

MANHATTAN ASSOCIATES, INC. AND SUBSIDIARIES
RECONCILIATION OF SELECTED GAAP TO NON-GAAP MEASURES

(in thousands, except per share amounts)

	Year Ended December 31,				
	2014	2015	2016	2017	2018
GAAP Operating income	\$ 127,124	\$ 161,446	\$ 194,307	\$ 185,645	\$ 133,887
Equity-based compensation ^(a)	9,671	14,528	15,934	16,229	19,864
Purchase amortization ^(c)	165	432	430	430	430
Restructuring charge ^(d)	-	-	-	2,921	-
Adjusted operating income (Non-GAAP)	<u>\$ 136,960</u>	<u>\$ 176,406</u>	<u>\$ 210,671</u>	<u>\$ 205,225</u>	<u>\$ 154,181</u>
GAAP Income tax provision	\$ 45,998	\$ 59,366	\$ 71,873	\$ 68,352	\$ 31,541
Equity-based compensation ^(a)	3,574	5,385	5,789	5,964	4,662
Tax benefit of stock awards vested ^(b)	-	-	-	1,911	777
Purchase amortization ^(c)	61	160	156	158	101
Restructuring charge ^(d)	-	-	-	1,073	-
U.S. Tax Cuts and Jobs Act impact ^(e)	-	-	-	(2,825)	202
Adjusted income tax provision (Non-GAAP)	<u>\$ 49,633</u>	<u>\$ 64,911</u>	<u>\$ 77,818</u>	<u>\$ 74,633</u>	<u>\$ 37,283</u>
GAAP Net income	\$ 82,000	\$ 103,475	\$ 124,234	\$ 116,481	\$ 104,690
Equity-based compensation ^(a)	6,096	9,143	10,145	10,265	15,202
Tax benefit of stock awards vested ^(b)	-	-	-	(1,911)	(777)
Purchase amortization ^(c)	104	272	274	272	329
Restructuring charge ^(d)	-	-	-	1,848	-
U.S. Tax Cuts and Jobs Act impact ^(e)	-	-	-	2,825	(202)
Adjusted net income (Non-GAAP)	<u>\$ 88,201</u>	<u>\$ 112,890</u>	<u>\$ 134,653</u>	<u>\$ 129,780</u>	<u>\$ 119,242</u>
GAAP Diluted EPS	\$ 1.08	\$ 1.40	\$ 1.72	\$ 1.68	\$ 1.58
Equity-based compensation ^(a)	0.08	0.12	0.14	0.15	0.23
Tax benefit of stock awards vested ^(b)	-	-	-	(0.03)	(0.01)
Purchase amortization ^(c)	-	-	-	-	-
Restructuring charge ^(d)	-	-	-	0.03	-
U.S. Tax Cuts and Jobs Act impact ^(e)	-	-	-	0.04	-
Adjusted diluted EPS (Non-GAAP)	<u>\$ 1.16</u>	<u>\$ 1.52</u>	<u>\$ 1.87</u>	<u>\$ 1.87</u>	<u>\$ 1.79</u>
Fully diluted shares	75,841	74,038	72,060	69,424	66,434

(a) Adjusted results exclude all equity-based compensation to facilitate comparison with our peers and for the other reasons explained in our Report on Form 8-K filed with the SEC on February 5, 2019. Equity-based compensation is included in the following GAAP operating expense lines for the year ended December 31, 2014, 2015, 2016, 2017 and 2018:

	Year Ended December 31,				
	2014	2015	2016	2017	2018
Cost of services	\$ 1,839	\$ 2,548	\$ 3,794	\$ 3,994	\$ 5,787
Research and development	1,541	2,128	2,489	3,208	4,230
Sales and marketing	1,563	2,577	2,431	2,240	2,041
General and administrative	4,728	7,275	7,220	6,787	7,806
Total equity-based compensation	<u>\$ 9,671</u>	<u>\$ 14,528</u>	<u>\$ 15,934</u>	<u>\$ 16,229</u>	<u>\$ 19,864</u>

(b) Adjustments represent the excess tax benefits and tax deficiencies of the stock awards vested during the period. Excess tax benefits (deficiencies) occur when the amount deductible for an award of equity instruments on our tax return is more (less) than the cumulative compensation cost recognized for financial reporting purposes. As discussed above, we excluded equity-based compensation from adjusted non-GAAP results to be consistent with other companies in the software industry and for the other reasons explained in our Report on Form 8-K filed with the SEC on February 5, 2019. Therefore, we also excluded the related tax benefit (expense) generated upon their vesting.

(c) Adjustments represent purchased intangibles amortization from a prior acquisition. We exclude that amortization from adjusted results to facilitate comparison with our peers, to facilitate comparisons of the results of our core operations from period to period and for the other reasons explained in our Report on Form 8-K filed with the SEC on February 5, 2019.

(d) In May 2017, we eliminated about 100 positions due to retail sector headwinds and to align our services capacity with demand. That action did not impair or alter our strategic investment plans in innovation and sales and marketing to increase market share and extend our competitive advantage. As a result of that initiative, we recorded a charge of approximately \$2.9 million in 2017. The charge primarily consisted of employee severance, employee transition and outplacement costs. We excluded that charge from adjusted non-GAAP results because we do not believe the charge was a cost resulting from normal operating activities and for the other reasons explained in our Report on Form 8-K filed with the SEC on February 5, 2019.

(e) In the fourth quarter of 2017, we recorded a provisional net one-time tax of \$2.8 million because of the enactment of the Tax Cuts and Jobs Act in December 2017. We calculated that amount based on a reasonable estimate of the income tax effects, primarily from a tax on accumulated foreign earnings and the remeasurement of deferred tax assets. We finalized our calculations, resulting in a tax benefit of \$0.2 million during the twelve months ended December 31, 2018.