

Initiated 2026-09-26 · Price \$206.03 (as of 2026-09-25 close, stockanalysis.com) · Mkt cap \$12.01bn · Technology / supply-chain application software · Model: verified

Rating: Sell — Conviction: Low

Manhattan Associates is a category leader. Cloud revenue is growing 26%, and it has \$2.47bn of non-cancelable backlog. But the stock trades at ~41x GAAP EBITDA, which counts stock-based compensation as the cost it is, while total revenue grows 7–8%. Even the bull case, which holds the FY2025 trough multiple and lets GAAP margin climb to ~35%, lands at today's price. Conviction is Low: the backlog is real, execution has been excellent, and quality software has held premium multiples longer than a DCF says it should.

MODEL VALUE RANGE VS PRICE



Business overview

Manhattan sells warehouse (WMS), transportation (TMS) and order-management software, plus point-of-sale, to retailers, distributors, manufacturers and 3PLs. FY2025 revenue was \$1.08bn: services \$503mm (47%), cloud subscriptions \$408mm (38%), and legacy license, maintenance and hardware \$170mm (16%). The business is converting on-premise customers to its cloud platform (Manhattan Active). Cloud grows at 20%+, maintenance runs off (–13% in Q2 2026), and services depend on new implementations. Earnings turn on cloud bookings, services utilisation, and how fast SBC grows against revenue.

Competition

The main rivals are Blue Yonder, SAP (Extended Warehouse Management), Oracle WMS Cloud and Körber (Infios). All four sit alongside Manhattan in Gartner's 2026 WMS Magic Quadrant (published 2026-04-29). The market is fragmented: the top five vendors together hold ~25–30% share (MarketsandMarkets, undated industry estimate). Pressure would show up first in services rather than price: services fell 4% in FY2025 and grew only 3% in Q2 2026 while cloud grew 26%. That suggests implementations are getting smaller or going to partners. Among listed supply-chain and industrial software names, Descartes trades at 19.1x EV/EBITDA, SPS Commerce at 15.1x and PTC at 12.7x (stockanalysis, 2026-09-25). Manhattan is at 41.1x.

Bull case

1. **Cloud compounding is contracted.** Cloud revenue rose 26% in Q2 2026. RPO is \$2.47bn (+23%), over 99% non-cancelable cloud, and bookings have set a record three quarters running. Guidance calls for ~24% cloud growth in 2026. Plays out if RPO keeps growing near 20% as TMS, OMS and POS broaden the base. *Model: seg:Cloud:growth*

2. **Margin scales as the mix shifts.** Adjusted operating margin is guided to 35.0–35.2%. A ~6% headcount cut on 2026-06-01 plus a growing cloud mix can lift GAAP margin from ~24% toward the mid-30s. Plays out if SBC grows slower than revenue. *Model: ebitda_margin*
3. **A leader in a fragmented market.** A unified WMS/TMS/OMS platform wins share from on-premise SAP, Blue Yonder and home-grown systems. Plays out if the platform keeps winning large deals and the market keeps paying a leader's multiple. *Model: seg:Services:growth, exit_ev_ebitda*

Bear case

1. **The multiple already assumes durability.** The stock trades at 41.4x FY2025 GAAP EBITDA on the model's basis, against peers at 13–19x. Plays out if growth decelerates to low teens and the multiple converges toward Descartes. *Model: exit_ev_ebitda, wacc*
2. **SBC is the gap between the two margins.** SBC was \$111mm in FY2025 (10% of revenue) and \$29.4mm in Q2 2026 (+21% y/y). The 2026 guidance of 24.2–24.4% GAAP margin versus 35% adjusted is almost entirely SBC. Buybacks (\$315mm in FY2025, \$275mm in H1 2026) mostly offset the dilution, and they cost more cash than FCF. Plays out if SBC keeps outgrowing revenue. *Model: ebitda_margin*
3. **Services shrink as AI and partners take implementation work.** Services are nearly half of revenue and are flat to down over 18 months. Plays out if AI-assisted configuration shortens projects. *Model: seg:Services:growth, ebitda_margin*
4. **Cloud decelerates when conversions finish.** Maintenance is shrinking 13% a year, so the on-premise base being converted is running down. Plays out if new-logo wins don't replace conversion bookings. *Model: seg:Cloud:growth, seg:Legacy:growth*

Valuation & balance sheet

Metric (definition)	Current	Own history (range or 5y avg)	Peers	Source, as-of
EV/EBITDA, aggregator (TTM)	41.1x	35.4x (FY2025) – 67.7x (FY2021), FY-end	Descartes 19.1x · SPS Commerce 15.1x · PTC 12.7x	stockanalysis.com, 2026-09-25
EV/EBITDA, model basis (EV \$11.97bn, no leases / FY2025 GAAP EBITDA \$289.1mm, after SBC)	41.4x	n/a (not restated)	n/a (peers not restated)	model-inputs.json
EV/FCF (TTM FCF, before SBC)	29.8x	P/FCF 27.9x (FY2025) – 57.6x (FY2024)	Descartes 21.2x · SPS Commerce 13.9x · PTC 17.4x	stockanalysis.com, 2026-09-25
EV/Sales (TTM)	10.6x	9.5x (FY2025) – 15.7x (FY2024)	Descartes 8.2x · SPS Commerce 3.6x · PTC 5.5x	stockanalysis.com, 2026-09-25

Rule of 40: ~7.5% guided revenue growth + ~35% TTM FCF margin (\$399mm on \$1,126mm, before SBC) ≈ 43, or ~33 with SBC deducted.

Model-implied value range (from `model-summary.json` ; generic module with a three-line revenue build, Gordon-growth DCF and exit-EV/EBITDA DCF, midpoints): Bear \$62.95 · Base \$132.78 · Bull \$210.99 per share, i.e. implied returns of –69.4% / –35.6% / +2.4% vs \$206.03. *These ranges show how the bull and bear drivers translate into value; they are not price targets.* The price sits on the bull case: it pays for cloud growth staying near 20%, GAAP margin reaching ~35%, and a ~36x multiple lasting through Year 5.

Re-rating. The two base-case methods differ by far more than 10%, and both de-rate from today's 41.4x:

- **Exit-multiple method: \$173.99 (–16%).** It uses 28x Year-5 EBITDA, a ~32% de-rating that still leaves the stock above every peer.
- **Gordon method: \$91.58.** At a 9.9% WACC and 3.5% terminal growth it implies ~12.7x Year-5 EBITDA (est., backed out from the two methods), a ~69% de-rating. That is peer-level.

Tail, quantified. The bear case is a plateau, so a harsher case was run outside the committed model: cloud +20%, +10%, then +5–6%; services –5%, –12%, –5%, then flat; legacy –12% to –18%; GAAP margin 23% flat; 15x exit (SPS Commerce); 11.5% WACC; 2% terminal growth. That gives **\$42.82 (–79%)**.

Balance sheet: not meaningful. Net cash is \$186.1mm with no funded debt. Cash fell from \$328.7mm at year-end as buybacks (\$275mm in H1) ran ahead of FCF. Ratings: none.

Model note: tier `full` , status `built` , verification `verified` (LibreOffice recalculation matched every formula cell). No unverified inputs. The tax rate (22%) is an estimate. Scenario consistency is `OK` on all 14 rows. EBITDA is GAAP, after SBC, so model FCF (base Y1 \$236mm) sits below reported FCF (\$399mm TTM, which adds back \$114mm of SBC). This deliberately treats SBC as a cost. Base Y1 EPS of \$3.87 is ~7% above GAAP guidance of \$3.59–3.65. The model's 25.0% Y1 margin is above the 24.3% guide, which includes \$8.3mm of restructuring, and the model adds interest on net cash.

Scenario stress test

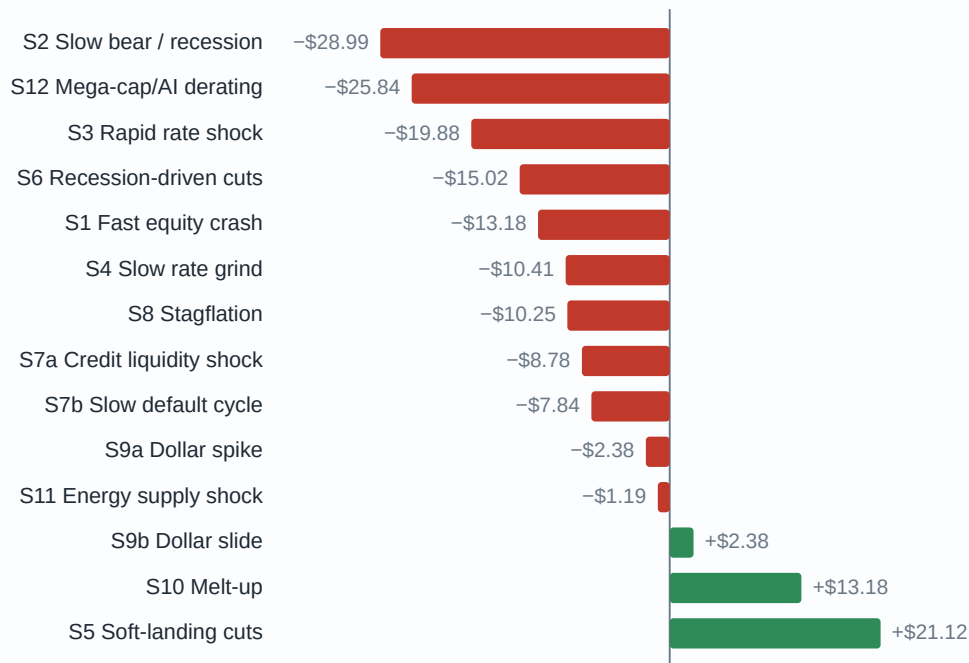
Reasoned from the bull/bear drivers above. The model column comes from the scenario overlays (Base case + shock).

Scenario	Effect	Mechanism	Magnitude	Model Δ value vs Base (\$/sh)
S1 Fast equity crash	–	A 41x growth equity de-rates in a liquidity sell-off; no operating channel over weeks	Med	–\$13.18
S2 Slow bear / recession	–	Retailers and distributors delay projects; services and bookings slip; multiple compresses. Smaller than Base – Bear (\$69.83) on purpose: transitory, while the bear case is permanent	High	–\$28.99
S3 Rapid rate shock	–	Long-duration equity re-prices against a higher risk-free rate	High	–\$19.88
S4 Slow rate grind	–	Same channel, grinding	Med	–\$10.41
S5 Soft-landing cuts	+	Lower discount rate; project demand intact	High	+\$21.12
S6 Recession-driven cuts	–	Project delays outweigh the lower discount rate	Med	–\$15.02
S7a Credit liquidity shock	–	Net cash, but forced selling hits premium software	Med	–\$8.78
S7b Slow default cycle	–	Levered retail customers cut projects or fail	Med	–\$7.84
S8 Stagflation	–	Higher discount rate; wage inflation in a services-heavy cost base	Med	–\$10.25
S9a Dollar spike	–	International revenue translates lower; FX already a stated headwind	Low	–\$2.38
S9b Dollar slide	+	Mirror of S9a	Low	+\$2.38
S10 Melt-up	+	Momentum rotates back into quality software	Med	+\$13.18
S11 Energy supply shock	–	Fuel costs squeeze retail and logistics customers; mild delays	Low	–\$1.19
S12 Mega-cap/AI derating	–	An AI unwind that re-prices application software hits the multiple; AI tooling also compresses	High	–\$25.84

Currently active/on watch per the playbook:

- `state.md` lists S3 as partially active. The macro log records all three legs crossed on 2026-09-24/25 (10Y 5.17%).
- S8, S10 and S11 are on watch. S10 is this name's main upside row after S5.

MODEL VALUE CHANGE VS BASE, BY SCENARIO



What would change the call

Upgrades if:

- The stock de-rates toward ~28x GAAP EBITDA with cloud growth still above 20%; or
- GAAP operating margin reaches 28%+ with SBC growing slower than revenue.

Downgrades further (conviction) if:

- RPO growth falls below 15%; or
- Services decline for two consecutive quarters; or
- Buybacks keep running ahead of FCF.

Watch items

- **W1:** Q3 2026 RPO growth and cloud revenue growth against +23% and +26% in Q2. Source: Q3 2026 release (late October 2026). *Model: seg:Cloud:growth*
- **W2:** Q3 2026 services revenue against +3% y/y in Q2. Source: Q3 2026 release. *Model: seg:Services:growth*
- **W3:** SBC growth against revenue growth, and the GAAP operating margin against the 24.2–24.4% full-year guide. Source: Q3 2026 release. *Model: ebitda_margin*
- **W4:** 2027 guidance (cloud growth, GAAP margin). Source: Q4 2026 release (late January 2027). *Model: seg:Cloud:growth, ebitda_margin*

Sources

- Manhattan Associates statistics, financials, cash flow, balance sheet, ratios — <https://stockanalysis.com/stocks/manh/statistics/> · <https://stockanalysis.com/stocks/manh/financials/> · <https://stockanalysis.com/stocks/manh/financials/cash-flow-statement/> · <https://stockanalysis.com/stocks/manh/financials/balance-sheet/> · <https://stockanalysis.com/stocks/manh/financials/ratios/> — accessed 2026-09-26
- Manhattan Associates Q2 2026 earnings release (8-K ex. 99.1) — https://www.sec.gov/Archives/edgar/data/0001056696/000119312526320952/manh-ex99_1.htm — accessed 2026-09-26
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- Peer statistics: Descartes <https://stockanalysis.com/stocks/dsgx/statistics/> · SPS Commerce <https://stockanalysis.com/stocks/spsc/statistics/> · PTC <https://stockanalysis.com/stocks/ptc/statistics/> — accessed 2026-09-26
- Daily macro log (10Y, S3 status), `logs/macro-2026-09.md`, 2026-09-25 entry

Independent single-name research. Directional characterization, not a price target, execution instruction, or portfolio recommendation.