

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

[Mark One]

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

For the quarterly period ended March 31, 2004

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: 0-23999

MANHATTAN ASSOCIATES, INC.

(Exact Name of Registrant as Specified in Its Charter)

Georgia

(State or Other Jurisdiction of Incorporation or Organization)

58-2373424

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

2300 Windy Ridge Parkway, Suite 700

Atlanta, Georgia

(Address of Principal Executive Offices)

30339

(Zip Code)

Registrant's Telephone Number, Including Area Code: (770) 955-7070

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 is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares of the Issuer's class of capital stock outstanding as of May 6, 2004, the latest practicable date, is as follows: 30,177,830 shares of common stock, \$0.01 par value per share.

MANHATTAN ASSOCIATES, INC. AND SUBSIDIARIES

FORM 10-Q

Quarter Ended March 31, 2004

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PART I
FINANCIAL INFORMATION

Item 1. Financial Statements.

MANHATTAN ASSOCIATES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share amounts)

	<u>December 31, 2003</u>	<u>March 31, 2004</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 140,964	\$ 153,418
Short-term investments	4,992	9,076
Accounts receivable, net of allowance for doubtful accounts of \$3,181 and \$3,009 at December 31, 2003 and March 31, 2004, respectively	40,790	41,565
Prepaid expenses and other current assets	6,713	6,862
Total current assets	<u>193,459</u>	<u>210,921</u>
Property and equipment, net	12,152	12,053
Long-term investments	9,447	4,316
Acquisition-related intangible assets, net	10,942	10,072
Goodwill, net	31,688	31,698
Other assets	6,331	6,470
Total assets	<u>\$ 264,019</u>	<u>\$ 275,530</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 5,235	\$ 6,182
Accrued liabilities	3,617	2,455
Accrued compensation and benefits	6,702	5,352
Current portion of capital lease obligations	132	120
Income taxes payable	1,470	760
Deferred revenue	17,937	21,680
Total current liabilities	<u>35,093</u>	<u>36,549</u>
Deferred income taxes	396	460
Long-term portion of capital lease obligations	288	253
Shareholders' equity:		
Preferred stock, no par value; 20,000,000 shares authorized, no shares issued or outstanding at December 31, 2003 and March 31, 2004	—	—
Common stock, \$.01 par value; 100,000,000 shares authorized, 30,086,164 and 30,231,096 shares issued and outstanding at December 31, 2003 and March 31, 2004, respectively	301	302
Additional paid-in capital	143,766	149,281
Retained earnings	83,653	89,330
Accumulated other comprehensive income	720	836
Deferred compensation	(198)	(1,481)
Total shareholders' equity	<u>228,242</u>	<u>238,268</u>
Total liabilities and shareholders' equity	<u>\$ 264,019</u>	<u>\$ 275,530</u>

See accompanying Notes to Condensed Consolidated Financial Statements.

Item 1. Financial Statements (continued)

MANHATTAN ASSOCIATES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(unaudited and in thousands, except per share amounts)

	Three Months Ended March 31,	
	2003	2004
Revenue:		
Software and hosting fees	\$ 10,159	\$ 12,306
Services	30,240	33,606
Hardware and other	5,698	5,381
Total revenue	46,097	51,293
Costs and Expenses:		
Cost of software and hosting fees	1,123	823
Cost of services	12,766	15,096
Cost of hardware and other	4,927	4,578
Research and development	6,754	7,354
Sales and marketing	7,572	7,920
General and administrative	5,734	6,374
Amortization of acquisition-related intangibles	763	870
Total costs and expenses	39,639	43,015
Operating income	6,458	8,278
Other income, net	557	389
Income before income taxes	7,015	8,667
Income tax provision	2,475	2,990
Net income	\$ 4,540	\$ 5,677
Basic net income per share	\$ 0.16	\$ 0.19
Diluted net income per share	\$ 0.15	\$ 0.18
Weighted average number of shares:		
Basic	29,079	30,135
Diluted	30,446	31,349

See accompanying Notes to Condensed Consolidated Financial Statements.

Item 1. Financial Statements (continued)

MANHATTAN ASSOCIATES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited and in thousands)

	Three Months Ended March 31,	
	2003	2004
Operating activities:		
Net income	\$ 4,540	\$ 5,677
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,039	1,732
Amortization of acquisition-related intangibles	763	870
Stock compensation	6	93
Tax benefit of options exercised	2,175	2,963
Deferred income taxes	(224)	75
Changes in operating assets and liabilities:		
Accounts receivable, net	(3,879)	(602)
Other assets	(78)	(351)
Accounts payable and accrued liabilities	(2,675)	(1,617)
Income taxes	316	(727)
Deferred revenue	5,334	3,713
Net cash provided by operating activities	8,317	11,826
Investing activities:		
Purchase of property and equipment	(2,060)	(1,565)
Net maturities of investments	23,522	1,065
Net cash provided by (used in) investing activities	21,462	(500)
Financing activities:		
Payment of capital lease obligations	(41)	(47)
Proceeds from issuance of common stock from options exercised	733	1,180
Net cash provided by financing activities	692	1,133
Foreign currency impact on cash	(235)	(5)
Net change in cash and cash equivalents	30,236	12,454
Cash and cash equivalents at beginning of period	64,664	140,964
Cash and cash equivalents at end of period	\$ 94,900	\$ 153,418
Supplemental cash flow disclosures:		
Net cash paid for income taxes	\$ 130	\$ 129
Cash paid for interest	\$ 6	\$ 4
Non-cash transaction:		
Issuance of restricted stock	\$ —	\$ 1,375

See accompanying Notes to Condensed Consolidated Financial Statements.

MANHATTAN ASSOCIATES, INC. AND SUBSIDIARIES

**Notes to Condensed Consolidated Financial Statements
March 31, 2004
(unaudited)**

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required for complete financial statements. In the opinion of our management, these condensed consolidated financial statements contain all normal adjustments considered necessary for a fair presentation of the financial position at March 31, 2004, the results of operations for the three month periods ended March 31, 2003 and 2004 and changes in cash flows for the three month periods ended March 31, 2003 and 2004. The results for the three month period ended March 31, 2004 are not necessarily indicative of the results to be expected for the full year. These statements should be read in conjunction with our audited consolidated financial statements for the year ended December 31, 2003.

2. Principles of Consolidation

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

3. Revenue Recognition

Our revenue is derived from (i) Software and Hosting Fees, which consist of revenue from the licensing and hosting of software and revenue from funded research and development efforts; (ii) Services Revenue, which consist of fees from consulting, implementation and training services (collectively, "professional services"), plus customer support services and software enhancement subscriptions; and (iii) Hardware and Other Revenue, which consists of sales of hardware and reimbursed project expenses.

Revenue recognition rules for software companies are very complex. Although we follow very specific and detailed guidelines in measuring revenue, the application of those guidelines requires judgment including: (i) whether a software arrangement includes multiple elements, and if so, whether vendor-specific objective evidence ("VSOE") of fair value exists for those elements; (ii) whether customizations or modifications of the software are significant; and (iii) whether the software fee is collectible. For arrangements that require the use of the percentage of completion method, the complexity of the estimation process and issues related to the assumptions, risks and uncertainties inherent with the application of the percentage of completion method of accounting affect the amounts of revenue and related expenses reported in our consolidated financial statements. A number of internal and external factors can affect our estimates, including labor rates, utilization and efficiency variances and specification and testing requirement changes.

We recognize software fees in accordance with Statement of Position No. 97-2, "Software Revenue Recognition" ("SOP 97-2"), as amended by Statement of Position No. 98-9, "Software Revenue Recognition, With Respect to Certain Transactions" ("SOP 98-9"). Under SOP 97-2, we recognize software license revenue when the following criteria are met: (1) a signed contract is obtained; (2) delivery of the product has occurred; (3) the license fee is fixed or determinable; and (4) collectibility is

3. Revenue Recognition (continued)

probable. SOP 98-9 requires recognition of revenue using the “residual method” when (1) there is vendor-specific objective evidence of the fair values of all undelivered elements in a multiple-element arrangement that is not accounted for using long-term contract accounting; (2) vendor-specific objective evidence of fair value does not exist for one or more of the delivered elements in the arrangement; and (3) all revenue-recognition criteria in SOP 97-2 other than the requirement for vendor-specific objective evidence of the fair value of each delivered element of the arrangement are satisfied. For those contracts that contain significant customization or modifications, license revenue is recognized under the percentage of completion method. We estimate the percentage of completion utilizing hours incurred to date as a percentage of total estimated hours to complete the project. We provide for project losses in their entirety in the period in which they become known. Hosting fees, which consist of fees for the license of our software and maintenance of the software and related hardware, are generally paid in advance and recognized ratably over the term of the hosting arrangement. We occasionally enter into funded research and development agreements for the enhancement of existing products or for the development of new products. Revenues from these funded development efforts are recognized under the percentage of completion method and included in the software and hosting fees line item in our condensed consolidated statements of income. The costs associated with the funded development efforts are included in the research and development line item in our condensed consolidated statements of income.

Most of our software arrangements include professional services. Professional services revenues are generally accounted for separately from the software license revenues because the arrangements qualify as “service transactions” as defined by SOP 97-2. The most significant factors considered in determining whether the revenue should be accounted for separately include the nature of the services (*i.e.*, consideration of whether the services are essential to the functionality of the licensed product), degree of risk, availability of services from other vendors and timing of payments. Fees from professional services performed by us are generally billed on an hourly basis, and revenue is recognized as the services are performed. From time to time, we will enter into professional services 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 percent complete basis based on the hours incurred. Project losses are provided for in their entirety in the period in which they become known. Fees from customer support services and software enhancement subscriptions are generally paid in advance and recognized as revenue ratably over the term of the agreement, typically 12 months.

Hardware revenue is generated from the resale of a variety of hardware products, developed and manufactured by third parties, which are integrated with and complementary to our software solutions. These products include computer equipment, radio frequency terminal networks, RFID chip readers, bar code printers and scanners and other peripherals. We generally purchase hardware from our vendors only after receiving an order from a customer, and revenue is recognized upon shipment by the vendor to the customer.

4. Investments

Our investments in marketable securities consist of debt instruments of the U.S. Treasury, U.S. government agencies and corporate commercial paper. Investments with original maturities of less than 90 days are classified as cash equivalents, investments with original maturities of greater than 90 days but less than one year are classified as short-term investments, and those with original maturities of greater than one year are classified as long-term investments. Our long-term investments consist of debt instruments of U.S. government agencies and mature after one year through five years.

On July 11, 2003, we made a cash investment of \$2 million in Alien Technology Corp. (“Alien”), a provider of ultra-low cost radio frequency identification (RFID) tags and hardware. The investment represents approximately a 1.5% ownership interest in the privately-held corporation. Our maximum exposure to loss as a result of our involvement with Alien is our investment of \$2 million. The investment has been accounted for under the cost method, and is included in “Other assets” on the condensed consolidated balance sheet.

5. Stock-Based Compensation

We account for our stock-based compensation plan for stock issued to employees under Accounting Principles Board (“APB”) Opinion No. 25, “Accounting for Stock Issued to Employees,” and, accordingly, record deferred compensation for options granted at an exercise price below the fair value of the underlying stock. The deferred compensation is presented as a component of equity in the accompanying consolidated balance sheets and is amortized over the periods to be benefited, generally the vesting period of the options. Effective in fiscal year 1996, we adopted the pro forma disclosure option for stock-based compensation issued to employees pursuant to Statement of Financial Accounting Standards No. 123, “Accounting for Stock-Based Compensation” (“SFAS No. 123”).

Pro forma information regarding net income and net income per share is required by SFAS No. 123, which requires that the information be determined as if we had accounted for our employee stock option grants under the fair value method required by SFAS No. 123. The fair value of each option grant has been estimated as of the date of grant using the Black-Scholes option pricing model. The following pro forma information adjusts the net income and net income per share of common stock for the impact of SFAS No. 123:

	Three Months Ended March 31,	
	2003	2004
	(in thousands)	
Net income:		
As reported	\$ 4,540	\$ 5,677
Add: Stock-based employee compensation expense included in reported net income	\$ 6	\$ —
Deduct: Stock-based employee compensation expense determined under the fair-value method for all awards	<u>\$ (5,142)</u>	<u>\$ (5,670)</u>
Pro forma in accordance with SFAS No. 123	(596)	7
Basic net income per share:		
As reported	\$ 0.16	\$ 0.19
Pro forma in accordance with SFAS No. 123	\$ (0.02)	\$ 0.00
Diluted net income per share:		
As reported	\$ 0.15	\$ 0.18
Pro forma in accordance with SFAS No. 123	\$ (0.02)	\$ 0.00

6. Comprehensive Income

Comprehensive income includes net income, foreign currency translation adjustments and unrealized gains and losses on investments that have been previously excluded from net income and reflected in shareholders' equity.

The following table sets forth the calculation of comprehensive income:

	Three Months Ended March 31,	
	2003	2004
	(in thousands)	
Net income	\$ 4,540	\$ 5,677
Other comprehensive income (loss), net of tax:		
Unrealized gain (loss) on investments, net of taxes	(14)	11
Foreign currency translation adjustment, net of taxes	(61)	105
Total other comprehensive income (loss), net of taxes	(75)	116
Comprehensive income	<u>\$4,465</u>	<u>\$ 5,793</u>

7. 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 plus common equivalent shares ("CESs") outstanding for each period presented using the treasury stock method.

The following is a reconciliation of the shares used in the computation of net income per share:

	Three Months Ended March 31, 2003		Three Months Ended March 31, 2004	
	Basic	Diluted	Basic	Diluted
	(in thousands)		(in thousands)	
Weighted Shares	29,079	29,079	30,135	30,135
Effect of CESs	—	1,367	—	1,214
	<u>29,079</u>	<u>30,446</u>	<u>30,135</u>	<u>31,349</u>

Weighted average shares issuable upon the exercise of stock options that were not included in the calculation of diluted earnings per share were 3,232,914 and 1,356,296 for the three months ended March 31, 2003 and 2004, respectively. Such shares were not included because they were antidilutive.

8. Geographic Information

Geographic revenue information for the three month periods ended March 31, 2003 and 2004 is based on the location of the customer. Long-lived asset information is based on the physical location of the assets at the end of each of the periods.

Revenue by geographic region/country was as follows (in thousands):

	Three Months Ended March 31, 2003	Three Months Ended March 31, 2004
United States	\$ 36,456	\$ 40,619
Europe	8,819	7,253
Rest of world	822	3,421
Total international	9,641	10,674
Total revenue	\$ 46,097	\$ 51,293

Total international long-lived assets, which include assets in the United Kingdom, Netherlands, India, Japan and Australia, were approximately \$3.8 million and \$4.1 million as of December 31, 2003 and March 31, 2004, respectively.

9. Acquisition

On January 23, 2004, we acquired certain assets of Avere, Inc. ("Avere"), a provider of order management software. We acquired substantially all of the assets of Avere for a purchase price of approximately \$200,000 in cash plus a potential earnout based upon the total Avere software fees recognized by us during the period starting on December 31, 2003 and ending on December 31, 2005. The earnout payment, if any, will be calculated as the following percentages of all Avere software fees recognized during the earnout period: (i) 25% of the Avere software fees greater than \$200,000 and up to and including \$2 million; (ii) 30% of the Avere software fees greater than \$2 million and up to and including \$4 million; and (iii) 35% of the Avere software fees greater than \$4 million. The entire purchase price has been recorded as acquired developed technology and is being amortized over the greater of the amount computed using (a) the ratio that current gross revenues for a product bear to the total of current and anticipated future gross revenues for that product or (b) the straight-line method over the remaining five-year estimated economic life of the product, including the period being reported on.

10. New Accounting Pronouncement

In January 2003, the FASB issued FASB Interpretation No. 46 (“FIN 46”), *Consolidation of Variable Interest Entities—An Interpretation of Accounting Research Bulletin No. 51*. In December 2003, the FASB issued a revision to FIN 46 (“FIN 46R”), to clarify some of the provisions of FIN 46 to exempt certain entities from its requirements. FIN 46 requires the consolidation of entities in which an enterprise absorbs a majority of the entity’s expected losses, receives a majority of the entity’s expected residual returns, or both, as a result of ownership, contractual interests or other financial interests in the entity. FIN 46 is effective for all new variable interest entities created or acquired after January 31, 2003. For variable interest entities created or acquired prior to February 1, 2003, the provisions of FIN 46 must be applied during the first interim or annual period beginning after March 15, 2004. We adopted this guidance on March 31, 2004. We do not currently have relationships that require us to consolidate or disclose information about variable interest entities.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

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 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 report, the words “expect,” “anticipate,” “intend,” “plan,” “believe,” “seek,” “estimate,” and similar expressions are generally intended to identify forward-looking statements. You should not place undue reliance on these forward-looking statements, which reflect our opinions only as of the date of this Quarterly 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. For further information about these and other factors that could affect our future results, please see Exhibit 99.1 to our Annual Report on Form 10-K for the year ended December 31, 2003. Investors are cautioned that any 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.

Overview

We are a leading global provider of technology-based solutions to improve the effectiveness of and the efficiencies within and across the supply chain. Our solutions, which consist of software, services and hardware, enhance distribution and transportation efficiencies through the real-time integration of supply chain constituents, including manufacturers, distributors, retailers, suppliers, transportation providers and consumers. Our software consists of three principal product groups within supply chain execution (“SCE”) systems: warehouse management, transportation management and trading partner management. In addition, we have additional products that support or enhance the functionality of the product groups, such as performance management and Radio Frequency Identification (“RFID”). Warehouse management solutions include the performance of the many processes that take place in the warehouse and distribution center, beginning with the placement of an order by a customer and ending with the order fulfillment process. Transportation management solutions include functionality that allows a company to optimally procure, plan and execute transportation services, including the delivery of the order to the end customer. Trading partner management solutions provide real-time synchronization of key processes and their associated information flows across the supply chain, including customer process synchronization, supplier process management, global inventory visibility, supply chain event management, distributed order management and returns management. Performance management solutions use analytic tools and alerting processes that allow distribution center managers to monitor events within the supply chain cycle, analyze historical data and generate reports. Our RFID software solution provides an integration and reporting platform between RFID chip readers and SCE and Enterprise Resource Planning (“ERP”) systems. We also provide services, including design, configuration, implementation and training services, plus customer support services and software enhancement subscriptions.

Critical Accounting Policies and Estimates

The condensed consolidated financial statements include accounts of both our subsidiaries and us. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions in certain circumstances that affect amounts reported in the accompanying consolidated financial statements and related footnotes.

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In preparing these financial statements, management has made its best estimates and judgments of certain amounts included in the financial statements, giving due consideration to materiality. We do not believe there is a great likelihood that materially different amounts would be reported related to the accounting policies described below. However, application of these accounting policies involves the exercise of judgment and use of assumptions as to future uncertainties and, as a result, actual results could differ from these estimates.

Revenues and Revenue Recognition

Our revenue is derived from (i) Software and Hosting Fees, which consist of revenue from the licensing and hosting of software and revenue from funded research and development efforts; (ii) Services Revenue, which consist of fees from consulting, implementation and training services (collectively, “professional services”), plus customer support services and software enhancement subscriptions; and (iii) Hardware and Other Revenue, which consists of sales of hardware and reimbursed project expenses.

Revenue recognition rules for software companies are very complex. Although we follow very specific and detailed guidelines in measuring revenue, the application of those guidelines requires judgment including: (i) whether a software arrangement includes multiple elements, and if so, whether vendor-specific objective evidence (“VSOE”) of fair value exists for those elements; (ii) whether customizations or modifications of the software are significant; and (iii) whether the software fee is collectible. For arrangements that require the use of the percentage of completion method, the complexity of the estimation process and issues related to the assumptions, risks and uncertainties inherent with the application of the percentage of completion method of accounting affect the amounts of revenue and related expenses reported in our consolidated financial statements. A number of internal and external factors can affect our estimates, including labor rates, utilization and efficiency variances and specification and testing requirement changes.

We recognize software fees in accordance with Statement of Position No. 97-2, “Software Revenue Recognition” (“SOP 97-2”), as amended by Statement of Position No. 98-9, “Software Revenue Recognition, With Respect to Certain Transactions” (“SOP 98-9”). Under SOP 97-2, we recognize software license revenue when the following criteria are met: (1) a signed contract is obtained; (2) delivery of the product has occurred; (3) the license fee is fixed or determinable; and (4) collectibility is probable. SOP 98-9 requires recognition of revenue using the “residual method” when (1) there is vendor-specific objective evidence of the fair values of all undelivered elements in a multiple-element arrangement that is not accounted for using long-term contract accounting; (2) vendor-specific objective evidence of fair value does not exist for one or more of the delivered elements in the arrangement; and (3) all revenue-recognition criteria in SOP 97-2 other than the requirement for vendor-specific objective evidence of the fair value of each delivered element of the arrangement are satisfied. For those contracts that contain significant customization or modifications, license revenue is recognized under the percentage of completion method. We estimate the percentage of completion utilizing hours incurred to date as a percentage of total estimated hours to complete the project. We provide for project losses in their entirety in the period in which they become known. Hosting fees, which consist of fees for the license of our software and maintenance of the software and related hardware, are generally paid in advance and recognized ratably over the term of the hosting arrangement. We occasionally enter into funded research and development agreements for the enhancement of existing products or for the development of new products. Revenues from these funded development efforts are recognized under the percentage of completion method and included in the software and hosting fees line item in our condensed consolidated statements of income. The costs associated with the funded development efforts are included in the research and development line item in our condensed consolidated statements of income.

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Most of our software arrangements include professional services. Professional services revenues are generally accounted for separately from the software license revenues because the arrangements qualify as “service transactions” as defined by SOP 97-2. The most significant factors considered in determining whether the revenue should be accounted for separately include the nature of the services (*i.e.*, consideration of whether the services are essential to the functionality of the licensed product), degree of risk, availability of services from other vendors and timing of payments. Fees from professional services performed by us are generally billed on an hourly basis, and revenue is recognized as the services are performed. From time to time, we will enter into professional services 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 percent complete basis based on the hours incurred. Project losses are provided for in their entirety in the period in which they become known. Fees from customer support services and software enhancement subscriptions are generally paid in advance and recognized as revenue ratably over the term of the agreement, typically 12 months.

Hardware revenue is generated from the resale of a variety of hardware products, developed and manufactured by third parties, which are integrated with and complementary to our software solutions. These products include computer equipment, radio frequency terminal networks, RFID chip readers, bar code printers and scanners and other peripherals. We generally purchase hardware from our vendors only after receiving an order from a customer, and revenue is recognized upon shipment by the vendor to the customer.

Accounts Receivable

We continuously monitor collections and payments from our customers and maintain an allowance for estimated credit losses based upon our historical experience and any specific customer collection issues that we have identified. 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. While such credit losses have historically been within our expectations and the provisions established, we cannot guarantee that we will continue to experience the same credit loss rates that we have in the past. Our top five customers in aggregate accounted for 15% and 18% of total revenue for each of the quarters ended March 31, 2003 and 2004, respectively. No single customer accounted for more than 10% of revenue in the quarters ended March 31, 2003 and 2004.

Valuation of long-lived and intangible assets and goodwill

Our business acquisitions have resulted in, and future acquisitions typically will result in, the recording of goodwill, which represents the excess of the purchase price over the fair value of assets acquired, as well as capitalized technology and other definite-lived intangible assets.

In accordance with Statement of Financial Accounting Standards (“SFAS”) No. 142, *Goodwill and Other Intangible Assets*, we do not amortize goodwill and other intangible assets with indefinite lives. In lieu of amortization, we perform annual impairment reviews. We performed the annual review of our goodwill and other intangible assets for impairment as of December 31, 2003, and did not identify any asset impairment as a result of the review. We will continue to test for impairment on an annual basis as of December 31, or on an interim basis if circumstances change that would indicate the possibility of an impairment. The impairment review requires an analysis of future projections and assumptions about our operating performance. Should such review indicate the assets are impaired, we would record an expense for the impaired assets.

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We evaluate long-lived assets based on the net future cash flow expected to be generated from the asset on an undiscounted basis whenever significant events or changes in circumstances occur that indicate that the carrying amount of an asset may not be recoverable. In addition, expected future operating losses from discontinued operations are reported as discontinued operations in the period incurred. In addition, more dispositions may qualify for discontinued operations treatment. This is in accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, which superseded SFAS No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of*, and certain aspects of APB 30, "Reporting the Results of Operations-Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual, and Infrequently Occurring Events and Transactions," with regard to reporting the effects of a disposal of a segment of a business.

Income Taxes

We provide for the effect of income taxes on our financial position and results of operations in accordance with Statement of Financial Accounting Standards No. 109, *Accounting for Income Taxes*. Under this accounting pronouncement, income tax expense is recognized for the amount of taxes payable or refundable for the current year and for deferred tax liabilities and assets for the future tax consequences of events that have been recognized in an entity's financial statements or tax returns. 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 assets. 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 and possible outcomes of current and future audits conducted by foreign and domestic tax authorities. 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 assets 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.

Results of Operations

Overview

Our primary goal is to expand our position as a leading provider of supply chain execution solutions by delivering integrated warehouse, transportation, trading partner and performance management solutions to our customers to drive revenue and earnings growth. For the balance of 2004, we plan to continue to enhance our software solutions, continue our global expansion and further develop our strategic alliances and indirect sales channels. Our success could be limited by several factors, including spending on information technology, the timely release of quality new products and releases, continued market acceptance of our products and the introduction of new products by existing or new competitors.

We have begun to see some improvement in the environment for capital spending on information technology. However, we continue to experience many effects of a weak spending environment for information technology in the United States and Europe, in the form of delayed and cancelled buying decisions by customers for our software, services and hardware, deferrals by customers of service engagements previously scheduled and pressure by our customers and competitors to discount our offerings. We believe that a deterioration in the current business climates or continued delay in

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capital spending within the United States and/or other geographic regions in which we operate, principally the United Kingdom and continental Europe, could have a material adverse impact on our future operations. There remains uncertainty as to the future macro-economic and business environmental conditions, making forecasting difficult.

Revenue

	Quarter Ended March 31, 2003	% Change 2003 to 2004	Quarter Ended March 31, 2004
Software and hosting fees	\$ 10,159	21%	\$ 12,306
Percentage of total revenue	22%		24%
Services	30,240	11%	33,606
Percentage of total revenue	66%		66%
Hardware and other	5,698	(6%)	5,381
Percentage of total revenue	12%		10%
Total revenue	\$ 46,097	11%	\$ 51,293

Our revenue consists of fees generated from the licensing and hosting of software; fees from professional services, customer support services and software enhancement subscriptions; and sales of complementary radio frequency and computer equipment, which are considered non-strategic. We believe our revenue growth from 2003 to 2004 is attributable to several factors, including, among others, increased sales of our expanded product suite, geographic expansion, our market leadership positions as to breadth of product offerings and financial stability and a compelling return on investment proposition for our customers.

Software and hosting fees. The increase in software and hosting fees from the quarter ended March 31, 2003 to the quarter ended March 31, 2004 was primarily due to increased sales of our warehouse management systems product suite and increased sales of software licenses outside of North America.

Services revenue. The increase in services revenue from the first quarter of 2003 to the first quarter of 2004 was principally due to: (i) an increase in engagements required to implement the increased amount of software sold and to upgrade existing customers to more current versions of our offerings; and (ii) renewals of customer support services and software enhancement subscription agreements on a growing installed base. During the economic downturn, we have experienced some pricing pressures with regard to our services. We believe that the pricing pressures are attributable to global macro-economic conditions and competitive pressures.

Hardware and other. Sales of hardware are non-strategic and largely dependent upon customer-specific desires, which fluctuate from quarter to quarter. Sales of hardware decreased from approximately \$4.4 million in the first quarter of 2003 to approximately \$3.8 million in the first quarter of 2004. The decrease in hardware sales was attributable to customers' desires in the current macro-economic environment to buy hardware from other suppliers offering greater discounts. Reimbursements for out-of-pocket expenses are required to be classified as revenue and are included in hardware and other revenue. For the quarters ended March 31, 2003 and 2004, reimbursements by customers for out-of-pocket expenses were approximately \$1.3 million and \$1.6 million, respectively.

Costs and Expenses

	Quarter Ended March 31, 2003	% Change 2003 to 2004	Quarter Ended March 31, 2004
Cost of software and hosting fees	\$ 1,123	(27%)	\$ 823
Percentage of software and hosting fees	11%		7%
Cost of services	12,766	18%	15,096
Percentage of services revenue	42%		45%
Cost of hardware and other	4,927	(7%)	4,578
Percentage of hardware and other revenue	86%		85%
Research and development	6,754	9%	7,354
Percentage of total revenue	15%		14%
Sales and marketing	7,572	5%	7,920
Percentage of total revenue	16%		15%
General and administrative	5,734	11%	6,374
Percentage of total revenue	12%		12%
Amortization of acquisition-related intangibles	763	14%	870
Percentage of total revenue	2%		1%

Cost of Software and Hosting Fees. Cost of software and hosting fees consists of the costs associated with software reproduction; hosting services; media, packaging and delivery, documentation and other related costs; royalties on third-party software sold with or as part of our products; and the amortization of capitalized research and development costs. The decrease in cost of software fees, as a percentage of software and hosting fees and in absolute dollars, in the first quarter of 2004 was principally attributable to lower telecommunication costs associated with hosting our software solutions. In addition, during the first quarter of 2003, there was approximately \$100,000 of amortization expense associated with capitalized development costs, which were fully amortized by the end of 2003.

Cost of Services. 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 increase in cost of services in the quarter ended March 31, 2004 was principally due to: (i) an increase in salary-related costs resulting from an increase of 15% in the number of personnel dedicated to the delivery of professional and technical services during the first quarter of 2004; and (ii) annual compensation increases of approximately 4% in May 2003. The decrease in the services gross margin was attributable to lower billing percentages during the first half of the quarter ended March 31, 2004, partly caused by an internal reorganization, coupled with pricing pressures experienced during the quarter, as discussed above.

Cost of Hardware and other. Cost of hardware decreased from approximately \$3.7 million in the first quarter of 2003 to approximately \$3.0 million in the first quarter of 2004 as a direct result of lower sales of hardware. Cost of hardware and other includes out-of-pocket expenses to be reimbursed by customers of approximately \$1.3 million and \$1.6 million for the quarters ended March 31, 2003 and 2004, respectively.

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Research and Development. Research and development expenses primarily consist of salaries and other personnel-related costs for personnel involved in our research and development activities. The increase in research and development expenses in the quarter ended March 31, 2004 was principally attributable to: (i) an increase in the average number of full-time and contracted personnel dedicated to our ongoing research and development activities, including personnel related to transportation management; (ii) the expansion of our offshore development center in India, which was formed in 2002; and (iii) annual compensation increases. The number of personnel related to our offshore development center increased from 63 at March 31, 2003 to 176 at March 31, 2004. Our principal research and development activities during the first quarter of 2004 focused on the expansion and integration of new products acquired and the synchronized product release, which included expanded product functionality, interoperability and testing.

Computer software development costs are charged to research and development expense until technological feasibility is established, after which remaining software production costs are capitalized. We have defined technological feasibility as the point in time at which we have a detailed program design or a working model of the related product, depending upon the type of development effort. For the quarters ended March 31, 2003 and 2004, we capitalized no research and development costs because the costs incurred following the attainment of technological feasibility for the related software product through the date of general release were insignificant.

Sales and Marketing. Sales and marketing expenses include salaries, commissions, travel and other personnel-related costs of sales and marketing personnel and the costs of our marketing and alliance programs and related activities. The increase in sales and marketing expenses from the first quarter of 2003 to the first quarter of 2004 was principally attributable to: (i) greater incentive compensation paid on a greater level of sales; and (ii) continued expansion of our sales and marketing programs, including expenditures to staff, brand and launch newly developed and acquired products.

General and Administrative. 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, depreciation, legal, insurance, accounting and other administrative expenses. The increase in general and administrative expenses during the quarter ended March 31, 2004 was principally attributable to an increase in salary-related costs resulting from an increase in the number of general and administrative personnel relating to our international expansion. Depreciation expense is included in general and administrative expenses and amounted to \$2.0 million and \$1.9 million during the quarters ended March 31, 2003 and 2004, respectively.

Amortization of Acquisition-Related Intangibles. We have recorded goodwill and other acquisition-related intangible assets as part of the purchase accounting associated with various acquisitions, including the acquisitions of Logistics.com, Inc. in December 2002, ReturnCentral, Inc. ("ReturnCentral") in June 2003, Streamsoft, L.L.C. ("Streamsoft") in October 2003, and Avere in January 2004. The increase in the amortization of acquisition-related intangibles that have finite lives and are separable from goodwill in the first quarter of 2004 was attributable to amortization expense associated with the acquisitions of ReturnCentral, Streamsoft, and Avere. Effective January 1, 2002, we adopted SFAS No. 142, which requires that goodwill and certain intangible assets no longer be amortized to earnings, but instead be tested for impairment at least annually.

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	<u>Quarter Ended</u> <u>March 31, 2003</u>	<u>% Change</u> <u>2003 to 2004</u>	<u>Quarter Ended</u> <u>March 31, 2004</u>
Income from operations	\$ 6,458	28%	\$ 8,278
Percentage of total revenue	14%		16%
Other income, net	557	(30%)	389
Percentage of total revenue	1%		1%
Income tax provision	2,475	21%	2,990
Percentage of income before income taxes	35%		35%

Income from Operations. The increase in operating income from the quarter ended March 31, 2003 to the quarter ended March 31, 2004 represents a combination of growth in higher margin software and services fees and improved efficiencies throughout our business.

Other Income, Net. Other income, net includes interest income and interest expense and foreign currency gains and losses. Interest income decreased from approximately \$440,000 in the first quarter of 2003 to approximately \$390,000 in the first quarter of 2004 due to a slight decline in market interest rates. The weighted-average interest rate on investment securities at March 31, 2003 was approximately 1.3%, as compared to 1.0% at March 31, 2004. We recorded a net foreign currency gain of \$120,000 in the three months ended March 31, 2003, compared to a net foreign currency loss of \$10,000 in the three months ended March 31, 2004. The foreign currency gain resulted from the weakening of the U.S. dollar relative to other foreign currencies, primarily the British Pound and Euro.

Income Tax Provision. Our effective income tax rates were 35.3% and 34.5% in the quarters ended March 31, 2003 and 2004, 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 decrease in the tax rate in 2004 was attributable to an increase in income generated in countries with lower tax rates along with an increase in the utilization of research and development credits. The provisions for income taxes for the quarters ended March 31, 2003 and 2004 do not include the \$2.2 million and \$3.0 million of tax benefits realized from stock options exercised during the quarters, respectively. These tax benefits reduce our income tax liabilities and are included in additional paid-in capital.

Liquidity and Capital Resources

We have funded our operations primarily through cash generated from operations. As of March 31, 2004, we had approximately \$166.8 million in cash, cash equivalents and investments, as compared to approximately \$155.4 million at December 31, 2003.

Our operating activities provided cash of approximately \$8.3 million for the three months ended March 31, 2003 and \$11.8 million for the three months ended March 31, 2004. Cash from operating activities for the three months ended March 31, 2004 arose principally from operating income, increases in prepayments of professional services, customer support services and software enhancement subscriptions, and income tax benefits arising from exercises of stock options by employees, offset by a decrease in accrued compensation and benefits and accrued liabilities. Days sales outstanding decreased to 74 days at March 31, 2004 from 76 days at December 31, 2003.

Our investing activities provided cash of approximately \$21.5 million for the three months ended March 31, 2003 and used cash of approximately \$500,000 for the three months ended March 31, 2004.

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Our use of cash for investing activities for the three months ended March 31, 2004 was to purchase approximately \$1.6 million of capital equipment to support our business and infrastructure arose principally from the sale of short-term investments (investments with original maturities greater than 90 days). Partially off-setting the capital purchases were the net maturities of investments of approximately \$1.1 million.

Our financing activities provided cash of approximately \$700,000 for the three months ended March 31, 2003 and \$1.1 million for the three months ended March 31, 2004. The principal source of cash provided by financing activities for the three months ended March 31, 2004 was from the proceeds of the issuance of common stock pursuant to the exercise of stock options.

We believe there are opportunities to grow our business through the acquisition of complementary and synergistic companies, products and technologies. We previously established a stock repurchase program covering up to \$20 million of our common stock over a period ending no later than July 17, 2004. We expect to fund purchases under the program through existing cash, cash equivalents and investments. 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 liquidity and expected cash flows from operations will satisfy our capital requirements for the foreseeable future. We believe that existing balances of cash, cash equivalents and short-term 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.

Item 3. 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, Holland, Germany, Australia, Japan 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 a foreign exchange rate gain of approximately \$120,000 and a foreign exchange rate loss of approximately \$10,000 during the three months ended March 31, 2003 and 2004, respectively. Foreign exchange rate transaction gains and losses are classified in "Other income, net" on our Condensed Consolidated Statements of Income. A fluctuation of 10% in the period end exchange rates at March 31, 2004 relative to the U.S. dollar would result in approximately a \$300,000 change in the reported foreign currency loss for the quarter ended March 31, 2004.

Interest Rates

We invest our cash in a variety of financial instruments, including taxable and tax-advantaged floating rate and fixed rate obligations of corporations, municipalities, and local, state and national governmental entities and agencies. These investments are denominated in U.S. dollars. Cash balances in foreign currencies overseas are derived from operations.

Investments in both fixed rate and floating rate interest earning instruments carry a degree of 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.

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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 on investment securities held at March 31, 2003 was approximately 1.3%, as compared to 1.0% at March 31, 2004. The fair value of cash equivalents and investments held at March 31, 2004 was \$163.7 million. Based on the average investments outstanding during 2004, an increase or decrease of 25 basis points would result in an increase or decrease to interest income of approximately \$100,000 from the reported interest income for the three months ended March 31, 2004.

Item 4. 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. 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 are effective. There were no changes in our internal control over financial reporting that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**PART II
OTHER INFORMATION**

Item 1. Legal Proceedings.

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 limit contractually our liability for damages arising from product failures or negligent acts or omissions, there can be no assurance the limitations of liability set forth in our contracts will be enforceable in all instances. We are not currently a party to any material legal proceeding that would require disclosure under this Item.

Item 2. Changes in Securities and Use of Proceeds.

No events occurred during the quarter covered by the report that would require a response to this item.

Item 3. Defaults Upon Senior Securities.

No events occurred during the quarter covered by the report that would require a response to this item.

Item 4. Submission of Matters to a Vote of Security Holders.

No events occurred during the quarter covered by the report that would require a response to this item.

Item 5. Other Information.

No events occurred during the quarter covered by the report that would require a response to this item.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits.

Exhibit 31.1	Certification pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 31.2	Certification pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 32*	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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(b) Reports to be filed on Form 8-K.

On February 10, 2004, the Company filed a Current Report on Form 8-K providing disclosure on Items 7 and 12 of that Form.

On February 26, 2004, the Company filed a Current Report on Form 8-K providing disclosure on Items 7 and 9 of that Form.

* In accordance with Release No. 34-47986, 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.

SIGNATURES

Pursuant to the requirements 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.

Date: May 10, 2004

/s/ Richard M. Hadrill

Richard M. Hadrill

Chief Executive Officer and Director
(Principal Executive Officer)

Date: May 10, 2004

/s/ Edward K. Quibell

Edward K. Quibell

Senior Vice President, Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)

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EXHIBIT INDEX

Exhibit 31.1	Certification pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 31.2	Certification pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 32	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

**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, Richard M. Haddrill, Chief Executive Officer of Manhattan Associates, Inc. (the "registrant"), certify that:

1. I have reviewed this quarterly report on Form 10-Q 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 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(s) 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)) 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 report is being prepared;
 - (b) 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
 - (c) 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(s) 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 10th day of May, 2004.

/s/ Richard M. Haddrill

Richard M. Haddrill, 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, Edward K. Quibell, Chief Financial Officer of Manhattan Associates, Inc. (the "registrant"), certify that:

1. I have reviewed this quarterly report on Form 10-Q 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 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(s) 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)) 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 report is being prepared;
 - (b) 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
 - (c) 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(s) 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 10th day of May, 2004.

/s/ Edward K. Quibell
Edward K. Quibell, Chief Financial Officer

**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:

The Quarterly Report on Form 10-Q of the Company for the quarterly period ended March 31, 2004 (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 all information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated this 10th day of May, 2004.

/s/ Richard M. Haddrill
Richard M. Haddrill, Chief Executive Officer

/s/ Edward K. Quibell
Edward K. Quibell, Chief Financial Officer