

RED HAT INC

Form 10-K

April 24, 2019

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in the Consolidated Balance Sheets in Additional paid-in capital 0001087423 2018-03-01 2019-02-28 0001087423
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended February 28, 2019

OR

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____.

Commission File Number: 001-33162

RED HAT, INC.

(Exact name of registrant as specified in its charter)

Delaware 06-1364380

(State of Incorporation) (I.R.S. Employer Identification No.)

100 East Davie Street, Raleigh, North Carolina 27601

(Address of principal executive offices, including zip code)

(919) 754-3700

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
Common Stock, \$0.0001 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of the common equity held by non-affiliates of the registrant as of August 31, 2018 was approximately \$23.1 billion based on the closing price of \$147.73 of our common stock as reported by the New York Stock Exchange on August 31, 2018. For purposes of the immediately preceding sentence, the term "affiliate" consists of each director, executive officer and greater than 10% stockholder of the registrant. There were 177,755,763 shares of common stock outstanding as of April 22, 2019.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of Red Hat, Inc.'s Definitive Proxy Statement to be filed with the Securities and Exchange Commission and delivered to stockholders in connection with its annual meeting of stockholders to be held on August 15, 2019 are incorporated by reference into Part III of this Form 10-K. With the exception of the portions of the Proxy Statement expressly incorporated into this Annual Report on Form 10-K by reference, such document shall not be deemed filed as part of this Annual Report on Form 10-K.

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CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

Certain statements contained in this report and the documents incorporated by reference in this report, including in Management's Discussion and Analysis of Financial Condition and Results of Operations, 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 any statement that is not strictly a historical statement could be deemed to be a forward-looking statement (for example, statements regarding current or future financial performance; management's plans and objectives for future operations; product plans and performance; management's expectations regarding market risk and market penetration; management's assessment of market factors; strategies, objectives and plans of Red Hat, Inc. together with its subsidiaries ("Red Hat") and its partners; and the consummation of the proposed acquisition of Red Hat by International Business Machines Corporation). Words such as "anticipate," "believe," "estimate," "expect," "intend," "outlook," "plan," "project," "will," and similar expressions, may also identify such forward-looking statements. Red Hat may also make forward-looking statements in other filings made with the Securities and Exchange Commission ("SEC"), press releases, materials delivered to stockholders and oral statements made by management. Investors are cautioned that these forward-looking statements are inherently uncertain, are not guarantees of Red Hat's future performance and are subject to a number of risks and uncertainties that could cause Red Hat's actual results to differ materially from those found in the forward-looking statements and from historical trends. These risks and uncertainties include the risks and cautionary statements detailed in Part I, Item 1A, "Risk Factors" and elsewhere in this report as well as in Red Hat's other filings with the SEC, copies of which may be accessed through the SEC's web site at www.sec.gov. Readers are urged to carefully review these risks and cautionary statements. Moreover, Red Hat operates in a rapidly changing and highly competitive environment. It is impossible to predict all risks and uncertainties or assess the impact of any new risk or uncertainty on our business or any forward-looking statement. The forward-looking statements included in this report represent our views as of the date of this report. We specifically disclaim any obligation to update these forward-looking statements in the future. These forward-looking statements should not be relied upon as representing our views as of any date subsequent to the date of this report.

PART I

**ITEM 1. BUSINESS
OVERVIEW**

Red Hat is a leading global provider of open source software solutions, using a community-powered approach to develop and offer reliable and high-performing operating system, virtualization, management, middleware, cloud and storage technologies.

Our business model

Development. We employ an open source development model. The open source development model allows us to use the collective input, resources and knowledge of a global community of contributors who collaborate to develop, maintain and enhance software. This collaboration is possible because the human-readable source code for that software is publicly available and licenses permit modification.

Licensing. We typically distribute our software offerings under open source licenses that permit access to the software's human-readable source code.

Subscriptions. We provide our software offerings primarily under annual or multi-year subscriptions as well as on-demand through our certified cloud and service providers ("CCSPs").

Our offerings

Our offerings are designed to provide customers with high-performing, scalable, flexible, reliable and secure technologies that meet the information technology ("IT") needs of enterprises and service providers. Customers can develop and deploy applications using on-premise (physical or virtual environments or private clouds) or off-premise

(public cloud) IT resources to create an environment that is designed to enhance efficiency while providing increased security. Our offerings are designed to perform consistently across physical, virtual and hybrid cloud (a combination of one or more public and private clouds) environments to offer our customers greater agility and flexibility for application development and deployment.

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Our offerings include:

Infrastructure-related Offerings

• Red Hat Enterprise Linux—an operating system platform that runs applications on a broad range of hardware and can be deployed in physical, virtual and hybrid cloud environments.

• Red Hat Satellite—a system management offering that is designed to make Red Hat infrastructure easier to deploy, scale and manage across physical, virtual and hybrid cloud environments.

• Red Hat Virtualization—software that allows customers to use and manage a common hardware infrastructure to run multiple operating systems and applications.

Application Development-related and Other Emerging Technology Offerings

• Red Hat Middleware—a suite of offerings used to develop, deploy and manage applications; integrate applications, data and devices; and automate business processes across hybrid cloud environments.

• Other Emerging Technologies—software that enables customers to build and manage hybrid IT computing environments. Our emerging technology offerings include Red Hat OpenShift, Red Hat Cloud Infrastructure, Red Hat OpenStack Platform, Red Hat Ansible Automation, Red Hat CloudForms and Red Hat Storage technologies.

We also offer a wide range of services that are designed to help customers derive additional value from Red Hat technologies. Our consulting services assist customers to enable infrastructure, application development, integration, middleware, cloud, container, automation and storage solutions. Our support services provide customers with technical support to assist with implementing, configuring and using Red Hat technologies. Our training services provide customers and partners with skilled Red Hat certified professionals.

Red Hat, Inc. was incorporated in Connecticut in March 1993 as ACC Corp., Inc., which subsequently changed its name to Red Hat Software, Inc. Red Hat Software, Inc. reincorporated in Delaware in September 1998 and changed its name to Red Hat, Inc. in June 1999. Except as otherwise indicated, all references in this report to “we,” “us,” “our,” the “Company,” the “registrant” or “Red Hat” refer to Red Hat, Inc. and its subsidiaries. Our fiscal year ends on the last day of February, and we identify our fiscal years by the calendar years in which they end. For example, we refer to the fiscal year ended February 28, 2019 as “fiscal 2019.”

PROPOSED ACQUISITION BY INTERNATIONAL BUSINESS MACHINES CORPORATION

On October 28, 2018, we entered into an Agreement and Plan of Merger (the “Merger Agreement”) with International Business Machines Corporation, a New York corporation (“IBM”), and Socrates Acquisition Corp., a Delaware corporation and a wholly-owned subsidiary of IBM (“Sub”), pursuant to which, among other things, Sub will merge with and into us, with Red Hat surviving as a wholly-owned subsidiary of IBM (the “Merger”). Our Board of Directors and the Board of Directors of IBM each approved the Merger and the Merger Agreement, and our stockholders approved the adoption of the Merger Agreement at a special meeting of stockholders on January 16, 2019. The transaction is expected to close in the latter half of 2019, subject to certain conditions, including receipt of regulatory approvals. Until the closing, we will continue to operate as an independent company.

At the effective time of the Merger (the “Effective Time”), subject to the terms and conditions of the Merger Agreement, each share of our common stock, par value \$0.0001 per share, issued and outstanding immediately prior to the Effective Time (other than (i) canceled shares, (ii) dissenting shares, and (iii) subsidiary converted shares) shall be converted into the right to receive \$190.00 in cash without interest. See NOTE 1—Company and Merger Agreement to our Consolidated Financial Statements for further discussion of the Merger Agreement.

The foregoing description of the Merger Agreement is qualified in its entirety by reference to the full text of the Merger Agreement, which has been filed as Exhibit 2.1 to the Current Report on Form 8-K that we filed with the SEC on October 29, 2018.

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OUR BUSINESS

We use the open source software development and licensing model to provide our offerings to customers primarily on a subscription basis. Subscriptions for our offerings are marketed and sold to customers directly and through business partners.

Development and licensing of Red Hat's open source offerings

The open source software development model allows us to use the collective input, resources and knowledge of a global community of contributors who collaborate to develop, maintain and enhance software. We believe this model offers advantages to Red Hat because we are able to develop our offerings by integrating information, knowledge and testing from this global community. We develop our offerings by working with open source development communities, often in a leadership role. Red Hat sponsors a number of open source projects, including the CentOS project, the Ceph community project, the Fedora Project, GlusterFS, the JBoss community projects and OpenShift Origin. We are also an active contributor in other open source projects such as Apache Camel, Kubernetes, the Linux kernel, the Open Container Initiative, the OpenDaylight Project, Open Platform for NFV and OpenStack. Our participation helps us to benefit from the efforts of these communities, which we believe enhances acceptance and support of our offerings and technologies. Additionally, the open and transparent nature of these communities provides our customers and potential customers, who may also be part of these open source communities, with access and insights into, and the ability to influence, the future direction of our offerings.

Under the open source licensing model, a software developer distributes the software under an open source license, such as the GNU General Public License ("GPL"), GNU Lesser General Public License or Apache License. Open source licenses provide relatively broad rights for recipients of the software to use, copy, modify and redistribute the software. These rights afford significant latitude for recipients to inspect, suggest changes to, customize or enhance the software.

The open source model provides an inherent level of transparency and choice that contrasts with the proprietary software model. Under the proprietary software model, a software vendor generally develops the software itself or acquires components from other vendors, without the input from a wider community of participants. The vendor generally licenses to the user only the machine-readable binary (or object) code version of the software, with no or limited rights to copy, modify or redistribute the software, and does not make the underlying source code available to the user or other developers. Moreover, peer review and collaborative enhancements are more difficult because of the lack of access to the source code.

The scale and efficiency of open source software development has greatly increased through the availability of collaborative technologies and cloud-based tools, such as email lists, websites and code repositories. These technologies have enabled a global community of developers to collaborate on more complex open source projects, many of which are commercially funded.

We believe that open source software is a viable and arguably superior alternative to traditional proprietary software. Open source software, as compared to proprietary software, offers a number of benefits to customers, including:

- enabling a customer's in-house development team to collaborate and innovate with a global community of independent developers and testers;
- providing a customer's in-house development team access to both binary and source code, and broader rights to copy, modify and redistribute the software;
- offering a customer greater flexibility through open rather than proprietary protocols and formats;
- enabling ongoing, quicker access to improvements and fixes; and
- allowing a customer to inspect and help diagnose problems more easily and customize the software to suit its particular needs.

Subscription business model

We provide our software offerings to our customers primarily under annual or multi-year subscriptions as well as on-demand through CCSPs. Our subscription business model is designed to provide customers with a comprehensive technology solution for the duration of their subscription. A subscription generally entitles a customer to, among other things, a specified level of support, as well as security updates, fixes, functionality enhancements, upgrades to the technologies, each if and when available, and compatibility with an ecosystem of certified hardware and software. A

subscription also includes access to the Red Hat Customer Portal, which provides customers with services such as our knowledge base, product usage documentation and account management tools. We offer customers subscription options that provide varying levels of customer support. In addition, our customers are eligible to participate in Red Hat's Open Source Assurance program, which provides certain protections in the event of an intellectual property infringement claim made against a customer and based on our software offerings.

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Our subscription business model contrasts with the typical proprietary software license model from a revenue recognition perspective. Under a proprietary software license model, the vendor typically recognizes license revenue in the period that the software is initially licensed. In contrast, under our subscription model, we generally defer revenue when we bill the customer and recognize revenue over the life of the subscription term.

Distribution of Red Hat offerings

We make Red Hat offerings available directly to customers and indirectly through various channels of distribution. Our direct sales channels include our sales force and our web store. Our indirect sales channels include CCSPs (such as public cloud providers and managed service providers), distributors, embedded technology partners, independent software vendors (“ISVs”), systems integrators (“SIs”) and value added resellers (“VARs”). In addition, hardware original equipment manufacturers (“OEMs”) pre-load and support Red Hat offerings on their hardware products and sell their hardware together with Red Hat offerings as part of pre-configured solutions.

With the support and tools we make available, many of these companies have engineered and certified that their technologies run on or with Red Hat offerings, and, in some cases, independent hardware vendors (“IHVs”) and ISVs have built their products and solutions using our offerings. Our offerings can also be used on an on demand basis through our CCSPs, allowing our customers to utilize their subscriptions with increased flexibility. We believe widespread support from these companies helps to increase the level of market acceptance and adoption of our offerings.

Support by leading technology providers

To facilitate the widespread deployment of Red Hat offerings, we have focused on gaining broad support for our offerings from technology providers that are critical to enterprises. For example, leading ISVs with applications that run on, or with, our technologies include Affirmed Networks, Inc., Cerner Corporation, Cloudera, Inc., Dynatrace LLC, Dell Inc. (“Dell”), F5 Networks, Inc. (“F5 Networks”), Hewlett Packard Enterprise Company (“HPE”), IBM, Mavenir Systems, Inc., Microsoft Corporation (“Microsoft”), NetApp, Inc. (“NetApp”), Oracle Corporation (“Oracle”), SAP SE (“SAP”), SAS Institute Inc., Swift Technologies Inc., Veritas Technologies LLC and VMware, Inc. (“VMware”). In addition, we have certification and pre-load arrangements with leading hardware vendors including Cisco Systems, Inc. (“Cisco”), Dell, Fujitsu Limited (“Fujitsu”), HPE, Hitachi, Ltd., IBM, Lenovo Group Ltd. (“Lenovo”) and NEC Corporation. We also have certification agreements with leading networking, storage and telecommunication companies including Big Switch Networks, Inc., Cisco, Dell, Ericsson Inc., F5 Networks, HPE, Huawei Technologies Co., Ltd., Juniper Networks, Inc. and Nokia Corporation. We have strategic relationships with leading semiconductor and technology companies, such as Advanced Micro Devices, Inc., ARM Holdings plc, Intel Corporation, IBM and NVIDIA Corporation. We have strategic relationships with leading cloud computing platforms, such as Alibaba Cloud Computing, Amazon Web Services, Inc. (“AWS”), Fujitsu, Google Inc. (“Google”), IBM and Microsoft. We also have relationships with a number of global SIs such as Accenture plc, Atos SE, DXC Technology Company, Infosys Limited, IBM, Tata Consultancy Services Limited, Tech Mahindra Limited and Wipro Limited.

Factors influencing our success

We believe our success is influenced by:

- our ability to utilize the innovation derived from software developed by an open source community and make it consumable for enterprise customers;
- the extent to which we can expand the breadth and depth of our offerings;
- strategic business combinations and acquisitions of technical talent and technologies;
- our ability to enhance the value of our offerings through frequent and continuing innovation while maintaining platforms designed to be stable and secure over multi-year periods;
 - the extent to which adoption of our emerging technology offerings and software development processes such as CI/CD (continuous integration and continuous deployment) and DevOps increases;
- our involvement and leadership in key open source communities and projects, which enable us to develop, enhance and maintain our offerings;
- our corporate culture, which we believe fosters innovation, creativity and collaboration;
- our ability to generate increasing revenue directly and through partners and other strategic relationships, including CCSPs, distributors, embedded technology partners, IHVs, ISVs, OEMs, SIs and VARs;

our ability to generate new and recurring revenue for our offerings;

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the widespread and increasing deployment of open source technologies globally;
our software, hardware, application and cloud service certification programs, which are intended to create an ecosystem of technologies that are compatible with our offerings and supported by us;
our ability to provide customers with consulting and training services that generate additional subscription revenue;
and
our ability to provide greater subscription value, enhance the experience of our customers and promote customer loyalty by focusing on ways in which we can help our customers succeed.

Subscription revenue by product group

Subscription revenue for our Infrastructure-related offerings (Red Hat Enterprise Linux, Red Hat Satellite, Red Hat Virtualization and related offerings) as a percentage of our total revenue were 63.4%, 66.8% and 70.3% for fiscal 2019, fiscal 2018 and fiscal 2017, respectively. Subscription revenue for our Application Development-related offerings (Red Hat Middleware) and other emerging technology offerings (Red Hat OpenShift, Red Hat Cloud Infrastructure, Red Hat OpenStack Platform, Red Hat Ansible Automation, Red Hat CloudForms and Red Hat Storage technologies) as a percentage of our total revenue were 24.3%, 21.4% and 18.2% for fiscal 2019, fiscal 2018 and fiscal 2017, respectively. For additional financial information about our products and services, see NOTE 22—Segment Reporting to our Consolidated Financial Statements.

Customers

We sell our offerings to enterprises in a variety of industries, including financial services, government, healthcare, retail, technology and media, telecommunications and transportation. For fiscal 2019, fiscal 2018 and fiscal 2017, the U.S. government and its agencies represented in the aggregate approximately 10% of our total revenue.

Backlog

We define total backlog as (i) total deferred revenue, which has been billed, plus (ii) the value of non-cancellable subscription agreements not yet billed or reflected in our financial statements and the value of service agreements not yet billed or reflected in our financial statements that we believe to be firm (“off-balance sheet backlog”). Total backlog at February 28, 2019 included deferred revenue classified as a current liability of \$2.16 billion and long-term deferred revenue of \$821.2 million. The value of off-balance sheet backlog was in excess of \$1.0 billion, and the portion of such value at February 28, 2019 that we expect to be billed during the fiscal year ending February 29, 2020 is in excess of \$490 million. At February 28, 2018, total backlog included deferred revenue classified as a current liability of \$1.85 billion and long-term deferred revenue of \$741.5 million and the value of off-balance sheet backlog at February 28, 2018 was in excess of \$775 million.

We report our off-balance sheet backlog as a conservative approximation, often describing the amount as “in excess of,” primarily because the value of underlying contracts is derived from data not yet subjected to the complete application of our revenue recognition policies. For example, the value of the service agreements included as a part of off-balance sheet backlog is less than the stated value of such agreements because in certain instances customers are not contractually required to purchase the stated value of such services (e.g., when the services are to be billed on a time and materials basis and the service agreement’s stated value is merely an estimate of the aggregate value of the services to be provided). Historically, the impact on off-balance sheet backlog resulting from the difference in the amount of services billed and the service agreements’ stated value has not been material. We endeavor to derive the value of our off-balance sheet backlog in a consistent manner year over year and, therefore, believe the amounts are comparable.

Seasonality

Our fourth fiscal quarter has historically been our strongest quarter for billing both new business and renewals. For a more detailed discussion, see Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

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BUSINESS STRATEGY

Our goal is to be the default choice for next-generation IT, partnering with our customers through an open, hybrid cloud portfolio including hybrid cloud infrastructure, cloud-native development and management and automation.

Key elements of our strategy to achieve this goal include:

Driving the widespread adoption of our offerings

We seek to drive further adoption of our offerings through:

- continuing to evolve our technology portfolio through ongoing innovation;
- supporting new and emerging technologies such as OpenShift, OpenStack and Ansible;
- leveraging new delivery models, such as on demand consumption;
- encouraging modern software development processes, such as CI/CD (continuous integration and continuous deployment) and DevOps; and
- using a consultative selling approach, with a focus on solving customer problems.

Additionally, we believe the demand for portability, management and consistency in hybrid cloud environments can provide us with a greater ability to penetrate existing and generate new customer and partner opportunities. We also seek to drive further adoption of our offerings by diversifying our customer base, including focusing on international growth.

Investing in the development of open source technologies and promoting the use of our technologies by software developers globally

We intend to continue to invest significant resources in the development of open source technologies, capitalizing on our substantial experience working with open source development projects and in communities with customers, contributors and partners to create better open source technologies. We expect this continued investment to take the form of expenditures on internal development efforts, as well as continued funding of third-party open source projects and the expansion of our developer offerings. We also believe that by expanding and empowering the developers that use our technologies, we can enhance our technical leadership position and drive additional growth.

Pursuing strategic acquisitions and alliances

We expect to continue to pursue a selective acquisition strategy as opportunities arise to complement and expand our technology offerings and service capabilities. In fiscal 2019, we completed the acquisition of Y.G. Noobaa Ltd., an early stage company developing software for managing data storage services.

We also intend to create and extend our strategic alliances where it is beneficial to our business. To facilitate the widespread deployment of Red Hat offerings, we intend to continue to grow our CCSPs, distributors, embedded technology partners, IHVs, ISVs, OEMs, VARs and other channel partner networks on a global basis. In addition, we are enhancing our relationships with SIs in order to expand our reach to customers that traditionally rely on SIs for advice and recommendations regarding their technology purchases.

Promoting a range of services to help our customers derive additional value

We seek to increase revenue by providing additional consulting and other targeted services. We also enable our partners to provide services that promote growth in our subscription revenue. These services are designed to help customers derive additional value from Red Hat offerings.

PRODUCTS AND SERVICES

Our offerings are designed to provide customers with high-performing, scalable, flexible, reliable and secure technologies that meet customers' IT needs in physical, virtual and hybrid cloud environments. Through our offerings, our customers and partners are able to take advantage of the quality and value of open source software that we help to develop, aggregate, integrate, test, certify, deliver, maintain, enhance and support. Customers can also take advantage of the flexibility of our software offerings to build a variety of deployment models on which to run their applications. Our service offerings include consulting, support and training.

Table of Contents**Infrastructure-related offerings**

Red Hat Enterprise Linux technologies. Red Hat Enterprise Linux is an operating system built with open source software components, including the Linux kernel, and is designed expressly for enterprise computing to run applications on a broad range of hardware in physical, virtual and hybrid cloud environments. A worldwide community of developers collaborates to improve Linux software components, and we believe we are able to integrate the best of those improvements into our stable, yet innovative and high-performing Red Hat Enterprise Linux platform. Moreover, Red Hat Enterprise Linux enjoys the support of major CCSPs, IHVs, ISVs, OEMs and other technology partners, increasing the interest of developers in adding further enhancements to the Linux kernel and other open source software components. Additionally, Red Hat and selected OEM partners offer comprehensive technical support, with up to 24x7, one-hour response.

Red Hat Enterprise Linux is also available in multiple variants that allow customers to obtain a version of Red Hat Enterprise Linux specifically for their use cases, applications and hardware architectures. These variants include Red Hat Enterprise Linux Server for High-Performance Computing, Red Hat Enterprise Linux for Real Time and Red Hat Enterprise Linux for SAP Solutions. Offerings for supported architectures include Red Hat Enterprise Linux Server (x86-64), Red Hat Enterprise Linux for IBM z Systems, Red Hat Enterprise Linux for Power Little Endian and Red Hat Enterprise Linux Server for ARM.

In addition, Red Hat offers a portfolio of add-ons that extends the features of Red Hat Enterprise Linux. These add-ons, which are designed to tailor a customer's computing environment to suit specific requirements, include:

- **High Availability**—provides failover services between nodes within a cluster intended to make applications more resistant to downtime.
- **Resilient Storage**—enables a shared storage or clustered file system to access the same storage device over a network.
- **Smart Management**—includes management and provisioning modules that allow a customer to provision, patch, configure and control Red Hat Enterprise Linux development, test and production systems.
- **Smart Virtualization**—includes the Red Hat Virtualization offering, which provides virtualization functionality and management tools for both server and desktop deployments.
- **Extended Lifecycle Support**—provides software maintenance and support after Red Hat's published end of life date for certain versions of Red Hat Enterprise Linux.
- **Extended Update Support**—extends the software maintenance and support period of certain eligible Red Hat Enterprise Linux subscriptions for up to 24 months to give customers more flexibility with their resource and deployment cycles.
- **Red Hat Insights**—provides a hosted service that is designed to help customers proactively identify and resolve technical and security issues in their Red Hat Enterprise Linux and Red Hat Cloud Infrastructure environments.

We believe that these add-ons provide customers with increased features, flexibility and choice.

Red Hat Satellite. Red Hat Satellite is a system management offering that is designed to make Red Hat infrastructure easier to deploy, scale and manage across physical, virtual and hybrid cloud environments. Red Hat Satellite provides broad capabilities for systems provisioning, configuration management, content management and subscription management.

Red Hat Virtualization. Red Hat Virtualization includes standalone virtualization functionality and management tools for both server and desktop deployments. Red Hat Virtualization combines the Kernel-based Virtual Machine (KVM) hypervisor included in the Linux kernel with the oVirt open source virtualization management system to offer customers a platform for large-scale virtualization initiatives and cloud deployments. Red Hat Virtualization is designed to support virtual machines running Red Hat Enterprise Linux and its wide ecosystem of certified hardware systems and software applications, as well as the Microsoft Windows operating systems and application servers supported under Microsoft Windows Server Virtualization Validation Program (SVVP).

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Application Development-related and other emerging technology offerings

Red Hat Middleware. Red Hat Middleware is a suite of offerings for developing, deploying and managing applications; integrating applications, data and devices; and automating business processes across hybrid cloud environments. Red Hat Middleware offerings can also be deployed on Red Hat OpenShift to provide middleware functionality as a service. Red Hat Middleware integrates, tests and refines enterprise-ready features from JBoss and other community projects into supported, stable, enterprise-class middleware platforms.

Red Hat Middleware offerings consist of a number of deployment platforms and tools, including:

Red Hat JBoss Enterprise Application Platform—provides an environment for building, hosting and deploying applications and services. It includes features such as clustering, caching, messaging, transaction and a full web services stack.

Red Hat JBoss Web Server—provides an enterprise-class web server solution for large-scale websites and lightweight web applications that utilize Apache Tomcat and Apache Web Server.

Red Hat Data Grid—provides a scalable, distributed in-memory data grid that permits cost-effective scaling of big data tiers.

Red Hat Fuse and Red Hat AMQ—provides customers messaging and integration tools for distributed applications.

Red Hat 3scale API Management—provides centralized API management features through a distributed, cloud hosted layer.

Red Hat Data Virtualization—provides a solution for integration of distributed data sources.

Red Hat Decision Manager—provides a platform for business rules management, business resource optimization and complex event processing.

Red Hat Process Automation Manager—provides a platform for developing applications that automate business decisions and process.

Red Hat Developer Studio—provides an integrated development environment for developing, testing and deploying rich web applications, enterprise applications and service-oriented architecture services.

Red Hat JBoss Operations Network—provides built-in management and monitoring capabilities to administer JBoss application environments.

Emerging Technology Offerings. Red Hat's emerging technologies are software offerings that enables customers to build and manage hybrid IT computing environments.

Red Hat OpenShift—a container-based cloud application platform (also called “platform as a service” or “PaaS”) that allows developers to develop, host and scale applications in a cloud environment. It automates the hosting, configuration, deployment and administration of application stacks in an elastic cloud environment utilizing Linux containers.

OpenShift gives application developers self-service access so they can more easily deploy applications on demand.

Customers can use OpenShift Container Platform in a private cloud environment and in certain public cloud environments, OpenShift Online in a public cloud environment for month to month use, or OpenShift Dedicated in a public cloud environment using their own OpenShift instance managed by Red Hat. Customers can also use Red Hat Middleware services for OpenShift to enable enterprise application development, deployment and integration capability with OpenShift.

Red Hat Cloud Infrastructure—an offering that combines and integrates Red Hat Satellite, Red Hat Virtualization, Red Hat CloudForms, Red Hat OpenStack Platform and Red Hat Insights. Red Hat Cloud Infrastructure allows users to build and manage a private or hybrid infrastructure as a service cloud.

Red Hat OpenStack Platform—an infrastructure as a service offering that provides an enterprise-ready cloud foundation built on OpenStack technologies optimized for and integrated with Red Hat Enterprise Linux and Red Hat Virtualization.

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Red Hat Ansible Automation—offerings that are designed to automate application and IT environment lifecycles. Our Red Hat Ansible Automation offerings include Red Hat Ansible Tower, an IT automation platform that is designed to provide simplified provisioning, configuration management and application deployment as well as management of a broad range of IT automation activities across hybrid cloud environments, Red Hat Ansible Engine, a support offering for users of the Ansible technology, and Red Hat Ansible Network Automation, a network automation platform that enables users to operationalize the automation of network infrastructures.

Red Hat CloudForms—a hybrid cloud management solution that allows users to deploy, monitor and manage services across private clouds as well as virtualized and container-based infrastructures.

Red Hat Storage technologies that enable customers to build storage platforms at large-scale using commodity hardware. Red Hat Gluster Storage enables distributed file storage across hybrid cloud environments. Red Hat Ceph Storage offers a block and object storage platform