

MANHATTAN ASSOCIATES INC

Form 10-Q

April 30, 2010

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

[Mark One]

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

**For the quarterly period ended March 31, 2010**

**OR**

**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**

(State or Other Jurisdiction of Incorporation or Organization)

**58-2373424**

(I.R.S. Employer Identification No.)

**2300 Windy Ridge Parkway, Suite 1000  
Atlanta, Georgia**

(Address of Principal Executive Offices)

**30339**

(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  No

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  No

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

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

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

The number of shares of the Registrant's class of capital stock outstanding as of April 27, 2010, the latest practicable date, is as follows: 22,706,378 shares of common stock, \$0.01 par value per share.



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**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)**

	<b>March 31, 2010 (unaudited)</b>	<b>December 31, 2009</b>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 120,411	\$ 120,217
Accounts receivable, net of allowance of \$5,619 and \$4,943 in 2010 and 2009, respectively	42,561	37,945
Deferred income taxes	5,755	5,745
Prepaid expenses and other current assets	6,611	4,847
Total current assets	175,338	168,754
Property and equipment, net	15,193	15,759
Long-term investments	2,699	2,797
Acquisition-related intangible assets, net	2,835	3,473
Goodwill, net	62,268	62,280
Deferred income taxes	9,642	9,826
Other assets	2,453	1,822
Total assets	\$ 270,428	\$ 264,711
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 5,615	\$ 4,434
Accrued compensation and benefits	15,190	12,855
Accrued and other liabilities	15,216	15,430
Deferred revenue	40,717	37,436
Income taxes payable	1,953	796
Total current liabilities	78,691	70,951
Other non-current liabilities	10,629	10,395
Shareholders equity:		
Preferred stock, no par value; 20,000,000 shares authorized, no shares issued or outstanding in 2010 or 2009		
Common stock, \$.01 par value; 100,000,000 shares authorized; 22,357,384 and 22,467,123 shares issued and outstanding at March 31, 2010 and December 31,	224	225

2009, respectively		
Additional paid-in capital		2,892
Retained earnings	<b>182,379</b>	182,387
Accumulated other comprehensive loss	<b>(1,495)</b>	(2,139)
Total shareholders' equity	<b>181,108</b>	183,365
Total liabilities and shareholders' equity	<b>\$ 270,428</b>	\$ 264,711

*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 OPERATIONS****(in thousands, except per share amounts)**

	<b>Three Months Ended March 31,</b>	
	<b>2010</b>	<b>2009</b>
	<b>(unaudited)</b>	
Revenue:		
Software license	\$ 14,207	\$ 4,922
Services	53,461	50,843
Hardware and other	6,281	5,060
Total revenue	73,949	60,825
Costs and expenses:		
Cost of license	1,549	1,424
Cost of services	24,064	23,157
Cost of hardware and other	5,069	4,121
Research and development	10,440	10,227
Sales and marketing	10,468	10,079
General and administrative	8,461	7,962
Depreciation and amortization	2,415	3,165
Restructuring charge		63
Total costs and expenses	62,466	60,198
Operating income	11,483	627
Other expense, net	(498)	(233)
Income before income taxes	10,985	394
Income tax provision	3,790	132
Net income	\$ 7,195	\$ 262
Basic earnings per share	\$ 0.33	\$ 0.01
Diluted earnings per share	\$ 0.32	\$ 0.01
Weighted average number of shares:		
Basic	21,958	23,017
Diluted	22,535	23,058

*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)

	<b>Three Months Ended March</b>	
	<b>31,</b>	
	<b>2010</b>	<b>2009</b>
	<b>(unaudited)</b>	
<b>Operating activities:</b>		
Net income	\$ 7,195	\$ 262
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,415	3,165
Stock compensation	2,585	2,318
Loss on disposal of equipment	1	13
Tax benefit (deficiency) of stock awards exercised/vested	176	(901)
Excess tax benefits from stock based compensation	(129)	(2)
Deferred income taxes	164	637
Unrealized foreign currency loss	229	421
Changes in operating assets and liabilities:		
Accounts receivable, net	(4,867)	17,381
Other assets	(2,375)	(626)
Accounts payable, accrued and other liabilities	3,738	(11,562)
Income taxes	1,155	(1,924)
Deferred revenue	3,572	3,523
Net cash provided by operating activities	<b>13,859</b>	12,705
<b>Investing activities:</b>		
Purchase of property and equipment	(1,177)	(873)
Net maturities of investments	99	24
Net cash used in investing activities	<b>(1,078)</b>	(849)
<b>Financing activities:</b>		
Purchase of common stock	(15,938)	(10,484)
Proceeds from issuance of common stock from options exercised	3,081	210
Excess tax benefits from stock based compensation	129	2
Net cash used in financing activities	<b>(12,728)</b>	(10,272)
Foreign currency impact on cash	141	(1,055)
Net change in cash and cash equivalents	<b>194</b>	529



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Cash and cash equivalents at beginning of period	<b>120,217</b>	85,739
Cash and cash equivalents at end of period	<b>\$ 120,411</b>	\$ 86,268

*See accompanying Notes to Condensed Consolidated Financial Statements.*

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**MANHATTAN ASSOCIATES, INC. AND SUBSIDIARIES**  
**Notes to Condensed Consolidated Financial Statements**  
**March 31, 2010**  
**(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 March 31, 2010, the results of operations for the three months ended March 31, 2010 and 2009 and cash flows for the three months ended March 31, 2010 and 2009. The results for the three months ended March 31, 2010 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, 2009.

**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 Company allocates revenue to customer support and software enhancements and any other undelivered elements of the arrangement based on vendor specific objective evidence, or VSOE, of fair value of each element and such amounts are deferred until the applicable delivery criteria and other revenue recognition criteria have been met. The balance of the revenue, net of any discounts inherent in the arrangement, is recognized at the outset of the arrangement using the residual method as the product licenses are delivered. If the Company cannot objectively determine the fair value of each undelivered element based on the VSOE of fair value, the Company defers revenue recognition until all elements are delivered, all services have been performed, or until fair value can be objectively determined. The Company must apply judgment in determining all elements of the arrangement and in determining the VSOE of fair value for each element, considering the price charged for each product on a stand-alone basis or applicable renewal rates.

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 conditions of customers deteriorate, 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

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

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 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 as hardware and other revenue. The total amount of expense reimbursement recorded to revenue was \$1.8 million and \$2.0 million for the three months ended March 31, 2010 and 2009, 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 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 March 31, 2010, the Company's cash balance was \$45.3 million and the cash equivalent balance was \$75.2 million. Cash equivalents primarily consist of highly liquid money market funds with remaining maturities of less than three months when purchased. The Company has invested \$2.7 million in auction rate securities with original maturities ranging from 2025 to 2040. Auctions were held for these securities that reset their yield every 7 to 35 days. During the first quarter of 2010, the Company sold \$0.1 million of its auction rate securities. During 2009 and 2008

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 \$2.7 million of auction rate

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

securities held by the Company at March 31, 2010 were issued by state or regional educational loan authorities and are collateralized by federally insured student loans. These investments consequently 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 March 31, 2010 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 March 31, 2010 (in thousands):

	<b>Fair Value Measurements at March 31, 2010</b>			<b>Total</b>
	<b>Quoted Prices (Level 1)</b>	<b>Using Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>	
Available-for-sale securities	\$ 75,151	\$	\$ 2,699	\$ 77,850
Total investments	\$ 75,151	\$	\$ 2,699	\$ 77,850

**5. Stock-Based Compensation**

In January 2010 the Compensation Committee approved certain changes to the Company's historical equity incentive grant practices, with the objective to optimize its performance and retention strength while managing program share usage to improve long-term equity overhang. The changes eliminate stock option awards in favor of 100% restricted stock grants, which for the 2010 awards contain vesting provisions that are 50% service-based and 50% performance-based for employee awards and 100% service based for outside Board of Directors (Outside Directors). The equity compensation program change for employees was effective January 2010 and for Outside Directors is effective May 2010 occurring commensurate with our annual shareholder's meeting. The awards have a four year vesting period, with the performance portion tied to annual revenue and earnings per share targets.

During the three months ended March 31, 2010 and 2009, the Company granted options to purchase 17,500 shares and 553,025 shares of common stock, respectively. The Company recorded stock option expense of \$1.2 million and \$1.4 million during the three months ended March 31, 2010 and 2009, respectively.

A summary of changes in outstanding options for the three months ended March 31, 2010 is as follows:

	<b>Number of Shares</b>
<b>Outstanding at December 31, 2009</b>	5,768,961
Granted	17,500
Exercised	(149,311)
Forfeited and expired	(17,347)

**Outstanding at March 31, 2010**

**5,619,803**

The Company also granted 379,943 and 182,571 shares of restricted stock during the three months ended March 31, 2010 and 2009, respectively. The Company recorded restricted stock expense of \$1.4 million and \$0.9 million during the three months ended March 31, 2010 and 2009, respectively.

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

A summary of changes in unvested shares of restricted stock for the three months ended March 31, 2010 is as follows:

	<b>Number of Shares</b>
<b>Outstanding at December 31, 2009</b>	388,560
Granted	379,943
Vested	(112,105)
Forfeited and expired	(5,037)
<b>Outstanding at March 31, 2010</b>	<b>651,361</b>

**6. Income Taxes**

The Company's effective tax rate was 34.5% and 33.5% for the three months ended March 31, 2010 and 2009, respectively. The increase in the effective tax rate is principally due to the mix of foreign profits compared to U.S. profits.

For the three month period ended March 31, 2010, there were no material changes to unrecognized tax benefits. Further, there were no material changes to interest and penalties for the three month period. There has been no change to the Company's policy that recognizes potential accrued interest and penalties to unrecognized tax benefits within its global operations in income tax expense.

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 U.S. Federal or significant state, local or non-US jurisdiction income tax examinations for the years before 2006.

**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 months ended March 31, 2010 (in thousands):

	<b>For the Three Months Ended March 31,</b>	
	<b>2010</b>	2009
Net income	\$ 7,195	\$ 262
Foreign currency translation adjustment	644	(712)
Comprehensive income (loss)	\$ 7,839	\$ (450)

**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.



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**MANHATTAN ASSOCIATES, INC. AND SUBSIDIARIES**  
**Notes to Condensed Consolidated Financial Statements (continued)**  
**March 31, 2010**  
**(unaudited)**

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:

	<b>For Three Months Ended March</b>	
	<b>31,</b>	
	<b>2010</b>	<b>2009</b>
	<b>(in thousands, except per share data)</b>	
Net income	\$ 7,195	\$ 262
<b>Earnings per share:</b>		
Basic	\$ 0.33	\$ 0.01
Effect of CESs	<b>(0.01)</b>	
Diluted	\$ 0.32	\$ 0.01
 <b>Weighted average number of shares:</b>		
Basic	<b>21,958</b>	23,017
Effect of CESs	<b>577</b>	41
Diluted	<b>22,535</b>	23,058

Weighted average shares issuable upon the exercise of stock options that were not included in the calculation of diluted earnings per share were 3,062,120 shares and 6,205,734 shares for the three months ended March 31, 2010 and 2009, 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 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 \$0.8 million and \$0.3 million for the three months ended March 31, 2010 and 2009, 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.

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**MANHATTAN ASSOCIATES, INC. AND SUBSIDIARIES**  
**Notes to Condensed Consolidated Financial Statements (continued)**  
**March 31, 2010**  
**(unaudited)**

The following table presents the revenues, expenses and operating income (loss) by reporting segment for the three months ended March 31, 2010 and 2009 (in thousands):

	For the Three Months Ended March 31,				2009			
	Americas	EMEA	APAC	Consolidated	Americas	EMEA	APAC	Consolidated
<b>Revenue:</b>								
Software license	\$ 11,107	\$ 1,444	\$ 1,656	\$ 14,207	\$ 3,826	\$ 445	\$ 651	\$ 4,922
Services	44,775	6,312	2,374	53,461	42,173	6,402	2,268	50,843
Hardware and other	6,007	233	41	6,281	4,828	183	49	5,060
Total revenue	<b>61,889</b>	<b>7,989</b>	<b>4,071</b>	<b>73,949</b>	50,827	7,030	2,968	60,825
<b>Costs and Expenses:</b>								
Cost of revenue	23,955	4,588	2,139	30,682	22,579	3,983	2,140	28,702
Operating expenses	25,335	2,878	1,156	29,369	24,948	2,166	1,154	28,268
Depreciation and amortization	2,266	105	44	2,415	2,981	143	41	3,165
Restructuring charge					59		4	63
Total costs and expenses	<b>51,556</b>	<b>7,571</b>	<b>3,339</b>	<b>62,466</b>	50,567	6,292	3,339	60,198
Operating income (loss)	<b>\$ 10,333</b>	<b>\$ 418</b>	<b>\$ 732</b>	<b>\$ 11,483</b>	\$ 260	\$ 738	\$ (371)	\$ 627

The Company's services revenues, which consist of fees generated from professional services and customer support and software enhancements related to its software pro