



Needham Conference

Tom McCallum
VP of Investor Relations
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SAFE HARBOR MESSAGE

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 integration of acquisitions and the ability to market successfully acquired technologies and products; fluctuations in exchange rates; the effects of industry consolidation; 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; changes in and a dependence on key personnel; the ability to meet financial and operational challenges encountered in our international operations; and ineffective management of, and control over, the Company's growth and international operations, 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 <http://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.

THE WORLD'S LEADING PROVIDER OF OPEN SOURCE, ENTERPRISE I.T. SOLUTIONS

MORE THAN
90%
of the
FORTUNE
500
use
RED HAT
PRODUCTS &
SOLUTIONS*

~11,400
EMPLOYEES

S&P
500
COMPANY

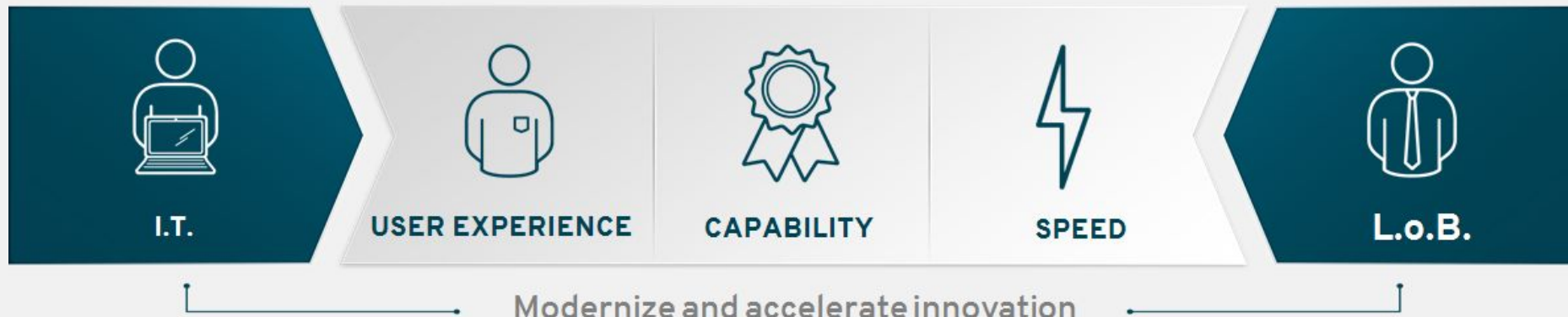
THE FIRST
+\$2
BILLION
OPEN
SOURCE
COMPANY
IN THE WORLD

90
OFFICES
35
COUNTRIES

NYSE
RHT

BUSINESS CHANGE IS ACCELERATING RAPIDLY

IT must evolve to respond



BALANCING INNOVATION AND OPTIMIZATION

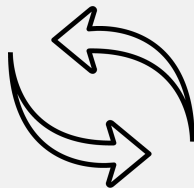
Here's what CIOs say are their top priorities and challenges



Optimizing the IT
you have



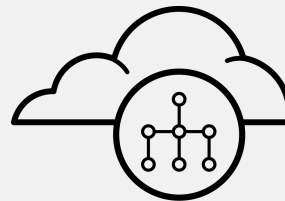
**GAIN
EFFICIENCY**



Integrate apps, data,
and processes



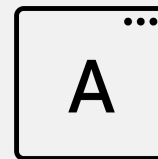
**IMPROVE
PRODUCTIVITY**



Add and manage cloud
infrastructure



**INCREASE
AGILITY**



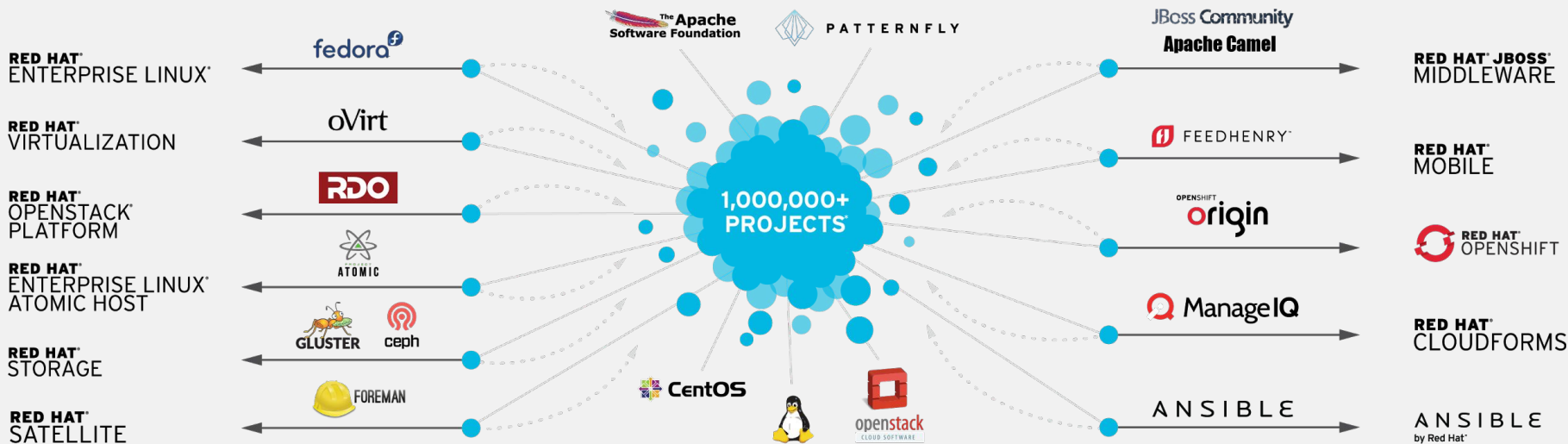
Build more modern
applications



**MOVE
FASTER**

DELIVERING SOLUTIONS TO ENTERPRISE

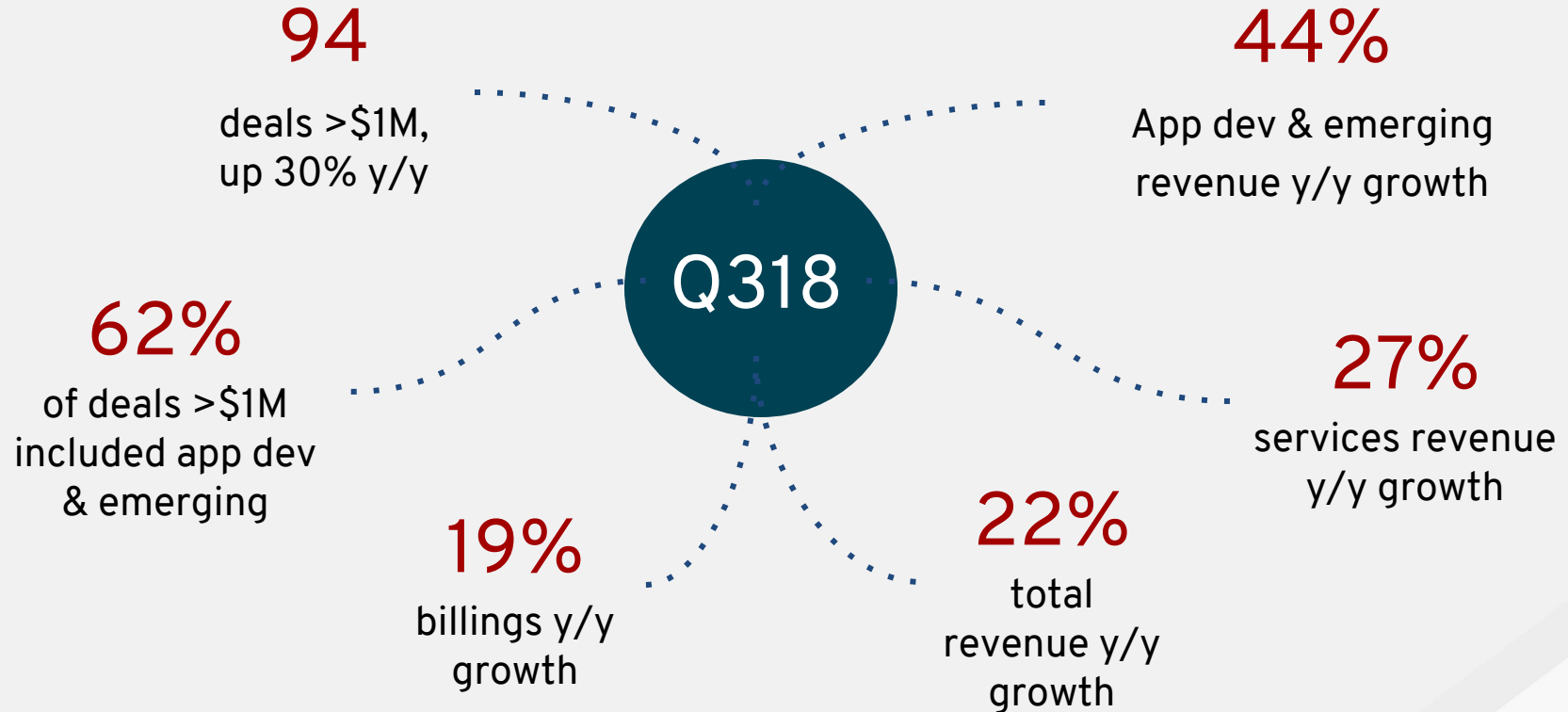
Open source innovation to solve enterprise challenges



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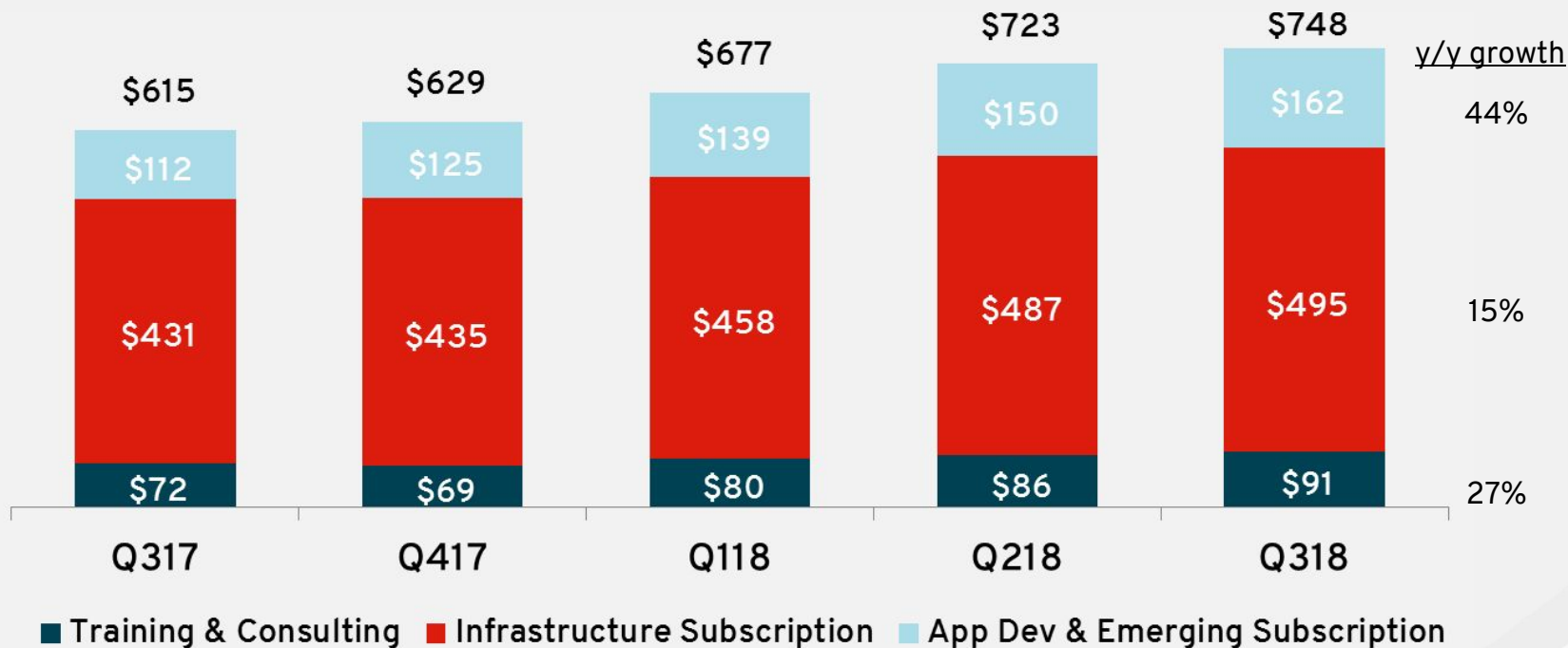
FINANCIAL RESULTS

MILESTONES & METRICS



REVENUE

63 consecutive quarters of growth!



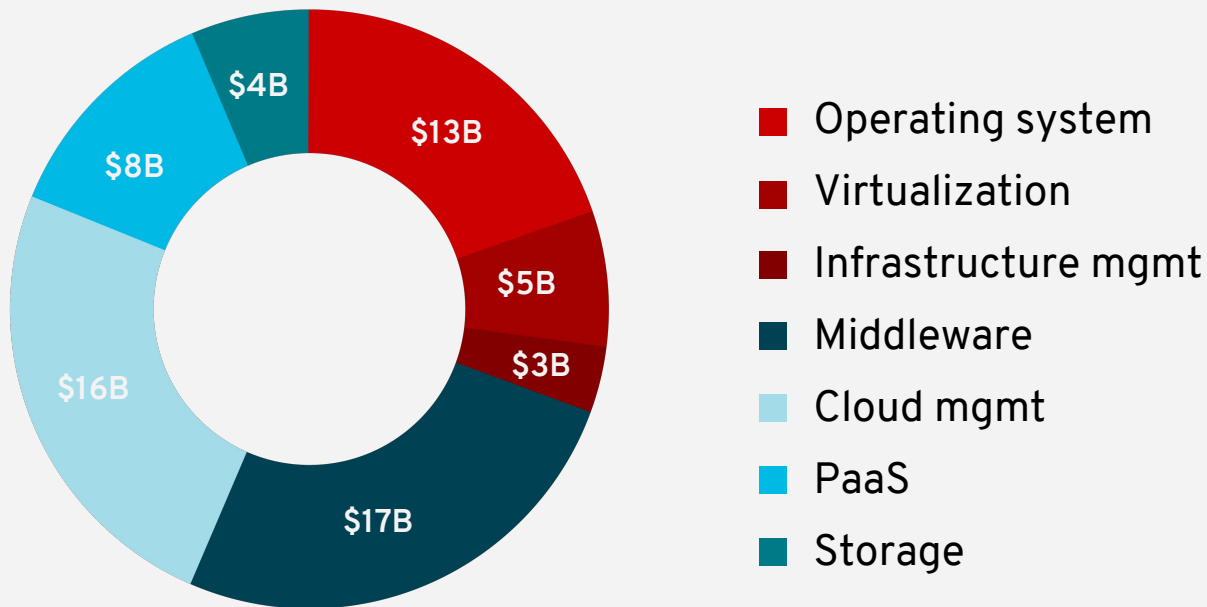
GROWTH DRIVERS

GROWTH DRIVERS

- Expanding TAM for growth
- Linux fastest growing server OS
- Diverse customer base
- Increasing strategic importance with customers
- Hybrid cloud computing portfolio
- Increasing customer adoption
- Global reach and extensive partner ecosystem
- Investing for the future
- Hybrid cloud is a reality

GROWTH OPPORTUNITY

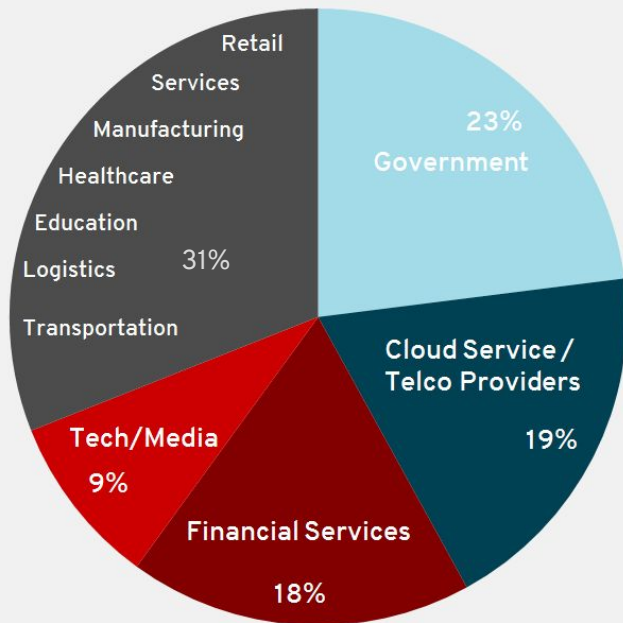
Total addressable market estimated at ~\$66 billion in 2020



Source: Analyst and company estimates. Not to be construed as company guidance.

GLOBAL CUSTOMER SEGMENTS

Diverse customer base with strength in major industries

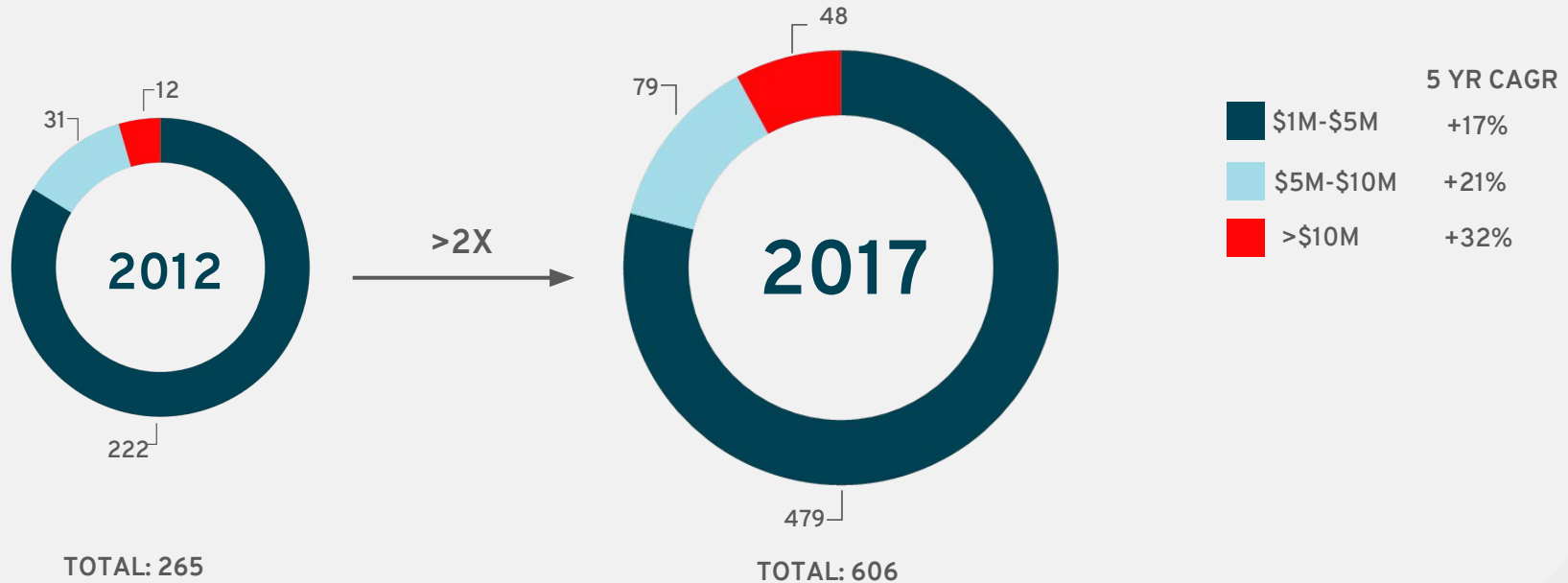


> **Strong growth continues across industries**

> **Government and Cloud Service/Telco Providers fastest growing industry verticals compared to prior year**

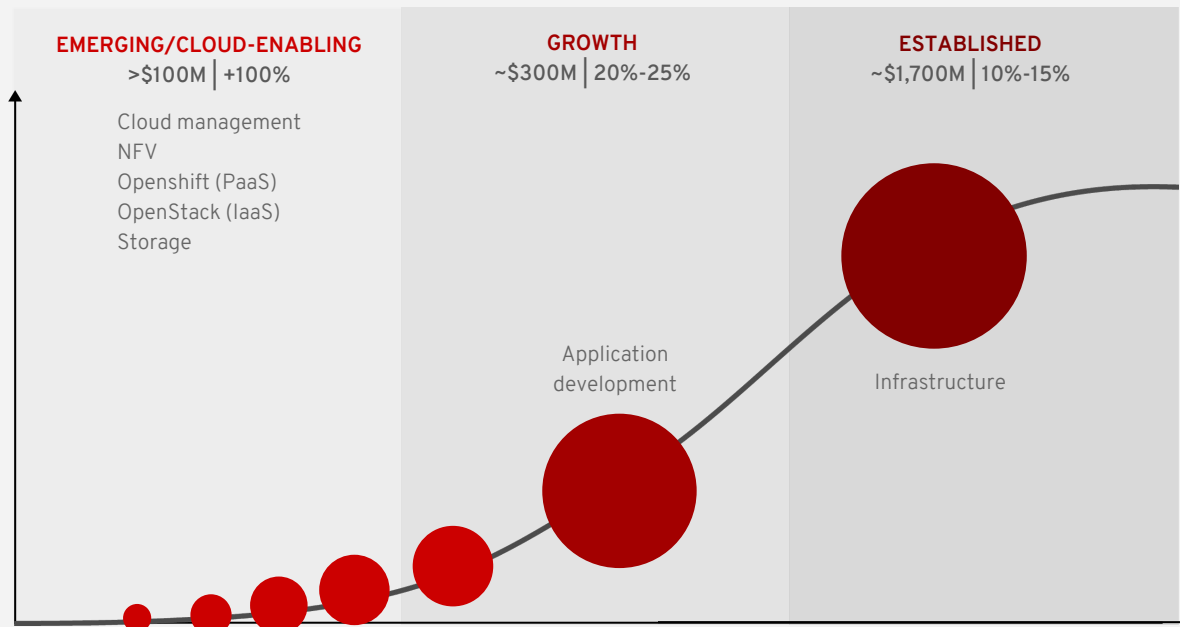
STRATEGIC IMPORTANCE WITH CUSTOMERS

Customers >\$1M have more than doubled over the past 5 years

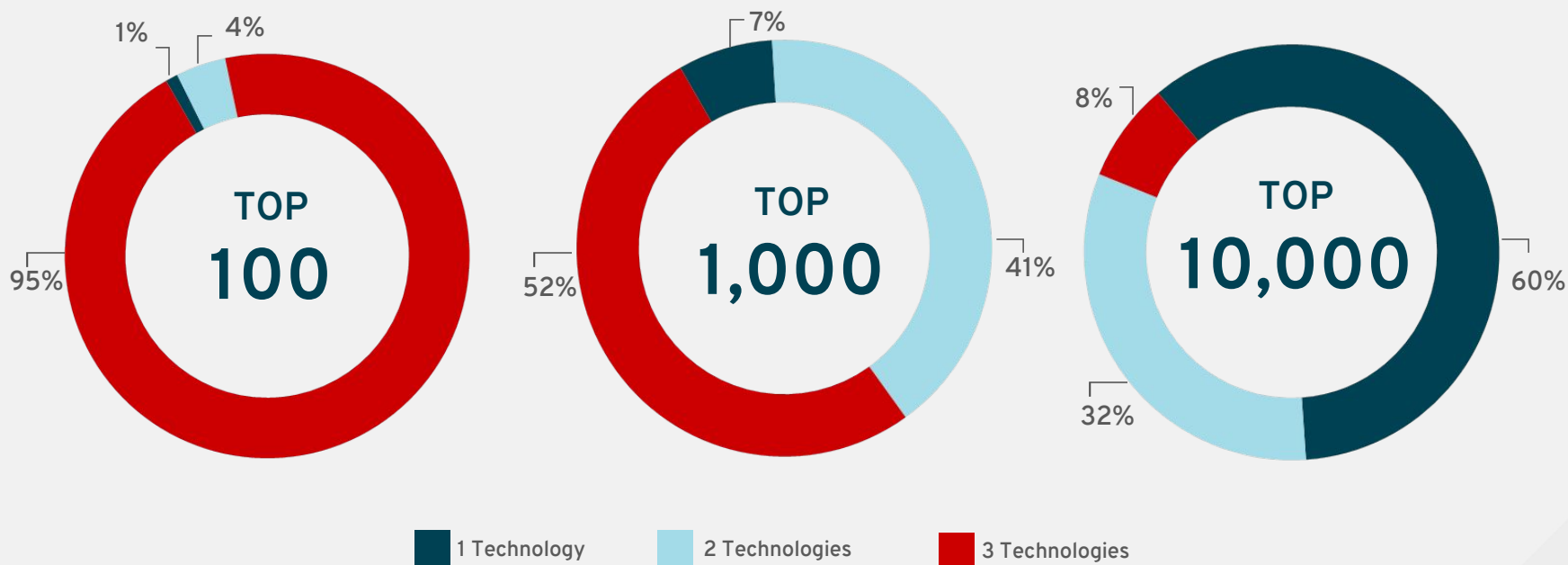


RED HAT'S HYBRID CLOUD PORTFOLIO

FY2017 subscription revenue and y/y growth

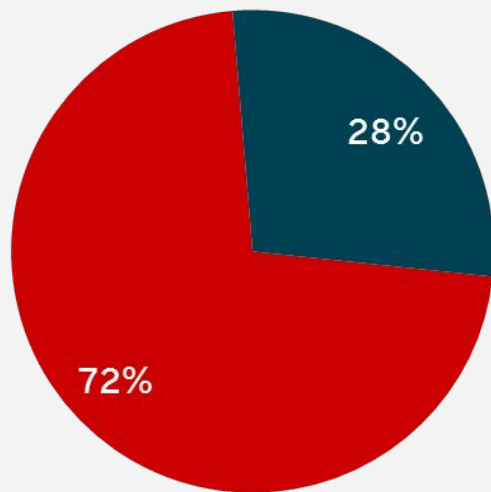


GROWTH OPPORTUNITY ACROSS CUSTOMER COHORTS



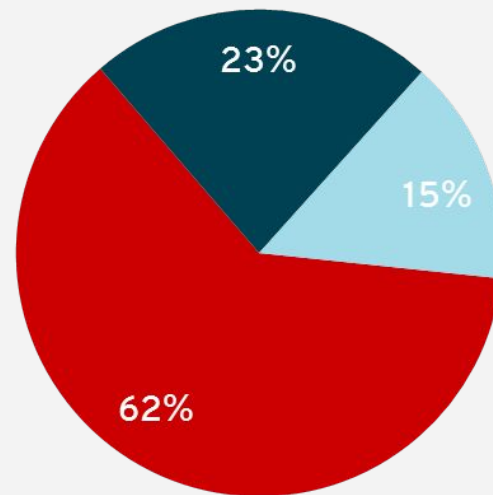
GLOBAL REACH

**BOOKINGS BY CHANNEL
FY2017**



■ Indirect ■ Direct

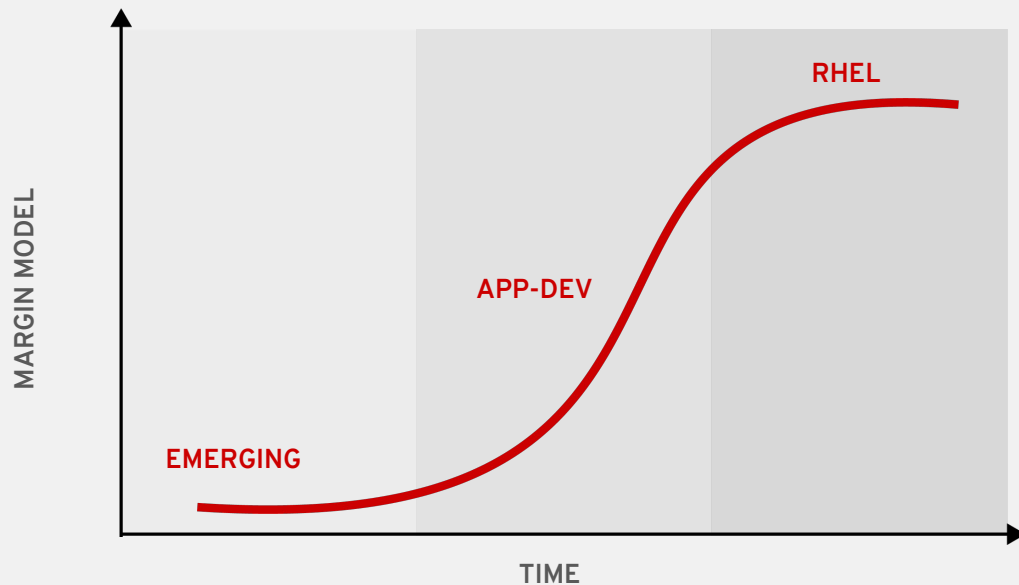
**BOOKINGS BY GEOGRAPHY
FY2017**



■ Americas ■ EMEA ■ APAC

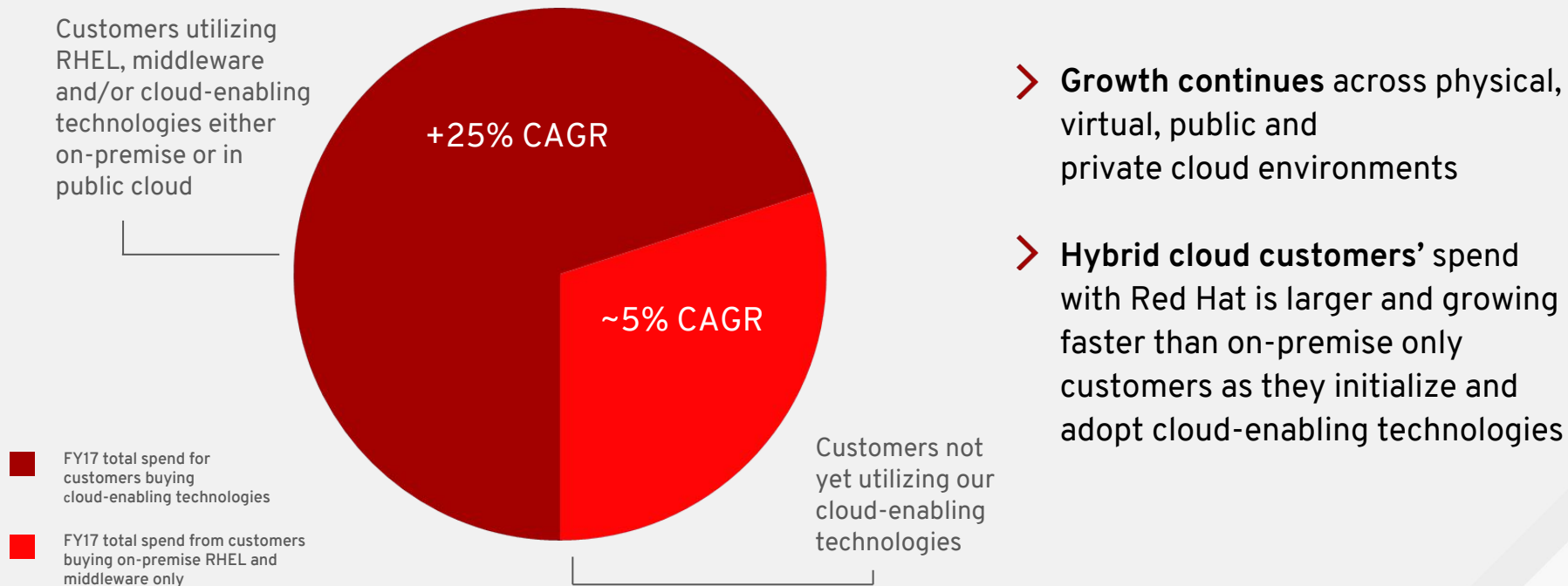
SEIZING THE OPPORTUNITY

Balanced investments approach



- **Opportunity for margin** expansion as technologies scale
- **Requires continued investment**
- **Scaling with the channel**
- **Emerging product** significant strategic value add and pricing upside

HYBRID CLOUD STRATEGY IS WORKING





THE WORLD'S LEADING DEVELOPER AND SUPPLIER OF

OPEN SOURCE SOFTWARE

FOR ENTERPRISE I.T.

A HIGH-GROWTH, MULTIBILLION-DOLLAR

S&P 500 INDEX COMPANY

OFFERING A COMPREHENSIVE PORTFOLIO OF

PRODUCTS AND SERVICES

GLOBAL REACH

MULTIPLE VERTICAL MARKETS, WITH
STRONG CHANNEL AND DIRECT DELIVERY MODELS



THANK YOU

APPENDIX

CATEGORY	TECHNOLOGIES
Infrastructure	Directory & Certificate RHEL RHEL w/ Smart Virtualization RHEV Satellite/Smart Management
Application Development	Acceleration (EAP, Web Service, EPP, JON, Other) Automation (BPM/BRMS) Integration (A-MQ, SOA, Data Virt/Services, Fuse, Messaging)
Emerging	Ansible CloudForms Mobile OpenShift RHCI RHEL-OpenStack Platform Gluster Ceph

Red Hat GAAP to Non-GAAP Reconciliation – Annual

(Unaudited)
(In thousands - except per share amounts)

	FY12 Year End 2/29/2012	FY13 Year End 2/28/2013	FY14 Year End 2/28/2014	FY15 Year End 2/28/2015	FY16 Year End 2/29/2016	FY17 Year End 2/28/2017
Revenue	\$ 1,133,103	\$ 1,328,817	\$ 1,534,615	\$ 1,789,489	\$ 2,052,230	\$ 2,411,803
GAAP Gross Profit as reported	\$ 954,555	\$ 1,128,217	\$ 1,302,015	\$ 1,516,290	\$ 1,742,601	\$ 2,057,425
Add: Non-cash share-based compensation expense	7,860	9,943	11,793	14,027	15,698	16,553
Add: Amortization of intangible assets	3,533	5,943	10,180	10,672	11,726	15,562
Non-GAAP Gross Profit	\$ 965,948	\$ 1,144,103	\$ 1,323,988	\$ 1,540,989	\$ 1,770,025	\$ 2,089,540
GAAP Operating Income as reported	\$ 199,913	\$ 201,038	\$ 232,290	\$ 249,994	\$ 288,048	\$ 332,245
Add: Non-cash share-based compensation expense – Cost of Revenue	7,860	9,943	11,793	14,027	15,698	16,553
Add: Non-cash share-based compensation expense – S&M	25,060	32,906	40,322	55,203	59,089	93,378
Add: Non-cash share-based compensation expense – R&D	21,570	29,647	34,194	38,517	48,466	52,424
Add: Non-cash share-based compensation expense – G&A	24,757	26,712	27,465	27,485	32,781	30,175
Total Non-cash share-based compensation expense	79,267	99,608	113,774	135,232	166,234	192,530
Add: Amortization of intangible assets – Cost of Revenue	3,533	5,943	10,180	10,672	11,726	15,562
Add: Amortization of intangible assets – S&M	8,348	8,416	8,872	7,838	8,075	7,078
Add: Amortization of intangible assets – R&D	4,194	3,836	3,836	2,417	542	136
Add: Amortization of intangible assets – G&A	3,674	5,328	5,316	5,959	5,160	7,078
Total Amortization of intangible assets	19,749	23,523	28,204	26,885	25,803	29,856
Add: Transaction costs related to business combinations	—	—	—	4,001	3,884	1,789
Add: Facility exit costs	—	3,142	2,171	—	—	—
Non-GAAP Operating Income	\$ 298,929	\$ 326,401	\$ 376,439	\$ 416,112	\$ 483,969	\$ 556,420
GAAP Gross Margin as reported	84.2 %	84.9 %	84.8 %	84.7 %	84.9 %	85.3 %
Non-GAAP Gross Margin	85.2 %	86.1 %	86.3 %	86.1 %	86.3 %	86.6 %
GAAP Operating Margin as reported	17.6 %	15.1 %	15.1 %	14.0 %	14.0 %	13.8 %
Non-GAAP Operating Margin	26.4 %	24.6 %	24.5 %	23.3 %	23.6 %	23.1 %
GAAP Net Income as reported	\$ 146,626	\$ 150,204	\$ 178,292	\$ 180,201	\$ 199,365	\$ 253,703
GAAP provision for income taxes	61,353	59,548	61,256	75,297	75,500	66,477
GAAP income before provision for income taxes	\$ 208,009	\$ 209,752	\$ 239,548	\$ 255,498	\$ 274,865	\$ 320,180
Add: Non-cash share-based compensation expense	79,267	99,608	113,774	135,232	166,234	192,530
Add: Amortization of intangible assets	19,749	23,523	28,204	26,885	25,803	29,856
Add: Non-cash interest expense related to the debt discount	—	—	—	7,292	16,570	19,104
Add: Transaction costs related to business combinations	—	—	—	4,001	3,884	1,789
Add: Facility exit costs	—	3,142	2,171	—	—	—
Non-GAAP adjusted income before provision for taxes	307,025	335,115	383,697	428,908	489,356	563,459
Non-GAAP provision for income taxes (1)	90,603	95,139	98,226	126,399	134,431	149,608
Non-GAAP adjusted net income	\$ 216,422	\$ 239,976	\$ 285,471	\$ 302,509	\$ 354,925	\$ 413,851
GAAP net income per share:						
Basic	\$ 0.76	\$ 0.78	\$ 0.94	\$ 0.97	\$ 1.09	\$ 1.41
Diluted	\$ 0.75	\$ 0.77	\$ 0.93	\$ 0.95	\$ 1.07	\$ 1.39
Non-GAAP adjusted net income per share:						
Basic	\$ 1.12	\$ 1.24	\$ 1.50	\$ 1.62	\$ 1.94	\$ 2.30
Diluted	\$ 1.10	\$ 1.23	\$ 1.49	\$ 1.60	\$ 1.91	\$ 2.27
Weighted average shares outstanding:						
Basic	193,151	193,147	189,920	186,529	182,817	179,642
GAAP Diluted	196,451	195,804	192,036	189,246	186,119	182,961
Dilution offset from convertible note hedge transactions	—	—	—	—	(282)	(292)
Non-GAAP Diluted	196,451	195,804	192,036	189,246	185,837	182,669
Note: Certain prior year amounts have been reclassified to conform with current year presentation.						
(1) Note FY12, FY14 and FY17 included discrete tax benefits, please see below for provision for income tax break-out:						
Non-GAAP adjusted net income before income tax provision	\$ 307,025		\$ 383,697		\$ 563,459	
GAAP effective tax rate, excluding discrete tax items	31 %		26.7 %		27.7 %	
Non-GAAP provision for income taxes before discrete tax benefit	\$ 92,668		\$ 102,451		\$ 156,010	
Discrete tax benefit	(2,065)		(4,225)		(6,402)	
Provision for income taxes on Non-GAAP adjusted net income	\$ 90,603		\$ 98,226		\$ 149,608	

EARLY ADOPTION OF ACCOUNTING STANDARDS UPDATE

Effect of ASU 2016-09 on FY16 and FY17 operating cash flows

(unaudited)
(\$millions)

	FY2015	FY2016	FY2017
Operating cash flows prior to accounting update	\$623	\$716	\$767
Excess tax benefits from share-based payment arrangements now classified as an operating source of cash	\$5	\$20	\$16
Operating cash flows adjusted for accounting update	\$628	\$736	\$784