DESCARTES™

Uniting the People and
Technology that Move the World.

Network. Applications. Community.

Descartes – Uniting Business in Commerce

March 2019

NASDAQ : DSGX
TSX : DSG

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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; statements 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; and competition.

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 the average growth rates of the global economy; 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.

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: 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; our ability to integrate acquired companies and personnel; fluctuations in fuel prices or shipment volumes; 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.sedar.com and on EDGAR at 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. 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 $ 4 Trillion Logistics Market
- Strong Market Position with Significant Competitive Barriers
- Disciplined M&A Strategy
- Highly-Experienced Management Team
- Proven Record of Financial Success

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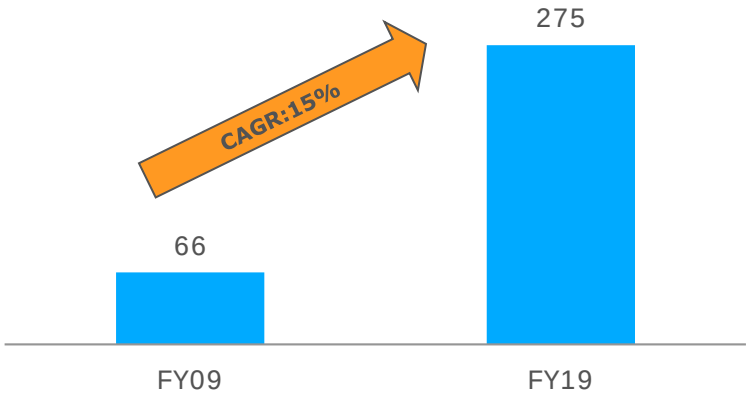
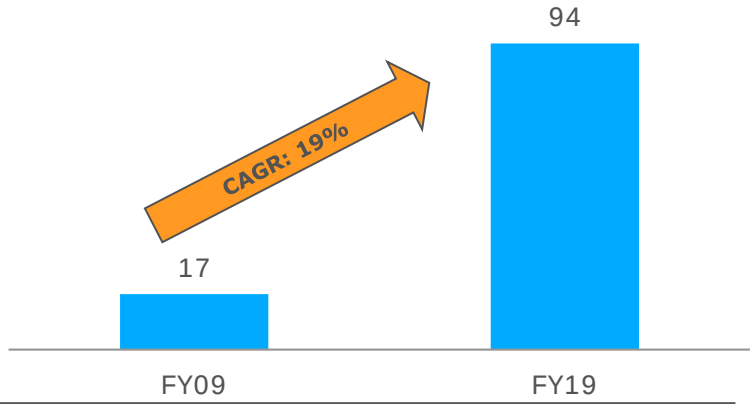
Descartes: A History of Strong and Profitable Growth

- Founded in 1981 in Waterloo, Canada
- Compelling combination of network, software applications and data content
- Disciplined M&A strategy with 42 acquisitions since April 2006
- Highly-recurring subscription/transaction/services revenue
- Focused on profitable operating growth

Revenue ($US MM)



Adj. EBITDA ($US MM)(1)



(1) Adjusted EBITDA is the net income excluding investment income, interest expense, income tax expense (recovery), depreciation, amortization, stock-based compensation, acquisition related expenses and restructuring expenses including executive departure expenses. See further details of our use of Non-GAAP financial information on the last two pages of this presentation.

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Global Logistics Is Highly Complex

$ 4 Trillion Global Logistics Market(1)

Numerous constituents

Multi-modal

Resource-intensive

Limited visibility and control

Cross-border regulations

(1) Market Data estimate per MarketInsight (CompaniesandMarkets.com). Global Logistics Market report, published on 30 May, 2013.

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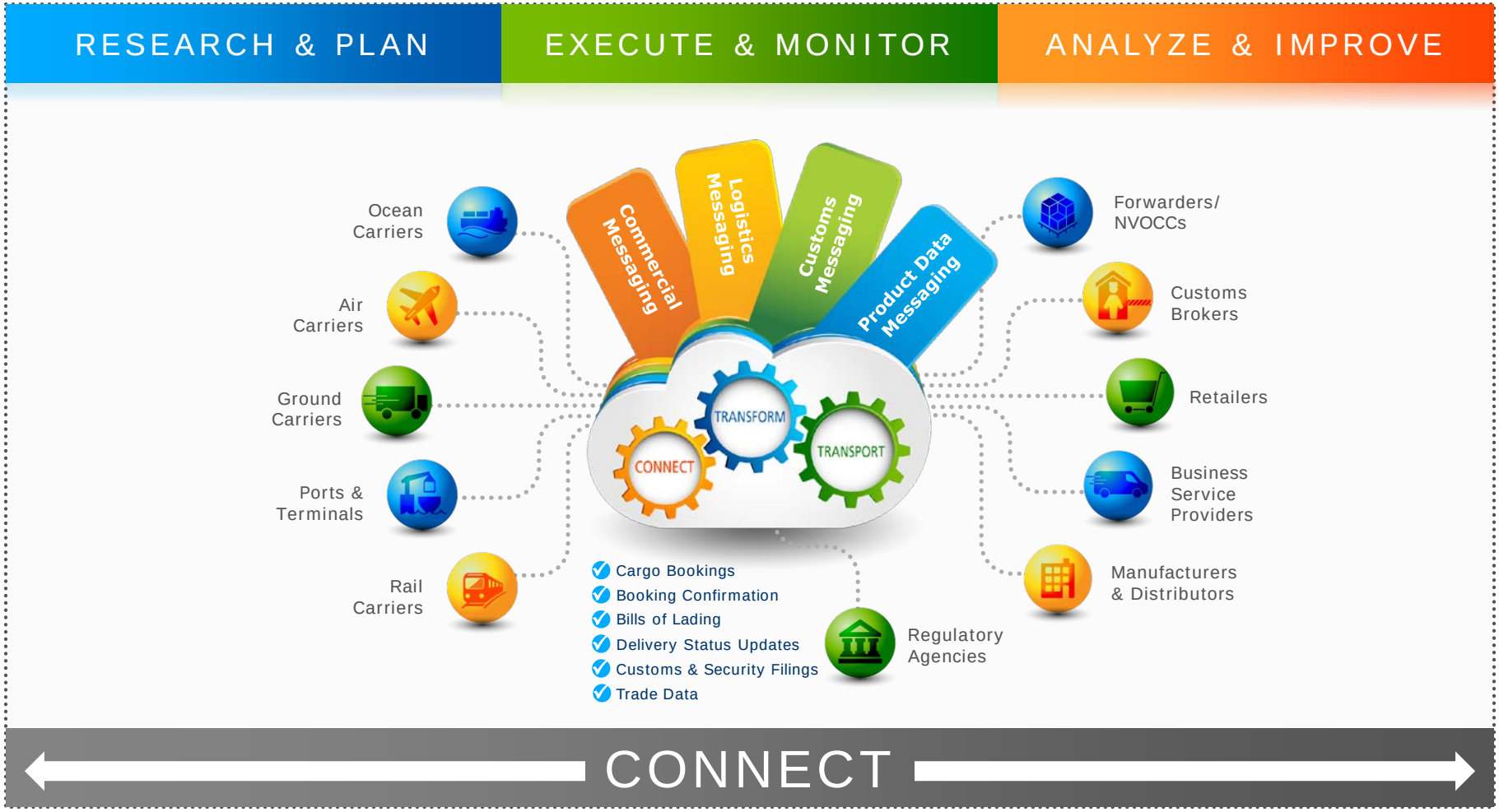
The Global Logistics Network

One place to research, plan and execute shipments



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Broad Array of Logistics Management Solutions

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Industry Leading Customers

Air	
Ocean	
Truck	
Intermediaries	
Retailers	
Manufacturers	
Distributors	

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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 American Airlines meet a growing number of logistic challenges across the globe:

- Numerous country-specific customs and security filings
- Manage messaging for AA cargo
- Manage cargo booking systems on AAcargo.com

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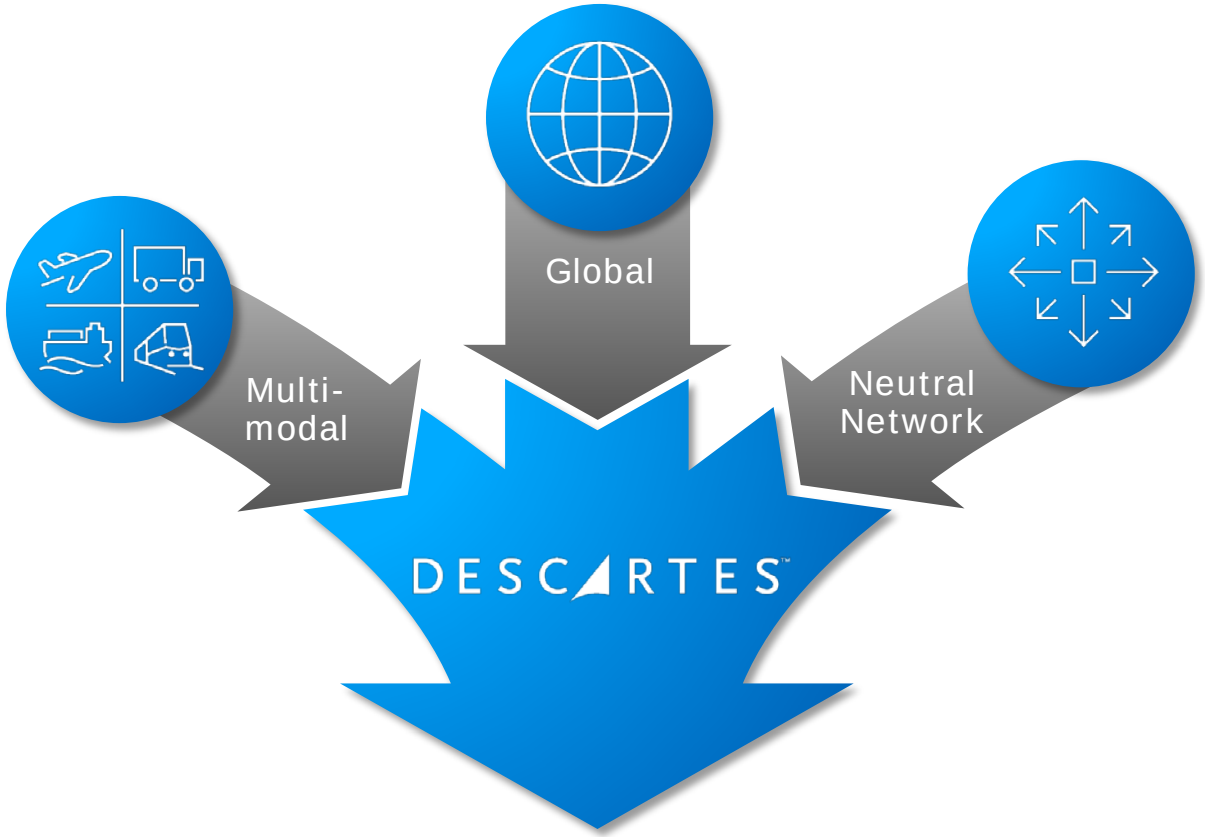
Why We Win



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

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Growth Drivers and Opportunities

Cloud Enables Increasing Automation	• Network offers operational excellence and higher precision through cloud integration and automation
Global Security and Compliance Increasing	• Heightened regulatory compliance requirements and scrutiny of global trade will create favorable tailwinds
Growth in Omni-Channel Retail	• Brick-and-mortar retailers are trying to respond to threat of Amazon, Google, eBay
Mobility Enables Real-time Optimization	• “Plan vs. Actual” now possible in real-time, with the ability to influence delivery schedules on the fly
Content/Data Monetization	• Customs Info, MK Data and Datamyne acquisitions illustrative of the opportunity to leverage logistics and trade data content on the GLN
Large Consolidation Opportunity	• The logistics and supply chain markets remain fragmented and ripe for consolidation

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Disciplined and Strategic M&A Approach

Acquired June 2018
for ~$26MM

- Electronic transportation network providing global air carriers with mail and parcel shipment scanning and tracking solutions
- Strengthens Descartes' community of air carriers, ground handlers and government postal authorities
- Combined with the Descartes Global Air Messaging Gateway, provides air carriers with one platform to manage the lifecycle of all shipments (ecommerce focused mail and parcel shipments + larger freight shipments)

Acquired February 2019
for ~$250MM

- Cloud-based global trade data content provider
- Adds scale to the GLN with additional denied party screening and trade compliance transactions
- Strengthens Descartes' domain expertise and toolset for collecting and distributing trade compliance content
- Expands Descartes' compliance application footprint for denied party screening and adds new trade compliance functionality

Acquired August 2017
for ~$107MM

- Electronic transportation network providing location-based truck tracking and predictive freight capacity data content
- Extends the reach of the GLN through real-time connections with over 2 million trucking assets
- Adds a large community of more than 8,000 participants, including a significant number of freight brokers, 3PLs, logistics service providers and market-leading shippers

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Highly-Experienced Management Team

J. Scott Pagan
President & Chief Operating Officer
Years at Descartes: 18

Edward J. Ryan
Chief Executive Officer
Years at Descartes: 18

Allan Brett
Chief Financial Officer
Years at Descartes: 4

Ed Gardner
Executive Vice President
Corporate Development
Years at Descartes: 13

Raimond Diederik
Executive Vice President
Information Services
Years at Descartes: 19

Kenneth Wood
Executive Vice President
Product Management
Years at Descartes: 16

Chris Jones
Executive Vice President
Marketing and Services
Years at Descartes: 13

Michael Verhoeve
General Counsel
Years at Descartes: 8

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Financial Overview

The Descartes Systems Group Inc. is a publicly traded company. Nasdaq:DSGX | TSX: DSG

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DESCARTES

Full-Year Operating Results

Summary of Unaudited Results

(US$ millions)	**FY19**	FY18	% Δ
Revenues	**$275.2**	$237.4	16%
Services Revenues	**$241.5**	$204.4	18%
Services Revenues as a % of Revenues	**88%**	86%	
Gross Margin	**73%**	73%	
Net Income	**$31.3**	$26.9	16%
Net Income as a % of Revenues	**11%**	11%	
EPS	**$0.40**	$0.35	14%
Adjusted EBITDA	**$93.9**	$80.8	16%
Adjusted EBITDA as a % of Revenues	**34%**	34%	
Operating Cash Flow	**$78.1**	$72.1	8%

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Quarterly Operating Results

Summary of Unaudited Results

(US$ millions)	**Q4 FY19**	Q3 FY19	% Δ Q/Q	Q4 FY18	% Δ YoY
Revenues	**$71.0**	$70.0	1%	$63.6	12%
Services Revenues	**$62.9**	$61.1	3%	$55.0	14%
Services Revenues as a % of Revenues	**89%**	87%		86%	
Gross Margin	**73%**	73%		73%	
Net Income	**$7.9**	$7.9	-	$6.7	18%
Net Income as a % of Revenues	**11%**	11%		11%	
EPS	**0.10**	0.10		0.09	
Adjusted EBITDA	**$25.0**	$24.0	4%	$21.4	17%
Adjusted EBITDA as a % of Revenues	**35%**	34%		34%	
Operating Cash Flow	**$21.8**	$19.2	14%	$19.6	11%

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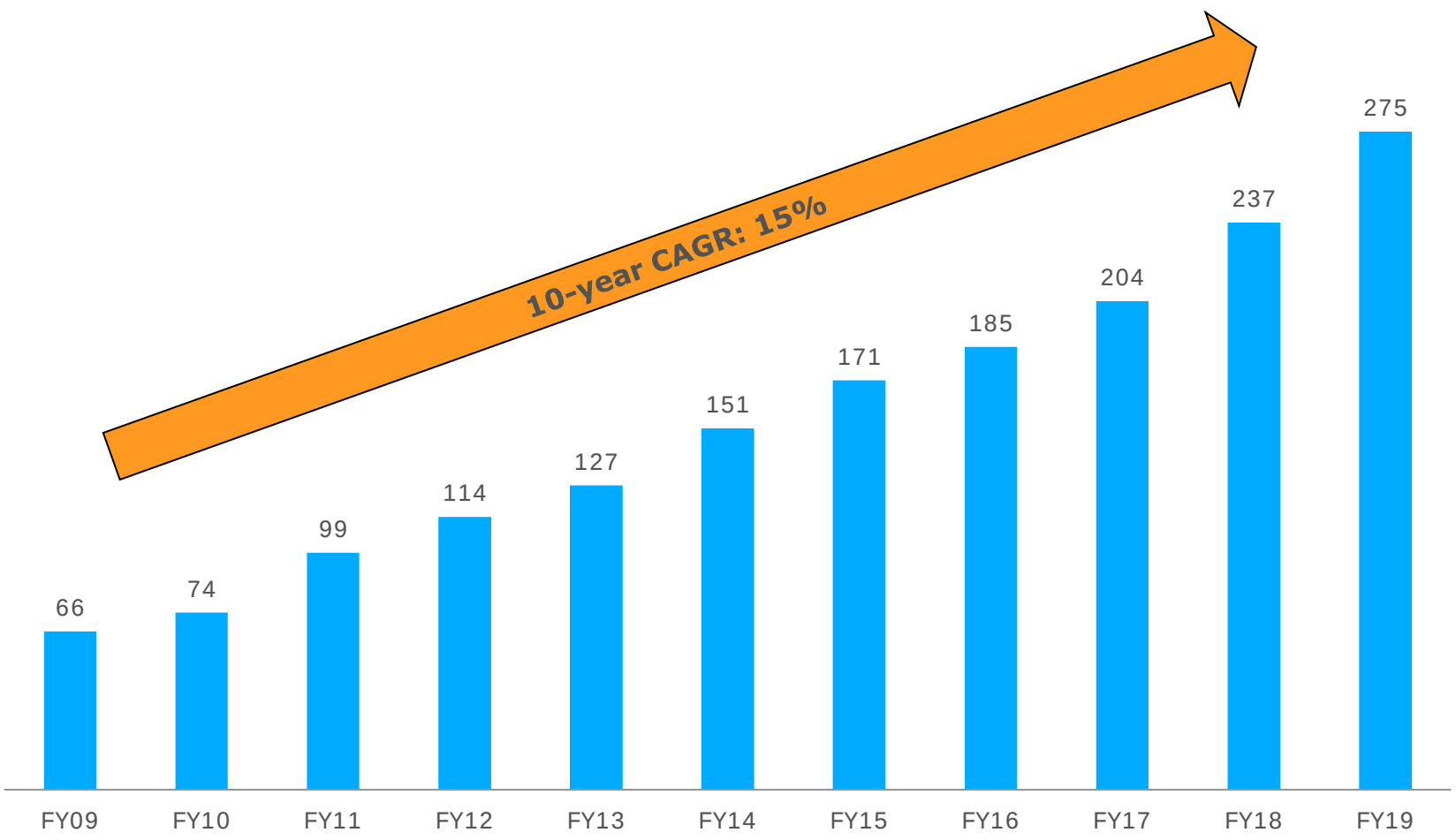
Strong Revenue Growth

$US MM



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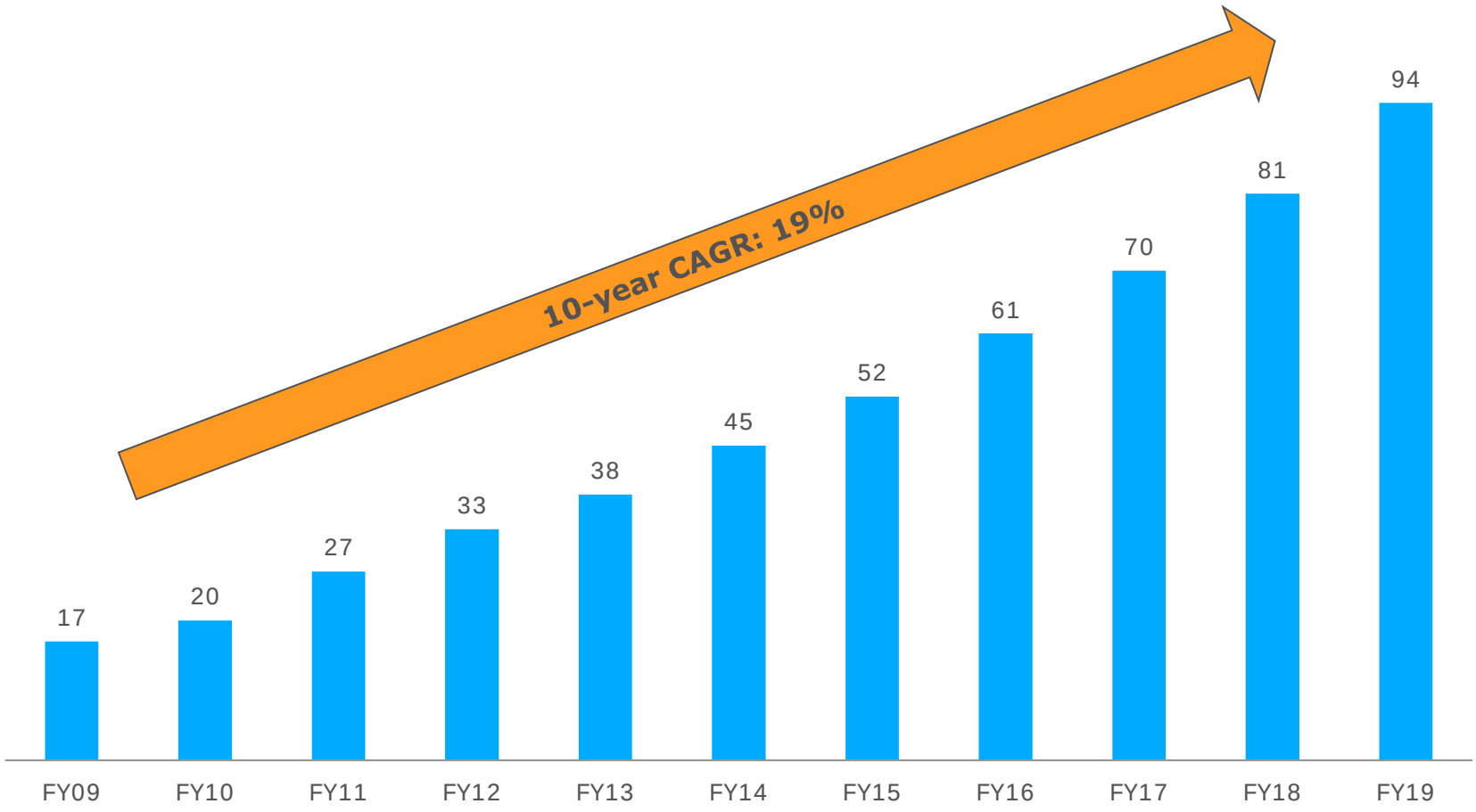
Strong Adjusted EBITDA Growth

$US MM



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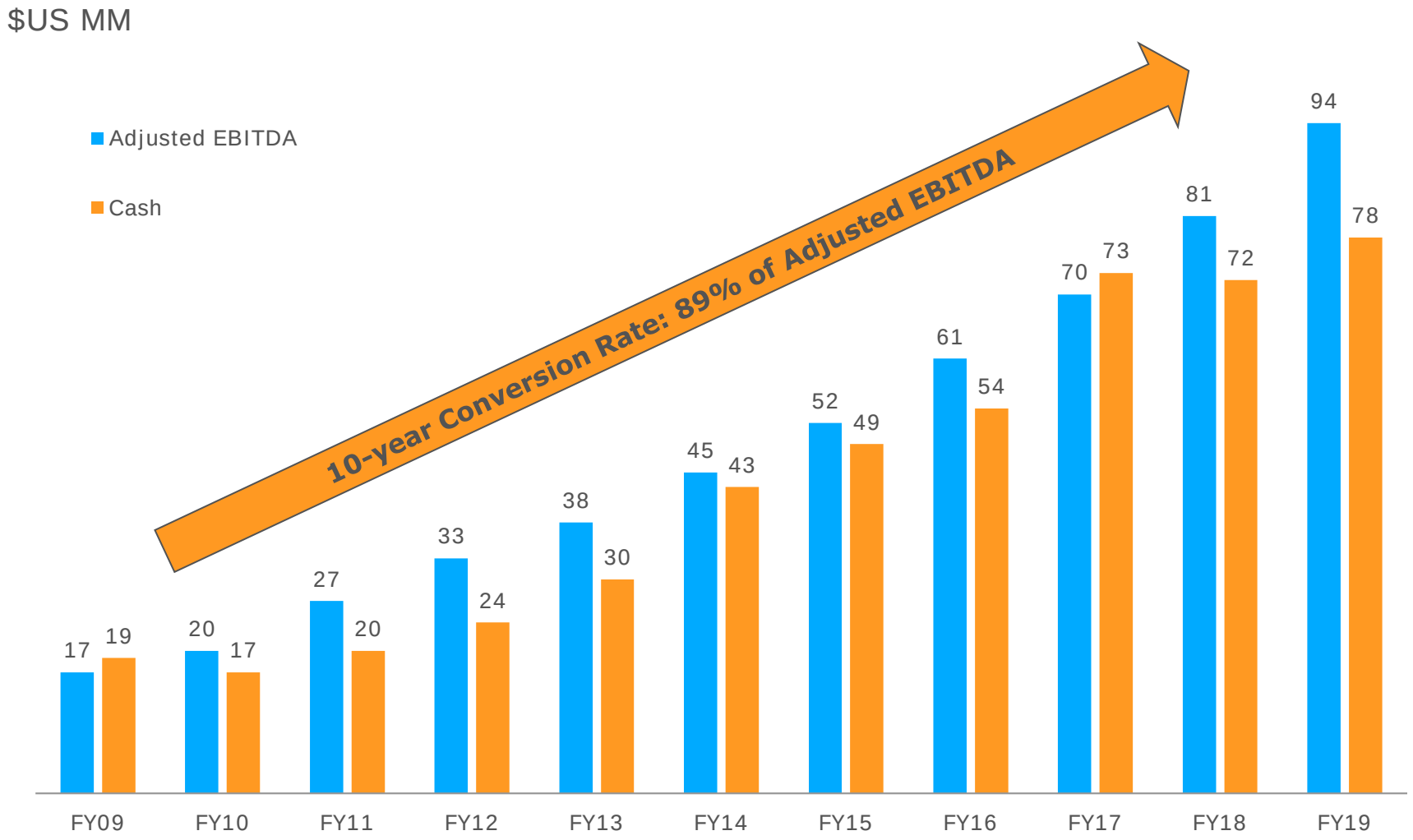
Strong Conversion of Adjusted EBITDA to Operating Cash Flow



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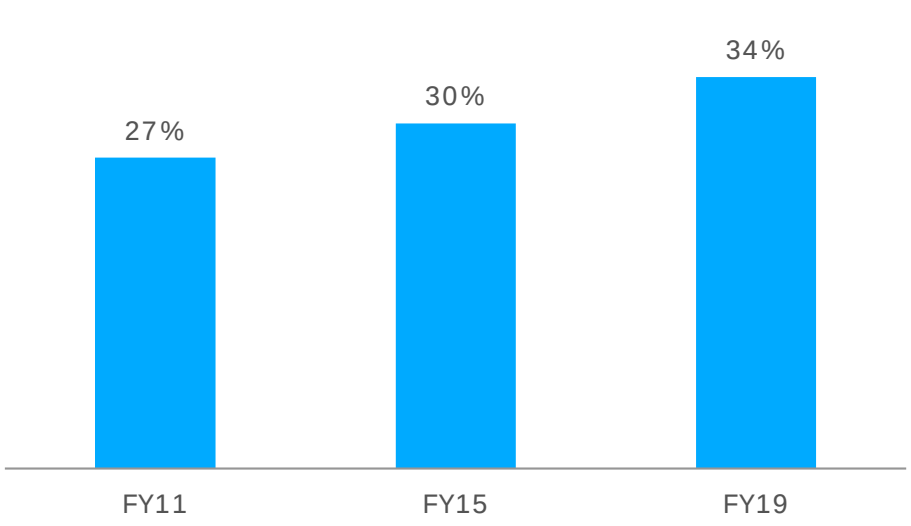
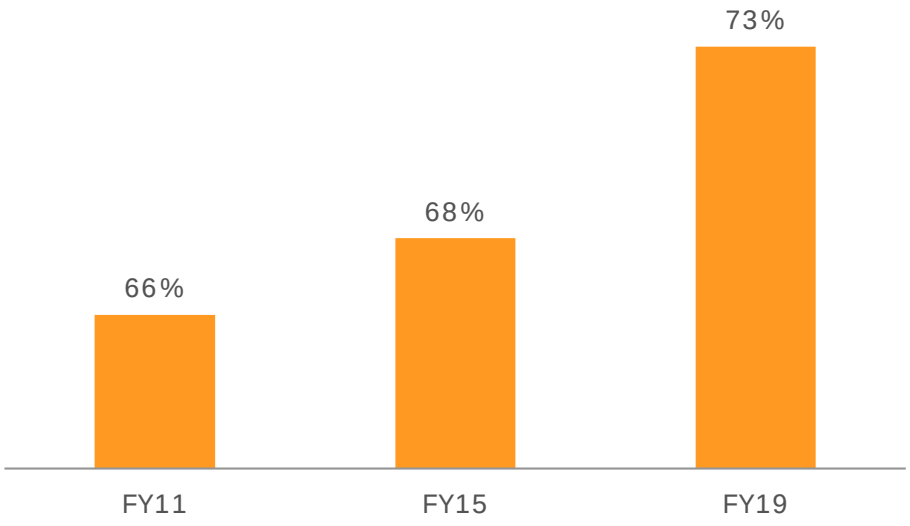
High and Expanding Margins

Adjusted EBITDA Margin



Gross Margin



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Capital Structure – January 31, 2019*

- Common shares
  - 76.8 million - Outstanding
  - 77.8 million - Fully diluted

- Mixed-Shelf filed on May 24, 2018 (up to $750 million)

- Cash and cash equivalents*
  - $US 27.3 million

- Acquisition line of credit
  - $US 350.0 million with the potential to upsize to $US 500.0 million
    - $US 25.5 million drawn*

**On February 13, 2019 Descartes announced the closing of its acquisition of Visual Compliance. The purchase price for the acquisition was approximately $250 million at February 12, 2019 (approximate CAD $330 million purchase price), net of cash acquired, which was funded from a combination of drawing on Descartes' existing credit facility and issuing to the sellers 0.3 million Descartes common shares from treasury.*

Baseline Calibration

Figures per Qtr	Baseline	Actual	Actual % of Baseline
Q1'19			
Revenue	$62.3	$67.0	107%
Adj. EBITDA	$17.6	$22.1	126%
Adj. EBITDA Margin	28.3%	33.0%	
Q2'19			
Revenue	$63.0	$67.1	107%
Adj. EBITDA	$18.1	$22.8	126%
Adj. EBITDA Margin	28.7%	34.0%	
Q3'19			
Revenue	$65.5	$70.0	107%
Adj. EBITDA	$18.8	$24.0	128%
Adj. EBITDA Margin	28.7%	34.3%	
Q4'19			
Revenue	$67.0	$71.0	106%
Adj. EBITDA	$19.7	$25.0	127%
Adj. EBITDA Margin	29.4%	35.2%	
Q1'20			
Revenue	$74.0		
Adj. EBITDA	$22.2		
Adj. EBITDA Margin	30.0%		

- Baseline revenues = visible, contracted and recurring revenues at the beginning of each quarter. Baseline revenues is not a revenues projection as it excludes sales concluded in the period
- Baseline Adjusted EBITDA = Baseline revenue less operating expenses (excluding investment income, interest expense, income tax expense, depreciation, amortization, stock-based compensation, restructuring expenses, acquisition related expenses and executive departure expenses)

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Reconciliation of Non-GAAP Financial Measures - Adjusted EBITDA and Adjusted EBITDA as a percentage of revenues – Q4-19

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 and acquisition-related expenses). 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 2018 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 Q4FY19, Q3FY19, Q2FY19, Q1FY19 and Q4FY18, which we believe is the most directly comparable GAAP measure.

(US dollars in millions)	Q4 FY19	Q3 FY19	Q2 FY19	Q1 FY19	Q4 FY18
Net income, as reported on Consolidated Statements of Operations	7.9	7.9	8.5	7.0	6.7
Adjustments to reconcile to Adjusted EBITDA:					
Interest expense	0.5	0.6	0.5	0.6	0.4
Investment income	(0.1)	-	-	(0.1)	(0.1)
Income tax expense	2.4	2.3	1.2	2.3	1.9
Depreciation expense	1.5	1.1	1.0	0.9	1.3
Amortization of intangible assets	10.3	10.4	10.0	9.5	9.1
Stock-based compensation and related taxes	1.0	1.2	1.0	0.8	1.1
Other charges	1.5	0.5	0.6	1.1	1.0
Adjusted EBITDA	25.0	24.0	22.8	22.1	21.4
Revenues	71.0	70.0	67.1	67.0	63.6
Net income as % of revenues	11%	11%	13%	10%	11%
Adjusted EBITDA as % of revenues	35%	34%	34%	33%	34%

For more information on the reconciliation of Non-GAAP financial measures please refer to our press release dated March 6, 2019:
https://www.descartes.com/news-events/financial-news

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Reconciliation of Non-GAAP Financial Measures - Adjusted EBITDA and Adjusted EBITDA as a percentage of revenues – FY19

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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 FY19 and FY18, which we believe is the most directly comparable GAAP measure.

(US dollars in millions)	FY19	FY18
Net income, as reported on Consolidated Statements of Operations	31.3	26.9
Adjustments to reconcile to Adjusted EBITDA:		
Interest expense	2.1	1.2
Investment income	(0.2)	(0.2)
Income tax expense	8.2	7.9
Depreciation expense	4.5	4.1
Amortization of intangible assets	40.2	33.5
Stock-based compensation and related taxes	4.0	3.4
Other charges	3.8	4.0
Adjusted EBITDA	93.9	80.8
Revenues	275.2	237.4
Net income as % of revenues	11%	11%
Adjusted EBITDA as % of revenues	34%	34%

For more information on the reconciliation of Non-GAAP financial measures please refer to our press release dated March 6, 2019:
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