

Manhattan Associates Continues to Beat the Consensus and Further Stock Repurchases

Summary

- Manhattan Associates (NASDAQ: MANH) published its Q3 2022 financial results on Oct 28th, 2022.
- The firm sells supply chain and inventory management software worldwide.
- I am bullish on Manhattan Associates, as the company is poised to benefit from solid growth, extensive free cash flow, debt-free, population growth, and result from supply chain disruptions.
- Manhattan Associates should be valued at about \$115.88/share, which implies a 5% upside.
- Manhattan Associate stock has outperformed the NASDAQ YTD by about six percentage points.

Manhattan Associates Overview:

Atlanta, Georgia-based Manhattan Associates was founded in 1990 to assist clients in optimizing their product supply chains, inventory management capabilities, and omnichannel and fulfillment operations.

The firm is headed by president and Chief Executive Officer Eddie Capel, who previously held senior executive at Real Time Solutions.

The company's primary offerings include:

- Transportation Management
- Warehouse Management
- Point of Sale
- Order Management
- Customer Engagement
- Store Inventory & Fulfillment

The firm acquired customers through its in-house direct sales and marketing efforts, as well as through partner referrals and implementation assistance.

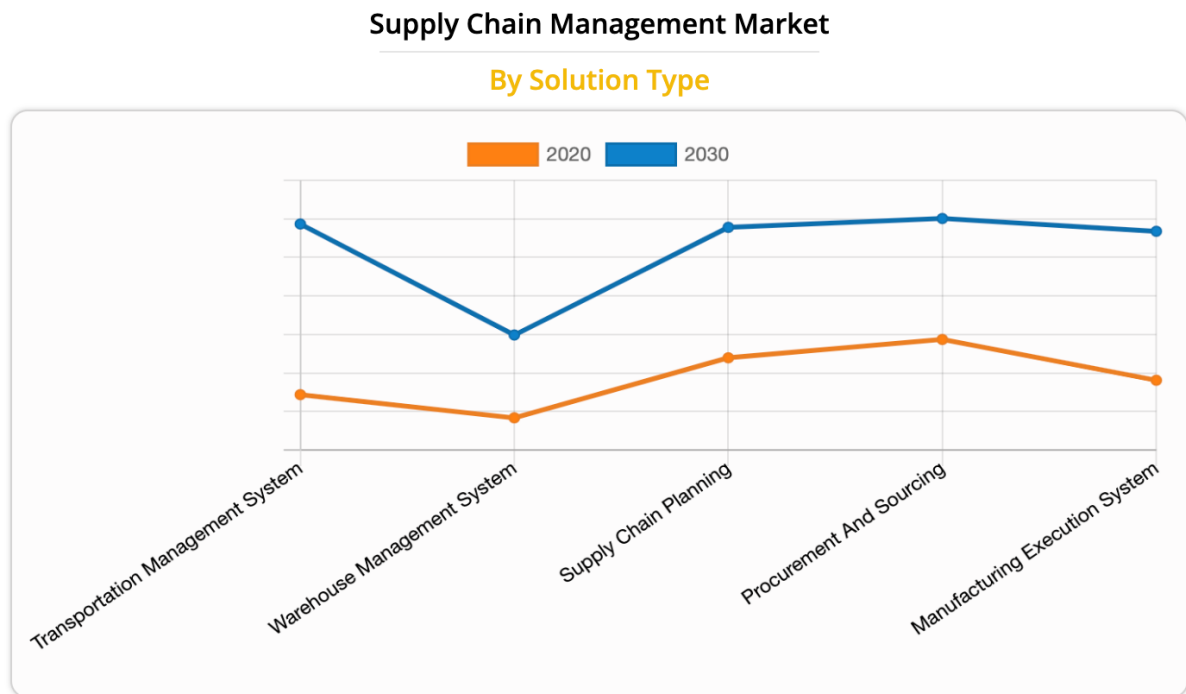
Manhattan Associates' Market and Competition

According to a 2021 market research report by Allied Market Research, the market for supply chain management software and services was an estimated \$18.7 billion in 2020 and is forecast to reach \$52.6 billion by 2030.

This represents a forecast CAGR of 10.7% from 2021 to 2030.

The main drivers for this expected growth are demand for increased supply chain visibility, especially after the disruptions caused by the COVID-19 pandemic.

In addition, the chart below shows the supply chain management expected to change between 2020 and 2030 by solution type:



From the [Allied Market Research](#)

Major competitive or other industry participants include:

- Oracle
- SAP
- Infor
- Blue Yonder
- Korber
- SAS Institute

- Sterling Commerce division of IBM
- Relex
- Aptos
- Corporate information technology departments
- Smaller independent companies that have developed or are planning solutions that apply either globally or in specific countries.

Thesis

Manhattan Associates (NASDAQ: MANH) benefited from the supply chain management boom, among other issues that arose from the Covid pandemic. MANH is still trading relatively cheap for a one-year forward P/E of about x57.1 and P/B of about x34.7. Investors should consider that the supply chain management boom, contrary to the energy boom, is likely sustainable and should bolster Manhattan Associates' financials well into 2023 and 2024. Additionally, the new product development utilized Machine Learning and Artificial Intelligence to advance the optimization capabilities of the firm solutions should support a multi-year growth story. My outlook is a Buy for MANH at around \$115.88 per share. My calculation is supported by the DCF, EV/S, and P/E averages.

Manhattan Associate stock has lost 28% YTD versus a loss of about 34% YTD for the NASDAQ.

Valuation									
	3Q2022 + Q4F	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F
FCF	\$ 161,229.93	\$ 111,248.65	\$ 313,276.20	\$ 413,524.59	\$ 503,983.09	\$ 655,178.02	\$ 682,477.10	\$ 655,178.02	\$ 786,213.62
Implied Value	\$ 133.26								
Terminal Growth Rate	4%								
Required return	10%								
EV/S	8.74								
EV/S Valuation	\$ 102.64								
P/E	57.10								
P/E Valuation	\$ 111.74								
Market Value	\$ 110.13	5.2%							
Average Expected Price	115.88								

Some Financials	Measure
Market Cap	\$ 6,870,000
Enterprise Value	\$ 6,705,560
EBITDA	\$ 38,434
Operating CF	\$ 124,402
EPS	\$ 1.43
EV/Sales	8.74
Revenue Growth Rate	15.61%
Net Income Margin	16.0%
P/E	57.10

Risk

The primary risk to the company's outlook is an increasingly likely macroeconomic slowdown or recession, which may slow sales cycles and reduce revenue growth trajectory.

Conclusion

I am bullish on Manhattan Associates, as the company is well-positioned to benefit from the solid demand across the product suite with new customers due to the supply disruptions. Moreover, Manhattan Associates' relatively strong performance year to date - regarding fundamentals and share price performance – has highlighted that the company can also deliver in a depressed macroeconomic backdrop. The company has performed well across many metrics - no debt, significant free cash flow yield, consistent stock buyback – and established a place in a growing industry. I believe Manhattan Associates should be valued at about \$115.88 per share, which implies a 5% upside.