



Q3 FY16 FINANCIAL HIGHLIGHTS & SUPPLEMENTAL METRICS

December 17, 2015

SAFE HARBOR FORWARD-LOOKING STATEMENTS

Certain statements contained in this presentation may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements provide current expectations of future events based on certain assumptions and include any statement that does not directly relate to any historical or current fact. Actual results may differ materially from those indicated by such forward-looking statements as a result of various important factors, including: risks related to the ability of the Company to compete effectively; the ability to deliver and stimulate demand for new products and technological innovations on a timely basis; delays or reductions in information technology spending; the effects of industry consolidation; the integration of acquisitions and the ability to market successfully acquired technologies and products; uncertainty and adverse results in litigation and related settlements; the inability to adequately protect Company intellectual property and the potential for infringement or breach of license claims of or relating to third party intellectual property; risks related to data and information security vulnerabilities; ineffective management of, and control over, the Company's growth and international operations; fluctuations in exchange rates; and changes in and a dependence on key personnel, as well as other factors contained in our most recent Quarterly Report on Form 10-Q (copies of which may be accessed through the Securities and Exchange Commission's website at www.sec.gov), including those found therein under the captions "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." In addition to these factors, actual future performance, outcomes, and results may differ materially because of more general factors including (without limitation) general industry and market conditions and growth rates, economic and political conditions, governmental and public policy changes and the impact of natural disasters such as earthquakes and floods. The forward-looking statements included in this presentation represent the Company's views as of the date of this presentation and these views could change. However, while the Company may elect to update these forward-looking statements at some point in the future, the Company specifically disclaims any obligation to do so. These forward-looking statements should not be relied upon as representing the Company's views as of any date subsequent to the date of this presentation, December 17, 2015.

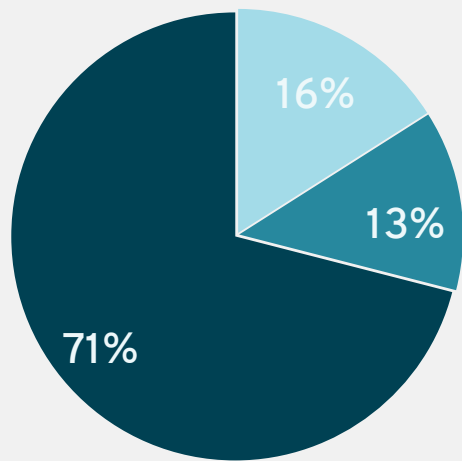
INTRODUCTION

The following presentation provides financial highlights and supplemental metrics for Red Hat's third fiscal quarter ended November 30, 2015. These financial highlights and supplemental metrics were made available on December 17, 2015 in connection with Red Hat's announcement of its financial results for the third quarter of fiscal year 2016. This presentation should be read in conjunction with Red Hat's press release issued on December 17, 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



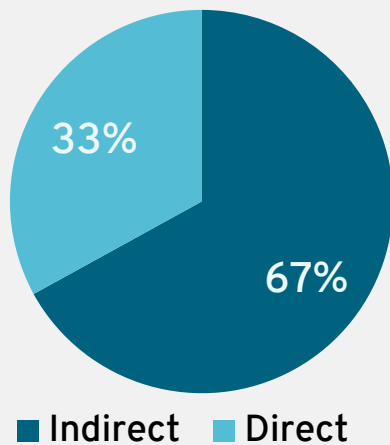
	Q316 Y/Y Growth	Q316 Y/Y Growth, cc ⁽¹⁾
App Dev & emerging tech	37%	45%
Infrastructure-related tech	12%	18%
Training & Consulting	8%	16%
Total Revenue	15%	21%

Q3 HIGHLIGHTS:

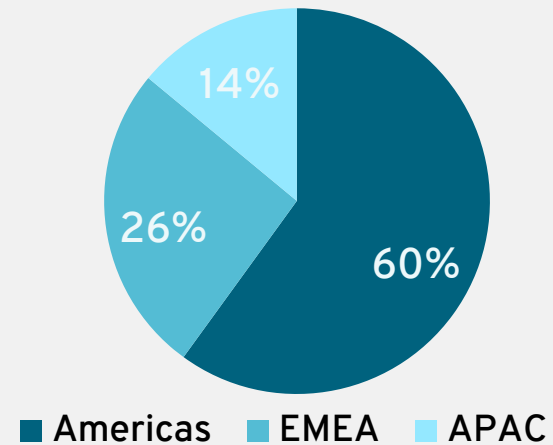
- 55th consecutive quarter of revenue growth
- 4th consecutive quarter of 20%+ constant currency revenue growth
- Raised FY16 guidance up to \$2.048B or 20% growth at high-end of range

BOOKINGS & DEAL METRICS

CHANNEL



GEOGRAPHY



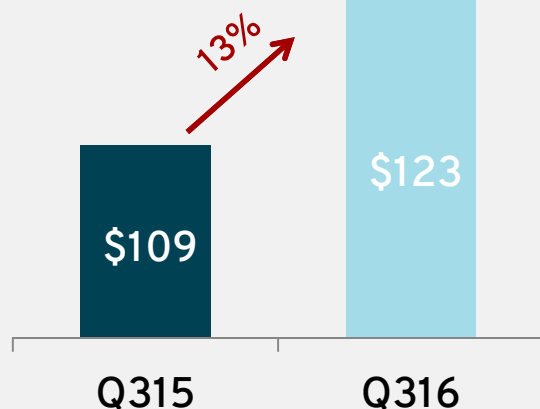
Q3 HIGHLIGHTS:

- Progress toward annual goal of 70% indirect channel
- 25/25 top deals renewed, up ~120% of prior deal value
- Top 30 deals all over \$1M, with 11 over \$5M including 3 over \$10M

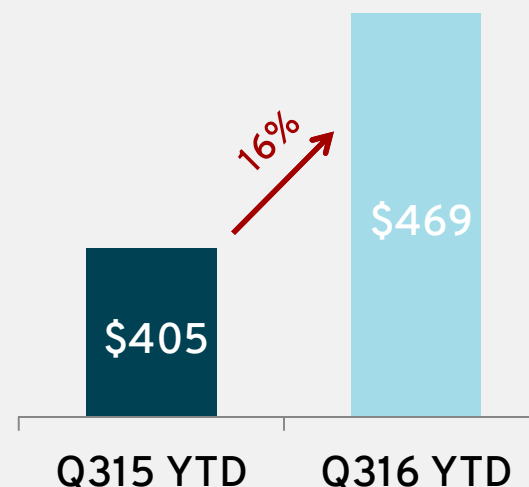
INCREASING PROFITABILITY & CASH FLOW

(\$ millions)

NON-GAAP OPERATING INCOME



OPERATING CASH FLOW



Q3 HIGHLIGHTS:

- 23.5% Non-GAAP operating margin
- \$0.48 Non-GAAP EPS, above guidance
- \$78M share repurchase
- 5% y/y cash flow growth
- 14% y/y total deferred revenue growth, 20% constant currency
- \$1.87B cash & investments balance

SUPPLEMENTAL FINANCIAL & BUSINESS METRICS

(Unaudited) (in thousands)	Aug-14	Nov-14	Feb-15		May-15	Aug-15	Nov-15
Revenue	Q215	Q315	Q415	FY15	Q116	Q216	Q316
Infrastructure-related subscriptions	331,967	332,897	340,777	1,324,693	354,018	362,926	373,091
y/y change	16%	11%	12%	13%	11%	9%	12%
constant currency y/y change		14%	17%	15%	19%	17%	18%
App dev & emerging subscriptions	57,528	61,801	64,295	236,541	70,775	78,600	84,397
y/y change	44%	45%	38%	43%	34%	37%	37%
constant currency y/y change		48%	45%	45%	44%	48%	45%
Subscription Revenue	389,495	394,699	405,072	1,561,234	424,793	441,526	457,488
y/y change	19%	15%	15%	17%	14%	13%	16%
constant currency y/y change	19%	18%	21%	19%	23%	21%	22%
Training & services revenue	56,404	61,196	58,869	228,255	56,208	62,622	66,092
y/y change	18%	14%	20%	15%	9%	11%	8%
constant currency y/y change	20%	19%	28%	19%	18%	21%	16%
Total Revenue	445,899	455,895	463,941	1,789,489	481,001	504,148	523,580
y/y change	19%	15%	16%	17%	14%	13%	15%
constant currency y/y change	19%	18%	22%	19%	22%	21%	21%
Percent of Total Revenue (in USD)							
Infrastructure-related subscriptions	74%	73%	73%	74%	74%	72%	71%
App dev & emerging subscriptions	13%	14%	14%	13%	15%	16%	16%
Total Subscription Revenue	87%	87%	87%	87%	88%	88%	87%
Training & services revenue	13%	13%	13%	13%	12%	12%	13%
Total Revenue	100%	100%	100%	100%	100%	100%	100%

(Unaudited)
(in thousands)

	Aug-14	Nov-14	Feb-15		May-15	Aug-15	Nov-15
Revenue by Geography (\$ thousands)	Q215	Q315	Q415	FY15	Q116	Q216	Q316
Americas	282,138	290,525	305,481	1,144,237	321,833	332,204	342,368
y/y change	19%	16%	20%	17%	21%	18%	18%
constant currency y/y change	20%	17%	21%	18%	22%	19%	19%
EMEA	103,496	105,755	100,274	410,299	97,473	108,454	114,909
y/y change	20%	13%	8%	16%	-3%	5%	9%
constant currency y/y change	17%	20%	26%	20%	22%	27%	25%
APAC	60,265	59,615	58,186	234,953	61,695	63,490	66,303
y/y change	19%	13%	8%	14%	9%	5%	11%
constant currency y/y change	20%	20%	19%	19%	22%	22%	23%
Total Revenue	445,899	455,895	463,941	1,789,489	481,001	504,148	523,580
y/y change	19%	15%	16%	17%	14%	13%	15%
constant currency y/y change	19%	18%	22%	19%	22%	21%	21%
Percent of Total Revenue (in USD)							
Americas	63%	64%	66%	64%	67%	66%	65%
EMEA	23%	23%	22%	23%	20%	21%	22%
APAC	14%	13%	12%	13%	13%	13%	13%
Total Revenue	100%	100%	100%	100%	100%	100%	100%

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

Non-GAAP Income Statement*:	Q215	Q315	Q415	FY15	Q116	Q216	Q316
Gross Profit	384,636	391,440	399,869	1,540,989	415,904	434,953	449,706
Operating Income	108,825	108,523	110,513	416,113	113,332	123,138	123,056
Net Income	78,488	79,215	80,584	302,507	81,457	87,809	88,627
Gross Margin	86.3%	85.9%	86.2%	86.1%	86.5%	86.3%	85.9%
Subscription Gross Margin	93.9%	93.9%	93.9%		94.0%	94.0%	94.0%
Training & Services Gross Margin	33.4%	33.7%	33.1%		29.9%	31.9%	29.6%
Operating Margin	24.4%	23.8%	23.8%	23.3%	23.6%	24.4%	23.5%
EPS Basic	0.42	0.43	0.44	1.62	0.44	0.48	0.48
EPS Diluted	0.41	0.42	0.43	1.60	0.44	0.47	0.48
Tax Rate	29%	29%	31%	30%	29%	29%	29%
Weighted Average Shares Outstanding				-			
Basic	188,162	185,039	183,459	186,529	183,130	183,179	183,179
Diluted	190,755	187,674	186,307	189,246	186,125	186,165	185,704
Balance Sheet	Q215	Q315	Q415	FY15	Q116	Q216	Q316
Total Cash & Investments	1,316,943	1,646,521	1,808,743		1,968,474	1,995,830	\$ 1,871,456
Short Term Deferred Revenue	\$ 920,605	\$ 941,441	\$ 1,095,115	\$ 1,095,115	\$ 1,066,254	\$1,047,732	\$ 1,080,572
Long Term Deferred Revenue	\$ 331,192	\$ 358,684	\$ 387,213	\$ 387,213	\$ 369,865	\$ 365,708	\$ 406,562
Prior Year Deferred Revenue Balance	1,059,597	1,123,293	1,289,197		1,272,569	1,251,797	\$ 1,300,125
Constant currency change in Deferred Rev(1)	195,675	223,888	284,138		271,414	252,260	\$ 265,045
Impact from foreign currency translation	(3,475)	(47,055)	(91,007)		(107,864)	(90,616)	\$ (78,036)
Ending Deferred Revenue Balance	1,251,797	1,300,126	1,482,328		1,436,119	1,413,441	\$ 1,487,134
Cash Flow Statement	Q215	Q315	Q415	FY15	Q116	Q216	Q316
Short Term Deferred Revenue Change	(16,982)	44,015	180,984	186,314	(18,707)	(20,168)	46,880
Long Term Deferred Revenue Change	10,774	39,897	43,754	96,379	(12,855)	(4,849)	49,784
Total Change in Deferred Revenue	(6,209)	83,912	224,738	282,693	(31,562)	(25,017)	96,664
Net Operating Cash Flow	107,737	132,988	217,384	622,795	208,758	120,277	139,603

*See reconciliation in the following GAAP to Non-GAAP Reconciliation section.

(1) Change in Deferred Revenue includes approximately \$1.3 million, \$1.6 million, \$1.5 million, \$0.5 million, \$0.2 million and \$0.2 million acquired as part of business combinations for each of Q215, Q315, Q415, Q116, Q216 and Q316, respectively.



Bookings & Deal Metrics (in USD):	Q215	Q315	Q415	FY15	Q116	Q216	Q316
# of Top 25 Renewals	25	25	25		25	25	25
Top 25 Renewal Rates (of prior deal value)	~110%	~120%	~115%		~115%	~115%	~120%
Top 30 Deal Sizes							
Deals \$1M - \$5M	24	18	18		26	26	19
Deals \$5M - \$10M	5	9	11		0	3	8
Deals >\$10M	1	3	1		2	1	3
Deals containing App Dev & Emerging Tech	70%	57%	80%	68%	73%	67%	70%
Deals w/ only App Dev & Emerging Tech	13%	7%	13%	12%	23%	20%	17%
Indirect Channel Bookings	69%	70%	68%	68%	75%	75%	67%
Direct Bookings	31%	30%	32%	32%	25%	25%	33%
Bookings by Geography							
Americas	59%	62%	63%	60%	55%	60%	60%
EMEA	24%	25%	25%	25%	25%	22%	26%
APAC	17%	13%	12%	15%	20%	18%	14%
Average Contract Length (months)	21	24	22		20	20	22
% of Single Year Bookings	74%	66%	73%	72%	79%	77%	72%
% of Multi-Year Bookings	26%	34%	27%	28%	21%	23%	28%
Additional Metrics							
Employees	6,911	7,133	7,292		7,501	7,917	8,317
Average EUR FX Rate	1.35	1.27	1.18	1.29	1.09	1.11	1.11
Average JPY FX Rate	102	110	119	108	120	123	121

(Unaudited)

	Q215	Q315	Q415	FY15	Q116	Q216	Q316
Share Repurchases							
# Shares purchased (millions)	1.4	5.3	0.7	9.1	0	0.9	1.0
Aggregate Principal Amount (\$ millions)	80	375	0	535	0	70	78
Remaining Balance on Plan at quarter-end ⁽¹⁾ (\$ millions)	80	80	80		500	430	352
Days Sales Outstanding (DSO) (in thousands, except # of days)							
Total Revenue	445,899	455,895	463,941	1,789,489	481,001	504,148	523,580
Q/Q Δ deferred revenue (Balance Sheet)	(20,772)	48,328	182,203		(46,209)	(22,679)	73,694
Deferred revenue (Cash Flow Stmt.)	(6,209)	83,912	224,738	282,693	(31,562)	(25,017)	96,664
Accounts Receivable, net	283,952	354,870	468,021		284,582	302,098	396,545
Q/Q FX impact on Accounts Receivable	<u>1,896</u>	<u>6,557</u>	<u>10,360</u>		<u>3,929</u>	<u>179</u>	<u>3,487</u>
Accounts Receivable in constant currency	285,848	361,427	478,381		288,510	302,277	400,032
# calendar days in quarter	92	91	90		92	92	91
DSO⁽²⁾	61	64	65		60	58	60
FX adj DSO⁽³⁾	60	61	63		59	58	59

(1) FY15 included an authorization of \$300m from previous year and a \$375m authorization for Accelerated Share Repurchase. FY16 authorization of \$500m expires March 2017.

(2) Days Sales Outstanding (DSO) is calculated by dividing Accounts Receivable, net by (Total Revenue + Q/Q change in deferred revenue from Balance Sheet) then multiplying by the number of calendar days in the quarter.

(3) FX adjusted DSO is calculated by dividing Accounts Receivable in constant currency by (Total Revenue + Deferred Revenue from Cash Flow Statement) then multiplying by the number of calendar days in the quarter.

GAAP TO NON-GAAP RECONCILIATION

RED HAT, INC.

Quarterly Non-GAAP Consolidated Statement of Ops (see Non-GAAP reconciliation on following page)

(Unaudited)

(In thousands - except per share amounts)

	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	Q316 Quarter End 11/30/2015
GAAP Revenue:						
Subscriptions	\$389,495	\$394,699	\$405,073	\$424,793	\$441,526	\$457,488
Training and services	56,404	61,196	58,869	56,208	62,622	66,092
Total subscription, training and services revenue	445,899	455,895	463,942	481,001	504,148	523,580
Non-GAAP Cost of revenue:						
Subscriptions	23,708	23,888	24,669	25,673	26,574	27,321
Training and services	37,555	40,567	39,404	39,424	42,621	46,553
Total cost of subscription, training and services revenue	61,263	64,455	64,073	65,097	69,195	73,874
Total Non-GAAP gross profit	384,636	391,440	399,869	415,904	434,953	449,706
Non-GAAP Operating expense:						
Sales and marketing	158,837	169,394	172,098	181,455	186,309	196,262
Research and development	83,208	82,233	81,362	86,307	90,174	91,535
General and administrative	33,766	31,290	35,896	34,810	35,332	38,853
Total operating expense	275,811	282,917	289,356	302,572	311,815	326,650
Non-GAAP Income from operations	108,825	108,523	110,513	113,332	123,138	123,056
GAAP Interest income	2,010	2,196	2,288	2,715	2,895	2,874
Other income (expense), net	(192)	1,559	4,784	(203)	(1,245)	49
Interest expense	(97)	(707)	(1,247)	(1,116)	(1,113)	(1,153)
Income before provision (benefit) for income taxes	110,546	111,571	116,338	114,728	123,675	124,826
Provision (benefit) for income taxes	32,058	32,356	35,754	33,271	35,866	36,200
Non-GAAP Net income	\$78,488	\$79,215	\$80,584	\$81,457	\$87,809	\$88,626
Non-GAAP Net income per share:						
Basic	\$0.42	\$0.43	\$0.44	\$0.44	\$0.48	\$0.48
Diluted	\$0.41	\$0.42	\$0.43	\$0.44	\$0.47	\$0.48
Weighted average shares outstanding:						
Basic	188,162	185,039	183,459	183,131	183,179	182,850
GAAP Diluted	190,755	187,674	186,307	186,175	186,750	186,094
Dilution offset from convertible note hedge transactions	-	-	-	(51)	(585)	(390)
Non-GAAP Diluted	190,755	187,674	186,307	186,124	186,165	185,704

Red Hat GAAP to Non-GAAP Reconciliation – Quarterly

(Unaudited)

(In thousands - except per share amounts)

	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	Q316 Quarter End 11/30/2015
Revenue	\$445,899	\$455,895	\$463,942	\$481,001	\$504,148	\$523,580
GAAP Gross Profit as reported	\$378,725	\$384,530	\$393,724	\$409,604	\$428,184	\$442,532
Add: Non-cash share-based compensation expense	3,425	3,915	3,569	3,727	4,151	4,074
Add: Amortization of intangible assets	2,486	2,995	2,576	2,573	2,618	3,100
Non-GAAP Gross Profit	\$384,636	\$391,440	\$399,869	\$415,904	\$434,953	\$449,706
GAAP Operating Income as reported	\$64,227	\$67,197	\$67,608	\$70,930	\$76,470	\$68,877
Add: Non-cash share-based compensation expense – Cost of Revenue	3,425	3,915	3,569	3,727	4,151	4,074
Add: Non-cash share-based compensation expense – S&M	13,691	15,866	15,408	15,412	16,782	17,192
Add: Non-cash share-based compensation expense – R&D	11,098	8,130	10,426	10,874	12,022	13,059
Add: Non-cash share-based compensation expense – G&A	8,391	5,713	6,887	6,509	7,582	9,082
Total Non-cash share-based compensation expense	36,605	33,624	36,290	36,522	40,537	43,407
Add: Amortization of intangible assets – Cost of Revenue	2,486	2,995	2,576	2,573	2,618	3,100
Add: Amortization of intangible assets – S&M	1,992	1,958	2,305	2,005	2,010	2,330
Add: Amortization of intangible assets – R&D	959	250	250	250	292	312
Add: Amortization of intangible assets – G&A	1,607	1,438	1,484	1,052	1,160	1,238
Total Amortization of intangible assets	7,044	6,641	6,615	5,880	6,080	6,980
Add: Transaction costs related to business combinations	949	1,061	0	0	51	3,792
Non-GAAP Operating Income	\$108,825	\$108,523	\$110,513	\$113,332	\$123,138	\$123,056
GAAP Gross Margin as reported	84.9%	84.3%	84.9%	85.2%	84.9%	84.5%
Non-GAAP Gross Margin	86.3%	85.9%	86.2%	86.5%	86.3%	85.9%
GAAP Operating Margin as reported	14.4%	14.7%	14.6%	14.7%	15.2%	13.2%
Non-GAAP Operating Margin	24.4%	23.8%	23.8%	23.6%	24.4%	23.5%
GAAP Net Income as reported	\$46,823	\$47,933	\$47,700	\$48,086	\$51,395	\$46,848
Provision for income taxes	19,125	19,578	21,177	19,641	20,992	19,135
GAAP Income before provision for income taxes	\$65,948	\$67,511	\$68,877	\$67,727	\$72,387	\$65,983
Add: Non-cash share-based compensation expense	36,605	33,624	36,290	36,522	40,537	43,407
Add: Amortization of intangible assets	7,044	6,641	6,615	5,880	6,080	6,980
Add: Non-cash interest expense from accretion of debt discount	0	2,734	4,556	4,599	4,620	4,664
Add: Transaction costs related to business combinations	949	1,061	0	0	51	3,792
Non-GAAP adjusted income before provision for taxes	110,546	111,571	116,338	114,728	123,675	124,826
Provision for income taxes	32,058	32,356	35,754	33,271	35,866	36,200
Non-GAAP adjusted net income	\$78,488	\$79,215	\$80,584	\$81,457	\$87,809	\$88,626
Non-GAAP adjusted net income per share:						
Basic	\$0.42	\$0.43	\$0.44	\$0.44	\$0.48	\$0.48
Diluted	\$0.41	\$0.42	\$0.43	\$0.44	\$0.47	\$0.48

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

(Unaudited)
(In thousands)

	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	Q316 Quarter End 11/30/2015
GAAP Revenue:						
Subscriptions	\$389,495	\$394,699	\$405,073	\$424,793	\$441,526	\$457,488
Training and services	56,404	61,196	58,869	56,208	62,622	66,092
Total subscription, training and services revenue	445,899	455,895	463,942	481,001	504,148	523,580
Non-GAAP Cost of revenue:						
Subscriptions	23,708	23,888	24,669	25,673	26,574	27,321
Training and services	37,555	40,567	39,404	39,424	42,621	46,553
Total cost of subscription, training and services revenue	61,263	64,455	64,073	65,097	69,195	73,874
Total Non-GAAP gross profit	384,636	391,440	399,869	415,904	434,953	449,706
Non-GAAP Gross Margin	86.3%	85.9%	86.2%	86.5%	86.3%	85.9%
Non-GAAP Subscription Gross Margin	93.9%	93.9%	93.9%	94.0%	94.0%	94.0%
Non-GAAP Training and services Gross Margin	33.4%	33.7%	33.1%	29.9%	31.9%	29.6%
Cost of revenue reconciliation GAAP to non-GAAP						
Subscriptions (GAAP)	27,791	28,574	28,731	29,846	30,996	32,246
Less: non-cash share-based compensation expense	1,646	1,822	1,586	1,692	1,836	1,825
Less: Amortization of intangible assets	2,437	2,864	2,476	2,481	2,586	3,100
Subscriptions (non-GAAP)	23,708	23,888	24,669	25,673	26,574	27,321
Training and services (GAAP)	39,383	42,791	41,487	41,551	44,968	48,802
Less: non-cash share-based compensation expense	1,778	2,093	1,983	2,035	2,315	2,249
Less: Amortization of intangible assets	50	131	100	92	32	-
Training and services (non-GAAP)	37,555	40,567	39,404	39,424	42,621	46,553