

Rev/Employee: \$182.30 k

Number of Employees: 3,400

Avg ROIC: 54.57%

Packaged Software

## MANH: Sudden CEO Change

After reporting underwhelming results on the fiscal year end call on January 28th, Eddie Capel (64) surprised his investors Monday by announcing that he was stepping down as CEO (after 11 years as CEO) and that outsider Eric Clark was the new CEO effective today.



Capel will continue on the Board as Executive Vice-Chairman and assist with the CEO transition and special projects. New CEO Eric Clark, was previously the regional CEO of [NTT Data North America](#) for 18 months (7 year tenure) and we don't see much relevant retailing or software experience in his background. We worry that there may be some risk that either EVP Bob Howell, who has worked his way up in the Company over 18 years, or fellow EVP Stewart Gantt (29 year tenure) may now look for other opportunities. The new CEO said on a hastily arranged investor call today that he wants to continue to protect and respect the corporate culture at MANH but will focus on growth. We think CEO Clark's lack of prior industry experience may further dampen execution abilities in the management team for 2025.

**Management Update:** Eddie Capel says that the CEO change has been part of a formal process for over 2 years but his investors likely feel a bit bushwhacked. The CEO did not indicate any potential leadership changes on the year end call January 28th, blaming softness on seasonality and telling investors "2024 was another very successful year for Manhattan. We surpassed the \$1 billion total revenue milestone [Services revenue was \$525.5 million for the 12 months ended December 31, 2024, compared to \$487.9 million in 2023] and achieved new records in RPO, total revenue, operating profit, free cash flow and earnings per share. Most of all, I'm pleased to share with you that our Q4 RPO performance exceeded our expectations. Now we're entering 2025 with strong business momentum, and we're optimistic about our growing market opportunity." This afternoon, management hosted a short notice "webinar" with Truist Securities to answer a series of awkward questions about the abrupt notice. During that call, Capel said that the Board had been using a headhunter to look for his successor for over 2 years and that the change is not due to any personal health issues on his part. Capel told listeners that "...as of today Eric has full authority" as CEO but "I'm not going anywhere". He also said "...this will not be a co-CEO situation..." and that the odd timing on the transition was because the new CEO wasn't ready for a public announcement on the Q4 call 2 weeks ago. With the sharp drop in MANH's stock since the year end results were released January 28th, investors are understandably nervous even though CFO Dennis Story also confirmed management's existing 2025 guidance on today's call. Vice Chairman Capel joined Manhattan in June 2000, and, after serving as COO for 2 years (2011-12) became the President & CEO in January 2013. See our [prior management profile here](#). New CEO Eric Clark was previously the regional CEO of NTT Data North America since April of 2024 and prior head of NTT Ltd. Americas and Chief Digital and Strategy Officer for NTT Data Services. NTT is a major Japanese corporation but we see little synergy with the challenges that MANH's business faces in retailing. Before NTT, he was an SVP for Global Services at ServiceNow for 2 years (2016-18), and from 2012 to 2016 in various sales and marketing roles at Dell Computer IT services (acquired by NTT Data in 2016). Prior to Dell, he was a VP at Hewlett-Packard in Application Innovation Services for the last 2 of 9 years with the firm. In addressing an obvious oversight about where he will work from, new CEO Clark said he will "definitely" be relocating to MANH's corporate headquarters in Atlanta but did not say exactly when. He holds both a BBA and and MBA from the University of Texas, Austin. At MANH, CEO Clark is inheriting a solid operation that struggled last year to generate net new growth but remains strong. CFO Story told investors on the January call that "Q4 operating cash flow increased to 18% to \$105 million, with a 39.7% free cash flow margin and a 35.9% adjusted EBITDA margin. Our full year operating cash flow was \$295 million while generating a 27.5% free cash flow margin and 35.3% EBITDA margin." During 2024, the CFO spent \$241.6 million to repurchase 986,555 shares and currently has about \$266 million in cash and no debt.

**Pay & Incentives:** CEO Eric Clark's initial salary of \$800k is \$100k more than his predecessor's. His total signing package was worth about \$12.6 million and we note, unfavorably, that none of his new equity has any performance metrics associated with its vesting, only time. Capel's total pay has averaged about \$9 million over the last three years. CEO Clark will have a target cash bonus of 100% of salary and is receiving a \$3 million cash



Rev/Employee: \$182.30 k

Number of Employees: 3,400

Avg ROIC: 54.57%

Packaged Software

signing bonus in three equal installments: on February 14, 2025, July 14, and February 14, 2026. His initial \$8 million equity LTIP consists of purely time vesting RSU restricted stock, of which \$2.6 million will vest this Friday, \$2.2 million will vest on February 14, 2026, \$2.2 million will vest on February 14, 2027, and the remaining \$1 million will vest on February 14, 2028. Management's annual cash bonuses are determined 50% by EBIT and 25% each on Cloud Sales and total Revenues which we like. The regular equity LTIP grants are a 50/50% mix of performance vesting PSUs and time vesting RSUs with the PSUs vesting on the same factors as the cash bonus but over a three year period.

**Equity Ownership:** Eddie Capel remains the firm's largest personal stockholder with a stake of about 205k shares and EVP Bob Howell is the second largest with a stake of about 165k shares. CFO Dennis beneficially owns about 110k shares and Director Tom Noonan is the only other personal shareholder with a stake over 100k shares. In retrospect, Capel's pending retirement may have best been signaled by his substantial insider selling last year. Since January 1, 2024 Capel sold stock for net proceeds of over \$28 million, mostly in January and February of last year with the shares in the high \$240s and low \$250s (currently about \$182). EVP Gantt is the other material seller with net proceeds to him worth about \$6 million since January '24. CFO Story has sold stock for net proceeds of about \$4 million over the same period. Among major institutional active share investors, AllianceBernstein holds over 3.6 million shares or about 6%, Fidelity owns ~3%, and Neuberger Berman owns ~2.6%.

**Fiduciary & Other:** The annual proxy won't be out for another month but Board Chairman John Huntz will be retiring as a Director at the AGM in May and said in a statement on Monday afternoon that "The Board thanks Eddie for his dedication to Manhattan over the last 25 years and for working diligently with the Board during our comprehensive CEO succession planning process over the last 24 months." Vice Chairman Capel said today that he expects that he will become Chairman of the Board in May. Also effective today February 12, 2025, the Board has reclassified Class II Board member Linda Hollembaek as a Class I Board member whose term will expire next year. In January, the Board increased the Company's share repurchase authority to an aggregate of \$100 million.