LOGILITY INC
Form 10-Q
March 16, 2001

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended January 31, 2001

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: 0-23057

LOGILITY, INC.

(Exact name of registrant as specified in its charter)

Georgia	58-2281338
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification Number)
470 East Paces Ferry Road, N.E., Atlanta, Georgia	30305
(Address of principal executive offices)	(Zip Code)

(404) 261-9777

(Registrant's telephone number, including area code)

None

(Former name, former address and former fiscal year, if changed since last report)

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 X No ______

Indicate the number of shares outstanding of the issuer's common stock, as of the latest practicable date.

Class	Outstanding at March 15, 2001
Common Stock, no par value	13,252,503 Shares

LOGILITY, INC.

Form 10-Q

Quarter Ended January 31, 2001

Index

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

LOGILITY, INC.
Condensed Balance Sheets (Unaudited)
(in thousands, except share data)

	January 31, 2001
Current Assets:	
Cash and cash equivalents	$ 4,749

Investments-current	11,292
Trade accounts receivable, less allowance for doubtful accounts of $652 and $684 at January 31, 2001 and April 30, 2000, respectively:	
Billed	3,358
Unbilled	1,132
Due from Parent	2,321
Prepaid expenses and other current assets	550
Total current assets	23,402
Investments-noncurrent	4,371
Furniture and equipment, less accumulated depreciation	1,634
Intangible assets, less accumulated amortization	7,735
Other assets, net	1,268
	$ 38,410
Liabilities and Shareholders' Equity:	
Current liabilities:	
Accounts payable	$ 1,012
Accrued compensation and related costs	1,407
Other current liabilities	1,377
Deferred revenues	5,546
Total current liabilities	9,342
Deferred income taxes	2,762
Total liabilities	12,104
Shareholders' equity:	
Preferred stock: 2,000,000 shares authorized; no shares issued	-
Common stock, no par value; 20,000,000 shares authorized; 13,873,514 and 13,871,993 shares issued at January 31, 2001 and April 30, 2000, respectively	-
Additional paid-in capital	44,670
Accumulated deficit	(13,948)
Treasury stock, at cost - 621,011 and 564,811 shares at January 31, 2001 and April 30, 2000, respectively	(4,416)
Total shareholders' equity	26,306
Commitments and contingencies	
	$ 38,410

See accompanying notes to condensed financial statements.

Item 1. Financial Statements (continued)

LOGILITY, INC.
Condensed Statements of Operations (Unaudited)
(in thousands, except per share data)

	Three Months Ended January 31,	Nine ... Ja...

	2001	2000	2001
Revenues:			
License fees	$ 1,904	$ 3,897	$ 6,0
Maintenance	2,684	2,465	7,8
Services and other	1,897	2,151	6,1
Total revenues	6,485	8,513	20,0
Cost of revenues:			
License fees	1,406	884	3,0
Maintenance	388	430	1,2
Services and other	1,434	1,237	4,2
Total cost of revenues	3,228	2,551	8,5
Gross margin	3,257	5,962	11,4
Operating expenses:			
Research and development	1,894	1,842	6,2
Less: Capitalized development	(506)	(873)	(2,0
Sales and marketing	3,372	3,253	10,5
General and administrative	968	756	2,7
Provision for doubtful accounts	393	40	4
Charge for restructuring	240	-	4
Total operating expenses	6,361	5,018	18,4
Operating income (loss)	(3,104)	944	(7,0
Other income, net	398	303	8
Income (loss) before income taxes	(2,706)	1,247	(6,1
Income taxes	0	0	
Net income (loss)	$ (2,706)	$ 1,247	$ (6,1
Net income (loss) per share: Basic	$ (0.20)	$ 0.09	$ (0.
Diluted	$ (0.20)	$ 0.09	$ (0.
Shares used in the calculation of net income (loss) per common share: Basic	13,284	13,290	13,2
Diluted*	13,284	13,763	13,2

* Diluted weighted average common shares outstanding are not included in the three or nine months ended January 31, 2001 calcuation due to the anti-dilution of the net loss.

See accompanying notes to condensed financial statements.

Item 1. Financial Statements (continued)

LOGILITY, INC.
Condensed Statements of Cash Flows (Unaudited)
(in thousands)

	Nin
	2001
Cash flows from operating activities:	
Net income (loss)	$ (6
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:	
Depreciation and amortization	2
Provision for doubtful accounts receivable	
Write-off of minority investment in business	
Charge for restructuring - non-cash portion	
(Increase) decrease in operating assets:	
Accounts receivable	2
Due from Parent	
Other assets	
Increase (decrease) in operating liabilities:	
Accounts payable, accrued costs and other liabilities	(1
Deferred revenues	
Net cash provided by (used in) operating activities	(1
Cash flows from investing activities:	
Additions to capitalized computer software development costs	(2
Additions to purchased computer software costs	
Net sale (purchase) of investments	5
Minority investment in business	
Purchases of furniture and equipment	
Net cash provided by (used in) investing activities	3
Cash flows from financing activities:	
Repurchase of common stock	
Proceeds from exercise of stock options	
Net cash used in financing activities	
Net change in cash and cash equivalents	1
Cash and cash equivalents at beginning of period	3
Cash and cash equivalents at end of period	$ 4
Supplemental disclosure of noncash investing activity:	
Transfer of software from Parent	$ 1

Item 1. Financial Statements (continued)

NOTES TO CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

A. Basis of Presentation

The accompanying condensed financial statements of Logility, Inc. (the "Company"), are unaudited. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). The financial information presented in the condensed financial statements reflects all normal recurring adjustments, which are, in the opinion of management, necessary for a fair presentation of the periods indicated. These financial statements should be read in conjunction with the Company's Form 10-K for the fiscal year ended April 30, 2000, as filed with the SEC on July 28, 2000. The interim results reflected in the condensed financial statements are not necessarily indicative of the results to be expected for the full year.

We are an approximately 85% owned subsidiary of American Software, Inc. (the "Parent"), a publicly held provider of enterprise resource planning solutions and managed services (NASDAQ - AMSWA).

B. Industry Segments

On February 1, 1999, the Company adopted Statement of Financial Accounting Standards No. 131, Disclosures About Segments of an Enterprise and Related Information. The Company operates and manages its business in one segment, providing Business-to-Business Collaborative Commerce solutions to participants along the value chain.

C. Comprehensive Income

On May 1, 1998, the Company adopted Statement of Financial Accounting Standards No. 130 ("SFAS No. 130"), Reporting Comprehensive Income. SFAS No. 130 establishes standards for reporting and presentation of comprehensive income and its components in a full set of financial statements. No statements of comprehensive income (loss) have been included in the accompanying condensed financial statements since comprehensive income (loss) and net income (loss) presented in the accompanying condensed statements of operations would be the same.

D. Revenue Recognition

The Company recognizes revenue in accordance with Statement of Position ("SOP") 97-2, Software Revenue Recognition, and SOP 98-9, Software Revenue Recognition with Respect to Certain Transactions. License revenues in connection with license agreements for standard proprietary and tailored software are recognized upon delivery of the software, providing collection is considered probable, the fee is fixed or determinable, there is evidence of an arrangement, and vendor specific evidence exists to defer any revenue related to undelivered elements of the arrangement.

Item 1. Financial Statements (continued)

NOTES TO CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (Continued)

E. Net Earnings (Loss) Per Common Share

Basic earnings (loss) per common share available to common shareholders are based on the weighted-average number of common shares outstanding. Diluted earnings (loss) per common share available to common shareholders is based on the weighted-average number of common shares outstanding and dilutive potential common shares, such as dilutive stock options.

The numerator in calculating both basic and diluted earnings (loss) per common share for each period is the same as net earnings (loss). The denominator is based on the following number of common shares:

	Three Months ended January 31, 2001	Three Months ended January 31, 2000	Nine Months e January 31, 2001	
	(in thousands)		(in thousand	
Common Shares:				
Weighted average common shares outstanding	13,284	13,290	13,299	
Dilutive effect of outstanding stock options*	-	473	-	
Total	13,284	13,763	13,299	
Net (loss) earnings:	$(2,706)	$ 1,247	$(6,160)	$
Net (loss) earnings per common share:				
Basic	$ (0.20)	$ 0.09	$ (0.46)	$
Diluted	$ (0.20)	$ 0.09	$ (0.46)	$

*For the three and nine months ended January 31, 2001 approximately 774,000 and 301,000 stock options, respectively, were excluded from the computation of diluted earnings (loss) per share because they were antidilutive.

7

LOGILITY, INC.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

FORWARD-LOOKING STATEMENTS

This report on Form 10-Q contains forward-looking statements, which are subject to substantial risks and uncertainties. There are a number of factors that could cause actual results to differ materially from those anticipated by statements made herein. The timing of releases of our software products can be affected by customer needs, marketplace demands and technological advances. Development plans frequently change, and it is difficult to predict with accuracy the release dates for products in development. In addition, other factors, including but not limited to, changes in general economic conditions, technology and the market for our products and services, including economic conditions within the e-commerce markets, the timely availability and market acceptance of these products and services, the effect of competitive products and pricing, and the irregular pattern of our revenues could affect our future performance.

OVERVIEW

Logility, Inc. ("Logility" or the "Company") develops, markets and supports business-to-business (B2B) collaborative commerce solutions that power e-Business and optimize supply chain management for manufacturers, suppliers, distributors, retailers and other organizations along the "value chain." The value chain refers to the complex network of relationships that organizations maintain with trading partners to source, manufacture and deliver products to the customer. Logility Voyager Solutions(TM) consists of an Internet-based, integrated e-Business software suite that provides collaborative supply chain management including inventory planning, distribution planning, supply planning, manufacturing planning and scheduling, forecasting, warehouse management, and transportation planning and management capabilities. These capabilities are designed to increase revenues, reduce inventory costs, improve forecast accuracy, decrease order cycle times, optimize production scheduling, streamline logistics operations, reduce transportation costs and improve customer service across our customers' value chains, private Internet portals and public e-Business trading exchanges.

In addition to the Logility Voyager Solutions application suite, the i-Community(SM) provides a complete solution for web-based networking of trading partners that facilitates Collaborative Planning, Forecasting and Replenishment (CPFR(R))-based collaboration with suppliers, manufacturers, retailers and customers. The i-Community allows trading partners to quickly access and leverage the Logility Voyager Solutions suite and gain the benefits of e-Business via a web-browser. We market our solution worldwide, primarily to large enterprises that require a comprehensive supply chain planning and execution solution. Sales are made through a dedicated sales force and through relationships with third-party vendors (including American Software) and service providers.

We previously conducted our business and operations as three separate business units of American Software: a supply chain planning software group, a warehouse management software group, and a transportation management software group. Effective January 1997, American Software transferred substantially all of the business, operations (including research and development), assets and associated liabilities of its Supply Chain Planning division to us. Effective August 1997, American Software transferred to us the WarehousePRO software and substantially all associated operations, assets and liabilities. Also effective August 1997, American Software's wholly-owned subsidiary, Distribution Sciences, Inc., was merged into Logility, transferring its business, operations, assets and liabilities, including the Transportation Planning and Transportation Management software, to us. Our condensed financial statements included herein present the combined assets, liabilities and results of operations for the three business units for all periods.

Our revenues are derived primarily from three sources: software licenses, maintenance and services. Software licenses generally are based upon the number of modules, servers, users and/or sites licensed. License fee revenues are recognized upon delivery of the software, provided collection is considered probable, the fee is fixed or determinable, there is evidence of an arrangement, and vendor-specific evidence exists to allocate the total fee to all elements of the arrangement. Maintenance agreements typically are for a one- to three-year term and usually are entered into at the time of the initial product license. Maintenance revenues are recognized ratably over the term of the maintenance agreement. Services revenues consist primarily of fees from software implementation, training, consulting and customization services and are recognized as the services are rendered.

COMPARISON OF RESULTS

The following table sets forth certain revenue and expense items as a percentage of total revenues and the percentage increases or decreases in those items for the three months ended January 31, 2001 and 2000:

	Percentage of Total Revenues		Pct. C in Do
	2001	2000	2001 v
Revenues:			
License fees	30%	46%	
Maintenance	41	29	
Services	29	25	
Total revenues	100	100	
Cost of revenues:			
License fees	22	10	
Maintenance	6	5	
Services	22	15	
Total cost of revenues	50	30	
Gross margin	50	70	
Operating expenses:			
Research and development (net)	21	11	
Sales and marketing	52	38	
General and administrative	15	9	
Provision for doubtful accounts	6	1	
Charge for restructuring	4	-	
Total operating expenses	98	59	
Operating income (loss)	(48)	11	
Other income, net	6	4	
Income (loss) before income taxes	(42)	15	
Income taxes	-	-	
Net income (loss)	(42)%	15%	

nm - not meaningful

Item 2. Management's Discussion and Analysis (continued)

The following table sets forth certain revenue and expense items as a percentage of total revenues and the percentage increases or decreases in those items for the nine months ended January 31, 2001 and 2000:

	Percentage of Total Revenues		Pct. in D
	2001	2000	2001
Revenues:			
License fees	30%	48%	
Maintenance	39	27	
Services	31	25	
Total revenues	100	100	
Cost of revenues:			
License fees	15	10	
Maintenance	7	6	
Services	21	13	
Total cost of revenues	43	29	
Gross margin	57	71	
Operating expenses:			
Research and development, net	21	14	
Sales and marketing	53	40	
General and administrative	14	8	
Provision for doubtful accounts	2	1	
Charge for restructuring	2	-	
Total operating expenses	92	63	
Operating income (loss)	(35)	8	
Other income, net	4	4	
Income (loss) before income taxes	(31)	12	
Income taxes	-	-	
Net income (loss)	(31)	12	

nm - not meaningful

Item 2. Management's Discussion and Analysis (continued)

THREE MONTHS ENDED JANUARY 31, 2001 AND 2000:

REVENUES:

Our total revenues decreased 24% to approximately $6.5 million from $8.5 million for the comparable quarter a year ago. This decrease was largely due to a decrease in our license fees and related services, partially offset by an increase in maintenance revenues. International revenues represented approximately 27% of total revenues in the quarter ended January 31, 2001 compared to approximately 11% a year ago. This increase was due to lower overall revenues, as well as successful sales efforts by our international value added resellers.

LICENSES. License fee revenues decreased 51% to approximately $1.9 million from the same quarter a year ago primarily as a result of the reorganization of our sales management team, which is near completion, as well as continued slow general economic conditions. The direct sales channel provided approximately 29% of license fee revenues for the quarter ended January 31, 2001, compared to approximately 78% in the comparable quarter a year ago. This decrease is due to lower overall levels of license fees, in conjunction with one transaction of significant size obtained through our indirect channel. In the quarter ended July 31, 2000, we entered into a marketing agreement with a major software distributor that we believe could become an increased source of future indirect channel revenues.

MAINTENANCE. Maintenance revenues increased 9% to approximately $2.7 million from a year ago, due to continued growth in the installed base of our software. Maintenance revenues have a direct relationship to current and historic license fee revenues, since new licenses are the potential source of new maintenance customers.

SERVICES. Services revenues decreased 12% to approximately $1.9 million from a year ago as a result of lower license fee sales in the last two quarters resulting in lower software implementation service levels.

GROSS MARGIN:

Total gross margin in the quarter ended January 31, 2001 was 50% of total revenues, compared to 70% a year ago. This decrease was largely due to the decreased level of license fees, which fell to 30% of total revenues, down from 46% a year ago. The gross margin on license fees declined to 26% from 77% a year ago, due to the combination of lower license fees and the relatively fixed amount of amortization expense on capitalized software, which makes up the primary component of cost of license fees. Gross margin on maintenance revenues rose to 86% compared to 83% a year ago, due to the increase in maintenance revenues from customers obtained in previous quarters. Gross margin on services revenues decreased to 24% compared to 42% in the same period a year ago, due to lower levels of implementation services.

Item 2. Management's Discussion and Analysis (continued)

OPERATING EXPENSES:

RESEARCH AND DEVELOPMENT. Gross product development costs include all non-capitalized and capitalized software development costs. A breakdown of the research and development costs is as follows:

	Three Months Ended		
	January 31, 2001	Percent Change	January 3 2000
Gross product development costs	$ 1,894	3%	$
Percentage of total revenues	29%		
Less: Capitalized development	(506)	(42)%	
Percentage of gross prod. dev. costs	27%		
Product development expenses	$ 1,388	43%	$
Percentage of total revenues	21%		

Gross product development costs increased 3% in the quarter ended January 31, 2001 compared to a year ago, due to development expenses related to new marketing alliances. Capitalized development decreased 42% from a year ago, while the rate of capitalized development as a percentage of gross product development costs declined to 27% versus 47% a year ago. Gross development costs increased, while capitalized development decreased, due to timing issues between the research and development phases of certain projects. Product development expenses, as a percentage of total revenues, increased to 21% from 11% a year ago, due primarily to the decrease in total revenues, as well as lower levels of capitalized development.

SALES AND MARKETING. Sales and marketing expenses increased 4% from the same period a year ago, due to increased overall marketing expenditures, as well as increased sales staffing levels. As a percentage of total revenues, sales and marketing expenses were 52% for the quarter ended January 31, 2001, compared to 38% for the quarter ended January 31, 2000. This increase was due to the decrease in overall revenues, as well as the increased expenditures.

GENERAL AND ADMINISTRATIVE. General and administrative expenses increased 28% to approximately $968,000 from a year ago, mainly as a result of an increase in the number of employees, which when combined with fewer employees in the parent corporation, resulted in an increased allocation of shared intercompany expenses from the parent. Increases in utility costs over the prior year also contributed to the increase. For the three months ended January 31, 2001, the average number of employees was approximately 193, compared to approximately 183 for the three months ended January 31, 2000.

PROVISION FOR DOUBTFUL ACCOUNTS. Due to prevailing economic conditions and the resulting uncertainty as to collection of certain accounts, we added $393,000 to our provision for doubtful accounts in the three months ended January 31, 2001.

CHARGE FOR RESTRUCTURING. During the three months ended January 31, 2001, we recorded a charge against earnings of approximately $240,000 resulting from severance expenses for approximately 40 employees in sales, marketing, services, and research and development. Of this amount, $232,000 related to cash severance and $8,000 related to the acceleration of vesting of stock options to terminated staff. All expenses related to this severance have been fully recorded and no related accruals remain.

Item 2. Management's Discussion and Analysis (continued)

OTHER INCOME:

Other income is comprised of earnings from the investment of our cash reserves. Our investments are primarily short term in nature, and all investments mature within three years. For the quarter ended January 31, 2001, these investments generated a yield of approximately 6.1%.

INCOME TAXES:

We are included in the consolidated Federal income tax return filed by American Software, Inc. However, we provide for income taxes as if we were filing a separate income tax return. For the quarter ended January 31, 2001, we did not record any income taxes as a result of the cumulative operating losses incurred since our Initial Public Offering.

NINE MONTHS ENDED JANUARY 31, 2001 AND 2000:

REVENUES:

Our total revenues decreased 21% to approximately $20.0 million from $25.4 million for the comparable period a year ago. This decrease was largely due to a decrease in our license fees and related services, partially offset by an increase in maintenance revenues. International revenues represented approximately 18% of total revenues in the nine months ended January 31, 2001 compared to approximately 10% a year ago. This increase was due to lower overall revenues, as well as successful sales efforts by our international value added resellers.

LICENSES. License fee revenues decreased 51% to approximately $6.0 million from the same period a year ago primarily as a result of the reorganization of our sales management team, as well as continued slow general economic conditions. The direct sales channel provided approximately 58% of license fee revenues for the nine months ended January 31, 2001, compared to approximately 84% in the comparable period a year ago. This decrease is due to lower overall levels of license fees, in conjunction with one transaction of significant size obtained through our indirect channel.

MAINTENANCE. Maintenance revenues increased 12% to approximately $7.8 million from a year ago, due to continued growth in the installed base of our software. Maintenance revenues have a direct relationship to current and historic license fee revenues, since new licenses are the potential source of new maintenance customers.

SERVICES. Services revenues decreased 1% to approximately $6.2 million from a year ago as a result of lower levels of software implementation services.

GROSS MARGIN:

Total gross margin for the nine months ended January 31, 2001 was 57% of total revenues, compared to 71% a year ago. This decrease was due to the decreased level of license fees, which fell to 30% of total revenues, down from 48% a year ago. The gross margin on license fees declined to 49% from 79% a year ago, due to the combination of lower license fees and the relatively fixed amount of amortization expense on capitalized software, which makes up the primary component of cost of license fees. Gross margin on maintenance revenues rose to 85% compared to 80% a year ago, due to the increase in maintenance revenues from customers obtained in previous quarters. Gross margin on services revenues decreased to 31% compared to 46% in the same period a year ago, due to higher staffing and infrastructure costs incurred in anticipation of higher levels of license fees.

Item 2. Management's Discussion and Analysis (continued)

OPERATING EXPENSES:

RESEARCH AND DEVELOPMENT. Gross product development costs include all non-capitalized and capitalized software development costs. A breakdown of the research and development costs is as follows:

	Nine Months Ended		
	January 31, 2001	Percent Change	January 31 2000
Gross product development costs	$ 6,264	2%	$ 6
Percentage of total revenues	31%		
Less: Capitalized development	(2,004)	(20)%	(2
Percentage of gross prod. dev. costs	32%		
Product development expenses	$ 4,260	18%	$ 3
Percentage of total revenues	21%		

Gross product development costs increased 2% in the nine months ended January 31, 2001 compared to a year ago, due to development expenses related to new marketing alliances. Capitalized development decreased 20% from a year ago, while the rate of capitalized development as a percentage of gross product development costs declined to 32% versus 41% a year ago. Gross development costs increased, while capitalized development decreased, due to timing issues between the research and development phases of certain projects. Product development expenses, as a percentage of total revenues, increased to 21% from 14% a year ago, due primarily to the decrease in total revenues.

SALES AND MARKETING. Sales and marketing expenses increased 4% from a year ago, due to increased overall marketing expenditures, as well as transition costs related to the hiring of new sales management. As a percentage of total revenues, sales and marketing expenses were 53% for the nine months ended January 31, 2001 compared to 40% for the nine months ended January 31, 2000. This increase was due to the decrease in overall revenues, as well as the increased expenditures.

GENERAL AND ADMINISTRATIVE. General and administrative expenses increased 29% to approximately $2.8 million from a year ago, mainly as a result of an increase in number of employees, which when combined with fewer employees in the parent corporation, resulted in an increased allocation of shared intercompany expenses from the parent. Increases in utility costs over the prior year period also contributed to the increase. For the nine months ended January 31, 2001, the average number of employees was approximately 203, compared to approximately 184 for the nine months ended January 31, 2000.

CHARGE FOR RESTRUCTURING. During the nine months ended January 31, 2001, we recorded charges against earnings of approximately $476,000 resulting from severance expenses for approximately 46 employees in sales, marketing, services, and research and development. Of this amount, $294,000 related to cash severance and $182,000 related to the acceleration of vesting of stock options to terminated staff. All expenses related to this severance have been fully recorded and no related accruals remain.

OTHER INCOME:

Other income is comprised of earnings from the investment of our cash reserves. Our investments are primarily short term in nature, and all investments mature within three years. For the nine months ended January 31, 2001, these investments generated a yield of approximately 6.0%.

14

Item 2. Management's Discussion and Analysis (continued)

LIQUIDITY, CAPITAL RESOURCES AND FINANCIAL CONDITION

The following table shows information about our cash flows during the nine months ended January 31, 2001 and January 31, 2000. This table and the discussion that follows should be read in conjunction with our condensed consolidated statements of cash flows contained in "Item 1. Financial Statements" in Part I of this report and in our Annual Report on Form 10-K for the fiscal year ended April 30, 2000.

	Nine Months Ended January 31,	
	2001	2000
Net cash provided by operating activities before changes in operating assets and liabilities.	(2,622)	5,682
Increase in operating assets and liabilities	930	65
Net cash provided by operating activities	(1,692)	5,747
Net cash provided by (used for) investing activities	3,022	(6,230)
Net cash used for financing activities	(105)	(662)
Net(decrease) increase in cash and cash equivalents	1,225	(1,145)

We normally fund our operations and capital expenditures primarily with cash generated from operating activities. The changes in net cash used for operating activities generally reflect the changes in net income and non-cash operating items plus the effect of changes in operating assets and liabilities, especially investment securities, trade accounts receivable, trade accounts payable, accrued expenses and deferred revenue.

Our operating activities used cash of approximately $1.7 million in the nine months ended January 31, 2001, and provided cash of approximately $5.7 million in the same period last year. Operating cash flows decreased for the period primarily because the net loss for the period and the net changes in operating assets and liabilities, such as trade accounts payable and deferred revenue, were only partially offset by non-cash operating items, such as depreciation and amortization.

Cash provided by investing activities was approximately $3.0 million for the nine months ended January 31, 2001. Investing cash flows increased for the period primarily because of the net sale of investments of $5.5 million, which was partially offset by $2.0 million in additions to capitalized software development costs. For the same period last year, cash used in investing activities was approximately $6.2 million, composed primarily of $3.3 million in net purchase of investments, and $2.5 million in additions to capitalized software development costs.

Cash used in financing activities was approximately $105,000 and $662,000 for the nine months ended January 31, 2001 and 2000, respectively. Cash flows used in financing decreased for the period primarily because there were fewer repurchases of common stock during the nine months ended January 31, 2001, compared to the prior year.

Days Sales Outstanding (DSO) in accounts receivable were 71 days as of January 31, 2001, compared to 85 days as of January 31, 2000. This decrease was due primarily to lower overall levels of accounts receivable.

Our current ratio on January 31, 2001 was 2.51 to 1 and we have no debt. Our principal sources of liquidity are our cash and investments, which totaled approximately $20.4 million at January 31, 2001. We believe that our sources of liquidity and capital resources will be sufficient to satisfy our presently anticipated requirements during at least the next twelve months for working capital, capital expenditures and other corporate needs. Management is not aware of any condition that would materially alter this trend.

On December 15, 1997, our Board of Directors approved a resolution authorizing the repurchase of up to 350,000 shares of our common stock through open market purchases at prevailing market prices. We completed this repurchase plan in November 1998. In November 1998 we adopted an additional repurchase plan for up to 800,000 shares. The timing of any repurchases would depend on market conditions, the market price of Logility's common stock and management's assessment of our liquidity and cash flow needs. For both plans, through March 15, 2001, we had purchased a cumulative total of 621,011 shares at a total cost of approximately $4.4 million.

RECENT ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities." This Statement was amended in June 2000 by Statement No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities." Statement No. 133 and Statement No. 138 will be effective for us beginning May 1, 2001. The new Statements require all derivatives to be recorded on the balance sheet at fair value and establishes accounting treatment for three types of hedges: (1) hedges of changes in the fair value of assets, liabilities, or firm commitments; (2) hedges of the variable cash flows of forecasted transactions; and (3) hedges of foreign currency exposures of net investments in foreign operations. We have not invested in derivative instruments or participated in hedging activities and, therefore, do not anticipate there will be a material impact on the results of our operations or financial position from Statement No. 133 or No. 138.

In December 1999, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" ("SAB 101") and amended it in March and June 2000. We are required to adopt the provisions of SAB 101 in the fourth quarter of fiscal 2001. In October 2000, the SEC issued further guidance with respect to adoption of specific issues addressed by SAB 101. Management does not currently believe the adoption of SAB 101 will have a material effect on the consolidated financial results of operations.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Foreign Currency. For the nine months ended January 31, 2001, we generated 18% of our revenues outside the United States. International sales usually are made by our foreign subsidiaries or value added resellers, and are denominated typically in U.S. Dollars or British Pounds Sterling. However, the expense incurred by foreign subsidiaries is denominated in the local currencies. We have not engaged in any hedging activities.

Interest rates. We manage our interest rate risk by maintaining an investment portfolio of held-to-maturity instruments with high credit quality and relatively short average maturities. These instruments include, but are not limited to, money-market instruments, bank time deposits, and taxable and tax-advantaged variable rate and fixed rate obligations of corporations, municipalities, and national, state, and local government agencies, in accordance with our investment policy. These instruments are denominated in U.S. dollars. The fair value of securities held at January 31, 2001 was approximately $15.7 million.

We also hold cash balances in accounts with commercial banks in the United States and foreign countries. These cash balances represent operating balances only and are invested in short-term time deposits of the local bank. Such operating cash balances held at banks outside the United States are denominated in the local currency.

16

Item 3. Quantitative and Qualitative Disclosures About Market Risk (continued)

Many of our investments carry a degree of interest rate risk. When interest rates fall, our income from investments in variable-rate securities declines. When interest rates rise, the fair market value of our investments in fixed-rate securities declines. We attempt to mitigate risk by holding fixed-rate securities to maturity, but should our liquidity needs force us to sell fixed-rate securities prior to maturity, we may experience a loss of principal. We believe that a 10% swing in interest rates would not have a material effect on our accompanying statement of operations.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

The registrant is not currently involved in legal proceedings requiring disclosure under this item.

Item 2. Changes in Securities and Use of Proceeds

Not applicable.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Submission of Matters to a Vote of Security Holders

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

None

(b) No report on Form 8-K was filed during the quarter ended January 31, 2001.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

LOGILITY, INC.

DATE March 15, 2001

/s/ J. Michael Edenfield
J. Michael Edenfield
President, Chief Executive Officer

DATE March 15, 2001

/s/ Vincent C. Klinges
Vincent C. Klinges
Chief Financial Officer

DATE March 15, 2001

/s/ Deirdre J. Lavender
Deirdre J. Lavender
Controller and Principal Accounting Officer