

MANHATTAN ASSOCIATES INC

Form 10-K

February 25, 2008

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-K

(Mark One)

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2007

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: 000-23999

Manhattan Associates, Inc.

(Exact Name of Registrant As Specified in Its Charter)

Georgia

*(State or Other Jurisdiction of
Incorporation or Organization)*

58-2373424

(I.R.S. Employer Identification No.)

2300 Windy Ridge Parkway, Suite 1000

Atlanta, Georgia

(Address of Principal Executive Offices)

30339

(Zip Code)

Registrant's telephone number, including area code: **(770) 955-7070**

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

**Title of Each Class
Common Stock, \$.01 par value per share**

**Name of Each Exchange on Which Registered
The Nasdaq Stock Market LLC**

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 15(d) of the Act. Yes No

Note Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Exchange Act from their obligations under those Sections.

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K 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, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

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

(Do not check if a smaller reporting company)

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 voting and non-voting common equity held by non-affiliates of the Registrant as of June 30, 2007 was \$727,773,764, which was calculated based upon a closing sales price of \$27.91 per share of the Common Stock as reported by the Nasdaq Stock Market on the same day. As of February 21, 2008, the Registrant had outstanding 24,491,423 shares of Common Stock.

DOCUMENTS INCORPORATED BY REFERENCE

The Registrant's definitive Proxy Statement for the Annual Meeting of Shareholders to be held May 30, 2008 is incorporated by reference in Part III of this Form 10-K to the extent stated herein.

MANHATTAN ASSOCIATES, INC.
Annual Report on Form 10-K
For the Fiscal Year Ended December 31, 2007
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Forward-Looking Statements

In addition to historical information, this Annual Report may contain forward-looking statements relating to Manhattan Associates, Inc. Prospective investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and that actual results may differ materially from those contemplated by such forward-looking statements. Among the important factors that could cause actual results to differ materially from those indicated by such forward-looking statements are delays in product development, undetected software errors, competitive pressures, technical difficulties, market acceptance, availability of technical personnel, changes in customer requirements and general economic conditions. Additional factors are set forth in the *Risk Factors* in Part I, Item 1A of this Annual Report. We undertake no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes in future operating results. Our Annual Report on Form 10-K is available through our Website at www.manh.com.

Item 1. Business

Overview

We are a leading developer and provider of supply chain solutions that help organizations optimize the effectiveness, efficiency, and strategic advantages of their supply chains. Our solutions consist of software, services and hardware, which coordinate people, workflows, assets, events and tasks holistically across the functions linked in a supply chain from planning through execution. These solutions also help coordinate the actions, data exchange and communication of participants in supply chain ecosystems, such as manufacturers, suppliers, distributors, trading partners, transportation providers, channels (such as catalogers, store retailers and Web outlets) and consumers.

All of our solutions also include services such as design, configuration, implementation, product assessment and training, as well as customer support and software enhancements. Some key benefits of implementing our solutions include:

- Maintaining optimal inventory levels across multiple channels, including store, web and catalog;

- Optimizing inventory assortments by channel to maximize sales and profitability;

- Improving sales and customer order fill rates while reducing overall network inventory;

- Improving visibility of inventory, order status and delivery status;

- Coordinating workflows and communication with other participants in a supply chain ecosystem, including suppliers, customers and transportation providers;

- Increasing the productivity of labor, facilities and materials-handling equipment;

- Balancing transportation and inventory costs with desired service levels by channel;

- Reducing transportation costs;

- Reducing labor costs;

- Improving asset utilization; and

- Improving compliance with customer requirements, including radio frequency identification (RFID) and electronic product code (EPC) requirements.

We are a Georgia corporation formed in February 1998 to acquire all of the assets and liabilities of Manhattan Associates Software, LLC, our predecessor. References in this filing to the Company, Manhattan, Manhattan Associates, we, our, and us refer to Manhattan Associates, Inc., our predecessors, and our wholly-owned and consolidated subsidiaries. Our principal executive offices are located at 2300 Windy Ridge Parkway, Suite 1000,

Atlanta, Georgia 30339, and our telephone number is 770-955-7070.

In 2005, the Company acquired Evant, Inc., a provider of supply chain planning and replenishment solutions, for approximately \$50 million in cash.

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Industry Background

Globalization and technological advances have radically altered competition, service expectations and business operating imperatives for modern organizations. Pressures such as outsourcing, channel convergence, rising fuel costs, global labor sourcing, and regulatory and security requirements motivate organizations to closely examine not only their supply chain operations, but also how they interact in supply chain ecosystems that interlink suppliers, trading partners, manufacturers, sellers, distributors, transporters, channels and customers. We believe this is because supply chain and ecosystem mastery are necessary to create sustainable competitive advantages in today's commerce environment.

Profitable operations, brand leadership and customer loyalty today depend not only on products, but also on the blends of services including availability, channel choice, pricing options, return policies, ease of buying, ease of delivery and technical or operational support that uniquely surround those products to satisfy targeted customer desires. Supply chain solutions help organizations coalesce data, workflows, events and tasks from across the web of suppliers, trading partners, customers and other participants in an ecosystem to make optimal business decisions.

Ideally, organizations apply supply chain technology, software and services to solve identified operational inefficiencies or create operational advantages in ways that can scale as their businesses grow. They also look to easily integrate supply chain solutions with other technology, such as enterprise resource planning (ERP) systems, customer relationship management (CRM) systems, e-business systems, material handling equipment and other solutions involved in creating efficient, competitive and profitable operations.

Manhattan Associates Solutions and Services

Our solutions are designed to help organizations optimize their supply chain operations holistically, from planning through execution. This holistic approach can be leveraged to create operational and market advantages, among them:

- Ø **Organized Optimization:** Making decisions about inventory or transportation or labor in isolation without considering data, workflows and inputs from the other areas can lead to more costly and suboptimal decisions. Each of these cost areas directly impacts the others, and optimizing one area in isolation often has a negative and unanticipated cost and/or service-level influence on the other areas. We believe true optimization must synchronize decisions across the entire organization based on a common set of business priorities.
- Ø **Mastery Over Channel Proliferation:** Selling channels are proliferating across all market sectors, and affect almost every area of a business. Providing the means to plan and manage these channels independently, yet execute as a united entity, is key to optimizing revenue and mitigating unnecessary costs.
- Ø **Green Supply Chains:** Whether the priority is carbon footprints, greenhouse gas emissions or reuse and recycling, supply chain solutions help companies improve their eco-friendliness.

Our solutions and services include:

Our portfolio of software solutions, which we call Manhattan SCOPE™ (Supply Chain Optimization from Planning through Execution)

Professional Services

Customer Support Services and Software Enhancements

Training

Hardware Sales

We provide an overview of our solutions and services below.

Software Solutions

We call our portfolio of supply chain software solutions Manhattan SCOPE™ (Supply Chain Optimization from Planning through Execution). Built on a common Supply Chain Process Platform, SCOPE combines Planning

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and Forecasting, Inventory Optimization, Order Lifecycle Management, Transportation Lifecycle Management and Distribution Management to enable full-range supply chain optimization.

SCOPE is ideally suited for companies that consider supply chain software, processes and technology strategic to market leadership. Predictive and algorithmic technology embedded in SCOPE help organizations refine decisions dynamically as market or operational conditions change. Advantages derived from coordinated real-time visibility, event management, ecosystem collaboration and intelligence across supply chain operational departments and functions avert having decisions in one supply chain area unexpectedly affect another unfavorably. By organizing supply chain optimization holistically, Manhattan enables customers to fine-tune costs, profitability and service levels as their business objectives and market conditions evolve.

Our solutions operate across the Unix, System i (iSeries, AS/400) and Microsoft .NET computing platforms. Our solutions operate on multiple hardware platforms utilizing various hardware systems and inter-operate with many third-party software applications and legacy systems. This interfacing and open system capability enables customers to continue using their existing computer resources and to choose among a wide variety of existing and emerging computer hardware and peripheral technologies. We provide adapters for most ERP systems to enhance communication and reduce implementation costs between our core products and our clients' host systems. We currently offer interfacing adapters to a variety of ERP systems such as but not limited to Oracle, SAP, Lawson, JDA Software, Essentus and Intenia. We also offer certain of our solutions in both premise software and hosted Software-as-a-Service (SaaS) models so that customers can select the option that best meets their requirements for control, flexibility, cost of ownership, and time-to-deployment.

Manhattan SCOPE Portfolio Overview

SCOPE encompasses the following solutions and technology:

Supply Chain Process Platform

Supply Chain Platform Applications

Supply Chain Solution Suites

X-Suite Solutions

Supply Chain Process Platform

At the foundation of our SCOPE portfolio is the services-based Supply Chain Process Platform which enables our customers to manage their supply chain ecosystems. Our Supply Chain Process Platform utilizes a service-oriented architecture (SOA), common data model, extensive collaborative gateways and an optimization engine to facilitate supply chain transformations that help our customers create and sustain competitive advantages.

In addition, our Supply Chain Process Platform provides the foundation for ensuring that all our solutions reside on a common architecture, leverage common master and transaction data and utilize the same business services to accomplish tasks common to multiple solutions. Its service-oriented architecture provides the flexibility, scalability and supportability required to meet the needs of today's industry leaders. This unified approach to a common architecture allows our customers to speed implementation and upgrade times and fosters a lower total cost of ownership.

Our Supply Chain Process Platform also enables us to identify new ways to combine solutions to uniquely address industry-specific business problems. As customers identify needs to coordinate and synchronize business objectives across departments and organizational boundaries, Manhattan will continue to focus on providing solutions to these cross-application optimization opportunities.

Supply Chain Platform Applications

SCOPE Platform Applications span the entire portfolio to provide key visibility, intelligence and adaptive functionality across the enterprise. These solutions offer the broad supply chain insight and analytics that are critical to an executive's ability to proactively manage the holistic supply chain. They include:

Supply Chain Event Management

Supply Chain Visibility

Supply Chain Intelligence

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Whether deployed with the fully-integrated Manhattan supply chain solutions suite or integrated with other legacy systems, Platform Applications provide a comprehensive range of event and schedule tracking, alerts and notifications, inventory, order and shipment visibility and leading-edge analytics and reporting with graphical depictions of critical supply chain performance metrics.

Supply Chain Solution Suites

At the core of the Manhattan SCOPE portfolio are five Supply Chain Solution Suites:

Planning and Forecasting

Inventory Optimization

Order Lifecycle Management

Transportation Lifecycle Management

Distribution Management

Each of the five suites offers capabilities designed to enable organizations to proactively plan, monitor and execute against their overall business objectives.

Planning and Forecasting provides tools to sense and respond to demand as well as support all levels of enterprise planning, from strategic level planning down to assortment and key item planning. Our Planning and Forecasting solutions provide unique capabilities to manage multi-channel planning and forecasting business processes, and include the following features:

Demand Forecasting

Multi-Channel Planning

Financial Planning

Assortment Planning

Item Planning

Promotional Planning

Store Clustering

Inventory Optimization enables enterprises to improve sales and customer order fill rates while reducing overall network inventory. Inventory Optimization also provides analytical tools to better balance the financial trade-off between improving customer service levels and overall inventory investments. Our Inventory Optimization suite facilitates the following functions:

Vendor Managed Inventory and *Collaboration Gateway* solutions help formulate tighter, lasting relationships with key trading partners, such as replenishing products into customers' locations or sharing key supply chain performance indicators.

Replenishment

Multi-Echelon

Vendor Managed Inventory

Collaboration Gateway

Order Lifecycle Management is designed to optimize order fulfillment across a distributed supply chain. By managing orders across all channels from inception to sourcing physical fulfillment and ultimately through physical returns if applicable Order Lifecycle Management helps to optimize inventory deployment while reducing overall fulfillment costs. This suite enables the following functions:

Distributed Order Management

Store/Customer Gateway

Reverse Logistics Management

Transportation Lifecycle Management optimizes all aspects of transporting product through supply chains by improving multiple product delivery dimensions, such as speed, accuracy and cost, and covers the following areas:

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Transportation Procurement

Transportation Planning & Execution

Logistics Gateway

Fleet Management

Audit Payment and Claims

Appointment Scheduling

Yard Management

Carrier Management

Distribution Management is designed to effectively manage the key assets required to run complex distribution operations, and to move goods and information through a warehouse with precision and velocity. The suite addresses, among other needs, inbound visibility, receiving and shipping, labor management, and slotting optimization, and

Warehouse Management

Labor Management

Slotting Optimization

Billing Management

Supplier Enablement

Hub Management

RFID Solutions

X-suite solutions

The final component of Manhattan SCOPE is X-Suite Solutions. An X-Suite Solution is the integration of two or more solutions or solution components to solve a specific business problem. SCOPE's modular service-oriented architecture facilitates the creation of these cross-suite applications. X-Suite includes:

Flow Management

Extended Enterprise Management

Flow Management improves the agility of the supply chain while reducing the overall amount of inventory required to maintain high levels of customer service. In a flow-through distribution model, goods literally flow directly through the warehouse to outbound shipping areas. Flow Management is designed to synchronize demand, supply and inventory strategies across all aspects of planning, allocation and distribution. It synthesizes these SCOPE elements:

Demand Forecasting

Replenishment

Supply Chain Visibility

Distributed Order Management

Warehouse Management

Businesses achieve the greatest benefit from a flow-through distribution model only by synchronizing demand management, inventory optimization, purchase order allocations, and the execution of the physical distribution within the warehouse. Flow Management enables organizations to evolve from a facilities-based distribution model to a more holistic, network-based perspective. As a result, organizations can:

Free inventory to drive maximum profitability and customer service across channels;

Redirect inbound supply directly to customers, alternate stores or distribution centers based on real-time demand signals, and

Optimize cross-channel inventory by enabling a single supply planning and inventory management process enterprise wide.

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Extended Enterprise Management connects organizations with supply chain ecosystem participants to create insight on key supply chain events and improve how goods are ordered and move through supply chains. It synthesizes these solutions:

Supplier Enablement

Hub Management

Transportation Enablement

Store / Consumer Gateway

Collaborative Gateway

Supply Chain Visibility

Supply Chain Event Management

Extended Enterprise Management facilitates quick and fluid interactions with trading partners, optimizes order management, creates compliant case labels and advanced shipment notifications upstream, assures quality inventory and shipments, and responds efficiently to events to increase on-time delivery rates, improve inventory control and meet demand expectations.

Professional Services.

Our professional services provide our customers with expertise and assistance in planning and implementing our solutions. To ensure a successful product implementation, consultants assist customers with the initial installation of a system, the conversion and transfer of the customer's historical data onto our system, and ongoing training, education and system upgrades. We believe our professional services enable customers to implement our software rapidly, ensure the customer's success with our solution, strengthen our customer relationships, and add to our industry-specific knowledge base for use in future implementations and product innovations.

Although our professional services are optional, substantially all of our customers use at least some portion of these services for the implementation and ongoing support of our software solutions. Professional services are typically rendered under time and materials-based contracts, with services typically billed on an hourly basis. Professional services are sometimes rendered under fixed-fee based contracts, with payments due on specific dates or milestones. We believe that increased sales of our software solutions will drive higher demand for our consulting services.

Our professional services group consists of business consultants, systems analysts and technical personnel devoted to assisting customers in all phases of the implementation of our systems, including planning and design, customer-specific configuring of modules, and on-site implementation or conversion from existing systems. Our consulting personnel undergo extensive training on supply chain operations and on our products. At times, we use third-party consultants, such as those from major systems integrators, to assist our customers in certain implementations.

We have developed a proprietary, standardized implementation methodology called PRISM, which leverages our solutions' architecture with the knowledge and expertise gained from completing more than 2,700 installations worldwide. The modular design of our solutions significantly reduces the complexities associated with integrating to existing systems, including Enterprise Resource Planning (ERP), Supply Chain Management (SCM), Customer Relationship Management (CRM), e-business systems and complex material handling systems.

Customer Support Services and Software Enhancements

We offer a comprehensive program that provides our customers with software upgrades that offer additional or improved functionality and technological advances incorporating emerging supply chain and industry initiatives. Over the last three years, our annual renewal rate of customers subscribing to comprehensive support and enhancements has been greater than 90%. We have the ability to remotely access the customer's system in order to perform diagnostics, on-line assistance and assist in software upgrades. We offer 24x7x365 customer support plus software upgrades for an annual fee that is paid in advance and is determined based on the service level required by the customer. Our upgrades

are provided under this program on a when-and-if available basis.

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Training

We offer training in a structured environment for new and existing users. Training programs are provided on a per-person, per-class basis at fixed fees. We currently have courses available to provide training on solution use, configuration, implementation and system administration. We have also developed several computer-based training programs that can be purchased for a fixed fee for use at client sites.

Hardware Sales

In conjunction with the licensing of our software, and as a convenience for our customers, we resell a variety of hardware products developed and manufactured by third parties. These products include computer hardware, radio frequency terminal networks, RFID chip readers, bar code printers and scanners, and other peripherals. We resell all third-party hardware products pursuant to agreements with manufacturers or through distributor-authorized reseller agreements pursuant to which we are entitled to purchase hardware products at discount prices and to receive technical support in connection with product installations and any subsequent product malfunctions. We generally purchase hardware from our vendors only after receiving an order from a customer. As a result, we do not maintain significant hardware inventory.

Strategy

Our objective is to extend our position as a leading global supply chain solutions provider. Our solutions help global manufacturers, wholesalers, distributors, retailers and logistics providers successfully manage accelerating and fluctuating demands as well as the increasing complexity and volatility of their local and global supply chains. We believe our solutions are advanced, highly functional, highly scalable and allow our customers to improve relationships with suppliers, customers and logistics providers; leverage their investments across the supply chain; effectively manage costs; and meet dynamically changing customer requirements. We believe our solutions are uniquely positioned to holistically optimize supply chains from planning through execution, and that customers can leverage this holistic approach to create operational and market advantages.

Our strategies to accomplish our objective include the following:

Develop and Enhance Software Solutions. We intend to continue to focus our product development resources on the development and enhancement of supply chain software solutions. We offer what we believe to be the broadest solution portfolio in the supply chain solutions marketplace, to address all aspects of Planning and Forecasting, Inventory Optimization, Order Lifecycle Management, Transportation Lifecycle Management and Distribution Management. To deliver additional functionality and value, we plan to continue to provide enhancements to existing solutions and to introduce new solutions to address evolving industry standards and market needs. We identify further enhancements to existing solutions and opportunities for new solutions through our customer support organization, as well as through ongoing customer consulting engagements and implementations; interactions with our user groups; association with leading industry analyst and market research firms; and participation on industry standards and research committees. Our solutions address the needs of customers in various vertical markets including retail, consumer goods, food and grocery, logistics service providers, industrial and wholesale, high technology and electronics, life sciences and government. We intend to continue to enhance the functionality of our solutions to meet the dynamic requirements of these vertical markets as well as new vertical markets as business opportunities dictate.

Expand International Sales. We believe that our solutions offer significant benefits to customers in international markets. We have approximately 1,100 employees outside the United States focused on international sales, servicing our international clients and product development. We have offices in Australia, China, France, India, Japan, the Netherlands, Singapore and the United Kingdom, as well as representatives in Mexico and reseller partnerships in Latin America, Eastern Europe, Middle East, and Asia. Our international strategy includes: leveraging the strength of our relationships with current customers that also have significant overseas operations; and pursuing strategic marketing partnerships with international systems integrators and third-party software application providers.

Expand Our Strategic Alliances and Indirect Sales Channels. We currently sell our products primarily through our direct sales personnel and select resellers. We have worked on joint projects and joint sales initiatives with industry-leading consultants and software systems implementers, including most of the large consulting firms and other systems consulting firms specializing in our targeted industries, to supplement our direct sales force and

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professional services organization. We have been expanding our indirect sales channels through reseller agreements, marketing agreements, agreements with third-party logistics providers and Microsoft business partners. These alliances extend our market coverage and provide us with new business leads and access to trained implementation personnel. We have strategic alliances with complementary software providers, third party integrators/consultants and hardware vendors. Some of our partners are CSC Consulting, HP Technology, IBM, Kurt Salmon Associates, Microsoft, Q4 Logistics, Sedlak, Tompkins, UPS Technology and Vocollect.

Acquire or Invest in Complementary Businesses. We intend to pursue strategic acquisitions of technologies, solutions and businesses that enable us to enhance and expand our supply chain planning and execution solutions and service offerings. More specifically, we intend to pursue acquisitions that will provide us with complementary solutions and technologies; expand our geographic presence and distribution channels; extend our presence into additional vertical markets with similar challenges and requirements of those we currently meet; and/or further solidify our leadership position within the primary components of supply chain planning and execution.

Sales and Marketing

We employ multiple discipline sales teams that consist of professionals with industry experience in sales and technical sales support. To date, we have generated the majority of our revenue from sales of software through our direct sales force. We plan to continue to invest significantly to expand our sales, services and marketing organizations within the United States; Europe, the Middle East and Africa (EMEA); and Asia Pacific (APAC), and to pursue strategic marketing partnerships. We conduct comprehensive global marketing programs that include prospect profiling and targeting, lead generation, public relations, analyst relations, trade show attendance and sponsorships, supply chain conference hosting, joint promotion programs with vendors and consultants and ongoing customer communication programs.

The sales cycle typically begins with the generation of a sales lead through in-house telemarketing efforts, targeted promotions, web inquiries, trade show presence, speaking engagements or other means of referral or the receipt of a request for proposal from a prospective customer. The sales lead or request for proposal is followed by the qualification of the lead or prospect, an assessment of the customer's requirements, a formal response to the request for proposal, presentations and product demonstrations, site visits and/or reference calls to an existing customer using our supply chain solutions and contract negotiation. The sales cycle can vary substantially from customer to customer, but typically requires three to nine months.

In addition to new customer sales, we will continue to leverage our existing customer base to provide for system upgrades, sales of additional licenses of purchased solutions and sales of new or add-on solutions. We also plan to further develop and expand our indirect sales channels, including sales through reseller agreements, marketing agreements and agreements with third-party logistics providers. To extend our market coverage and to provide us with new business leads and access to trained implementation personnel, we further intend to develop and expand our strategic alliances with systems integrators skilled at implementing our solutions. Business referrals and leads continue to be positively influenced by systems integrators, which include most of the large consulting firms and other systems consulting firms specializing in our targeted industries. We believe that our leadership position in providing supply chain solutions perpetuates the willingness of systems integrators to recommend our solutions where appropriate.

We have an established program intended to foster joint sales and marketing efforts with our business partners. In some cases, this includes joint development work to make our products and our partner's products interface seamlessly. Among others, partnerships arising from our Manhattan Associates Partner Program (MAP2) include: Accenture a global management consulting, technology services, and outsourcing company committed to delivering innovation; CSC Consulting a global information technology (IT) services company; Hewlett-Packard a technology solutions provider to consumers, businesses and institutions globally; IBM the world's largest information technology company which develops, manufactures and markets semiconductor and interconnect technologies, products and services; KSA Consulting a premier global management consulting firm offering integrated strategy, process and technology deployment solutions to the consumer products and retail industries; Microsoft the worldwide leader in software, services and solutions that help people and businesses realize their full potential; Q4, a division of Fortna a supply chain design and implementation solutions provider; Sedlak a supply chain consulting company; Tompkins a

leading operations-focused consulting and integration firm, specializing in end-to-end supply chain solutions; and
Vocollect a global leader in voice-directed work.

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To date, our customers have been suppliers, manufacturers, distributors, retailers and logistics providers in a variety of industries. The following table sets forth a representative list of customers that contracted to purchase solutions and services from us in 2007.

3 Suisses	Ergon SCM de Mexico SA de CV	Orchard Brands, Inc. (aka Blair Corp)
Aaron Rents, Inc	Fashion Biz	O Reilly Automotive, Inc.
ABX Logistics	Federated Systems Group, Inc.	Ozburn-Hessey Logistics
Always	Fiskars Brands, Inc.	Panalpina Management AG
American Eagle Outfitters, Inc	Fitness Quest, Inc.	Performance Warehouse
American Honda Motor Co., Inc.	Fruit of the Loom Limited	PETCO Animal Supplies, Inc.
Argos Limited	GENCO Distribution Systems, Inc.	Production Tool Supply Company
ASICS America Corporation	Gloria Jeans	PT Mataharii Putra Prima
Bally Technologies	GoldToeMoretz LLC	Reckitt Benckiser, Inc.
Barnes Distribution	GraysOnline	Restoration Hardware
Bed, Bath & Beyond	H E Butt Grocery (HEB)	Rhenus AG & Co. KG
Belk, Inc.	Hospira, Inc.	Safeway, Inc.
Belkin International, Inc.	IP Budin	School Apparel, Inc.
Birds Eye Foods, Inc.	Jefferson Smurfit Corporation	Seiwa Kaiun Co., Ltd.
Blackhawk Products Group	John Paul Mitchell Systems	Shenzheng Easttop Trade & Logistics
Burlington Coat Factory Warehouse Corporation	Jones Apparel Group, Inc.	SpeedFC, Inc.
Canadian Tire Corporation Limited	Kohl & Frisch, Ltd.	Spiegel Brands, Inc.
Casual Male Retail Group, Inc	Lakeshore Equipment Company	Springs Creative Product Group LLC
Citi Trends, Inc.	Lamps Plus, Inc.	Stride Rite Children's Group Inc.
Conair Corporation	Laura Ashley Limited	Sultan Center Food Products Company
Converse, Inc.	Liberty Hardware Mfg. Corp.	Tesco Stores Limited
Cott Beverages USA	Matahari	Teters Floral Products, Inc.
Crocs, Inc.	McKesson Canada Corporation	Teva Pharmaceuticals USA, Inc.
Custom Building Products, Inc.	Meteor Controls International Ltd.	The Apparel Group
Dalepak Limited	Midwest Express Group	The Beistle Company
DENDRITE Interactive Marketing LLC	Mitsubishi Corporation LT, Inc.	The Tire Rack, Inc.

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DHL Exel Supply Chain	National Freight, Inc.	TNT Fashion Logistics BV
Dick's Sporting Goods, Inc.	Nelson Education Limited	US Foodservice
Domaxel	Nestle Nespresso SA	Volcom
Donaldson Europe BVBA	Nor-Cal Beverage Co., Inc.	VWR International LLC
East Bay	Northern Safety Co.	Warnaco Group, Inc.
Elecon	NWL Holdings, Inc.	Weetabix Ltd.
Electronics for Imaging, Inc.	NYK Logistics	Wincanton plc.
Elektra del Milenio SA de CV	O Bryan Brothers, Inc.	Yazaki North America, Inc.
ElektroKompectService		

Our top five customers in aggregate accounted for 13%, 16% and 14% of total revenue for each of the years ended December 31, 2007, 2006 and 2005, respectively. No single customer accounted for more than 10% of revenue in 2007, 2006 or 2005.

Product Development

Our development efforts are focused on: adding new functionality to existing solutions; integrating our various solution offerings; enhancing the operability of our solutions across distributed and alternative hardware platforms, operating systems and database systems; and developing new solutions. We believe that our future success depends in part upon our ability to continue to enhance existing solutions, to respond to dynamically changing customer requirements, and to develop new or enhanced solutions that incorporate new technological developments and emerging supply chain and industry standards. To that end, our development efforts frequently focus on base system enhancements and the incorporation into our solutions of new user requirements and features identified and created through customer and industry interactions and systems implementations. As a result, we are able to continue to offer our customers a packaged, highly configurable solution with increasing functionality rather than a custom-developed software program. We also have developed interface toolkits for most major ERP systems to enhance communication and improve data flows between our core solutions and our clients' host systems.

In the interest of informing our product strategy and research and development approaches with the most advanced thinking on supply chain opportunities, challenges and technologies, we leverage both internal and external science advisors. Our internal Research Team is comprised of Ph.D.-credentialed math and science experts who work on creating and solving algorithms and other constructs that advance the optimization capabilities and other aspects of our solutions. Our external Science Advisory Board unites the thinking of supply chain experts from leading educational institutions known for their supply chain disciplines, and practitioners from organizations deploying supply chain technology in innovative and market-advancing ways. Together, our Research Team and Science Advisory Board inform both the practical business approaches and the mathematical and scientific inventiveness of our solutions.

We plan to principally conduct our development efforts internally in order to retain development knowledge and promote the continuity of programming standards; however, some projects that can be performed separately and/or require special skills may be outsourced. Periodically, we use third-party research and development companies to localize our products into Chinese, Danish, French, German, Japanese, Korean, Spanish and Swedish. We also established a development center in Bangalore, India during 2002, which now has approximately 550 research and development professionals.

We continue to devote a significant portion of our research and development efforts to the enhancement and integration of all of our solutions. We have developed a release program which provides our customers with updates to our solutions. Our product development efforts will principally be focused on enhancing our existing solutions, developing new solutions and modules, and continuing to localize our solutions for various international markets.

Our research and development expenses for the years ended December 31, 2007, 2006 and 2005 were \$46.6 million, \$41.5 million and \$34.1 million, respectively. We intend to continue to invest significantly in product development.

Competition

Our solutions are fully focused on the supply planning and execution markets, which are rapidly consolidating, intensely competitive and characterized by rapid technological change. The principal competitive factors affecting the market for our solutions include:

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Vendor and product reputation;

Compliance with industry standards;

Solution architecture;

Solution functionality and features;

Integration experience, particularly with ERP providers and material handling equipment providers;

Industry expertise;

Ease and speed of implementation;

Return on investment;

Solution quality and performance;

Total cost of ownership;

Solution price; and

Level of support.

We believe that we compete favorably with respect to each of these factors. Our competitors are diverse and offer a variety of solutions directed at various aspects of the supply chain, as well as the enterprise as a whole. Our existing competitors include:

the corporate information technology departments of current or potential customers capable of internally developing solutions;

Enterprise Resource Planning (ERP) vendors, including Oracle and SAP, among others;

supply chain execution vendors, including RedPrairie Corporation, SSA Global Technologies, Inc., Highjump Software LLC (a 3M company), CDC Software Asia Pacific Ltd. (a CDC Corporation company) and Sterling Commerce, Inc. (an AT&T company), among others;

supply chain planning vendors, including JDA Software Group, Inc., SAS Institute Inc. and i2 Technologies, Inc., among others; and

smaller independent companies that have developed are attempting to develop supply chain execution solutions and/or supply chain planning solutions that competes with our Supply Chain Solutions.

We anticipate facing increased competition in the future from ERP and SCM applications vendors and business application software vendors that may broaden their solution offerings by internally developing or by acquiring or partnering with independent developers of supply chain planning and execution software. For instance, both Oracle and SAP have entered the market for supply chain management applications. To the extent such ERP and SCM vendors develop or acquire systems with functionality comparable or superior to our solutions, their significant installed customer bases, long-standing customer relationships and ability to offer a broad solution could provide them a significant competitive advantage over our solutions. In addition, it is possible that new competitors or alliances among current and new competitors may emerge and rapidly gain significant market share. Increased competition could result in price reductions, fewer customer orders, reduced gross margins and loss of market share. We believe

that the domain expertise required to continually innovate targeted supply chain technology, effectively and efficiently implement solutions, identify and attract sales opportunities, and compete successfully in the sales cycle provides us with a competitive advantage and is a significant barrier to market entry. However, some of our competitors have significant resources at their disposal, and the degree to which we will compete with these new products in the marketplace is still undetermined.

Many of our competitors and potential competitors have longer operating histories, significantly greater financial, technical, marketing and other resources, greater name recognition, a broader offering of products and a larger installed base of customers than we do. In order to be successful in the future, we must continue to respond promptly and effectively to technological change and competitors' innovations. We cannot assure you that our current or potential competitors will not develop solutions comparable or superior in terms of price and performance features to those developed by us. In addition, we cannot assure you that we will not be required to make substantial additional investments in connection with our research, development, marketing, sales and customer service efforts in order to meet any competitive threat, or that we will be able to compete successfully in the future. Increased competition may result in reductions in market share, pressure for price reductions and related reductions in gross margins, any of which could materially and adversely affect our ability to achieve our financial and business goals. We cannot give guarantee that in the future we will be able to successfully compete against current and future competitors.

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International Operations: Segments

Manhattan Associates has three reporting segments, based on geographic locations of its operations: the Americas, EMEA and APAC. For further information on our segments, see Note 8 to our consolidated financial statements. Our international revenue was approximately \$68.7 million, \$59.0 million and \$54.7 million for the years ended December 31, 2007, 2006 and 2005, respectively, which represents approximately 20%, 20% and 22% of our total revenue for the years ended December 31, 2007, 2006 and 2005, respectively. International revenue includes all revenue derived from sales to customers outside the United States. We now have over 1,000 employees outside the United States. We have offices in Australia, China, France, Germany, India, Japan, the Netherlands, Singapore and the United Kingdom, as well as representatives in Mexico and reseller partnerships in Latin America.

Proprietary Rights

We rely on a combination of copyright, trade secret, trademark, service mark and trade dress laws, confidentiality procedures and contractual provisions to protect our proprietary rights in our products and technology. We have registered trademarks for Manhattan Associates and the Manhattan Associates logo, as well as for a number of products and product features. We also have trademark applications submitted for Manhattan SCOPE, SCOPE, Transportation Lifecycle Management, Order Lifecycle Management, Distributed Order Management, Extended Enterprise Management and Flow Management. We generally enter into confidentiality and assignment-of-rights agreements with our employees, consultants, clients and potential clients and limit access to, and distribution of, our proprietary information. We license our solutions to our customers and restrict the customer's use for internal purposes without the right to sublicense the solutions. However, we believe that this provides us only limited protection. Despite our efforts to safeguard and maintain our proprietary rights both in the United States and abroad, we cannot assure you that we will successfully deter misappropriation or independent third-party development of our technology or prevent an unauthorized third party from copying or obtaining and using our products or technology. In addition, policing unauthorized use of our solutions is difficult, and while we are unable to determine the extent to which piracy of our software solutions exist, as is the case with any software company, piracy could become a problem.

As the number of supply chain management solutions in the industry increases and the functionality of these solutions further overlaps, companies that develop software may increasingly become subject to claims of infringement or misappropriation of intellectual property rights. Third parties may assert infringement or misappropriation claims against us in the future for current or future products. Any claims or litigation, with or without merit, could be time-consuming, result in costly litigation, divert management's attention and cause product shipment delays or require us to enter into royalty or licensing arrangements. Any royalty or licensing arrangements, if required, may not be available on terms acceptable to us, if at all, which could have a material adverse effect on our business, financial condition and results of operations. Adverse determinations in such claims or litigation could also have a material adverse effect on our business, financial condition and results of operations.

We may be subject to additional risks as we enter into transactions in countries where intellectual property laws are not well developed or are poorly enforced. Legal protections of our rights may be ineffective in such countries. Litigation to defend and enforce our intellectual property rights could result in substantial costs and diversion of resources and could have a material adverse effect on our business, financial condition and results of operations, regardless of the final outcome of such litigation. Despite our efforts to safeguard and maintain our proprietary rights both in the United States and abroad, we cannot assure that we will be successful in doing so, or that the steps taken by us in this regard will be adequate to deter misappropriation or independent third party development of our technology or to prevent an unauthorized third party from copying or otherwise obtaining and using our products or technology. Any of these events could have a material adverse effect on our business, financial condition and results of operations.

Employees

As of December 31, 2007, we employed 2,241 full time employees, including 201 in sales and marketing, 1,096 in services, 772 in R&D and 172 in general and administration. By geography, we have 1,149 employees based in the Americas, 850 employees in India, 148 employees in EMEA, and 94 employees in APAC.

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Available Information

We file annual, quarterly and current reports and other information with the Securities and Exchange Commission (the SEC or the Commission). These materials can be inspected and copied at the SEC's Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of these materials may also be obtained by mail at prescribed rates from the SEC's Public Reference Room at the above address. Information about the Public Reference Room can be obtained by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The address of the SEC's Internet site is www.sec.gov.

On our website, www.manh.com, we provide free of charge our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K as soon as reasonably practicable after they have been electronically filed or furnished to the SEC. Information contained on our website is not part of this Form 10-K or our other filings with the SEC.

Additionally, our code of business conduct and ethics and the charters of the Audit, Compensation and Nomination and Governance Committees of the Board of Directors are available on our website.

Item 1A. Risk Factors

You should consider the following factors in evaluating our business or an investment in our common stock. If any of the following or other risks actually occurs, our business, financial condition and results of operations could be materially adversely affected. In such case, the trading price of our common stock could decline.

Our operating results are difficult to predict and could cause our stock price to fall. Our quarterly revenue and operating results are difficult to predict and may fluctuate significantly from quarter to quarter. If our quarterly revenue or operating results fall below the expectations of investors or public market analysts, the price of our common stock could fall substantially. Our quarterly revenue is difficult to forecast for several reasons, including the following:

- the varying sales cycle for our products and services from customer to customer, including multiple levels of authorization required by some customers;
- the varying demand for our products;
- customers' budgeting and purchasing cycles;
- delays in our implementations at customer sites;
- timing of hiring new services employees and the rate at which these employees become productive;
- timing of introduction of new products;
- development and performance of our distribution channels; and
- timing of any acquisitions and related costs.

As a result of these and other factors, our license revenue is difficult to predict. Because our revenue from services is largely correlated to our license revenue, a decline in license revenue could also cause a decline in our services revenue in the same quarter or in subsequent quarters. In addition, an increase or decrease in hardware sales, which provide us with lower gross margins than sales of software licenses or services, may cause variations in our quarterly operating results.

Most of our expenses, including employee compensation and rent, are relatively fixed. In addition, our expense levels are based, in part, on our expectations regarding future revenue increases. As a result, any shortfall in revenue in relation to our expectations could cause significant changes in our operating results from quarter to quarter and could result in quarterly losses. As a result of these factors, we believe that period-to-period comparisons of our revenue levels and operating results are not necessarily meaningful. Although we have grown significantly during the

past seven years, our prior growth rates may not be a good indicator of future operating results. You should not rely on our historical quarterly revenue and operating results to predict our future performance.

Delays in implementations of our products could adversely impact us. Due to the size of most of our software implementations, our implementation cycle can be lengthy and may result in delays. These delays could cause customer dissatisfaction, which could harm our reputation. Additional delays could result if we fail to attract,

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train and retain services personnel, or if our alliance companies fail to commit sufficient resources towards implementing our software. These delays and resulting customer dissatisfaction could harm our reputation and cause our revenue to decline.

We may not be able to continue to successfully compete with other companies. We compete in markets that are intensely competitive and are expected to become more competitive as current competitors expand their product offerings. Our current competitors come from many segments of the software industry and offer a variety of solutions directed at various aspects of the extende