LOGILITY INC
Form 10-Q
March 15, 2002

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, 2002

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. [x]

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

Class	Outstanding at March 14, 2002
Common Stock, no par value	13,229,357 Shares

LOGILITY, INC.

Form 10-Q

Quarter Ended January 31, 2002

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

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

	January 31, 2002

Current Assets:	
Cash and cash equivalents	$ 11,406
Investments-current	10,411
Trade accounts receivable, less allowance for doubtful accounts of $239 and $552 at January 31, 2002 and April 30, 2001, respectively:	
Billed	3,955
Unbilled	1,536
Due from American Software, Inc.	2,225
Prepaid expenses and other current assets	415
Total current assets	29,948
Investments-noncurrent	-
Furniture and equipment, less accumulated depreciation	996
Intangible assets, less accumulated amortization	7,733
Other assets, net	950
	$ 39,627
Liabilities and Shareholders' Equity:	
Current liabilities:	
Accounts payable	$ 584
Accrued compensation and related costs	1,379
Other current liabilities	1,140
Deferred revenues	4,910
Total current liabilities	8,013
Deferred income taxes	3,321
Total liabilities	11,334
Shareholders' equity:	
Preferred stock: 2,000,000 shares authorized; no shares issued	-
Common stock, no par value; 20,000,000 shares authorized; 13,885,214 and 13,878,714 shares issued at January 31, 2002 and April 30, 2001, respectively	-
Additional paid-in capital	44,703
Accumulated deficit	(11,914)
Treasury stock, at cost - 648,107 and 621,011 shares at January 31, 2002 and April 30, 2001, respectively	(4,496)
Total shareholders' equity	28,293
Commitments and contingencies	
	$ 39,627

See accompanying notes to condensed financial statements.

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Item 1. Financial Statements (continued)

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

	Three Months Ended January 31,		Nine Mo Jan
	2002	2001	2002
Revenues:			
License fees	$ 1,692	$ 1,904	$ 5,945
Services and other	2,776	1,897	7,873
Maintenance	2,768	2,684	8,437
Total Revenues	7,236	6,485	22,255
Cost of Revenues:			
License fees	979	1,406	2,896
Services and other	1,567	1,434	5,168
Maintenance	550	388	1,506
Total Cost of Revenues	3,096	3,228	9,570
Gross Margin	4,140	3,257	12,685
Operating expenses:			
Research and development	1,406	1,894	4,291
Less: capitalized development	(584)	(506)	(2,219
Sales and marketing	2,082	3,372	7,277
General and administrative	794	968	2,485
Provision for doubtful accounts	30	393	60
Charge for restructuring	-	240	-
Total operating expenses	3,728	6,361	11,894
Operating income (loss)	412	(3,104)	791
Other Income	201	398	775
Income (loss) before taxes	613	(2,706)	1,566
Income taxes	-	-	-
Net income (loss)	$ 613	$ (2,706)	$ 1,566
Basic net income (loss) per common share	$ 0.05	$ (0.20)	$ 0.12
Diluted net income (loss) per common share*	$ 0.05	$ (0.20)	$ 0.12
Weighted average common shares outstanding:			
	13,242	13,284	13,250
	13,249	13,284	13,268

* Diluted weighted average common shares outstanding are not included in the three and nine months ended January 31, 2001 calculations 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)

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Cash flows from operating activities:	
Net income (loss)	$
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:	
Depreciation and amortization	
Provision for doubtful accounts receivable	
Write-off of minority investment in business	
Charge for restructuring - non-cash portion	
(Increase) decrease in assets:	
Accounts receivable	
Due from Parent	
Prepaid expenses and other assets	
Increase (decrease) in liabilities:	
Accounts payable, accrued costs and other	
Deferred revenues	
Net cash provided by (used in) operating activities	
Cash flows from investing activities:	
Additions to capitalized computer software development costs	
Additions to purchased computer software costs	
Proceeds from maturities of investments	
Purchases of investments	
Minority investment in business	
Purchases of furniture and equipment	
Net cash provided by investing activities	
Cash flows from financing activities:	
Repurchases of common stock	
Proceeds from exercise of stock options	
Net cash used in financing activities	
Net change in cash and cash equivalents	
Cash and cash equivalents at beginning of period	
Cash and cash equivalents at end of period	$

Supplemental disclosure of noncash investing activity:	
Transfer of software from Parent	$

See accompanying notes to condensed financial statements.

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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, 2001, as filed with the SEC on July 24, 2001, and the Company's Form 10-K/A for the fiscal year ended April 30, 2001, as filed with the SEC on November 20, 2001. The interim results reflected in the condensed financial statements are not necessarily indicative of the results to be expected for the full year.

The Company is 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

The Company has 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 optimize supply chain operations for manufacturers, distributors and retailers.

C. Comprehensive Income

The Company has 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. License revenues in connection with license agreements for standard proprietary and tailored software 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 defer any revenue related to undelivered elements of the arrangement.

Services. Revenues derived from services primarily include consulting, implementation, and training. The Company bills fees under both time and materials and fixed fee arrangements and recognizes revenues as it performs the services.

NOTES TO CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (Continued)

Maintenance. Revenues derived from maintenance contracts primarily include telephone consulting, product updates and releases of new versions of products previously purchased by the customer, as well as error reporting and correction services. Maintenance contracts are typically sold for a separate fee with initial contractual periods ranging from one to three years with renewal for additional periods thereafter. Maintenance fees are generally billed annually in advance. Maintenance revenues are recognized ratably over the term of the maintenance agreement. In situations where the maintenance fee is bundled with the license fee, the Company determines Vendor Specific Objective Evidence ("VSOE") for maintenance based on stated renewal rates in the contract, which generally average 18% of the net license fee.

Deferred Revenues. Deferred revenues represent advance payments or billings for software licenses, services, and maintenance billed in advance of the time the Company recognizes revenues.

Indirect Channel Revenues. The Company recognizes revenues from sales it makes through indirect channels only when the distributor makes a sale to an end-user. Revenues from indirect channels are recognized upon delivery of the software to the end-user assuming all other conditions of SOP 97-2 and SOP 98-9 are met.

E. Net Earnings (Loss) Per Common Share

Basic earnings (loss) per common share available to common shareholders is 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,		Ni
	2002	2001	20

	(in thousands)		
Common Shares:			
Weighted average common shares outstanding	13,242	13,284	1
Dilutive effect of outstanding stock options*	7	-	
Total	13,249	13,284	1
Net earnings (loss):	$ 613	$ (2,706)	$
Net earnings (loss) per common share:			
Basic	$ 0.05	$ (0.20)	$
Diluted	$ 0.05	$ (0.20)	$

*For the three and nine months ended January 31, 2002, options to purchase 735,222 shares and 511,483 shares, respectively, of common stock were excluded entirely from the calculation of dilutive earnings per share because the options' exercise price was greater than the average market price of the common stock for the period. As of January 31, 2002, total options to purchase 767,722 shares were outstanding.

Because of the antidilutive effect of the net loss, all outstanding stock options were excluded from the calculation of diluted earnings per share for the three and nine months ended January 31, 2001. Options to purchase 779,131 and 395,126 shares of common stock for the three and nine months ended January 31, 2001 would have been taken into account in calculating dilutive earnings per share were it not for the antidilutive effect of the net loss. As of January 31, 2001, total options to purchase 791,896 shares were outstanding.

F. Agreements with American Software, Inc. ("ASI")

Effective August 1, 1997 (except for the Tax Sharing Agreement, which was effective January 23, 1997), the Company entered into certain contractual arrangements with ASI related to the following:

Tax Sharing Agreement--The Company computes a separate, stand-alone income tax provision and settles balances due to or from ASI on this basis. All benefits derived from deferred tax assets as defined in the Tax Sharing Agreement (which include net operating loss and tax credit carryforwards) that arose prior to the Company's October 1997 initial public offering (of $5,768,000) were allocated to ASI. Accordingly, the Company will not receive any benefit from the $5,768,000 of contributed gross deferred tax assets. In addition, certain deferred tax liabilities that arose prior to the initial public offering were allocated to the Company (which gives rise to the Company's net deferred tax liability of $3,321,000 at January 31, 2002 recorded in the accompanying condensed balance sheets). To the extent the tax computation produces a tax benefit for the Company, ASI is required to pay such amounts to the Company only if and when realized by ASI by a reduction in income taxes payable with respect to the current tax period. At April 30, 2001, ASI had net operating loss carryforwards of approximately $43.0 million which ASI must utilize before the Company would receive payment for any currently generated tax

benefits. Such net operating losses expire in varying amounts through 2021.

Services Agreement--Commencing August 1, 1997, the Company began purchasing or selling various services from or to ASI based upon various cost methodologies as described below:

Service	Cost methodology	Expense for the Nine months ended January 31, 2002	Expense for Nine months e January 31, 2
.. General corporate services, including accounting and insurance expense	Apportioned based on formula to all ASI subsidiaries	$ 989,000	$ 924
.. Professional services to customers on behalf of the Company (services are available unless ASI determines it is not economic or otherwise feasible)	Cost plus billing with the percentage of costs and expenses to be negotiated	345,000	230
.. Employee benefits services	Apportioned based on formula to all ASI subsidiaries	38,000	30

	Expense for the Nine months ended January 31, 2002
Facilities Agreement--The Company leases various properties from ASI for specified square foot rates. The stated term of the agreement is for two years with automatic one year extensions; however, it may be terminated by either party after a 90-day notice. ASI allocates utility expenses based on the Company's percentage of occupancy. Also included in these costs is utilities, telephone, and security expense.	$ 463,000
Stock Option Agreement--The Company has granted ASI an option to purchase Company common stock to enable ASI to maintain the necessary ownership percentage required to consolidate the Company in ASI's consolidated Federal income tax return. The purchase price of the option is the average of the closing price on each of the five business days immediately preceding the date of payment.	Not applicable
Technology License Agreement--The Company granted ASI a nonexclusive, nontransferable, worldwide perpetual right and license to use, execute, reproduce, display, etc. its Supply Chain Planning and Execution Solutions (which ASI had transferred to the Company) so that ASI may maintain and support end-users of the software products.	Not applicable

The license is fully paid and royalty-free.

Marketing License Agreement--The Company utilizes ASI as a nonexclusive marketing representative for licensing of its products and pays ASI 30% (50% for certain international licenses) of net license fees for its services. The stated term of the agreement is for five years, may be terminated at either party's discretion upon 12 months' notice.	109,000

G. Lease Commitments

The Company occupies its principal office facilities under a facilities agreement with ASI dated August 1, 1997, that is cancelable upon 90-day notice by either party (see note "F"). Amounts allocated to the Company for rent expense for these facilities were $254,000 for the nine months ended January 31, 2002, and $191,000 for the nine months ended January 31, 2001. In addition, the Company has various other operating leases. Rent expense under these facility leases was $497,000 for the nine months ended January 31, 2002, and $443,000 for the nine months ended January 31, 2001.

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, the continued viability and effectiveness of strategic alliances, and the irregular pattern of our revenues could affect our future performance.

OVERVIEW

Logility, Inc. ("Logility" or the "Company") develops, markets and supports e-Business solutions for business-to-business (B2B) collaborative commerce that optimize supply chain management of manufacturers, suppliers, distributors, retailers and other organizations. The supply 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 SolutionsTM consists of an Internet-based, integrated software suite that provides advanced supply chain management including collaborative planning, strategic network design, sales forecasting, optimized supply sourcing, warehouse management, and collaborative logistics capabilities that 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' supply chains, via corporate Internet portals and public e-Business trading exchanges.

Leveraging our supply chain management expertise, we have been an innovator in developing and deploying B2B e-Business with our first Internet-based collaborative planning solution implemented in 1996. We continue to invest and expand our e-Business offerings and innovative solutions, which support the Voluntary Interindustry Commerce Standards Association ("VICS"), Collaborative Planning, Forecasting and Replenishment (CPFR(R)) standards, as well as other emerging collaborative supply chain management standards for transportation and distribution center management. Our Logility Voyager Solutions suite and related services are designed to power the emerging Internet trading exchanges and private marketplaces for collaborative planning and procurement of direct materials and collaborative transportation management. We market our solution worldwide, primarily to large enterprises that require comprehensive supply chain planning, warehouse management and logistics solutions. 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

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Management software, to us.

We derive revenues primarily from three sources: software licenses, services, and maintenance. 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. Services revenues consist primarily of fees from software implementation, training, consulting and customization services. We recognize revenues as we render the services. 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.

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, 2002 and 2001:

	Percentage of Total Revenues	
	2002	2001

Revenues:		
License fees	24%	2
Services and other	38	3
Maintenance	38	4
Total revenues	100	10
Cost of revenues:		
License fees	14	2
Services and other	21	2
Maintenance	8	
Total cost of revenues	43	5
Gross margin	57	5
Operating expenses:		
Research and development (net)	11	2
Sales and marketing	29	5
General and administrative	11	1
Provision for doubtful accounts	-	
Charge for restructuring	-	
Total operating expenses	51	9
Operating income (loss)	6	(4
Other income, net	2	
Income (loss) before income taxes	8	(4
Income taxes	-	
Net income (loss)	8%	(4

nm - not meaningful

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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, 2002 and 2001:

	Percentage of Total Revenues	
	2002	2001
Revenues:		
License fees	27%	3
Services and other	35	3
Maintenance	38	3
Total revenues	100	10

Cost of revenues:		
License fees	13	1
Services and other	23	2
Maintenance	7	
Total cost of revenues	43	4
Gross margin	57	5
Operating expenses:		
Research and development (net)	9	2
Sales and marketing	33	5
General and administrative	11	1
Provision for doubtful accounts	-	
Charge for restructuring	-	
Total operating expenses	53	9
Operating income (loss)	4	(3
Other income, net	3	
Income (loss) before income taxes	7	(3
Income taxes	-	
Net income (loss)	7%	(3

nm - not meaningful

THREE MONTHS ENDED JANUARY 31, 2002 AND 2001:

REVENUES:

Our total revenues increased 12% to approximately $7.2 million from $6.5 million for the comparable quarter a year ago. This increase was due primarily to increases in services and maintenance revenues, partially offset by a decrease in license fees. International revenues represented approximately 12% of total revenues in the quarter ended January 31, 2002 compared to approximately 27% a year ago. This decrease was due primarily to one significant international transaction booked in the period a year ago. No single customer accounted for more than 10% of our total revenues in the quarter ended January 31, 2002.

LICENSES. License fee revenues decreased 11% to approximately $1.7 million from $1.9 million for the same quarter a year ago primarily as a result of slow general economic conditions. The direct sales channel provided approximately 74% of license fee revenues for the quarter ended January 31, 2002, compared to approximately

29% in the comparable quarter a year ago. This increase is due primarily to increased direct channel sales effectiveness, as well as one transaction of significant size obtained through an indirect channel in the comparable quarter a year ago. For the quarter ended January 31, 2002, our margins after commissions on direct sales were approximately 92% and our margins after commissions on indirect sales were approximately 74%.

SERVICES AND OTHER. Services and other revenues increased 46% to approximately $2.8 million from $1.9 million for the same quarter a year ago, primarily as a result of the completion of one large contract which contained custom modifications that were completed and accepted by the customer in this quarter, as well as higher average software implementation service revenues realized per license fee transaction.

MAINTENANCE. Maintenance revenues increased 3% to approximately $2.8 million from $2.7 million for the same quarter 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.

GROSS MARGIN:

Total gross margin in the quarter ended January 31, 2002 was 57% of total revenues, compared to 50% a year ago. This increase was largely due to increased gross margins on both license fee and services revenues. License fee gross margin rose to 42% from 26% a year ago, primarily due to a lower than normal gross margin in the period a year ago, which in turn was due to a material third party commission recorded in conjunction with a large international license transaction. The gross margin on services revenues increased to 44% from 24% a year ago, due to higher levels of software implementation services, as well as improved utilization of services staff. Maintenance gross margins declined to 80% compared to 86% for the prior year quarter, primarily due to increased customer service resources, as well as third party royalty support costs.

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 (000'	
	January 31, 2002	Percent Change
Gross product development costs	$ 1,406	(26)%
Percentage of total revenues	19%	
Less: Capitalized development	(584)	15 %
Percentage of gross prod. dev. costs	42%	
Product development expenses	$ 822	(41)%
Percentage of total revenues	11%	

Gross product development costs decreased 26% in the quarter ended January 31, 2002 compared to a year ago, due to cost reduction efforts, the reallocation of some R&D resources to services and support activities, and the shift of certain projects from the research phase to the development phase. Capitalized development increased 15% from a year ago, and the rate of capitalized development as a percentage of gross product development costs increased to 42% versus 27% a year ago, primarily as a result of lower gross development costs, as well as the completion of several capitalized projects during the last quarter. Product development expenses, as a percentage of total revenues, decreased to 11% from 21% a year ago, due primarily to lower gross product development costs, as well as increased total revenues.

SALES AND MARKETING. Sales and marketing expenses decreased 38% from the same period a year ago, due primarily to cost reduction efforts across all categories of marketing expenditures, including in particular reduced sales and marketing staff headcount. At January 31, 2002, there were 40 employees in the sales and marketing function, compared to 62 at January 31, 2001. As a percentage of total revenues, sales and marketing expenses were 29% for the quarter ended January 31, 2002, compared to 52% for the quarter ended January 31, 2001. This decrease was due primarily to the decreased level of expenditures, as well as an increase in revenues. We anticipate that sales and marketing expenses will increase as we pursue increased market share in the Business to Business Collaborative Commerce (BBCC) area.

GENERAL AND ADMINISTRATIVE. General and administrative expenses decreased 18% to approximately $794,000 from a year ago, mainly as a result of a decrease in the number of employees. For the three months ended January 31, 2002, the average number of employees was approximately 154, compared to approximately 193 for the three months ended January 31, 2001. Provision for doubtful accounts decreased 92% to $30,000, mainly as a result of an unusually high $393,000 addition to bad debt reserve in the quarter ended January 31, 2001, which was taken due to collection concerns related to the economic slowdown a year ago.

OTHER INCOME:

Other income is comprised of earnings from the investment of our cash reserves. Our investments are short term in nature, and all investments mature within one year. Investments consist of money market funds, U.S. Government Securities, A1/P1 rated commercial paper, and minimum A- rated corporate bonds. For the three months ended January 31, 2002, these investments generated an annualized yield of approximately 2.6%.

INCOME TAXES:

We are included in the consolidated federal income tax return filed by ASI. However, we provide for income taxes as if we were filing a separate income tax return. For the quarter ended January 31, 2002, we did not record any income taxes as a result of cumulative net operating losses in prior years.

NINE MONTHS ENDED JANUARY 31, 2002 AND 2001:

REVENUES:

Our total revenues increased 11% to approximately $22.3 million from $20.0 million for the comparable period a year ago. This increase was due primarily to an increase in services revenues, and to a lesser extent an increase in maintenance revenues, slightly offset by a reduction in license fee revenues. International revenues represented approximately 14% of total revenues in the nine months ended January 31, 2002, compared to 18% for the same period a year ago. No single customer accounted for more than 10% of our total revenues in the nine months ended January 31, 2002.

LICENSES. License fee revenues decreased 1% to approximately $5.9 million from $6.0 million for the same period a year ago. The direct sales channel provided approximately 89% of license fee revenues for the nine months ended January 31, 2002, compared to approximately 58% in the comparable period a year ago. This increase is due primarily to increased direct channel sales effectiveness, as well as one transaction of significant size obtained through an indirect channel

in the comparable period a year ago. For the nine months ended January 31, 2002, our margins after commissions on direct sales were approximately 89% and our margins after commissions on indirect sales were approximately 77%.

SERVICES AND OTHER. Services and other revenues increased 28% to approximately $7.9 million from $6.2

million for the same period a year ago as a result of higher average software implementation service revenues realized per license fee transaction.

MAINTENANCE. Maintenance revenues increased 8% to approximately $8.4 million from $7.8 million for the same period 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.

GROSS MARGIN:

Total gross margin in the nine months ended January 31, 2002 was 57% of total revenues, unchanged from a year ago. The gross margin on license fee revenues rose to 51% from 49% a year ago, primarily due to timing issues between the research and development phases of certain projects. Services gross margin increased to 34% from 31% a year ago, primarily due to higher levels of software implementation services, as well as improved utilization of services staff. Maintenance gross
margins decreased slightly to 82% from 85% in the prior year period.

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 (000's omitted)		
	January 31, 2002	Percent Change	January 2001
Gross product development costs	$ 4,291	(31)%	$ 6,
Percentage of total revenues	19%		
Less: Capitalized development	(2,219)	11%	(2,
Percentage of gross prod. dev. costs	52%		
Product development expenses	$ 2,072	(51)%	$ 4,
Percentage of total revenues	9%		

Gross product development costs decreased 31% in the nine months ended January 31, 2002 compared to a year ago, due to cost reduction efforts, the reallocation of some R&D resources to services and support activities, and the shift of certain projects from the research phase to the development phase. Capitalized development increased 11% from a year ago, and the rate of capitalized development as a percentage of gross product development costs increased to 52% versus 32% a year ago, primarily as a result of lower gross development costs, as well as the completion of several capitalized projects during the last three

quarters. Product development expenses, as a percentage of total revenues, decreased to 9% from 21% a year ago, due primarily to lower gross product development costs, as well as increased total revenues.

SALES AND MARKETING. Sales and marketing expenses decreased 31% from the same period a year ago, due primarily to cost reduction efforts across all categories of marketing expenditures, including in particular reduced sales and marketing staff headcount. As a percentage of total revenues, sales and marketing expenses were 33% for the nine months ended January 31, 2002, compared to 53% for the prior year period. This decrease was due primarily to the decreased expenditures, as well as the increase in overall revenues. We anticipate that sales and marketing expenses will increase as we pursue increased market share in the BBCC area.

GENERAL AND ADMINISTRATIVE. General and administrative expenses decreased 10% to approximately $2.5 million from a year ago, mainly as a result of a decrease in the number of employees. For the nine months ended January 31, 2002, the average number of employees was approximately 159, compared to approximately

203 for the same period in the prior year. Provision for doubtful accounts decreased 87% to $60,000, mainly as a result of an unusually high addition to bad debt reserve in the nine months ended January 31, 2001, which was taken due to collection concerns related to the economic slowdown at that time.

OTHER INCOME:

Other income is comprised of earnings from the investment of our cash reserves. Our investments are short term in nature, and all investments mature within one year. Investments consist of money market funds, U.S. Government Securities, A1/P1 rated commercial paper, and minimum A- rated corporate bonds. For the nine months ended January 31, 2002, these investments generated an annualized yield of approximately 4.0%.

INCOME TAXES:

We are included in the consolidated federal income tax return filed by ASI. However, we provide for income taxes as if we were filing a separate income tax return. For the nine months ended January 31, 2002, we did not record any income taxes as a result of cumulative net operating losses in prior years.

LIQUIDITY, CAPITAL RESOURCES AND FINANCIAL CONDITION

The following table shows information about our cash flows during the nine months ended January 31, 2002 and January 31, 2001. This table and the discussion that follows should be read in conjunction with our condensed statements of cash flows contained in "Item 1. Financial Statements" in Part I of this report and in the amendment to our Annual Report on Form 10-K/A for the fiscal year ended April 30, 2001, filed November 20, 2001.

	Nine Months Ended January 31 (000's omitted)	
	2002	2001
Net cash provided by (used in) operating activities before		

changes in operating assets and liabilities	4,958	(2,622)
(Increase) decrease in operating assets and liabilities	(1,441)	930
Net cash provided by (used in) operating activities	3,517	(1,692)
Net cash provided by investing activities	2,574	3,022
Net cash used in financing activities	(61)	(105)
Net increase in cash and cash equivalents	6,030	1,225

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, such as trade accounts receivable, trade accounts payable, accrued expenses and deferred revenue.

Our operating activities provided cash of approximately $3.5 million in the nine months ended January 31, 2002, and used cash of approximately $1.7 million in the same period last year. Operating cash flows increased for the period primarily because of the net income of $1.6 million for the period, compared to the net loss of $6.2 million for the prior year period.

Cash provided by investing activities was approximately $2.6 million for the nine months ended January 31, 2002. This was composed primarily of the net sale of investments of $4.9 million, which was partially offset by $2.2 million in additions to capitalized software development costs. For the same period last year, cash provided by investing activities was approximately $3.0 million, composed primarily of $5.5 million in net sale of investments,

partially offset by $2.0 million in additions to capitalized software development costs.

Cash used in financing activities was $61,000 for the nine months ended January 31, 2002, composed of $80,000 in repurchases of our common stock, partially offset by $19,000 in cash proceeds from the exercise of stock options. For the same period last year, $105,000 was used for repurchases of our common stock.

Days Sales Outstanding (DSO) in accounts receivable were 71 days as of January 31, 2002, compared to 91 days as of January 31, 2001. This decrease was due primarily to higher levels of revenues for the current quarter, as well as improved collection efforts.

Our current ratio on January 31, 2002 was 3.7 to 1 and we have no debt. Our principal sources of liquidity are our cash and investments, which totaled approximately $21.8 million at January 31, 2002. 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 13, 2002, we had purchased a cumulative total of 648,107 shares at a total cost of approximately $4.5 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. 138 was effective for us beginning May 1, 2001. The new Statement requires that all derivatives 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.

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. In October 2000, the SEC issued further guidance with respect to adoption of specific issues addressed by SAB 101. We adopted SAB 101, as amended, during our fourth quarter of fiscal year 2001. The adoption had no material impact on our licensing practices, financial position or results of operations.

In July 2001, the FASB issued Statement No. 141, "Business Combinations," which addressed financial accounting and reporting for business combinations. Statement No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001 as well as all purchase method business combinations completed after June 30, 2001. We were required to adopt the provisions of Statement No. 141 immediately.

In July 2001, the FASB issued Statement No. 142, "Goodwill and Other Intangible Assets," which addressed financial accounting and reporting for acquired goodwill and other intangible assets. Upon adoption of Statement No. 142, we will be required to discontinue the amortization of our goodwill and intangible assets with indefinite useful lives. Additionally, we will be required to test our goodwill and intangible assets with indefinite useful

lives for impairment during the first year of adoption and then at least annually, or when it is deemed appropriate, thereafter. If our goodwill and intangible assets with indefinite useful lives are found to be impaired during the transitional period, the resulting write-down will be reported as a change in accounting principle. Any impairment loss recorded after the transitional period will be recorded in earnings (loss) from operations. Because goodwill and certain intangible assets will not be amortized over a specific period but rather will be reviewed for impairment annually, there could be more volatility in reported earnings (loss) than under previous accounting standards due to impairment losses occurring irregularly and in varying amounts. Although we do not currently expect that the adoption of Statement No. 142 will have a material adverse impact on our financial condition or results of operations, we are assessing the possible effects of this Statement. We are required to adopt Statement No. 142 effective May 1, 2002. Amortization of intangible assets totaled $2,667,000 for the nine months ended January 31, 2002, and $2,007,000 for the nine months ended January 31, 2001. These amounts consisted entirely of

amortization of capitalized software.

In August 2001, the FASB issued Statement No. 143 (SFAS No. 143), "Accounting for Asset Retirement Obligations." SFAS No. 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. SFAS No. 143 applies to all entities. SFAS No. 143 applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and (or) the normal operation of a long-lived asset, except for certain obligation of leases. SFAS No. 143 is effective for financial statements issued for fiscal years beginning after June 15, 2002. Management does not anticipate the adoption of SFAS No. 143 to have a material effect on its financial condition or results of operations.

In August 2001, the FASB issued Statement No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets (Statement 144), which supersedes both FASB Statement No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of (Statement 121) and the accounting and reporting provisions of APB Opinion No. 30, Reporting the Results of Operations--Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions (Opinion 30), for the disposal of a segment of a business (as previously defined in that Opinion). Statement No. 144 retains the fundamental provisions in Statement No. 121 for recognizing and measuring impairment losses on long-lived assets held for use and long-lived assets to be disposed of by sale, while also resolving significant implementation issues associated with Statement No. 121. For example, Statement No. 144 provides guidance on how a long-lived asset that is used as part of a group should be evaluated for impairment, establishes criteria for when a long-lived asset is held for sale, and prescribes the accounting for a long-lived asset that will be disposed of other than by sale. Statement No. 144 retains the basic provisions of Opinion 30 on how to present discontinued operations in the income statement but broadens that presentation to include a component of an entity (rather than a segment of a business). Unlike Statement No. 121, an impairment assessment under Statement No. 144 will never result in a write-down of goodwill. Rather, goodwill is evaluated for impairment under Statement No. 142, Goodwill and Other Intangible Assets.

We are required to adopt Statement 144 no later than the year beginning after December 15, 2001, and plans to adopt its provisions for the quarter ending April 30, 2002. We do not expect the adoption of Statement No. 144 for long-lived assets held for use to have a material impact on our financial statements because the impairment assessment under Statement No. 144, as it affects us, is largely unchanged from Statement No. 121. We are required to apply the provisions of the Statement to disposal activities that we initiate after the adoption date for assets held for sale or other disposal. Therefore, we cannot determine the potential effects that adoption of Statement No. 144 will have on our financial statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Foreign Currency. For the nine months ended January 31, 2002, we generated 14% of our revenues outside the

United States. International sales usually are made by our foreign operations or value added resellers, and are denominated typically in U.S. Dollars, British Pounds Sterling, or Euros. 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, 2002 was approximately $19.9 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 minor and denominated in the local currency.

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 statements 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, 2002.

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, 2002	/s/ J. Michael Edenfield
	J. Michael Edenfield President, Chief Executive Officer
DATE March 15, 2002	/s/ Vincent C. Klinges
	Vincent C. Klinges Chief Financial Officer
DATE March 15, 2002	/s/ Deirdre J. Lavender
	Deirdre J. Lavender Controller and Principal Accounting Officer