LOGILITY INC
Form 10-Q
December 14, 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 October 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. [X]

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

Class	Outstanding at December 13, 2001
Common Stock, no par value	13,242,835 Shares

LOGILITY, INC.

Form 10-Q

Quarter Ended October 31, 2001

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

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

October

	2001
Current Assets:	
Cash and cash equivalents	$ 1
Investments-current	
Trade accounts receivable, less allowance for doubtful accounts of $584 and $552 at October 31, 2001 and April 30, 2001, respectively:	
Billed	
Unbilled	
Due from American Software, Inc.	
Prepaid expenses and other current assets	
Total current assets	3
Investments-noncurrent	
Furniture and equipment, less accumulated depreciation	
Intangible assets, less accumulated amortization	
Other assets, net	
	$4
Liabilities and Shareholders' Equity:	
Current liabilities:	
Accounts payable	$
Accrued compensation and related costs	
Other current liabilities	
Deferred revenues	
Total current liabilities	
Deferred income taxes	
Total liabilities	1
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 October 31, 2001 and April 30, 2001, respectively	
Additional paid-in capital	4
Accumulated deficit	(1
Treasury stock, at cost - 638,011 and 621,011 shares at October 31, 2001 and April 30, 2001, respectively	(
Total shareholders' equity	2
Commitments and contingencies	
	$4

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 October 31,		Six Months Ended October 31,	
	2001	2000	2001	2000
Revenues:				
License fees	$ 1,704	$ 2,263	$ 4,253	$ 4,122
Services and other	2,365	1,870	5,097	4,275
Maintenance	2,833	2,479	5,669	5,136
Total Revenues	6,902	6,612	15,019	13,533
Cost of Revenues:				
License fees	901	902	1,917	1,680
Services and other	1,709	1,445	3,601	2,849
Maintenance	468	408	956	819
Total Cost of Revenues	3,078	2,755	6,474	5,348
Gross Margin	3,824	3,857	8,545	8,185
Operating expenses:				
Research and development	1,428	2,209	2,885	4,370
Less: capitalized development	(706)	(700)	(1,635)	(1,498)
Sales and marketing	2,201	4,077	5,195	7,153
General and administrative	825	888	1,721	1,860
Charge for restructuring	--	236	--	236
Total operating expenses	3,748	6,710	8,166	12,121
Operating income (loss)	76	(2,853)	379	(3,936)
Other income	284	159	574	482
Income (loss) before taxes	360	(2,694)	953	(3,454)
Income taxes	--	--	--	--
Net income (loss)	$ 360	$ (2,694)	$ 953	$ (3,454)
Basic net income (loss) per common share	$ 0.03	$ (0.20)	$ 0.07	$ (0.26)
Diluted net income (loss) per common share*	$ 0.03	$ (0.20)	$ 0.07	$ (0.26)
Weighted average common shares outstanding: Basic	13,247	13,307	13,252	13,307
Diluted	13,255	13,307	13,280	13,307

* Diluted weighted average common shares outstanding are not included in the

three and six months ended October 31, 2000 calcuations due to the anti-dilution of the net loss.

See accompanying notes to condensed financial statements.

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Item 1. Financial Statements (continued)

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

	Six Months E[nded] October 3[1]	
	2001	
Cash flows from operating activities:		
Net income (loss)	$ 953	$
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	2,273	
Write-off of minority investment in business	--	
Charge for restructuring - non-cash portion	--	
(Increase) decrease in assets:		
Accounts receivable	480	
Related party net receivable	116	
Prepaid expenses and other assets	69	
Increase (decrease) in liabilities:		
Accounts payable, accrued costs and other	(709)	
Deferred revenues	(894)	
Net cash provided by (used in) operating activities	2,288	
Cash flows from investing activities:		
Additions to capitalized computer software development costs	(1,635)	
Additions to purchased computer software costs	(30)	
Proceeds from maturities of investments	20,516	
Purchases of investments	(12,420)	(
Minority investment in business	--	
Purchases of furniture and equipment	(42)	
Net cash provided by investing activities	6,389	
Cash flows from financing activities:		
Repurchases of common stock	(52)	
Proceeds from exercise of stock options	19	
Net cash used in financing activities	(33)	
Net change in cash and cash equivalents	8,644	

Cash and cash equivalents at beginning of period	5,376	
Cash and cash equivalents at end of period	$ 14,020	$

See accompanying notes to condensed financial statements.

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

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 optimize supply chain operations for manufacturers, distributors and retailers.

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.

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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 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 October 31,		Six Months October
	2001	2000	2001
	(in thousands)		(in thou
Common Shares:			
Weighted average common shares outstanding	13,247	13,307	13,252
Dilutive effect of outstanding stock options*	8	-	28
Total	13,255	13,307	13,280
Net earnings (loss):	$ 360	$ (2,694)	$ 953 $
Net earnings (loss) per common share:			
Basic	$ 0.03	$ (0.20)	$ 0.07 $
Diluted	$ 0.03	$ (0.20)	$ 0.07 $

*For the three and six months ended October 31, 2001, options to purchase 784,048 shares and 455,168 shares, respectively, of common stock were excluded 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 October 31, 2001, total options to purchase 809,548 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 six months ended October 31, 2000. Options to purchase 403,952 and 390,774 shares of common stock for the three and six months ended October 31, 2000 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 October 31, 2000, total options to purchase 837,707 shares were outstanding.

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

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business, operations, assets and liabilities, including the Transportation Planning and Transportation Management software, to us.

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 October 31, 2001 and 2000:

	Percentage of Total Revenues		Pct. in D
	2001	2000	2001
Revenues:			
License fees	25%	34%	(
Services and other	34	29	
Maintenance	41	37	
Total revenues	100	100	
Cost of revenues:			
License fees	13	14	

Services and other	25	22	
Maintenance	7	6	
Total cost of revenues	45	42	
Gross margin	55	58	
Operating expenses:			
Research and development (net)	10	23	(
Sales and marketing	32	61	(
General and administrative	12	13	
Charge for restructuring	-	4	
Total operating expenses	54	101	(
Operating income (loss)	1	(43)	
Other income, net	4	2	
Income (loss) before income taxes	5	(41)	
Income taxes	-	-	
Net income (loss)	5%	(41)	

nm - not meaningful

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 six months ended October 31, 2001 and 2000:

	Percentage of Total Revenues	
	2001	200
Revenues:		
License fees	28%	3
Services and other	34	3
Maintenance	38	3
Total revenues	100	10
Cost of revenues:		
License fees	13	1
Services and other	24	2
Maintenance	6	
Total cost of revenues	43	3
Gross margin	57	6
Operating expenses:		

Research and development (net)	8	2
Sales and marketing	35	5
General and administrative	11	1
Charge for restructuring	-	
Total operating expenses	54	9
Operating income (loss)	3	(2
Other income, net	3	
Income (loss) before income taxes	6	(2
Income taxes	-	
Net income (loss)	6%	(2

nm - not meaningful

THREE MONTHS ENDED OCTOBER 31, 2001 AND 2000:

REVENUES:

Our total revenues increased 4% to approximately $6.9 million from $6.6 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 13% of total revenues in the quarter ended October 31, 2001 compared to approximately 10% a year ago.

LICENSES. License fee revenues decreased 25% to approximately $1.7 million from $2.3 million for the same quarter a year ago primarily as a result of slow general economic conditions. The direct sales channel provided approximately 94% of license fee revenues for the quarter ended October 31, 2001, compared to approximately 70% in the comparable quarter a year ago. This increase is due primarily to lower sales contribution from our indirect channels. For the quarter ended October 31, 2001, our margins after commissions on direct sales were approximately 89% and our margins after commissions on indirect sales were approximately 92%.

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SERVICES AND OTHER. Services and other revenues increased 26% to approximately $2.4 million from $1.9 million for the same quarter a year ago as a result of increased license fee sales in the two to three prior quarters resulting in higher software implementation service levels.

MAINTENANCE. Maintenance revenues increased 14% to approximately $2.8 million from $2.5 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 October 31, 2001 was 55% of total

revenues, compared to 58% a year ago. This decrease was largely due to the decreased gross margin on license fee revenues, which fell to 47% from 60% a year ago. The decrease in license fee gross margin was primarily 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. The gross margin on services revenues increased to 28% from 23% a year ago, due to higher levels of software implementation services as well as improved utilization of services staff, while maintenance gross margins declined slightly, to 83% compared to 84% for the prior year quarter.

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's omitted)		
	October 31, 2001	Percent Change	October 3 2000
Gross product development costs	$1,428	(35) %	$ 2,2
Percentage of total revenues	21 %		
Less: Capitalized development	(706)	1 %	(7
Percentage of gross prod. dev. costs	49 %		
Product development expenses	$ 722	(52) %	$ 1,5
Percentage of total revenues	10 %		

Gross product development costs decreased 35% in the quarter ended October 31, 2001 compared to a year ago, due to cost reduction efforts and the reallocation of some R&D resources to services and support. Capitalized development increased 1% from a year ago, and the rate of capitalized development as a percentage of gross product development costs increased to 49% versus 32% a year ago, primarily as a result of lower gross development costs, as well as the push for completion of several capitalized projects during the last quarter. Gross development costs decreased, while capitalized development increased, due to the shift of certain projects from the research phase to the development phase. Product development expenses, as a percentage of total revenues, decreased to 10% from 23% 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 46% 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 32% for the quarter ended October 31, 2001, compared to 61% for the quarter ended October 31, 2000. This decrease was due primarily to the decreased level of expenditures, as well as an increase in revenues.

GENERAL AND ADMINISTRATIVE. General and administrative expenses decreased 7% to approximately $825,000 from a year ago, mainly as a result of a decrease in the

number of employees. For the three months ended October 31, 2001, the average number of employees was approximately 159, compared to approximately 210 for the three months ended October 31, 2000.

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. For the quarter ended October 31, 2001, these investments generated an annualized yield of approximately 4.3%.

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 October 31, 2001, we did not record any income taxes as a result of cumulative net operating losses.

SIX MONTHS ENDED OCTOBER 31, 2001 AND 2000:

REVENUES:

Our total revenues increased 11% to approximately $15.0 million from $13.5 million for the comparable period a year ago. This increase was due primarily to increases in services and maintenance revenues, and to a lesser extent an increase in license fees. International revenues represented approximately 14% of total revenues in the six months ended October 31, 2001, the same percentage as a year ago.

LICENSES. License fee revenues increased 3% to approximately $4.3 million from $4.1 million for the same period a year ago primarily as a result of increased effectiveness of our recently reorganized sales and sales management teams. The direct sales channel provided approximately 95% of license fee revenues for the six months ended October 31, 2001, compared to approximately 71% in the comparable period a year ago. This increase is due primarily to lower sales contribution from our indirect channels. For the six months ended October 31, 2001, our margins after commissions on both direct and indirect sales were approximately 88%.

SERVICES AND OTHER. Services and other revenues increased 19% to approximately $5.1 million from $4.3 million for the same period a year ago as a result of increased license fee sales in the two or three prior quarters resulting in higher software implementation service levels.

MAINTENANCE. Maintenance revenues increased 10% to approximately $5.7 million from $5.1 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 six months ended October 31, 2001 was 57% of total revenues, compared to 61% a year ago. This decrease was due to decreased gross margins on both license fees and services revenues. The gross margin on license fee revenues fell to 55% from 59% a year ago, primarily due to timing issues between the research and development phases of certain projects, and increased amortization of capitalized software costs. Services gross margin decreased to 29% from 33% a year ago, primarily due to one customized services contract,

the revenue on which is being deferred until delivery, as well as lower margin third party business. Maintenance gross margins decreased slightly to 83% from 84% 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:

	Six Months Ended (000's	
	October 31, 2001	Percent Change
Gross product development costs	$ 2,885	(34) %
Percentage of total revenues	19 %	
Less: Capitalized development	(1,635)	9 %
Percentage of gross prod. dev. costs	57 %	
Product development expenses	$ 1,250	(56) %
Percentage of total revenues	8 %	

Gross product development costs decreased 34% in the six months ended October 31, 2001 compared to a year ago, due to cost reduction efforts and the reallocation of some R&D resources to services and support. Capitalized development increased 9% from a year ago, and the rate of capitalized development as a percentage of gross product development costs increased to 57% versus 34% a year ago, primarily as a result of lower gross development costs, as well as the push for completion of several capitalized projects during the last two quarters. Gross development costs decreased, while capitalized development increased, due to the shift of certain projects from the research phase to the development phase. Product development expenses, as a percentage of total revenues, decreased to 8% 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 27% 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 35% for the six months ended October 31, 2001, 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.

GENERAL AND ADMINISTRATIVE. General and administrative expenses decreased 7% to approximately $1.7 million from a year ago, mainly as a result of a decrease in the number of employees. For the six months ended October 31, 2001, the average number of employees was approximately 163, compared to approximately 209 for the same period in the prior year.

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. For the six months ended October 31, 2001, these investments generated an annualized yield of approximately 4.6%.

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 six months ended October 31, 2001, we did not record any income taxes as a result of cumulative net operating losses.

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LIQUIDITY, CAPITAL RESOURCES AND FINANCIAL CONDITION

The following table shows information about our cash flows during the six months ended October 31, 2001 and October 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 the amendment to our Annual Report on Form 10-K/A for the fiscal year ended April 30, 2001, filed November 20, 2001.

	Six Months Ended October 31 (000's omitted)	
	2001	2000
Net cash provided by (used in) operating activities before changes in operating assets and liabilities.	3,226	(1,199)
(Increase) in operating assets and liabilities	(938)	(1,071)
Net cash provided by (used in) operating activities	2,288	(2,270)
Net cash provided by investing activities	6,389	3,340
Net cash used in financing activities	(33)	-
Net increase in cash and cash equivalents	8,644	1,070

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 $2.3 million in the six months ended October 31, 2001, and used cash of approximately $2.3 million in the same period last year. Operating cash flows increased for the period primarily because of the net income of $953,000 for the period, compared to the net loss of $3.5 million for the prior year period.

Cash provided by investing activities was approximately $6.4 million for the six months ended October 31, 2001. This was composed primarily of the net sale of investments of $8.1 million, which was partially offset by $1.6 million in additions to capitalized software development costs. For the same period last year, cash provided by investing activities was approximately $3.3 million,

composed primarily of $5.3 million in net sale of investments, partially offset by $1.5 million in additions to capitalized software development costs.

Cash used in financing activities was $33,000 for the six months ended October 31, 2001, and no cash was used in financing activities in the same period last year. Cash flows used in financing activities for the current period were composed of $52,000 in repurchases of our common stock, partially offset by $19,000 in cash proceeds from the exercise of stock options.

Days Sales Outstanding (DSO) in accounts receivable were 80 days as of October 31, 2001, compared to 84 days as of October 31, 2000. This decrease was due primarily to higher levels of revenues for the current quarter, as well as improved collection efforts.

Our current ratio on October 31, 2001 was 3.3 to 1 and we have no debt. Our principal sources of liquidity are our cash and investments, which totaled approximately $21.3 million at October 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 December 13, 2001, we had purchased a cumulative total of 642,379 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." These Statements became effective for us beginning May 1, 2001. These new Statements require all derivatives to be recorded on the balance sheet at fair value and establishes accounting treatment for three types of hedges: hedges of changes in the fair value of assets, liabilities, or firm commitments; hedges of the variable cash flows of forecasted transactions; and hedges of foreign currency exposures of net investments in foreign operations. We have not invested in derivative instruments nor participated in hedging activities and therefore there was no material impact on the results of operations or financial position from Statements 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 2000, and again in June 2000. We adopted the provisions of SAB 101 in our fourth quarter of fiscal 2001, and there was not a material impact on the results of operations or financial position as a result of the adoption.

In July 2001, the FASB issued Statement No. 141, "Business Combinations", and Statement No. 142, "Goodwill and Other Intangible Assets". Statement 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. Statement 141 also provides that intangible assets acquired in a purchase method business combination must meet certain specified criteria in order to be recognized and reported apart from goodwill, noting that any purchase price allocable to an assembled workforce may not be accounted for separately. Statement 142 will require that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead tested for impairment at least annually in accordance with the provisions of Statement 142. Statement 142 will also require that intangible assets with estimable useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment in accordance with FASB Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of".

We were required to adopt the provisions of Statement 141 immediately, and Statement 142 effective January 1, 2002. Furthermore, goodwill and intangible assets determined to have an indefinite useful life acquired in a purchase business combination completed after June 30, 2001, but before Statement 142 is adopted in full will not be amortized, but will continue to be evaluated for impairment in accordance with the appropriate pre-Statement 142 accounting literature. We do not currently expect that the adoption of Statement 142 will have a material adverse impact on our financial condition or results of operations.

In August 2001, the Financial Accounting Standards Board issued FASB 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 144 retains the fundamental provisions in Statement 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 121. For example, Statement 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 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 121, an impairment assessment under Statement 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.

The Company is required to adopt Statement 144 no later than May 1, 2002. Management does not expect the adoption of Statement 144 for long-lived assets held for use to have a material impact on the Company's financial statements because the impairment assessment under Statement 144 is largely unchanged from Statement 121. The provisions of Statement 144 for assets held for sale or other disposal generally are required to be applied prospectively after the adoption date to newly initiated disposal activities. Therefore, management cannot determine the potential effects that adoption of Statement 144 will have on the

Company's financial statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Foreign Currency. For the six months ended October 31, 2001, we generated 14% 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 October 31, 2001 was approximately $18.3 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 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

(a) The Company held its 2001 Annual Meeting of Stockholders on August

21, 2001.

(b) The following directors were elected at the meeting:

J. Michael Edenfield and John A. White

Other directors whose terms of office continue after the meeting are set forth below:

James C. Edenfield, Parker H. Petit and Frederick E. Cooper

(c) At the Company's 2001 Annual Meeting of Stockholders, the only Stockholder vote taken was with respect to the election of directors. The results of that election are below. There was no opposition to the nominees.

J. Michael Edenfield: Votes "For": 13,123,938; Withholding Authority to Vote "For": 23,430.

John A. White: Votes "For": 13,125,542; Withholding Authority to Vote "For": 21,826.

(d) 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 October 31, 2001.

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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 December 13, 2001 /s/ J. Michael Edenfield

J. Michael Edenfield
President, Chief Executive Officer

DATE December 13, 2001 /s/ Vincent C. Klinges

Vincent C. Klinges
Chief Financial Officer

DATE December 13, 2001 /s/ Deirdre J. Lavender

Deirdre J. Lavender
Controller and Principal Accounting Officer

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