Descartes Systems Group

NASDAQ: DSGX · SUPPLY CHAIN & LOGISTICS SOFTWARE

EXCEPTIONAL 5/5 SERIES CANDIDATE

SECTOR	INDUSTRY	HQ	MARKET CAP
Technology	Software - Application	Waterloo, Ontario, Canada	$6.6bn

THE ONE-MINUTE VERSION

Descartes sells the cloud software that logistics and supply-chain companies run their shipments through — customs filings, routing, tracking, the operational plumbing global trade depends on but rarely notices. **Newly assessed**, and close to the bar on the same terms every other candidate is judged on.

WHAT IS IT?

Descartes sells the cloud software that logistics and supply-chain companies run their shipments through — customs filings, routing, tracking, the operational plumbing global trade depends on but rarely notices.

HOW IT CREATES VALUE

Subscription revenue against a workflow customers do not touch once it works, with the kind of retention that comes from being embedded rather than merely useful.

THE MOAT

Once a shipper's customs and routing workflow runs through Descartes, ripping it out means re-wiring an operational process, not just switching vendors — and the network gets more valuable to everyone on it as more shippers and carriers join.

THE TREND SHAPING ITS MARKET

Cross-border trade keeps getting more complex — more customs regimes, more compliance paperwork, more scrutiny — and e-commerce keeps pushing parcel volumes up. **Every added layer of complexity is more reason to run it through software rather than by hand.**

THE STRUCTURAL BOTTLENECK

Connecting a shipper to the network of carriers, customs authorities and trading partners on the other end takes years to build and is not something a new entrant can shortcut.

THE COMPETITION — THE HONEST BIT

Large enterprise software vendors — SAP and Oracle among them — bundle logistics modules into broader suites, and specialist visibility players compete for parts of the same budget. **Descartes is smaller than either kind of rival; its edge is depth in one function, not breadth.**

THE FIVE STRUCTURAL TESTS — EVERY COMPANY, THE SAME FIVE

COMPOUNDING	EARNINGS QLTY	BALANCE SHEET	CAPITAL ALLOC.	PER-SHARE VAL.
PASS	PASS	PASS	PASS	PASS

TRAJECTORY · DECELERATING ↓

EPS grew 16.5% over the latest reported year, against 22.4% the year before. Slower, but still growth; the run of consecutive annual rises is unbroken; and the operating margin widened again over the same period, 27.8% to 32.3%.

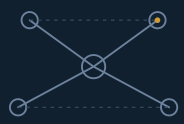
THE COMPOUNDING RECORD — SAME FIVE METRICS FOR EVERY COMPANY IN THE SERIES

EPS CAGR, 11 YRS	YEARLY COMPARISONS UP	WORST EARNINGS DRAWDOWN	NET MARGIN	NET DEBT / EQUITY
22.1%	100%	3%	22.5%	0.01×

The Exceptional Company Series is where The Conviction Play profiles the small number of businesses whose economics we judge genuinely exceptional — companies that pass all five of our structural tests and have compounded earnings through a full cycle. The premise is simple: **conviction is built on business quality and an enduring competitive advantage**, not on a price forecast. We publish what the moat is, how it is defended, and what would change our mind — dated. What we never publish is a price target.

— EXPLORE	— ARCHIVE	— SUBSCRIBE
The seven forces & twenty-two themes	Every company profile to date	convictionplay.substack.com

Not a buy signal — exceptional can also be expensive, and capital is at risk. What this is and what it is not, overleaf.



HEAD OFFICE

Waterloo, Ontario, Canada

Technology · Software - Application

ROIC	10.9%
REVENUE GROWTH	+14.4%
EPS GROWTH	+16.5%
INTEREST COVER	243.4×
FINANCIAL STRENGTH	5 / 5
WEBSITE	www.descartes.com

THE CONVICTION WHEEL

COMPOUNDING
Revenue +14.4%, EPS +16.5%

EARNINGS QLTY
FCF/NI 159%

BALANCE SHEET
Interest covered 243.4x

CAPITAL ALLOC.
10.9% return on capital

PER-SHARE VAL.
FCF/share +12.1%/yr, 3y

PEER GROUP — SUPPLY-CHAIN AND LOGISTICS SOFTWARE

DSGX · profiled

MANH Manhattan Associates

WTC WiseTech Global

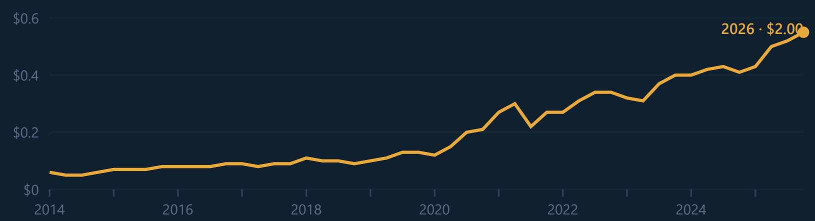
E2open E2open

WHY THE ECONOMICS ARE EXCEPTIONAL

Share price, 5 years of monthly closes — shorter than the earnings chart below (our price history only reaches back 5 years; the EPS record below covers the full twelve).

Not a valuation. Marker = date profiled. Refreshes quarterly.

Trailing twelve-month EPS, twelve years of quarterly data. **In every one of the last 11 years, this line went up.**



Weakest point: 2019, 3% off the prior peak.

WHAT THIS IS, AND WHAT IT IS NOT

An assessment of business quality — how durable the economics are, and how consistently they have become earnings. Produced by Legend, our rules-based framework, applied identically to every company.

Not a buy signal. Not a valuation, price target, forecast or recommendation, and no view on the share price. Exceptional can also be expensive: this company fell 26% from its November 2021 high and took 27 months to regain that price, while its earnings kept rising. Capital is at risk.

WHERE TO READ MORE — NOT BY US

Mauboussin, *Measuring the Moat* (Morgan Stanley) — how to judge a competitive advantage rather than assert one. Free. · **Thorndike, *The Outsiders*** — capital allocation as the job. · **Berkshire shareholder letters** — free at berkshirehathaway.com.

Company facts and financial data: Legend, from company filings and market data, as at 31 August 2026. Structural assessment computed by Legend from reported earnings history. **A point-in-time snapshot** — recalculated as companies report, and it can change on any earnings release. Nothing here updates itself. Full method at theconvictionplay.com/exceptional.

Scan for the full profile, the charts and the audio