

Manhattan Associates, Inc. MANH (NAS)

Last Close	Industry	Sector
46.16 USD	Software - Application	Technology

Profile

Pricing data through 09 Feb 2012

In addition to this comprehensive company profile, Morningstar offers in-depth analyst research and ratings on selected companies.

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Manhattan Associates, Inc. is a Georgia corporation formed in February 1998 to acquire all of the assets and liabilities of Manhattan Associates Software, LLC, its predecessor. The Company develops, sells, deploys, services and maintains supply chain software solutions that help organizations optimize business advantages gained through those solutions while effectively managing the long-term costs of operating them. Supply chain solutions help organizations ensure that the right products are available to the right customers at the right time and at the right cost, so that organizations can build customer loyalty, differentiate their brands, and calibrate costs and revenues to align with organizational goals. Its platform-based supply chain software solution portfolios - Manhattan SCOPE® and Manhattan SCALETM - are designed with its Platform Thinking approach to deliver both business agility and total cost of ownership advantages to customers. The Company's solutions operate across Unix, IBM System I, Linux and Microsoft.NET computing platforms, as well as on multiple hardware platforms and systems. Manhattan offers a program that provides its customers with software upgrades for additional or improved functionality, and technological advances incorporating emerging supply chain and industry initiatives. The Company employs multi-disciplinary sales teams that consist of professionals with industry experience in sales and technical sales support. Manhattan's customers are suppliers, manufacturers, distributors, retailers and logistics providers in a variety of industries. Its solutions are solely focused on the supply chain planning and execution markets, which have been consolidating rapidly, are competitive, and are characterized by technological change. Manhattan Associates plans to continue to invest to expand its sales, services and marketing organizations within the United States, Europe, the Middle East and Africa and Asia Pacific and to pursue strategic marketing partnerships.

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Management & Ownership

Management Activity

Name	Position	Shares Held	Report Date*	InsiderActivity
PETER F. SINISGALLI	CEO/President/Director,Director	113,013	07 Feb 2012	28,646
JEFFREY S. MITCHELL	Executive VP, Divisional	54,562	06 Feb 2012	77,500
EDDIE CAPEL	COO/Executive VP	43,399	03 Feb 2012	43,000
BRIAN J. CASSIDY	Director	36,010	03 Feb 2012	10,000
DENNIS B. STORY	CFO/Executive VP/Treasurer	24,436	28 Jan 2012	-
JOHN J. HUNTZ, JR	Director	22,596	15 Nov 2011	5,000
DEEPAK RAGHAVAN	Director	21,710	28 Oct 2011	-
THOMAS E. NOONAN	Director	21,710	27 Oct 2011	-
MR. DAVID K. DABBIERE		19,386	28 Jul 2011	-
MR. BRUCE RICHARDS	Other Executive Officer/Senior VP	14,172	01 Sep 2011	-

*Report date represents the date on which the owner's common shares held was audited.

Fund Ownership

Top Owners	Morningstar Rating	% of Shares Held	% of Fund Assets	Change (k)	Portfolio Date
Buffalo Small Cap	QQQ	8.74	2.62	-68	30 Sep 2011
Brown Capital Mgmt Small Co Inv	QQQQ	5.04	3.18	0	31 Oct 2011
Artisan Small Cap Value Investor	QQQQ	4.00	1.18	-356	31 Dec 2011
Royce Pennsylvania Mutual Invmt	QQQQ	2.13	0.31	0	31 Dec 2011
iShares S&P SmallCap 600 (AU)		1.63	0.19	1	03 Feb 2012

Concentrated Holders

Columbia Select Small Cap Z	QQ	1.21	3.39	-50	31 Dec 2011
Brown Capital Mgmt Small Co Inv	QQQQ	5.04	3.18	0	31 Oct 2011
Epiphany FFV Focused N		0.00	2.82	0	31 Oct 2011
Buffalo Small Cap	QQQ	8.74	2.62	-68	30 Sep 2011

Institutional Transactions

Top 5 Buyers	Morningstar Rating	% of Shares Held	% of Fund Assets	Shares Bought/Sold (k)	Portfolio Date
SSgA Russell Small Cap Idx Fund Class A	QQQ	0.69	0.06	88	30 Jun 2011
First Private Aktien Global D	QQQQ	0.12	0.66	24	31 Dec 2011
Mellon Cap EB DL Small Cap Core Fund	QQQ	0.11	1.19	23	30 Sep 2011
Russell US Small Cap Equity I	QQ	0.21	0.14	18	30 Nov 2011
PACE Small/Medium Co Growth Equity P	QQQQ	0.09	0.18	18	31 Oct 2011

Top 5 Sellers

Artisan Small Cap Value Investor	QQQQ	4.00	1.18	-356	31 Dec 2011
Buffalo Small Cap	QQQ	8.74	2.62	-68	30 Sep 2011
Columbia Select Small Cap Z	QQ	1.21	3.39	-50	31 Dec 2011
Invesco Small Cap Growth A	QQQ	2.00	0.89	-24	30 Sep 2011

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Industry Focus: Application Software

From Data Centers to Private Clouds 29 October 2010

Sunit Gogia
Senior Stock Analyst

Three companies are poised to be acquired as private clouds soar.

The mergers and acquisitions wave sweeping through technology-land could get larger before it subsides. The tangible economic benefits of cloud computing are driving IT investments as traditional enterprise data centers are transformed into private clouds. With server and storage virtualization as the core building blocks, private clouds offer large enterprises a step change in the efficiency of their data centers without the perceived risks associated with evolving lower-cost public cloud services. The IT industry had long expected these investments in private clouds, but

Oracle's ORCL aggressive efforts to capture a larger portion of the IT spending has left most of its competitors on the defensive. Oracle's strategy of selling integrated hardware plus software solutions has exposed the software gaps in competitors' portfolios, as can be seen in the graphic below, and is forcing them to revisit their own strategies. Already IBM IBM has made an acquisition offer for Netezza NZ to combat the tremendous market success of Oracle's Exadata appliance, and Hewlett-Packard HPQ has installed a new CEO and a new chairman, both long on software industry experience. We expect a continuing wave

of hardware and software acquisitions as rivals including IBM, HP, Dell DELL, Cisco CSCO, and EMC EMC design competitive responses to Oracle's integrated solutions approach. All acquisition candidates are not created equal--the ownership imperative is weak in some areas (such as operating systems), and sheer size and ownership considerations render some targets impractical to acquire (such as SAP SAP and SAS Institute). Additionally, stocks of some companies such as Isilon ISLN have already run up on acquisition rumors and are unlikely to offer significant acquisition premiums over their current market prices. Among potential takeouts, we think Teradata TDC, BMC BMC, and Compellent CML are likely candidates that offer investors the prospect of reasonable acquisition premiums to their current market valuations. **Teradata**

An acquisition of Teradata could help HP or Dell compete head to head with Oracle's Exadata or IBM/Netezza's business analytics appliances. The business analytics market is heating up as enterprises try to extract information from mountains of data. For example, Oracle has stated that the pipeline for its Exadata product has grown to \$1.5 billion from \$1 billion sequentially over the past two quarters. Teradata also has proprietary database technologies that could be useful beyond its data warehousing specialty. Any vendor attempting to compete with Oracle across the entire computing stack needs a credible database to offer its clients. This can be a tough nut to crack--independent proven database technologies that can reliably support high-end enterprise computing workloads are scarce. A lack of compelling database technology could well become the Achilles' heel of less capable rivals. IBM's DB2, combined with its pending acquisition of Netezza, will hold that vendor in good stead, and SAP's recent acquisition of Sybase should reduce its dependence on Oracle in the long run. HP could continue to rely on its long-standing partnership with Microsoft to provide solutions based on SQL Server. However, a partnership approach might prove insufficient for Microsoft, HP, Dell, and other data center vendors if Oracle is able to gain Apple-esque innovation advantages from its ownership of database appliance hardware and

	Oracle	IBM	HP	Dell	Microsoft	Cisco, EMC, VMware*	Acquisition Candidates
Business Analytics	●	●	○	○	○	○	SAS Institute, TIBX, MSTR
Application Software	○	○	○	○	○	○	SAP, JDAS, LWSN, TDC, EPIC, PEGA, OTEX, AU
Middleware	●	●	○	○	○	○	RHT, TIBX
Database Software	●	●	○	○	○	○	PostgreSQL, Ingres
Operating System	●	●	○	○	○	○	RHT, NOVL
Virtualization (x86)	●	○	○	○	○	○	CTXS, RHT
Systems Management Software	○	●	○	○	○	○	BMC, CA, SWI, QSFT, CPWR
Application Delivery Systems	○	○	○	○	○	○	FFIV, CTXS, RDWR
Storage Solutions	○	●	○	○	○	○	ISLN, CVLT, CML, NTPA
Server Hardware	○	○	○	○	○	○	—
Networking	○	○	○	○	○	○	BRCD, JNPR
Security	○	○	○	○	○	○	CHKP, FIRE, FTNT, WBSN

*Cisco, EMC and VMware are combined for this analysis due to their ACADIA joint venture and Cisco's equity stake in VMware. Source: Morningstar

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software. Hardware vendors could look at piggybacking on some open-source database initiatives including PostgreSQL, but expensive acquisitions to gain access to talent could be hard to justify to shareholders. Teradata would offer an acquirer proven, purpose-built analytics appliances as well as database expertise that could provide the foundation for new software solutions. Comparable transactions in the business analytics space include Hyperion's acquisition by Oracle for an enterprise value (EV) of 3.4 times trailing 12-month (TTM) sales, SAP's acquisition of Business Objects for 4.5 times EV/TTM sales and IBM's acquisition of Cognos for 4.1 times EV/TTM sales. We estimate that an acquirer of Teradata would have to pay an EV of at least 4 times TTM sales, or \$51 per share. **BMC**

BMC would catapult a potential acquirer into a leadership position in IT infrastructure management tools. We see Dell, Cisco, and EMC as the most likely potential acquirers for BMC. Comprehensive enterprise data center solutions require management tools to provision and manage IT assets. HP and IBM already have the most comprehensive management toolsets and are unlikely to venture beyond small acquisitions of niche technologies. Oracle needs to beef up its management tools portfolio, but BMC's mainframe management business (40% of revenues) would be a complete misfit in Oracle's stated strategy. Dell, Cisco, and EMC need stronger management toolsets to position themselves as one-stop shops for data center infrastructure. Dell has assembled an impressive portfolio of server and storage infrastructure organically and through acquisitions, but a lack of comprehensive infrastructure management tools leaves it competitively disadvantaged relative to HP and IBM. The Cisco/EMC partnership similarly lacks proprietary management tools that extend beyond network and storage systems, and an acquisition of BMC by a competitor would put their ambitions of a larger role in data centers at risk. An acquisition of BMC would have negative implications for competitor CA. CA has one of the largest management tools businesses, but we think the firm's desirability to potential acquirers is compromised by its significant exposure to mainframe management revenues (60% of total revenues). CA has been attempting

to diversify its revenue sources, and distributed systems management tools now account for 40% of the firm's revenues. Undoubtedly, CA would face a tougher competitive environment in the distributed systems segment, and we would reassess our current valuation assumptions for the company. BMC shares are currently trading near our fair value estimate, but an acquisition of the company would likely fetch a higher multiple to current valuation levels. Past acquisitions in the systems management software space have commanded a wide range of multiples: HP acquired Opsware and Mercury Interactive for 13.8 times and 5.3 times EV/TTM sales, respectively, and BMC bought BladeLogic for 10.1 times EV/TTM sales. BMC is much larger compared with these takeouts, and we expect the company to command a lower premium. Applying an EV/TTM sales multiple of about 4.5, we expect BMC to command an acquisition price of about \$10.9 billion, or \$61 per share. **Compellent**

An acquisition of Compellent's midrange storage arrays would enable Dell to capture a larger portion of customer's IT spend while creating value for shareholders by adding much-needed distribution prowess to Compellent's technology. After the bidding war that Hewlett-Packard and Dell fought over storage firm 3PAR, the entire market is evaluating the few remaining storage entities. Compellent and Isilon are the most likely takeout candidates, and Isilon's stock has already run up on rumors that the company is in acquisition talks with storage giant EMC. Compellent's midrange storage technology would make it an attractive target for Dell, which is committed to building its data center portfolio and lost the bidding war for 3Par. We think Compellent's storage solutions would be an easy sell into Dell's existing customer base, allowing the firm ample opportunity to create shareholder value even if it has to pay premiums in line with recent acquisitions. Having said that, we expect the acquisition premium for Compellent to be lower than levels seen in recent transactions because we don't foresee a bidding war breaking out for the company. Large storage specialists EMC and NetApp already possess or are in the process of developing competing products, and server vendors IBM and

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HP are likely content with their current storage products and internal development efforts. Oracle has expressed an interest in building out its midrange storage portfolio, but we expect the firm to prefer an acquisition of Pillar Data Systems, which is slightly higher-end and happens to be owned by Oracle CEO Larry Ellison. Recent acquisitions in the storage space have included the acquisition of EqualLogic by Dell for 12.3 times EV/TTM sales, HP's proposed acquisition of 3Par for 11.2 times EV/TTM sales, and EMC's acquisition of Data Domain for 7.1 times EV/TTM sales. We estimate Compellent could command an EV/TTM sales multiple of about 8, translating to about \$43 per share.