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Red Hat, Inc. F1Q10 (Qtr End 05/31/09) Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from the line of Adam Holt – Morgan Stanley

Adam Holt – Morgan Stanley

My first question is can you talk, you talked a little bit about the success with the largest customers that came up for renewal, can you talk a little bit about the customers outside of the top 25 or 30, what renewal rates were like and maybe a little bit for the total billings, what the mix between new billings and renewals was like in the quarter.

Charlie Peters

First on renewal rates, the only renewal rates statistics that we share are those in the largest, but I would add this color that we have had recently been working on various efforts to incrementally improve renewal rates overall. What we know we have shared previously is that where we have direct deals regardless of the size, our renewal rates are quite high.

When we have indirect deals and through possibly multiple layers of distribution, renewal rates historically have not been, so over the last couple of years we've engaged in multiple efforts to gather the data about the end customer, economically and [incense] the partners to help with renewals and various other things to improve that renewal rate.

I'm happy to say we've seen improvement there and those efforts are continuing.

Adam Holt – Morgan Stanley

You also have another initiative to get folks to move from free to pay on a number of different levels, can you update on your progress there as well.

Charlie Peters

This quarter we did not have any deals in the top 30 deals that were free to pay. We did have a number of smaller deals that moved from free to pay and that effort continues as well. I'm also happy to report that although it happened in the month of June so therefore not in, there was a sizable free to pay that we have managed to land this month which I'll expand more about when we come to the Q2 call.

Operator

Your next question comes from the line of Sarah Friar – Goldman Sachs

Sarah Friar – Goldman Sachs

Could you talk a little bit about the differences you saw between large enterprise spending versus the more SMB type spending. Was there any shifting around in the quarter and I guess what I'm asking is SME's I feel have been more heavily hurt by this downturn, so are you starting to see them recover at all.

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