

# Delivering a Fulfilling Experience

2015 ANNUAL REPORT



**Our strategy is rooted in the belief that bringing supply chains and customers closer together delivers strategic value across the enterprise. The rising expectations of customers around service, convenience and price are driving the urgency and scale of technology investments in the markets we serve. The world's best manufacturers, wholesale distributors and retailers are determined to deliver a fulfilling experience for their customers.**

**Our mission is to help these brands succeed.**

 **Manhattan**  
Associates.



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**EXECUTIVE TEAM****Eddie Capel**

President and Chief Executive Officer\*

**Bob Howell**

Senior Vice President, Americas\*

**Dennis Story**

Executive Vice President,  
Chief Financial Officer and Treasurer\*

**Linda Pinne**

Senior Vice President,  
Global Corporate Controller  
and Chief Accounting Officer\*

**Jeff Cashman**

Senior Vice President,  
Business Development

**Bruce Richards**

Senior Vice President,  
Chief Legal Officer and Secretary\*

**Terry Geraghty**

Senior Vice President,  
Chief Human Resources Officer

*\*Executive Officers*

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**BOARD OF DIRECTORS****John J. Huntz, Jr.**

*Chairman of the Board of Directors*  
Managing Director,  
Huntz & Co., LLC

**Deepak Raghavan, Ph.D.**

*Director*  
Co-founder, Manhattan Associates, Inc.  
Adjunct Professor, Physics and  
Astronomy, Georgia State University

**Brian J. Cassidy**

*Director*  
Formerly Co-founder and  
Vice Chairman, Webforia, Inc.

**Edmond I. Eger III**

*Director*  
President and Chief Executive Officer,  
OANDA Corporation

**Dan J. Lautenbach**

*Director*  
Formerly Chairman,  
Witness Systems, Inc.

**Eddie Capel**

*Director*  
President and Chief Executive Officer,  
Manhattan Associates, Inc.

**Thomas E. Noonan**

*Director*  
Partner, TechOperators LLC  
Executive Chairman, Ionic Security Inc.

# Letter to Shareholders

**EDDIE CAPEL**

President and Chief Executive Officer



**FELLOW SHAREHOLDERS,**

**2015 was the most successful year in our company's history—delivering value to our Shareholders, our Customers and our Employees.**

In our twenty-fifth year of business, we delivered the fourth consecutive year of record revenue, operating profit, earnings per share and operating cash flow. Our results over the past four years are validating our vision that in order for commerce to thrive, supply chains must continue to pivot closer to customers. When we reflect on the past three or four years, fundamentally, we think there are three core factors driving our success:

**First, we are serial investors in innovation and are continually pushing our research and innovation to the front of the market.** We are compounding the benefit of our deep domain expertise and insight into market complexity, which gives us a unique understanding of our customers' needs and a distinctive competitive advantage.

**Second, while we face many challenges on a day-to-day basis, our competitive position continues to improve.** Unlike many others in the race, we provide market-ready solutions poised for the future and validated by many of the world's leading brands.

**Finally, we have a receptive market for our solutions.** At a time of market disruption, discovery and transformation, our customers see our people and products as uniquely suited to solving the business challenges they face today and in the future.

As we are all observing both personally and professionally, the commerce revolution is in full swing with no signs of slowing. With ubiquitous access to products online and virtually infinite choices, consumers continue to redefine the shopping paradigm and the convergence of in-store and online shopping experiences. While traditional brick-and-mortar retailers continue to experience significant competitive threats from online pure-plays, consumers are validating that online is not enough, as evidenced by online merchants opening physical stores. Consequently, retailers around the world are searching for ways to not only drive a sustainable competitive advantage, but also offer a distinctive customer selling and engagement service that protects their brand and yields long-term benefits.

Beyond retail, the relevance of supply chain management technology continues to grow. Macroeconomic trends have introduced greater price pressure on finished goods manufacturers and wholesale distributors; their customers have certainly taken note of digital advancements in retail and started to demand greater convenience and improved service from suppliers and partners. These forces have created a renewed interest in replacing legacy SCM technologies. When manufacturers and wholesalers look to purchase new solutions, they give more credence to vendors at the nexus of supply chain and commerce.

Now, when we think about our company and the maturity lifecycles of our solutions, we frame it as being constructed in three virtual segments:

- 1 Our core supply chain management business—made up of advanced warehouse management, transportation management and inventory optimization**
- 2 Our “emerging core” business in omni-channel commerce technology—powered by our market-leading distributed order management solution and distributed fulfillment solutions**
- 3 Our new market opportunity in the retail store—spearheaded by our investments in the next generation point of sale and clienteling space**

We are seeing sustained and growing momentum in each of these areas of the business and we believe any one of these segments would make for a very attractive business. It is the combination of all three that makes us truly unique in the enterprise technology market.

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## 1 CONTINUED STRENGTH IN OUR CORE

Our traditional core supply chain business in warehouse management, transportation management and inventory optimization solutions continues to be strong and an attractive market. For twenty-five years, we have continued to grow our market share and customer franchise, leading with distinctive innovation across those business segments. Our new capabilities in mobility and consumer-grade user experiences in the warehouse are generating strong interest, allowing us to extend our competitive advantage.

## Market data clearly demonstrates digital commerce is growing substantially faster than traditional brick-and-mortar retail.

While such growth is a clear positive for our customers, it is also challenging their ability to keep up with commensurate fulfillment volumes. Accordingly, we have introduced a number of large enhancements within WMS that allow higher individual unit throughput and greater efficiency, especially during peak periods like flash sales or Cyber Monday.

2015 was also a solid year for our transportation management suite with strong demand for our solutions. Despite historically low fuel prices, industry conditions such as driver shortages and hours of service regulations are driving increased management focus on efficiency and optimization. Manhattan's ability to deliver the same top-tier TMS in either an on-premise or cloud deployment format is certainly a market differentiator. In 2015, approximately 75% of our new transportation customers opted for cloud-based TMS, while larger, more complex shippers continued to invest in our on-premise solution.

The customers we serve continue to consolidate the number of strategic enterprise application vendors they partner with to lower total cost of ownership and simplify their technology footprint. We are the only provider in our markets able to deliver a Tier 1 product across both WMS and TMS that meets the execution demands of digital commerce—optimizing fulfillment, revenue and profitability—which is working to our advantage.

We also continue to innovate with our suite of demand forecasting and inventory optimization solutions. We delivered to the market the next generation solution for forecasting and replenishment in the highly promotional brick-and-mortar retail environment. Across the retail and wholesale markets we serve, our innovative solutions for recognizing complex cross-channel demand patterns, while charting a course for profitable, service-driven inventory deployment, is unparalleled in accuracy and results.

We have a twenty-five-year history in optimizing customer supply chains and driving operational efficiency for many of the world's largest brands and market leaders.

According to the most recent ARC Market Share report, Manhattan expanded its market share to 20.6%, taking share from virtually every other competitor. And, for the eighth year in a row, Gartner Research has placed Manhattan as the overall Leader in its WMS Magic Quadrant.

With meaningful replacement cycles occurring and a large legacy solutions market, we believe our prospects for growth and increasing market share are quite positive in 2016 and beyond.

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## **2 THE OMNI-CHANNEL IMPERATIVE**

Our retail customers' ability to compete—to take market share and build fierce loyalty—depends on the ability to deliver a consistent, world-class experience for their consumers. With global retail growing at about 3%, the convergence of digital commerce and retail store operations continues to fuel fundamental changes in the relationships and interactions between the consumer and brands. E-commerce sales grew 23% in 2015, representing 10% of all retail sales, while web-influenced sales totaled 40% of in-store sales. In the US market, nearly \$1 trillion of US retail spend was influenced by mobile phones and, according to Forrester, "US shoppers spent \$334 billion online in 2015 and another \$1.2 trillion in physical stores influenced by digital channels, with this number expected to grow to \$1.6 trillion by 2020." We are certainly seeing these dynamics across the globe, creating meaningful disruption and growth opportunities. Whether it is online, in the store or with a customer service agent, consumers expect retailers to not only understand them, but also anticipate for them, simplifying their ability to transact. The innovation investments we have made, particularly in our call center and retail store fulfillment solutions, strike directly at the center of this need.

While the service experience for the consumer must be consistent across every channel, the tools used to deliver the experience simply cannot be the same. Meaning, the solution that an associate uses to pick and ship a product from the store differs from that used for the same process in an e-commerce distribution center. Likewise, the solution a customer service representative uses while on the phone with a consumer is different than that used in person, on the sales floor. The common component every solution shares is the information—customer information, inventory information, order information, product information—everything together and accessible.

**Leading retailers continue to choose, implement and roll out our omni-channel solutions across the globe to achieve a single view of the customer and of sellable inventory.**

A number of our omni-channel customers have reported significant sales lifts in their direct channel, attributable to making all of their inventory—notably their store inventory—available for sale on the web.



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## 3 THE RETAIL STORE'S EMERGING OPPORTUNITY

As retailers continue to hone their prowess in meeting the demands of today's digital consumers, the brick-and-mortar store still offers the single greatest opportunity for increasing customer loyalty and share of wallet. We were quite active in 2015 investing and growing our business in this area, delivering new innovation to address this emerging opportunity, including the development and market launch of a fully integrated next generation omni-channel Point of Sale (POS) and Clienteling solution, driving market awareness of our retail store and POS capabilities, and working hard to create first-mover advantage.

# Our investment in bringing next-generation Point of Sale and Clienteling solutions to market is squarely focused on addressing the market's need for a next-gen solution and thereby significantly increasing our addressable market.

Industry analysts, such as IHL Group, expect retailer investment in point of sale systems replacement to exceed investment in nearly every other category of retail systems over the next two to five years; in addition, 63% of retailers surveyed by IHL<sup>1</sup> intend to implement a point of sale solution that is closely integrated with an order management system.

### THE RESOURCES NECESSARY TO SUCCEED

As retailers consider the technologies necessary to move the store into its next phase, they will seek out partners who have the right capabilities and expertise woven into their DNA. These "natural resources" will be the ingredients necessary to make the store relevant in the face of digital disruption:

- Product and inventory information across the end-to-end network
- Order and execution data throughout the fulfillment and payment lifecycle
- Customer data from every channel in the enterprise

We believe we are the only solution provider that possesses all of these natural resources in abundance.

<sup>1</sup> IHL Group, "Brave New World of Unified Commerce," January 2016

We believe our strategies, innovations and solutions represent a notable competitive differentiating capability for both Manhattan Associates and for our customers, while expanding our addressable market. We continue to invest significantly in innovation to be the leading commerce enablement technology company. As Manhattan Associates enters 2016, we are continuing our investment in innovation and market awareness to position us for the next wave in retail multi-channel selling entering 2017.

## As always, we measure the success of our company based on the value delivered for our shareholders, our customers and our associates.

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### FOR OUR SHAREHOLDERS

- We achieved record total revenue of \$556 million in 2015, up 13% from last year. Both our license revenue and services business had strong growth in 2015, up 10% and 14% respectively.
  - Our revenue growth and expense management allowed us to deliver record full-year adjusted operating income of \$176 million, a 29% increase from last year, and adjusted operating margins of 31.7%.
  - For the year, we delivered a record adjusted EPS of \$1.52, an increase of 31% from 2014.
  - Cash flow from operations was a record \$120 million, up 28% from 2014.
  - Our cash and investments totaled \$129 million on December 31, 2015, with \$0 in debt. While self-funding our investments in innovation and people, we continued to leverage our strong cash generation, with our share repurchase program returning \$102 million to you in 2015.
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### FOR OUR CUSTOMERS

- We continued to focus on innovation by investing an additional \$54 million in R&D this year.
  - We had ~300 customer “go-lives” across six continents and covering a wide range of industries—from footwear to food and auto parts to third-party logistics.
  - Our customers activated 4,800 of their stores to serve as fulfillment nodes using our enterprise order management and store inventory fulfillment capabilities.
  - We hosted our customers at Momentum®, our annual user conference, where nearly 1,100 supply chain professionals came together to share experiences and participate in our growth.
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### FOR OUR EMPLOYEES

- We continue to attract the best and the brightest to our organization. Our customers frequently tell us that one key differentiator for Manhattan Associates is the quality, caliber and creativity of our people.
- Globally, we grew the organization by about 6% to 2,930—all focused on delivering exceptional customer service.

## **BUSINESS OUTLOOK**

In summary, Manhattan Associates is well positioned for 2016 and beyond. We are focused on delivering another year of strong financial performance and extending our leadership in Supply Chain Commerce. Our markets continue to grow and our competitive position strengthens. Consistent with our approach last year, we have planned for a global economy in 2016 similar to 2015. In our core distribution management market, customers will continue to shed legacy technology in exchange for modern systems.

In the emerging market of omni-channel, as the pragmatists follow the visionaries' lead, new competitors will surely enter the market. And, while I expect we will face our share of challenges, I'm confident that our company holds the strongest possible position given the breadth and quality of our solutions.

Beyond omni-channel, we anticipate the retail store's emerging opportunity lies with every capability focused on the seamless combination of digital and in-person experiences. It is a market that draws in existing enterprise systems, such as distribution management, inventory and order management, along with customer systems, to deliver a complete customer platform.

We continue to capitalize on emerging trends and our market leadership position. There's little doubt that the omni-channel commerce revolution will continue to jolt markets forward. Manhattan's success is grounded, like any great company, in its heritage, its people and its innovation. Our entire organization is positioned and prepared to commit its very best to capture the opportunities ahead.

Thank you for your continued confidence in Manhattan Associates and your ongoing support.

Sincerely,

A handwritten signature in black ink that reads "E. Capel." The signature is written in a cursive, slightly slanted style.

**EDDIE CAPEL**

President and Chief Executive Officer



## Only Manhattan

Only Manhattan links together the selling and fulfillment capabilities necessary to satisfy today's digitally-empowered shopper.

Only Manhattan offers a single supply chain commerce platform that spans the enterprise from distribution to transportation to inventory to online to in-store.

Only Manhattan provides market-ready solutions to address the complex operational challenges of the world's largest and most innovative brands.

Only Manhattan offers sustained financial performance and a focused vision in the supply chain execution and omni-channel commerce technology markets.

# Continued Strength in Our Core

As the world's leading provider of warehouse management systems (WMS)—where we support some of the most complex and advanced distribution processes in the industry—we are driven by the need to innovate relentlessly to ensure our standing in the market remains strong.

This innovation extends through the warehouse to the broader supply chain planning and execution space, where inventory and transportation processes require advanced science and mathematics to wring out nuanced inefficiencies that can significantly affect the bottom line.

Highlights of these innovations include:

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## 1

### Scaling Up Distribution For Peak Season

When retailers and distributors plan for large spikes in demand—either due to seasonality or promotional volumes—they need to increase staffing and capacity at their distribution centers without significantly increasing capital investment.

That is why we have introduced capabilities in our WMS to accommodate temporary shipping procedures and consumer app-like user interfaces that make training simpler.

**“Since its implementation of Warehouse Management, General Motors has improved the reliability of parts deliveries to the manufacturing line, accelerated the pace of replenishment and enhanced overall inventory accuracy—all essential elements in its overall strategy for vehicle quality management.”**

#### PRESS RELEASE

“General Motors Names Manhattan Associates  
a 2015 Supplier of the Year,” March 2016

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## 2

### Modeling Transportation Network Changes

As retail, wholesale and manufacturing companies continue to expand and merge—while freight capacity continues to diminish—it becomes necessary to regularly re-evaluate the transportation network for available economies of scale.

To serve this need, we have developed the industry's most advanced transportation modeling solution, which allows for rapid "what if" prototyping, analysis, and execution.

**"Our deployment of the Manhattan warehouse and transportation management platform is an essential step in the execution of the company's long-term business and technology strategy and will create exceptional efficiencies as we unify our supply chain operations."**

**DARRELL RIEKENA**

Chief Information Officer,  
National DCP



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## 3

### Anticipating Complex Demand

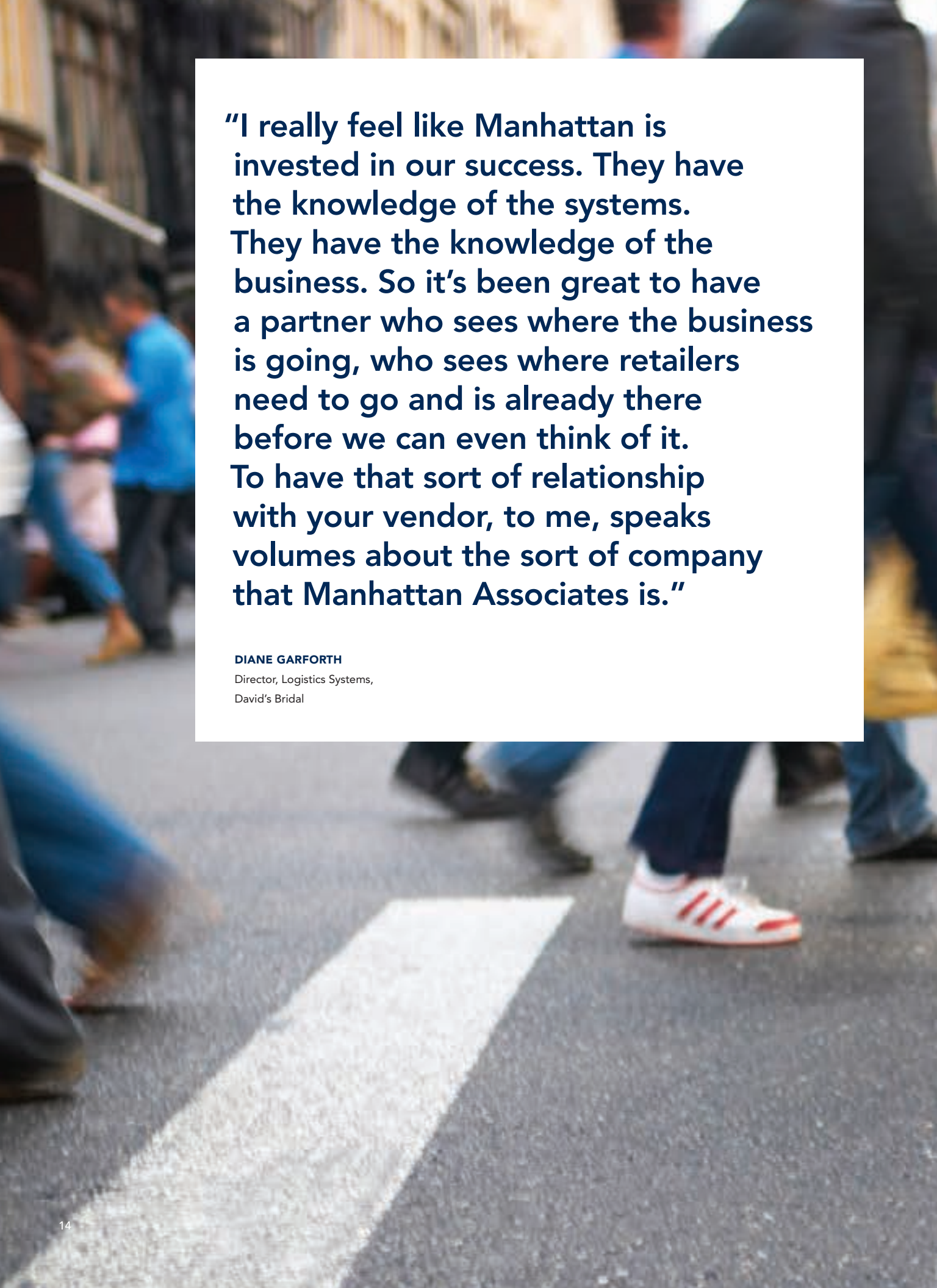
Lowering inventory investment is a top priority for most companies—and a particularly difficult one for the large, complex supply chains we most often serve. And yet, most inventory managers use rudimentary, aging systems to forecast demand and drive inventory purchases.

Our demand forecasting and inventory optimization solutions use the industry's most effective algorithms to more accurately predict demand and ensure inventory can be reduced without impacting customer service.

**"We've seen an 8% to 10% inventory reduction in our distribution center with Inventory Optimization. It's worked very, very well for us. Our CFO is very pleased with the improvement in turns. And we have aggressive targets for further reductions."**

**JEFF SUTTLE**

SVP Inventory Management and Merchandise Services,  
Pet Supplies Plus



**“I really feel like Manhattan is invested in our success. They have the knowledge of the systems. They have the knowledge of the business. So it’s been great to have a partner who sees where the business is going, who sees where retailers need to go and is already there before we can even think of it. To have that sort of relationship with your vendor, to me, speaks volumes about the sort of company that Manhattan Associates is.”**

**DIANE GARFORTH**

Director, Logistics Systems,  
David's Bridal





# The Omni-Channel Imperative

The market for omni-channel related technology has grown significantly in the past five years—expanding to encompass industry segments from restaurants to banking, and business divisions from marketing to logistics. Underlying that expansion, however, is the fundamental need to coordinate and make consistent the different ways in which a brand interacts with customers.

Enterprise-grade order management systems were purpose-built to fill this role. Whether having to do with customer data, inventory, orders, transactions, pricing, promotions, tax calculations, fulfillment activities, returns/exchanges, appeasements, payments and service inquiries—order management sits at the nexus of business processes for every commerce channel. And as channels proliferate—selling via Twitter and Instagram, fulfillment via Uber and lockers as recent examples—order management gains even greater value in standardizing business rules when new systems and integrations are added to the commerce technology stack.

The value of order management as a bedrock for omni-channel operations is being proven out in the market. Forrester Research says, “Firms are increasingly relying on their OMSes [order management systems] to fill the role of the enterprise-wide system of record for order data.” As a role previously occupied by financial and ERP systems—this is a large addressable market indeed.

**“Everything we do at Kramp is designed to make the process of ordering parts as easy as possible for our dealer network. Manhattan Associates’ omni-channel solutions will underpin our business strategy, allowing us to optimize our supply chain in order to better service customers across channels.”**

**EDDIE PERDOK**

Chief Executive Officer,  
Kramp Groep

**“Our goal is to get the right product to the right customer at the right price and the right time. We selected Manhattan to be that core foundational building block for our omni-channel strategy.”**

**KEARY McNEW**

Chief Information & Logistics Officer,  
Lilly Pulitzer



# Retail's Next Innovation: Store 2.0

The technologies that have carried the store into the twenty-first century were built on an assumption that shoppers were anonymous and their recurring transactions were unrelated; that the inventory in a store needed to remain in that store until sold, marked down, consigned or written off.

The technologies that will carry the store into the future need to abandon those assumptions, and need to be built on the following capabilities:

**Visibility of a customer's transactions and buying preferences** across every channel, to help personalize the in-store experience

**Insight into sellable products anywhere in a retailer's network**—not just within the walls of a single store—to maximize the opportunity to convert every in-store shopper

**Blurring of the lines between digital and in-store purchases**, such that a single transaction can include both in-store and online items—and that an in-store shopper need not differentiate between an item physically in a store and one sitting in a warehouse or another store

**Flexibility to complete a purchase anywhere** on the store floor, to minimize abandoned baskets

**Ability to make a store's current inventory available to sell online**, in real-time, to increase the possibility of selling every last unit before it needs to be marked down

**Capacity to fulfill online orders using under-utilized labor hours** and inventory in the store, without impacting the in-store customer experience

Bringing these capabilities to bear requires close integration with a proven omni-channel order management system and a deep understanding of both the store environment and the complexities of network inventory and fulfillment. Manhattan Associates stands alone as the only vendor in the market with this combination of products and expertise.

**“Manhattan is the only company that can deliver the inventory and order management capabilities that we require, directly integrated with the point of sale.”**

**DAVID ROMANO**

Chief Executive Officer,  
Diltex S.A. de C.V.

For retailers and brand manufacturers alike, the digitally-empowered customer has pulled the supply chain into an arena it's only been a spectator to in the past: the brick-and-mortar store.

And herein lies an unprecedented opportunity.



# Delivering on a Global Scale

## Global Deployments

~300

## Employees Worldwide

~2,930

## Supply Chain Focused R&D Investment

\$54 million in 2015

~\$450 for the last 10 years

## Core Markets

Retail  
Food/Grocery  
Consumer Goods  
Logistics Service Providers  
Life Sciences  
Industrial/Wholesale  
High Tech/Electronics  
Transportation Providers  
Government

## Global Offices

Atlanta, US  
Edison, US  
Reading, UK  
Paris, FR  
Amsterdam, NL  
Tokyo, JP  
Shanghai, CN  
Singapore  
Bangalore, IN  
Sydney, AU  
Melbourne, AU

## Partner Locations

### **Latin America**

Brazil  
Chile  
Colombia  
Mexico  
Panama

### **EMEA**

Iceland  
Poland  
Romania  
Russia  
South Africa  
Spain  
Sweden  
United Arab Emirates

### **APAC**

Indonesia  
Malaysia  
South Korea  
Thailand



# Operating Highlights

- In 2015, record total revenue of \$556.4 million grew 13% over 2014.
- In 2015, we delivered record adjusted operating income of \$176.4 million<sup>(1)</sup>.
- In 2015, we achieved record GAAP and adjusted diluted earnings per share of \$1.40 and \$1.52, respectively<sup>(1)</sup>.
- We generated record operating cash flow of \$120.2 million for the year ended December 31, 2015. Over the past three years, we generated approximately \$303.8 million in cash flow from operations.
- Our balance sheet is strong, with \$128.8 million in cash, cash equivalents and investments and no debt, providing the capacity to invest.
- Of our approximately 2,930 employees, over 90% are focused on extending customer value.



## **DENNIS STORY**

Executive Vice President,  
Chief Financial Officer and Treasurer



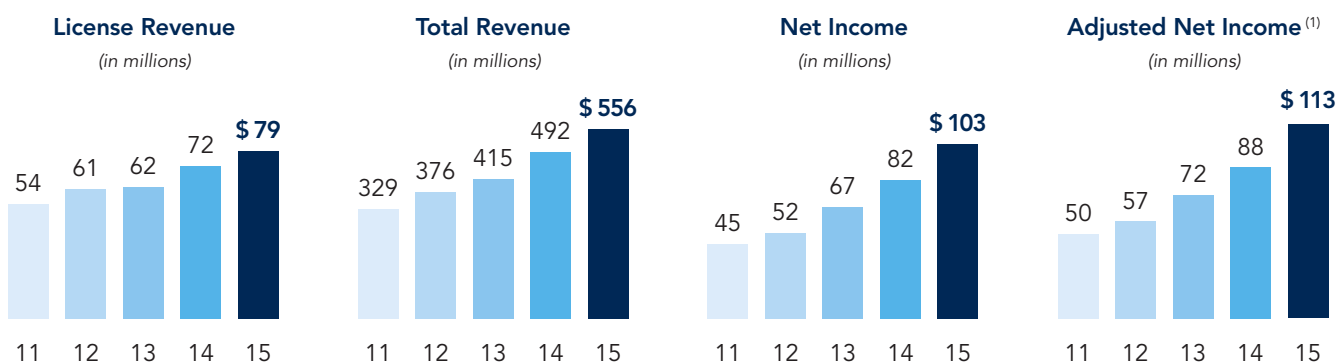
# Financial Highlights

Year Ended December 31,  
(in thousands except per share data)

|  | 2011      | 2012      | 2013      | 2014      | 2015              |
|--|-----------|-----------|-----------|-----------|-------------------|
| <b>Statement of Income Data (Annual):</b>              |           |           |           |           |                   |
| License Revenue  | \$ 54,241 | \$ 61,494 | \$ 62,416 | \$ 71,583 | <b>\$ 78,615</b>  |
| Total Revenue  | 329,253   | 376,248   | 414,518   | 492,104   | <b>\$ 556,371</b> |
| Net Income   | 44,907    | 51,853    | 67,296    | 82,000    | <b>\$ 103,475</b> |
| Adjusted Net Income <sup>(1)</sup>                     | 49,770    | 57,167    | 72,023    | 88,201    | <b>\$ 112,890</b> |
| GAAP Diluted Earnings Per Share <sup>(2)</sup>         | 0.52      | 0.64      | 0.86      | 1.08      | <b>\$ 1.40</b>    |
| Adjusted Diluted Earnings Per Share <sup>(1) (2)</sup> | 0.58      | 0.71      | 0.92      | 1.16      | <b>\$ 1.52</b>    |

## Balance Sheet Data (at December 31):

|  |           |            |            |            |                   |
|--|-----------|------------|------------|------------|-------------------|
| Cash, Cash Equivalents and Investments | \$ 99,114 | \$ 103,047 | \$ 132,956 | \$ 124,438 | <b>\$ 128,760</b> |
| Total Assets                           | 259,600   | 261,813    | 297,828    | 318,170    | <b>\$ 337,912</b> |
| Debt                                   | –         | –          | –          | –          | –                 |
| Shareholders' Equity                   | 162,080   | 161,509    | 181,586    | 182,023    | <b>\$ 195,492</b> |



(1) The non-GAAP financial measures adjusted operating income, adjusted net income and adjusted diluted earnings per share, excluding amortization of acquisition-related intangibles, equity-based compensation, unusual items such as restructuring charges, recovery of previously impaired investment and sales tax recoveries, net of tax effects and unusual tax adjustments. A reconciliation of GAAP to adjusted results can be found in the Investor Relations section of our website at [www.manh.com](http://www.manh.com).

Non-GAAP financial measures should not be used as a substitute for, or considered superior to, measures of financial performance prepared in accordance with GAAP.

(2) On December 19, 2013, our Board of Directors approved a four-for-one stock split of the Company's Common Stock, effected in the form of a stock dividend. All references made to shares or per share amounts have been restated to reflect the effect of this four-for-one stock split for all periods presented.

A close-up photograph of a person's hand, wearing a purple and white plaid shirt, reaching into a wooden wine rack. The rack is filled with several dark wine bottles, some with white labels and others with yellow labels. The background is slightly blurred, showing more of the wine rack and bottles. The lighting is warm and focused on the hand and the bottles it is reaching for.

**“Simply put, thanks to the availability improvements we’ve achieved with Manhattan’s technology, our coveted Yellow Tail brand is seen on more dining tables, on more store shelves and in more bars, pubs, clubs, hotels and restaurants around the world with every passing week and month.”**

**SAM McLEOD**

Distribution Manager,  
Casella Family Brands





**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, 2015

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, Tenth Floor  
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                     | Name of each exchange on which registered |
|---|---|
| Common Stock, \$.01 par value per share | 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 whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted 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 and post such files). 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  (Do not check if a smaller reporting company) 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, 2015 was \$4,379,735,575, which was calculated based upon a closing sales price of \$59.65 per share of the Common Stock as reported by the Nasdaq Global Select Market on the same day. As of January 31, 2016, the Registrant had outstanding 72,998,434 shares of Common Stock.

**DOCUMENTS INCORPORATED BY REFERENCE**

The Registrant's definitive Proxy Statement for the Annual Meeting of Shareholders to be held May 12, 2016 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, 2015**  
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- Exhibit 21.1 List of Subsidiaries**
- Exhibit 23.1 Consent of Ernst & Young LLP**
- Exhibit 31.1 Section 302 Certification of Principal Executive Officer**
- Exhibit 31.2 Section 302 Certification of Principal Financial Officer**
- Exhibit 32 Section 906 Certification of CEO and CFO**
- Exhibit 101**

## Forward-Looking Statements

Certain statements contained in this filing are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, including but not limited to statements related to expectations about global macroeconomic trends and industry developments, plans for future business development activities, anticipated costs of revenues, product mix and service revenues, research and development and selling, general and administrative activities, and liquidity and capital needs and resources. When used in this Annual Report, the words “may,” “expect,” “forecast,” “anticipate,” “intend,” “plan,” “believe,” “could,” “seek,” “project,” “estimate,” and similar expressions are generally intended to identify forward-looking statements. Undue reliance should not be placed on these forward-looking statements, which reflect opinions only as of the date of this Annual Report. Such forward-looking statements are subject to risks, uncertainties, and other factors that could cause actual results to differ materially from future results expressed or implied by such forward-looking statements. Investors are cautioned that 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.

Some of the factors that could cause actual results to differ materially from the results discussed in forward-looking statements include:

- economic, political and market conditions;
- ability to attract and retain highly skilled employees;
- competition;
- our dependence on a single line of business, as well as our dependence on generating license revenue to drive business;
- risks associated with large system implementations;
- the requirement to maintain high quality professional service capabilities;
- possible compromises of our data protection and IT security measures;
- the risks of international operations, including foreign currency exchange risk;
- the possibility that research and developments investments may not yield sufficient returns;
- possible liability to customers if our products fail;
- undetected errors or “bugs” in our software;
- the long sales cycle associated with our products;
- the difficulty of predicting operating results;
- the need to continually improve our technology;
- risks associated with managing growth;
- reliance on third party and open source software;
- the need for our products to interoperate with other systems;
- the need to protect our intellectual property, and our exposure to intellectual property claims of others; and
- other risks described under the heading “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.

## PART I

### Item 1. *Business*

#### Overview

Manhattan Associates was founded in 1990 in Manhattan Beach, California and incorporated in Georgia in 1998. 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, Tenth Floor, Atlanta, Georgia 30339, and our telephone number is 770-955-7070.

We develop, sell, deploy, service and maintain software solutions designed to manage supply chains, inventory and omni-channel operations for retailers, wholesalers, manufacturers, logistics providers and other organizations. Our customers include many of the world’s premier and most profitable brands.

Specifically, Manhattan Associates solutions help our customers in three distinct areas of their business:

- **Supply Chain** - Manhattan solutions provide companies across industries the tools needed to manage distribution and optimize transportation costs throughout the entire network. Manhattan provides shippers the most comprehensive transportation management solutions in the market. This includes moving freight via the most cost-effective means possible while also meeting service level expectations. Likewise, Manhattan’s Warehouse Management solutions are widely regarded as industry-leading systems designed to optimize productivity and throughput in distribution centers and warehouses around the world.
- **Omni-Channel** - Meeting ever-evolving consumer expectations of service, inventory availability and delivery convenience is a challenge every retailer must meet head on. Manhattan’s Omni-Channel solutions provide both ‘central’ or corporate solutions that manage inventory availability across all channels and locations as well as ‘local’ solutions deployed in retail stores to empower store associates to satisfy the demands of the walk-in shopper and the online customer.
- **Inventory** - Manhattan solutions provide distributors of any finished goods (apparel, food, auto parts, pharmaceuticals, etc.) the ability to forecast demand, determine when, where and how much inventory is needed and translate this into a profitable inventory buying plan. Through the use of advanced science and sophisticated analytics, customer service level is maximized with the minimum necessary inventory investment. Industry changes driven by omni-channel retail, pharmaceutical regulations and other trends make this an area of particular need for many retailers and wholesale distributors.

#### Manhattan Associates’ Software Solution Portfolios

Our portfolio of solutions takes a platform-based approach to the following key areas. This approach implies a single, holistic technology architecture that provides customers with three major benefits:

- **Cross-Functional Business Solutions** - By virtue of shared data, taxonomy and interfaces, a platform solution enables the organization to tackle business challenges that might otherwise be too technically daunting to achieve. For instance, the ability to apportion freight, labor, inventory handling and overhead costs across the supply chain to determine an item’s total cost to serve for an end customer normally requires a massive integration and harmonization effort. With a platform like Manhattan’s, this is simply another module that taps into a readily available pool of data in the supply chain and inventory solutions.
- **Total Cost of Ownership** - A single set of tools to administrate security, resource management, system configuration and integration across all three functional disciplines allows for economies of scale within IT departments. The use of standard technologies, development tools and languages also ensures needed technical skills are readily available in the marketplace.
- **The Power of Shared Components** - When an organization has multiple disparate systems, there are frequently redundant capabilities found across the enterprise. Examples include yard management, parcel shipping and inventory visibility. The consequences of duplicate systems range from the simple confusion brought on by different naming conventions to the expensive and complex data becoming out of sync, resulting in missed appointments, chargebacks and other issues.



## Supply Chain Solutions

As previously described, Supply Chain solutions are focused on the distribution and transportation operations of the enterprise. There are four main components of Manhattan's Supply Chain Solutions:

- **Distribution Management** - These applications comprise Manhattan's Warehouse Management Solutions (WMS) commonly used to manage the complexity of the modern warehouse. They manage the flow of goods and information across the distribution center. The complete distribution management suite not only includes capabilities focused on execution within the distribution center, but also on the management of personnel, performance and the overall distribution center layout. All of these solutions come together to provide the customer the most productive workforce with an operation that can scale to meet the highest demands during peak season, yet can still operate effectively and profitably throughout the course of the year.
- **Transportation Management** - Organizations today face a complex transportation environment with ever-changing demands driven by macro-economic trends and governmental regulations. Manhattan's Transportation Management Solutions (TMS) are designed to help shippers navigate their way through these demands while meeting customer service expectations at the lowest possible freight costs. Components include procurement and modeling tools to setup a network that can be successful, along with planning, execution and settlement tools to manage day-to-day transportation requirements.
- **Supply Chain Convergence** - Unique to Manhattan's platform approach are a set of common components that for most solutions are either in a WMS or a TMS. These include tools designed to manage the scheduling of appointments with carriers and suppliers as well as oversee operations of the yard.
- **Visibility** - Crucial to effective supply chain management is visibility into the movement of goods between locations in the supply chain and outside the enterprise's realm of control. Manhattan provides world-class visibility and event management tools that not only provide alerts to when events occur in the supply chain, but also when they don't occur (such as missing a vessel overseas) that can have a cascading effect on production lines, freight and most importantly, customer commitments.

## Omni-Channel Solutions

As omni-channel retail has placed new demands on organizations, it has also created new software solution needs. These demands range from the ability to leverage inventory across the entire network to meet any demand, to providing store associates and call center representatives the means to take advantage of the available inventory.

- **Omni-Channel Central Solutions** - There is a wide range of new capabilities that must be leveraged at a corporate or 'central' level in retail today. The goal is to enable an omni-channel commerce platform that can be tapped into by any selling system—webstore, ERP, point-of-sale, call center, mobile app, etc. Manhattan's Enterprise Inventory builds out a complete inventory availability picture that can be updated in near-real time with feeds from the warehouse, the store and the network. Enterprise Order Management merges this inventory availability data with demand feeds from across the organization to match supply with demand in a way that satisfies customer delivery expectations while also striving to maximize profitability. Lastly, the Call Center application provides representatives access to this inventory picture as well as complete customer sales history to satisfy shopper needs, regardless of whether it is an exchange, a return or a new order.
- **Omni-Channel Local Solutions** - Just as the consumer enters the store with more information than ever, it is now vital to equip the sales associate with all relevant information and capabilities to satisfy that shopper's every demand. Local solutions include mobile Point of Sale to process any purchase transactions, Clienteling to provide the associate with a complete picture of the shopper's purchase history, and Tablet Retailing to offer a virtual showroom. When all of these solutions come together on a single mobile platform, retailers are able to offer unparalleled service and convenience for the shopper.

Also an important part of Local solutions are Store Inventory and Fulfillment. Most retailers are now looking to leverage store inventory to fulfill ecommerce demand (driving greater sales revenue with less inventory). In order to achieve this, solutions that can maintain inventory integrity and enable productive, reliable fulfillment are required.

## Inventory Solutions

The ability to accurately forecast demand and project inventory needs is only heightened by omni-channel retail requirements that change traditional approaches to inventory management. Manhattan's Inventory solutions address both the questions of what products should be carried and how much is needed at what locations and dates.

- **Inventory Optimization** - This set of applications includes sophisticated demand forecasting capabilities that can address the particularly challenging slow-moving and intermittent products that frequently result in excess inventory due to unpredictability. Also included is the Replenishment module that can evaluate inventory needs across all locations and channels. This module can even suggest transferring inventory between locations (warehouses or stores) or 'protect' merchandise at a store from online sales in order to save it for walk-in traffic.

- **Planning** - Manhattan's Planning solutions provide merchants the tools they need to create channel-, store- or region-specific assortments. These tools offer channel-specific metrics and methodologies that optimize the planning process and maximum retailer revenues.

### ***Manhattan SCALE™***

SCALE is our portfolio of logistics execution solutions built on Microsoft's .NET® platform. Purpose built for rapid development and a value based total cost of ownership, it is targeted toward companies with execution-focused supply chain needs that require speed-to-value, resource-light system configuration and maintenance, and the ability to quickly scale their logistics operations up or down in response to market fluctuations or business requirement changes. SCALE combines the features of Trading Partner Management, Yard Management, Optimization, Warehouse Management and Transportation Execution.

Because SCALE leverages a common platform, solutions share common data elements and each user can access all applications through a single sign-on. Users also can set up "dashboards" that enable easy access to real-time information most relevant to their jobs. SCALE's ease of deployment, operation and support make it a popular choice for organizations operating in countries with emerging and developing economies, and where technical support resources are limited.

### **Technology Platform**

Our solutions operate across Unix, IBM System i, Linux and Microsoft's .NET computing platforms, as well as on multiple hardware platforms and systems. Because supply chain solutions necessarily interact with other business operation systems, our solutions are designed to interoperate with software from other providers as well as with a company's existing legacy systems. This interfacing and open system capability enables customers to continue using existing computer resources and to choose among a wide variety of existing and emerging computer hardware and peripheral technologies. We provide an integration framework to facilitate rapid and reliable integration to any Enterprise Resource Planning (ERP) or host business systems (including certified integration to both SAP and Microsoft Dynamics AX). We also offer certain of our solutions in both on-premise software and cloud computing models so that customers can select the option that best meets their requirements for control, flexibility, cost of ownership, and time-to-deployment.

### **Professional Services**

We advise and assist our customers in planning and implementing our solutions through our global Professional Services Organization. To ensure long-term successful customer relationships, consultants assist customers with the initial deployment of our systems, the conversion and transfer of the customer's historical data onto our systems, and ongoing training, education, and system upgrades. We believe our Professional Services teams enable customers to implement our solutions knowledgeably and in the appropriate amount of time, help customers achieve expected results from system investments, continuously identify new opportunities for supply chain advancements, and meaningfully add to our industry-specific knowledge base to improve future implementations and product innovations.

Substantially all of our customers utilize some portion of our Professional Services to implement and support our software solutions. Professional Services typically are rendered under time and materials contracts, with services billed by the hour. Professional Services sometimes are rendered under fixed-fee contracts, with payments due on specific dates or milestones. We believe that increased sales of our software solutions will drive higher demand for our Professional Services.

We believe our Professional Services team delivers deep supply chain and enterprise commerce domain expertise to our customers through industry-specific "best-practices" protocols and processes developed through the collective knowledge we have gained from 26 years of implementing our supply chain solutions worldwide. We also extensively train our consulting personnel on enterprise commerce operations and on our solutions.

Business consultants, systems analysts, and technical personnel assist customers in all phases of implementing our systems, including planning and design, customer-specific module configuration, on-site implementation- or conversion from existing systems, and integration with customer systems such as Enterprise Resource Planning (ERP), web- and mobile-based commerce platforms, and Material Handling Equipment (MHE) systems. At times, third-party consultants, such as those from major systems integrators, assist our customers with certain implementations.

### **Customer Support Services and Software Enhancements**

We offer a comprehensive program that provides our customers with software upgrades for additional or improved functionality and technological advances incorporating emerging supply chain and industry initiatives. Over the past three years, our annual renewal rate of customers subscribing to comprehensive support and enhancements has been greater than 90%. We are able to remotely access customer systems to perform diagnostics, provide on-line assistance, and facilitate software upgrades. We offer 24-

hour customer support every day of the year, plus software upgrades for an annual fee that is paid in advance and is based on the solutions the customer has and the service level required. Software upgrades are provided under this program on a when-and-if-available basis.

### **Training and Change Management Services**

We offer training and change management services for new and existing users, enabling our customers to align systems, people and processes. Services provided by our Manhattan training experts cover a wide range of support from the intended design to the front-line of the customer's business, including critical end-user adoption with hands-on, live training in a virtualized Manhattan software environment. These programs are provided at fixed fees per-person, per-class. In addition, several computer-based training programs can be purchased for a fixed fee for use at client sites.

Manhattan Training and Change Management Services are offered under six categories: Role-Based Training Paths, Comprehensive Training Programs, Change Management Services, Individual Product Training Courses, End-User Enablement and Knowledge Resources.

### **Hardware Sales**

Along with software licenses, and as a convenience for our customers, we resell a variety of hardware developed and manufactured by others, including (but are not limited to) computer hardware, radio frequency terminal networks, RFID chip readers, bar code printers and scanners, and other peripherals. We resell all third-party hardware products and related maintenance pursuant to agreements with manufacturers or through distributor-authorized reseller agreements pursuant to which we are entitled to purchase hardware products and services at discount prices and to receive technical support in connection with product installations and any subsequent product malfunctions. We do not maintain hardware inventory as we generally purchase hardware from vendors only after receiving related customer orders.

### **Strategy**

Our objective is to extend our position as the leading global commerce solutions provider for organizations intent on creating and sustaining market advantages through technology-enabled commerce solutions. Our solutions help global distributors, wholesalers, retailers, logistics providers and manufacturers successfully manage accelerating and fluctuating market demands, as well as master the increasing complexity and volatility of their local and global supply chains. We believe our solutions are advanced, highly functional and highly scalable. They are designed to enable organizations to: create customer experiences consistent with their brand values; improve relationships with suppliers, customers and logistics providers; leverage investments across supply chain functions; effectively generate revenue and manage costs; and meet dynamically changing customer requirements. We believe our solutions are uniquely positioned to holistically optimize the way companies bring together omni-channel, supply chain and inventory management:

*Develop and Enhance Software Solutions.* We intend to continue to focus our research and development resources on enhancing our Supply Chain, Omni-Channel Commerce and Inventory Solutions. We offer what we believe to be the broadest and most richly-featured software portfolio in the marketplace. To continuously expand 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 these opportunities through our Product Management, Professional Services, Customer Support and Account Management organizations, through interactions such as ongoing customer consulting engagements and implementations, sessions with our solution user groups, association with leading industry analyst and market research firms, and participation on industry standards and research committees. Our solutions address needs 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 our solutions to meet the dynamic requirements of these and new vertical markets as business opportunities dictate.

*Expand International Presence.* We believe our solutions offer significant benefits to customers in markets outside the United States, and for organizations with global operations. 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, the Middle East, South Africa, and Asia. Our Europe, Middle East, and Africa (EMEA) operations support sales, implementation services, and customer support functions for customers in Europe as well as a number of customers across the Middle East, concentrated in countries we consider politically and economically stable. Our Asia Pacific (APAC) operations service emerging opportunities in China, Southeast Asia, and India, as well as more established markets in Japan, Australia and New Zealand. Our international strategy includes leveraging the strength of our relationships with current U.S. and Europe-based customers that also have significant international operations.

*Strategic Alliances and Indirect Sales Channels.* We currently sell our products primarily through our direct sales personnel, and through partnership agreements with a select number of organizations in emerging markets where we do not currently have a direct sales presence. 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 specializing in our targeted industries, to supplement our direct sales force and professional services organization. We expand our indirect sales channels through reseller agreements, marketing agreements, and agreements with third-party logistics providers. These alliances extend our market coverage and provide us with new business leads and access to trained implementation personnel.

*Acquire or Invest in Complementary Businesses.* We continuously evaluate strategic acquisition opportunities of technologies, solutions, and businesses that are consistent with our platform-based strategy and enable us to enhance and expand our offerings. Preferred acquisition targets are those that would be complementary to our existing solutions and technologies, expand our geographic presence and distribution channels, extend our presence into additional vertical markets with challenges and requirements similar to those we currently serve, and further solidify our leadership position within the primary components of supply chain planning and execution.

## **Sales and Marketing**

We employ multi-disciplinary sales teams that consist of professionals with industry experience in sales and technical sales support. To date, we have generated the majority of our software sales (licensing) revenue through our direct sales force. We plan to continue to invest in our sales, services, and marketing organizations within the United States, EMEA, and 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, online marketing, joint promotion programs with vendors and consultants, and ongoing customer communication programs.

Our 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, hosted seminars, or other means of referral — or the receipt of a request for proposal from a prospective customer. Leads are qualified and opportunities are closed through a process that includes telephone-based assessments of requirements; responses to requests for proposals, presentations and product demonstrations, site visits and/or reference calls with organizations already using our supply chain solutions, and contract negotiations. Sales cycles vary substantially from opportunity to opportunity, but typically require nine to twelve months.

In addition to new customer sales, we plan to continue to leverage our existing customer base to drive revenue from system upgrades, sales of additional licenses of purchased solutions, and sales of new or add-on solutions. To efficiently penetrate emerging global markets, we leverage indirect sales channels, including sales through reseller agreements, marketing agreements, and agreements with third-party logistics providers. To extend our market coverage, generate new business leads, and provide access to trained implementation personnel, we leverage strategic alliances with systems integrators skilled at implementing our solutions. Business referrals and leads are positively influenced by systems integrators, which include most of the large consulting firms and other systems consulting firms specializing in our targeted industries.

Our Manhattan Value Partner (Manhattan MVP™) and Manhattan GeoPartner™ programs foster joint sales and marketing with other organizations. Manhattan Value Partners are proven software and hardware providers, trusted third-party integrators and consultants who bring added value to customer engagements through vertical industry knowledge or technical specialization. Manhattan MVPs support and complement our supply chain solutions so we can provide customers with a comprehensive approach that is suited to their business requirements. This collaborative program is designed to benefit both Manhattan and our partners through tailored joint marketing, sales and, in some cases, co-development efforts. Among others, Manhattan MVPs include IBM, Deloitte, Kurt Salmon, Microsoft, Cap Gemini and Intel. Manhattan GeoPartners represent a select group of companies that sell and implement our solutions in specific geographies around the world, each providing valuable localized expertise to meet customer needs in areas such as Western Europe, Eastern Europe, Russia, the Middle East, Latin America, Africa, and the Asia Pacific region.

## **Customers**

To date, our customers have been suppliers, manufacturers, distributors, retailers, and logistics providers in a variety of industries. Our top five customers (new or pre-existing) in the aggregate accounted for 8%, 10%, and 11% of total revenue for the years ended December 31, 2015, 2014, and 2013, respectively. No single customer accounted for more than 10% of our total revenue in 2015, 2014, or 2013.

## **Product Development**

We focus our development efforts on new product innovation and adding new functionality to existing solutions, integrating our various solution offerings, enhancing the operability of our solutions across our Process Platform and across distributed and alternative hardware platforms, operating systems, and database systems. We believe that our future success depends, in part, on 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, development frequently focuses on base system enhancements and incorporating new user requirements and features into our

solutions. As a result, we deliver packaged, highly configurable solutions with increasingly rich functionality rather than custom-developed software. We also deliver interface toolkits for many major ERP systems to enhance communication and improve data flows between our core solutions and our clients' host systems.

We leverage internal and external scientific advisors to inform our solution strategies and research and development approaches with the most advanced thinking on supply chain opportunities, challenges, and technologies. 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. We also regularly communicate with and are advised by 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 external advisors inform both the practical business approaches and the mathematical and scientific inventiveness of our solutions.

We conduct most research and development internally in the U.S. and India to retain domain knowledge and to promote programming continuity standards. However, we may periodically outsource some projects that can be performed separately and/or that require special skills. We also use third-party translation companies to localize our application software into various languages such as, but not limited to, Chinese, French, Japanese, and Spanish.

Our research and development expenses for the years ended December 31, 2015, 2014, and 2013 were \$53.9 million, \$49.0 million, and \$44.5 million, respectively. We intend to continue to invest significantly in product development.

## **Competition**

Our solutions are solely focused on enterprise commerce capabilities, which have been consolidating rapidly, are intensely competitive, and are characterized by rapid technological change. The principal competitive factors affecting the markets for our solutions include: industry expertise; company and solution reputation; company viability; compliance with industry standards; solution architecture; solution functionality and features; integration experience, particularly with ERP providers and material handling equipment providers; ease and speed of implementation; proven return on investment; historical and current solution quality and performance; total cost of ownership; solution price; and ongoing solution support structure. We believe 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 enterprise commerce. Our existing competitors include:

- Corporate information technology departments of current or potential customers capable of internally developing solutions;
- ERP vendors, including Oracle, SAP, and Infor, among others;
- Supply chain execution vendors, including JDA Software Group, Inc. (JDA), HighJump Software Inc., and the Sterling Commerce division of IBM, among others;
- Point of sale vendors, including Aptos, Inc., Demandware, Inc., NCR Corporation, among others;
- Supply chain planning vendors, including JDA and SAS Institute Inc., among others; and
- Smaller independent companies that have developed or are attempting to develop supply chain execution solutions and/or planning solutions that apply in specific countries and/or globally.

We anticipate facing increased competition from ERP and supply chain management (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. Some of these ERP and other potential competitors have longer operating histories; significantly more financial, technical, marketing and other resources; greater name recognition; broader solutions; and larger installed bases of customers than us. To the extent that ERP and SCM vendors or other large competitors develop or acquire systems with functionality comparable or superior to ours, their larger customer bases, long-standing customer relationships, and ability to offer broader solutions outside the scope of supply chain could create significant competitive advantage for them. It also is possible that new competitors or alliances among current and/or new competitors could emerge to win significant market share. Increased competition could result in price reductions, fewer customer orders, reduced earnings and margins and loss of market share. In turn, this could have a material adverse effect on our business, results of operations, cash flow, and financial condition.

We believe we have established meaningful competitive differentiation through our supply chain expertise; our platform-based solution approach; our track record of continuous supply chain innovation and investment; our strong and endorsing customer relationships; our significant success in deploying and supporting supply chains for market-leading companies; our success in helping our clients address the enterprise impacts of digital commerce; and our ability to out-execute others in identifying sales opportunities and demonstrating expertise throughout the sales cycle. However, to further our market success, we must continue to respond

promptly and effectively to technological change and competitors' innovations. Consequently, we cannot assure that we will not be required to make substantial additional investments in 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.

### **International Operations: Segments**

We have three reporting segments, based on geographic location: the Americas; Europe, Middle East and Africa ("EMEA"); and Asia Pacific ("APAC"). For further information on our segments, see Note 7 to our consolidated financial statements. Our international revenue was approximately \$131.3 million, \$134.6 million, and \$110.8 million for the years ended December 31, 2015, 2014, and 2013, respectively, which represents approximately 24%, 27%, and 27% of our total revenue for the years ended December 31, 2015, 2014, and 2013, respectively. International revenue includes all revenue derived from sales to customers outside the United States. We now have approximately 1,550 employees in our International operations.

### **Proprietary Rights**

We rely on a combination of copyright, patent, trade secret, trademark, and trade dress laws, confidentiality procedures, and contractual provisions to protect our proprietary rights in our products, processes and technology. We have registered trademarks for Manhattan Associates and the Manhattan Associates logo, as well as a number of our products and features. Generally we enter into confidentiality and assignment-of-rights agreements with our employees, consultants, customers and potential customers and limit access to, and distribution of, our proprietary information. We license our proprietary products to our customers under license agreements that we believe contain appropriate use and other restrictions in order to try to best protect our ownership of our products and our proprietary rights in them, and to protect our revenue potential from our products. However, despite our efforts to safeguard and maintain our proprietary rights, we cannot ensure that we will successfully deter misappropriation, unintended disclosure or independent third-party development of our technology or our proprietary rights or information. Policing unauthorized use of our products is difficult, and, while we are unable to determine the extent to which piracy of our software solutions exists, as is the case with any software company, piracy could become a problem. Further, to the extent that we enter into transactions in countries where intellectual property laws are not well developed or are poorly enforced, our efforts to protect our proprietary rights may be ineffective. Whether we seek to enforce our proprietary rights in the U.S. or abroad, our efforts, including litigation to enforce our rights, can result in substantial costs and diversion of resources, and such efforts, or our failure to succeed in such efforts, could have a material adverse effect on our business, financial condition, results of operations or cash flows, regardless of the final outcome.

As the number of supply chain management solutions available in the marketplace increases and solution functionality continues to overlap, supply chain software may increasingly become subject to claims of infringement or other misappropriation of intellectual property. Third parties may assert infringement or misappropriation claims against us relating to our products, processes or technology. Such claims, whether or not they have merit, generally are time-consuming and may result in costly litigation, divert management's attention or cause product shipment delays or require us to enter into royalty or licensing arrangements. Defense of infringement or other misappropriation claims, entering into royalty or licensing agreements, the unavailability of such agreements, or adverse determinations in proprietary rights litigation could have a material adverse effect on our business, results of operations, cash flow and financial condition.

### **Employees**

At December 31, 2015, we employed approximately 2,930 employees worldwide, of which 1,380 are based in the Americas, 210 in EMEA, and 1,340 in APAC (including India).

### **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 100 F Street, N.E., 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 a website at [www.sec.gov](http://www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

On our website, [www.manh.com](http://www.manh.com), we provide free of charge our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and any amendments thereto, 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 and other risk factors in evaluating our business or an investment in our common stock. The occurrence of adverse events described in the following risk factors or other adverse events not described in the following risk factors could have a material adverse effect on our business, results of operations, cash flow and financial condition, and could cause the trading price of our common stock to decline.

**Economic, political and market conditions can adversely affect our business, results of operations, cash flow and financial condition, including our revenue growth and profitability, which in turn could adversely affect our stock price.** Our business is influenced by a range of factors that are beyond our control and that we have no comparative advantage in forecasting. These include:

- general economic and business conditions;
- overall demand for enterprise software and services;
- governmental policy, budgetary constraints or shifts in government spending priorities;
- general geo-political developments; and
- currency exchange rate fluctuations.

Macroeconomic developments like the continued slow pace of economic recovery in the United States and Europe and in parts of Asia and South America could negatively affect our business, operating results, financial condition and outlook, which, in turn, could adversely affect our stock price. Any general weakening of, and related declining corporate confidence in, the global economy or the curtailment in government or corporate spending could cause current or potential customers to reduce or eliminate their information technology budgets and spending, which could cause customers to delay, decrease or cancel purchases of our products and services or cause customers not to pay us or to delay paying us for previously purchased products and services.

In addition, political unrest in places like Ukraine, Syria and Iraq and the related potential impact on global stability, terrorist attacks and the potential for other hostilities in various parts of the world, potential public health crises and natural disasters continue to contribute to a climate of economic and political uncertainty that could adversely affect our results of operations and financial condition, including our revenue growth and profitability.

**Our inability to attract, integrate, and retain management and other personnel could adversely impact our business, results of operations, cash flow, and financial condition.** Our success greatly depends on the continued service of our executives, as well as our other key senior management, technical personnel, and sales personnel. Our success will depend on the ability of our executive officers to work together as a team. The loss of any of our senior management or other key professional services, research and development, sales and marketing personnel—particularly if they are lost to competitors—could impair our ability to grow our business. We do not maintain key man life insurance on any of our executive officers.

Our future success will depend in large part upon our ability to attract, retain, and motivate highly skilled employees. We face significant competition for individuals with the skills required to perform the services we offer, and thus we may encounter increased compensation costs that are not offset by increased revenue. In the broader technology industry in which we compete for talented hires, there is substantial and continuous competition for engineers with high levels of experience in designing, developing and managing software, as well as competition for sales executives and operations personnel. We cannot guarantee that we will be able to attract and retain sufficient numbers of these highly skilled employees or motivate them. Because of the complexity of the supply chain market, we may experience a significant time lag between the date on which technical and sales personnel are hired and the time at which these persons become fully productive.

**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 extended supply chain, as well as the enterprise as a whole. We face competition for product sales from:

- corporate information technology departments of current or potential customers capable of internally developing solutions;
- ERP vendors, including Oracle, SAP, and Infor, among others;
- supply chain execution vendors, including JDA Software Group, Inc. (JDA), HighJump Software Inc., and the Sterling Commerce division of IBM, among others;
- supply chain planning vendors, including JDA and SAS Institute Inc., among others; and
- smaller independent companies that have developed or are attempting to develop supply chain execution solutions and/or supply chain planning solutions that apply in specific countries and/or globally.

We anticipate facing increased competition from ERP and supply chain management (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. Some of these ERP and other potential competitors have longer operating histories, significantly more financial, technical, marketing, and other resources, greater name recognition, broader solutions, and larger installed bases of customers than do we. To the extent that ERP and SCM vendors or other large competitors develop or acquire systems with functionality comparable or superior to ours, their larger customer bases, long-standing customer relationships, and ability to offer broader solutions outside the scope of supply chain could create significant competitive advantage for them. It also is possible that new competitors or alliances among current and/or new competitors could emerge to win significant market share. Increased competition could result in price reductions, fewer customer orders, reduced earnings and margins, and loss of market share. In turn, this could have a material adverse effect on our business, results of operations, cash flow, and financial condition.

We believe the domain expertise required to continuously innovate supply chain technology in our target markets, 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, in order to be successful in the future, we must continue to respond promptly and effectively to technological change and competitors' innovations, and consequently 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. Some of our competitors have significant resources at their disposal, and the degree to which we will compete with their new innovative products in the marketplace is undetermined.

**Our pricing models may need to be modified due to price competition.** The competitive markets in which we operate may oblige us to reduce our prices in order to contend with the pricing models of our competitors. If our competitors discount certain products or services, we may have to lower prices on certain products or services in order to attract or retain customers. Any such price modifications would likely reduce margins and could adversely affect our business, results of operations, cash flow, and financial condition.

**Our operating results are substantially dependent on one line of business.** We continue to derive our revenues from sales of our supply chain commerce solutions software and related services and hardware. Any factor adversely affecting the markets for supply chain solutions could have an adverse effect on our business, results of operations, cash flow, and financial condition. Accordingly, our future operating results will depend on the demand for our supply chain commerce products and related services and hardware by our customers, including new and enhanced releases that we subsequently introduce. We cannot guarantee that the market will continue to demand our current products or we will be successful in marketing any new or enhanced products. If our competitors release new products that are superior to our products in performance or price, demand for our products may decline. A decline in demand for our products as a result of competition, technological change, or other factors would reduce our total revenues and harm our ability to maintain profitability.

**Our future revenue is dependent on continuing license sales, which in turn drive sales of post-contract support and professional services.** We are dependent on our new customers as well as our large installed customer base to purchase additional software licenses, post-contract support, and professional services from us. Our post-contract support agreements are generally for a one-year term and our professional services agreements generally only cover a particular engagement. In future periods customers may not license additional products, and in turn may not renew post-contract support agreements or purchase additional professional services from us. If our customers decide not to license or purchase these products and services from us, or if they reduce the scope of their post-contract support or hosting or professional services agreements, our revenue could decrease significantly, and that could have a material adverse effect on our business, results of operations, cash flow and financial condition.

In addition, many of our customers are using older versions of our products for which we are no longer developing any further upgrades or enhancements. While we intend to migrate our customers who are using these versions to newer versions or products, there can be no assurance that these customers will do so. If customers using older versions of our products decide not to license our current software products, or decide to discontinue the use of our products and associated post-contract support services, our revenue could decrease and our operating results could be materially adversely affected.

**Delays in implementing our products could adversely impact our business, results of operations, cash flow, and financial condition.** Due to the size and complexity of most of our software implementations, our implementation cycle can be lengthy and may result in delays. Our products may require modification or customization and must integrate with many existing computer systems and software programs of our customers. This can be time-consuming and expensive for customers and can result in implementation and deployment delays of our products. Additional delays could result if we fail to attract, 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 limit our future sales opportunities, impact revenue, and harm our reputation.



**Our ability to license our software is highly dependent on the quality of our services offerings, and our failure to offer high quality services could adversely impact our business, results of operations, cash flow, and financial condition.** Most of our customers rely to some extent on our professional services to aid in the implementation of our software solutions. Once our software has been installed and deployed, our customers may depend on us to provide them with ongoing support and resolution of issues relating to our software. Therefore, a high level of service is critical for the continued marketing and sale of our solutions. If we or our partners do not efficiently and effectively install and deploy our software products, or succeed in helping our customers quickly resolve post-deployment issues, our ability to sell software products to these customers would be adversely affected and our reputation in the marketplace with potential customers could suffer.

**If our data protection or other security measures are compromised and as a result our data, our customers' data or our IT systems are accessed improperly, made unavailable, or improperly modified, our products and services may be perceived as vulnerable, our brand and reputation could be damaged, the IT services we provide to our customers could be disrupted, and customers may stop using our products and services, all of which could reduce our revenue and earnings, increase our expenses and expose us to legal claims and regulatory actions.** Our products and services can store, retrieve, manipulate and manage our customers' information and data as well as our own. We have a reputation for secure and reliable software products and services and invest time and resources in protecting the integrity and security of our products, services and internal and external data that we manage.

Nevertheless, we encounter attempts by third parties to penetrate or bypass our data protection and other security measures and gain unauthorized access to our networks, systems and data or compromise the confidential information or data of our customers. Data may also be accessed or modified improperly as a result of employee or supplier error or malfeasance and third parties may attempt to fraudulently induce employees or customers into disclosing sensitive information such as user names, passwords or other information.

These risks are persistent and likely will increase as we continue to grow our cloud offerings and services and store and process increasingly large amounts of our customers' confidential information and data. We also may acquire companies, products, services and technologies and inherit such risks when we integrate these acquisitions within Manhattan.

If a cyber-attack or other security incident described above were to occur, we could suffer damage to our brand and reputation, which could reduce our revenue and earnings, increase our expenses to address and fix the incidents as well as expose us to legal claims and regulatory actions.

Further, as regulatory focus on privacy issues continues to increase and become more complex, these potential risks to our business will intensify. Changes in laws or regulations associated with the enhanced protection of certain types of sensitive data could greatly increase our cost of providing our products and services.

**Our international operations have many associated risks.** We continue to strategically manage our presence in international markets, and these efforts require significant management attention and financial resources. We may not be able to successfully penetrate international markets, or, if we do, there can be no assurance that we will grow our business in these markets at the same rate as in North America. Because of these inherent complexities and challenges, lack of success in international markets could adversely affect our business, results of operations, cash flow, and financial condition.

We have international offices in Europe: the United Kingdom, the Netherlands, and France; and in Asia: China, Japan, Singapore, and India; and Australia. We have committed resources to maintaining and further expanding, where appropriate, our sales offices and sales and support channels in key international markets. However, our efforts may not be successful. International sales are subject to many risks and difficulties, including those arising from the following: building and maintaining a competitive presence in new markets; staffing and managing foreign operations; managing international systems integrators; complying with a variety of foreign laws; producing localized versions of our products; import and export restrictions and tariffs; enforcing contracts and collecting accounts receivable; unexpected changes in regulatory requirements; reduced protection for intellectual property rights in some countries; potential adverse tax treatment; less stringent adherence to ethical and legal standards by prospective customers in some countries; language and cultural barriers; currency fluctuations; political and economic instability abroad; and seasonal fluctuations.

**Our operating results may include foreign currency gains and losses.** Due to our international operations, we conduct a portion of our business in currencies other than the United States dollar. Our revenues, expenses, operating profit and net income are affected when the dollar weakens or strengthens in relation to other currencies. In addition, we have a large development center in Bangalore, India, that does not have a natural in-market revenue hedge to mitigate currency risk to our operating expense in India. Fluctuations in the value of other currencies, particularly the Indian rupee, could materially impact our revenues, expenses, operating profit and net income.

**Our research and development activities may not generate significant returns.** Our product development activities are costly, and recovering our investment in product development may take a significant amount of time, if it occurs at all. We anticipate continuing to make significant investments in software research and development and related product opportunities because we

believe that we must continue to allocate a significant amount of resources to our research and development activities in order to compete successfully. We cannot estimate with any certainty when we will, if ever, receive significant revenues from these investments.

**Our liability to clients may be substantial if our systems fail, which could adversely impact our business, results of operations, cash flow, and financial condition.** Our products are often critical to the operations of our customers' businesses and provide benefits that may be difficult to quantify. If our products fail to function as required, we may be subject to claims for substantial damages. Courts may not enforce provisions in our contracts that would limit our liability or otherwise protect us from liability for damages. Defending a lawsuit, regardless of its merit, could be costly and divert management's time and attention. Although we maintain general liability insurance and error and omissions coverage, these coverages may not continue to be available on reasonable terms or in sufficient amounts to cover claims against us. In addition, our insurer may disclaim coverage as to any future claim. If claims exceeding the available insurance coverage are successfully asserted against us, or our insurer imposes premium increases or large deductibles or co-insurance requirements on us, then our business, results of operations, cash flow, and financial condition could be adversely affected.

**Our software may contain undetected errors or "bugs" resulting in harm to our reputation which could adversely impact our business, results of operations, cash flow, and financial condition.** Software products as complex as those offered by us might contain undetected errors or failures when first introduced or when new versions are released. Despite testing, we cannot ensure that errors will not be found in new products or product enhancements after commercial release. Any errors could cause substantial harm to our reputation, result in additional unplanned expenses to remedy any defects, delay the introduction of new products, result in the loss of existing or potential customers, or cause a loss in revenue. Further, such errors could subject us to claims from our customers for significant damages, and we cannot assure you that courts would enforce the provisions in our customer agreements that limit our liability for damages. In turn, our business, results of operations, cash flow, and financial condition could be materially adversely affected.

**We may encounter long sales cycles, particularly with our larger customers, which could have an adverse effect on the amount, timing, and predictability of our revenue, adversely affecting our business, results of operations, cash flow, and financial condition.** Our products have lengthy sales cycles, which typically extend from nine to twelve months and may take up to several years. Potential and existing customers, particularly larger enterprise customers, often commit significant resources to an evaluation of available solutions and services and require us to expend substantial time and resources in connection with our sales efforts. The length of our sales cycles also varies depending on the type of customer to which we are selling, the product being sold, and customer requirements. We may incur substantial sales and marketing expenses and expend significant management effort during this time, regardless of whether we make a sale. Many of the key risks relating to sales processes are beyond our control, including: our customers' budgetary and scheduling constraints; the timing of our customers' budget cycles and approval processes; our customers' willingness to replace their currently deployed software solutions; and general economic conditions.

As a result of these lengthy and uncertain sales cycles of our products and services, it is difficult for us to predict when customers may purchase products or services from us, thereby affecting when we can recognize the associated revenue, and our operating results may vary significantly and may be adversely affected. The length of our sales cycle makes us susceptible to having pending transactions delayed or terminated by our customers if they decide to delay or withdraw funding for IT projects. Our customers may decide to delay or withdraw funding for IT projects for various reasons, including, but not limited to, global economic cycles and capital market fluctuations.

**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 can 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: global macro-economic disruptions; credit and equity market disruptions, which can significantly impact capital availability and spend timing of customers or potential customers; 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; potential deferral of license revenue well after entering into a license agreement due to extended payment terms, including, although infrequent, payment terms in a contract extending beyond twelve months, significant software modifications, future software functionality deliverables not on a stand-alone basis, or other negotiated terms that preclude software revenue recognition under U.S. general accepted accounting principles; 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. Historical growth rates and historical quarterly revenue and operating results may not be a good indicator of future operating results and reliance on historical results should not be used to predict our future performance.

**Our technology must be advanced if we are to remain competitive.** The market for our products is characterized by rapid technological change, frequent new product introductions and enhancements, changes in customer demands, and evolving industry standards. Our existing products could be rendered obsolete if we fail to continue to advance our technology. We have also found that the technological life cycles of our products are difficult to estimate, partially because of changing demands of other participants in the supply chain. We believe that our future success will depend in large part upon our ability to continue to enhance our current product line while we concurrently develop and introduce new products that keep pace with competitive and technological developments. These developments require us to continue to make substantial product development investments. Although we are presently developing a number of product enhancements to our product sets, we cannot assure you that these enhancements will be completed on a timely basis or gain customer acceptance.

**Our failure to manage the growth of our operations may adversely affect our business, results of operations, cash flow, and financial condition.** We plan to continue to increase the scope of our operations domestically and internationally. This growth may place a significant strain on our management systems and resources. We may further expand domestically or internationally through internal growth or through acquisitions of related companies and technologies. If we fail to maintain continuity in our executive officers; develop the management skills of our managers and supervisors; attract, retain, train, and motivate our employees; improve our operational, financial, and management controls; and maintain adequate reporting systems and procedures and our management and information control systems, our business, results of operations, and cash flow could be negatively impacted.

**We incorporate third-party software in our solutions, the failure or unavailability of which could adversely affect our ability to sell, support, and service our products.** We incorporate and include third-party software into and with certain of our products and solutions and expect to continue to do so. The operation of our products could be impaired if there are defects in that third-party software. It may be difficult for us to correct any defects in third-party software because the development and maintenance of the software is not within our control. Such defects could adversely affect our business.

In addition, there can be no assurance that these third parties will continue to make their software available to us on acceptable terms, or at all; not make their products available to our competitors on more favorable terms; invest the appropriate levels of resources in their products and services to maintain and enhance the capabilities of their software; or remain in business. Any impairment in our relationship with these third parties or our ability to license or otherwise use their software could have a material adverse effect on our business, results of operations, cash flow, and financial condition.

**The use of open source software in our products may expose us to additional risks and harm our intellectual property, which could adversely impact our business, results of operations, cash flow, and financial condition.** Some of our products use or incorporate software that is subject to one or more open source licenses. Open source software is typically freely accessible, usable and modifiable. Certain open source software licenses require a user who intends to distribute the open source software as a component of the user's software to disclose publicly part or all of the source code to the user's software. In addition, certain open source software licenses require the user of such software to make any derivative works of the open source code available to others on unfavorable terms or at no cost. This can subject previously proprietary software to open source license terms.

While we monitor the use of all open source software in our products, processes, and technology and try to ensure that no open source software is used in such a way as to require us to disclose the source code to the related product or solution, such use could inadvertently occur. Additionally, if a third-party software provider has incorporated open source software into software we license from them for use in our products and solutions, we could, under certain circumstances, be required to disclose the source code to our products and solutions. This could harm our intellectual property position and have a material adverse effect on our business, results of operations, cash flow, and financial condition.

**If we are unable to develop software applications that interoperate with computing platforms developed by others, our business, results of operations, cash flow, and financial condition may be adversely affected.** We develop software applications that interoperate with operating systems, database platforms, and hardware devices developed by others, which we refer to collectively as computing platforms. If the developers of these computing platforms do not cooperate with us or we are unable to devote the necessary resources so that our applications interoperate with those computing platforms, our software development efforts may be delayed and our business and results of operations may be adversely affected. When new or updated versions of these computing platforms are introduced, it is often necessary for us to develop updated versions of our software applications so that they interoperate properly with these computing platforms. We may not accomplish these development efforts quickly or cost-effectively, and it is difficult to predict what the relative growth rates of adoption of these computing platforms will be. These development efforts require

substantial investment, the devotion of substantial employee resources, and the cooperation of the developers of the computing platforms. For some computing platforms, we must obtain some proprietary application program interfaces from the owner in order to develop software applications that interoperate with the computing platforms. Computing platform providers have no obligation to assist in these development efforts. If they do not provide us with assistance or the necessary proprietary application program interfaces on a timely basis, we may experience delays or be unable to expand our software applications into other areas.

The computing platforms we use may not continue to be available to us on commercially reasonable terms. Any loss of the right to use any of these systems could result in delays in the provision of our products and services, and our results of operations may be adversely affected. Defects in computing platforms could result in errors or failure of our products, which could harm our business.

**Our liability for intellectual property claims can be costly and result in the loss of significant rights, which could adversely impact our business, results of operations, cash flow, and financial condition.** It is possible that third parties will claim that we have infringed their current or future products, inventions, or other intellectual property. We expect that supply chain software developers like us will increasingly be subject to infringement claims as the number of products grows. Any claims, with or without merit, could be time-consuming, result in costly litigation, cause product shipment delays, or require us to pay monetary damages or to enter into royalty or licensing agreements, any of which could negatively impact our operating results. There are no assurances that these royalty or licensing agreements, if required, would be available on terms acceptable to us, if at all. We also may be required to indemnify our customers for damages they suffer as a result of such infringement. There are no assurances that legal action claiming patent infringement will not be commenced against us, or that we would prevail in litigation given the complex technical issues and inherent uncertainties in patent litigation. If a patent claim against us were successful and we could not obtain a license on acceptable terms or license a substitute technology or redesign the product or feature to avoid infringement, we may be prevented from distributing our software or required to incur significant expense and delay in developing non-infringing software. Any of these events could seriously harm our business, results of operations, cash flow, and financial condition.

**We may have exposure to additional tax liabilities.** As a multinational corporation, we are subject to income taxes in the U.S. and various foreign jurisdictions. Significant judgment is required in determining our global provision for income taxes and other tax liabilities. In the ordinary course of a global business, there are many intercompany transactions and calculations where the ultimate tax determination is uncertain. Our income tax returns are routinely subject to audits by tax authorities. Although we regularly assess the likelihood of adverse outcomes resulting from these examinations to determine our tax estimates, a final determination of tax audits or tax disputes could have an adverse effect on our financial condition, results of operations and cash flows. Also, the earnings of our foreign subsidiaries are considered to be indefinitely reinvested. If our plans change in the future or if we elect to repatriate the unremitted earnings of our foreign subsidiaries in the form of dividends or otherwise, we would be subject to additional income taxes which would result in a higher effective tax rate.

In addition, our future effective tax rates could be favorably or unfavorably affected by changes in tax rates, changes in the valuation of our deferred tax assets or liabilities, or changes in tax laws or their interpretation. Such changes could have a material adverse impact on our financial results.

We are also subject to non-income taxes, such as payroll, sales, use, value-added, net worth, property and goods and services taxes in the U.S. and various foreign jurisdictions. We are regularly under audit by tax authorities with respect to these non-income taxes and may have exposure to additional non-income tax liabilities, which could have an adverse effect on our results of operations, financial condition and cash flows.

**Fluctuations in our hardware sales may adversely impact our business, results of operations, cash flow, and financial condition.** A portion of our revenue in any period is from the resale of a variety of third-party hardware products to purchasers of our software. However, our customers may purchase these hardware products directly from manufacturers or distributors rather than from us. We view sales of hardware as non-strategic. We perform this service to our customers seeking a single source for their supply chain needs. Hardware sales are difficult to forecast and fluctuate from quarter to quarter, leading to unusual comparisons of total revenue and fluctuations in profits. If we are unable to maintain or grow our hardware revenue, our business, results of operations, cash flow, and financial condition may be adversely affected.

**Our growth is dependent upon the successful development of our direct and indirect sales channel mix.** We believe that our future growth also will depend on further developing and maintaining a successful direct sales force and strategic relationships with systems integrators and other technology companies. We invest significant resources to maintain and develop our sales channels. Our investment could adversely affect our operating results if these efforts do not generate license and service revenue necessary to offset the investment. Also, our inability to partner with other technology companies and qualified systems integrators could adversely affect our results of operations. Because lower unit prices are typically charged on sales made through indirect channels, a disproportionate increase in indirect sales could reduce our average selling prices and result in lower gross margins. In addition, sales of our products through indirect channels typically do not generate consulting services revenue for us at the same levels as direct sales, as the third-party systems integrators generally provide these services. Similarly, indirect sales typically do not generate the same levels of direct contact between our associates and those of our customer, and we may have more difficulty accurately forecasting sales, evaluating

customer satisfaction, and recognizing emerging customer requirements. In addition, these systems integrators and third-party software providers may develop, acquire, or market products competitive with our products.

Our strategy of marketing our products directly to customers and indirectly through systems integrators and other technology companies may result in distribution channel conflicts. Our direct sales efforts may compete with those of our indirect channels and, to the extent different systems integrators target the same customers, systems integrators may also come into conflict with each other. Any channel conflicts that develop may have a material adverse effect on our relationships with systems integrators or harm our ability to attract new systems integrators.

**Our employee retention and hiring may be hindered by immigration restrictions, which could adversely impact our business, results of operations, cash flow, and financial condition.** Foreign nationals who are not U.S. citizens or permanent residents constitute a significant part of our professional U.S. workforce. Our ability to hire and retain these workers, and their ability to remain and work in the U.S. are impacted by laws and regulations as well as by processing procedures of various government agencies. Changes in laws, regulations, or procedures may adversely affect our ability to hire or retain such workers and may affect our costs of doing business and/or our ability to deliver services.

**Our failure to adequately protect our proprietary rights could adversely impact our business, results of operations, cash flow, and financial condition.** Our success and ability to compete is dependent in part upon our proprietary technology. There are no assurances that we will be able to protect our proprietary rights against unauthorized disclosure or third-party copying or use. We rely on a combination of copyright, patent, trademark, and trade secret laws, as well as confidentiality agreements, licensing arrangements, and contractual commitments, to establish and protect our proprietary rights. Despite our efforts to protect our proprietary rights, existing copyright, patent, trademark, and trade secret laws afford only limited protection. In addition, the laws of certain foreign countries do not protect our rights to the same extent as do the laws of the United States. Attempts may be made to copy or reverse engineer aspects of our products or to obtain and use information that we regard as proprietary. Any infringement of our proprietary rights could negatively impact our future operating results. Furthermore, policing the unauthorized use of our products is difficult, and litigation may be necessary in the future to enforce our intellectual property rights, to protect our trade secrets, or to determine the validity and scope of the proprietary rights of others. Litigation could result in substantial costs and diversion of resources. In turn, our business, results of operations, cash flow, and financial condition could be materially adversely affected.

**Mergers or other strategic transactions involving our competitors could weaken our competitive position or reduce our revenue.** Our competitors have been consolidating, which may make them more formidable competitors to us. Competing with stronger companies may cause us to experience pricing pressure and loss of market share, either of which could have a material adverse effect on our business, results of operations, cash flow, and financial condition. Our competitors may establish or strengthen their cooperative relationships with vendors, systems integrators, third-party consulting firms, or other parties. Established companies may not only develop their own products but may also acquire or partner with our current competitors. If any of these events occur, our revenue and profitability could significantly decline.

**Our business, results of operations, cash flow, and financial condition may be adversely affected if we cannot integrate acquired companies or manage joint ventures.** We may from time to time acquire companies with complementary products and services. These acquisitions will expose us to increased risks and costs, including those arising from the following: assimilating new operations and personnel; diverting financial and management resources from existing operations; and integrating acquired technologies. We may not be able to generate sufficient revenue from any of these acquisitions to offset the associated acquisition costs.

We will also be required to maintain uniform standards of quality and service, controls, procedures, and policies. Our failure to achieve any of these standards may hurt relationships with customers, employees, and new management personnel. In addition, future acquisitions may result in additional issuances of stock that could be dilutive to our shareholders.

Many acquisition candidates have significant intangible assets, and an acquisition of these businesses would likely result in significant amounts of goodwill and other intangible assets. Goodwill and certain other intangible assets are not amortized to income, but are subject to at least annual impairment reviews. If the acquisitions do not perform as planned, future charges to income arising from such impairment reviews could be significant. Likewise, future quarterly and annual earnings could be significantly adversely affected. In addition, these acquisitions could involve acquisition-related charges, such as one-time acquired research and development charges.

We may also evaluate joint venture relationships with complementary businesses. Any joint venture we enter into would involve many of the same risks posed by acquisitions, particularly the following: risks associated with the diversion of resources; the inability to generate sufficient revenue; the management of relationships with third parties; and potential additional expenses.

**Our business may require additional capital.** We may require additional capital to finance our growth or to fund acquisitions or investments in complementary businesses, technologies or product lines. Our capital requirements may be impacted by many factors,

including: demand for our products; the timing of and extent to which we invest in new technology; the timing of and extent to which we acquire other companies; the level and timing of revenue; the expenses of sales and marketing and new product development; the success and related expense of increasing our brand awareness; the cost of facilities to accommodate a growing workforce; the extent to which competitors are successful in developing new products and increasing their market share; and the costs involved in maintaining and enforcing intellectual property rights.

To the extent that our resources are insufficient to fund our future activities, we may need to raise additional funds through public or private financing. However, additional funding, if needed, may not be available on terms attractive to us, or at all. In addition, since we have historically financed our growth through cash flow from operations and available cash, our relative inexperience in accessing the credit or capital markets may impair our ability to do so if the need arises. Our inability to raise capital when needed could have a material adverse effect on our business, results of operations, cash flow and financial condition. If additional funds are raised through the issuance of equity securities, the percentage ownership of our company held by our current shareholders would be diluted.

**Fires or other catastrophic events at our principal facilities could cripple our business.** Fires, natural disasters or other catastrophic events, particularly those effecting our Atlanta headquarters or India research and development center, may cause damage or disruption to our operations, and thus could have a strong negative effect on us. Our business operations are subject to interruption by natural disasters, fire, power shortages, pandemics and other events beyond our control. Although we maintain crisis management and disaster response plans, such events could make it difficult or impossible for us to deliver our services to our customers.

**Our ability to maintain and develop our brand is critical for our continued success.** The brand identity we have developed has significantly contributed to the continued success of our business. Our ability to maintain and develop our brand is critical in expanding our base of customers, partners and employees. Our brand will depend largely on our ability to remain a technology leader and continue to provide high-quality innovative products, services, and features. Significant investments may be required in order to maintain and develop our brand. However, the investments may later be proven to be unsuccessful. If we fail to maintain and develop our brand, or if we incur excessive expenses in our efforts to do so, our business, operating results and financial condition may be materially and adversely affected.

**Adverse litigation results could affect our business.** From time to time, we may be involved in litigation relating to claims arising out of our ordinary course of business, and occasionally legal proceeding not in the ordinary course. Litigation can be lengthy, expensive and disruptive to our operations, and can divert our management's attention away from running our core business. The results of any litigation also cannot be predicted with certainty. An adverse decision could result in monetary damages or injunctive relief that could affect our business, operating results or financial condition. Additional information regarding legal matters in which we are involved can be found in Note 5 of the Notes to our Consolidated Financial Statements.

**Our stock price has been highly volatile.** The trading price of our common stock has fluctuated significantly since our initial public offering in April 1998. In addition, the trading price of our common stock could be subject to wide fluctuations in response to various factors, including: global macro-economic contraction impacting demand for supply chain solutions; quarterly variations in operating results; announcements of technological innovations or new products by us or our competitors; developments with respect to patents or proprietary rights; changes in financial estimates by securities analysts; and mergers, acquisitions, and combinations involving our competitors or us.

During 2015, we repurchased approximately \$101.6 million of Manhattan Associates' outstanding common stock under the share repurchase program approved by our Board of Directors throughout the year. In January 2016, our Board of Directors approved raising our remaining share repurchase authority to \$50.0 million of Manhattan Associates outstanding common stock.

In addition, the stock market has recently experienced volatility that has particularly affected the market prices of equity securities of many technology companies. The volatility often has been unrelated or disproportionate to the operating performance of those companies. These broad market fluctuations may adversely affect the market price of our common stock.

**Our articles of incorporation and bylaws and Georgia law may inhibit a takeover of our company.** Our basic corporate documents and Georgia law contain provisions that might enable our management to resist a takeover of our company. These provisions might discourage, delay, or prevent a change in the control of our company or a change in our management. These provisions could also discourage proxy contests and make it more difficult for you and other shareholders to elect directors and take other corporate actions. The existence of these provisions could also limit the price that investors might be willing to pay in the future for shares of our common stock.

#### **Item 1B. *Unresolved Staff Comments***

As of December 31, 2015, we do not have any unresolved SEC staff comments.

**Item 2.      *Properties***

Our principal administrative, sales, marketing, support, and research and development facility is located in approximately 221,000 square feet of modern office space in Atlanta, Georgia. Substantially all of this space is leased to us through September 30, 2025. We have additional offices under multi-year agreements in Indiana and New Jersey. We also occupy facilities outside of the United States under multi-year agreements in the United Kingdom, the Netherlands, France, China, Japan, Singapore, India, and Australia. We also occupy offices under short-term agreements in other geographical regions. We believe our office space is adequate to meet our immediate needs; however, we may expand into additional facilities in the future.

**Item 3.      *Legal Proceedings***

From time to time, we may be a party to legal proceedings arising in the ordinary course of business, and we could be a party to legal proceedings not in the ordinary course of business. The Company is not currently a party to any legal proceeding the result of which it believes could have a material adverse impact upon its business, financial position, results of operations, or cash flows.

Many of our installations involve products that are critical to the operations of our clients' businesses. Any failure in our products could result in a claim for substantial damages against us, regardless of our responsibility for such failure. Although we attempt to contractually limit our liability for damages arising from product failures or negligent acts or omissions, there can be no assurance that the limitations of liability set forth in our contracts will be enforceable in all instances.

**Item 4.      *Mine Safety Disclosures***

Not applicable.

## PART II

### Item 5. *Market for Registrant’s Common Equity, Related Shareholder Matters, and Issuer Purchases of Equity Securities*

#### Market for Common Stock

On December 19, 2013, the Board of Directors of the Company approved a four-for-one stock split of the Company’s common stock, effected in the form of a stock dividend. Each shareholder of record at the close of business on December 31, 2013 received three additional shares for every outstanding share held on the record date. The additional shares were distributed on January 10, 2014 and trading began on a split-adjusted basis on January 13, 2014. All references made to share or per share amounts have been restated to reflect the effect of this four-for-one stock split for all periods presented.

Our common stock is traded on the Nasdaq Global Select Market under the symbol “MANH”. The following table sets forth the high and low closing sales prices of the common stock as reported by the Nasdaq Global Select Market for the periods indicated:

| <u>Fiscal Period</u> | <u>High Price</u> | <u>Low Price</u> |
|----------------------|-------------------|------------------|
| <b>2015</b>          |                   |                  |
| First Quarter        | <b>\$55.11</b>    | <b>\$38.53</b>   |
| Second Quarter       | <b>61.23</b>      | <b>50.80</b>     |
| Third Quarter        | <b>68.19</b>      | <b>56.96</b>     |
| Fourth Quarter       | <b>76.96</b>      | <b>62.68</b>     |
| <b>2014</b>          |                   |                  |
| First Quarter        | \$40.49           | \$29.40          |
| Second Quarter       | 36.22             | 29.68            |
| Third Quarter        | 35.36             | 28.55            |
| Fourth Quarter       | 42.38             | 31.84            |

On January 29, 2016, the last reported sales price of our common stock on the Nasdaq Global Select Market was \$57.65 per share. The number of shareholders of record of our common stock as of January 31, 2016 was approximately 14.

We do not intend to declare or pay cash dividends in the foreseeable future. Our management anticipates that all earnings and other cash resources, if any, will be retained for investment in our business.

#### Equity Compensation Plan Information

The following table provides information regarding our current equity compensation plans as of December 31, 2015:

| <u>Plan Category</u>                                       | <u>Number of securities to be issued upon exercise of outstanding options and rights</u> | <u>Weighted-average exercise price of outstanding options and rights</u> | <u>Number of securities remaining available for future issuance under equity compensation plans</u> |
|--|--|--|---|
| Equity compensation plans approved by security holders     | 1,209,143  | \$5.06   | 11,923,068  |
| Equity compensation plans not approved by security holders | -  | -  | -   |
| Total  | <u>1,209,143</u>   | <u>\$5.06</u>  | <u>11,923,068</u>   |

Additional information regarding our equity compensation plans can be found in Note 2 of the Notes to our Consolidated Financial Statements.



## Purchase of Equity Securities

The following table provides information regarding our common stock repurchases under our publicly-announced share repurchase program and shares withheld for taxes due upon vesting of restricted stock for the quarter ended December 31, 2015. All repurchases related to the share repurchase program were made on the open market.

| Period                         | Total Number of Shares Purchased<br>(a) | Average Price Paid per Share<br>(b) | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs |
|--------------------------------|---|-------------------------------------|--|--|
| October 1 - October 31, 2015   | 28,850                                  | \$73.03                             | 28,497   | \$47,915,183   |
| November 1 - November 30, 2015 | 179,494                                 | 73.35                               | 179,494  | 34,749,862   |
| December 1 - December 31, 2015 | 132,091                                 | 74.40                               | 132,091  | 24,921,883   |
| Total                          | <u>340,435</u>                          |                                     | <u>340,082</u>   |  |

(a) Includes 353 shares withheld for taxes due upon vesting of restricted stock during October. No restricted stock awards vested in November and December. These amounts do not include shares withheld for taxes due upon vesting of restricted stock units.

(b) The average price paid per share for shares withheld for taxes due upon vesting of restricted stock was \$62.68. No restricted stock awards vested in November and December.

During the year ended December 31, 2015, we repurchased a total of 1,721,457 shares at an average price per share of \$59.02 under our publicly-announced share repurchase program. In January 2016, our Board of Directors approved raising our remaining share repurchase authority to \$50 million worth of Manhattan Associates outstanding common stock.

## Item 6. Selected Financial Data

You should read the following selected consolidated financial data in conjunction with our Consolidated Financial Statements and related Notes thereto and with "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this Form 10-K. The statement of income data for the years ended December 31, 2015, 2014 and 2013, and the balance sheet data as of December 31, 2015 and 2014, are derived from, and are qualified by reference to, the audited financial statements included elsewhere in this Form 10-K. The statement of income data for the years ended December 31, 2012 and 2011 and the balance sheet data as of December 31, 2013, 2012, and 2011 are derived from audited financial statements not included herein. Historical results are not necessarily indicative of results to be expected in the future.

|                                  | Year Ended December 31,               |            |            |            |            |
|----------------------------------|---------------------------------------|------------|------------|------------|------------|
|                                  | 2011                                  | 2012       | 2013       | 2014       | 2015       |
|                                  | (in thousands, except per share data) |            |            |            |            |
| <b>Statement of Income Data:</b> |                                       |            |            |            |            |
| Software license                 | \$ 54,241                             | \$ 61,494  | \$ 62,416  | \$ 71,583  | \$ 78,615  |
| Total revenue                    | \$ 329,253                            | \$ 376,248 | \$ 414,518 | \$ 492,104 | \$ 556,371 |
| Operating income                 | \$ 61,363                             | \$ 80,073  | \$ 101,287 | \$ 127,124 | \$ 161,446 |
| Net income                       | \$ 44,907                             | \$ 51,853  | \$ 67,296  | \$ 82,000  | \$ 103,475 |
| Earnings per diluted share       | \$ 0.52                               | \$ 0.64    | \$ 0.86    | \$ 1.08    | \$ 1.40    |

|  | December 31,   |            |            |            |            |
|--|----------------|------------|------------|------------|------------|
|  | 2011           | 2012       | 2013       | 2014       | 2015       |
|  | (in thousands) |            |            |            |            |
| <b>Balance Sheet Data:</b>             |                |            |            |            |            |
| Cash, cash equivalents and investments | \$ 99,114      | \$ 103,047 | \$ 132,956 | \$ 124,438 | \$ 128,760 |
| Total assets                           | \$ 259,600     | \$ 261,813 | \$ 297,828 | \$ 318,170 | \$ 337,913 |
| Debt                                   | \$ -           | \$ -       | \$ -       | \$ -       | \$ -       |
| Shareholders' equity                   | \$ 162,080     | \$ 161,509 | \$ 181,586 | \$ 182,023 | \$ 195,493 |

## **Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations**

*All statements, trend analyses, and other information contained in the following discussion relative to markets for our products and trends in revenue, gross margins, and anticipated expense levels, as well as other statements including words such as “anticipate,” “believe,” “plan,” “estimate,” “expect,” and “intend” and other similar expressions constitute forward-looking statements. These forward-looking statements are subject to business and economic risks and uncertainties, including those discussed under the caption “Risk Factors” in Item 1A of this Form 10-K, and our actual results of operations may differ materially from those contained in the forward-looking statements.*

### **Business Overview**

We develop, sell, deploy, service and maintain software solutions designed to manage supply chains, inventory and omni-channel operations for retailers, wholesalers, manufacturers, logistics providers and other organizations. Our customers include many of the world’s most premier and profitable brands.

Our business model is singularly focused on the development and implementation of complex commerce enablement software solutions that are designed to optimize supply chains, and retail store operations including point of sale effectiveness and efficiency for our customers. We have three principal sources of revenue:

- licenses of our software;
- professional services, including solutions planning and implementation, related consulting, customer training, and customer support services and software enhancements (collectively, “services”); and
- hardware sales and other revenue.

In 2015, we generated \$556.4 million in total revenue, with a revenue mix of: license revenue 14%; services revenue 77%; and hardware and other revenue 9%.

The Company has three geographic reportable segments: the Americas, EMEA, and APAC. Geographic revenue is based on the location of the sale. Our international revenue was approximately \$131.3 million, \$134.6 million and \$110.8 million for the years ended December 31, 2015, 2014 and 2013, respectively, which represents approximately 24%, 27% and 27% of our total revenue for the years ended December 31, 2015, 2014 and 2013, respectively. International revenue includes all revenue derived from sales to customers outside the United States. At December 31, 2015, we employed approximately 2,930 employees worldwide, of which 1,380 employees are based in the Americas, 210 employees in EMEA, and 1,340 employees in APAC (including India). 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, the Middle East, South Africa, and Asia.

### **Global Economic Trends and Industry Factors**

Global macro-economic trends, technology spending, and supply chain management market growth are important barometers for our business. In 2015, approximately 76% of our total revenue was generated in the United States, 13% in EMEA, and the remaining balance in APAC, Canada, and Latin America. In addition, Gartner Inc., an information technology research and advisory company, estimates that nearly 80% of every supply chain software solutions dollar invested is spent in North America (52%) and Western Europe (24%); consequently, the health of the U.S. and the Western European economies has a meaningful impact on our financial results.

We sell technology-based solutions with total pricing, including software and services, in many cases exceeding \$1.0 million. Our software often is a part of our customers’ and prospects’ much larger capital commitment associated with facilities expansion and business improvement. We believe that, given the lingering uncertainty in the global macro environment, the current sales cycles for large license sales of \$1.0 million or greater in our target markets have been extended. The current business climate within the United States and geographic regions in which we operate continues to affect customers’ and prospects’ decisions regarding timing of strategic capital expenditures. Delays with respect to such decisions can have a material adverse impact on our business, and may further intensify competition in our already highly competitive markets.

In January 2016, the International Monetary Fund (IMF) provided a World Economic Outlook (WEO) update lowering its previous 2016 world economic growth forecast to about 3.4 percent, downward revision of 0.2 percent relative to the October 2015 WEO. The WEO update noted “in advanced economies, a modest and uneven recovery is expected to continue, with a gradual further narrowing of output gaps. The picture for emerging market and developing economies is diverse but in many cases challenging. The slowdown

and rebalancing of the Chinese economy, lower commodity prices, and strains in some large emerging market economies will continue to weigh on growth prospects in 2016–17.”

The WEO update projected that advanced economies, which represent our primary revenue markets, would grow at about 2.1 percent in both 2016 and 2017, while the emerging and developing economies would grow at about 4.3 percent in 2016 and 4.7 percent in 2017.

During the past three years, the overall trend has been steady for our large license sales, with recognized license revenue of \$1.0 million or greater on twenty one, fifteen and fourteen new contracts for 2015, 2014 and 2013, respectively. However, the large deal flow has been inconsistent from quarter to quarter, reflecting what we believe to be ongoing macroeconomic uncertainty in the United States and Western Europe. While we are encouraged by our 2015 and 2014 results, we, along with many of our customers, still remain cautious regarding the pace of global economic recovery. With global GDP growth continuing to be below pre-2008 levels, we believe global economic volatility likely will continue to shape customers’ and prospects’ enterprise software buying decisions, making it difficult to forecast sales cycles for our products and the timing of large enterprise software license sales.

## **Revenue**

**License revenue:** License revenue, a leading indicator of our business, is primarily derived from software license fees customers pay for supply chain solutions. In 2015, license revenue totaled \$78.6 million, or 14% of total revenue, with gross margins of 87.4%. For the year ended December 31, 2015, Americas, EMEA, and APAC recognized \$65.3 million, \$9.6 million, and \$3.7 million in license revenue, respectively. For the year ended December 31, 2015, the percentage mix of new to existing customers was approximately 40/60.

License revenue growth is influenced by the strength of general economic and business conditions and the competitive position of our software products. Our license revenue generally has long sales cycles. In addition, the timing of the closing of a few large license transactions can have a material impact on our license revenues, operating profit, operating margins and earnings per share. For example, \$1.2 million of license revenue in 2015 equates to approximately one cent of diluted earnings per share impact.

Our software solutions are singularly focused on core supply chain operations (Warehouse Management, Transportation Management, Labor Management), Inventory optimization and Omni-channel operations (e-commerce, retail store operations and point of sale), which are intensely competitive markets characterized by rapid technological change. We are a market leader in the supply chain management software solutions market as defined by industry analysts such as ARC Advisory Group and Gartner. Our goal is to extend our position as a leading global supply chain solutions provider by growing our license revenues faster than our competitors through investment in innovation. We expect to continue to face increased competition from Enterprise Resource Planning (ERP) and Supply Chain Management 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. Increased competition could result in price reductions, fewer customer orders, reduced gross margins, and loss of market share.

**Services revenue:** Our services business consists of professional services (consulting and customer training) and customer support services and software enhancements (“CSSE”). In 2015, our services revenue totaled \$428.1 million, or 77% of total revenue, with gross margins of 56.9%. The Americas, EMEA, and APAC recognized \$352.7 million, \$58.0 million, and \$17.4 million, respectively, in services revenue for the year ended December 31, 2015. Professional services totaled \$304.6 million in 2015, accounted for approximately 71% of total services revenue and approximately 55% of total revenue. Our consolidated operating margin profile may be lower than those of various other technology companies due to our large services revenue mix as a percentage of total revenue. While we believe our services margins are very strong, they do lower our overall operating margin profile as services margins are inherently lower than license revenue margins.

At December 31, 2015, our professional services organization totaled approximately 1,920 employees, accounting for 66% of our total employees worldwide. Our professional services organization provides 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, the majority of our customers use at least some portion of these services for their planning, implementation, or related needs. 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.

Services revenue growth is contingent upon license revenue and customer upgrade cycles, which is influenced by the strength of general economic and business conditions and the competitive position of our software products. In addition, our professional services business has competitive exposure to offshore providers and other consulting companies. All of these factors potentially create the risk of pricing pressure, fewer customer orders, reduced gross margins, and loss of market share.

For CSSE, we offer a comprehensive 24 hours per day, 365 days per year program that provides our customers with software upgrades, when and if available, which include additional or improved functionality and technological advances incorporating emerging supply chain and industry initiatives. Our CSSE revenues totaled \$123.5 million in 2015, representing approximately 29% of services revenue and approximately 22% of total revenue, respectively. The growth of CSSE revenues is influenced by: (1) new license revenue growth; (2) annual renewal of support contracts; (3) increase in customers through acquisitions; and (4) fluctuations in currency rates. Substantially all of our customers renew their annual support contracts. Over the last three years, our annual revenue renewal rate of customers subscribing to comprehensive support and enhancements has been greater than 90%. CSSE revenue is generally paid in advance and recognized ratably over the term of the agreement, typically twelve months. CSSE renewal revenue is recognized over the renewal period and recognition is not initiated until payment is received from the customer.

**Hardware and other revenue:** Our hardware and other revenue totaled \$49.7 million in 2015 representing 9% of total revenue with gross margins of 17.2%. 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 and related maintenance pursuant to agreements with manufacturers or through distributor-authorized reseller agreements pursuant to which we are entitled to purchase hardware products and services at discount prices. We generally purchase hardware from our vendors only after receiving an order from a customer. As a result, we do not maintain hardware inventory.

Other revenue represents amounts associated with reimbursements from customers for out-of-pocket expenses. The total amount of expense reimbursement recorded to hardware and other revenue was \$20.2 million, \$18.9 million, and \$15.3 million for 2015, 2014 and 2013, respectively.

### **Product Development**

We continue to invest significantly in research and development (R&D) to provide leading solutions that help global retailers, manufacturers, wholesalers, distributors and logistics providers successfully manage accelerating and fluctuating demands as well as the increasing complexity and volatility of their local and global supply chains, retail store operations and point of sale. Our research and development expenses for the years ended December 31, 2015, 2014 and 2013 were \$53.9 million, \$49.0 million, and \$44.5 million, respectively. At December 31, 2015, our R&D organization totaled approximately 680 employees, located in the U.S. and India.

We expect to continue to focus our R&D resources on the development and enhancement of our core supply chain, inventory optimization, omni-channel and point of sale software solutions. We offer what we believe to be the broadest solution portfolio in the supply chain solutions marketplace, to address all aspects of inventory optimization, transportation management, distribution management, planning, and omni-channel operations including order management, store inventory & fulfillment, call center and point of sale.

We also plan to continue to enhance our existing solutions and to introduce new solutions to address evolving industry standards and market needs. We identify opportunities to further enhance our solutions and to develop and provide 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 analysts 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.

### **Cash Flow and Financial Condition**

For 2015, we generated cash flow from operating activities of \$120.2 million and have generated a cumulative total of \$303.7 million for the three years ended December 31, 2015. Our cash and investments at December 31, 2015 totaled \$128.8 million, with no debt on our balance sheet. We currently have no credit facilities. During the past three years, our primary uses of cash have been funding investment in R&D and operations to drive earnings growth and repurchases of common stock.

During 2015, we repurchased approximately \$101.6 million of Manhattan Associates' outstanding common stock under the share repurchase program approved by our Board of Directors throughout the year.

In 2016, we anticipate that our priorities for use of cash will be in hiring, developing sales and services resources and continued investment in product development to extend our market leadership. We will continue to evaluate acquisition opportunities that are complementary to our product footprint and technology direction. We will also continue to weigh our share repurchase options against cash for acquisitions and investing in the business. We do not anticipate any borrowing requirements in 2016 for general corporate purposes.

### Full Year 2015 Financial Summary

- Diluted earnings per share for the twelve months ended December 31, 2015 was \$1.40, compared to \$1.08 for the twelve months ended December 31, 2014;
- Consolidated revenue for the twelve months ended December 31, 2015 was \$556.4 million, compared to \$492.1 million for the twelve months ended December 31, 2014. License revenue was \$78.6 million for the twelve months ended December 31, 2015, compared to \$71.6 million for the twelve months ended December 31, 2014;
- Operating income was \$161.4 million for the twelve months ended December 31, 2015, compared to \$127.1 million for the twelve months ended December 31, 2014;
- Operating margins for 2015 were 29.0% compared to operating margins of 25.8% in 2014;
- Cash flow from operations totaled \$120.2 million for the full year 2015 compared to \$94.2 million in 2014;
- Cash and investments on hand at December 31, 2015 was \$128.8 million compared to \$124.4 million at December 31, 2014;
- During the twelve months ended December 31, 2015, the Company repurchased approximately 1.7 million shares of Manhattan Associates common stock under the share repurchase program authorized by our Board of Directors, for a total investment of \$101.6 million; and
- In January 2016, our Board of Directors approved raising the Company's remaining share repurchase authority to \$50 million of Manhattan Associates' outstanding common stock.

### Results of Operations

The following table summarizes selected Statement of Income data for the years ended December 31, 2015, 2014 and 2013.

|                               | Year Ended December 31, |            |            | % Change vs. Prior Year |      |
|-------------------------------|-------------------------|------------|------------|-------------------------|------|
|                               | 2015                    | 2014       | 2013       | 2015                    | 2014 |
|                               | (in thousands)          |            |            |                         |      |
| <b>Revenue:</b>               |                         |            |            |                         |      |
| Software license              | \$ 78,615               | \$ 71,583  | \$ 62,416  | 10%                     | 15%  |
| Services                      | 428,078                 | 376,023    | 315,901    | 14%                     | 19%  |
| Hardware and other            | 49,678                  | 44,498     | 36,201     | 12%                     | 23%  |
| Total revenue                 | 556,371                 | 492,104    | 414,518    | 13%                     | 19%  |
| <b>Costs and expenses:</b>    |                         |            |            |                         |      |
| Cost of license               | 9,938                   | 7,110      | 8,724      | 40%                     | -19% |
| Cost of services              | 184,349                 | 169,140    | 142,236    | 9%                      | 19%  |
| Cost of hardware and other    | 41,141                  | 36,328     | 30,191     | 13%                     | 20%  |
| Research and development      | 53,859                  | 48,953     | 44,549     | 10%                     | 10%  |
| Sales and marketing           | 48,615                  | 52,617     | 44,559     | -8%                     | 18%  |
| General and administrative    | 49,259                  | 44,455     | 37,147     | 11%                     | 20%  |
| Depreciation and amortization | 7,764                   | 6,377      | 5,825      | 22%                     | 9%   |
| Total costs and expenses      | 394,925                 | 364,980    | 313,231    | 8%                      | 17%  |
| Income from operations        | \$ 161,446              | \$ 127,124 | \$ 101,287 | 27%                     | 26%  |
| Operating margin              | 29.0%                   | 25.8%      | 24.4%      |                         |      |

The Company has three geographic reportable segments: the Americas, EMEA, and APAC. Geographic revenue information is based on the location of sale. The revenues represented below are from external customers only. The geographical-based expenses include costs of personnel, direct sales, and marketing expenses, and general and administrative costs to support the business. There are certain corporate expenses included in the Americas segment that are not charged to the other segments including research and development, certain marketing and general and administrative costs that support the global organization, and the amortization of acquired developed technology. Included in the Americas costs are all research and development costs, including the costs associated with the Company's India operations. During 2015, 2014 and 2013, we derived the majority of our revenues from sales to customers within our Americas segment. The following table summarizes revenue and operating profit by segment:

|                           | Year Ended December 31, |            |            | % Change vs. Prior Year |      |
|---------------------------|-------------------------|------------|------------|-------------------------|------|
|                           | 2015                    | 2014       | 2013       | 2015                    | 2014 |
| <b>Revenue:</b>           | <b>(in thousands)</b>   |            |            |                         |      |
| <b>Software license</b>   |                         |            |            |                         |      |
| Americas                  | \$ 65,307               | \$ 59,502  | \$ 49,574  | 10%                     | 20%  |
| EMEA                      | 9,566                   | 7,505      | 7,858      | 27%                     | -4%  |
| APAC                      | 3,742                   | 4,576      | 4,984      | -18%                    | -8%  |
| Total software license    | 78,615                  | 71,583     | 62,416     | 10%                     | 15%  |
| <b>Services</b>           |                         |            |            |                         |      |
| Americas                  | 352,665                 | 301,025    | 254,934    | 17%                     | 18%  |
| EMEA                      | 58,030                  | 51,440     | 41,020     | 13%                     | 25%  |
| APAC                      | 17,383                  | 23,558     | 19,947     | -26%                    | 18%  |
| Total services            | 428,078                 | 376,023    | 315,901    | 14%                     | 19%  |
| <b>Hardware and Other</b> |                         |            |            |                         |      |
| Americas                  | 46,504                  | 41,437     | 33,836     | 12%                     | 22%  |
| EMEA                      | 2,480                   | 1,910      | 1,536      | 30%                     | 24%  |
| APAC                      | 694                     | 1,151      | 829        | -40%                    | 39%  |
| Total hardware and other  | 49,678                  | 44,498     | 36,201     | 12%                     | 23%  |
| <b>Total Revenue</b>      |                         |            |            |                         |      |
| Americas                  | 464,476                 | 401,964    | 338,344    | 16%                     | 19%  |
| EMEA                      | 70,076                  | 60,855     | 50,414     | 15%                     | 21%  |
| APAC                      | 21,819                  | 29,285     | 25,760     | -25%                    | 14%  |
| Total revenue             | \$ 556,371              | \$ 492,104 | \$ 414,518 | 13%                     | 19%  |
| <b>Operating income:</b>  |                         |            |            |                         |      |
| Americas                  | \$ 133,823              | \$ 101,936 | \$ 83,451  | 31%                     | 22%  |
| EMEA                      | 22,310                  | 15,313     | 10,288     | 46%                     | 49%  |
| APAC                      | 5,313                   | 9,875      | 7,548      | -46%                    | 31%  |
| Total operating income    | \$ 161,446              | \$ 127,124 | \$ 101,287 | 27%                     | 26%  |

The consolidated results of our operations for the years ended December 31, 2015, 2014 and 2013 are discussed below.

## Revenue

Our revenue consists of fees generated from the licensing and hosting of software; fees from professional services, customer support services and software enhancements; hardware sales of complementary radio frequency and computer equipment; and other revenue representing amounts associated with reimbursements from customers for out-of-pocket expenses.

|                    | Year Ended December 31, |                   |                   |                    |            |                    |             |             |
|--------------------|-------------------------|-------------------|-------------------|--------------------|------------|--------------------|-------------|-------------|
|                    |                         |                   |                   | % Change vs. Prior |            | % of Total Revenue |             |             |
|                    | 2015                    | 2014              | 2013              | Year               |            | 2015               | 2014        | 2013        |
|                    | (in thousands)          |                   |                   |                    |            |                    |             |             |
| Software license   | \$ 78,615               | \$ 71,583         | \$ 62,416         | 10%                | 15%        | 14%                | 15%         | 15%         |
| Services           | 428,078                 | 376,023           | 315,901           | 14%                | 19%        | 77%                | 76%         | 76%         |
| Hardware and other | 49,678                  | 44,498            | 36,201            | 12%                | 23%        | 9%                 | 9%          | 9%          |
| Total revenue      | <u>\$ 556,371</u>       | <u>\$ 492,104</u> | <u>\$ 414,518</u> | <u>13%</u>         | <u>19%</u> | <u>100%</u>        | <u>100%</u> | <u>100%</u> |

### License revenue

#### Year 2015 compared with year 2014

License revenue increased \$7.0 million, or 10%, to \$78.6 million in 2015 compared to 2014. We completed twenty one and fifteen large new deals greater than \$1.0 million in 2015 and 2014, respectively. Our Americas and EMEA license revenue increased \$5.8 million and \$2.0 million, respectively, while APAC license revenue decreased \$0.8 million over 2014.

The license sales percentage mix across our product suite in 2015 was approximately 65% warehouse management solutions and 35% non-warehouse management solutions. Our warehouse management solutions increased \$10.0 million, or 25%, in 2015 compared to 2014, and non-warehouse management solutions decreased \$3.0 million, or 9%, in 2015 over 2014.

#### Year 2014 compared with year 2013

License revenue increased \$9.2 million, or 15%, to \$71.6 million in 2014 compared to 2013. We completed fifteen and fourteen large new deals greater than \$1.0 million in 2014 and 2013, respectively. Our Americas license revenue increased \$9.9 million, while EMEA and APAC license revenue decreased \$0.3 million and \$0.4 million, respectively, over 2013.

The license sales percentage mix across our product suite in 2014 was approximately 55% warehouse management solutions and 45% non-warehouse management solutions. Our warehouse management solutions increased \$0.7 million, or 2%, in 2014 compared to 2013, and non-warehouse management solutions increased \$8.5 million, or 37%, in 2014 over 2013.

### Services revenue

#### Year 2015 compared with year 2014

Services revenue increased \$52.1 million, or 14%, in 2015 compared to 2014 due to a \$44.6 million, or 17%, increase in professional services revenue and a \$7.5 million, or 6%, increase in CSSE revenue. The Americas and EMEA segments increased \$51.6 million and \$6.6 million, respectively, while the APAC segment decreased \$6.1 million, compared to 2014. The increase in services revenue is primarily due to a combination of license deals signed and customer-specific initiatives in conjunction with customer upgrade activity.

#### Year 2014 compared with year 2013

Services revenue increased \$60.1 million, or 19%, in 2014 compared to 2013 due to a \$49.2 million, or 23%, increase in professional services revenue and a \$10.9 million, or 10%, increase in CSSE revenue. The Americas, EMEA, and APAC segments increased \$46.1 million, \$10.4 million, and \$3.6 million, respectively, compared to 2013. The increase in services revenue is primarily due to a combination of license deals signed and customer-specific initiatives in conjunction with customer upgrade activity.

### **Hardware and other**

Sales of hardware increased \$3.9 million to \$29.5 million in 2015 compared to \$25.6 million in 2014. Sales of hardware increased \$4.7 million to \$25.6 million in 2014 compared to \$20.9 million in 2013. The majority of hardware sales are derived from our Americas segment. Sales of hardware are largely dependent upon customer-specific desires, which fluctuate. Other revenue represents reimbursements for professional service travel expenses that are required to be classified as revenue and are included in hardware and other revenue. Reimbursements by customers for out-of-pocket expenses were approximately \$20.2 million, \$18.9 million, and \$15.3 million for 2015, 2014 and 2013, respectively.

### **Cost of Revenue**

|                            | Year Ended December 31, |                   |                   |                         |            |
|----------------------------|-------------------------|-------------------|-------------------|-------------------------|------------|
|                            |                         |                   |                   | % Change vs. Prior Year |            |
|                            | 2015                    | 2014              | 2013              | 2015                    | 2014       |
|                            | (in thousands)          |                   |                   |                         |            |
| Cost of software license   | \$ 9,938                | \$ 7,110          | \$ 8,724          | 40%                     | -19%       |
| Cost of services           | 184,349                 | 169,140           | 142,236           | 9%                      | 19%        |
| Cost of hardware and other | 41,141                  | 36,328            | 30,191            | 13%                     | 20%        |
| Total cost of revenue      | <u>\$ 235,428</u>       | <u>\$ 212,578</u> | <u>\$ 181,151</u> | <u>11%</u>              | <u>17%</u> |

### **Cost of License**

Cost of license consists of the costs associated with software reproduction; hosting services; media, packaging and delivery, documentation, and other related costs; and royalties on third-party software sold with or as part of our products. In 2015, cost of license increased by \$2.8 million, or 40% compared to 2014 principally due to a \$1.7 million increase in cost of third-party software license fees and a \$0.7 million increase in cost of hosting over the prior year. In 2014, cost of license decreased by \$1.6 million, or 19% compared to 2013 principally due to decreased cost of royalties and third party software license fees over the prior year.

### **Cost of Services**

#### *Year 2015 compared with year 2014*

Cost of services consists primarily of salaries and other personnel-related expenses of employees dedicated to professional and technical services and customer support services. The \$15.2 million, or 9%, increase in cost of services in 2015 compared to 2014 was principally due increased headcount to support business growth resulting in a \$13.5 million increase in compensation, other personnel-related and travel expenses as well as a \$1.0 million increase in performance-based compensation expense.

#### *Year 2014 compared with year 2013*

Cost of services consists primarily of salaries and other personnel-related expenses of employees dedicated to professional and technical services and customer support services. The \$26.9 million, or 19%, increase in cost of services in 2014 compared to 2013 was principally due to a \$17.7 million increase in compensation, other personnel-related and travel expenses resulting from increased headcount in our services organization to support ongoing growth of the business and a \$5.8 million increase in performance-based compensation expense. In addition, the increase partially resulted from increases in application software costs and temporary contracted personnel.

### **Cost of Hardware and other**

In 2015, cost of hardware increased \$3.5 million to \$21.2 million from \$17.7 million in 2014 on increased sales of hardware. In 2014, cost of hardware increased \$2.6 million to \$17.7 million from \$15.1 million in 2013 on increased sales of hardware. Cost of hardware and other includes professional services billed travel expenses reimbursed by customers of approximately \$19.9 million, \$18.6 million, and \$15.1 million for 2015, 2014 and 2013, respectively. Changes in amounts of out-of-pocket expenses correlate to changes in amounts of services revenue.



## Operating Expenses

|                               | Year Ended December 31, |                   |                   |                         |            |
|-------------------------------|-------------------------|-------------------|-------------------|-------------------------|------------|
|                               |                         |                   |                   | % Change vs. Prior Year |            |
|                               | 2015                    | 2014              | 2013              | 2015                    | 2014       |
|                               | (in thousands)          |                   |                   |                         |            |
| Research and development      | \$ 53,859               | \$ 48,953         | \$ 44,549         | 10%                     | 10%        |
| Sales and marketing           | 48,615                  | 52,617            | 44,559            | -8%                     | 18%        |
| General and administrative    | 49,259                  | 44,455            | 37,147            | 11%                     | 20%        |
| Depreciation and amortization | 7,764                   | 6,377             | 5,825             | 22%                     | 9%         |
| Operating expenses            | <u>\$ 159,497</u>       | <u>\$ 152,402</u> | <u>\$ 132,080</u> | <u>5%</u>               | <u>15%</u> |

### Research and Development

Our principal research and development (R&D) activities during 2015, 2014 and 2013 focused on the expansion and integration of new products and releases, while expanding the product footprint of our software solution suites in Supply Chain, Inventory Optimization and Omni-Channel including point-of-sale and table retailing. The Manhattan Platform provides not only a sophisticated service oriented, architecture based framework, but a platform that facilitates the integration with Enterprise Resource Planning (ERP) and other supply chain solutions.

For the years ended December 31, 2015, 2014 and 2013, we did not capitalize any R&D costs because the costs incurred following the attainment of technological feasibility for the related software product through the date of general release were insignificant.

#### Year 2015 compared with year 2014

R&D expenses primarily consist of salaries and other personnel-related costs for personnel involved in our research and development activities. Research and development expenses in 2015 increased by \$4.9 million, or 10%, compared to 2014. This increase is primarily due to a \$3.4 million increase in compensation and other personnel-related expenses, a \$0.6 million increase in temporary contracted personnel, and a \$0.6 million increase in performance-based bonus expense.

#### Year 2014 compared with year 2013

R&D expenses primarily consist of salaries and other personnel-related costs for personnel involved in our research and development activities. Research and development expenses in 2014 increased by \$4.4 million, or 10%, compared to 2013. This increase is primarily due to a \$2.1 million increase in compensation and other personnel-related expenses and a \$1.6 million increase in performance-based bonus expense.

### Sales and Marketing

#### Year 2015 compared with year 2014

Sales and marketing expenses include salaries, commissions, travel and other personnel-related costs and the costs of our marketing and alliance programs and related activities. Sales and marketing expenses decreased by \$4.0 million, or 8%, in 2015 compared to 2014. This decrease was mainly attributable to the decrease in performance-based compensation expense of \$3.7 million.

#### Year 2014 compared with year 2013

Sales and marketing expenses include salaries, commissions, travel and other personnel-related costs and the costs of our marketing and alliance programs and related activities. Sales and marketing expenses increased by \$8.1 million, or 18%, in 2014 compared to 2013. This increase was mainly attributable to the increase in performance-based compensation expense of \$6.0 million and a \$1.3 million increase in compensation and other personnel-related expenses, including temporary contracted personnel.

## General and Administrative

### Year 2015 compared with year 2014

General and administrative expenses consist primarily of salaries and other personnel-related costs of executive, financial, human resources, information technology, and administrative personnel, as well as facilities, legal, insurance, accounting, and other administrative expenses. General and administrative expenses increased \$4.8 million, or 11%, in 2015 primarily attributable to an increase of \$3.6 million in compensation and other personnel-related expenses, and an increase of \$1.1 million in professional fees.

### Year 2014 compared with year 2013

General and administrative expenses consist primarily of salaries and other personnel-related costs of executive, financial, human resources, information technology, and administrative personnel, as well as facilities, legal, insurance, accounting, and other administrative expenses. General and administrative expenses increased \$7.3 million, or 20%, in 2014 primarily attributable to an increase of \$2.2 million in compensation and other personnel-related expenses, an increase of \$1.4 million in temporary contracted personnel and an increase of \$0.7 million in performance-based bonus expense. The comparison to 2013 was also impacted by the \$1.6 million reversal in 2013 of a previously expensed transaction tax resulting from the expiration of the tax audit statutes.

## Depreciation and Amortization

Depreciation expense amounted to \$7.3 million, \$6.2 million, and \$5.8 million 2015, 2014 and 2013, respectively. Amortization of intangibles was immaterial in 2015, 2014 and 2013. We have recorded goodwill and other acquisition-related intangible assets as part of the purchase accounting associated with various acquisitions.

## Operating Income

Operating income for the year ended December 31, 2015 increased \$34.3 million to \$161.4 million, compared to \$127.1 million for the year ended December 31, 2014. Operating margins were 29.0% for 2015 versus 25.8% for 2014. Operating income and margin increased primarily due to strong revenue growth and expense management during the year even though disadvantaged from unfavorable foreign currency translation effect of \$2.1 million for the year ended December 31, 2015. The unfavorable foreign currency translation effect is primarily due to the weakening of the euro and British pound sterling versus the U.S. dollar during the year ended December 31, 2015. In 2015, operating income in the Americas and EMEA segments increased by \$31.9 million and \$7.0 million, respectively, but decreased in the APAC segment by \$4.6 million.

Operating income for the year ended December 31, 2014 increased \$25.8 million to \$127.1 million, compared to \$101.3 million for the year ended December 31, 2013. Operating margins were 25.8% for 2014 versus 24.4% for 2013. Operating income and margin increased primarily due to strong revenue growth and expense management during the year. Operating income also benefitted over the prior year from favorable foreign currency translation effect of \$1.2 million for the year ended December 31, 2014, primarily due to the weakening of the Indian rupee versus the U.S. dollar during the year ended December 31, 2014. The increase was partially offset by a \$1.6 million reversal in 2013 of a previously expensed transaction tax resulting from the expiration of the tax audit statutes. Operating income in the Americas, EMEA, and APAC segments increased by \$18.5 million, \$5.0 million, and \$2.3 million, respectively in 2014.

## Other Income and Income Taxes

|                      | Year Ended December 31, |        |          | % Change vs. Prior Year |      |
|----------------------|-------------------------|--------|----------|-------------------------|------|
|                      | 2015                    | 2014   | 2013     | 2015                    | 2014 |
| Other income, net    | \$ 1,395                | \$ 874 | \$ 1,822 | 60%                     | -52% |
| Income tax provision | 59,366                  | 45,998 | 35,813   | 29%                     | 28%  |

### Other Income, net

Other income, net primarily includes interest income, foreign currency gains and losses, and other non-operating expenses. Interest income was \$1.3 million for the years ended December 31, 2015 and 2014, and \$1.2 million for the year ended December 31, 2013. The weighted-average interest rate earned on cash and investments was approximately 1% for the years ended December 31, 2015, 2014 and 2013. We recorded a net foreign currency loss of \$0.1 million and \$0.4 million in 2015 and 2014, respectively, and a net

foreign currency gain of \$0.7 million in 2013. The foreign currency gains and losses mainly resulted from gains or losses on intercompany transactions denominated in foreign currencies with subsidiaries due to the fluctuation of the U.S. dollar relative to other foreign currencies, primarily the Indian Rupee.

### ***Income Tax Provision***

Our effective income tax rates were 36.5%, 35.9%, and 34.7% in 2015, 2014 and 2013, respectively. Our effective income tax rate takes into account the source of taxable income, domestically by state and internationally by country, and available income tax credits. The effective tax rate in 2015 increased from 2014 mainly due to increases in reserves for uncertain tax positions, partially offset by increases in estimated utilization of state tax credit carryforwards.

The effective tax rate in 2014 increased from 2013 mainly due to increases in state tax rates. Additionally, the 2013 tax year included the benefit of the reinstatement of the federal research and development tax credit for both the 2012 and 2013 tax years, partially offset by decreases in reserves for uncertain tax positions.

### **Liquidity and Capital Resources**

During 2015, 2014 and 2013, we funded our business through cash generated from operations. Our cash and investments as of December 31, 2015 included \$85.0 million held in the U.S. and \$43.8 million held by our foreign subsidiaries. We believe that our cash balances in the U.S. are sufficient to fund our U.S. operations. In the future, if we elect to repatriate the unremitted earnings of our foreign subsidiaries in the form of dividends or otherwise, we would be subject to additional U.S. income taxes which would result in a higher effective tax rate. However, our intent is to indefinitely reinvest these funds outside of the U.S. and we do not have a current cash requirement need to repatriate cash to the U.S.

Our cash flow from operating activities totaled \$120.2 million, \$94.2 million, and \$89.4 million in 2015, 2014 and 2013, respectively. Typical factors affecting our cash provided by operating activities include our level of revenue and earnings for the period, the timing and amount of employee bonus payments and income tax payments, and the timing of cash collections from our customers which is our primary source of operating cash flow. Cash flow from operating activities for 2015 increased \$26.0 million compared to 2014 primarily attributable to higher revenue and net earnings. Cash flow from operating activities for 2014 increased \$4.8 million compared to 2013 primarily attributable to higher revenue and net earnings offset slightly by higher cash paid for income taxes. Days sales outstanding was 63 at December 31, 2015 and 61 at both December 31, 2014 and 2013, reflecting solid cash collections.

Our investing activities used cash of approximately \$13.5 million, \$12.7 million, and \$7.8 million in 2015, 2014 and 2013, respectively. The use of cash for investing activities for the year ended December 31, 2015 was for capital expenditures of approximately \$11.5 million to support company growth and net purchases of \$2.0 million in investments. The use of cash for investing activities for the year ended December 31, 2014 was for capital expenditures of approximately \$9.4 million, \$2.8 million payment in connection with the asset acquisition of Global Bay Mobile Technologies, and net purchases of \$0.5 million in investments. The use of cash for investing activities for the year ended December 31, 2013 was for capital expenditures of approximately \$4.7 million and net purchases of \$3.1 million in investments.

Our financing activities used cash of approximately \$102.3 million, \$89.1 million, and \$51.8 million in 2015, 2014 and 2013, respectively. The principal use of cash for financing activities for the year ended December 31, 2015 was to purchase approximately \$112.1 million of our common stock, including \$10.5 million for shares withheld for taxes due upon vesting of restricted stock, partially offset by proceeds generated from options exercised of \$0.7 million and a \$9.1 million excess tax benefit related to the exercise of stock options and vesting of restricted stock awards. The principal use of cash for financing activities for the year ended December 31, 2014 was to purchase approximately \$99.2 million of our common stock, including \$8.1 million for shares withheld for taxes due upon vesting of restricted stock, partially offset by proceeds generated from options exercised of \$1.6 million and a \$8.6 million excess tax benefit related to the exercise of stock options and vesting of restricted stock awards. The principal use of cash for financing activities for the year ended December 31, 2013 was to purchase approximately \$64.2 million of our common stock, including \$5.0 million for shares withheld for taxes due upon vesting of restricted stock, partially offset by proceeds generated from options exercised of \$5.8 million and a \$6.6 million excess tax benefit related to the exercise of stock options and vesting of restricted stock awards. In January 2016, our Board of Directors increased our remaining share repurchase authority to a total of \$50 million.

Periodically, opportunities may arise to grow our business through the acquisition of complementary products, and technologies. Any material acquisition could result in a decrease to our working capital depending on the amount, timing, and nature of the consideration to be paid. We believe that our existing cash and investments will be sufficient to meet our working capital and capital expenditure needs at least for the next twelve months, although there can be no assurance that this will be the case. In 2016, we anticipate that our priorities for use of cash will be similar to prior years, with our first priority being continued investment in product development and profitably growing our business to extend our market leadership. We will continue to evaluate acquisition

opportunities that are complementary to our product footprint and technology direction. We will also continue to weigh our share repurchase options against cash for acquisitions and investing in the business. At this time, we do not anticipate any borrowing requirements in 2016 for general corporate purposes.

### New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued guidance codified in Accounting Standard Codification (ASC) 606, Revenue Recognition – Revenue from Contracts with Customers, which will replace substantially all current revenue recognition guidance once it becomes effective. The new standard provides accounting guidance for all revenue arising from contracts with customers and affects all entities that enter into contracts to provide goods or services to their customers unless the contracts are in the scope of other standards. The new standard is less prescriptive and may require software entities to use more judgment and estimates in the revenue recognition process than are required under existing revenue guidance. This guidance is now effective for annual and interim periods beginning after December 15, 2017, using either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients, or (ii) a modified retrospective approach with the cumulative effect of initially adopting the standard recognized at the date of adoption (which includes additional footnote disclosures). We are currently evaluating the impact the adoption of this standard will have on our Consolidated Financial Statements.

In April 2015, the FASB issued Accounting Standard Update (ASU) 2015-05, Intangibles – Goodwill and Other – Internal Use Software (Subtopic 350-40): Customer’s Accounting for Fees Paid in a Cloud Computing Arrangement. ASU 2015-05 provides guidance to customers about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. The guidance will not change GAAP for a customer’s accounting for service contracts. This guidance is effective for annual and interim periods beginning after December 15, 2015. We adopted this ASU as of December 31, 2015. The adoption of the ASU did not have a material impact on our financial statements.

In November 2015, the FASB issued ASU 2015-17, Balance Sheet Classification of Deferred Taxes to simplify the presentation of the deferred income taxes. The ASU requires that all deferred tax assets and liabilities, along with any related valuation allowance, be classified as noncurrent on the balance sheet. The guidance does not change the existing requirement that only permits offsetting within a tax-paying component of an entity. This guidance is effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods, but may be adopted earlier. We have not adopted this ASU as of December 31, 2015, but believe that the adoption of the ASU will not have a material impact on our financial statements.

### Off-Balance Sheet Arrangements and Aggregate Contractual Obligations

Our principal commitments as of December 31, 2015 consist of obligations under operating leases. We expect to fulfill all of the following commitments from our working capital. We have no off-balance sheet arrangements within the meaning of SEC rules.

#### *Lease Commitments*

We lease our facilities and some of our equipment under noncancelable operating lease arrangements that expire at various dates through 2025. Rent expense for these leases aggregated \$6.3 million, \$6.3 million, and \$5.9 million during 2015, 2014 and 2013, respectively.

The following table summarizes our contractual commitments as of December 31, 2015 (in thousands):

|                             | <b>Total</b>    | <b>2016</b> | <b>2017</b> | <b>2018</b> | <b>2019</b> | <b>2020</b> | <b>Thereafter</b> |
|-----------------------------|-----------------|-------------|-------------|-------------|-------------|-------------|-------------------|
| Operating Lease Obligations | <b>\$52,064</b> | \$7,003     | \$7,282     | \$6,370     | \$5,211     | \$4,783     | \$21,415          |

#### *Indemnities*

Our customer contracts generally contain infringement indemnity provisions. Under those provisions, we generally agree, subject to certain exceptions, to indemnify, defend, and hold harmless the customer in connection with third party claims against the customer alleging that the customer’s use of our software products in compliance with their license infringe the third party’s patent, copyright, or other intellectual property rights. Conditions to our obligations generally include that we are provided the right to control the defense of the claims and, in general, to control settlement negotiations. Those provisions generally provide also that, if the customer is prevented from using our software because of a third party infringement claim, our sole obligation (in addition to the

indemnification, defense, and hold harmless obligation referred to above) is to, at our expense, (i) procure for the customer the right to continue to use the software, (ii) to replace or modify the product so that its use by the customer does not infringe, or, if either of the foregoing are not reasonably feasible, to terminate the customer contract and provide a refund of the unamortized portion of the customer's license fee (based on a five year amortization period). Our customer contracts sometimes also require us to indemnify, defend, and hold harmless the customer in connection with death, personal injury, or property damage claims made by third parties with respect to actions of our personnel or contractors. The indemnity obligations contained in our customer contracts generally have no specified expiration date and no specified monetary limitation on liability. We have not previously incurred costs to settle claims or pay awards under these indemnification obligations. We account for these indemnity obligations in accordance with FASB guidance on accounting for contingencies, and record a liability for these obligations when a loss is probable and reasonably estimable. We have not recorded any liabilities for these contracts as of December 31, 2015.

#### *Warranties*

In general, in our customer contracts we warrant to our customers that our software products will perform in all material respects in accordance with our standard published specifications in effect at the time of delivery of the licensed products to the customer for six months after first use of the licensed products, but no more than 24 months after execution of the license agreement. Additionally, we warrant to our customers that our services will be performed consistent with generally accepted industry standards or specific service levels through completion of the agreed upon services. If necessary, we would provide for the estimated cost of product and service warranties based on specific warranty claims and claim history. However, we have not incurred significant recurring expense under our product or service warranties. As a result, we believe the estimated fair value of these agreements is nominal. Accordingly, we have no liabilities recorded for these agreements as of December 31, 2015.

#### **Application of Critical Accounting Policies and Estimates**

The SEC defines "critical accounting policies" as those that require application of management's most difficult, subjective, or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain and may change in subsequent periods.

Our consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP). The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions in certain circumstances that affect amounts reported in the accompanying consolidated financial statements and related footnotes. We believe that estimates, judgments, and assumptions upon which we rely are reasonable based on information available to us at the time that these estimates, judgments, and assumptions are made. To the extent there are material differences between those estimates, judgments, or assumptions and actual results, our financial statements will be affected. The accounting policies that reflect our more significant estimates, judgments, and assumptions are: Revenue Recognition and Accounting for Income Taxes.

#### *Revenue Recognition*

The Company's revenue consists of fees from the licensing and hosting of software (collectively included in "Software license" revenue in the Consolidated Statements of Income), fees from implementation and training services (collectively, "professional services") and customer support services and software enhancements (collectively with professional services revenue included in "Services" revenue in the Consolidated Statements of Income), and sales of hardware and other revenue, which consists of reimbursements of out-of-pocket expenses incurred in connection with our professional services (collectively included in "Hardware and other" revenue in the Consolidated Statements of Income). All revenue is recognized net of any related sales taxes.

The Company recognizes license revenue when the following criteria are met: (1) a signed contract is obtained covering all elements of the arrangement, (2) delivery of the product has occurred, (3) the license fee is fixed or determinable, and (4) collection is probable. Revenue recognition for software with multiple-element arrangements requires recognition of revenue using the "residual method" when (a) there is vendor-specific objective evidence (VSOE) of the fair values of all undelivered elements in a multiple-element arrangement that is not accounted for using long-term contract accounting, (b) VSOE of fair value does not exist for one or more of the delivered elements in the arrangement, and (c) all other applicable revenue-recognition criteria for software revenue recognition are satisfied. For those contracts that contain significant customization or modifications, license revenue is recognized using contract accounting.

The Company allocates revenue to customer support services and software enhancements and any other undelivered elements of the arrangement based on VSOE of fair value of each element, and such amounts are deferred until the applicable delivery criteria and other revenue recognition criteria have been met. The balance of the revenue, net of any discounts inherent in the arrangement, is recognized at the outset of the arrangement using the residual method as the product licenses are delivered. If the Company cannot objectively determine the fair value of each undelivered element based on the VSOE of fair value, the Company defers revenue recognition until all elements are delivered, all services have been performed, or until fair value can be objectively determined. The

Company must apply judgment in determining all elements of the arrangement and in determining the VSOE of fair value for each element, considering the price charged for each product on a stand-alone basis or applicable renewal rates. For arrangements that include future software functionality deliverables, the Company accounts for these deliverables as a separate element of the arrangement. Because the Company does not sell these deliverables on a standalone basis, the Company is not able to establish VSOE of fair value of these deliverables. As a result, the Company defers all revenue under the arrangement until the future functionality has been delivered to the customer.

Payment terms for the Company's software licenses vary. Each contract is evaluated individually to determine whether the fees in the contract are fixed or determinable and whether collectability is probable. Judgment is required in assessing the probability of collection, which is generally based on evaluation of customer-specific information, historical collection experience, and economic market conditions. If market conditions decline, or if the financial conditions of customers deteriorate, the Company may be unable to determine that collectability is probable, and the Company could be required to defer the recognition of revenue until the Company receives customer payments. The Company has an established history of collecting under the terms of its software license contracts without providing refunds or concessions to its customers. Therefore, the Company has determined that the presence of payment terms that extend beyond contract execution in a particular contract do not preclude the conclusion that the fees in the contract are fixed or determinable. Although infrequent, when payment terms in a contract extend beyond our standard terms or twelve months, the Company has determined that such fees are not fixed or determinable and recognizes revenue as payments become due provided that all other conditions for revenue recognition have been met.

The Company's services revenue consists of fees generated from professional services and customer support and software enhancements related to the Company's software products. Professional services include system planning, design, configuration, testing, and other software implementation support, and are not typically essential to the functionality of the software. Fees from professional services performed by the Company are separately priced and are generally billed on an hourly basis, and revenue is recognized as the services are performed. In certain situations, professional services are rendered under agreements in which billings are limited to contractual maximums or based upon a fixed fee for portions of or all of the engagement. Revenue related to fixed-fee-based contracts is recognized on a proportional performance basis based on the hours incurred on discrete projects within an overall services arrangement. The Company has determined that output measures, or services delivered, approximate the input measures associated with fixed-fee services arrangements. Project losses are provided for in their entirety in the period in which they become known. Revenue related to customer support services and software enhancements is generally paid in advance and recognized ratably over the term of the agreement, typically twelve months.

Hardware and other revenue is generated from the resale of a variety of hardware products, developed and manufactured by third parties, that are integrated with and complementary to the Company's software solutions. As part of a complete solution, the Company's customers periodically purchase hardware from the Company for use with the software licenses purchased from the Company. These products include computer hardware, radio frequency terminal networks, radio frequency identification (RFID) chip readers, bar code printers and scanners, and other peripherals. Hardware revenue is recognized upon shipment to the customer when title passes. The Company generally purchases hardware from the Company's vendors only after receiving an order from a customer. As a result, the Company generally does not maintain hardware inventory.

In accordance with the other presentation matters within the Revenue Recognition Topic of the ASC, the Company recognizes amounts associated with reimbursements from customers for out-of-pocket expenses as revenue. Such amounts have been included in "Hardware and other" revenue in the Condensed Consolidated Statements of Income. The total amount of expense reimbursement recorded to revenue was \$20.2 million, \$18.9 million, and \$15.3 million for 2015, 2014 and 2013, respectively.

#### *Accounting for Income Taxes*

We provide for the effect of income taxes on our financial position and results of operations in accordance with the Income Taxes Topic of the ASC. Under this accounting pronouncement, income tax expense is recognized for the amount of income taxes payable or refundable for the current year and for the change in net deferred tax assets or liabilities resulting from events that are recorded for financial reporting purposes in a different reporting period than recorded in the tax return. Management must make significant assumptions, judgments, and estimates to determine our current provision for income taxes and also our deferred tax assets and liabilities and any valuation allowance to be recorded against our net deferred tax asset.

Our judgments, assumptions, and estimates relative to the current provision for income tax take into account current tax laws, our interpretation of current tax laws, allowable deductions, projected tax credits, and possible outcomes of current and future audits conducted by foreign and domestic tax authorities. We do not recognize a tax benefit unless we conclude that it is more likely than not that the benefit will be sustained on audit by the taxing authority based solely on the technical merits of the associated tax position. If the recognition threshold is met, we recognize a tax benefit measured at the largest amount of the tax benefit that, in our judgment, is greater than 50 percent likely to be realized. Changes in tax law or our interpretation of tax laws and the resolution of current and future tax audits could significantly impact the amounts provided for income taxes in our financial position and results of operations.

Our assumptions, judgments, and estimates relative to the value of our net deferred tax asset take into account predictions of the amount and category of future taxable income. Actual operating results and the underlying amount and category of income in future years could render our current assumptions, judgments, and estimates of recoverable net deferred taxes inaccurate, thus materially impacting our financial position and results of operations.

## **Item 7A. Quantitative and Qualitative Disclosures About Market Risk**

### **Foreign Business**

Our international business is subject to risks typical of an international business, including, but not limited to differing economic conditions, changes in political climate, differing tax structures, other regulations and restrictions, and foreign exchange rate volatility. Our international operations currently include business activity out of offices in the United Kingdom, the Netherlands, France, Australia, China, Japan, Singapore, and India. When the U.S. dollar strengthens against a foreign currency, the value of our sales and expenses in that currency converted to U.S. dollars decreases. When the U.S. dollar weakens, the value of our sales and expenses in that currency converted to U.S. dollars increases. We recognized foreign exchange losses of \$0.1 million and \$0.4 million in 2015 and 2014, respectively, and a foreign exchange gain of \$0.7 million in 2013. Foreign exchange rate transaction gains and losses are classified in "Other income (loss), net" in our Consolidated Statements of Income. A fluctuation of 10% in the period end exchange rates at December 31, 2015 relative to the U.S. dollar would result in a change of approximately \$0.2 million in the reported foreign currency gain. A fluctuation of 10% in the period end exchange rates at December 31, 2014 relative to the U.S. dollar would result in a change of approximately \$0.1 million in the reported foreign currency gain.

### **Interest Rates**

We currently invest our cash in a variety of financial instruments, including taxable and tax-advantaged floating rate obligations in money market funds and certificates of deposit. These investments are mainly denominated in U.S. dollars. Cash balances in foreign currencies overseas, except for India, are derived from business operations. India operations are funded by the U.S. At December 31, 2015, our cash, cash equivalents, and investment balances totaled \$128.8 million, of which \$118.4 million is highly liquid. The remaining \$10.4 million balance is invested in short-term certificates of deposit. Our cash equivalents balance at December 31, 2015 was \$39.7 million. Cash equivalents principally consist of highly-liquid money market funds and certificates of deposit with maturities of less than three months when purchased.

Investments in both fixed rate and floating rate interest-earning instruments carry interest rate risk. Fixed rate securities may have their fair market value adversely impacted due to a rise in interest rates, while floating rate securities may produce less income than expected if interest rates fall. Due in part to these factors, our future investment income may fall short of expectations due to changes in interest rates, or we may suffer losses in principal if forced to sell securities that have seen a decline in market value due to changes in interest rates. The weighted-average interest rate of return on cash and investment securities was approximately 1% for the years ended December 31, 2015 and 2014. The fair value of cash equivalents and investments held at December 31, 2015 and 2014 was \$50.0 million and \$47.7 million, respectively. Based on the average investments outstanding during 2015 and 2014, increases or decreases in the rates of return of 25 basis points would result in increases or decreases to interest income of approximately \$0.3 million for both years from the reported interest income.

**Item 8. Financial Statements and Supplementary Data**

*Financial Statements*

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## MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of Manhattan Associates, Inc. is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process designed under the supervision of the Company's principal executive and principal financial officers to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external purposes in accordance with U.S. generally accepted accounting principles.

The Company's internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets; provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of management and the directors of the Company; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As of the end of the Company's 2015 fiscal year, management conducted an assessment of the Company's internal control over financial reporting based on the framework established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) (COSO). Based on this assessment, management has determined that the Company's internal control over financial reporting as of December 31, 2015 was effective.

Ernst & Young LLP, the independent registered public accounting firm that audited the Company's financial statements for the year ended December 31, 2015, has audited the Company's internal control over financial reporting as of December 31, 2015 and has issued a report regarding the Company's internal control over financial reporting appearing on page 38, which expresses an unqualified opinion on the effectiveness of the Company's internal control over financial reporting as of December 31, 2015.

/s/ Eddie Capel

Eddie Capel  
President and Chief Executive Officer

February 5, 2016

/s/ Dennis B. Story

Dennis B. Story  
Executive Vice President, Chief Financial  
Officer, and Treasurer

February 5, 2016

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

**The Board of Directors and Shareholders  
Manhattan Associates, Inc. and Subsidiaries**

We have audited Manhattan Associates, Inc. and subsidiaries' internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) (the COSO criteria). Manhattan Associates, Inc. and subsidiaries' management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Manhattan Associates, Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Manhattan Associates, Inc. and subsidiaries as of December 31, 2015 and 2014, and the related consolidated statements of income, comprehensive income, cash flows, and shareholders' equity for each of the three years in the period ended December 31, 2015 of Manhattan Associates, Inc. and subsidiaries, and our report dated February 5, 2016 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Atlanta, Georgia  
February 5, 2016

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM  
ON THE CONSOLIDATED FINANCIAL STATEMENTS**

**The Board of Directors and Shareholders  
Manhattan Associates, Inc. and Subsidiaries**

We have audited the accompanying consolidated balance sheets of Manhattan Associates, Inc. and subsidiaries as of December 31, 2015 and 2014, and the related consolidated statements of income, comprehensive income, cash flows, and shareholders' equity for each of the three years in the period ended December 31, 2015. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Manhattan Associates, Inc. and subsidiaries at December 31, 2015 and 2014, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2015, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Manhattan Associates, Inc. and subsidiaries' internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework), and our report dated February 5, 2016 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Atlanta, Georgia  
February 5, 2016

**MANHATTAN ASSOCIATES, INC. AND SUBSIDIARIES**  
**Consolidated Statements of Income**  
(in thousands, except per share amounts)

|                                    | Year Ended December 31, |                  |                  |
|------------------------------------|-------------------------|------------------|------------------|
|                                    | 2015                    | 2014             | 2013             |
| Revenue:                           |                         |                  |                  |
| Software license                   | \$ 78,615               | \$ 71,583        | \$ 62,416        |
| Services                           | 428,078                 | 376,023          | 315,901          |
| Hardware and other                 | 49,678                  | 44,498           | 36,201           |
| Total revenue                      | 556,371                 | 492,104          | 414,518          |
| Costs and expenses:                |                         |                  |                  |
| Cost of license                    | 9,938                   | 7,110            | 8,724            |
| Cost of services                   | 184,349                 | 169,140          | 142,236          |
| Cost of hardware and other         | 41,141                  | 36,328           | 30,191           |
| Research and development           | 53,859                  | 48,953           | 44,549           |
| Sales and marketing                | 48,615                  | 52,617           | 44,559           |
| General and administrative         | 49,259                  | 44,455           | 37,147           |
| Depreciation and amortization      | 7,764                   | 6,377            | 5,825            |
| Total costs and expenses           | 394,925                 | 364,980          | 313,231          |
| Operating income                   | 161,446                 | 127,124          | 101,287          |
| Interest income                    | 1,331                   | 1,268            | 1,167            |
| Other income (loss), net           | 64                      | (394)            | 655              |
| Income before income taxes         | 162,841                 | 127,998          | 103,109          |
| Income tax provision               | 59,366                  | 45,998           | 35,813           |
| Net income                         | <u>\$ 103,475</u>       | <u>\$ 82,000</u> | <u>\$ 67,296</u> |
| Basic earnings per share           | <u>\$ 1.41</u>          | <u>\$ 1.09</u>   | <u>\$ 0.88</u>   |
| Diluted earnings per share         | <u>\$ 1.40</u>          | <u>\$ 1.08</u>   | <u>\$ 0.86</u>   |
| Weighted average number of shares: |                         |                  |                  |
| Basic                              | 73,443                  | 74,995           | 76,664           |
| Diluted                            | 74,038                  | 75,841           | 77,932           |

*The accompanying notes are an integral part of these Consolidated Statements of Income.*

**MANHATTAN ASSOCIATES, INC. AND SUBSIDIARIES**  
**Consolidated Statements of Comprehensive Income**  
(in thousands)

|   | <b>Year Ended December 31,</b> |             |             |
|---|--------------------------------|-------------|-------------|
|   | <b>2015</b>                    | <b>2014</b> | <b>2013</b> |
| Net income                              | \$ 103,475                     | \$ 82,000   | \$ 67,296   |
| Foreign currency translation adjustment | (2,283)                        | (2,241)     | (3,079)     |
| Comprehensive income                    | \$ 101,192                     | \$ 79,759   | \$ 64,217   |

*The accompanying notes are an integral part of these Consolidated Statements of Comprehensive Income.*

**MANHATTAN ASSOCIATES, INC. AND SUBSIDIARIES**  
**Consolidated Balance Sheets**  
(in thousands, except share and per share data)

|  | <b>December 31,</b> |             |
|--|---------------------|-------------|
|  | <b>2015</b>         | <b>2014</b> |
| <b>ASSETS</b>  |                     |             |
| Current Assets:  |                     |             |
| Cash and cash equivalents  | \$ 118,416          | \$ 115,708  |
| Short-term investments   | 10,344              | 8,730       |
| Accounts receivable, net of allowance of \$7,031 and \$4,164 in 2015 and 2014, respectively  | 97,379              | 86,828      |
| Deferred income taxes  | 10,231              | 9,900       |
| Prepaid expenses   | 9,224               | 7,282       |
| Other current assets   | 1,548               | 1,413       |
| Total current assets   | 247,142             | 229,861     |
| Property and equipment, net  | 21,176              | 17,265      |
| Goodwill, net  | 62,233              | 62,250      |
| Deferred income taxes  | 86                  | 270         |
| Other assets   | 7,275               | 8,524       |
| Total assets   | \$ 337,912          | \$ 318,170  |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>  |                     |             |
| Current liabilities:   |                     |             |
| Accounts payable   | \$ 11,219           | \$ 12,483   |
| Accrued compensation and benefits  | 29,284              | 30,889      |
| Accrued and other liabilities  | 13,853              | 12,501      |
| Deferred revenue   | 68,757              | 58,968      |
| Income taxes payable   | 4,072               | 7,974       |
| Total current liabilities  | 127,185             | 122,815     |
| Deferred rent, long-term   | 3,811               | 4,965       |
| Deferred income taxes  | 5,704               | 3,960       |
| Other non-current liabilities  | 5,720               | 4,407       |
| Shareholders' equity:  |                     |             |
| Preferred stock, no par value; 20,000,000 shares authorized, no shares issued or outstanding in 2015 and 2014  | -                   | -           |
| Common stock, \$.01 par value; 200,000,000 shares authorized; 72,766,383 and 74,104,064 shares issued and outstanding at December 31, 2015 and December 31, 2014, respectively | 728                 | 741         |
| Retained earnings  | 207,070             | 191,305     |
| Accumulated other comprehensive loss   | (12,306)            | (10,023)    |
| Total shareholders' equity   | 195,492             | 182,023     |
| Total liabilities and shareholders' equity   | \$ 337,912          | \$ 318,170  |

*The accompanying notes are an integral part of these Consolidated Balance Sheets.*

**MANHATTAN ASSOCIATES, INC. AND SUBSIDIARIES**  
**Consolidated Statements of Cash Flows**  
(in thousands)

|   | <b>Year Ended December 31,</b> |                   |                   |
|---|--------------------------------|-------------------|-------------------|
|   | <b>2015</b>                    | <b>2014</b>       | <b>2013</b>       |
| <b>Operating activities:</b>  |                                |                   |                   |
| Net income  | \$ 103,475                     | \$ 82,000         | \$ 67,296         |
| Adjustments to reconcile net income to net cash provided by operating activities: |                                |                   |                   |
| Depreciation and amortization   | 7,764                          | 6,377             | 5,825             |
| Equity-based compensation   | 14,528                         | 9,671             | 7,325             |
| (Gain) loss on disposal of equipment  | (30)                           | (13)              | 31                |
| Tax benefit of stock awards exercised/vested                                      | 9,170                          | 8,640             | 6,980             |
| Excess tax benefits from equity-based compensation                                | (9,147)                        | (8,562)           | (6,637)           |
| Deferred income taxes   | 1,532                          | (1,705)           | 3,165             |
| Unrealized foreign currency loss (gain)   | 49                             | (624)             | 205               |
| Changes in operating assets and liabilities:                                      |                                |                   |                   |
| Accounts receivable, net  | (12,223)                       | (16,758)          | (9,174)           |
| Other assets  | (1,427)                        | (5,198)           | 697               |
| Accounts payable, accrued and other liabilities                                   | (1,592)                        | 13,519            | 3,164             |
| Income taxes  | (2,271)                        | 338               | 4,500             |
| Deferred revenue  | 10,325                         | 6,477             | 6,010             |
| Net cash provided by operating activities   | <u>120,153</u>                 | <u>94,162</u>     | <u>89,387</u>     |
| <b>Investing activities:</b>  |                                |                   |                   |
| Purchases of property and equipment   | (11,492)                       | (9,415)           | (4,740)           |
| Purchases of short-term investments   | (15,385)                       | (14,644)          | (14,751)          |
| Maturities of short-term investments  | 13,334                         | 14,165            | 11,686            |
| Payment in connection with acquisition  | -                              | (2,773)           | -                 |
| Net cash used in investing activities   | <u>(13,543)</u>                | <u>(12,667)</u>   | <u>(7,805)</u>    |
| <b>Financing activities:</b>  |                                |                   |                   |
| Purchase of common stock  | (112,138)                      | (99,204)          | (64,199)          |
| Proceeds from issuance of common stock from options exercised                     | 717                            | 1,571             | 5,754             |
| Excess tax benefits from equity-based compensation                                | 9,147                          | 8,562             | 6,637             |
| Net cash used in financing activities   | <u>(102,274)</u>               | <u>(89,071)</u>   | <u>(51,808)</u>   |
| Foreign currency impact on cash   | <u>(1,628)</u>                 | <u>(1,091)</u>    | <u>(2,136)</u>    |
| Net change in cash and cash equivalents   | 2,708                          | (8,667)           | 27,638            |
| Cash and cash equivalents at beginning of period                                  | 115,708                        | 124,375           | 96,737            |
| Cash and cash equivalents at end of period  | <u>\$ 118,416</u>              | <u>\$ 115,708</u> | <u>\$ 124,375</u> |
| <b>Supplemental disclosures of cash flow information:</b>                         |                                |                   |                   |
| Cash paid for taxes   | <u>\$ 50,902</u>               | <u>\$ 38,674</u>  | <u>\$ 21,191</u>  |

*The accompanying notes are an integral part of these Consolidated Statements of Cash Flows.*

**MANHATTAN ASSOCIATES, INC. AND SUBSIDIARIES**  
**Consolidated Statements of Shareholders' Equity**  
(in thousands, except share data)

|  | Common Stock      |               | Additional<br>Paid-In<br>Capital | Retained<br>Earnings | Accumulated<br>Other<br>Comprehensive<br>Income (Loss) | Total<br>Shareholders'<br>Equity |
|--|-------------------|---------------|----------------------------------|----------------------|--|----------------------------------|
|  | Shares            | Amount        |                                  |                      |  |                                  |
| Balance, December 31, 2012                             | 78,483,868        | \$ 785        | \$ -                             | \$ 165,427           | \$ (4,703)   | \$ 161,509                       |
| Repurchase of common stock                             | (3,132,276)       | (32)          | (20,048)                         | (44,119)             | -  | (64,199)                         |
| Stock option exercises                                 | 1,014,956         | 11            | 5,743                            | -                    | -  | 5,754                            |
| Restricted stock units issuance/shares<br>cancellation | 7,632             | -             | -                                | -                    | -  | -                                |
| Equity-based compensation                              | -                 | -             | 7,325                            | -                    | -  | 7,325                            |
| Tax effects of equity-based<br>compensation            | -                 | -             | 6,980                            | -                    | -  | 6,980                            |
| Foreign currency translation<br>adjustment             | -                 | -             | -                                | -                    | (3,079)  | (3,079)                          |
| Net income   | -                 | -             | -                                | 67,296               | -  | 67,296                           |
| Balance, December 31, 2013                             | 76,374,180        | 764           | -                                | 188,604              | (7,782)  | 181,586                          |
| Repurchase of common stock                             | (2,868,630)       | (29)          | (19,876)                         | (79,299)             | -  | (99,204)                         |
| Stock option exercises                                 | 286,456           | 3             | 1,568                            | -                    | -  | 1,571                            |
| Restricted stock units issuance/shares<br>cancellation | 312,058           | 3             | (3)                              | -                    | -  | -                                |
| Equity-based compensation                              | -                 | -             | 9,671                            | -                    | -  | 9,671                            |
| Tax effects of equity-based<br>compensation            | -                 | -             | 8,640                            | -                    | -  | 8,640                            |
| Foreign currency translation<br>adjustment             | -                 | -             | -                                | -                    | (2,241)  | (2,241)                          |
| Net income   | -                 | -             | -                                | 82,000               | -  | 82,000                           |
| Balance, December 31, 2014                             | 74,104,064        | 741           | -                                | 191,305              | (10,023)   | 182,023                          |
| Repurchase of common stock                             | (1,947,432)       | (19)          | (24,409)                         | (87,710)             | -  | (112,138)                        |
| Stock option exercises                                 | 150,154           | 2             | 715                              | -                    | -  | 717                              |
| Restricted stock shares/units issuance                 | 459,597           | 4             | (4)                              | -                    | -  | -                                |
| Equity-based compensation                              | -                 | -             | 14,528                           | -                    | -  | 14,528                           |
| Tax effects of equity-based<br>compensation            | -                 | -             | 9,170                            | -                    | -  | 9,170                            |
| Foreign currency translation<br>adjustment             | -                 | -             | -                                | -                    | (2,283)  | (2,283)                          |
| Net income   | -                 | -             | -                                | 103,475              | -  | 103,475                          |
| <b>Balance, December 31, 2015</b>                      | <b>72,766,383</b> | <b>\$ 728</b> | <b>\$ -</b>                      | <b>\$ 207,070</b>    | <b>\$ (12,306)</b>                                     | <b>\$ 195,492</b>                |

*The accompanying notes are an integral part of these Consolidated Statements of Shareholders' Equity.*



**MANHATTAN ASSOCIATES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2015, 2014 and 2013**

**1. Organization, Consolidation and Summary of Significant Accounting Policies**

**Organization and Business**

Manhattan Associates, Inc. (“Manhattan” or the “Company”) is a developer and provider of supply chain commerce solutions that help organizations optimize the effectiveness, efficiency, and strategic advantages of their supply chains. The Company’s 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 catalogs, store retailers, and Web outlets), and consumers.

The Company’s operations are in North America, Europe (EMEA), and the Asia/Pacific (APAC) region. The European operations are conducted through the Company’s wholly-owned subsidiaries, Manhattan Associates Limited, Manhattan Associates Europe B.V., Manhattan France SARL, and Manhattan Associates GmbH, in the United Kingdom, the Netherlands, France, and Germany, respectively. The Company’s Asia/Pacific operations are conducted through its wholly-owned subsidiaries, Manhattan Associates Pty Ltd., Manhattan Associates KK, Manhattan Associates Software (Shanghai), Co. Ltd., Manhattan Associates Software Pte Ltd., and Manhattan Associates (India) Development Centre Private Limited in Australia, Japan, China, Singapore, and India, respectively. The Company occasionally sells its products and services in other countries, such as countries in Latin America, Eastern Europe, Middle East, and Asia, through its direct sales channel as well as various reseller channels.

**Stock Split and Increase of the Authorized Number of Shares of Common Stock**

On December 19, 2013, the Board of Directors of the Company approved a four-for-one stock split of the Company’s common stock, effected in the form of a stock dividend. Each shareholder of record at the close of business on December 31, 2013 received three additional shares for every outstanding share held on the record date. The additional shares were distributed on January 10, 2014 and trading began on a split-adjusted basis on January 13, 2014.

On May 15, 2014, the shareholders of the Company approved an amendment to the Company’s articles of incorporation to increase the authorized number of shares of common stock from 100,000,000 to 200,000,000. The amendment was effective on May 15, 2014.

All references made to share or per share amounts in the accompanying condensed consolidated financial statements and applicable disclosures have been restated to reflect the effect of the four-for-one stock split for all periods presented. The Company retained the current par value of \$0.01 per share for all shares of common stock. Stockholders’ equity reflects the stock split by reclassifying an amount equal to the par value of the additional shares arising from the split from “Additional Paid-in Capital” or “Retained Earnings” to “Common stock.”

**Principles of Consolidation and Foreign Currency Translation**

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

The financial statements of foreign subsidiaries have been translated into United States dollars in accordance with the foreign currency matters topic in the Financial Accounting Standards Board’s (“FASB”) Accounting Standards Codification (the “Codification”). Revenues and expenses from international operations were denominated in the respective local currencies and translated using the average monthly exchange rates for the year. All balance sheet accounts have been translated using the exchange rates in effect at the balance sheet date and the effect of changes in exchange rates from year to year are disclosed as a separate component of shareholders’ equity and comprehensive income.

## **New Accounting Pronouncements**

In May 2014, the Financial Accounting Standards Board (FASB) issued guidance codified in Accounting Standard Codification (ASC) 606, Revenue Recognition – Revenue from Contracts with Customers, which will replace substantially all current revenue recognition guidance once it becomes effective. The new standard provides accounting guidance for all revenue arising from contracts with customers and affects all entities that enter into contracts to provide goods or services to their customers unless the contracts are in the scope of other standards. The new standard is less prescriptive and may require software entities to use more judgment and estimates in the revenue recognition process than are required under existing revenue guidance. This guidance is now effective for annual and interim periods beginning after December 15, 2017, using either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients, or (ii) a modified retrospective approach with the cumulative effect of initially adopting the standard recognized at the date of adoption (which includes additional footnote disclosures). We are currently evaluating the impact the adoption of this standard will have on our Consolidated Financial Statements.

In April 2015, the FASB issued Accounting Standard Update (ASU) 2015-05, Intangibles – Goodwill and Other – Internal Use Software (Subtopic 350-40): Customer’s Accounting for Fees Paid in a Cloud Computing Arrangement. ASU 2015-05 provides guidance to customers about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. The guidance will not change GAAP for a customer’s accounting for service contracts. This guidance is effective for annual and interim periods beginning after December 15, 2015. We adopted this ASU as of December 31, 2015. The adoption of the ASU did not have a material impact on our financial statements.

In November 2015, the FASB issued ASU 2015-17, Balance Sheet Classification of Deferred Taxes to simplify the presentation of the deferred income taxes. The ASU requires that all deferred tax assets and liabilities, along with any related valuation allowance, be classified as noncurrent on the balance sheet. The guidance does not change the existing requirement that only permits offsetting within a tax-paying component of an entity. This guidance is effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods, but may be adopted earlier. We have not adopted this ASU as of December 31, 2015, but believe that the adoption of the ASU will not have a material impact on our financial statements.

## **Summary of Significant Accounting Policies**

### *Cash and Cash Equivalents*

The Company considers all highly liquid investments purchased with original maturities of three months or less to be cash or cash equivalents.

### *Concentrations of Credit Risk*

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash and cash equivalents, short- and long-term investments and accounts receivable. The Company maintains cash and cash equivalents and short- and long-term investments with various financial institutions. Amounts held are above the federally insured limit.

The Company’s sales are primarily to companies located in the United States, Europe and Asia. The Company performs periodic credit evaluations of its customers’ financial condition and does not require collateral. Accounts receivable are due principally from large U.S., European and Asia Pacific companies under stated contract terms. Accounts receivable, net as of December 31, 2015 for the Americas, EMEA, and APAC companies were \$79.5 million, \$12.7 million, and \$5.2 million, respectively. Accounts receivable, net as of December 31, 2014 for the Americas, EMEA, and APAC companies were \$69.2 million, \$13.5 million, and \$4.1 million, respectively. The Company’s top five customers in aggregate accounted for 8%, 10%, and 11% of total revenue recognized for each of the years ended December 31, 2015, 2014 and 2013, respectively. No single customer accounted for more than 10% of revenue in the years ended December 31, 2015, 2014 and 2013 or for more than 10% of accounts receivable as of December 31, 2015 and 2014.

### *Fair Value Measurement*

The Company measures its investments based on a fair value hierarchy disclosure framework that prioritizes and ranks the level of market price observability used in measuring assets and liabilities at fair value. Market price observability is affected by a number of factors, including the type of asset or liability and their characteristics. This hierarchy prioritizes the inputs into three broad levels as follows:

- Level 1—Quoted prices in active markets for identical instruments.

- Level 2—Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.
- Level 3—Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

The Company's investments are categorized as available-for-sale securities and recorded at fair market value. Investments with maturities of 90 days or less from the date of purchase are classified as cash equivalents; investments with maturities of greater than 90 days from the date of purchase but less than one year are generally classified as short-term investments; and investments with maturities of one year or greater from the date of purchase are generally classified as long-term investments. Unrealized holding gains and losses are reflected as a net amount in a separate component of shareholders' equity until realized. For the purposes of computing realized gains and losses, cost is determined on a specific identification basis.

At December 31, 2015, the Company's cash, cash equivalents, and short-term investments balances were \$78.7 million, \$39.7 million, and \$10.4 million, respectively. Cash equivalents consist of highly liquid money market funds and certificates of deposit. Short-term investments consist of certificates of deposit. At December 31, 2015, the Company has \$19.8 million in certificates of deposit in India, which are included in cash equivalents and short-term investments. The Company uses quoted prices from active markets that are classified at Level 1 as a highest level observable input in the disclosure hierarchy framework for all available-for-sale securities. At December 31, 2015, the Company has \$30.3 million in money market funds, which are classified as Level 1 and are included in cash and cash equivalents on the Consolidated Balance Sheet. The Company has no long-term investments or investments classified as Level 2 or Level 3.

#### *Use of Estimates*

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Significant estimates include the allowance for doubtful accounts, which is based upon an evaluation of historical amounts written-off, the customers' ability to pay, and general economic conditions; self-insurance accruals; impairment of goodwill; stock based compensation, which is based on the number of awards ultimately expected to vest; and the Company's effective income tax rate (including the impact of unrecognized tax benefits) and deferred tax assets, which are based upon the Company's expectations of future taxable income, allowable deductions, and projected tax credits. Actual results will differ from these estimates.

#### *Fair Value of Financial Instruments*

The carrying values of cash and cash equivalents, accounts receivable, accounts payable, and other financial instruments included in the accompanying Consolidated Balance Sheets approximate their fair values principally due to the short-term maturities of these instruments. Unrealized gains and losses on investments are included as a separate component of "Accumulated other comprehensive loss," net of any related tax effect, in the Consolidated Balance Sheets.

#### *Risks Associated with Single Business Line, Technological Advances, and Foreign Operations*

The Company currently derives a substantial portion of its revenues from sales of its software and related services and hardware. The markets for supply chain commerce solutions are highly competitive, subject to rapid technological change, changing customer needs, frequent new product introductions, and evolving industry standards that may render existing products and services obsolete. As a result, the Company's position in these markets could be eroded rapidly by unforeseen changes in customer requirements for application features, functions, and technologies. The Company's growth and future operating results will depend, in part, upon its ability to enhance existing applications and develop and introduce new applications that meet changing customer requirements that respond to competitive products and that achieve market acceptance. Any factor adversely affecting the markets for supply chain commerce solutions could have an adverse effect on the Company's business, financial condition, results of operations and operating cash flows.

The Company's international business is subject to risks typical of an international business, including, but not limited to, differing economic conditions, changes in political climate, differing tax structures, other regulations and restrictions, and foreign exchange rate volatility. In addition, we have a large development center in Bangalore, India, that does not have a natural in-market revenue hedge to mitigate currency risk to our operating expense in India. Fluctuations in the value of other currencies, particularly the Indian rupee, could significantly affect our revenues, expenses, operating profit and net income. The Company recognized foreign exchange losses

of \$0.1 million and \$0.4 million in 2015 and 2014, respectively, and a foreign exchange rate gain of \$0.7 million in 2013. Foreign exchange rate transaction gains and losses are classified in “Other income (loss), net” on the Consolidated Statements of Income.

### *Revenue Recognition*

The Company’s revenue consists of fees from the licensing and hosting of software (collectively included in “Software license” revenue in the Consolidated Statements of Income), fees from implementation and training services (collectively, “professional services”) and customer support services and software enhancements (collectively with professional services revenue included in “Services” revenue in the Consolidated Statements of Income), and sales of hardware and other revenue, which consists of reimbursements of out-of-pocket expenses incurred in connection with our professional services (collectively included in “Hardware and other” revenue in the Consolidated Statements of Income). All revenue is recognized net of any related sales taxes.

The Company recognizes license revenue when the following criteria are met: (1) a signed contract is obtained covering all elements of the arrangement, (2) delivery of the product has occurred, (3) the license fee is fixed or determinable, and (4) collection is probable. Revenue recognition for software with multiple-element arrangements requires recognition of revenue using the “residual method” when (a) there is vendor-specific objective evidence (VSOE) of the fair values of all undelivered elements in a multiple-element arrangement that is not accounted for using long-term contract accounting, (b) VSOE of fair value does not exist for one or more of the delivered elements in the arrangement, and (c) all other applicable revenue-recognition criteria for software revenue recognition are satisfied. For those contracts that contain significant customization or modifications, license revenue is recognized using contract accounting.

The Company allocates revenue to customer support services and software enhancements and any other undelivered elements of the arrangement based on VSOE of fair value of each element, and such amounts are deferred until the applicable delivery criteria and other revenue recognition criteria have been met. The balance of the revenue, net of any discounts inherent in the arrangement, is recognized at the outset of the arrangement using the residual method as the product licenses are delivered. If the Company cannot objectively determine the fair value of each undelivered element based on the VSOE of fair value, the Company defers revenue recognition until all elements are delivered, all services have been performed, or until fair value can be objectively determined. The Company must apply judgment in determining all elements of the arrangement and in determining the VSOE of fair value for each element, considering the price charged for each product on a stand-alone basis or applicable renewal rates. For arrangements that include future software functionality deliverables, the Company accounts for these deliverables as a separate element of the arrangement. Because the Company does not sell these deliverables on a standalone basis, the Company is not able to establish VSOE of fair value of these deliverables. As a result, the Company defers all revenue under the arrangement until the future functionality has been delivered to the customer.

Payment terms for the Company’s software licenses vary. Each contract is evaluated individually to determine whether the fees in the contract are fixed or determinable and whether collectability is probable. Judgment is required in assessing the probability of collection, which is generally based on evaluation of customer-specific information, historical collection experience, and economic market conditions. If market conditions decline, or if the financial conditions of customers deteriorate, the Company may be unable to determine that collectability is probable, and the Company could be required to defer the recognition of revenue until the Company receives customer payments. The Company has an established history of collecting under the terms of its software license contracts without providing refunds or concessions to its customers. Therefore, the Company has determined that the presence of payment terms that extend beyond contract execution in a particular contract do not preclude the conclusion that the fees in the contract are fixed or determinable. Although infrequent, when payment terms in a contract extend beyond our standard terms or twelve months, the Company has determined that such fees are not fixed or determinable and recognizes revenue as payments become due provided that all other conditions for revenue recognition have been met.

The Company’s services revenue consists of fees generated from professional services and customer support and software enhancements related to the Company’s software products. Professional services include system planning, design, configuration, testing, and other software implementation support, and are not typically essential to the functionality of the software. Fees from professional services performed by the Company are separately priced and are generally billed on an hourly basis, and revenue is recognized as the services are performed. In certain situations, professional services are rendered under agreements in which billings are limited to contractual maximums or based upon a fixed fee for portions of or all of the engagement. Revenue related to fixed-fee-based contracts is recognized on a proportional performance basis based on the hours incurred on discrete projects within an overall services arrangement. The Company has determined that output measures, or services delivered, approximate the input measures associated with fixed-fee services arrangements. Project losses are provided for in their entirety in the period in which they become known. Revenue related to customer support services and software enhancements is generally paid in advance and recognized ratably over the term of the agreement, typically twelve months.

Hardware and other revenue is generated from the resale of a variety of hardware products, developed and manufactured by third parties, that are integrated with and complementary to the Company's software solutions. As part of a complete solution, the Company's customers periodically purchase hardware from the Company for use with the software licenses purchased from the Company. These products include computer hardware, radio frequency terminal networks, radio frequency identification (RFID) chip readers, bar code printers and scanners, and other peripherals. Hardware revenue is recognized upon shipment to the customer when title passes. The Company generally purchases hardware from the Company's vendors only after receiving an order from a customer. As a result, the Company generally does not maintain hardware inventory.

In accordance with the other presentation matters within the Revenue Recognition Topic of the Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC), the Company recognizes amounts associated with reimbursements from customers for out-of-pocket expenses as revenue. Such amounts have been included in "Hardware and other" revenue in the Consolidated Statements of Income. The total amount of expense reimbursement recorded to revenue was \$20.2 million, \$18.9 million, and \$15.3 million for 2015, 2014 and 2013, respectively.

#### *Deferred Revenue*

Deferred revenue represents amounts collected prior to having completed performance of professional services, customer support services and software enhancements, and significant remaining obligations under license agreements. The Company generally expects to complete such services or obligations within the next twelve months.

#### *Returns and Allowances*

The Company has not experienced significant returns or warranty claims to date and, as a result, has not recorded a provision for the cost of returns and product warranty claims at December 31, 2015 or 2014.

The Company records an allowance for doubtful accounts based on the historical experience of write-offs and a detailed assessment of accounts receivable. Additions to the allowance for doubtful accounts generally represent a sales allowance on services revenue, which are recorded to operations as a reduction to services revenue. The total amounts charged to operations were \$7.1 million, \$4.8 million, and \$2.9 million for 2015, 2014 and 2013, respectively. In estimating the allowance for doubtful accounts, management considers the age of the accounts receivable, the Company's historical write-offs, and the creditworthiness of the customer, among other factors. Should any of these factors change, the estimates made by management will also change accordingly, which could affect the level of the Company's future allowances. Uncollectible accounts are written off when it is determined that the specific balance is not collectible.

#### *Property and Equipment*

Property and equipment is recorded at cost and consists of furniture, computers, other office equipment, internal use software, and leasehold improvements. The Company depreciates the cost of furniture, computers, other office equipment, and internal use software on a straight-line basis over their estimated useful lives (three to five years for computer software, five years for office equipment, seven years for furniture and fixtures). Leasehold improvements are depreciated over the lesser of their useful lives or the term of the lease. Depreciation expense for property and equipment for the years ended December 31, 2015, 2014 and 2013 was approximately \$7.3 million, \$6.2 million, and \$5.8 million, respectively, and was included in "Depreciation and amortization" in the Consolidated Statements of Income.

Property and equipment, at cost, consist of the following (in thousands):

|                               | December 31,     |                  |
|-------------------------------|------------------|------------------|
|                               | 2015             | 2014             |
| Office equipment              | \$ 33,912        | \$ 32,916        |
| Computer software             | 18,809           | 17,351           |
| Furniture and fixtures        | 4,100            | 3,022            |
| Leasehold improvement         | 18,119           | 15,191           |
| Property and equipment, gross | 74,940           | 68,480           |
| Less accumulated depreciation | (53,764)         | (51,215)         |
| Property and equipment, net   | <u>\$ 21,176</u> | <u>\$ 17,265</u> |

### *Software Development Costs*

Research and development expenses are charged to expense as incurred. For the years ended December 31, 2015, 2014 and 2013, the Company did not capitalize any internal research and development costs because the costs incurred between the attainment of technological feasibility for the related software product through the date when the product was available for general release to customers have been insignificant.

The Company determines the amount of development costs capitalizable under the provisions of FASB Codification accounting for costs of computer software to be sold, leased, or marketed. Under this guidance, computer software development costs are charged to R&D expense until technological feasibility is established, after which remaining software production costs are capitalized. The Company has defined technological feasibility as the point in time at which the Company has a detailed program design or a working model of the related product, depending on the type of development efforts, and high-risk development issues have been resolved through end-to-end system testing.

### *Impairment of Long-Lived Assets*

The Company reviews the values assigned to long-lived assets, including property and certain intangible assets, to determine whether events and circumstances have occurred which indicate that the remaining estimated useful lives may warrant revision or that the remaining balances may not be recoverable. In such reviews, undiscounted cash flows associated with these assets are compared with their carrying value to determine if a write-down to fair value is required. During 2015, 2014 and 2013, the Company did not recognize any impairment charges associated with its long-lived or intangible assets.

The evaluation of asset impairment requires management to make assumptions about future cash flows over the life of the asset being evaluated. These assumptions require significant judgment, and actual results may differ from assumed and estimated amounts.

### *Goodwill and Impairment of Goodwill*

#### Goodwill

Goodwill represents the excess of purchase price over fair value of net identified tangible and intangible assets and liabilities acquired. The Company does not amortize goodwill, but instead tests goodwill for impairment on at least an annual basis. Goodwill was \$62.2 million at the end of each years ended December 31, 2015 and 2014. Approximately \$36.0 million of the gross Goodwill balance is deductible for income tax purposes. To date, there have been no goodwill impairments.

#### Impairment of Goodwill

The Company evaluates the carrying value of goodwill annually as of December 31 and between annual evaluations if events occur or circumstances change that would more likely than not reduce the fair value of the reporting unit below its carrying amount. Such circumstances could include, but are not limited to, (1) a significant adverse change in legal factors or in business climate, (2) unanticipated competition, or (3) an adverse action or assessment by a regulator.

The Company applied the simplified goodwill impairment test for the fiscal year ended December 31, 2015, that permits companies to perform a qualitative assessment based on economic, industry and company-specific factors as the initial step in the annual goodwill impairment test for all or selected reporting units. Based on the results of the qualitative assessment, companies are only required to perform Step 1 of the annual impairment test for a reporting unit if the company concludes that it is not more likely than not that the unit's fair value is less than its carrying amount. To the extent the Company concludes it is more likely than not that a reporting unit's estimated fair value is less than its carrying amount, the two-step approach is applied. The first step would require a comparison of each reporting unit's fair value to the respective carrying value. If the carrying value exceeds the fair value, a second step is performed to measure the amount of impairment loss, if any. The Company did not identify any macroeconomic or industry conditions as of December 31, 2015, that would indicate the fair value of the reporting units were more likely than not to be less than their respective carrying values. If circumstances change or events occur to indicate it is more likely than not that the fair value of any reporting units have fallen below their carrying value, the Company would test such reporting unit for impairment. The Company performed its periodic review of its goodwill for impairment as of December 31, 2015 and 2014, and did not identify any impairment as a result of the review.

### *Guarantees and Indemnities*

The Company accounts for guarantees in accordance with the guarantee accounting topic in the FASB Codification. Our customer contracts generally contain infringement indemnity provisions. Under those provisions, we generally agree, subject to certain

exceptions, to indemnify, defend, and hold harmless the customer in connection with third party claims against the customer alleging that the customer's use of our software products in compliance with their license infringe the third party's patent, copyright, or other intellectual property rights. Conditions to our obligations generally include that we are provided the right to control the defense of the claims and, in general, to control settlement negotiations. Those provisions generally provide also that, if the customer is prevented from using our software because of a third party infringement claim, our sole obligation (in addition to the indemnification, defense, and hold harmless obligation referred to above) is to, at our expense, (i) procure for the customer the right to continue to use the software, (ii) to replace or modify the product so that its use by the customer does not infringe, or, if either of the foregoing are not reasonably feasible, to terminate the customer contract and provide a refund of the unamortized portion of the customer's license fee (based on a five year amortization period). Our customer contracts sometimes also require us to indemnify, defend, and hold harmless the customer in connection with death, personal injury, or property damage claims made by third parties with respect to actions of our personnel or contractors. The indemnity obligations contained in our customer contracts generally have no specified expiration date and no specified monetary limitation on liability. We have not previously incurred costs to settle claims or pay awards under these indemnification obligations. We account for these indemnity obligations in accordance with FASB guidance on accounting for contingencies, and record a liability for these obligations when a loss is probable and reasonably estimable. We have not recorded any liabilities for these contracts as of December 31, 2015, or 2014.

In general, in our customer contracts, the Company warrants to its customers that its software products will perform in all material respects in accordance with the standard published specifications in effect at the time of delivery of the licensed products to the customer for six months after first use of the licensed products, but no more than 24 months after execution of the license agreement. Additionally, the Company warrants to its customers that services will be performed consistent with generally accepted industry standards or specific service levels through completion of the agreed upon services. If necessary, the Company will provide for the estimated cost of product and service warranties based on specific warranty claims and claim history. However, the Company has not incurred significant recurring expense under product or service warranties. As a result, the Company believes the estimated fair value of these agreements is nominal. Accordingly, the Company has no liabilities recorded for these agreements as of December 31, 2015 and 2014.

#### *Segment Information*

The Company has three reporting segments: Americas, EMEA, and APAC as defined by FASB Codification topic for segment reporting. See Note 7 for discussion of the Company's reporting segments.

#### *Advertising Costs*

Advertising costs are expensed as incurred and totaled approximately \$349,000, \$168,000 and \$154,000 in 2015, 2014 and 2013, respectively. Advertising costs are included in "Sales and marketing" in the Consolidated Statements of Income.

#### *Basic and Diluted Net Income Per Share*

Basic net income per share is computed using net income divided by the weighted average number of shares of common stock outstanding ("Weighted Shares") for the period presented.

Diluted net income per share is computed using net income divided by Weighted Shares and the treasury stock method effect of common equivalent shares (“CESs”) outstanding for each period presented. The following is a reconciliation of the shares used in the computation of net income per share for the years ended December 31, 2015, 2014 and 2013 (in thousands, except per share data – stock split adjusted):

|   | <b>Year Ended December 31,</b>        |               |               |
|---|---------------------------------------|---------------|---------------|
|   | <b>2015</b>                           | <b>2014</b>   | <b>2013</b>   |
|   | (in thousands, except per share data) |               |               |
| Net income                                | \$ 103,475                            | \$ 82,000     | \$ 67,296     |
| <b>Earnings per share:</b>                |                                       |               |               |
| Basic                                     | \$ 1.41                               | \$ 1.09       | \$ 0.88       |
| Effect of CESs                            | (0.01)                                | (0.01)        | (0.02)        |
| Diluted                                   | \$ 1.40                               | \$ 1.08       | \$ 0.86       |
| <b>Weighted average number of shares:</b> |                                       |               |               |
| Basic                                     | 73,443                                | 74,995        | 76,664        |
| Effect of CESs                            | 595                                   | 846           | 1,268         |
| Diluted                                   | <u>74,038</u>                         | <u>75,841</u> | <u>77,932</u> |

There were no anti-dilutive CESs in 2015, 2014 and 2013. See Note 2 for further information on those securities.

#### *Accumulated Other Comprehensive Income*

Comprehensive income includes net income, foreign currency translation adjustments, and unrealized gains and losses on investments that are excluded from net income and reflected in shareholders’ equity. The entire accumulated other comprehensive income balance as of December 31, 2015 and 2014 represents foreign currency translation adjustments.

## **2. Equity-Based Compensation**

### **Equity Based Compensation Plans**

As discussed in Note 1, on December 19, 2013, our Board of Directors of the Company approved a four-for-one stock split of the Company’s common stock, effected in the form of a stock dividend. All references to stock award data have been restated to reflect the effect of the stock split for all periods presented.

In May 2007, the Manhattan Associates, Inc. 2007 Stock Incentive Plan (the “2007 Plan”) was approved by the shareholders of the Company and subsequently amended in May 2009 and May 2011. The 2007 Plan provides for the grant of stock options, restricted stock, restricted stock units, and stock appreciation rights. Vesting conditions can be service-based or performance-based, or a combination of both.

As amended, a maximum of 30,000,000 shares are available for grant under the 2007 Plan. Each stock option or stock appreciation right granted is counted against the maximum share limitation as one share, and each share of restricted stock or restricted stock unit granted (including those that are service based or performance based) counts against the maximum share limitation as two shares. Options and stock appreciation rights cannot have a term exceeding seven years. As of December 31, 2015, there were 11,923,068 shares available for issuance under the amended 2007 Plan. The 2007 Plan is administered by the Compensation Committee of the Board of Directors. The committee has the authority to interpret the provisions thereof.

The restricted stock awards contain vesting provisions that are 50% service based and 50% performance based for employee awards and 100% service based for non-employee members of the Board of Directors (“Outside Directors”). The employee awards have a four year vesting period, with the performance portion tied to annual revenue and earnings per share targets. The awards to Outside Directors have a one year vesting period. The Company recognizes compensation cost for service-based restricted awards with graded vesting on a straight-line basis over the entire vesting period, with the amount of compensation cost recognized at any date at least equal to the portion of the grant-date value of the award that is vested at that date. For its performance-based restricted stock awards with graded vesting, the Company recognizes compensation cost on an accelerated basis applying straight-line expensing for each separately vesting portion of each award.

In January 2012, in order to simplify equity grant administration, the Company changed its practice of granting restricted stock in favor of granting restricted stock *units*, or RSUs, which convert to the Company’s common stock upon vesting. There is no material



difference between the grant of restricted stock and the grant of RSUs to either the Company or the recipients receiving the grants; however, in contrast to the granting of restricted stock, no stock will actually be issued under the granting of RSUs until the units vest. The Company does not currently grant stock options.

### Restricted Stock and RSU Awards

A summary of changes in unvested shares/units of restricted stock for the year ended December 31, 2015 are as follows:

|                                  | <b>Number of<br/>Shares/Units</b> | <b>Grant Date<br/>Fair Value</b> |
|----------------------------------|-----------------------------------|----------------------------------|
| Outstanding at January 1, 2015   | 1,346,062                         | \$18.43                          |
| Granted                          | 579,954                           | 51.99                            |
| Vested                           | (647,181)                         | 18.49                            |
| Forfeited                        | (73,302)                          | 25.82                            |
| Outstanding at December 31, 2015 | <u>1,205,533</u>                  | <u>\$34.09</u>                   |

The Company recorded equity-based compensation related to restricted stock and RSUs (collectively “restricted stock awards”) of \$14.5 million, \$9.7 million, and \$7.1 million during the years ended December 31, 2015, 2014 and 2013, respectively. The total fair value of restricted stock awards vested during the years ended December 31, 2015, 2014 and 2013, based on market value at the vesting dates was \$31.2 million, \$23.9 million, and \$26.8 million, respectively. As of December 31, 2015, unrecognized compensation cost related to unvested restricted stock awards totaled \$22.7 million and is expected to be recognized over a weighted average period of approximately 3 years.

Included in the RSU grants for the year ended December 31, 2015 are 137,294 units that have performance-based vesting criteria. As noted above, the performance criteria are tied to the Company’s 2015 financial performance. As of December 31, 2015, the performance criteria for the fiscal year were met and the associated equity-based compensation expense has been recognized for the portion of the award attributable to 2015 services.

### Stock Option Awards

The Company recorded equity-based compensation related to stock options granted prior to 2011 of \$0.2 million during the year ended December 31, 2013. No amounts were recorded for equity-based compensation expense related to stock options during the years ended December 31, 2015 and 2014 as all stock options vested prior to 2014. The Company does not currently grant stock options. A summary of changes in outstanding options for the year ended December 31, 2015 is as follows:

|   | <b>Number of<br/>Shares</b> | <b>Weighted<br/>Average<br/>Exercise Price</b> | <b>Weighted<br/>Average<br/>Remaining<br/>Contractual<br/>Term</b> | <b>Aggregate<br/>Intrinsic<br/>Value (in<br/>thousands)</b> |
|---|-----------------------------|--|--|---|
| Outstanding at January 1, 2015                  | 153,764                     | \$4.78   |  |   |
| Exercised                                       | (150,154)                   | \$4.78   |  |   |
| Outstanding at December 31, 2015                | <u>3,610</u>                | <u>\$5.06</u>                                  | 0.5  | \$221   |
| Vested or expected to vest at December 31, 2015 | 3,610                       | \$5.06   | 0.5  | \$221   |
| Exercisable at December 31, 2015                | 3,610                       | \$5.06   | 0.5  | \$221   |

No stock options were granted in 2015, 2014, or 2013.

As of December 31, 2015, there is no unrecognized compensation cost related to unvested stock option awards. The total intrinsic value of options exercised during the years ended December 31, 2015, 2014 and 2013 based on market value at the exercise dates was \$8.0 million, \$8.9 million, and \$13.9 million, respectively.

### 3. Income Taxes

The Company is subject to future federal, state, and foreign income taxes and has recorded net deferred tax assets on the Consolidated Balance Sheets at December 31, 2015 and 2014. Deferred tax assets and liabilities are determined based on the difference between the financial accounting and tax bases of assets and liabilities. Significant components of the Company's deferred tax assets and liabilities as of December 31, 2015 and 2014 are as follows (in thousands):

|   | <b>December 31,</b> |                  |
|---|---------------------|------------------|
|   | <b>2015</b>         | <b>2014</b>      |
| <b>Deferred tax assets:</b>             |                     |                  |
| Accounts receivable                     | \$ 2,455            | \$ 1,308         |
| Accrued liabilities                     | 7,671               | 8,481            |
| Equity-based compensation               | 4,304               | 3,471            |
| Capitalized costs                       | 1,207               | 1,428            |
| Accrued sales taxes                     | 348                 | 181              |
| Deferred rent                           | 1,344               | 2,238            |
| State tax credits                       | 4,339               | 3,848            |
| Foreign subsidiary net operating losses | 386                 | 1,094            |
| Valuation allowance                     | (4,916)             | (5,071)          |
| Other                                   | 695                 | 449              |
|   | <b>\$ 17,833</b>    | <b>\$ 17,427</b> |
| <b>Deferred tax liabilities:</b>        |                     |                  |
| Intangible assets                       | 10,457              | 9,264            |
| Depreciation                            | 2,763               | 1,953            |
|   | <b>13,220</b>       | <b>11,217</b>    |
| Net deferred tax assets                 | <b>\$ 4,613</b>     | <b>\$ 6,210</b>  |

The components of income from domestic and foreign operations before income tax expense for the years ended December 31, 2015, 2014 and 2013 are as follows (in thousands):

|          | <b>Year Ended December 31,</b> |                   |                   |
|----------|--------------------------------|-------------------|-------------------|
|          | <b>2015</b>                    | <b>2014</b>       | <b>2013</b>       |
| Domestic | \$ 152,040                     | \$ 118,448        | \$ 94,336         |
| Foreign  | 10,801                         | 9,550             | 8,773             |
| Total    | <b>\$ 162,841</b>              | <b>\$ 127,998</b> | <b>\$ 103,109</b> |

The components of the income tax provision for the years ended December 31, 2015, 2014 and 2013 are as follows (in thousands):

|                  | <b>Year Ended December 31,</b> |                  |                  |
|------------------|--------------------------------|------------------|------------------|
|                  | <b>2015</b>                    | <b>2014</b>      | <b>2013</b>      |
| <b>Current:</b>  |                                |                  |                  |
| Federal          | \$ 47,195                      | \$ 37,076        | \$ 25,682        |
| State            | 6,308                          | 5,593            | 3,292            |
| Foreign          | 4,331                          | 5,034            | 3,674            |
|                  | <b>57,834</b>                  | <b>47,703</b>    | <b>32,648</b>    |
| <b>Deferred:</b> |                                |                  |                  |
| Federal          | 1,252                          | (1,490)          | 2,877            |
| State            | (300)                          | (375)            | (341)            |
| Foreign          | 580                            | 160              | 629              |
|                  | <b>1,532</b>                   | <b>(1,705)</b>   | <b>3,165</b>     |
| Total            | <b>\$ 59,366</b>               | <b>\$ 45,998</b> | <b>\$ 35,813</b> |

The income tax benefits related to the exercise of stock options were approximately \$2.7 million, \$3.1 million, and \$4.8 million for the years ended December 31, 2015, 2014 and 2013, respectively.

As a result of losses in foreign locations, the Company has net operating loss carry-forwards (“NOLs”) of approximately \$1.4 million available to offset future income. Approximately \$1.3 million of the NOLs expire in 2016 to 2024 and the remainder does not expire. The Company has established a valuation allowance for substantially all of these NOLs because the ability to utilize them is not more likely than not.

The Company has tax credit carry-forwards of approximately \$6.7 million available to offset future state tax. These tax credit carry-forwards expire in 2017 to 2025. These credits represent a deferred tax asset of \$4.3 million after consideration of the federal benefit of state tax deductions. A valuation allowance of \$2.8 million has been established for these credits because the ability to use them is not more likely than not.

Deferred taxes are not provided for temporary differences of approximately \$41.0 million, \$35.7 million, and \$31.4 million as of December 31, 2015, 2014 and 2013, respectively, representing earnings of non-U.S. subsidiaries that are intended to be permanently reinvested. Those earnings are considered to be indefinitely reinvested; accordingly, no provision for U.S. federal and state income taxes has been provided thereon. Upon repatriation of those earnings, in the form of dividends or otherwise, the Company would be subject to both U.S. income taxes (subject to adjustment for foreign tax credits) and withholding taxes payable to various foreign countries. It is impractical to calculate the tax impact until such repatriation occurs.

The following is a summary of the items that cause recorded income taxes to differ from taxes computed using the statutory federal income tax rate for the years ended December 31, 2015, 2014 and 2013:

|  | <b>Year Ended December 31,</b> |             |             |
|--|--------------------------------|-------------|-------------|
|  | <b>2015</b>                    | <b>2014</b> | <b>2013</b> |
| Statutory federal income tax rate        | <b>35.0%</b>                   | 35.0%       | 35.0%       |
| Effect of:                               |                                |             |             |
| State income tax, net of federal benefit | <b>2.5</b>                     | 2.7         | 2.0         |
| State credit carryforwards               | <b>(0.3)</b>                   | 0.1         | (0.9)       |
| U.S. federal R&D tax credit              | <b>(0.7)</b>                   | (0.9)       | (2.0)       |
| Foreign operations                       | <b>(0.4)</b>                   | (0.4)       | (0.4)       |
| Tax contingencies                        | <b>0.5</b>                     | (0.4)       | 1.2         |
| Other permanent differences              | <b>(0.1)</b>                   | 0.1         | (0.5)       |
| Change in valuation allowance            | <b>-</b>                       | (0.3)       | 0.3         |
| Income taxes                             | <b>36.5%</b>                   | 35.9%       | 34.7%       |

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows for the years ended December 31, 2015, 2014 and 2013 (in thousands):

|   | <b>December 31,</b> |             |             |
|---|---------------------|-------------|-------------|
|   | <b>2015</b>         | <b>2014</b> | <b>2013</b> |
| Unrecognized tax benefits at January 1,   | <b>\$ (4,455)</b>   | \$ (5,122)  | \$ (3,375)  |
| Gross amount of increases in unrecognized tax benefits as a result of tax positions taken during a prior period     | <b>(1,687)</b>      | (18)        | (804)       |
| Gross amount of decreases in unrecognized tax benefits as a result of tax positions taken during a prior period     | <b>292</b>          | 508         | 61          |
| Gross amount of increases in unrecognized tax benefits as a result of tax positions taken during the current period | <b>-</b>            | (481)       | (1,460)     |
| Reductions to unrecognized tax benefits as a result of a lapse of the applicable statute of limitations             | <b>61</b>           | 658         | 456         |
| Unrecognized tax benefits at December 31,   | <b>\$ (5,789)</b>   | \$ (4,455)  | \$ (5,122)  |

The Company’s unrecognized tax benefits totaled \$5.8 million and \$4.5 million as of December 31, 2015 and 2014, respectively. Included in these amounts are unrecognized tax benefits totaling \$4.0 million and \$2.8 million as of December 31, 2015 and 2014, respectively, which, if recognized, would affect the effective tax rate.

The Company recognizes potential accrued interest and penalties related to unrecognized tax benefits within its global operations in income tax expense. For the years ended December 31, 2015, 2014 and 2013, the Company recognized \$0.2 million, \$0.1 million, and

\$0.2 million, respectively, of expense for the potential payment of interest and penalties. Accrued interest and penalties were \$1.3 million and \$0.8 million for the years ended December 31, 2015 and 2014. The Company conducts business globally and, as a result, files income tax returns in the United State federal jurisdiction and in many state and foreign jurisdictions. The Company is generally no longer subject to U.S. federal, state, and local, or non-US income tax examinations for the years before 2012. Due to the expiration of statutes of limitations in multiple jurisdictions globally during 2016, the Company anticipates it is reasonably possible that unrecognized tax benefits may decrease by \$0.5 million.

#### 4. Shareholders' Equity

During 2015, 2014 and 2013, the Company purchased 1,721,457, 2,620,118, and 2,831,520 shares of the Company's common stock for \$101.6 million, \$91.1 million, and \$59.2 million, respectively, through open market transactions as part of a publicly-announced share repurchase program. In January 2016, our Board of Directors increased the remaining share repurchase authority to \$50 million.

#### 5. Commitments and Contingencies

##### *Leases*

Rents charged to expense were \$6.3 million, \$6.3 million, and \$5.9 million for the years ended December 31, 2015, 2014 and 2013, respectively. In 2014, the Company amended its Atlanta headquarters lease to obtain additional space and extend the lease term. As part of such lease agreement, the Company will receive reimbursement of \$1.3 million from the landlord in 2018 for leasehold improvements. The entire cash rent obligation is being amortized to expense on a straight line basis over the lease term.

Aggregate future minimum lease payments under noncancellable operating leases as of December 31, 2015 are as follows (in thousands):

| <b>Year Ending December 31,</b> |                  |
|---------------------------------|------------------|
| 2016                            | \$ 7,003         |
| 2017                            | 7,282            |
| 2018                            | 6,370            |
| 2019                            | 5,211            |
| 2020                            | 4,783            |
| Thereafter                      | 21,415           |
| Total minimum payments required | <u>\$ 52,064</u> |

There are no future minimum lease payments under capital leases as of December 31, 2015.

##### *Legal and Other Matters*

From time to time, the Company may be involved in litigation relating to claims arising out of its ordinary course of business, and occasionally legal proceeding not in the ordinary course. Many of the Company's installations involve products that are critical to the operations of its clients' businesses. Any failure in a Company product could result in a claim for substantial damages against the Company, regardless of the Company's responsibility for such failure. Although the Company attempts to limit contractually its liability for damages arising from product failures or negligent acts or omissions, there can be no assurance that the limitations of liability set forth in its contracts will be enforceable in all instances. The Company is not currently a party to any ordinary course legal proceeding or other legal proceedings the result of which it believes is likely to have a material adverse impact upon its business, financial position, results of operations, or cash flows. The Company expenses legal costs associated with loss contingencies as such legal costs are incurred.

#### 6. Employee Benefit Plan

The Company sponsors the Manhattan Associates 401(k) Plan and Trust (the "401(k) Plan"), a qualified profit sharing plan with a 401(k) feature covering substantially all employees of the Company. Under the 401(k) Plan's deferred compensation arrangement, eligible employees who elect to participate in the 401(k) Plan may contribute up to 60% of eligible compensation up to \$18,000, as defined, to the 401(k) Plan. The Internal Revenue Service raised the eligible compensation limit to \$265,000 for 2015. Since 2012, the Company has provided a 50% matching contribution up to 6% of eligible compensation being contributed after the participant's first

year of employment. During the years ended December 31, 2015, 2014 and 2013, the Company made matching contributions to the 401(k) Plan of \$4.0 million, \$3.1 million, and \$2.7 million, respectively.

## 7. Reporting Segments

The Company manages the business by three geographic reportable segments: the Americas, EMEA, and APAC. All segments derive revenue from the sale and implementation of the Company's supply chain execution and planning solutions. The individual products sold by the segments are similar in nature and are all designed to help companies manage the effectiveness and efficiency of their supply chain. The Company uses the same accounting policies for each reporting segment. The chief executive officer and chief financial officer evaluate performance based on revenue and operating results for each segment.

The Americas segment charges royalty fees to the other segments based on software licenses sold by those reporting segments. The royalties, which totaled \$3.3 million, \$3.0 million, and \$3.2 million in 2015, 2014 and 2013, respectively, are included in cost of revenue for each segment with a corresponding reduction in America's cost of revenue. The revenues represented below are from external customers only. The geographical-based costs consist of costs of professional services personnel, direct sales and marketing expenses, cost of infrastructure to support the employees and customer base, billing and financial systems, management and general and administrative support. There are certain corporate expenses included in the Americas segment that are not charged to the other segments, including research and development, certain marketing and general and administrative costs that support the global organization, and the amortization of acquired developed technology. Included in the Americas' costs are all research and development costs including the costs associated with the Company's India operations.

Amortization expense on intangible assets in 2015, 2014 and 2013 was immaterial.

In accordance with the segment reporting topic of the FASB Codification, the Company has included a summary of financial information by reportable segment. The following table presents the revenues, expenses, and operating income by reportable segment for the years ended December 31, 2015, 2014 and 2013 (in thousands):

|                               | Year Ended December 31, |           |          |              |            |           |          |              |
|-------------------------------|-------------------------|-----------|----------|--------------|------------|-----------|----------|--------------|
|                               | 2015                    |           |          |              | 2014       |           |          |              |
|                               | Americas                | EMEA      | APAC     | Consolidated | Americas   | EMEA      | APAC     | Consolidated |
| <b>Revenue:</b>               |                         |           |          |              |            |           |          |              |
| Software license              | \$ 65,307               | \$ 9,566  | \$ 3,742 | \$ 78,615    | \$ 59,502  | \$ 7,505  | \$ 4,576 | \$ 71,583    |
| Services                      | 352,665                 | 58,030    | 17,383   | 428,078      | 301,025    | 51,440    | 23,558   | 376,023      |
| Hardware and other            | 46,504                  | 2,480     | 694      | 49,678       | 41,437     | 1,910     | 1,151    | 44,498       |
| Total revenue                 | 464,476                 | 70,076    | 21,819   | 556,371      | 401,964    | 60,855    | 29,285   | 492,104      |
| <b>Costs and Expenses:</b>    |                         |           |          |              |            |           |          |              |
| Cost of revenue               | 190,190                 | 33,483    | 11,755   | 235,428      | 167,631    | 30,694    | 14,253   | 212,578      |
| Operating expenses            | 133,511                 | 13,781    | 4,441    | 151,733      | 126,570    | 14,557    | 4,898    | 146,025      |
| Depreciation and amortization | 6,952                   | 502       | 310      | 7,764        | 5,827      | 291       | 259      | 6,377        |
| Total costs and expenses      | 330,653                 | 47,766    | 16,506   | 394,925      | 300,028    | 45,542    | 19,410   | 364,980      |
| Operating income              | \$ 133,823              | \$ 22,310 | \$ 5,313 | \$ 161,446   | \$ 101,936 | \$ 15,313 | \$ 9,875 | \$ 127,124   |

|                               | Year Ended December 31, 2013 |           |          |              |
|-------------------------------|------------------------------|-----------|----------|--------------|
|                               | Americas                     | EMEA      | APAC     | Consolidated |
| <b>Revenue:</b>               |                              |           |          |              |
| Software license              | \$ 49,574                    | \$ 7,858  | \$ 4,984 | \$ 62,416    |
| Services                      | 254,934                      | 41,020    | 19,947   | 315,901      |
| Hardware and other            | 33,836                       | 1,536     | 829      | 36,201       |
| Total revenue                 | 338,344                      | 50,414    | 25,760   | 414,518      |
| <b>Costs and Expenses:</b>    |                              |           |          |              |
| Cost of revenue               | 142,006                      | 26,111    | 13,034   | 181,151      |
| Operating expenses            | 107,639                      | 13,707    | 4,909    | 126,255      |
| Depreciation and amortization | 5,248                        | 308       | 269      | 5,825        |
| Total costs and expenses      | 254,893                      | 40,126    | 18,212   | 313,231      |
| Operating income              | \$ 83,451                    | \$ 10,288 | \$ 7,548 | \$ 101,287   |

The following table presents the goodwill, long-lived assets, and total assets by reporting segment as of December 31, 2015 and 2014 (in thousands):

|                   | As of December 31, 2015 |          |          |              | As of December 31, 2014 |          |          |              |
|-------------------|-------------------------|----------|----------|--------------|-------------------------|----------|----------|--------------|
|                   | Americas                | EMEA     | APAC     | Consolidated | Americas                | EMEA     | APAC     | Consolidated |
| Goodwill, net     | \$ 54,766               | \$ 5,504 | \$ 1,963 | \$ 62,233    | \$ 54,766               | \$ 5,521 | \$ 1,963 | \$ 62,250    |
| Long lived assets | 25,313                  | 2,398    | 740      | 28,451       | 22,411                  | 2,467    | 911      | 25,789       |
| Total assets      | 300,407                 | 28,790   | 8,715    | 337,912      | 284,304                 | 24,117   | 9,749    | 318,170      |

For the years ended December 31, 2015, 2014 and 2013, we derived revenue from sales to customers outside the United States of approximately \$131.3 million, \$134.6 million, and \$110.8 million, respectively. Our remaining revenue was derived from domestic sales.

License revenues related to our warehouse and non-warehouse product groups for the years ended December 31, 2015, 2014 and 2013, are as follows (in thousands):

|                                | Year Ended December 31, |           |           |
|--------------------------------|-------------------------|-----------|-----------|
|                                | 2015                    | 2014      | 2013      |
| Warehouse                      | \$ 50,097               | \$ 40,084 | \$ 39,409 |
| Non-Warehouse                  | 28,518                  | 31,499    | 23,007    |
| Total software license revenue | \$ 78,615               | \$ 71,583 | \$ 62,416 |

Our services revenue consists of fees generated from professional services, customer support services and software enhancements related to our software products for the years ended December 31, 2015, 2014 and 2013, are as follows (in thousands):

|  | Year Ended December 31, |            |            |
|--|-------------------------|------------|------------|
|  | 2015                    | 2014       | 2013       |
| Professional services                      | \$ 304,624              | \$ 260,058 | \$ 210,823 |
| Customer support and software enhancements | 123,454                 | 115,965    | 105,078    |
| Total services revenue                     | \$ 428,078              | \$ 376,023 | \$ 315,901 |

## 8. Subsequent Events

The Company evaluated all subsequent events that occurred after the date of the accompanying financial statements and determined that there were no events or transactions during this subsequent event reporting period which require recognition or disclosure in the Company's financial statements.

## 9. Quarterly Results of Operations (Unaudited)

Following is the quarterly results of operations of the Company for the years ended December 31, 2015 and 2014. The unaudited quarterly results have been prepared on substantially the same basis as the audited Consolidated Financial Statements.

|   | Quarter Ended   |                 |                 |                 |                 |                 |                 |                 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|   | Mar 31,<br>2014 | Jun 30,<br>2014 | Sep 30,<br>2014 | Dec 31,<br>2014 | Mar 31,<br>2015 | Jun 30,<br>2015 | Sep 30,<br>2015 | Dec 31,<br>2015 |
| (In thousands, except per share data)               |                 |                 |                 |                 |                 |                 |                 |                 |
| <b>Statements of Income Data:</b>                   |                 |                 |                 |                 |                 |                 |                 |                 |
| Revenue:  |                 |                 |                 |                 |                 |                 |                 |                 |
| Software license                                    | \$ 17,107       | \$ 17,989       | \$ 16,945       | \$ 19,542       | \$ 19,314       | \$ 19,758       | \$ 19,130       | \$ 20,413       |
| Services  | 86,913          | 93,519          | 98,518          | 97,073          | 101,203         | 107,344         | 112,549         | 106,982         |
| Hardware and other                                  | 9,543           | 11,022          | 10,145          | 13,788          | 13,006          | 12,007          | 10,625          | 14,040          |
| Total revenue                                       | 113,563         | 122,530         | 125,608         | 130,403         | 133,523         | 139,109         | 142,304         | 141,435         |
| Costs and expenses:                                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Cost of license                                     | 1,613           | 1,848           | 1,679           | 1,970           | 2,906           | 2,137           | 2,305           | 2,590           |
| Cost of services                                    | 38,460          | 41,457          | 43,689          | 45,534          | 44,784          | 46,464          | 46,682          | 46,419          |
| Cost of hardware and other                          | 7,479           | 9,265           | 8,496           | 11,088          | 10,547          | 10,163          | 9,109           | 11,322          |
| Research and development                            | 11,803          | 11,867          | 12,236          | 13,047          | 13,556          | 13,257          | 13,589          | 13,457          |
| Sales and marketing                                 | 12,020          | 12,848          | 11,476          | 16,273          | 11,847          | 11,889          | 10,904          | 13,975          |
| General and administrative                          | 10,649          | 11,256          | 10,856          | 11,694          | 11,238          | 11,927          | 14,058          | 12,036          |
| Depreciation and amortization                       | 1,488           | 1,489           | 1,675           | 1,725           | 1,781           | 1,898           | 1,977           | 2,108           |
| Total costs and expenses                            | 83,512          | 90,030          | 90,107          | 101,331         | 96,659          | 97,735          | 98,624          | 101,907         |
| Operating income                                    | 30,051          | 32,500          | 35,501          | 29,072          | 36,864          | 41,374          | 43,680          | 39,528          |
| Other (loss) income, net                            | (233)           | 312             | (55)            | 850             | 262             | 359             | 604             | 170             |
| Income before income taxes                          | 29,818          | 32,812          | 35,446          | 29,922          | 37,126          | 41,733          | 44,284          | 39,698          |
| Income tax provision                                | 11,106          | 12,218          | 13,106          | 9,568           | 13,922          | 15,729          | 16,387          | 13,328          |
| Net income  | \$ 18,712       | \$ 20,594       | \$ 22,340       | \$ 20,354       | \$ 23,204       | \$ 26,004       | \$ 27,897       | \$ 26,370       |
| Basic earnings per share                            | \$ 0.25         | \$ 0.27         | \$ 0.30         | \$ 0.27         | \$ 0.31         | \$ 0.35         | \$ 0.38         | \$ 0.36         |
| Diluted earnings per share                          | \$ 0.24         | \$ 0.27         | \$ 0.30         | \$ 0.27         | \$ 0.31         | \$ 0.35         | \$ 0.38         | \$ 0.36         |
| Shares used in computing basic earnings per share   | 75,817          | 75,274          | 74,687          | 74,223          | 73,979          | 73,618          | 73,259          | 72,929          |
| Shares used in computing diluted earnings per share | 76,795          | 76,037          | 75,466          | 75,034          | 74,607          | 74,126          | 73,761          | 73,555          |

**Item 9. *Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

None.

**Item 9A. *Controls and Procedures***

**Evaluation of Disclosure Controls and Procedures**

We maintain disclosure controls and procedures designed to ensure that information required to be disclosed in reports filed under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

No system of controls, no matter how well designed and operated, can provide absolute assurance that the objectives of the system of controls are met, and no evaluation of controls can provide absolute assurance that the system of controls has operated effectively in all cases. Our disclosure controls and procedures, however, are designed to provide reasonable assurance that the objectives of disclosure controls and procedures are met.

As of the end of the period covered by this report, our Chief Executive Officer and Chief Financial Officer evaluated, with the participation of management, the effectiveness of our disclosure controls and procedures. Based on the evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective to provide reasonable assurance that the objectives of disclosure controls and procedures are met.

**Management's Report on Internal Control over Financial Reporting**

Management's assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2015, and the report of Ernst & Young LLP on the effectiveness of the Company's internal control over financial reporting are contained on pages 37 and 38 of this report.

**Change in Internal Control over Financial Reporting**

During the fourth quarter of 2015, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting, including any corrective actions with regard to material weaknesses.

**Item 9B. *Other Information***

None.



## PART III

### **Item 10. *Directors, Executive Officers and Corporate Governance***

The information required by this item is incorporated by reference from the information contained in our Proxy Statement for the Annual Meeting of Shareholders expected to be filed with the SEC on or prior to April 13, 2016, under the captions “Election of Directors,” “Executive Officers,” “Section 16(a) Beneficial Ownership Reporting Compliance,” “Code of Ethics,” and “Board Committees.”

### **Item 11. *Executive Compensation***

The information required by this item is incorporated by reference from the relevant information contained in our Proxy Statement for the Annual Meeting of Shareholders expected to be filed with the SEC on or prior to April 13, 2016, under the captions “Director Compensation,” “Executive Compensation,” “Compensation Committee Interlocks and Insider Participation,” and “Compensation Committee Report.”

### **Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters***

The information required by this item is incorporated by reference from the relevant information contained in our Proxy Statement for the Annual Meeting of Shareholders expected to be filed with the SEC on or prior to April 13, 2016, under the caption “Security Ownership of Certain Beneficial Owners and Management.” The information required by this item with respect to the Company’s securities authorized for issuance under equity compensation plans is included in Part II, Item 5 of this Annual Report on Form 10-K and is incorporated by reference herein.

### **Item 13. *Certain Relationships and Related Transactions, and Director Independence***

The information required by this item is incorporated by reference from the relevant information contained in our Proxy Statement for the Annual Meeting of Shareholders expected to be filed with the SEC on or prior to April 13, 2016, under the captions “Related Party Transactions” and “Election of Directors.”

### **Item 14. *Principal Accountant Fees and Services***

The information required by this item is incorporated by reference from the relevant information contained in our Proxy Statement for the Annual Meeting of Shareholders expected to be filed with the SEC on or prior to April 13, 2016, under the caption “Ratification of Appointment of Independent Registered Public Accounting Firm.”

**PART IV**

**Item 15. Exhibits and Financial Statement Schedules**

(a) 1. *Financial Statements.*

The response to this item is submitted as a separate section of this Form 10-K. See Item 8.

2. *Financial Statement Schedule.*

The following financial statement schedule is filed as a part of this report:

**SCHEDULE II  
MANHATTAN ASSOCIATES, INC. AND SUBSIDIARIES  
VALUATION AND QUALIFYING ACCOUNTS  
(in thousands)**

| <b>Classification:</b>                        | <b>Balance at<br/>Beginning<br/>of Period</b> | <b>Additions<br/>Charged<br/>to<br/>Operations</b> | <b>Net<br/>Deductions</b> | <b>Balance at<br/>End of<br/>Period</b> |
|---|---|--|---------------------------|---|
| <b>Allowance for Doubtful Accounts</b>        |   |  |                           |   |
| For the year ended:                           |   |  |                           |   |
| December 31, 2013                             | \$ 6,235                                      | \$ 2,901   | \$ 5,980 (a)              | \$ 3,156                                |
| December 31, 2014                             | \$ 3,156                                      | \$ 4,778   | \$ 3,770 (a)              | \$ 4,164                                |
| December 31, 2015                             | \$ 4,164                                      | \$ 7,130   | \$ 4,263 (a)              | \$ 7,031                                |
| <b>Deferred Tax Asset Valuation Allowance</b> |   |  |                           |   |
| For the year ended:                           |   |  |                           |   |
| December 31, 2013                             | \$ 5,965                                      | \$ 223   | \$ -                      | \$ 6,188                                |
| December 31, 2014                             | \$ 6,188                                      | \$ -   | \$ 1,117 (b)              | \$ 5,071                                |
| December 31, 2015                             | \$ 5,071                                      | \$ -   | \$ 155 (b)                | \$ 4,916                                |

(a) Represents write-offs of accounts, net of recoveries.

(b) Represents current year releases credited to expenses and current year reductions due to decreases in net deferred tax assets.

All other schedules are omitted because they are not required or the required information is shown in the consolidated financial statements or notes thereto.

3. *Exhibits.*

See (b) below.

(b) The exhibits listed below under “Exhibit Index” are filed with or incorporated by reference in this Report. Where such filing is made by incorporation by reference to a previously filed registration statement or report, such registration statement or report is identified in parentheses.

(c) See Item 15(a)(2).

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

### MANHATTAN ASSOCIATES, INC.

By: /s/ Eddie Capel  
 Eddie Capel  
*President, Chief Executive Officer, and Director*

Date: February 5, 2016

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant in the capacities and on the dates indicated.

| <u>Signature</u>                                    | <u>Title</u>   | <u>Date</u>      |
|---|--|------------------|
| <u>/s/ John J. Huntz, Jr.</u><br>John J. Huntz, Jr. | Chairman of the Board  | February 5, 2016 |
| <u>/s/ Eddie Capel</u><br>Eddie Capel               | President, Chief Executive Officer, and Director<br>(Principal Executive Officer)                                  | February 5, 2016 |
| <u>/s/ Dennis B. Story</u><br>Dennis B. Story       | Executive Vice President, Chief Financial Officer, and Treasurer<br>(Principal Financial Officer)                  | February 5, 2016 |
| <u>/s/ Linda C. Pinne</u><br>Linda C. Pinne         | Senior Vice President, Global Corporate Controller, and Chief<br>Accounting Officer (Principal Accounting Officer) | February 5, 2016 |
| <u>/s/ Brian J. Cassidy</u><br>Brian J. Cassidy     | Director   | February 5, 2016 |
| <u>/s/ Dan J. Lautenbach</u><br>Dan J. Lautenbach   | Director   | February 5, 2016 |
| <u>/s/ Thomas E. Noonan</u><br>Thomas E. Noonan     | Director   | February 5, 2016 |
| <u>/s/ Deepak Raghavan</u><br>Deepak Raghavan       | Director   | February 5, 2016 |
| <u>/s/ Edmond I. Eger III</u><br>Edmond I. Eger III | Director   | February 5, 2016 |

## EXHIBIT INDEX

The following exhibits are filed with this Report.

| Exhibit Number | Description  |
|----------------|--|
| 3.1            | Articles of Incorporation of the Registrant dated February 24, 1998 (Incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2014 (File No. 00023999), filed on July 29, 2014).  |
| 3.2            | Amended Bylaws of the Registrant (As Amended Effective October 13, 2010) (Incorporated by reference to Exhibit 3.2 to the Company's Form 8-K (File No. 000-23999), filed on October 19, 2010).   |
| 4.1            | Provisions of the Articles of Incorporation and Bylaws of the Registrant defining rights of the holders of common stock of the Registrant (Incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-1 (File No. 333-47095), filed on February 27, 1998).                                     |
| 4.2            | Specimen Stock Certificate (Incorporated by reference to Exhibit 4.2 to the Company's Pre-Effective Amendment No. 1 to its Registration Statement on Form S-1 (File No. 333-47095), filed on April 2, 1998).   |
| 10.1(a)        | Lease Agreement by and between Wildwood Associates, a Georgia general partnership, and the Registrant dated September 24, 1997 (Incorporated by reference to Exhibit 10.1 to the Company's Registration Statement on Form S-1 (File No. 333-47095), filed on February 27, 1998).   |
| (b)            | First Amendment to Lease between Wildwood Associates, a Georgia general partnership, and the Registrant dated October 31, 1997 (Incorporated by reference to Exhibit 10.2 to the Company's Registration Statement on Form S-1 (File No. 333-47095), filed on February 27, 1998).   |
| (c)            | Second Amendment to Lease Agreement between Wildwood Associates, a Georgia general partnership, and the Registrant, dated February 27, 1998 (Incorporated by reference to Exhibit 10.8 to the Company's Pre-Effective Amendment No. 1 to its Registration Statement on Form S-1 (File No. 333-47095), filed on April 2, 1998). |
| (d)            | Third Amendment to Lease Agreement between Wildwood Associates and the Registrant, dated October 24, 2000 (Incorporated by reference to Exhibit 10.9 to the Company's Annual Report for the period ended December 31, 2000 (File No. 000-23999), filed on April 2, 2001).  |
| 10.2(a)        | Lease Agreement by and between Wildwood Associates, a Georgia general partnership, and the Registrant, dated June 25, 2001 (Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report for the period ended June 30, 2001 (File No. 000-23999), filed August 14, 2001).                                       |
| (b)            | First Amendment to Lease Agreement between Wildwood Associates, and the Registrant, dated June 10, 2002 (Incorporated by reference to Exhibit 10.6 to the Company's Annual Report for the period ended December 31, 2006 (File No. 000-23999), filed on March 14, 2007).   |
| (c)            | Second Amendment to Lease Agreement between 2300 Windy Ridge Parkway Investors LLC, and the Registrant, dated February 27, 2007 (Incorporated by reference to Exhibit 10.7 to the Company's Annual Report for the period ended December 31, 2006 (File No. 000-23999), filed on March 14, 2007).                               |
| (d)            | Third Amendment to Lease Agreement between 2300 Windy Ridge Parkway Investors LLC, and the Registrant, dated June 14, 2007 (Incorporated by reference to Exhibit 10.2(d) to the Company's Annual Report for the period ended December 31, 2014 (File No. 000-23999), filed on February 5, 2015).                               |
| (e)            | Fourth Amendment to Lease Agreement between SP4 2300 Windy Ridge LP, and the Registrant, dated August 14, 2012 (Incorporated by reference to Exhibit 10.2(e) to the Company's Annual Report for the period ended December 31, 2014 (File No. 000-23999), filed on February 5, 2015).   |
| (f)            | Fifth Amendment to Lease Agreement between 2300 Windy Ridge LLC, and the Registrant, dated May 19, 2014 (Incorporated by reference to Exhibit 10.2(f) to the Company's Annual Report for the period ended December 31, 2014 (File No. 000-23999), filed on February 5, 2015).  |
| (g)            | Sixth Amendment to Lease Agreement between 2300 Windy Ridge LLC, and the Registrant, dated August 13, 2014 (Incorporated by reference to Exhibit 10.2(g) to the Company's Annual Report for the period ended December 31, 2014 (File No. 000-23999), filed on February 5, 2015).   |

| Exhibit Number | Description  |
|----------------|--|
| (h)            | Seventh Amendment to Lease Agreement between 2300 Windy Ridge LLC and the Registrant, dated April 29, 2015 (Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K (File No. 000-23999), filed on July 28, 2015).   |
| 10.3           | Agreement to Build and Lease between Orchid Apartments Private Limited and Manhattan Associates India Development Centre Private Limited, executed on November 19, 2004 (Incorporated by reference to Exhibit 10.8 to the Company's Annual Report for the period ended December 31, 2004 (File No. 000-23999), filed on March 16, 2005). |
| 10.4           | Lease Agreement between IGE Energy Services (UK) Limited, Manhattan Associates Limited and Manhattan Associates, Inc., dated February 1, 2005 (Incorporated by reference to Exhibit 10.9 to the Company's Annual Report for the period ended December 31, 2004 (File No. 000-23999), filed on March 16, 2005).                           |
| 10.5           | Form of Director and Officer Indemnification Agreement (Incorporated by reference to Exhibit 10.2 to the Company's Form 8-K (File No. 000-23999) filed on April 4, 2014).  |
| 10.6*          | Summary Plan Description of the Registrant's 401(k) Plan and Trust, effective January 1, 1995 (Incorporated by reference to Exhibit 10.4 to the Company's Registration Statement on Form S-1 (File No. 333-47095), filed on February 27, 1998).  |
| 10.7(a)*       | Manhattan Associates, Inc. 1998 Stock Incentive Plan (Incorporated by reference to Exhibit 10.10 to the Company's Registration Statement on Form S-1 (File No. 333-47095), filed on February 27, 1998).  |
| (b)*           | First Amendment to the Manhattan Associates, Inc. 1998 Stock Incentive Plan (Incorporated by reference to Exhibit 10.22 to the Company's Annual Report for the period ended December 31, 1998 (File No. 000-23999), filed on March 31, 1999).  |
| (c)*           | Second Amendment to the Manhattan Associates, Inc. 1998 Stock Incentive Plan (Incorporated by reference to Exhibit 10.23 to the Company's Annual Report for the period ended December 31, 1998 (File No. 000-23999), filed on March 31, 1999).   |
| (d)*           | Third Amendment to the Manhattan Associates, Inc. 1998 Stock Incentive Plan (Incorporated by reference to Exhibit 10.24 to the Company's Annual Report for the period ended December 31, 1998 (File No. 000-23999), filed on March 31, 1999).  |
| (e)*           | Fourth Amendment to the Manhattan Associates, Inc. 1998 Stock Incentive Plan (Incorporated by reference to Exhibit 10.25 to the Company's Annual Report for the period ended December 31, 1999 (File No. 000-23999), filed on March 30, 2000).   |
| (f)*           | Fifth Amendment to the Manhattan Associates, Inc. 1998 Stock Incentive Plan (Incorporated by reference to Exhibit 4.8 to the Company's Form S-8 (File No. 333-68968), filed on September 5, 2001).   |
| (g)*           | Sixth Amendment to the Manhattan Associates, Inc. 1998 Stock Incentive Plan (Incorporated by reference to Annex A to the Company's Proxy Statement for its Annual Meeting held May 17, 2002 (File No. 000-23999), filed on April 24, 2002).  |
| (h)*           | Amendment No. 7 to the Manhattan Associates, Inc. 1998 Stock Incentive Plan (Incorporated by reference to Exhibit 4.10 to the Company's Form S-8 (File No. 333-105913), filed on June 6, 2003).  |
| 10.8*          | Form of Composite Stock Option Agreement (Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report for the period ended March 31, 2006 (File No. 000-23999), filed on May 4, 2006).   |
| 10.9(a)*       | Executive Employment Agreement by and between the Registrant and Peter F. Sinisgalli, effective as of February 25, 2004 (Incorporated by reference to Exhibit 10.28 to the Company's Annual Report for the period ended December 31, 2003 (File No. 000-23999), filed on March 15, 2004).  |
| (b)*           | Modification dated July 19, 2007 by and between the Company and Peter F. Sinisgalli to the Executive Employment Agreement dated February 25, 2004 (Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K (File No. 000-23999), filed on July 24, 2007).  |
| 10.10*         | Executive Employment Agreement by and between the Registrant and Peter F. Sinisgalli, effective as of April 13, 2012 (Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K (File No. 000-23999), filed on December 23, 2011).   |

| Exhibit<br>Number | Description  |
|-------------------|--|
| 10.11*            | Separation and Non-Competition Agreement by and between the Registrant and Peter F. Sinisgalli, effective as of February 25, 2004 (Incorporated by reference to Exhibit 10.29 to the Company's Annual Report for the period ended December 31, 2003 (File No. 000-23999), filed on March 15, 2004).                      |
| 10.12(a)*         | Form of Executive Employment Agreement (Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K (File No. 000-23999) filed on April 4, 2013).  |
| (b)*              | Updated Schedule to Form of Executive Employment Agreement of Initial Salaries and Target Bonus Opportunities for Named Executive Officers (Incorporated by reference to Exhibit 10.1(b) to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2013 (File No. 000-23999) filed on July 31, 2013). |
| 10.13*            | Executive Employment Agreement with Steven P. Smith (Incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2013 (File No. 000-23999) filed on July 31, 2013).   |
| 10.14 *           | Form of Modification Agreement for Terms and Conditions for Stock Options. (Incorporated by reference to Exhibit 10.3 to the Company's Form 8-K (File No. 000-23999), filed on January 2, 2009).   |
| 10.15             | Form of License Agreement, Software Maintenance Agreement and Consulting Agreement (Incorporated by reference to Exhibit 10.18 to the Company's Pre-Effective Amendment No. 1 to its Registration Statement on Form S-1 (File No. 333-47095), filed on April 2, 1998).   |
| 10.16             | Form of Software License, Services and Maintenance Agreement (Incorporated by reference to Exhibit 10.21 to the Company's Annual Report for the period ended December 31, 1998 (File No. 000-23999), filed on March 31, 1999).   |
| 10.17(a)*         | 2007 Stock Incentive Plan, as amended by the First Amendment thereto (Incorporated by reference to Annex A to the Company's Definitive Proxy Statement related to its 2009 Annual Meeting of Shareholders (File No. 000-23999) filed on April 20, 2009).   |
| (b)*              | Second amendment to 2007 Stock Incentive Plan (Incorporated by reference to Annex A to the Company's Definitive Proxy Statement related to its 2011 Annual Meeting of Shareholders (File No. 000-23999) filed on April 15, 2011).  |
| 10.18*            | Written Summary of Manhattan Associates, Inc. Annual Cash Incentive Plan (Incorporated by reference to Exhibit 10.47 to the Company's Annual Report for the period ended December 31, 2009 (File No. 000-23999), filed on February 19, 2010).  |
| 10.19*            | Form of Manhattan Associates, Inc. Restricted Stock Award Agreement for Employees (Incorporated by reference to Exhibit 10.48 to the Company's Annual Report for the period ended December 31, 2009 (File No. 000-23999), filed on February 19, 2010).   |
| 10.20*            | Form of Manhattan Associates, Inc. Restricted Stock Award Agreement for Non-Employee Directors (Incorporated by reference to Exhibit 10.49 to the Company's Annual Report for the period ended December 31, 2009 (File No. 000-23999), filed on February 19, 2010).  |
| 10.21*            | Form of Manhattan Associates, Inc. Restricted Stock Unit Award Agreement for Employees (Incorporated by reference to Exhibit 10.50 to the Company's Annual Report for the period ended December 31, 2012 (File No. 000-23999), filed on February 23, 2012).  |
| 10.22*            | Form of Manhattan Associates, Inc. Restricted Stock Unit Award Agreement for Non-Employee Directors (Incorporated by reference to Exhibit 10.51 to the Company's Annual Report for the period ended December 31, 2012 (File No. 000-23999), filed on February 23, 2012).   |
| 10.23*            | Executive Employment Agreement by and between the Registrant and Bruce Richards, effective as of August 1, 2011 (Incorporated by reference to Exhibit 10.51 to the Company's Annual Report for the period ended December 31, 2012 (File No. 000-23999), filed on February 23, 2012).                                     |
| 10.24*            | Severance and Non-Competition Agreement by and between the Registrant and Bruce Richards, effective as of August 1, 2011 (Incorporated by reference to Exhibit 10.51 to the Company's Annual Report for the period ended December 31, 2012 (File No. 000-23999), filed on February 23, 2012).                            |
| 10.25*            | Modification Agreement for Terms and Conditions for Stock Options by and between the Registrant and Eddie Capel, effective as of June 4, 2007 (Incorporated by reference to Exhibit 10.51 to the Company's Annual Report for the period ended December 31, 2012 (File No. 000-23999), filed on February 23, 2012).       |

| Exhibit<br>Number | Description  |
|-------------------|--|
| 10.26*            | Severance and Non-Competition Agreement by and between the Registrant and Eddie Capel, effective as of March 18, 2010 (Incorporated by reference to Exhibit 10.51 to the Company's Annual Report for the period ended December 31, 2012 (File No. 000-23999), filed on February 23, 2012). |
| 10.27             | Settlement Agreement by and between the Registrant and Steven P. Smith, effective as of June 8, 2015 (Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K (File No. 000-23999), filed on June 12, 2015).   |
| 21.1              | List of Subsidiaries.  |
| 23.1              | Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm.   |
| 31.1              | Certification of Principal Executive Officer pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002  |
| 31.2              | Certification of Principal Financial Officer pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002  |
| 32**              | Certification of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002  |
| 101.INS           | XBRL Instance Document   |
| 101.SCH           | XBRL Taxonomy Extension Schema Document  |
| 101.CAL           | XBRL Taxonomy Extension Calculation Linkbase Document  |
| 101.DEF           | XBRL Taxonomy Extension Definition Linkbase Document   |
| 101.LAB           | XBRL Taxonomy Extension Label Linkbase Document  |
| 101.PRE           | XBRL Taxonomy Extension Presentation Linkbase Document   |

\* Management contract or compensatory plan or agreement.

\*\* In accordance with Item 601(b)(32)(ii) of the SEC's Regulation S-K, this Exhibit is hereby furnished to the SEC as an accompanying document and is not deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that Section, nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933.

**MANHATTAN ASSOCIATES, INC. SUBSIDIARIES**

| <b><u>Subsidiaries</u></b>                                      | <b><u>Place of Incorporation</u></b> |
|---|--------------------------------------|
| Manhattan Associates Limited                                    | United Kingdom                       |
| Manhattan Associates Europe B.V.                                | Netherland                           |
| Manhattan Associates France SARL                                | France                               |
| Manhattan Associates GmbH                                       | Germany                              |
| Manhattan Associates KK   | Japan                                |
| Manhattan Associates Software (Shanghai), Co. Ltd.              | China                                |
| Manhattan Associates Pty Ltd.                                   | Australia                            |
| Manhattan Associates Software Pte Ltd.                          | Singapore                            |
| Manhattan Associates (India) Development Centre Private Limited | India                                |
| Manhattan Associates, S. de R.L. de CV                          | Mexico                               |
| Manhattan Associates Services, S. de R.L. de CV                 | Mexico                               |
| Manhattan Associates Supply Chain Software, LLC                 | Georgia, USA                         |



Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

1. Form S-8 No. 333-143611 pertaining to the Manhattan Associates, Inc. 2007 Stock Incentive Plan,
2. Form S-8 No. 333-159852 pertaining to the Manhattan Associates, Inc. 2007 Stock Incentive Plan, and
3. Form S-8 No. 333-174499 pertaining to the Manhattan Associates, Inc. 2007 Stock Incentive Plan;

of our reports dated February 5, 2016, with respect to the consolidated financial statements and schedule of Manhattan Associates, Inc. and subsidiaries and the effectiveness of internal control over financial reporting of Manhattan Associates, Inc. and subsidiaries included in this Annual Report (Form 10-K) of Manhattan Associates, Inc. and subsidiaries for the year ended December 31, 2015.

/s/ Ernst & Young LLP

Atlanta, Georgia  
February 5, 2016

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER  
PURSUANT TO RULE 13a-14(a)/15d-14(a), AS ADOPTED PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Eddie Capel, certify that:

1. I have reviewed this annual report on Form 10-K of the registrant;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated this 5th day of February, 2016

/s/ Eddie Capel

Eddie Capel, President and Chief Executive Officer

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER  
PURSUANT TO RULE 13a-14(a)/15d-14(d), AS ADOPTED PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Dennis B. Story, certify that:

1. I have reviewed this annual report on Form 10-K of the registrant;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated this 5th day of February, 2016

/s/ Dennis B. Story

Dennis B. Story, Executive Vice President, Chief Financial Officer, and Treasurer

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

This Certificate is being delivered pursuant to the requirements of Section 1350 of Chapter 63 (Mail Fraud) of Title 18 (Crimes and Criminal Procedures) of the United States Code and shall not be relied on by any person for any other purpose.

The undersigned, who are the Chief Executive Officer and Chief Financial Officer, respectively, of Manhattan Associates, Inc. (the "Company"), hereby each certify that, to the undersigned's knowledge:

1. the Annual Report on Form 10-K of the Company for the twelve month period ended December 31, 2015 (the "Report"), which accompanies this Certification, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. all information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated this 5th day of February, 2016

/s/ Eddie Capel

Eddie Capel, President and Chief Executive Officer

/s/ Dennis B. Story

Dennis B. Story, Executive Vice President, Chief Financial Officer, and Treasurer

In accordance with SEC Release No. 34-47986, this Exhibit is furnished to the SEC as an accompanying document and is not deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that Section, nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933. A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the registrant and will be retained by the registrant and furnished to the Securities and Exchange Commission or its staff upon request.

# Comparison of 5 Year Cumulative Total Return

Assumes Initial Investment of \$100  
December 31, 2015

# 866

## REGISTRAR & TRANSFER AGENT

Computershare Trust Company, NA

First Class/Registered/Certified Mail:

P. O. Box 30170

College Station, TX 77842-3170

+1 800-568-3476

Courier Services:

211 Quality Circle, Suite 210

College Station, TX 77854

Inquiries regarding stock transfers,  
lost certificates or address changes  
should be directed to Computershare.

## AUDITORS

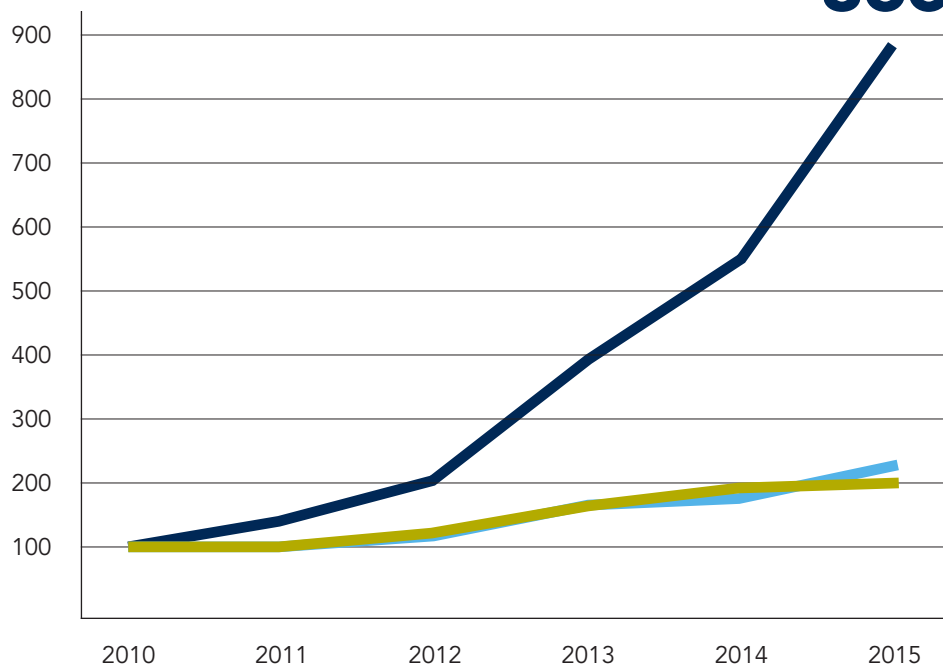
Ernst & Young, LLP

Atlanta, Georgia

## LEGAL COUNSEL

Kilpatrick Townsend & Stockton, LLP

Atlanta, Georgia



■ Manhattan Associates, Inc.  
■ NASDAQ Composite  
■ NASDAQ Computer & Data Processing Index

2010      2011      2012      2013      2014      **2015**

|   | 2010 | 2011 | 2012 | 2013 | 2014 | <b>2015</b> |
|---|------|------|------|------|------|-------------|
| Manhattan Associates, Inc.              | 100  | 132  | 198  | 384  | 533  | <b>866</b>  |
| NASDAQ Composite                        | 100  | 99   | 116  | 163  | 187  | <b>200</b>  |
| NASDAQ Computer & Data Processing Index | 100  | 97   | 110  | 159  | 170  | <b>223</b>  |

## Stock Performance

The line-graph above provides a comparison of the cumulative total shareholder return for Manhattan Associates, Inc. ("Manhattan") common stock for the period from December 31, 2010 through December 31, 2015, against the cumulative shareholder return during such period achieved by The NASDAQ Stock Market ("NASDAQ Composite") and the NASDAQ Computer and Data Processing Index. The graph assumes that \$100 was invested on December 31, 2010 in the Common Stock and in each of the comparison indices and assumes reinvestment of dividends. No cash dividends have been declared on shares of Manhattan common stock. The data for the graph was provided to us by Zacks Investment Research, Inc.

## Nasdaq Symbol

The Company's common stock is traded on the Nasdaq Global Select Market under the symbol MANH. Additional copies of this 2015 10-K, filed with the Securities and Exchange Commission, may be obtained by shareholders online at [www.manh.com](http://www.manh.com) or without charge by writing to Manhattan Associates Investor Relations at the Company's headquarters.



**Manhattan Associates** makes commerce-ready supply chains that bring all points of commerce together so you are ready to sell and ready to execute. Across the store, through your network or from your fulfillment center, we design, build and deliver market-leading solutions that support both top-line growth and bottom-line profitability. By converging front-end sales with back-end supply chain execution, our software, platform technology and unmatched experience help our customers get commerce ready—and ready to reap the rewards of the omni-channel marketplace.



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