MANHATTAN ASSOCIATES INC
Form 10-Q
October 30, 2009

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

[Mark One]

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

For the quarterly period ended September 30, 2009

OR

o **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	**58-2373424**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
2300 Windy Ridge Parkway, Suite 1000 Atlanta, Georgia	**30339**
(Address of Principal Executive Offices)	(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 þ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulations 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 o No o

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.

Large accelerated filer þ	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No þ

The number of shares of the Registrant s class of capital stock outstanding as of October 28, 2009, the latest practicable date, is as follows: 22,527,747 shares of common stock, $0.01 par value per share.

MANHATTAN ASSOCIATES, INC.
FORM 10-Q
Quarter Ended September 30, 2009
TABLE OF CONTENTS

EX-32

2

Table of Contents

PART I
FINANCIAL INFORMATION

Item 1. Financial Statements.

MANHATTAN ASSOCIATES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share data)

	September 30, 2009 (unaudited)	December 31, 2008
ASSETS		
Current Assets:		
Cash and cash equivalents	**$ 103,222**	$ 85,739
Accounts receivable, net of allowance of $4,996 and $5,566 in 2009 and 2008, respectively	**41,823**	63,896
Deferred income taxes	**7,070**	6,667
Prepaid expenses and other current assets	**4,920**	6,979
Total current assets	**157,035**	163,281
Property and equipment, net	**16,899**	21,721
Long-term investments	**2,801**	2,967
Acquisition-related intangible assets, net	**4,214**	6,438
Goodwill, net	**62,283**	62,276
Deferred income taxes	**10,166**	10,932
Other assets	**2,346**	2,606
Total assets	**$ 255,744**	$ 270,221
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Accounts payable	**$ 6,604**	$ 8,480
Accrued compensation and benefits	**11,311**	17,429
Accrued and other liabilities	**15,090**	16,188
Deferred revenue	**34,540**	32,984
Income taxes payable	**1,448**	2,365
Total current liabilities	**68,993**	77,446
Other non-current liabilities	**10,362**	12,936
Shareholders equity:		
Preferred stock, no par value; 20,000,000 shares authorized, no shares issued or outstanding in 2009 or 2008		
Common stock, $.01 par value; 100,000,000 shares authorized; 22,512,594 and 23,581,109 shares issued and outstanding at September 30, 2009 and	**225**	234

December 31, 2008, respectively				
Additional paid-in capital		**2,312**		
Retained earnings		**176,513**		182,882
Accumulated other comprehensive loss		**(2,661)**		(3,277)
Total shareholders equity		**176,389**		179,839
Total liabilities and shareholders equity	**$**	**255,744**	$	270,221

See accompanying Notes to Condensed Consolidated Financial Statements.

3

Table of Contents

Item 1. Financial Statements (continued)

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	**2009**	2008
	(unaudited)		**(unaudited)**	
Revenue:				
Software license	**$ 11,360**	$ 13,802	**$ 20,408**	$ 51,479
Services	**46,917**	60,023	**147,182**	182,149
Hardware and other	**7,017**	8,911	**16,938**	27,922
Total revenue	**65,294**	82,736	**184,528**	261,550
Costs and Expenses:				
Cost of license	**1,162**	1,528	**3,621**	4,313
Cost of services	**19,697**	29,376	**64,173**	90,512
Cost of hardware and other	**5,846**	7,036	**14,144**	22,619
Research and development	**8,781**	12,546	**28,196**	36,911
Sales and marketing	**8,626**	11,579	**27,731**	39,827
General and administrative	**7,462**	9,099	**22,675**	27,037
Depreciation and amortization	**2,665**	3,125	**8,840**	9,531
Asset impairment charges		5,205		5,205
Restructuring charge			**3,892**	
Total costs and expenses	**54,239**	79,494	**173,272**	235,955
Operating income	**11,055**	3,242	**11,256**	25,595
Other income (expense), net	**255**	927	**(382)**	3,878
Income before income taxes	**11,310**	4,169	**10,874**	29,473
Income tax provision (benefit)	**327**	(140)	**185**	8,653
Net income	**$ 10,983**	$ 4,309	**$ 10,689**	$ 20,820
Basic earnings per share	**$ 0.50**	$ 0.18	**$ 0.48**	$ 0.86
Diluted earnings per share	**$ 0.50**	$ 0.18	**$ 0.47**	$ 0.84
Weighted average number of shares:				
Basic	**22,116**	24,069	**22,483**	24,246
Diluted	**22,175**	24,568	**22,529**	24,736

See accompanying Notes to Condensed Consolidated Financial Statements.

Table of Contents

Item 1. Financial Statements (continued)

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

	Nine Months Ended September 30, 2009	2008
	(unaudited)	
Operating activities:		
Net income	$ 10,689	$ 20,820
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	8,840	9,531
Asset impairment charge		5,205
Stock compensation	6,312	6,616
Loss on disposal of equipment	125	41
Tax (deficiency) benefit of stock awards exercised/vested	(1,080)	181
Excess tax benefits from stock based compensation	(29)	(81)
Deferred income taxes	412	
Unrealized foreign currency loss (gain)	585	(743)
Changes in operating assets and liabilities:		
Accounts receivable, net	22,789	1,131
Other assets	2,422	266
Accounts payable, accrued and other liabilities	(9,959)	1,249
Income taxes	(3,081)	(752)
Deferred revenue	898	2,059
Net cash provided by operating activities	38,923	45,523
Investing activities:		
Purchase of property and equipment	(1,726)	(6,818)
Net maturities of investments	88	21,558
Net cash (used in) provided by investing activities	(1,638)	14,740
Financing activities:		
Purchase of common stock	(20,590)	(25,053)
Excess tax benefits from stock based compensation	29	81
Proceeds from issuance of common stock from options exercised	604	3,018
Net cash used in financing activities	(19,957)	(21,954)
Foreign currency impact on cash	155	(3,182)
Net change in cash and cash equivalents	17,483	35,127
Cash and cash equivalents at beginning of period	85,739	44,675

Cash and cash equivalents at end of period	**$ 103,222**	$ 79,802

See accompanying Notes to Condensed Consolidated Financial Statements.

Table of Contents

MANHATTAN ASSOCIATES, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements
September 30, 2009
(unaudited)

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of Manhattan Associates, Inc. and its subsidiaries (the Company) 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 management, these condensed consolidated financial statements contain all normal recurring adjustments considered necessary for a fair presentation of the Company s financial position at September 30, 2009, the results of operations for the three and nine months ended September 30, 2009 and 2008 and cash flows for the nine months ended September 30, 2009 and 2008. The results for the three and nine months ended September 30, 2009 are not necessarily indicative of the results to be expected for the full year. These statements should be read in conjunction with the Company s audited consolidated financial statements and management s discussion and analysis included in the Company s annual report on Form 10-K for the year ended December 31, 2008.

2. Principles of Consolidation

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

3. Revenue Recognition

The Company s revenue consists of revenues from the licensing and hosting of software, fees from implementation and training services (collectively, professional services), plus customer support and software enhancements, and sales of hardware and other revenues (other revenues consists of reimbursements of out-of-pocket expenses incurred in connection with its professional services). 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; (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 of the fair values of all undelivered elements in a multiple-element arrangement that is not accounted for using long-term contract accounting; (b) vendor-specific objective evidence 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, 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 using contract accounting.

The accounting related to license revenue recognition in the software industry is complex and affected by interpretations of the rules which are subject to change. 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 condition of our customers deteriorates, the Company may be unable to determine that collectibility is probable, and the Company could be required to defer the recognition of revenue until the Company receives customer payments.

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. Fees from professional services performed by the Company are generally billed on an hourly basis, and revenue is recognized as the services are performed. Professional services are sometimes 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. Project losses are provided for in their entirety in the period in

MANHATTAN ASSOCIATES, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (continued)
September 30, 2009
(unaudited)

which they become known. Revenue related to customer support services and software enhancement is generally paid in advance and recognized ratably over the term of the agreement, typically 12 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 in conjunction with the licensing of software. 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 does not maintain significant 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, the Company recognizes amounts associated with reimbursements from customers for out-of-pocket expenses as revenue. Such amounts have been classified to hardware and other revenue. The total amount of expense reimbursement recorded to revenue was $1.9 million and $5.8 million for the three and nine months ended September 30, 2009, respectively and $3.2 million and $9.6 million for the three and nine months ended September 30, 2008, respectively.

4. Investments

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 impacted 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 in marketable securities consist principally of debt instruments of state and local government agencies and U.S. corporate commercial paper. These 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 greater than one year 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 September 30, 2009, the Company s cash balance was $45.9 million and the Company s cash equivalent and investments balance totaled $60.1 million. $103.2 million of its total cash and cash equivalents is liquid. The remaining investments totaling $2.8 million are invested in auction rate securities with original maturities ranging from 2025 to 2040. Previously, auctions were held for these securities that reset their yield every 7 to 35 days. During 2008 and the first nine months of 2009 however, auctions for these securities failed to attract sufficient buyers, resulting in the Company continuing to hold these securities. Accordingly, the Company began classifying these securities as long-term investments in marketable securities in the consolidated balance sheet due to uncertainty surrounding the timing of a market recovery. In determining the fair values of auction rate securities, the Company considered the credit worthiness of the counterparty, estimates of interest rates, expected holding periods, and the timing and value of expected future cash flows. The $2.8 million of auction rate securities held by the Company at September 30, 2009 were issued by state or regional educational loan authorities and are

MANHATTAN ASSOCIATES, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (continued)
September 30, 2009
(unaudited)

collateralized by federally insured student loans. These investments have high credit ratings, and the Company intends and has the ability to hold these securities until maturity or until redeemed. However, due to liquidity concerns rather than creditworthiness, the Company has recorded an unrealized loss of $0.2 million as of September 30, 2009 for the temporary decline in the fair value of these investments. The unrealized loss is included as a separate component of shareholders equity and in total comprehensive income. The Company will continue to evaluate the fair value of its investments in auction rate securities each reporting period for a potential other-than-temporary impairment.

The Company uses quoted prices from active markets which are classified at level 1 as a highest level observable input in the disclosure hierarchy framework for all other available-for-sale securities.

The following table set forth the assets and liabilities carried at fair value measured on a recurring basis at September 30, 2009 (in thousands):

	Fair Value Measurements at September 30, 2009 Using			
	Quoted Prices (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Available-for-sale securities	$ 57,273	$	$ 2,801	$ 60,074
Total investments	$ 57,273	$	$ 2,801	$ 60,074

5. Stock-Based Compensation

During the three months ended September 30, 2009 and 2008, the Company granted options to purchase 17,500 shares and 22,600 shares of common stock, respectively. The Company recorded stock option expense of $1.4 million during each of the three months ended September 30, 2009 and 2008. During the nine months ended September 30, 2009 and 2008, the Company granted options to purchase 590,575 shares and 643,936 shares of common stock, respectively. The Company recorded stock option expense of $3.8 million and $4.1 million during the nine months ended September 30, 2009 and 2008, respectively.

A summary of changes in outstanding options for the nine months ended September 30, 2009 is as follows:

	Number of Shares
Outstanding at December 31, 2008	6,010,909
Granted	590,575
Exercised	(72,875)
Forfeited and expired	(714,848)
Outstanding at September 30, 2009	**5,813,761**

The Company also granted 5,831 and 7,531 shares of restricted stock during the three months ended September 30, 2009 and 2008, respectively. The Company recorded restricted stock expense of $0.9 million and $0.8 million during the three months ended September 30, 2009 and 2008, respectively. The Company granted 195,083 and 206,102 shares of restricted stock during the nine months ended September 30, 2009 and 2008, respectively. The Company recorded restricted stock expense of $2.5 million for each of the nine month period ended

September 30, 2009 and 2008.

Table of Contents

MANHATTAN ASSOCIATES, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (continued)
September 30, 2009
(unaudited)

A summary of changes in unvested shares of restricted stock for the nine month ended September 30, 2009 is as follows:

	Number of Shares
Outstanding at December 31, 2008	353,085
Granted	195,083
Vested	(115,338)
Forfeited and expired	(44,136)
Outstanding at September 30, 2009	**388,694**

6. Income Taxes

The Company s effective tax rate was 1.7% and 29.36% for the nine months ended September 30, 2009 and 2008, respectively. The effective tax rate in the first nine months of 2009 was favorably impacted by a net release of $2.8 million of income tax reserves discussed below and related interest. The effective tax rate in the first nine months of 2008 included the release of income tax reserves resulting from expiring tax audit statutes of limitation for U.S. federal income tax returns filed for 2004 and prior, partially offset by $0.6 million of tax expense on the repatriation of cash from a foreign subsidiary and asset impairment charges for which no tax benefit was recorded.

As of the quarter ended September 30, 2009, the Company s unrecognized tax benefits totaled $2.2 million, all of which, if recognized, would affect the effective tax rate.

The Company recognizes potential accrued interest and penalties to unrecognized tax benefits within its global operations in income tax expense. The Company s liability for the potential payment of interest and penalties totaled $0.2 million at September 30, 2009.

The Company conducts business globally and, as a result, files income tax returns in the United States Federal jurisdiction and in many state and foreign jurisdictions. The Company is no longer subject to income tax examinations for the years before 2006 in U.S. Federal, substantially all state and local, or substantially all non-U.S. jurisdictions. The Company experienced a net decrease in unrecognized tax benefits of $1.2 million during the quarter ended September 30, 2009. This resulted from a $2.2 million benefit due to the expiration of statutes of limitation in multiple jurisdictions globally, offset by an additional reserve of $1.0 million, primarily associated with the treatment of currency gains under the Company s transfer pricing policy with one of its foreign subsidiaries. Further, the Company anticipates it is reasonably possible that unrecognized tax benefits may decrease within twelve months by $0.2 million related primarily to jurisdictional taxable income amounts due to the expiration of statutes of limitation.

7. 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 following table sets forth the calculation of comprehensive income for the three and nine months ended September 30, 2009 (in thousands):

Table of Contents

MANHATTAN ASSOCIATES, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (continued)
September 30, 2009
(unaudited)

	For Three Months Ended September 30,		For Nine Months Ended September 30,	
	2009	**2008**	**2009**	**2008**
Net income	**$ 10,983**	$ 4,309	**$ 10,689**	$ 20,820
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustment	**138**	(2,229)	**694**	(4,023)
Unrealized gain (loss) on investments	**8**		**(78)**	(32)
Other comprehensive income (loss)	**146**	(2,229)	**616**	(4,055)
Comprehensive income	**$ 11,129**	$ 2,080	**$ 11,305**	$ 16,765

8. Net Earnings Per Share

Basic net earnings 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 earnings per share is computed using net income divided by the sum of Weighted Shares and common equivalent shares (CESs) outstanding for each period presented using the treasury stock method.

The following is a reconciliation of the net income and share amounts used in the computation of basic and diluted net earnings per common share:

	For Three Months Ended September 30		For Nine Months Ended September 30,	
	2009	**2008**	**2009**	**2008**
	(in thousands, except per share data)			
Net income	**$ 10,983**	$ 4,309	**$ 10,689**	$ 20,820
Earnings per share:				
Basic	**$ 0.50**	$ 0.18	**$ 0.48**	$ 0.86
Effect of CESs			**(0.01)**	(0.02)
Diluted	**$ 0.50**	$ 0.18	**$ 0.47**	$ 0.84
Weighted average number of shares:				
Basic	**22,116**	24,069	**22,483**	24,246
Effect of CESs	**59**	499	**46**	490
Diluted	**22,175**	24,568	**22,529**	24,736

Weighted average shares issuable upon the exercise of stock options that were not included in the calculation of diluted earnings per share were 5,243,976 shares and 3,814,462 shares for the three months ended September 30, 2009 and 2008, respectively, and 5,266,526 shares and 3,804,462 shares for the nine months ended September 30, 2009 and 2008, respectively. Such shares were not included because they were anti-dilutive.

9. Contingencies

From time to time, the Company may be involved in litigation relating to claims arising out of its ordinary course of business. Many of the Company s installations involve products that are critical to the operations of its clients businesses. Any failure in a product could result in a claim for substantial damages against the Company, regardless of its 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

MANHATTAN ASSOCIATES, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (continued)
September 30, 2009
(unaudited)

limitations of liability set forth in the Company s contracts will be enforceable in all instances. The Company is not presently involved in any material litigation. However, it is involved in various legal proceedings. The Company believes that any liability that may arise as a result of these proceedings will not have a material adverse effect on its financial condition, results of operations or cash flows. The Company expenses legal costs associated with loss contingencies as such legal costs are incurred.

10. Operating Segments

The Company operates its business in three geographical segments: the Americas (North America and Latin America), Europe, Middle East and Africa (EMEA) and Asia Pacific (APAC). The information for the periods presented below reflects these segments. 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 operating segment. The Chief Executive Officer and Chief Financial Officer evaluate performance based on revenue and operating results for each region.

The Americas segment charges royalty fees to the EMEA and APAC segments based on software licenses sold by those operating segments. The royalties, which totaled approximately $0.3 million and $0.8 million for the three months ended September 30, 2009 and 2008, respectively, and $1.0 million and $3.0 million for the nine months ended September 30, 2009 and 2008, respectively, are included in cost of revenue in EMEA and APAC with a corresponding reduction in the Americas cost of revenue. The revenues represented below are from external customers only. The geographical-based costs consist of 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 region 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.

The following table presents the revenues, expenses and operating (loss) income by reporting segment for the three and nine months ended September 30, 2009 and 2008 (in thousands):

	For the Three Months ended							
	September 30, 2009				September 30, 2008			
	Americas	EMEA	APAC	Total	Americas	EMEA	APAC	Total
Revenue:								
License	**$ 10,342**	**$ 464**	**$ 554**	**$ 11,360**	$ 10,782	$ 1,389	$ 1,631	$ 13,802
Services	**38,511**	**5,868**	**2,538**	**46,917**	48,834	8,255	2,934	60,023
Hardware and other	**6,773**	**195**	**49**	**7,017**	8,341	439	131	8,911
Total revenue	**55,626**	**6,527**	**3,141**	**65,294**	67,957	10,083	4,696	82,736
Costs and Expenses:								
Cost of revenue	**20,790**	**4,117**	**1,798**	**26,705**	29,484	5,668	2,788	37,940
Operating expenses	**21,646**	**2,229**	**994**	**24,869**	28,719	2,973	1,532	33,224
Depreciation and amortization	**2,454**	**161**	**50**	**2,665**	2,931	150	44	3,125
Asset impairment charges					5,205			5,205

Total costs and expenses	**44,890**	**6,507**	**2,842**	**54,239**	66,339	8,791	4,364	79,494
Operating income	**$ 10,736**	**$ 20**	**$ 299**	**$ 11,055**	$ 1,618	$ 1,292	$ 332	$ 3,242

MANHATTAN ASSOCIATES, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (continued)
September 30, 2009
(unaudited)

	For the Nine Months ended							
	September 30, 2009				September 30, 2008			
	Americas	**EMEA**	**APAC**	**Total**	**Americas**	**EMEA**	**APAC**	**Total**
Revenue:								
License	**$ 16,520**	**$ 1,980**	**$ 1,908**	**$ 20,408**	$ 39,461	$ 7,408	$ 4,610	$ 51,479
Services	**121,070**	**18,823**	**7,289**	**147,182**	148,151	25,407	8,591	182,149
Hardware and other	**16,235**	**572**	**131**	**16,938**	26,025	1,257	640	27,922
Total revenue	**153,825**	**21,375**	**9,328**	**184,528**	213,637	34,072	13,841	261,550
Costs and Expenses:								
Cost of revenue	**63,637**	**12,201**	**6,100**	**81,938**	90,346	18,518	8,580	117,444
Operating expenses	**68,555**	**6,673**	**3,374**	**78,602**	89,866	9,515	4,394	103,775
Depreciation and amortization	**8,025**	**599**	**216**	**8,840**	8,894	477	160	9,531
Asset impairment charges					5,205			5,205
Restructuring charge	**3,019**	**20**	**853**	**3,892**				
Total costs and expenses	**143,236**	**19,493**	**10,543**	**173,272**	194,311	28,510	13,134	235,955
Operating income (loss)	**$ 10,589**	**$ 1,882**	**$ (1,215)**	**$ 11,256**	$ 19,326	$ 5,562	$ 707	$ 25,595

The Company s services revenues, which consist of fees generated from professional services and customer support and software enhancements related to its software products, for the three and nine months ended September 30, 2009 and 2008 are as follows (in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2009	**2008**	**2009**	**2008**
Professional services	**$ 27,158**	$ 40,693	**$ 90,270**	$ 125,277
Customer support and software enhancements	**19,759**	19,330	**56,912**	56,872
Total services revenue	**$ 46,917**	$ 60,023	**$ 147,182**	$ 182,149

License revenues related to the Company s warehouse and non-warehouse product groups for the three and nine months ended September 30, 2009 and 2008 are as follows (in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2009	**2008**	**2009**	**2008**
Warehouse	**$ 6,799**	$ 7,656	**$ 12,649**	$ 27,334
Non-Warehouse	**4,561**	6,146	**7,759**	24,145
Total license revenue	**$ 11,360**	$ 13,802	**$ 20,408**	$ 51,479

11. Restructuring charge

In the second quarter of 2009, the Company committed to and initiated plans to reduce its workforce by approximately 140 positions along with other expense reduction initiatives to realign its capacity. This action was based on continued deterioration of the global macro-economic environment in the first quarter as reflected by downward revisions by most economists of global GDP growth rates, which resulted in lower than planned first quarter 2009 license revenue results and a revised revenue outlook for the remainder of 2009. As a result of this

MANHATTAN ASSOCIATES, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (continued)
September 30, 2009
(unaudited)

initiative, the Company recorded a pre-tax restructuring charge of $3.8 million ($2.6 million after-tax or $0.12 per fully diluted share) in the second quarter of 2009. The restructuring charge primarily consists of employee severance and outplacement services. In the first quarter of 2009, the Company recorded additional employee severance expense of $63,000 pre-tax, or $42,000 after-tax, related to the restructuring action taken in the fourth quarter of 2008. The restructuring charge is classified in Restructuring charge in the Company s Condensed Consolidated Statements of Operations. The Company estimates that the majority of related payments will be completed by the end of 2009.

The following table summarizes the segment activity in the restructuring accrual for the nine months ended September 30, 2009:

	Americas	EMEA	APAC	Consolidated
		(in thousands)		
Restructuring accrual balance at December 31, 2008	$ 1,724	$	$ 63	$ 1,787
Restructuring charge	3,019	20	853	3,892
Cash payments	(4,293)	(20)	(900)	(5,213)
Restructuring accrual balance at September 30, 2009	$ 450	$	$ 16	$ 466

The balance at September 30, 2009 is included in Accrued compensation and benefits and Accrued and other liabilities in the Company s Condensed Consolidated Balance Sheets. The majority of the remaining balance is expected to be paid during 2009.

12. New Accounting Pronouncements

In June 2009, the FASB issued the FASB Accounting Standards Codification™ and a new Hierarchy of Generally Accepted Accounting Principles which establishes only two levels of U.S. generally accepted accounting principles (GAAP), authoritative and nonauthoritative. The FASB Accounting Standards Codification (the Codification) is now the source of authoritative U.S. GAAP recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with GAAP, except for rules and interpretive releases of the SEC, which are additional sources of authoritative GAAP for SEC registrants. All other nongrandfathered, non-SEC accounting literature not included in the Codification will become nonauthoritative. The Codification is effective for financial statements for interim or annual reporting periods ending after September 15, 2009. The Company adopted the new guidelines and numbering system prescribed by the Codification when referring to GAAP in the third quarter of 2009. As the Codification is not intended to change or alter existing GAAP for public companies, it does not have any impact on the Company s consolidated financial statements.

In May 2009, the FASB issued authoritative guidance on subsequent events. This guidance is intended to establish general standards of accounting for and disclosures of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. Specifically, the subsequent events guidance sets forth the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements, and the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. This guidance is effective for fiscal years and interim periods ended after June 15, 2009. The Company adopted this standard effective June 15, 2009 and has evaluated any subsequent events through the date of this filing. The adoption of the subsequent events guidance did not have an impact on its consolidated results of operations or consolidated financial position.

In December 2007, the FASB issued authoritative guidance on business combinations. This guidance will significantly change the accounting for business combinations. Under the business combination guidance, an acquiring entity will be required to recognize all the assets acquired and liabilities assumed in a transaction at the

Table of Contents

MANHATTAN ASSOCIATES, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (continued)
September 30, 2009
(unaudited)

acquisition-date fair value with limited exceptions. This guidance will change the accounting treatment for certain specific acquisition-related items, including by requiring the expensing of acquisition-related costs as incurred and expensing of restructuring costs associated with an acquired business. This guidance also includes a substantial number of new disclosure requirements to enable users of the financial statements to evaluate the nature and financial effects of the business combination. The business combination guidance is to be applied prospectively to business combinations for which the acquisition date is on or after January 1, 2009. The Company expects that this guidance will have an impact on its accounting for future business combinations, but the extent of the impact is dependent upon the number, size, and complexity of acquisitions that the Company makes in the future.

In September 2006, the FASB issued authoritative guidance on fair value measurements, which establishes a framework for reporting fair value and expands disclosures required for fair value measurements. The fair value measurement guidance applies under other accounting pronouncements that require or permit fair value measurements. Accordingly, this guidance does not require any new fair value measurements. This guidance is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. However, in February 2008, the FASB delayed for one year the applicability of fair-value measurements to non-financial assets and liabilities recognized or disclosed at fair value on a non-recurring basis. The Company partially adopted the fair value measurement on January 1, 2008 related to all financial assets and liabilities and non-financial assets and liabilities recognized or disclosed at fair value on a recurring basis. The Company has adopted fair value measurement for non-financial assets and liabilities measured at fair value on a nonrecurring basis at January 1, 2009 and will continue to apply its provisions prospectively from January 1, 2009. The application of fair value measurement for non-financial assets and liabilities did not have a significant impact on the Company s earnings nor its financial position in the first nine months of 2009.

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 gener 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 Risk Factors in Item 1A of our annual report on Form 10-K for the year ended December 31, 2008. 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. The following discussion should be read in conjunction with the condensed consolidated financial statements for the three and nine months ended September 30, 2009 and 2008, including the notes to those statements, included elsewhere in this quarterly report (the Condensed Consolidated Financial Statements). We also recommend the following discussion be read in conjunction with management s discussion and analysis and consolidated financial statements included in our annual report on Form 10-K for the year ended December 31, 2008. References in this filing to the Company, Manhattan, Manhattan Associates, we, our, and to Manhattan Associates, Inc., our predecessors, and our wholly-owned and consolidated subsidiaries.

Business Overview

We are a leading developer and implementer of supply chain software solutions that help organizations optimize their supply chain operations from planning through execution. We call our portfolio of supply chain software solutions Manhattan SCOPE™ (**S**upply **C**hain **O**ptimization from **P**lanning through **E**xecution). Built on a common Supply Chain Process Platform, SCOPE combines Planning and Forecasting, Inventory Optimization, Order Lifecycle Management, Transportation Lifecycle Management and Distribution Management to enable full-range supply chain optimization. Our business model is singularly focused on the development and implementation of complex supply chain software solutions that are designed to optimize supply chain effectiveness and efficiency for our customers. We have three principal sources of revenue:

- license revenue generated from the sales of our supply chain software;
- professional services derived from implementing our solutions along with customer support services and software enhancements (services), and
- hardware sales and other revenue.

We manage our business based on three geographic regions: Americas (North America and Latin America), EMEA (Europe, Middle East and Africa), and APAC (Asia Pacific). Geographic revenue is based on the location of the sale. Our international revenue was approximately $16.2 million and $20.3 million for the quarters ended September 30, 2009 and 2008, respectively, which represents approximately 25% of our total revenue for both quarters. Our international revenue was approximately $45.1 million and $64.5 million for the nine months ended September 30, 2009 and 2008, respectively, which represents approximately 24% and 25% of our total revenue for the first nine months 2009 and 2008, respectively. International revenue includes all revenue derived from sales to customers outside the United States.

At September 30, 2009, we employed approximately 1,850 employees worldwide, of which approximately 950 employees are based outside the United States. Of the 950 international employees, approximately 75%, or nearly 750 employees, are located in our India Development Center. 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.

Global Economic Trends and Industry Factors

Global macro economic trends, technology spending and supply chain management market growth are important barometers for our business. Historically, about 75% of our total revenue is generated in the United States and 25% from our International operation. In addition, industry analysts estimate that approximately two-thirds of every supply chain software solutions dollar invested is spent in the United States; consequently, the health of the U.S. economy has a meaningful impact on our financial results.

In October 2009, the International Monetary Fund (IMF) provided a World Economic Outlook (WEO) update revising its growth projections for 2009 and 2010 upward modestly from its July 2009 WEO update stating after a deep global recession, economic growth has turned positive, as wide ranging public intervention has supported demand and lowered uncertainty and systemic risk in financial markets. Nonetheless, the recovery is expected to be slow, as financial systems remain impaired, support from public policies will gradually have to be withdrawn, and households in economies that suffered asset price busts will continue to rebuild savings. Risks to the outlook remain on the downside. The world economy is now projected to shrink 1.0% in 2009 and grow 3.0% in 2010. Advanced economies are projected to expand sluggishly through much of 2010, with unemployment expected to peak at over 10% with annual growth of about 1.25%, following a contraction of 3.5% in 2009. Consumption will be particularly weak in advanced economies, especially those that experienced credit booms, housing bubbles, and large current account deficits, such as the United States and the United Kingdom. The U.S. economy is now projected to contract 2.7% in 2009 and grow 1.5% in 2010.

In July 2009, leading Supply Chain Industry Analyst, AMR Research (AMR), published its Global Enterprise Application Market Sizing Report, 2008 2013. For the Supply Chain Management Market in 2009, AMR is forecasting negative growth of 6% and is expecting positive, albeit conservative growth in 2010. For

15

software application markets in general, AMR is forecasting a 2% to 6% decline in 2009 based on budget lockdowns and general reluctance by corporations to spend.

Given the current global economic recession, we believe companies are seeking to protect their balance sheets by reducing debt and hoarding cash, which in turn constrains capital spending such as information technology spending. Consequently, our timing of closing software transactions has been significantly impacted as evidenced in our license revenue trends since the second half of 2008, which in turn affects our revenue and earnings per share. For the nine months ended September 30, 2009, our license revenues declined 60% compared to the nine months ended September 30, 2008, as demand was well below our plans.

We sell technology-based solutions with total pricing, including software and services, in many cases exceeding $1.0 million. Reductions in capital budgets of our customers and prospective customers have had an adverse impact on our ability to sell our solutions, largely we believe as a result of the global economic recession. The deterioration in 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 capital spending. Timing of deals closed can have a material adverse impact on our business and is likely to further intensify competition in our already highly competitive markets.

Revenue

License revenue. License revenue, a leading indicator of our business, is primarily derived from software license fees that customers pay for supply chain solutions. In the three and nine months ended September 30, 2009, license revenue totaled $11.4 million, or 17% of total revenue, with gross margins of 89.8% and $20.4 million, or 11% of total revenue, with gross margins of 82.3%, respectively. Our typical license revenue percentage mix of new to existing customers is approximately 50/50. However, due to lower license revenue for the quarter ended September 30, 2009, the percentage mix was approximately 25/75 of new to existing customers.

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 of which the timing of the closing of a few large license transactions can have a material impact on our quarterly license revenues, operating profit and earnings per share. For example, $1.0 million of license revenue in 2009 equates to approximately $0.03 of diluted earnings per share impact.

Our software solutions are singularly focused on the supply chain planning and execution markets, which are intensely competitive, rapidly consolidating and 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 AMR, ARC 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. We do anticipate facing increased competition in the future from ERP and SCM applications vendors and business application software vendors that may broaden their solution offerings by internally developing or by acquiring or partnering with independent developers of supply chain planning and execution software. 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 training) and customer support services and software enhancements. In the third quarter of 2009, our services revenue totaled $46.9 million, or 72% of total revenue, with gross margins of 58.0%. For the nine months ended September 30, 2009, our services revenue totaled $147.2 million, or 80% of total revenue, with gross margins of 56.4%. Professional services accounted for approximately 60% of total services revenue in the third quarter and the first nine months of 2009 and approximately 40% and 50% of total revenue in the third quarter and the first nine months of 2009. When comparing our operating margins to other technology companies, our operating margin profile can be lower 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 as services margins are lower than license revenue margins.

At September 30, 2009, our consulting services business totaled approximately 900 employees, nearly 50% of our total employees worldwide. Our professional services organization provides our customers with expertise

Table of Contents

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 consulting services are optional, the majority of our customers use at least some portion of these services for the implementation and ongoing support of our software solutions. Consulting 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.

Typically, our consulting services lag license revenue by several quarters, as implementation services are performed after the purchase of the software. Services revenue growth is contingent upon: 1) license revenue growth, which is influenced by the strength of general economic and business conditions and the competitive position of our software products, 2) customer multiple site implementation timelines and upgrades, which are influenced by the strength of general economic and business conditions specifically impacting our customers, 3) competitive exposure to offshore providers and other consulting companies, 4) price pressure due to competition and general economic and business conditions, and 5) fluctuations in currency rates . All of these factors potentially create the risk of pricing pressure, fewer customer orders, reduced gross margins and loss of market share.

For customer support services and software enhancements (CSSE), we offer a comprehensive program that provides our customers with software upgrades, when and if available, that offer additional or improved functionality and technological advances incorporating emerging supply chain and industry initiatives. We offer 24 hour customer support every day of the year plus software upgrades for an annual fee that is paid in advance.

Our CSSE revenues totaled $19.7 million and $56.9 million in the three and nine months ended September 30, 2009, respectively. CSSE represents approximately 40% of services revenue and approximately 30% of total revenue in the third quarter and the first nine months of 2009. 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 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 12 months. CSSE renewal revenue is not recognized unless payment is received from the customer.

Hardware and other revenue. Our hardware and other revenues totaled $7.0 million representing 11% of total revenue with gross margins of 16.7%, and $16.9 million representing 9% of total revenue with gross margin of 16.5%, in the three and nine months ended September 30, 2009, respectively. In conjunction with the licensing of our software, and as a convenience for our customers, we resell a variety of hardware products developed and manufactured by third parties. These products include computer hardware, radio frequency terminal networks, RFID chip readers, bar code printers and scanners, and other peripherals. We resell all third-party hardware products pursuant to agreements with manufacturers or through distributor-authorized reseller agreements pursuant to which we are entitled to purchase hardware products at discount prices and to receive technical support in connection with product installations and any subsequent product malfunctions. We generally purchase hardware from our vendors only after receiving an order from a customer. As a result, we do not maintain significant hardware inventory.

Product Development

We intend to continue to invest significantly in research and development (R&D), which historically has averaged about $0.14 of every revenue dollar, to provide market leading solutions that help global manufacturers, wholesalers, distributors, retailers and logistics providers successfully manage accelerating and fluctuating demands as well as the increasing complexity and volatility of their local and global supply chains. Our research and development expenses for the three and nine months ended September 30, 2009 were $8.8 million and $28.2

million, respectively, and for the three and nine months ended September 30, 2008 were $12.5 million and $36.9 million, respectively. At September 30, 2009, our R&D organization totaled approximately 660 employees, located in the U.S. and India, representing about 35% of our total employees worldwide.

We will continue to focus our R&D resources on the development and enhancement of supply chain software solutions. We offer what we believe to be the broadest solution portfolio in the supply chain solutions marketplace, to address all aspects of planning and forecasting, inventory optimization, order lifecycle management, transportation lifecycle management and distribution management. The underpinning of our product portfolio is the services-based Supply Chain Process Platform, which provides the foundation for ensuring that all our solutions reside on a common architecture, leverage common master and transaction data and utilize the same business services to accomplish tasks common to multiple solutions, enabling our customers to lower their total cost of ownership while optimizing their supply chain effectiveness and efficiency.

We also plan to continue to provide enhancements to existing solutions and to introduce new solutions to address evolving industry standards and market needs. We identify further enhancements to existing solutions and opportunities for new solutions through our customer support organization, as well as through ongoing customer consulting engagements and implementations, interactions with our user groups, association with leading industry 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 the nine months ended September 30, 2009 and 2008, we generated cash flow from operating activities of $38.9 million and $45.5 million, respectively. Our cash and investments at September 30, 2009 totaled $106.0 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 of R&D investment, operations to drive earnings growth and repurchases of common stock.

At September 30, 2009, we had approximately $15.0 million remaining in share repurchase authority. In 2009, we anticipate that our priorities for the 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. We do not anticipate any borrowing requirements in 2009 for general corporate purposes.

Table of Contents

Results of Operations

The following table summarizes our consolidated results for the three and nine months ended September 30, 2009 and 2008.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	**2008**	**2009**	**2008**
	(in thousands, except per share data)			
Revenue	**$ 65,294**	$ 82,736	**$ 184,528**	$ 261,550
Costs and expenses	**54,239**	74,289	**169,380**	230,750
Restructuring charge			**3,892**	
Asset impairment charges		5,205		5,205
Operating income	**11,055**	3,242	**11,256**	25,595
Other income (expense), net	**255**	927	**(382)**	3,878
Income before taxes	**11,310**	4,169	**10,874**	29,473
Net income	**$ 10,983**	$ 4,309	**$ 10,689**	$ 20,820
Diluted earnings per share	**$ 0.50**	$ 0.18	**$ 0.47**	$ 0.84
Diluted weighted average number of shares	**22,175**	24,568	**22,529**	24,736

We manage our business based on three geographic regions: 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 costs consist of 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 region 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 the three and nine months ended September 30, 2009 and 2008, we derived the majority of our revenues from sales to customers within our Americas region. The following table summarizes revenue and operating profit by region:

Table of Contents

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2009	2008	% Change 2009 to 2008	2009	2008	% Change 2009 to 2008
	(in thousands)			(in thousands)		
Revenue:						
License						
Americas	**$ 10,342**	$ 10,782	-4%	**$ 16,520**	$ 39,461	-58%
EMEA	**464**	1,389	-67%	**1,980**	7,408	-73%
APAC	**554**	1,631	-66%	**1,908**	4,610	-59%
Total license	**$ 11,360**	$ 13,802	-18%	**$ 20,408**	$ 51,479	-60%
Services						
Americas	**$ 38,511**	$ 48,834	-21%	**$ 121,070**	$ 148,151	-18%
EMEA	**5,868**	8,255	-29%	**18,823**	25,407	-26%
APAC	**2,538**	2,934	-13%	**7,289**	8,591	-15%
Total services	**$ 46,917**	$ 60,023	-22%	**$ 147,182**	$ 182,149	-19%
Hardware and Other						
Americas	**$ 6,773**	$ 8,341	-19%	**$ 16,235**	$ 26,025	-38%
EMEA	**195**	439	-56%	**572**	1,257	-54%
APAC	**49**	131	-63%	**131**	640	-80%
Total hardware and other	**$ 7,017**	$ 8,911	-21%	**$ 16,938**	$ 27,922	-39%
Total Revenue						
Americas	**$ 55,626**	$ 67,957	-18%	**$ 153,825**	$ 213,637	-28%
EMEA	**6,527**	10,083	-35%	**21,375**	34,072	-37%
APAC	**3,141**	4,696	-33%	**9,328**	13,841	-33%
Total revenue	**$ 65,294**	$ 82,736	-21%	**$ 184,528**	$ 261,550	-29%