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Red Hat sales rise; big clients renew

Jonathan B. Cox, Staff Writer Comment on this story

Red Hat is becoming boring.

And that's not altogether bad.

The Raleigh company, which is the world's largest seller of the Linux computer software, said Wednesday evening that revenue during its fiscal first quarter increased by almost a third and that profit rose by 6.6 percent.

Of the 25 largest contracts up for renewal during the three-month period that ended in May, all were renewed. Indeed, one of the customers signed an eight-figure deal for a substantial upgrade.

"We had a great quarter," said Charlie Peters, Red Hat's chief financial officer. "We see good demand for our products."

Time was, a Red Hat earnings report was like a financial roller coaster: lots of ups and downs, twists and turns. But the company appears more solidly on a growth trajectory.

Revenue during the quarter was $156.6 million, above the $153 million mean estimate of analysts surveyed by Thomson Reuters. During the same period last year, it had sales of $118.9 million.

Despite the broader economic downturn, chief executive Jim Whitehurst, who took over in January, said he expects the company to continue logging gains.
"Our customers read the papers like everybody else does, and some customers are nervous," he said on a conference call with analysts and investors. "But, that said, the pipeline still looks strong."

Profit was in line with analyst estimates. Excluding stock compensation costs, Red Hat reported net income of 18 cents per share. Total profit was $17.3 million, compared with $16.2 million during the first quarter of fiscal 2008.

The quarter was "very much as expected," said Steven Ashley, an analyst who tracks Red Hat for Robert W. Baird in Milwaukee.

Red Hat reported earnings after the close of financial markets. During regular trading, its shares rose 81 cents to $22.30. After hours, they settled at about $22.22.

Red Hat expects revenue during the second quarter to be between $162 million and $164 million with profit, excluding stock compensation costs, of 18 cents per share. Analysts were expecting revenue of $163 million and profit of 19 cents per share, according to Thomson Reuters.

Peters said profit will be about a penny less per share because Red Hat is earning less interest on its cash holdings.