

# ***Descartes – Uniting Business in Commerce***

May 2024

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DESCARTES™



# Safe Harbor Statement

Certain statements to be made today and in this presentation, and that may be made in response to questions, constitute forward-looking information for the purposes of applicable securities laws (“forward-looking statements”), including, but not limited to: statements using the words “believe,” “plan,” “expect,” “anticipate,” “intend,” “continue,” “may,” “will,” “should” or the negative of such terms and similar expressions; or statements in relation to any of the following topics: our assessment of the potential impact of geopolitical events, such as the ongoing conflict between Russia and Ukraine (the “Russia-Ukraine Conflict”), and between Israel and Hamas (“Israel-Hamas Conflict”), or other potentially catastrophic events, such as the COVID-19 virus (the “Pandemic”) on our business, results of operations and financial condition; addressing economic uncertainty; investment in areas of our business with high strategic value and growth potential; our future operating performance; software-as-a-service business model; strategy, market opportunity and vision; our position and opportunity to lead our industry with our business model; solution functionality and benefits derived therefrom; network penetration; ability to complete acquisitions and contribution of completed acquisitions to our operations; anticipated churn in revenues; competition; and forecasted environmental benefits of our products and solutions.

The material assumptions made in making these forward-looking statements include, but are not limited to, the following: global shipment volumes continuing to increase at levels consistent with those experienced historically; the Russia-Ukraine Conflict, Israel-Hamas Conflict, and the Pandemic not having a material impact on shipment volumes or on the demand for the products and services of Descartes by its customers and the ability of those customers to continue to pay for those products and services; countries continuing to implement and enforce existing and additional customs and security regulations relating to the provision of electronic information for imports and exports; countries continuing to implement and enforce existing and additional trade restrictions and sanctioned party lists with respect to doing business with certain countries, organizations, entities and individuals; our continued operation of a secure and reliable business network; the stability of general economic and market conditions, currency exchange rates, and interest rates; equity and debt markets continuing to provide us with access to capital; our continued ability to identify and source attractive and executable business combination opportunities; our ability to develop solutions that keep pace with the continuing changes in technology, and our continued compliance with third party intellectual property rights. While management believes these assumptions to be reasonable under the circumstances, they may prove to be inaccurate. In addition, the forecasted environmental benefits of our products and services are based on projections, reductions and savings derived from various third-party modeling tools identified on our website at [www.descartes.com](http://www.descartes.com) and which rely on various assumptions in their calculations.

These forward-looking statements are also subject to risks, uncertainties and assumptions that may cause future results to differ materially from those expected. Factors that may cause such differences include, but are not limited to: our ability to identify and successfully integrate acquired businesses; the impact of network failures, information security breaches or other cyber-security threats, disruptions in the movement of freight and a decline in shipment volumes including as a result of the Pandemic; a deterioration of general economic conditions or instability in the financial markets accompanied by a decrease in spending by our customers; departures of key customers; the ability to attract and retain key personnel and transition when key personnel depart; variances in our revenues from quarter to quarter; fluctuations in international currency exchange rates; exposure to greater than anticipated tax liabilities; changes in electronic customs filing regulations and other factors discussed under the headings “Risk Factors” or “Certain Factors That May Affect Future Results” in documents filed with applicable securities regulatory authorities under our profile on SEDAR at [www.sedarplus.ca](http://www.sedarplus.ca) and on EDGAR at [www.sec.gov](http://www.sec.gov), including the documents incorporated by reference into such documents. If any of such risks actually occur, they could materially adversely affect our business, financial condition or results of operations. In that case, the trading price of our common shares could decline, perhaps materially.

We provide forward-looking statements solely for the purpose of providing information about management's current expectations and plans relating to the future. You are cautioned that such information may not be appropriate for other purposes. In particular, we have not adjusted or revised any forward-looking statements in this presentation to account for the potential disruption to our business from the Pandemic, the impact from which is not immediately known or quantifiable. Except as required by law, we do not undertake or accept any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements to reflect any change in our expectations or any change in events, conditions, assumptions or circumstances on which any such statement is based.

# *Investment Highlights*

World's Largest Multi-Modal and Neutral Logistics Network

Cloud-Based Software Applications and Data Content

Automating and Optimizing the Increasingly Complex Logistics Market

Strong Market Position with Significant Competitive Barriers

Industry-Leading Solutions Help Customers Reduce Environmental Footprint

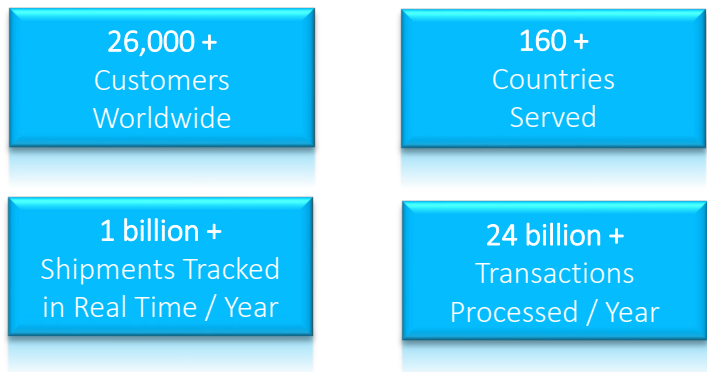
Disciplined M&A Strategy

Highly-Experienced Management Team

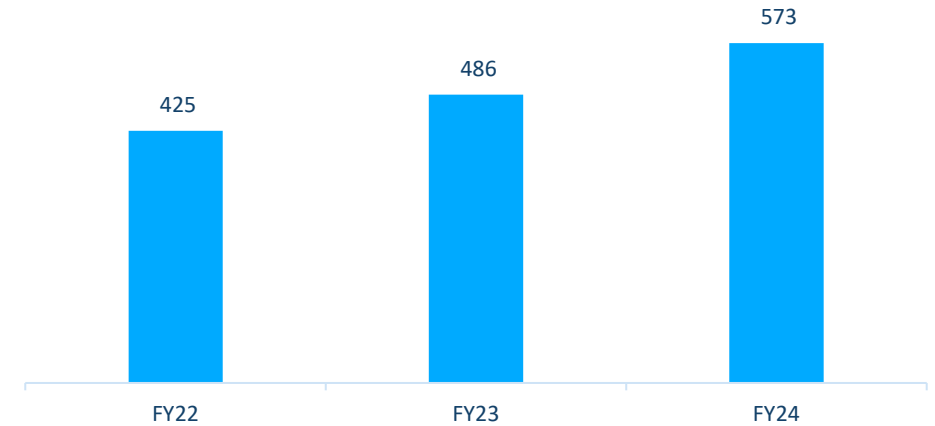
Proven Record of Financial Success

# Descartes at a Glance

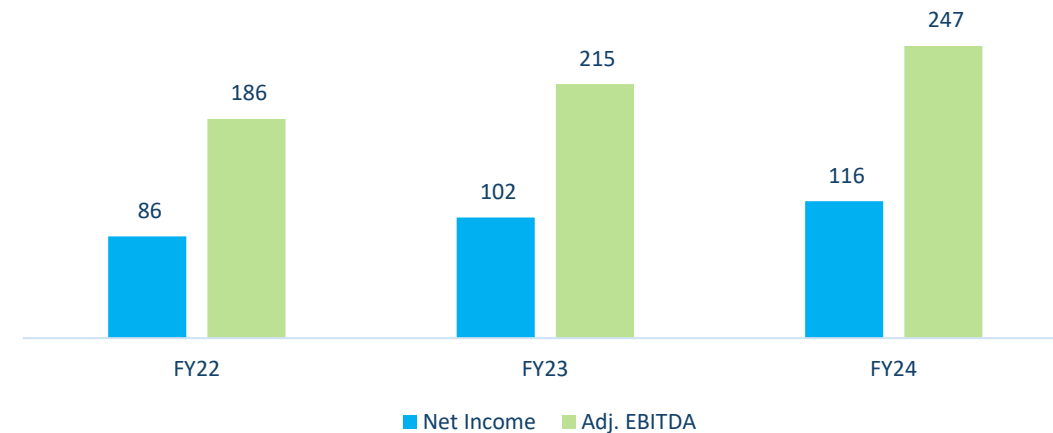
- Leader in providing SaaS solutions for logistics-intensive businesses
- Proven 'Total Growth' model supported by disciplined acquisition strategy
- High-recurring revenue profile
- Delivering profitable growth and free cash flow generation



Revenues (US\$ millions)

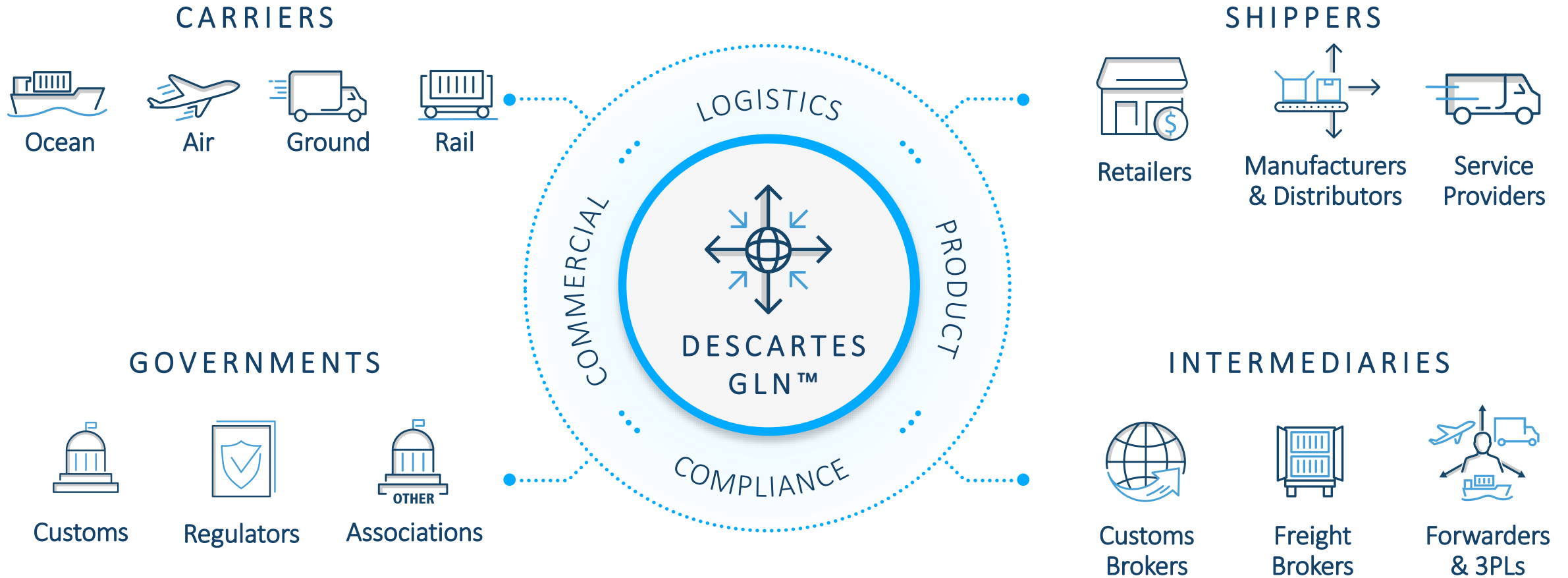


Net Income & Adj. EBITDA (US\$ millions)<sup>(1)</sup>



<sup>(1)</sup> See Reconciliation of Non-GAAP Financial Measures on slides 21 and 22 for our approach to reconciliation of adjusted EBITDA.

# GLOBAL LOGISTICS NETWORK

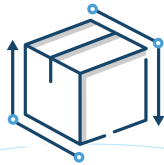


# DESCARTES™ SOLUTIONS

Routing, Mobile  
& Telematics



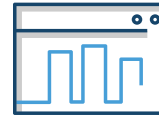
Transportation  
Management



Ecommerce, Shipping  
& Fulfillment



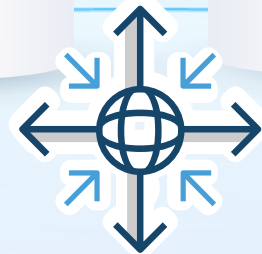
Global Trade  
Intelligence



Broker & Forwarder  
Enterprise Systems



Customs &  
Regulatory Compliance



DESCARTES GLN™

B2B MESSAGING & CONNECTIVITY

# Industry-Leading Customers

DESCARTES™

AIR	 DELTA	American Airlines 	AIR CANADA 	AIR NEW ZEALAND 	BRITISH AIRWAYS 	الإتقاد ETIHAD AIRWAYS 	
OCEAN	ONE <small>OCEAN NETWORK EXPRESS</small> 	CMA CGM 	Hapag-Lloyd 	m sc 	WAN HAI LINES LTD. 	HAMBURG SÜD 	
TRUCK	XPO Logistics 	SCHNEIDER 	ESTES 	ups 	FedEx Ground 	DAY & ROSS 	
INTERMEDIARIES	DHL 	KUEHNE+NAGEL 	DSV 	DB SCHENKER 	Expeditors 	KWE 	
RETAILERS	ALDI 	THE HOME DEPOT 	JOHN LEWIS & PARTNERS 	Crate&Barrel 	BEST BUY 	JUMBO 	wayfair 
MANUFACTURERS	BASF 	Coca-Cola 	SAB MILLER 	JVC KENWOOD 	TOYOTA 	Mondelēz International 	
DISTRIBUTORS	FRESENIUS 	PRIMAGAZ 	US FOODS 	U.S. LBM 	sonepar 		

# Customer Case Studies



Leverages Descartes' Advanced Home Delivery solution for:

- Real-time delivery appointment scheduling
- Route optimization and execution
- Mobile resource management solutions



Leverages many Descartes solutions across multiple DHL operating groups:

- Global Forwarding
- DHL Express (Parcels)
- Logistics and supply chain management

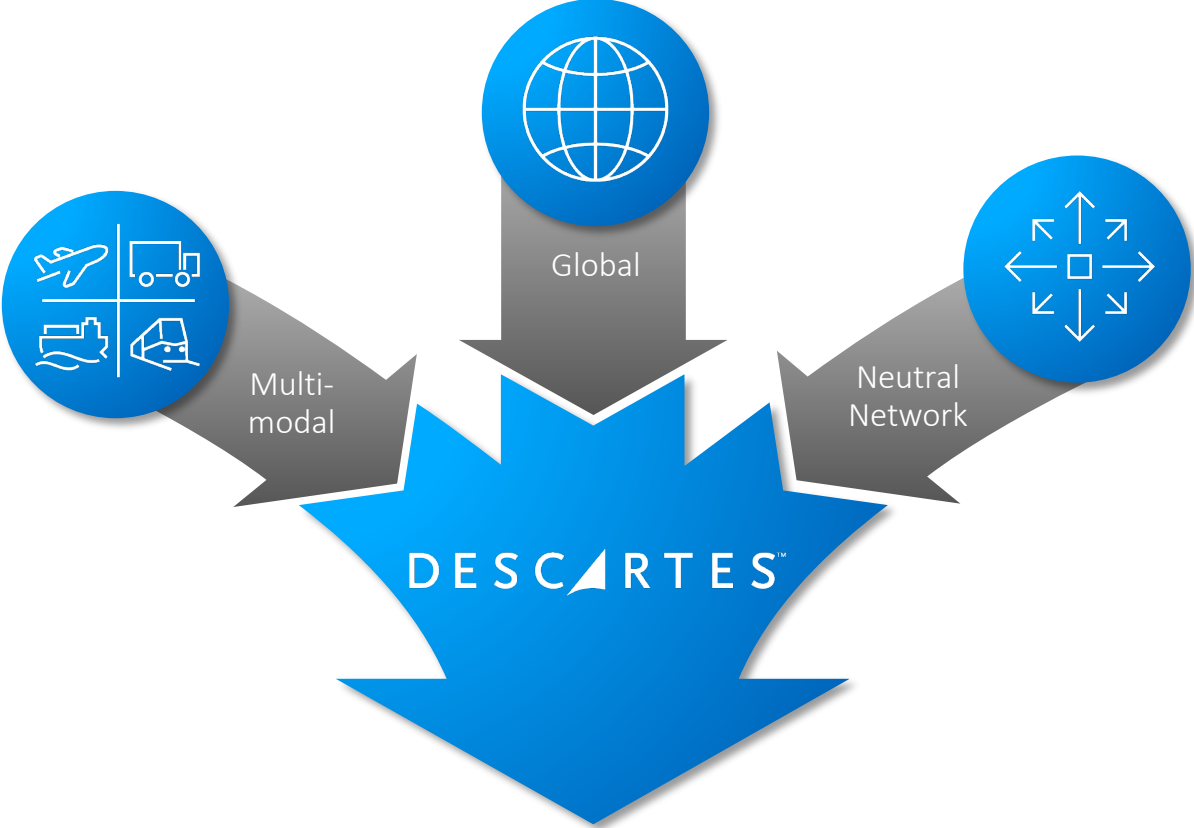


Descartes' solutions help Delta Airlines meet a growing number of logistic challenges across the globe:

- Numerous country-specific customs and security filings
- Provide cargo tracking and ULD global visibility solutions
- Operate air messaging network for Delta and its logistics partners



# Why We Win



Pure play logistics technology provider with **compelling combination** of network, applications and data content

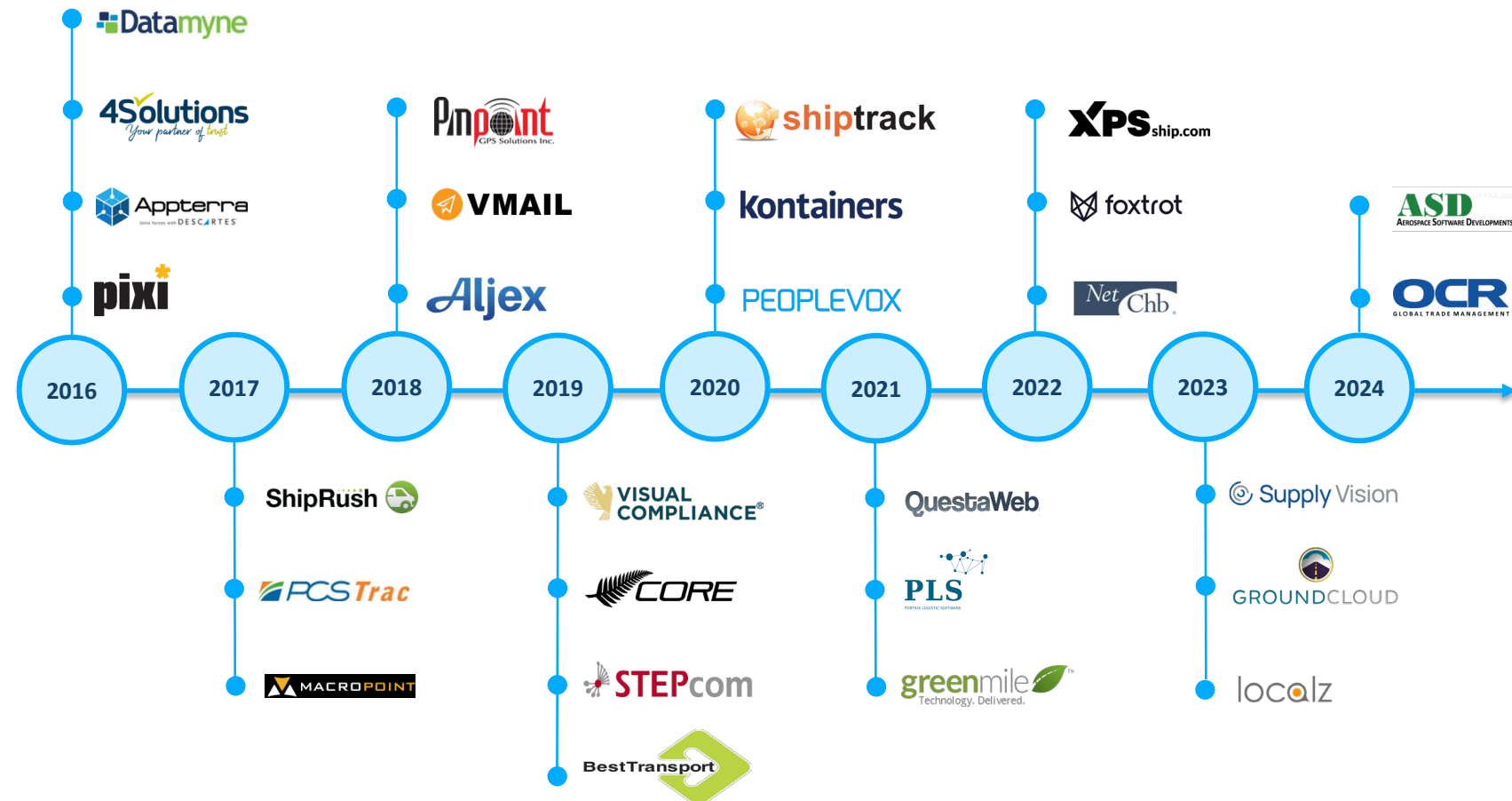
# Market Drivers and Opportunities

- **Cloud Enables Automation** Global Logistics Network offers operational excellence, increased digitization of freight and higher precision through cloud integration and automation
- **Global Trade Complexity** Heightened regulatory compliance requirements and shifting global trade patterns create favorable tailwinds
- **eCommerce and Logistics** Descartes solutions help retailers and logistics service providers respond to the threat of Amazon, Google, eBay with real-time delivery route optimization and execution solutions
- **Real-time Visibility** Real-time tracking and optimization made possible by ubiquitous mobile networks, internet-of-things and cloud-scale computing
- **Content and Data** Customs Info, MK Data, Datamyne and Visual Compliance acquisitions illustrative of the opportunity to leverage logistics and trade data content on the Global Logistics Network
- **Fragmented Industry** Logistics and supply chain software markets remain highly fragmented, presenting a large consolidation opportunity

# M&A is a Core Competency for Descartes

Descartes' acquisition strategy is a key enabler of its 'Total Growth' model

- Has completed 28 acquisitions since 2016 for a total consideration of ~US \$1.1 billion
- Disciplined approach that is focused on complementary technologies, industry consolidation and close adjacencies across logistics
- Core competency in sourcing, acquiring and integrating high quality assets



# Recent Acquisition Success



*Acquired OCR (March 2024) for ~\$83mm*

- OCR is a leading provider of global trade compliance solutions and content, with strong domain expertise in export compliance and controlled commodities
- Global EASE, OCR's core platform, is used by blue-chip, multinational organizations around the world to stay current in a rapidly changing regulatory environment
- Presents an opportunity to bring new functionality and enhanced content to Descartes customers and partners around the world



*Acquired GroundCloud (February 2023) for ~\$138mm + up to ~\$80mm earn-out*

- GroundCloud is a leader in final-mile logistics automation, combining operations, safety and compliance in an integrated platform
- The GroundCloud platform also incorporates video telematics to provide driving event detection and verification, combined with reactive coaching solutions designed to improve safety
- Presents a tremendous opportunity to leverage GroundCloud's safety content and compliance solutions across a wider set of industry verticals in Descartes' routing and mobile customer base

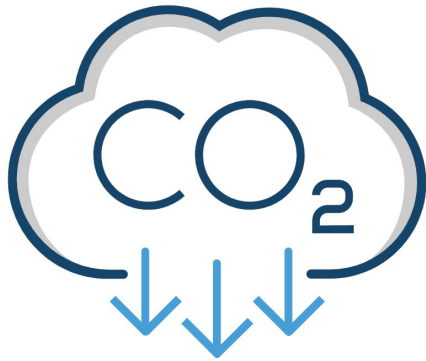


*Acquired XPS (June 2022) for ~\$65mm + up to ~\$75mm earn-out*

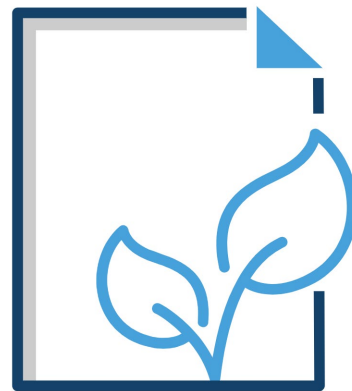
- XPS provides its cloud-based multi-carrier parcel shipping solutions directly to small-, medium- and large-sized ecommerce shippers
- The XPS platform helps customers connect to ecommerce marketplaces and manage the lifecycle of domestic and international ecommerce shipments
- Adds scale to the GLN with additional ecommerce transactions
- Complements Descartes' recent significant investments in the ecommerce fulfillment and shipping space

# Industry-Leading Solutions Help Customers Reduce Environmental Footprint

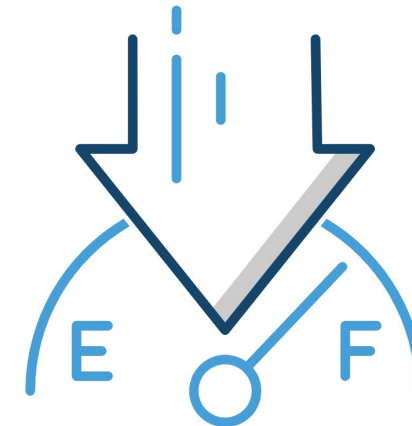
Descartes' Environmental Impact – We Helped our Customers Save



>696,000  
tons of CO<sub>2</sub>



>2.4 billion  
sheets of paper



>902.8 million  
liters of fuel

# *Financial Overview*



# Financial Highlights



Strong and consistent revenue growth



Highly-recurring subscription and transaction-based revenue model



High-quality and diverse revenue profile



Continued margin expansion through cost control and operating efficiency

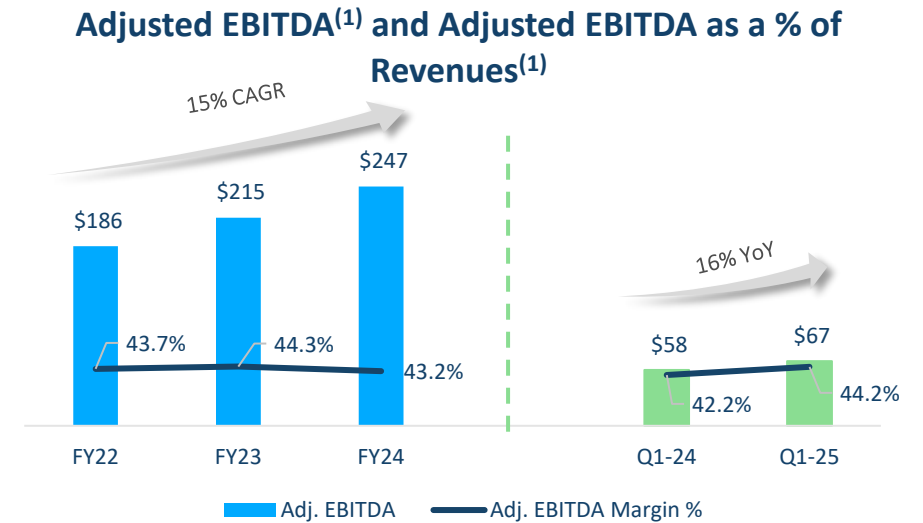
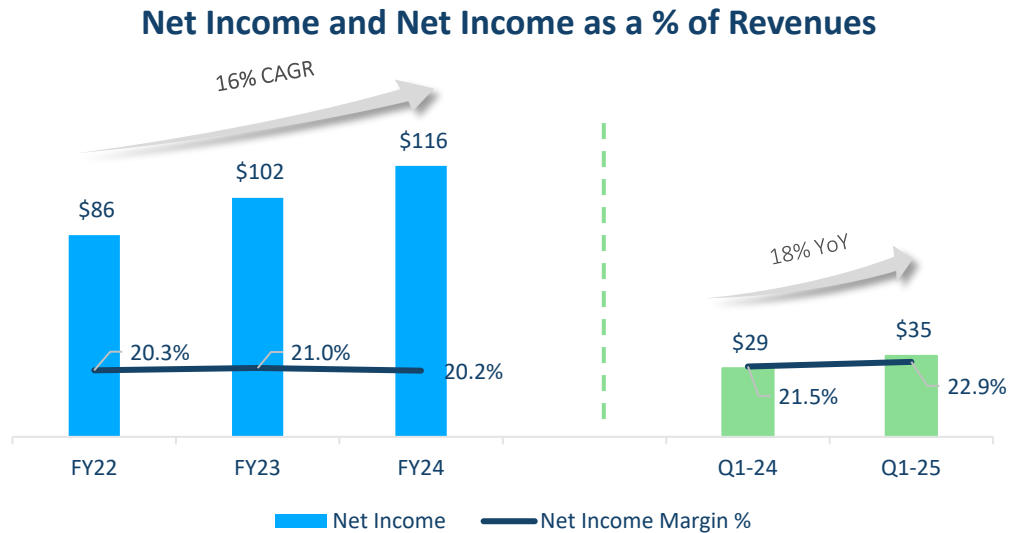
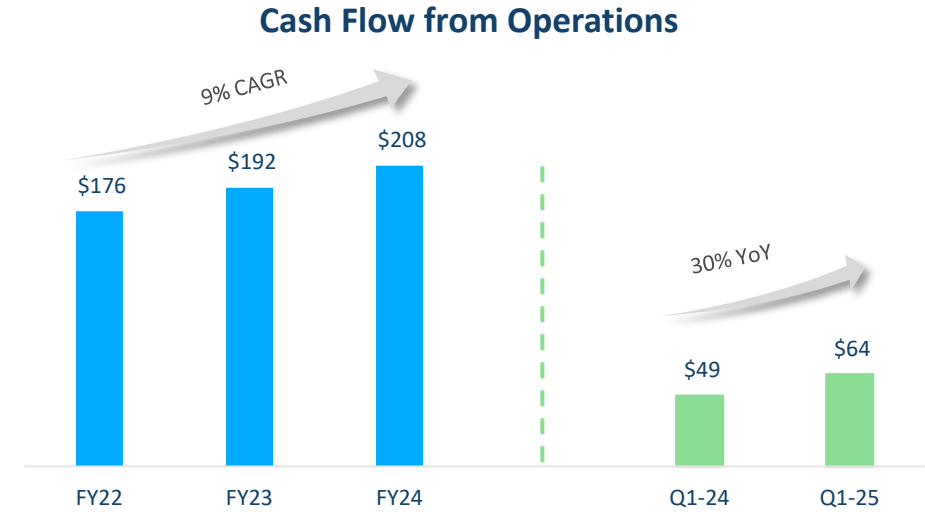
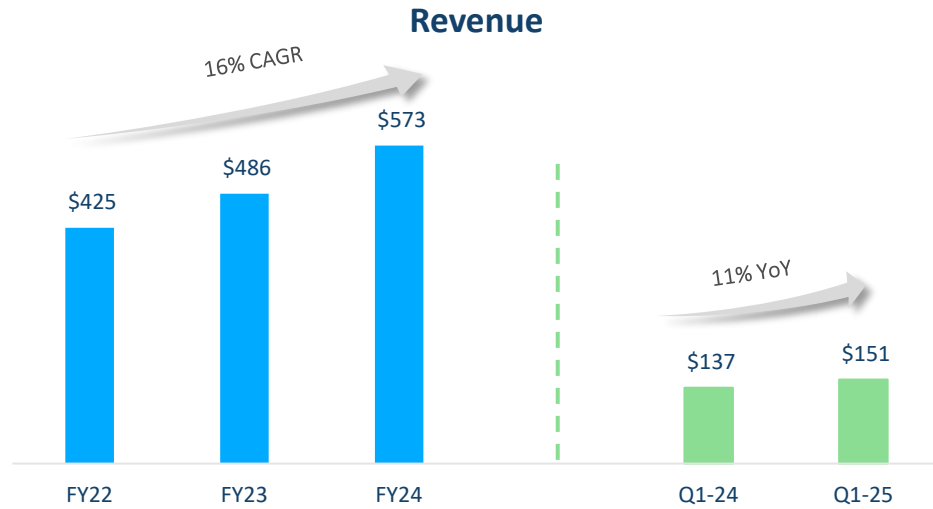


Robust cash generation and high conversion rates



Proven acquisition integration success and synergy achievement

# Strong and Consistent Growth

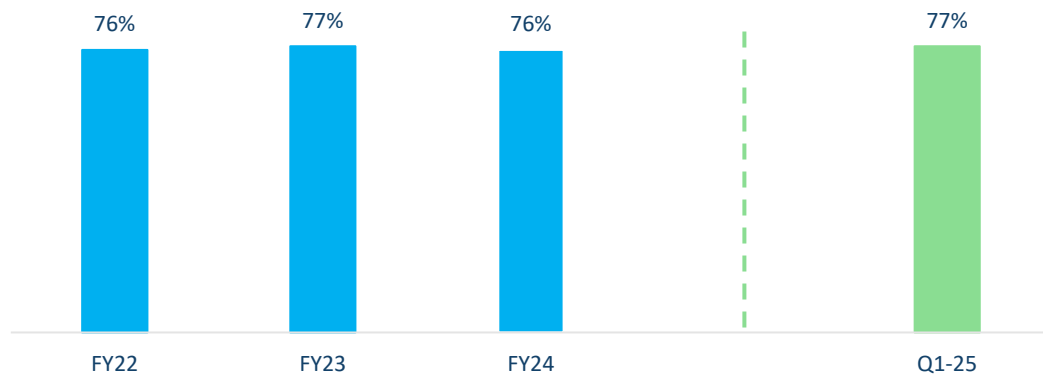


(1) See Reconciliation of Non-GAAP Financial Measures on slides 21 and 22 for a reconciliation of adjusted EBITDA and adjusted EBITDA as a percentage of revenues to net income.

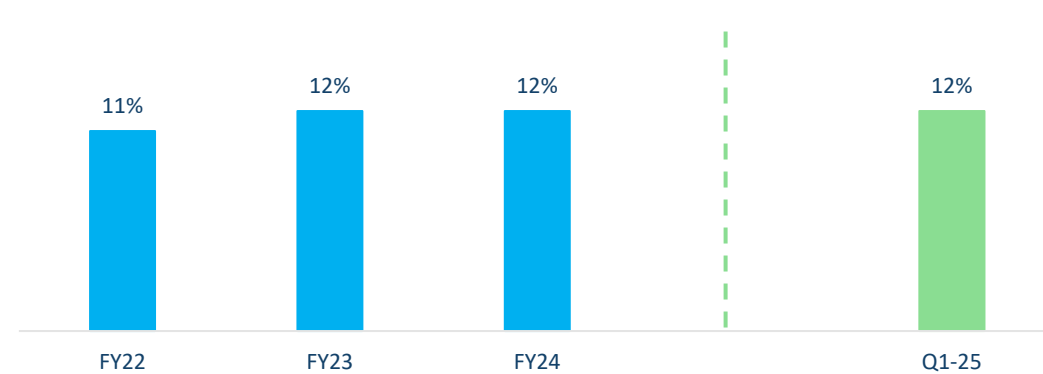


# Efficient and Disciplined Operating Model

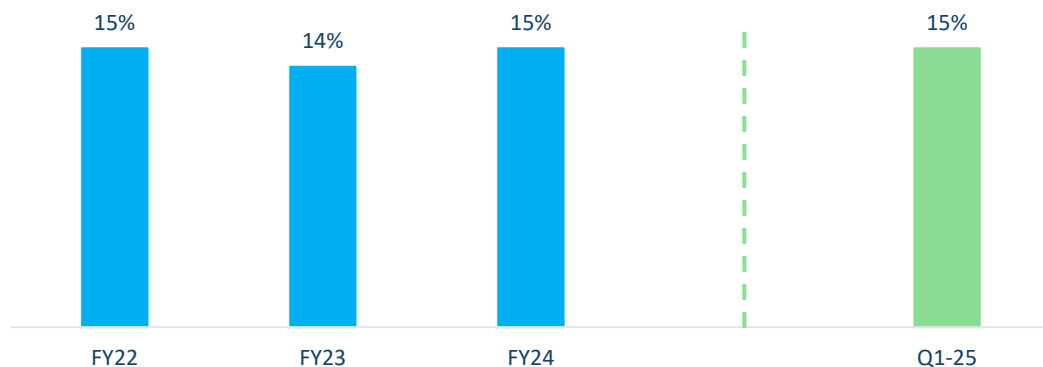
## Gross Margin



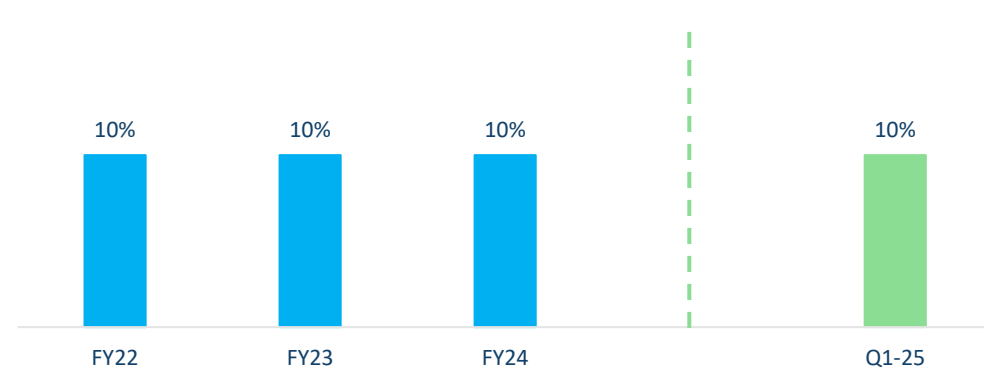
## Sales and Marketing



## Research and Development



## General and Administrative



# Capital Structure – April 30, 2024

- Common shares
  - 85.3 million – Basic (current)
  - 87.2 million – Fully diluted (current)
- Mixed-Shelf filed in July 2022 (no limit – currently unused)
  - Expiring August 2024
- Cash and cash equivalents
  - \$US 238.9 million
- Acquisition line of credit
  - \$US 350.0 million with the potential to upsize to \$US 500.0 million
    - Undrawn as of April 30, 2024, expires December 2027

# Baseline Calibration

Figures per Quarter		Baseline	Actual	Actual % of Baseline
<u>Q2'24</u>	Revenue	\$121.0	\$143.4	119%
	Net Income		\$28.1	
	Net Income as a % of Revenues		19.6%	
	Adj. EBITDA	\$44.5	\$60.6	136%
	Adj. EBITDA % of Revenues	36.8%	42.3%	
<u>Q3'24</u>	Revenue	\$124.0	\$144.7	117%
	Net Income		\$26.6	
	Net Income as a % of Revenues		18.4%	
	Adj. EBITDA	\$46.0	\$63.5	138%
	Adj. EBITDA % of Revenues	37.1%	43.9%	
<u>Q4'24</u>	Revenue	\$127.0	\$148.2	117%
	Net Income		\$31.8	
	Net Income as a % of Revenues		21.5%	
	Adj. EBITDA	\$48.0	\$65.7	137%
	Adj. EBITDA % of Revenues	37.8%	44.3%	
<u>Q1'25</u>	Revenue	\$130.5	\$151.3	116%
	Net Income		\$34.7	
	Net Income as a % of Revenues		22.9%	
	Adj. EBITDA	\$49.5	\$67.0	135%
	Adj. EBITDA % of Revenues	37.9%	44.3%	
<u>Q2'25</u>	Revenue	\$136.0		
	Net Income			
	Net Income as a % of Revenues			
	Adj. EBITDA	\$52.0		
	Adj. EBITDA % of Revenues	38.2%		

- Baseline revenues = visible, contracted and recurring revenues at the beginning of each quarter<sup>1</sup>. Baseline revenues is not a revenues projection as it excludes sales concluded in the period
- Baseline Adjusted EBITDA<sup>2</sup> = Baseline revenue less operating expenses (excluding investment income, interest expense, income tax expense, depreciation, amortization, stock-based compensation, restructuring expenses, acquisition related expenses, and contingent consideration incurred due to better-than-expected performance from acquisitions)

[1] For a detailed description of baseline calibration, please see Management's Discussion & Analysis (MD&A) dated May 29, 2024. Baseline calibration is typically calculated on the first day of the quarter unless adjusted to reflect the impact of any acquisitions completed after the first day of the quarter, but before the date of our corresponding MD&A in which that baseline calibration is disclosed. Baseline calibration is considered a supplementary financial measure used by management as it does not have a directly comparable financial measure disclosed in our financial statements.

[2] See Reconciliation of Non-GAAP Financial Measures on slides 21 and 22 for our approach to reconciliation of adjusted EBITDA.

# *Investment Highlights*

**World's Largest Multi-Modal and Neutral Logistics Network**

**Cloud-Based Software Applications and Data Content**

**Automating and Optimizing the Increasingly Complex Logistics Market**

**Strong Market Position with Significant Competitive Barriers**

**Industry-Leading Solutions Help Customers Reduce Environmental Footprint**

**Disciplined M&A Strategy**

**Highly-Experienced Management Team**

**Proven Record of Financial Success**

# Reconciliation of Non-GAAP Financial Measures - Adjusted EBITDA and Adjusted EBITDA as a percentage of revenues – Q1-25

We prepare and release quarterly unaudited and annual audited financial statements prepared in accordance with GAAP. We also disclose and discuss certain non-GAAP financial information, used to evaluate our performance, in this and other earnings releases and investor conference calls as a complement to results provided in accordance with GAAP. We believe that current shareholders and potential investors in our company use non-GAAP financial measures, such as Adjusted EBITDA and Adjusted EBITDA as a percentage of revenues, in making investment decisions about our company and measuring our operational results.

The term “Adjusted EBITDA” refers to a financial measure that we define as earnings before certain charges that management considers to be non-operating expenses and which consist of interest, taxes, depreciation, amortization, stock-based compensation (for which we include related fees and taxes) and other charges (for which we include restructuring charges, acquisition-related expenses, and contingent consideration incurred due to better-than-expected performance from acquisitions). Adjusted EBITDA as a percentage of revenues divides Adjusted EBITDA for a period by the revenues for the corresponding period and expresses the quotient as a percentage.

Management considers these non-operating expenses to be outside the scope of Descartes’ ongoing operations and the related expenses are not used by management to measure operations. Accordingly, these expenses are excluded from Adjusted EBITDA, which we reference to both measure our operations and as a basis of comparison of our operations from period-to-period. Management believes that investors and financial analysts measure our business on the same basis, and we are providing the Adjusted EBITDA financial metric to assist in this evaluation and to provide a higher level of transparency into how we measure our own business. However, Adjusted EBITDA and Adjusted EBITDA as a percentage of revenues are non-GAAP financial measures and may not be comparable to similarly titled measures reported by other companies. Adjusted EBITDA and Adjusted EBITDA as a percentage of revenues should not be construed as a substitute for net income determined in accordance with GAAP or other non-GAAP measures that may be used by other companies, such as EBITDA. The use of Adjusted EBITDA and Adjusted EBITDA as a percentage of revenues does have limitations. In particular, we have completed four acquisitions since the beginning of fiscal 2024 and may complete additional acquisitions in the future that will result in acquisition-related expenses and restructuring charges. As these acquisition-related expenses and restructuring charges may continue as we pursue our consolidation strategy, some investors may consider these charges and expenses as a recurring part of operations rather than expenses that are not part of operations.

The table below reconciles Adjusted EBITDA and Adjusted EBITDA as a percentage of revenues to net income reported in our unaudited Consolidated Statements of Operations for Q1FY25, Q4FY24, Q3FY24, Q2FY24, and Q1FY24, which we believe is the most directly comparable GAAP measure.

<b>(US dollars in millions)</b>	<b>Q1FY25</b>	<b>Q4FY24</b>	<b>Q3FY24</b>	<b>Q2FY24</b>	<b>Q1FY24</b>
<b>Net income, as reported on Consolidated Statements of Operations</b>	<b>34.7</b>	31.8	26.6	28.1	29.4
<b>Adjustments to reconcile to Adjusted EBITDA:</b>					
Interest expense	<b>0.3</b>	0.3	0.3	0.3	0.3
Investment income	<b>(4.1)</b>	(3.4)	(2.7)	(2.0)	(1.6)
Income tax expense	<b>11.5</b>	8.3	8.2	10.4	8.4
Depreciation expense	<b>1.4</b>	1.4	1.5	1.4	1.3
Amortization of intangible assets	<b>15.0</b>	15.1	15.3	15.5	14.7
Stock-based compensation and related taxes	<b>4.3</b>	4.7	4.6	4.5	3.3
Other charges	<b>3.9</b>	7.5	9.7	2.5	1.9
<b>Adjusted EBITDA</b>	<b>67.0</b>	65.7	63.5	60.6	57.7
<b>Revenues</b>	<b>151.3</b>	148.2	144.7	143.4	136.6
<b>Net income as % of revenues</b>	<b>23%</b>	21%	18%	20%	22%
<b>Adjusted EBITDA as % of revenues</b>	<b>44%</b>	44%	44%	42%	42%

For more information on the reconciliation of Non-GAAP financial measures in the current period, please refer to our press release dated May 29, 2024: <https://www.descartes.com/who-we-are/news-events/financial-news>. For more information on the reconciliation of Non-GAAP financial measures for previous periods please refer to: <https://www.descartes.com/who-we-are/investor-relations/financial-information>

# Reconciliation of Non-GAAP Financial Measures - Adjusted EBITDA and Adjusted EBITDA as a percentage of revenues – FY24

We prepare and release quarterly unaudited and annual audited financial statements prepared in accordance with GAAP. We also disclose and discuss certain non-GAAP financial information, used to evaluate our performance, in this and other earnings releases and investor conference calls as a complement to results provided in accordance with GAAP. We believe that current shareholders and potential investors in our company use non-GAAP financial measures, such as Adjusted EBITDA and Adjusted EBITDA as a percentage of revenues, in making investment decisions about our company and measuring our operational results.

The term “Adjusted EBITDA” refers to a financial measure that we define as earnings before certain charges that management considers to be non-operating expenses and which consist of interest, taxes, depreciation, amortization, stock-based compensation (for which we include related fees and taxes) and other charges (for which we include restructuring charges, acquisition-related expenses, and contingent consideration incurred due to better-than-expected performance from acquisitions). Adjusted EBITDA as a percentage of revenues divides Adjusted EBITDA for a period by the revenues for the corresponding period and expresses the quotient as a percentage.

Management considers these non-operating expenses to be outside the scope of Descartes’ ongoing operations and the related expenses are not used by management to measure operations. Accordingly, these expenses are excluded from Adjusted EBITDA, which we reference to both measure our operations and as a basis of comparison of our operations from period-to-period. Management believes that investors and financial analysts measure our business on the same basis, and we are providing the Adjusted EBITDA financial metric to assist in this evaluation and to provide a higher level of transparency into how we measure our own business. However, Adjusted EBITDA and Adjusted EBITDA as a percentage of revenues are non-GAAP financial measures and may not be comparable to similarly titled measures reported by other companies. Adjusted EBITDA and Adjusted EBITDA as a percentage of revenues should not be construed as a substitute for net income determined in accordance with GAAP or other non-GAAP measures that may be used by other companies, such as EBITDA. The use of Adjusted EBITDA and Adjusted EBITDA as a percentage of revenues does have limitations. In particular, we have completed six acquisitions since the beginning of fiscal 2023 and may complete additional acquisitions in the future that will result in acquisition-related expenses and restructuring charges. As these acquisition-related expenses and restructuring charges may continue as we pursue our consolidation strategy, some investors may consider these charges and expenses as a recurring part of operations rather than expenses that are not part of operations.

The table below reconciles Adjusted EBITDA and Adjusted EBITDA as a percentage of revenues to net income reported in our audited Consolidated Statements of Operations for FY24 and FY23, which we believe is the most directly comparable GAAP measure.

<b>(US dollars in millions)</b>	<b>FY24</b>	<b>FY23</b>
<b>Net income</b> , as reported on Consolidated Statements of Operations	<b>115.9</b>	102.2
<b>Adjustments to reconcile to Adjusted EBITDA:</b>		
Interest expense	<b>1.4</b>	1.2
Investment income	<b>(9.7)</b>	(4.5)
Income tax expense	<b>35.2</b>	31.5
Depreciation expense	<b>5.5</b>	5.2
Amortization of intangible assets	<b>60.5</b>	60.2
Stock-based compensation and related taxes	<b>17.1</b>	13.9
Other charges	<b>21.6</b>	5.5
<b>Adjusted EBITDA</b>	<b>247.5</b>	215.2
<b>Revenues</b>	<b>572.9</b>	486.0
<b>Net income as % of revenues</b>	<b>20%</b>	21%
<b>Adjusted EBITDA as % of revenues</b>	<b>43%</b>	44%

For more information on the reconciliation of Non-GAAP financial measures for FY24, please refer to our press release dated March 6, 2024: <https://www.descartes.com/who-we-are/news-events/financial-news>. For more information on the reconciliation of Non-GAAP financial measures for previous periods please refer to: <https://www.descartes.com/who-we-are/investor-relations/financial-information>