	423,754	445,899	455,895	463,942	481,001	504,148
Non-GAAP Cost of revenue:						
Subscriptions	23,600	23,708	23,888	24,669	25,673	26,574
Training and services	35,110	37,555	40,567	39,404	39,424	42,621
Total cost of subscription, training and services revenue	58,710	61,263	64,455	64,073	65,097	69,195
Total Non-GAAP gross profit	365,044	384,636	391,440	399,869	415,904	434,953
Non-GAAP Operating expense:						
Sales and marketing	165,018	158,837	169,394	172,098	181,455	186,309
Research and development	80,117	83,208	82,233	81,362	86,307	90,174
General and administrative	31,657	33,766	31,290	35,896	34,810	35,332
Total operating expense	276,792	275,811	282,917	289,356	302,572	311,815
Non-GAAP Income from operations	88,252	108,825	108,523	110,513	113,332	123,138
GAAP Interest income	1,842	2,010	2,196	2,288	2,715	2,895
Other income (expense), net	410	(192)	1,559	4,784	(203)	(1,245)
Interest expense	(52)	(97)	(707)	(1,247)	(1,116)	(1,113)
Income before provision (benefit) for income taxes	90,452	110,546	111,571	116,338	114,728	123,675
Provision (benefit) for income taxes	26,231	32,058	32,356	35,754	33,271	35,866
Non-GAAP Net income	\$64,221	\$78,488	\$79,215	\$80,584	\$81,457	\$87,809
Non-GAAP Net income per share:						
Basic	\$0.34	\$0.42	\$0.43	\$0.44	\$0.44	\$0.48
Diluted	\$0.34	\$0.41	\$0.42	\$0.43	\$0.44	\$0.47
Weighted average shares outstanding:						
Basic	189,372	188,162	185,039	183,459	183,131	183,179
GAAP Diluted	191,457	190,755	187,674	186,307	186,175	186,750
Dilution offset from convertible note hedge transactions	-	-	-	-	(51)	(585)
Non-GAAP Diluted	191,457	190,755	187,674	186,307	186,124	186,165

Red Hat GAAP to Non-GAAP Reconciliation – Quarterly

(Unaudited)

(In thousands - except per share amounts)

	Q115 Quarter End 05/31/2014	Q215 Quarter End 08/31/2014	Q315 Quarter End 11/30/2014	Q415 Quarter End 02/28/2015	Q116 Quarter End 05/31/2015	Q216 Quarter End 08/31/2015
Revenue	\$423,754	\$445,899	\$455,895	\$463,942	\$481,001	\$504,148
GAAP Gross Profit as reported	\$359,311	\$378,725	\$384,530	\$393,724	\$409,604	\$428,184
Add: Non-cash share-based compensation expense	3,118	3,425	3,915	3,569	3,727	4,151
Add: Amortization of intangible assets	2,615	2,486	2,995	2,576	2,573	2,618
Non-GAAP Gross Profit	\$365,044	\$384,636	\$391,440	\$399,869	\$415,904	\$434,953
GAAP Operating Income as reported	\$50,963	\$64,227	\$67,197	\$67,608	\$70,930	\$76,470
Add: Non-cash share-based compensation expense – Cost of Revenue	3,118	3,425	3,915	3,569	3,727	4,151
Add: Non-cash share-based compensation expense – S&M	10,238	13,691	15,866	15,408	15,412	16,782
Add: Non-cash share-based compensation expense – R&D	8,864	11,098	8,130	10,426	10,874	12,022
Add: Non-cash share-based compensation expense – G&A	6,494	8,391	5,713	6,887	6,509	7,582
Total Non-cash share-based compensation expense	28,714	36,605	33,624	36,290	36,522	40,537
Add: Amortization of intangible assets – Cost of Revenue	2,615	2,486	2,995	2,576	2,573	2,618
Add: Amortization of intangible assets – S&M	1,582	1,992	1,958	2,305	2,005	2,010
Add: Amortization of intangible assets – R&D	959	959	250	250	250	292
Add: Amortization of intangible assets – G&A	1,428	1,607	1,438	1,484	1,052	1,160
Total Amortization of intangible assets	6,584	7,044	6,641	6,615	5,880	6,080
Add: Transaction costs related to business combinations	1,991	949	1,061	0	0	51
Non-GAAP Operating Income	\$88,252	\$108,825	\$108,523	\$110,513	\$113,332	\$123,138
GAAP Gross Margin as reported	84.8%	84.9%	84.3%	84.9%	85.2%	84.9%
Non-GAAP Gross Margin	86.1%	86.3%	85.9%	86.2%	86.5%	86.3%
GAAP Operating Margin as reported	12.0%	14.4%	14.7%	14.6%	14.7%	15.2%
Non-GAAP Operating Margin	20.8%	24.4%	23.8%	23.8%	23.6%	24.4%
GAAP Net Income as reported	\$37,745	\$46,823	\$47,933	\$47,700	\$48,086	\$51,395
Provision for income taxes	15,417	19,125	19,578	21,177	19,641	20,992
GAAP Income before provision for income taxes	\$53,162	\$65,948	\$67,511	\$68,877	\$67,727	\$72,387
Add: Non-cash share-based compensation expense	28,714	36,605	33,624	36,290	36,522	40,537
Add: Amortization of intangible assets	6,584	7,044	6,641	6,615	5,880	6,080
Add: Non-cash interest expense from accretion of debt discount	0	0	2,734	4,556	4,599	4,620
Add: Transaction costs related to business combinations	1,991	949	1,061	0	0	51
Non-GAAP adjusted income before provision for taxes	90,451	110,546	111,571	116,338	114,728	123,675
Provision for income taxes	26,231	32,058	32,356	35,754	33,271	35,866
Non-GAAP adjusted net income	\$64,220	\$78,488	\$79,215	\$80,584	\$81,457	\$87,809
Non-GAAP adjusted net income per share:						
Basic	\$0.34	\$0.42	\$0.43	\$0.44	\$0.44	\$0.48
Diluted	\$0.34	\$0.41	\$0.42	\$0.43	\$0.44	\$0.47

Red Hat GAAP to Non-GAAP Reconciliation – Quarterly Gross Margins

(Unaudited)
(In thousands)

	Q115 Quarter End 05/31/2014	Q215 Quarter End 08/31/2014	Q315 Quarter End 11/30/2014	Q415 Quarter End 02/28/2015	Q116 Quarter End 05/31/2015	Q216 Quarter End 08/31/2015
Revenue:						
Subscriptions	\$371,968	\$389,495	\$394,699	\$405,073	\$424,793	\$441,526
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Total subscription, training and services revenue	423,754	445,899	455,895	463,942	481,001	504,148
Cost of revenue:						
Subscriptions	23,600	23,708	23,888	24,669	25,673	26,574
Training and services	35,110	37,555	40,567	39,404	39,424	42,621
Total cost of subscription, training and services revenue	58,710	61,263	64,455	64,073	65,097	69,195
Total gross profit	365,044	384,636	391,440	399,869	415,904	434,953
Non-GAAP Gross Margin	86.1%	86.3%	85.9%	86.2%	86.5%	86.3%
Non-GAAP Subscription Gross Margin	93.7%	93.9%	93.9%	93.9%	94.0%	94.0%
Non-GAAP Training and services Gross Margin	32.2%	33.4%	33.7%	33.1%	29.9%	31.9%
Cost of revenue reconciliation GAAP to non-GAAP						
Subscriptions (GAAP)	27,760	27,791	28,574	28,731	29,846	30,996
Less: non-cash share-based compensation expense	1,545	1,646	1,822	1,586	1,692	1,836
Less: Amortization of intangible assets	2,615	2,437	2,864	2,476	2,481	2,586
Subscriptions (non-GAAP)	23,600	23,708	23,888	24,669	25,673	26,574
Training and services (GAAP)	36,683	39,383	42,791	41,487	41,551	44,968
Less: non-cash share-based compensation expense	1,573	1,778	2,093	1,983	2,035	2,315
Less: Amortization of intangible assets	-	50	131	100	92	32
Training and services (non-GAAP)	35,110	37,555	40,567	39,404	39,424	42,621