



THE DESCARTES SYSTEMS GROUP INC.
FINANCIAL STATEMENTS

US GAAP FINANCIAL RESULTS FOR THE 2025 FISCAL YEAR

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MANAGEMENT'S REPORT ON FINANCIAL STATEMENTS AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Financial Statements

Management is responsible for the accompanying consolidated financial statements and all other information in this Annual Report. These consolidated financial statements have been prepared in accordance with US generally accepted accounting principles ("GAAP") and necessarily include amounts that reflect management's judgment and best estimates. Financial information contained elsewhere in this Annual Report is prepared on a basis consistent with the consolidated financial statements.

The Board of Directors carries out its responsibilities for the consolidated financial statements through its Audit Committee, consisting solely of independent directors. The Audit Committee meets with management and the independent auditors to review the consolidated financial statements and internal controls as they relate to financial reporting. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements for issuance to shareholders.

Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed by, or under the supervision of, the Chief Executive Officer and Chief Financial Officer and effected by the Board of Directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements on a timely basis.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, management assessed the effectiveness of our internal control over financial reporting as of January 31, 2025, based on criteria established in "Internal Control – Integrated Framework" (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on the assessment, management concluded that, as of January 31, 2025, the design and operation of our internal control over financial reporting was effective.

Management's internal control over financial reporting as of January 31, 2025, has been audited by KPMG LLP, Independent Registered Public Accounting Firm, who also audited our Consolidated Financial Statements for the year ended January 31, 2025, as stated in the Report of Independent Registered Public Accounting Firm, which expressed an unqualified opinion on the effectiveness of our internal control over financial reporting as of January 31, 2025.

Changes in Internal Control Over Financial Reporting

During the fiscal year ended January 31, 2025, no changes were made to the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

'Edward J. Ryan'
Edward J. Ryan
Chief Executive Officer

'Allan Brett'
Allan Brett
Chief Financial Officer

Waterloo, Ontario



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Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of The Descartes Systems Group Inc.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of The Descartes Systems Group Inc. and subsidiaries (the Company) as of January 31, 2025 and 2024, the related consolidated statements of operations, comprehensive income, shareholders' equity, and cash flows for each of the years in the three-year period ended January 31, 2025, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of January 31, 2025 and 2024, and the results of its operations and its cash flows for each of the years in the three-year period ended January 31, 2025, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of January 31, 2025, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated March 5, 2025 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Determination of standalone selling prices of distinct performance obligations for customer contracts with multiple performance obligations

As discussed in Note 2 to the consolidated financial statements, the Company enters into contracts that can include the delivery of various combinations of goods and/or services. The accounting for a contract with a customer that contains multiple performance obligations requires an allocation of the transaction price to each distinct performance obligation based on the determination of the standalone selling price (SSP). SSP for each distinct performance obligation in a customer contract is an estimate of the price that would be charged for the specific good or service if it was sold separately in similar circumstances and to similar customers. This estimate determines the amount of revenue recognized for each performance obligation in a customer contract. If the Company does not have an observable SSP for a particular good or service, then SSP for that particular good or service is estimated using reasonably available information and maximizing observable inputs with approaches including historical pricing, cost plus a margin, and the residual approach. When estimating the SSP, the Company makes certain significant assumptions including the basis for stratification of the underlying population of customer contracts based on pricing practices for different goods or services, as appropriate. The Company's consolidated revenues were \$651 million for the year ended January 31, 2025.

We identified the evaluation of the determination of the SSP of distinct performance obligations for customer contracts with multiple performance obligations as a critical audit matter. A higher degree of auditor judgment was required to evaluate the approach and the significant assumptions, including the basis for stratification, used to determine SSP for each distinct performance obligation in a customer contract.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of internal controls related to the critical audit matter, including controls related to the approach and significant assumptions used to determine SSP for distinct performance obligations in customer contracts with multiple performance obligations. We evaluated the approach used to determine SSP by comparing it to pricing patterns in relevant customer contracts, historical methodologies used by the Company, and general practices in the Company's industry. We examined certain revenue transactions from the SSP population and compared attributes such as price and product group to customer contracts and invoices to evaluate the significant assumptions used, including the basis of stratification.

Business combinations - Valuation of acquired intangible assets

As discussed in Note 3 to the consolidated financial statements, during fiscal 2025, the Company acquired: (1) all of the shares of OCR Services, Inc. ('OCR') for \$82.8 million, net of cash acquired (2) all of the shares of Aerospace Software Developments ('ASD') for \$62.5 million, net of cash acquired and (3) all of the shares of Sellercloud LLC and certain assets of Sellercloud Europe Ltd. (collectively referred to as 'Sellercloud') for \$110.2 million, net of cash acquired, plus potential performance-based consideration of up to \$20 million based on Sellercloud achieving revenue-based targets over the first two years post-acquisition. For these acquisitions, the Company identified customer agreements and relationships, and existing technology, as acquired intangible assets and determined the fair value of customer agreements and relationships, and existing technology to be \$24.2 million and \$25 million, respectively for OCR, \$12.2 million and \$14.4 million, respectively for ASD and

\$17.3 million and \$25.2 million, respectively for Sellercloud. As discussed in note 2 to the consolidated financial statements, the Company estimated the fair value of the identified intangible assets acquired in the business

combination based on the income approach. This valuation approach involves significant subjectivity and estimation uncertainty, including the use of assumptions related to the forecasted cash flows attributable to the acquired customer agreements and relationships and to the existing technology asset, and discount rates.

We identified the valuation of customer agreements and relationships, and existing technology acquired in the business combinations with OCR, ASD and Sellercloud as a critical audit matter. Significant auditor judgment and attention was required due to the significant measurement uncertainty in the assumptions related to the forecasted cash flows attributable to the acquired customer agreements and relationships, and to the existing technology asset, and the discount rates used to determine the fair value. In addition, the audit effort associated with these estimates required specialized skills and knowledge.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls related to the Company's valuation of customer agreements and relationships, and existing technology. This included controls related to management's determination of the assumptions identified above. We evaluated the forecasted cash flows attributable to the acquired customer agreements and relationships, and to the existing technology asset by comparing the forecasted cash flows to the historical performance of the acquired businesses and external industry reports. We involved valuation professionals with specialized skills and knowledge to assess the methodology applied in estimating the fair value of the identified intangible assets and assist in evaluating the discount rates by comparing the inputs to the discount rates to publicly available data for comparable entities and assessing the resulting discount rate.

The image shows the handwritten signature of KPMG LLP in black ink. The letters are in a cursive, slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants, Licensed Public Accountants

We have served as the Company's auditor since 2015.

Vaughan, Canada

March 5, 2025



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Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of The Descartes Systems Group Inc.

Opinion on Internal Control Over Financial Reporting

We have audited The Descartes Systems Group Inc. and subsidiaries' (the Company) internal control over financial reporting as of January 31, 2025, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of January 31, 2025, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of January 31, 2025 and 2024, the related consolidated statements of operations, comprehensive income, shareholders' equity, and cash flows for each of the years in the three-year period ended January 31, 2025, and the related notes (collectively, the consolidated financial statements), and our report dated March 5, 2025 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Financial Statements and Internal Control Over Financial Reporting preceding our reports. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial

reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A handwritten signature in black ink that reads "KPMG LLP". The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada
March 5, 2025

THE DESCARTES SYSTEMS GROUP INC.
CONSOLIDATED BALANCE SHEETS
(US DOLLARS IN THOUSANDS; US GAAP)

	January 31, 2025	January 31, 2024
ASSETS		
CURRENT ASSETS		
Cash	236,138	320,952
Accounts receivable (net)		
Trade (Note 5)	53,953	51,569
Other (Note 6)	16,931	12,193
Prepaid expenses and other (Note 7)	45,544	33,468
	352,566	418,182
OTHER LONG-TERM ASSETS (Note 19)	24,887	24,737
PROPERTY AND EQUIPMENT, NET (Note 8)	12,481	11,552
RIGHT-OF-USE ASSETS (Note 13)	7,623	6,257
DEFERRED INCOME TAXES	3,802	2,097
INTANGIBLE ASSETS, NET (Note 9)	321,270	251,047
GOODWILL (Note 10)	924,755	760,413
	1,647,384	1,474,285
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	20,650	17,484
Accrued liabilities (Note 11)	79,656	91,824
Lease obligations (Note 13)	3,178	3,075
Income taxes payable	9,313	6,734
Deferred revenue (Note 19)	104,230	84,513
	217,027	203,630
LEASE OBLIGATIONS (Note 13)	4,718	3,903
DEFERRED REVENUE (Note 19)	978	1,464
INCOME TAXES PAYABLE	5,531	6,153
DEFERRED INCOME TAXES	34,127	21,101
	262,381	236,251
LONG-TERM DEBT (Note 12)		
COMMITMENTS, CONTINGENCIES AND GUARANTEES (Note 14)		
SHAREHOLDERS' EQUITY (Note 15)		
Common shares – unlimited shares authorized; Shares issued and outstanding totaled 85,605,969 at January 31, 2025 (January 31, 2024 – 85,183,455)	568,339	551,164
Additional paid-in capital	503,133	494,701
Accumulated other comprehensive loss	(50,497)	(28,586)
Retained earnings	364,028	220,755
	1,385,003	1,238,034
	1,647,384	1,474,285

The accompanying notes are an integral part of these consolidated financial statements.

THE DESCARTES SYSTEMS GROUP INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

(US DOLLARS IN THOUSANDS, EXCEPT PER SHARE AND WEIGHTED AVERAGE SHARE AMOUNTS; US GAAP)

<i>Year Ended</i>	January 31, 2025	January 31, 2024	January 31, 2023
REVENUES	651,000	572,931	486,014
COST OF REVENUES (exclusive of amortization presented separately below)	158,574	138,295	113,326
GROSS MARGIN	492,426	434,636	372,688
EXPENSES			
Sales and marketing	73,692	68,161	56,573
Research and development	95,497	84,103	70,353
General and administrative	65,248	57,373	49,710
Other charges (Note 20)	7,466	21,649	5,441
Amortization of intangible assets	69,399	60,501	60,177
	311,302	291,787	242,254
INCOME FROM OPERATIONS	181,124	142,849	130,434
INTEREST EXPENSE	(1,004)	(1,363)	(1,167)
INVESTMENT AND OTHER INCOME	11,513	9,666	4,461
INCOME BEFORE INCOME TAXES	191,633	151,152	133,728
INCOME TAX EXPENSE (RECOVERY) (Note 18)			
Current	53,402	41,223	28,248
Deferred	(5,042)	(5,978)	3,244
	48,360	35,245	31,492
NET INCOME	143,273	115,907	102,236
EARNINGS PER SHARE (Note 16)			
Basic	1.68	1.36	1.21
Diluted	1.64	1.34	1.18
WEIGHTED AVERAGE SHARES OUTSTANDING (thousands)			
Basic	85,443	85,068	84,791
Diluted	87,323	86,818	86,451

The accompanying notes are an integral part of these consolidated financial statements.

THE DESCARTES SYSTEMS GROUP INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(US DOLLARS IN THOUSANDS; US GAAP)

<i>Year Ended</i>	January 31, 2025	January 31, 2024	January 31, 2023
Comprehensive income			
Net Income	143,273	115,907	102,236
Other comprehensive income (loss):			
Foreign currency translation adjustment, net of income tax (recovery) expense of \$(391) for the year ended January 31, 2025 (January 31, 2024 – \$1,094; January 31, 2023 – (\$58))	(21,911)	1,870	(18,063)
Total other comprehensive income (loss)	(21,911)	1,870	(18,063)
COMPREHENSIVE INCOME	121,362	117,777	84,173

The accompanying notes are an integral part of these consolidated financial statements.

THE DESCARTES SYSTEMS GROUP INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(US DOLLARS IN THOUSANDS; US GAAP)

	January 31, 2025	January 31, 2024	January 31, 2023
Common shares			
Balance, beginning of year	551,164	538,448	536,297
Stock options and share units exercised	17,175	12,716	2,151
Balance, end of year	568,339	551,164	538,448
Additional paid-in capital			
Balance, beginning of year	494,701	486,551	473,303
Stock-based compensation expense (Note 17)	19,962	16,480	13,667
Stock options and share units exercised	(11,530)	(8,330)	(419)
Balance, end of year	503,133	494,701	486,551
Accumulated other comprehensive income (loss)			
Balance, beginning of year	(28,586)	(30,456)	(12,393)
Other comprehensive income (loss), net of income taxes	(21,911)	1,870	(18,063)
Balance, end of year	(50,497)	(28,586)	(30,456)
Retained earnings			
Balance, beginning of year	220,755	104,848	2,612
Net income	143,273	115,907	102,236
Balance, end of year	364,028	220,755	104,848
Total Shareholders' Equity	1,385,003	1,238,034	1,099,391

The accompanying notes are an integral part of these consolidated financial statements.

THE DESCARTES SYSTEMS GROUP INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(US DOLLARS IN THOUSANDS; US GAAP)

<i>Year Ended</i>	January 31, 2025	January 31, 2024	January 31, 2023
OPERATING ACTIVITIES			
Net income	143,273	115,907	102,236
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation	5,589	5,474	5,225
Amortization of intangible assets	69,399	60,501	60,177
Stock-based compensation expense (Note 17)	19,962	16,480	13,667
Other non-cash operating activities	23	114	53
Deferred tax expense (recovery)	(5,042)	(5,978)	3,244
Changes in operating assets and liabilities (Note 21)	(13,932)	15,182	7,793
Cash provided by operating activities	219,272	207,680	192,395
INVESTING ACTIVITIES			
Additions to property and equipment	(6,743)	(5,563)	(6,071)
Acquisition of subsidiaries, net of cash acquired (Note 3)	(290,204)	(142,700)	(115,561)
Cash used in investing activities	(296,947)	(148,263)	(121,632)
FINANCING ACTIVITIES			
Payment of debt issuance costs	(53)	(43)	(1,118)
Issuance of common shares for cash, net of issuance costs (Note 15)	12,391	9,272	1,730
Payment of withholding taxes on net share settlements	(6,745)	(4,886)	-
Payment of contingent consideration	(9,223)	(19,084)	(5,215)
Cash used in financing activities	(3,630)	(14,741)	(4,603)
Effect of foreign exchange rate changes on cash	(3,509)	(109)	(3,212)
Increase (decrease) in cash	(84,814)	44,567	62,948
Cash, beginning of year	320,952	276,385	213,437
Cash, end of year	236,138	320,952	276,385
Supplemental disclosure of cash flow information:			
Cash paid during the year for interest	-	-	-
Cash paid during the year for income taxes	53,411	44,939	23,791

The accompanying notes are an integral part of these consolidated financial statements.

THE DESCARTES SYSTEMS GROUP INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(TABULAR AMOUNTS IN THOUSANDS OF US DOLLARS, EXCEPT PER SHARE AMOUNTS OR AS OTHERWISE INDICATED;
US GAAP)

Note 1 - Description of the Business

The Descartes Systems Group Inc. (“Descartes”, “Company”, “our” or “we”) is a provider of global logistics technology solutions. Customers use our modular, software-as-a-service (“SaaS”) and data solutions to route, schedule, track and measure delivery resources; plan, allocate and execute shipments; rate, audit and pay transportation invoices; access and analyze global trade data; research and perform trade tariff and duty calculations; file customs and security documents for imports and exports; and complete numerous other logistics processes by participating in a large, collaborative multi-modal logistics community. Our pricing model provides our customers with flexibility in purchasing our solutions either on a subscription, transactional or perpetual license basis. Our primary focus is on serving transportation providers (air, ocean and truck modes), logistics service providers (including third-party logistics providers, freight forwarders and customs brokers) and distribution-intensive companies for which logistics is either a key or a defining part of their own product or service offering, or for which our solutions can provide an opportunity to reduce costs, improve service levels, or support growth by optimizing the use of assets and information.

Note 2 –Basis of Presentation

The accompanying consolidated financial statements are presented in United States (“US”) dollars and are prepared in accordance with generally accepted accounting principles in the US (“GAAP”) and the rules and regulations of the Canadian Securities Administrators and the US Securities and Exchange Commission (“SEC”) for the preparation of consolidated financial statements.

Our fiscal year commences on February 1st of each year and ends on January 31st of the following year. Our fiscal year, which ends on January 31, 2025, is referred to as the “current fiscal year”, “fiscal 2025”, “2025” or using similar words. Our previous fiscal year, which ended on January 31, 2024, is referred to as the “previous fiscal year”, “fiscal 2024”, “2024” or using similar words. Other fiscal years are referenced by the applicable year during which the fiscal year ends. For example, “2026” refers to the annual period ending January 31, 2026 and the “fourth quarter of 2026” refers to the quarter ending January 31, 2026.

We have reclassified certain immaterial items in the consolidated financial statements to conform to the current presentation.

Basis of consolidation

The consolidated financial statements include the financial statements of Descartes and our wholly-owned subsidiaries. We do not have any variable interests in variable interest entities. All intercompany accounts and transactions have been eliminated during consolidation.

Foreign currency translation

The US dollar is the presentation currency of the Company. Assets and liabilities of our subsidiaries are translated into US dollars at the exchange rate in effect at the balance sheet date. Revenues and expenses are translated into US dollars using daily exchange rates. Translation adjustments resulting from this process are accumulated in other comprehensive income (loss) as a separate component of shareholders’ equity. On substantial liquidation of a foreign operation, the component of accumulated other comprehensive income relating to that particular foreign operation is recognized in the consolidated statements of operations.

The functional currency of each of our entities is generally the local currency in which they operate. Transactions incurred in currencies other than the local currency of an entity are converted to the local currency at the transaction date. Monetary assets and liabilities denominated in foreign currencies are re-

measured into the local currency at the exchange rate in effect at the balance sheet date. All foreign currency re-measurement gains and losses are included in net income. For the year ended January 31, 2025, foreign currency re-measurement loss of \$0.5 million was included in net income (January 31, 2024 – loss of \$1.0 million; January 31, 2023 – loss of \$1.2 million).

Use of estimates

Preparing financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts that are reported in the consolidated financial statements and accompanying note disclosures. Although these estimates and assumptions are based on management's best knowledge of current events, actual results may be different from the estimates. These estimates, judgments and assumptions are evaluated on an ongoing basis. We base our estimates on historical experience and on various other assumptions that we believe are reasonable at that time, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources.

Estimates and assumptions are used when accounting for items such as allocations of the purchase price and the fair value of net assets acquired in business combination transactions, useful lives of intangible assets and property and equipment, revenue related estimates including determining the nature and timing of satisfaction of performance obligations, variable consideration, and other obligations such as contingent consideration related to business acquisitions, product returns and refunds, allowance for doubtful accounts, collectability of other receivables, provisions for excess or obsolete inventory, determining the Company's incremental borrowing rate, restructuring accruals, fair value of stock-based compensation, assumptions embodied in the valuation of assets for impairment assessment, accounting for income taxes, valuation allowances for deferred income tax assets, realization of investment tax credits, uncertain tax positions and recognition of contingencies. Significant assumptions and judgment are used when determining the standalone selling price ("SSP") of performance obligations in contracts with customers.

Cash

Cash included highly liquid short-term deposits with original maturities of three months or less.

Financial instruments

Fair value of financial instruments

The carrying amounts of the Company's cash, accounts receivable (net), accounts payable, accrued liabilities and income taxes payable approximate their fair value due to their short maturities.

Derivative instruments

We use derivative instruments to manage equity risk relating to our share-based compensation. We account for these instruments in accordance with ASC Topic 815 "Derivatives and Hedging" (Topic 815), which requires that every derivative instrument be recorded on the balance sheet as either an asset or a liability measured at its fair value as of the reporting date. We do not designate our derivative instruments as hedges and as such the changes in our derivative financial instruments' fair values are recognized in earnings. The fair value of equity contract derivatives is determined utilizing a valuation model based on the quoted market value of our common shares at the balance sheet date.

Foreign exchange risk

We are exposed to foreign exchange risk because the Company transacts business in currencies other than the US dollar. Accordingly, our results are affected, and may be affected in the future, by exchange rate fluctuations of the US dollar relative to the Canadian dollar, euro, British pound sterling and various other foreign currencies.

Interest rate risk

Depending on the type of advance under the available facilities, interest on such borrowings will be charged based on either i) Canada or US prime rate; or ii) Canadian Overnight Repo Rate Average (CORRA); or iii)

the Secured Overnight Financing Rate (SOFR). We are exposed to interest rate fluctuations to the extent that we borrow on our credit facility.

Credit risk

We are exposed to credit risk through our invested cash and accounts receivable. We hold our cash with reputable financial institutions. The lack of concentration of accounts receivable from a single customer and the dispersion of customers among industries and geographical locations mitigate our credit risk.

We do not use any type of speculative financial instruments, including but not limited to foreign exchange contracts, futures, swaps and option agreements, to manage our foreign exchange or interest rate risks. In addition, we do not hold or issue financial instruments for trading purposes.

Equity risk

We are exposed to equity risk through certain share-based compensation expenses that are fair valued at the balance sheet date. The Company enters into equity derivative contracts including floating-rate equity forwards to partially offset the potential fluctuations of certain future share-based compensation expenses. The Company does not hold derivatives for speculative purposes.

Provision for Credit Losses

We are exposed to credit losses primarily through our trade accounts receivable and contract assets. The provision for credit losses is determined utilizing a model of historical losses data. In estimating the provision for credit losses, we considered the age of the receivable, our historical write-offs and the historical creditworthiness of the customer, among other factors. Should any of these factors change, the estimates made by us will also change accordingly, which could affect the level of our future provisions.

Inventory

Finished goods inventories are stated at the lower of cost and net realizable value. The cost of finished goods is determined on the basis of average cost of units.

The valuation of inventory, including the determination of obsolete or excess inventory, requires management to estimate the future demand for our products within specified time horizons. We perform an assessment of inventory which includes a review of, among other factors, demand requirements, product life cycle and development plans, product pricing and quality issues. If the demand for our products indicates we are no longer able to sell inventories above cost or at all, we write down inventory to market or excess inventory is written off.

Impairment of long-lived assets

We test long-lived assets or asset groups, such as property and equipment and finite life intangible assets, for recoverability when events or changes in circumstances indicate that there may be impairment. Circumstances which could trigger a review include, but are not limited to: significant adverse changes in the business climate or legal factors; current period cash flow or operating losses combined with a history of losses or a forecast of continuing losses associated with the use of the asset or asset group; and a current expectation that the asset or asset group will more likely than not be sold or disposed of before the end of its estimated useful life. An impairment loss is recognized when the estimate of undiscounted future cash flows generated by such asset or asset group is less than the carrying amount. Measurement of the impairment loss is based on the present value of the expected future cash flows. No impairment of long-lived assets has been identified or recorded in our consolidated statements of operations for any of the fiscal years presented.

Goodwill and intangible assets

Goodwill represents the excess of the purchase price in a business combination over the fair value of net tangible and intangible assets acquired. Goodwill is not subject to amortization.

We test for impairment of goodwill at least annually on October 31st of each year and at any other time if any event occurs or circumstances change that would more likely than not reduce our fair value below our

reporting unit's carrying amount. Our operations are analyzed by management and our chief operating decision maker as being part of a single industry segment providing logistics technology solutions. Accordingly, our goodwill impairment assessment is based on the allocation of goodwill to a single reporting unit. We completed the qualitative assessment during our third quarter of 2025 and concluded that it was more likely than not that the fair value of the reporting unit was greater than the carrying value. As a result, no impairment of goodwill was recorded in fiscal 2025 (no impairments were recorded for fiscal 2024 or fiscal 2023).

Intangible assets related to our acquisitions are recorded at their fair value at the acquisition date. Intangible assets include customer agreements and relationships, non-compete covenants, existing technologies and trade names. Intangible assets are amortized on a straight-line basis over their estimated useful lives. We write down intangible asset or asset groups with a finite life to fair value when the related undiscounted cash flows are not expected to allow for recovery of the carrying value. Fair value of intangible asset or asset groups is determined by discounting the expected related future cash flows.

Amortization of our intangible assets is generally recorded at the following rates:

Customer agreements and relationships	Straight-line over 2 to 20 years
Existing technologies	Straight-line over 4 to 12 years
Trade names	Straight-line over 3 to 15 years
Non-compete covenants	Straight-line over 2 to 12 years

Property and equipment

Property and equipment is recorded at cost.

Depreciation of our property and equipment is generally recorded at the following rates:

Computer equipment and software	Straight-line over 1 to 13 years
Furniture and fixtures	Straight-line over 3 to 14 years
Leasehold improvements	Straight-line over lesser of useful life or term of lease
Equipment installed with customers	Straight-line over 3 years

Fully depreciated property and equipment are removed from the balance sheet when they are no longer in use.

Leases

At the inception of a contract we assess whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. We have building lease agreements with lease and non-lease components, which are accounted for separately. For computer equipment and vehicle leases, we have elected to account for the lease and non-lease components as a single lease component.

We recognize a right-of-use ("ROU") asset and a lease liability at the lease commencement date. The ROU asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and less any lease incentives received. The assets are depreciated to the earlier of the end of the useful life of the ROU asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option.

The lease liability is initially measured at the present value of the future lease payments at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. As most of our leases do not provide an

implicit rate, we use our incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the ROU asset, or is recorded in profit or loss if the carrying amount of the ROU asset has been reduced to zero.

We have elected to apply the practical expedient not to recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.

Revenue recognition

Revenue is recognized upon transfer of control of promised goods or services to customers in an amount that reflects the consideration we expect to receive in exchange for those goods or services. We enter into contracts that can include the delivery of various combinations of goods and/or services, which are generally capable of being distinct within the context of the contract and accounted for as separate performance obligations. A product or service is distinct if the customer can benefit from it on its own or together with other readily available resources and the promise to transfer the good or service is separately identifiable from other promises in the contractual arrangement with the customer. Non-distinct goods and services are combined with other goods or services until they are distinct as a bundle and therefore form a single performance obligation. The accounting for a contract with a customer that contains multiple performance obligations requires an allocation of the transaction price to each distinct performance obligation based on the determination of the SSP. SSP for each distinct performance obligation in a customer contract is an estimate of the price that would be charged for the specific good or service if it was sold separately in similar circumstances and to similar customers. This estimate determines the amount of revenue recognized for each performance obligation in a customer contract.

Revenue is recognized net of any taxes collected from customers, which are subsequently remitted to governmental authorities. In addition to these general policies, the specific revenue recognition policies for each major category of revenue are included below.

License

Revenues for distinct licenses for on-premise or hosted software are derived from perpetual licenses granted to our customers for the right to use our software products. License revenues are billed on the effective date of a contract and revenue is recognized at the point in time when the customer is provided control of the respective software.

Services

Services, which allow customers to access hosted software over a contract term without taking possession of the software, is provided on a subscription and/or transactional fee basis. Revenues from hosted software subscriptions and maintenance are typically billed annually in advance and revenue is recognized on a ratable basis over the contract term beginning on the date that our service is made available to the customer. Transaction fees are typically billed and recognized as revenue on a monthly basis based on the customer usage for that period.

Professional Services & Other

Professional services are comprised of consulting, implementation and training services related to our services and products. These services are generally considered to be separate performance obligations as they provide incremental benefit to customers beyond providing access to the software. Professional services are typically billed on a time and materials basis and revenue is recognized over time as the services are performed. For professional services contracts billed on a fixed price basis, revenue is recognized over time based on the proportion of services performed. Revenue related to customer

reimbursement of travel related expenses is recognized on a gross basis as incurred. Other revenues include hardware revenue and is generally billed, and revenue is recognized, when control of the product has transferred under the terms of an enforceable contract.

Our contracts with customers often include promises to transfer multiple goods and services to a customer. Determining whether goods and services are considered distinct performance obligations that should be accounted for separately versus together may require judgment. Judgment is also needed in assessing the ability to collect the corresponding receivables.

Significant assumptions and judgment are required to determine the SSP for each distinct performance obligation, which is needed to determine whether there is a discount that needs to be allocated based on the relative SSP of the various goods and services. When estimating the SSP, we make certain significant assumptions including the basis for stratification of the underlying population of customer contracts based on pricing practices for different goods or services, as appropriate. In order to determine the SSP of our promised goods or services, we conduct a regular analysis to determine whether various goods or services have an observable standalone selling price. If the Company does not have an observable SSP for a particular good or service, then SSP for that particular good or service is estimated using reasonably available information and maximizing observable inputs with approaches including historical pricing, cost plus a margin, and the residual approach.

Costs to obtain a contract with a customer

We recognize an asset for the incremental costs of obtaining a contract with a customer if we expect the costs to be recoverable. We have determined that certain sales incentive programs meet the requirements to be capitalized. These capitalized costs are amortized consistent with the pattern of transfer to the customer for the goods and services to which the asset relates, including specifically identifiable contract renewals. The period of benefit including renewals is determined to be generally between four to six years, taking into consideration our customer contracts, our technology, renewal behaviors and other factors. Amortization of the asset is included in sales and marketing expenses in the consolidated statements of operations. Applying the practical expedient, we recognize the incremental costs of obtaining contracts as an expense when incurred if the amortization period of the assets that we otherwise would have recognized is one year or less.

Contract assets and liabilities

The payment terms and conditions in our customer contracts may vary from the timing of revenue recognition. In some cases, customers pay in advance of delivery of products or services; in other cases, payment is due as services are performed or in arrears following delivery. Timing differences between revenue recognition and invoicing result in unbilled receivables, contract assets, or deferred revenue. Receivables are accrued when revenue is recognized prior to invoicing but the right to payment is unconditional (i.e., only the passage of time is required). This occurs most commonly when software term licenses recognized at a point in time are paid for periodically over the license term. Contract assets result when amounts allocated to distinct performance obligations are recognized as revenue and control of a product or service is transferred to the customer, but invoicing is contingent on performance of other performance obligations or on completion of contractual milestones and is presented as other receivables. Contract assets are transferred to receivables when the rights become unconditional, typically upon invoicing of the related performance obligations in the contract or upon achieving the requisite project milestone. Contract liabilities primarily relate to the advance consideration received from customers and is presented as deferred revenue. Deferred revenue results from customer payments in advance of our satisfaction of the associated performance obligation(s) and relates primarily to prepaid maintenance or other recurring services. Deferred revenues are relieved as revenue is recognized. Contract assets and deferred revenues are reported on a contract-by-contract basis at the end of each reporting period.

Research and development costs

To date, we have not capitalized any costs related to research and development of our computer software products. Costs incurred between the dates that the product is considered to be technologically feasible and is considered to be ready for general release to customers have historically been expensed as they have not been significant.

Stock-based compensation plans

Stock Options

We maintain stock option plans for non-employee directors, officers, employees and other service providers. Options to purchase our common shares are granted at an exercise price equal to the fair market value of our common shares as of the date of grant. This fair market value is determined using the closing price of our common shares on the TSX on the day immediately preceding the date of the grant.

Employee stock options generally vest over a five-year period starting from the grant date and expire seven years from the grant date. Non-employee directors' and officers' stock options generally have quarterly vesting over a three to five-year period. We issue new shares from treasury upon the exercise of a stock option. Forfeitures are accounted for as they occur.

The fair value of stock option grants that are ultimately expected to vest are amortized to expense in our consolidated statement of operations based on the straight-line attribution method. The fair value of stock option grants is calculated using the Black-Scholes Merton option-pricing model. Expected volatility is based on historical volatility of our common stock and other factors. The risk-free interest rates are based on Government of Canada average bond yields for a period consistent with the expected life of the option in effect at the time of the grant. The expected option life is based on the historical life of our granted options and other factors.

Performance & Restricted Share Units

We maintain a performance and restricted share unit plan pursuant to which certain of our officers are eligible to receive grants of performance share units ("PSUs") and restricted share units ("RSUs").

PSUs vest at the end of a three-year performance period. The ultimate number of PSUs that vest is based on the total shareholder return ("TSR") of our Company relative to the TSR of companies comprising a peer index group. TSR is calculated based on the weighted-average closing price of shares for the five trading days preceding the beginning and end of the performance period. The fair value of PSUs is expensed to stock-based compensation expense over the vesting period. PSUs expire ten years from the grant date. New shares are issued from treasury upon the redemption of a PSU.

PSUs are measured at fair value estimated using a Monte Carlo Simulation approach. Expected volatility is based on historical volatility of our common stock and other factors. The risk-free interest rates are based on the Government of Canada average bond yields for a period consistent with the expected life of the PSUs at the time of the grant.

RSUs vest annually over a three-year period starting from the grant date and expire ten years from the grant date. We issue new shares from treasury upon the redemption of an RSU.

RSUs are measured at fair value based on the closing price of our common shares for the day preceding the date of the grant and will be expensed to stock-based compensation expense over the vesting period.

Deferred Share Unit Plan

Our board of directors adopted a deferred share unit plan effective as of June 28, 2004, pursuant to which non-employee directors are eligible to receive grants of deferred share units ("DSUs"), each of which has an initial value equal to the weighted-average closing price of our common shares for the five trading days preceding the grant date. The plan allows each director to choose to receive, in the form of DSUs, all, none or a percentage of the eligible director's fees which would otherwise be payable in cash. If a director has invested less than the minimum amount of equity in Descartes, as prescribed from time to time by the board of directors, then the director must take at least 50% of the base annual fee for serving as a director in the form of DSUs. Each DSU fully vests upon award but is distributed only when the director ceases to be a member of the board of directors. Vested units are settled in cash based on our common share price when conversion takes place. Fair value of the liability is based on the closing price of our common shares at the balance sheet date.

Cash-Settled Restricted Share Unit Plan

Our board of directors adopted a cash-settled restricted share unit plan effective as of May 23, 2007, pursuant to which certain of our employees and non-employee directors are eligible to receive grants of cash-settled restricted share units ("CRSUs"), each of which has an initial value equal to the weighted-average closing price of our common shares for the five trading days preceding the date of the grant. The CRSUs generally vest based on continued employment and have annual vesting over three to five-year periods. Vested units are settled in cash based on our common share price when conversion takes place, which is within 30 days following a vesting date and in any event prior to December 31st of the calendar year in which a vesting date occurs. Fair value of the liability is based on the closing price of our common shares at the balance sheet date.

Business combinations

We apply the provisions of ASC Topic 805, "Business Combinations" (Topic 805), in the accounting for our acquisitions. It requires us to recognize separately from goodwill, the assets acquired and the liabilities assumed at their acquisition date fair values including certain identifiable intangible assets (other than goodwill). Goodwill as of the acquisition date is measured as the excess of consideration transferred over the net of the acquisition date fair values of the assets acquired and the liabilities assumed. The determination of the acquisition date fair value of the intangible assets acquired requires us to make estimates and assumptions regarding projected revenues, earnings before interest, taxes, depreciation and amortization, technology migration rates, customer attrition rates and discount rates.

Contingent consideration may be payable on the achievement of certain financial targets in the post-acquisition periods. Contingent consideration is required to be measured at fair value on the date of acquisition. The estimated fair value of contingent consideration is calculated using the estimated financial outcome and resulting expected contingent consideration to be paid. Contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

While we use our best estimates and assumptions to accurately value assets acquired and liabilities assumed at the acquisition date as well as contingent consideration, where applicable, our estimates are inherently uncertain and subject to refinement. As a result, during the measurement period, which may be up to one year from the acquisition date, we may record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments would be recorded to our consolidated statement of operations.

Costs to exit or restructure certain activities of an acquired company or our internal operations are accounted for as termination and exit costs pursuant to ASC Topic 420, "Exit or Disposal Cost Obligations" (Topic 420) and are accounted for separately from the business combination.

For a given acquisition, we generally identify certain pre-acquisition contingencies as of the acquisition date and may extend our review and evaluation of these pre-acquisition contingencies throughout the

measurement period in order to obtain sufficient information to assess whether we include these contingencies as a part of the purchase price allocation and, if so, to determine the estimated amounts. If we determine that a pre-acquisition contingency (non-income tax related) is probable in nature and estimable as of the acquisition date, we record our best estimate for such a contingency as a part of the preliminary purchase price allocation. We often continue to gather information and evaluate our pre-acquisition contingencies throughout the measurement period and if we make changes to the amounts recorded or if we identify additional pre-acquisition contingencies during the measurement period, such amounts will be included in the purchase price allocation during the measurement period and, subsequent to the measurement period, in our results of operations.

Uncertain tax positions and tax related valuation allowances assumed in connection with a business combination are initially estimated as of the acquisition date. We review these items during the measurement period as we continue to actively seek and collect information relating to facts and circumstances that existed at the acquisition date. Changes to these uncertain tax positions and tax related valuation allowances made subsequent to the measurement period, or if they relate to facts and circumstances that did not exist at the acquisition date, are recorded in our provision for income taxes in our consolidated statement of operations.

Income taxes

We use the liability method of income tax allocation to account for income taxes. Deferred tax assets and liabilities arise from temporary differences between the tax bases of assets and liabilities and their reported amounts in the consolidated financial statements that will result in taxable or deductible amounts in future years. These temporary differences are measured using enacted tax rates. A valuation allowance is recorded to reduce deferred tax assets to the extent that we consider it is more likely than not that a deferred tax asset will not be realized. In determining the valuation allowance, we consider factors such as the reversal of deferred income tax liabilities, projected taxable income, our history of losses for tax purposes, and the character of income tax assets and tax planning strategies. A change to these factors could impact the estimated valuation allowance and income tax expense.

We evaluate our uncertain tax positions by using a two-step approach to recognize and measure uncertain tax positions and provisions for income taxes. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not, based solely on the technical merits, that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the appropriate amount of the benefit to recognize. The amount of benefit to recognize is measured as the maximum amount which is more likely than not to be realized. The tax position is derecognized when it is no longer more likely than not that the position will be sustained on audit. We continually assess the likelihood and amount of potential adjustments and adjust the income tax provisions, income taxes payable and deferred income taxes in the period in which the facts that give rise to a revision become known.

Earnings per share

Basic earnings per share is calculated by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per common share is calculated by dividing net income by the sum of the weighted average number of common shares outstanding and all additional common shares that would have been outstanding if potentially dilutive common shares had been issued during the period. The treasury stock method is used to compute the dilutive effect of stock-based compensation.

Recently adopted accounting pronouncements

In November 2023, the FASB issued Accounting Standards Update 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures" ("ASU 2023-07"). The amendments in ASU 2023-07 improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. ASU 2023-07 was effective for fiscal years beginning after December 15, 2023, which was our fiscal year that began on February 1, 2024 (fiscal 2025) and interim periods within fiscal years beginning after December 15, 2024, which was our fiscal year beginning February 1,

2025 (fiscal 2026). The Company adopted ASU 2023-07 retrospectively in the fourth quarter of fiscal 2025. The adoption of this guidance did not have a material impact on our results of operations. For changes to our disclosures see Note 22.

Recently issued accounting pronouncements

In December 2023, the FASB issued Accounting Standards Update 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures" ("ASU 2023-09"). The amendments in ASU 2023-09 enhance transparency about income tax information through improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid information. ASU 2023-09 is effective for annual periods beginning after December 15, 2024, which will be our fiscal year beginning February 1, 2025 (fiscal 2026). Early adoption is permitted for annual financial statements that have not yet been issued or made available for issuance. The Company expects to adopt this guidance in the fourth quarter of fiscal 2026. The adoption of this guidance is not expected to have a material impact on our results of operations or disclosures.

In November 2024, the FASB issued Accounting Standards Update 2024-03, "Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses" and issued a subsequent amendment to the initial guidance in January 2025, collectively referred to as "ASU 2024-03". The amendments in ASU 2024-03 require disaggregation of certain expense captions into specified categories in disclosures within the notes to financial statements, which is expected to enhance cost transparency and improve comparability. ASU 2024-03 is effective for annual reporting periods beginning after December 15, 2026, and interim reporting periods within annual reporting periods beginning after December 15, 2027. Early adoption is permitted. The Company expects to adopt this guidance in the fourth quarter of fiscal 2028. The adoption of this guidance is not expected to have a material impact on our results of operations or disclosures.

Note 3 – Acquisitions

Fiscal 2025 Acquisitions

On March 28, 2024, Descartes acquired all of the shares of OCR Services, Inc. ("OCR"), a leading provider of global trade compliance solutions and content. The purchase price for the acquisition was approximately \$82.8 million, net of cash acquired, which was funded from cash on hand. The gross contractual amount of trade receivables acquired was \$4.7 million with a fair value of \$3.9 million at the date of acquisition. Our acquisition date estimate of contractual cash flows not expected to be collected was \$0.8 million. The completion of the initial purchase price allocation is pending the finalization of the fair value for trade receivables, accrued liability balances, deferred revenue as well as potential unrecorded liabilities. We expect to finalize the purchase price allocation on or before March 28, 2025.

On April 19, 2024, Descartes acquired substantially all of the shares of Aerospace Software Developments ("ASD"), a leading provider of global trade compliance solutions and content. The purchase price for the acquisition was approximately \$62.5 million (EUR 58.7 million), net of cash acquired, which was substantially paid at closing from cash on hand with the remaining \$3.6 million paid in the fourth quarter of fiscal 2025. The gross contractual amount of trade receivables acquired was \$1.1 million with a fair value of \$1.1 million at the date of acquisition. Our acquisition date estimate of contractual cash flows not expected to be collected was nominal. The completion of the initial purchase price allocation is pending the finalization of the fair value for trade receivables, accrued liability balances, deferred revenue as well as potential unrecorded liabilities. We expect to finalize the purchase price allocation on or before April 19, 2025.

On June 10, 2024, Descartes acquired all of the shares of BoxTop Technologies Limited ("BoxTop"), a leading provider of shipment management solutions for small- to mid-sized logistics services providers. The purchase price for the acquisition was approximately \$12.1 million (GBP 9.5 million), net of cash acquired, which was funded from cash on hand. The gross contractual amount of trade receivables acquired was nominal with a nominal fair value at the date of acquisition. Our acquisition date estimate of contractual cash flows not expected to be collected was nominal. The completion of the initial purchase price allocation is pending the finalization of the fair value for trade receivables, accrued liability balances,

deferred revenue as well as potential unrecorded liabilities. We expect to finalize the purchase price allocation on or before June 10, 2025.

On September 17, 2024, Descartes acquired all of the shares of Assure Assist, Inc., doing business as MyCarrierPortal ("MCP"), a leading provider of carrier onboarding and risk monitoring solutions for the trucking industry. The purchase price for the acquisition was approximately \$22.5 million, net of cash acquired, which was funded from cash on hand, plus potential performance-based consideration of up to \$6.0 million based on MCP achieving revenue-based targets over the first two years post-acquisition. The fair value of the contingent consideration was valued at \$1.7 million at the acquisition date. The gross contractual amount of trade receivables acquired was nominal with a nominal fair value at the date of acquisition. Our acquisition date estimate of contractual cash flows not expected to be collected was nominal. The completion of the initial purchase price allocation is pending the finalization of the fair value for trade receivables, accrued liability balances, deferred revenue as well as potential unrecorded liabilities. We expect to finalize the purchase price allocation on or before September 17, 2025.

On October 11, 2024, Descartes acquired all of the shares of Sellercloud LLC and certain assets of Sellercloud Europe Ltd. (collectively referred to as "Sellercloud"), a leading provider of omnichannel ecommerce solutions. The purchase price for the acquisition was approximately \$110.2 million, net of cash acquired, which was funded from cash on hand, plus potential performance-based consideration of up to \$20.0 million based on Sellercloud achieving revenue-based targets over the first two years post-acquisition. The fair value of the contingent consideration was valued at \$5.4 million at the acquisition date. The gross contractual amount of trade receivables acquired was \$1.0 million with a fair value of \$1.0 million at the date of acquisition. Our acquisition date estimate of contractual cash flows not expected to be collected was nominal. The completion of the initial purchase price allocation is pending the finalization of the fair value for trade receivables, accrued liability balances, deferred revenue as well as potential unrecorded liabilities. We expect to finalize the purchase price allocation on or before October 11, 2025.

For the businesses acquired during fiscal 2025, we incurred acquisition-related costs of \$4.8 million for the year ended January 31, 2025. The acquisition-related costs were primarily for advisory services and are included in other charges in our consolidated statements of operations. For the year ended January 31, 2025, we have recognized revenues of \$36.4 million, and net income of \$6.6 million, from OCR, ASD, BoxTop, MCP and Sellercloud since the date of acquisition in our consolidated statements of operations.

The preliminary purchase price allocation for businesses acquired during fiscal 2025, which have not been finalized, is as follows:

	OCR	ASD	BoxTop	MCP	Seller- cloud	Total
Purchase price consideration:						
Cash, net of cash acquired related to OCR (\$5,743), ASD (\$2,475), BoxTop (\$1,012), MCP (\$2,105) and Sellercloud (\$362)	82,849	62,522	12,111	22,508	110,214	290,204
Contingent consideration	-	-	-	1,679	5,364	7,043
Net working capital adjustments (receivable) / payable	164	124	(19)	(217)	196	248
	<u>83,013</u>	<u>62,646</u>	<u>12,092</u>	<u>23,970</u>	<u>115,774</u>	<u>297,495</u>

Allocated to:

Current assets, excluding cash acquired	4,669	4,445	58	17	933	10,122
Deferred income tax assets	77	-	-	-	-	77
Right-of-use assets	59	-	186	-	-	245
Other long-term assets	13	6	1	-	5	25
Current liabilities	(906)	(1,108)	(488)	(1,160)	(437)	(4,099)
Deferred revenue	(11,145)	(330)	(454)	(1,816)	(236)	(13,981)
Lease obligations	(59)	-	(186)	-	-	(245)
Deferred income tax liabilities	(13,107)	(3,319)	(1,743)	-	-	(18,169)
Net tangible assets (liabilities) assumed	(20,399)	(306)	(2,626)	(2,959)	265	(26,025)

Finite life intangible assets acquired:

Customer agreements and relationships	24,200	12,247	2,926	4,900	17,300	61,573
Existing technology	25,000	14,377	3,944	8,300	25,200	76,821
Trade names	1,500	298	25	150	250	2,223
Non-compete covenants	600	426	76	150	700	1,952
Goodwill	52,112	35,604	7,747	13,429	72,059	180,951
	83,013	62,646	12,092	23,970	115,774	297,495

The above transactions were accounted for using the acquisition method in accordance with ASC Topic 805, "Business Combinations". The purchase price allocations in the table above represents our estimates of the allocation of the purchase price and the fair value of net assets acquired. The preliminary purchase price allocations may differ from the final purchase price allocation, and these differences may be material. Revisions to the allocations will occur as additional information about the fair value of assets and liabilities becomes available. The final purchase price allocations will be completed within one year from the acquisition date.

The acquired intangible assets are being amortized over their estimated useful lives as follows:

	OCR	ASD	BoxTop	MCP	Seller-cloud
Customer agreements and relationships	13 years	13 years	13 years	8 years	12 years
Existing technology	6 years	6 years	6 years	6 years	6 years
Trade names	10 years	3-6 years	2 years	3 years	3 years
Non-compete covenants	5 years	5 years	5 years	5 years	5 years

The goodwill on the OCR, ASD, BoxTop, MCP and Sellercloud acquisitions arose as a result of the combined strategic value to our growth plan. The goodwill arising from the OCR, ASD and BoxTop acquisitions are not deductible for tax purposes. The goodwill arising from the MCP and Sellercloud acquisitions are deductible for tax purposes.

Fiscal 2024 Acquisitions

On February 14, 2023, Descartes acquired all of the shares of Windigo Logistics, Inc., doing business as GroundCloud ("GroundCloud"), a cloud-based provider of final-mile carrier solutions and road safety compliance tools. The purchase price for the acquisition was approximately \$136.8 million, net of cash acquired, which was funded from cash on hand, plus potential performance-based contingent consideration of up to \$80.0 million based on GroundCloud achieving revenue-based targets over the first two years post-acquisition. The fair value of the contingent consideration was valued at \$19.6 million at the acquisition date. The gross contractual amount of trade receivables acquired was \$1.5 million with a fair value of \$1.5 million at the date of acquisition. Our acquisition date estimate of contractual cash flows not expected to be collected was nominal. The purchase price was finalized in the three month period ended

January 31, 2024 with no adjustments.

On April 20, 2023, Descartes acquired substantially all of the assets of Localz Pty Ltd. ("Localz"), a cloud-based customer engagement platform for day-of-service interaction and order management. The purchase price for the acquisition was approximately \$5.9 million, net of cash acquired, which was funded from cash on hand. The gross contractual amount of trade receivables acquired was \$0.6 million with a fair value of \$0.6 million at the date of acquisition. Our acquisition date estimate of contractual cash flows not expected to be collected was nominal. The purchase price was finalized in the three month period ended April 30, 2024 with no adjustments.

The final purchase price allocations for businesses we acquired in 2024 are as follows:

	Ground- Cloud	Localz	Total
Purchase price consideration:			
Cash, less cash acquired related to GroundCloud (\$4,381) and Localz (Nil)	136,843	5,857	142,700
Contingent consideration	19,550	-	19,550
Net working capital adjustments (receivable) / payable	458	(5)	453
	<u>156,851</u>	<u>5,852</u>	<u>162,703</u>
Allocated to:			
Current assets, excluding cash acquired	3,245	619	3,864
Right-of-use Assets	144	-	144
Current liabilities	(3,308)	(227)	(3,535)
Deferred revenue	(136)	(1,465)	(1,601)
Lease obligations	(144)	-	(144)
Net tangible assets (liabilities) assumed	<u>(199)</u>	<u>(1,073)</u>	<u>(1,272)</u>
Finite life intangible assets acquired:			
Customer agreements and relationships	29,400	-	29,400
Existing technology	42,800	5,971	48,771
Trade names	1,100	-	1,100
Non-compete covenants	1,000	-	1,000
Goodwill	82,750	954	83,704
	<u>156,851</u>	<u>5,852</u>	<u>162,703</u>

The acquired intangible assets are being amortized over their estimated useful lives as follows:

	GroundCloud	Localz
Customer agreements and relationships	13 years	N/A
Existing technology	6 years	6 years
Trade names	6 years	N/A
Non-compete covenants	5 years	N/A

The goodwill on the GroundCloud and Localz acquisitions arose as a result of the combined strategic value to our growth plan. The goodwill arising from the GroundCloud and Localz acquisitions is deductible for tax purposes.

Fiscal 2023 Acquisitions

On February 9, 2022, Descartes acquired all of the shares of NetCHB, LLC ("NetCHB"), a provider of customs filing solutions in the US. The purchase price for the acquisition was approximately \$38.7 million, net of cash acquired, which was funded from cash on hand, plus potential performance-based contingent

consideration of up to \$60.0 million based on NetCHB achieving revenue-based targets over the first two years post-acquisition. The fair value of the contingent considerations was valued at \$13.9 million at the acquisition date. The gross contractual amount of trade receivables acquired was \$0.1 million with a fair value of \$0.1 million at the date of acquisition. Our acquisition date estimate of contractual cash flows not expected to be collected was nominal. The purchase price was finalized in the three month period ended January 31, 2023 with no adjustments.

On April 21, 2022, Descartes acquired substantially all of the assets of Foxtrot, Inc. ("Foxtrot"), a provider of machine learning-based mobile route execution solutions. The purchase price for the acquisition was approximately \$4.2 million, net of cash acquired, which was funded from cash on hand. The gross contractual amount of trade receivables acquired was \$0.7 million with a fair value of \$0.7 million at the date of acquisition. Our acquisition date estimate of contractual cash flows not expected to be collected was nominal. The purchase price was finalized in the three month period ended April 30, 2023 with no adjustments.

On June 3, 2022, Descartes acquired all of the shares of XPS Technologies, LLC ("XPS"), a provider of ecommerce multi-carrier parcel shipping solutions. The purchase price for the acquisition was approximately \$61.1 million, net of cash acquired, which was funded from cash on hand, plus potential performance-based contingent consideration of up to \$75.0 million based on XPS achieving revenue-based targets over the first two years post-acquisition. The fair value of the contingent consideration was valued at \$9.4 million at the acquisition date. The gross contractual amount of trade receivables acquired was \$1.5 million with a fair value of \$1.5 million at the date of acquisition. Our acquisition date estimate of contractual cash flows not expected to be collected was nominal. The purchase price was finalized in the three month period ended July 31, 2023 with no adjustments.

On January 5, 2023, Descartes acquired all of the shares of Tran-Soft, LLC, doing business as Supply Vision ("Supply Vision"), a provider of shipment management solutions for North American Logistics Services Providers. The purchase price for the acquisition was approximately \$11.6 million, net of cash acquired, which was funded from cash on hand, plus potential performance-based contingent consideration of up to \$3.0 million based on Supply Vision achieving revenue-based targets over the first two years post-acquisition. The fair value of the contingent consideration was valued at \$2.7 million at the acquisition date. The gross contractual amount of trade receivables acquired was \$0.3 million with a fair value of \$0.3 million at the date of acquisition. Our acquisition date estimate of contractual cash flows not expected to be collected was nominal. The purchase price was finalized in the three month period ended January 31, 2024 with no adjustments.

The final purchase price allocations for businesses we acquired in 2023 are as follows:

	NetCHB	Foxtrot	XPS	Supply Vision	Total
Purchase price consideration:					
Cash, less cash acquired related to NetCHB (\$658), Foxtrot (Nil), XPS (\$3,932) and Supply Vision (\$413)	38,664	4,228	61,096	11,573	115,561
Contingent consideration	13,948	-	9,425	2,670	26,043
Net working capital adjustments payable (receivable)	51	66	978	4	1,099
	<u>52,663</u>	<u>4,294</u>	<u>71,499</u>	<u>14,247</u>	<u>142,703</u>
Allocated to:					
Current assets, excluding cash acquired	469	835	2,449	718	4,471
Current liabilities	(367)	(22)	(1,483)	(532)	(2,404)
Deferred revenue	-	(336)	(2,196)	(132)	(2,664)
Net tangible assets (liabilities) assumed	<u>102</u>	<u>477</u>	<u>(1,230)</u>	<u>54</u>	<u>(597)</u>

Finite life intangible assets acquired:

Customer agreements and relationships	10,900	650	8,100	2,500	22,150
Existing technology	14,100	1,640	20,000	4,700	40,440
Trade names	64	-	100	30	194
Non-compete covenants	700	-	1,000	200	1,900
Goodwill	26,797	1,527	43,529	6,763	78,616
	<u>52,663</u>	<u>4,294</u>	<u>71,499</u>	<u>14,247</u>	<u>142,703</u>

The acquired intangible assets are being amortized over their estimated useful lives as follows:

	NetCHB	Foxtrot	XPS	Supply Vision
Customer agreements and relationships	13 years	13 years	11 years	11 years
Existing technology	6 years	6 years	6 years	6 years
Trade names	2 years	N/A	2 years	9 years
Non-compete covenants	5 years	N/A	5 years	5 years

The goodwill on the NetCHB, Foxtrot, XPS and Supply Vision acquisitions arose as a result of the combined strategic value to our growth plan. The goodwill arising from the NetCHB, Foxtrot, XPS and Supply Vision acquisitions is deductible for tax purposes.

Pro Forma Results of Operations (Unaudited)

The financial information in the table below summarizes selected results of operations on a pro forma basis as if we had acquired Sellercloud, MCP, BoxTop, ASD, OCR, Localz, GroundCloud, Supply Vision, XPS, Foxtrot and NetCHB as of February 1, 2022.

This pro forma information is for information purposes only and does not purport to represent what our actual results of operations for the periods presented would have been had the acquisitions of Sellercloud, MCP, BoxTop, ASD, OCR, Localz, GroundCloud, Supply Vision, XPS, Foxtrot and NetCHB occurred at February 1, 2022, or to project our results of operations for any future period.

<i>Year Ended</i>	January 31, 2025	January 31, 2024	January 31, 2023
Revenues	675,556	626,643	581,614
Net income	142,171	107,548	90,488
Earnings per share			
Basic	1.66	1.26	1.07
Diluted	1.63	1.24	1.05

Note 4 – Fair Value Measurements

ASC Topic 820 "Fair Value Measurements and Disclosures" (Topic 820) defines fair value as the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. The fair value, in this context, should be calculated based on assumptions that market participants would use in pricing the asset or liability, not on assumptions specific to the entity. In addition, the fair value of liabilities should include consideration of non-performance risk, including our own credit risk.

Topic 820 establishes a fair value hierarchy which prioritizes the inputs used in the valuation methodologies in measuring fair value into three levels:

- Level 1—inputs are based upon unadjusted quoted prices for identical instruments traded in active markets.
- Level 2—inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3—inputs are generally unobservable and typically reflect management’s estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

The carrying amounts of the Company’s cash, accounts receivable (net), accounts payable, accrued liabilities and income taxes payable approximate their fair value (a Level 2 measurement) due to their short maturities.

The following table shows the Company’s financial instruments measured at fair value on a recurring basis as of January 31, 2025:

	Level 1	Level 2	Level 3	Total
Assets:				
Equity derivative contracts	-	26,372	-	26,372
Liabilities:				
Contingent consideration	-	-	8,674	8,674

The following table shows the Company’s financial instruments measured at fair value on a recurring basis as of January 31, 2024:

	Level 1	Level 2	Level 3	Total
Assets:				
Equity derivative contracts	-	16,206	-	16,206
Liabilities:				
Contingent consideration	-	-	35,146	35,146

The Company enters into equity derivative contracts including floating-rate equity forwards to substantially offset the potential fluctuations of certain future share-based compensation expenses. The equity derivative contracts are not designated as hedge instruments and the Company does not hold derivatives for speculative purposes. As at January 31, 2025, we had equity derivatives for 332,473 Descartes common shares with a weighted average price of \$36.80.

The fair value of equity contract derivatives is determined utilizing a valuation model based on the quoted market value of our common shares at the balance sheet date (Level 2 fair value inputs). The fair value of equity contract derivatives is recorded as other current assets and gains and losses are recorded in general and administrative expenses in the consolidated financial statements. For the years ended January 31, 2025, 2024 and 2023, we recognized a recovery in general and administrative expenses of (\$11.8) million, (\$4.6) million and (\$1.3) million, respectively.

Estimates of the fair value of contingent consideration are performed by the Company on a quarterly basis. Key unobservable inputs include revenue growth rates and the discount rates applied (10% to 16%). The estimated fair value increases as the annual revenue growth rate increases and as the discount rate decreases and vice versa. The following table presents the changes in the fair value measurements of the contingent consideration in Level 3 of the fair value hierarchy:

	Level 3
Balance at January 31, 2023	30,949
Increase from acquisitions	19,550
Cash payments	(31,688)
Charges through profit or loss	16,334
Effect of movements in foreign exchange and other	1
Balance at January 31, 2024	35,146
Increase from acquisitions	7,043
Cash payments	(34,210)
Charges through profit or loss	707
Effect of movements in foreign exchange and other	(12)
Balance at January 31, 2025	8,674

Contingent consideration paid in 2025 totaled \$34.2 million, of which \$9.2 million related to the portion of the earn-out arrangements accrued for at the time of acquisition and the remainder of \$25.0 million was paid out of cash flow from operating activities. Contingent consideration paid in 2024 totaled \$31.7 million of which \$19.1 million related to the portion of the earn-out arrangements accrued for at the time of acquisition and the remainder of \$12.6 million was paid out of cash flow from operating activities.

Note 5 – Trade Accounts Receivable

	January 31, 2025	January 31, 2024
Trade accounts receivable	54,702	52,268
Less: Provision for credit losses	(749)	(699)
	53,953	51,569

Included in accounts receivable are unbilled receivables in the amount of \$4.6 million as at January 31, 2025 (\$2.4 million as at January 31, 2024). No single customer accounted for more than 10% of the accounts receivable balance as of January 31, 2025 and 2024.

The following table presents the changes in the provision for credit losses as follows:

	Provision for Credit Losses
Balance at January 31, 2023	1,545
Current period provision for expected losses	924
Write-offs charged against the provision	(1,770)
Effect of movements in foreign exchange	-
Balance at January 31, 2024	699
Current period provision for expected losses	1,676
Write-offs charged against the provision	(1,611)
Effect of movements in foreign exchange	(15)
Balance at January 31, 2025	749

Note 6 – Other Receivables

	January 31, 2025	January 31, 2024
Other receivables	16,931	12,193
	16,931	12,193

Other receivables include receivables related to sales and use taxes, income taxes, non-trade receivables and contract assets. At January 31, 2025, a nominal balance (nil at January 31, 2024) of the net working capital adjustments receivable from acquisitions is recoverable from amounts held in escrow related to the respective acquisitions.

Note 7 – Prepaid Expenses and Other

	January 31, 2025	January 31, 2024
Prepaid expenses	18,457	16,909
Equity derivative contracts (Note 4)	26,372	16,206
Inventory	715	353
	45,544	33,468

Note 8 – Property and Equipment

	January 31, 2025	January 31, 2024
Cost		
Computer equipment and software	39,261	48,943
Furniture and fixtures	1,193	1,432
Leasehold improvements	718	994
Equipment installed with customers	2,430	2,314
Assets under construction	35	497
	43,637	54,180
Accumulated depreciation		
Computer equipment and software	27,507	38,825
Furniture and fixtures	1,076	1,287
Leasehold improvements	529	730
Equipment installed with customers	2,044	1,786
	31,156	42,628
Net	12,481	11,552

Note 9 - Intangible Assets

	January 31, 2025	January 31, 2024
Cost		
Customer agreements and relationships	354,049	299,524
Existing technology	466,832	403,944
Trade names	12,142	10,139
Non-compete covenants	16,483	14,911
	849,506	728,518
Accumulated amortization		
Customer agreements and relationships	189,908	172,026
Existing technology	316,506	285,148
Trade names	8,889	8,227
Non-compete covenants	12,933	12,070
	528,236	477,471
Net	321,270	251,047

Intangible assets related to our acquisitions are recorded at their fair value at the acquisition date. The change in intangible assets during the year ended January 31, 2025 is primarily due to the acquisitions of OCR, ASD, BoxTop, MCP and Sellercloud partially offset by amortization. The balance of the change in intangible assets is due to foreign currency translation.

Intangible assets with a finite life are amortized into income over their useful lives. Amortization expense for existing intangible assets is expected to be \$321.3 million over the following periods: \$71.2 million for 2026, \$56.6 million for 2027, \$49.4 million for 2028, \$41.0 million for 2029, \$29.3 million for 2030 and \$73.8 million thereafter. Expected future amortization expense is subject to fluctuations in foreign exchange rates and assumes no future adjustments to acquired intangible assets.

Note 10 – Goodwill

Goodwill is recorded when the consideration paid for an acquisition of a business exceeds the fair value of identifiable net tangible and intangible assets acquired. The following table summarizes the changes in goodwill since January 31, 2023:

	January 31, 2025	January 31, 2024
Balance at beginning of period	760,413	675,647
Acquisition of GroundCloud	-	82,750
Acquisition of Localz	-	954
Acquisition of OCR	52,112	-
Acquisition of ASD	35,604	-
Acquisition of BoxTop	7,747	-
Acquisition of MCP	13,429	-
Acquisition of Sellercloud	72,059	-
Adjustments on account of foreign exchange	(16,609)	1,062
Balance at end of period	924,755	760,413

Note 11 - Accrued Liabilities

	January 31, 2025	January 31, 2024
Accrued compensation and benefits	55,105	43,075
Accrued contingent acquisition consideration	8,674	35,146
Accrued professional fees	1,823	1,577
Other accrued liabilities	14,054	12,026
	79,656	91,824

Other accrued liabilities include accrued expenses related to third-party resellers and royalties, suppliers, and accrued restructuring charges.

Note 12 – Long-Term Debt

We have a senior secured revolving credit facility in place with a syndicate of lenders. The facility is a \$350.0 million revolving operating credit facility to be available for general corporate purposes, including the financing of ongoing working capital needs and acquisitions. The credit facility has a five-year maturity with no fixed repayment dates prior to the end of the term ending December 2027. With the approval of the lenders, the credit facility can be expanded to a total of \$500.0 million. Borrowings under the credit facility are secured by a first charge over substantially all of Descartes' assets. Depending on the type of advance, interest rates under the revolving operating portion of the credit facility are based on the Canada or US prime rate, Canadian Overnight Repo Rate Average (CORRA) or the Secured Overnight Financing Rate (SOFR) plus an additional 0 to 250 basis points based on the ratio of net debt to adjusted earnings before interest, taxes, depreciation and amortization, as defined in the credit facility. A standby fee of between 20 to 40 basis points will be charged on all undrawn amounts. The credit facility contains certain customary representations, warranties and guarantees, and covenants.

No amounts were drawn on the credit facility as of January 31, 2025 and the balance of \$350.0 million is available for use. We were in compliance with the covenants of the credit facility as of January 31, 2025.

As at January 31, 2025, we had outstanding letters of credit of approximately \$0.2 million (\$0.2 million as at January 31, 2024), which were not related to our credit facility.

Note 13 – Leases

We have operating leases for buildings, vehicles and computer equipment. Our leases have remaining terms of up to 5 years, some of which include options to extend the leases for up to 5 years.

The components of operating lease expense were as follows:

<i>Year Ended</i>	January 31, 2025	January 31, 2024	January 31, 2023
Operating lease cost	3,656	4,169	4,182
Short-term lease cost	508	597	636
Total operating lease cost	4,164	4,766	4,818

Supplemental cash flow information related to operating leases was as follows:

<i>Year Ended</i>	January 31, 2025	January 31, 2024	January 31, 2023
Operating cash outflows from operating leases included in measurement of lease liabilities	4,028	3,996	4,240
New right-of-use assets obtained in exchange for lease obligations	3,706	4,239	864

Supplemental information related to operating leases was as follows:

	January 31, 2025	January 31, 2024
Weighted average remaining lease term (years)	2.9	3.0
Weighted average discount rate (%)	5.1	4.1

Maturities of operating lease liabilities were as follows as of January 31, 2025:

<i>Years Ended January 31,</i>	Operating Leases
2026	3,571
2027	2,510
2028	1,671
2029	596
2030	219
2031 and thereafter	-
Total lease payments	8,567
Less: imputed interest	(671)
Total lease obligations	7,896
Current	3,178
Long-term	4,718

Note 14 - Commitments, Contingencies and Guarantees

Commitments

As described in Note 2 to these consolidated financial statements, we maintain deferred share unit ("DSU") and cash-settled restricted share unit ("CRSU") plans for our directors and employees. Any payments made pursuant to these plans are settled in cash. For DSUs and CRSUs, the units vest over time and the liability recognized at any given consolidated balance sheet date reflects only those units vested at that date that have not yet been settled in cash. As such, we had an unrecognized aggregate liability for the unvested DSUs and CRSUs of nil and \$1.2 million, respectively, at January 31, 2025. The ultimate liability for any payment of DSUs and CRSUs is dependent on the trading price of our common shares. To substantially offset our exposure to fluctuations in our stock price, we have entered into equity derivative contracts, including floating-rate equity forwards. As at January 31, 2025, we had equity derivatives for 332,473 Descartes common shares and a DSU liability for 332,473 Descartes common shares, resulting in no net exposure resulting from changes to our share price.

Contingencies

We are subject to a variety of other claims and suits that arise from time to time in the ordinary course of our business. The consequences of these matters are not presently determinable but, in the opinion of management after consulting with legal counsel, the ultimate aggregate potential liability is not currently expected to have a material effect on our results of operations or financial position.

Product Warranties

In the normal course of operations, we provide our customers with product warranties relating to the performance of our hardware, software and services. To date, we have not encountered material costs as a result of such obligations and have not accrued any liabilities related to such obligations in our consolidated financial statements.

Business combination agreements

In respect of our acquisitions of Supply Vision, GroundCloud, MCP and Sellercloud, up to \$67.5 million in cash may become payable if certain revenue performance targets are met in the two years following the acquisition. A balance of \$8.7 million is accrued related to the fair value of this contingent consideration as at January 31, 2025.

Guarantees

In the normal course of business, we enter into a variety of agreements that may contain features that meet the definition of a guarantee under ASC Topic 460, "Guarantees". The following lists our significant guarantees:

Intellectual property indemnification obligations

We provide indemnifications of varying scope to our customers against claims of intellectual property infringement made by third parties arising from the use of our products. In the event of such a claim, we are generally obligated to defend our customers against the claim and we are liable to pay damages and costs assessed against our customers that are payable as part of a final judgment or settlement. These intellectual property infringement indemnification clauses are not generally subject to any dollar limits and remain in force for the term of our license agreement with our customer, which license terms are typically perpetual. Historically, we have not encountered material costs as a result of such indemnification obligations.

Other indemnification agreements

In the normal course of operations, we enter into various agreements that provide general indemnities. These indemnities typically arise in connection with purchases and sales of assets, securities offerings or buy-backs, service contracts, administration of employee benefit plans, retention of officers and directors, membership agreements, customer financing transactions, and leasing transactions. In addition, our corporate by-laws provide for the indemnification of our directors and officers. Each of these indemnities requires us, in certain circumstances, to compensate the counterparties for various costs resulting from breaches of representations or obligations under such arrangements, or as a result of third-party claims that may be suffered by the counterparty as a consequence of the transaction. We believe that the likelihood that we could incur significant liability under these obligations is remote. Historically, we have not made any significant payments under such indemnities.

In evaluating estimated losses for the guarantees or indemnities described above, we consider such factors as the degree of probability of an unfavorable outcome and the ability to make a reasonable estimate of the amount of loss. We are unable to make a reasonable estimate of the maximum potential amount payable under such guarantees or indemnities as many of these arrangements do not specify a maximum potential dollar exposure or time limitation. The amount also depends on the outcome of future events and conditions, which cannot be predicted. Given the foregoing, to date, we have not accrued any liability in our consolidated financial statements for the guarantees or indemnities described above.

Note 15 – Share Capital

On July 15, 2022, we filed a final short-form base shelf prospectus (the "2022 Base Shelf Prospectus"), allowing us to offer and issue an unlimited quantity of the following securities during the 25-month period following thereafter: (i) common shares; (ii) preferred shares; (iii) senior or subordinated unsecured debt securities; (iv) subscription receipts; (v) warrants; and (vi) securities comprised of more than one of the aforementioned common shares, preferred shares, debt securities, subscription receipts and/ or warrants

offered together as a unit. No securities were sold pursuant to the 2022 Base Shelf Prospectus, which was withdrawn in July 2024.

On July 15, 2024, we filed a final short-form base shelf prospectus (the "2024 Base Shelf Prospectus"), allowing us to offer and issue an unlimited quantity of the following securities during the 25-month period following thereafter: (i) common shares; (ii) preferred shares; (iii) senior or subordinated unsecured debt securities; (iv) subscription receipts; (v) warrants; and (vi) securities comprised of more than one of the aforementioned common shares, preferred shares, debt securities, subscription receipts and/ or warrants offered together as a unit. These securities may be offered separately or together, in separate series, in amounts, at prices and on terms to be set forth in one or more shelf prospectus supplements. No securities have yet been sold pursuant to the 2024 Base Shelf Prospectus.

The following table sets forth the common shares outstanding (number of shares in thousands):

<i>(thousands of shares)</i>	January 31, 2025	January 31, 2024	January 31, 2023
Balance, beginning of year	85,183	84,820	84,756
Shares issued:			
Stock options and share units exercised	423	363	64
Issuance of common shares	-	-	-
Acquisitions (Note 3)	-	-	-
Balance, end of year	85,606	85,183	84,820

Cash flows provided from stock options and share units exercised during 2025, 2024 and 2023 were approximately \$12.4 million, \$9.3 million and \$1.7 million, respectively.

For the years ended January 31, 2025, 2024 and 2023, the Company withheld 73,588, 63,330 and nil common shares, respectively, to satisfy employee tax withholding requirements for net share settlements of PSUs and RSUs. Total payments to satisfy employee tax withholding requirements for net share settlements of PSUs and RSUs were \$6.7 million, \$4.9 million and nil during 2025, 2024 and 2023, respectively, and are reflected as a financing activity in the consolidated statements of cash flows.

Note 16 - Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share ("EPS") (number of shares in thousands):

<i>Year Ended</i>	January 31, 2025	January 31, 2024	January 31, 2023
Net income for purposes of calculating basic and diluted earnings per share	143,273	115,907	102,236
Weighted average shares outstanding	85,443	85,068	84,791
Dilutive effect of employee stock options	587	505	455
Dilutive effect of restricted and performance share units	1,293	1,245	1,205
Weighted average common and common equivalent shares outstanding	87,323	86,818	86,451
Earnings per share			
Basic	1.68	1.36	1.21
Diluted	1.64	1.34	1.18

For the years ended January 31, 2025, 2024 and 2023, the application of the treasury stock method excluded 274,398, 16,562 and 589,658 stock options, respectively, from the calculation of diluted EPS as the assumed proceeds from the unrecognized stock-based compensation expense of such stock options that are attributed to future service periods made such stock options anti-dilutive.

For the years ended January 31, 2025, 2024 and 2023, 939, 265,694 and 1,315 stock options, respectively, were excluded from the calculation of diluted EPS as those options had an exercise price greater than or equal to the average market value of our common shares during the applicable periods and their inclusion would have been anti-dilutive.

Additionally, for the years ended January 31, 2025, 2024 and 2023, the application of the treasury stock method excluded PSUs and RSUs of nil, 95,134 and nil, respectively, from the calculation of diluted EPS as the unrecognized stock-based compensation expense of such PSUs and RSUs that are attributed to future service periods made such PSUs and RSUs anti-dilutive.

Note 17 - Stock-Based Compensation Plans

Total estimated stock-based compensation expense recognized in our consolidated statement of operations was as follows:

<i>Year Ended</i>	January 31, 2025	January 31, 2024	January 31, 2023
Cost of revenues	1,407	1,128	940
Sales and marketing	6,440	5,197	2,468
Research and development	2,744	2,138	1,788
General and administrative	9,371	8,017	8,471
Effect on net income	19,962	16,480	13,667

Differences between how GAAP and applicable income tax laws treat the amount and timing of recognition of stock-based compensation expense may result in a deferred tax asset. We have recorded a valuation allowance against any such deferred tax asset except for \$1.2 million (\$1.0 million at January 31, 2024) recognized in the United States and Canada. The tax benefit realized in connection with stock options exercised during 2025, 2024 and 2023 was \$0.2 million, \$0.4 million and nominal, respectively.

Stock Options

As of January 31, 2025, we had 1,501,901 stock options granted and outstanding under our shareholder-approved stock option plan and 2,177,290 remained available for grant.

As of January 31, 2025, \$9.7 million of total unrecognized compensation costs, net of forfeitures, related to non-vested stock option awards is expected to be recognized over a weighted average period of 2.4 years. The total fair value of stock options vested during 2025 was \$6.4 million.

The total number of options granted during the years ended January 31, 2025, 2024 and 2023 was 280,658, 278,845 and 356,014, respectively. The weighted average grant-date fair value of options granted during the years ended January 31, 2025, 2024 and 2023 was \$29.53, \$26.19 and \$18.47 per option, respectively.

The weighted-average assumptions were as follows:

<i>Year Ended</i>	January 31, 2025	January 31, 2024	January 31, 2023
Expected dividend yield (%)	-	-	-
Expected volatility (%)	30.0	30.8	29.2
Risk-free rate (%)	3.6	3.2	2.4
Expected option life (years)	5	5	5

A summary of option activity under all of our plans is presented as follows:

	Number of Stock Options Outstanding	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Life (years)	Aggregate Intrinsic Value (in millions)
Balance at January 31, 2023	1,593,433	\$45.54	4.1	\$45.7
Granted	278,845	\$79.80		
Exercised	(285,808)	\$33.06		
Forfeited	(17,919)	\$62.30		
Balance at January 31, 2024	1,568,551	\$52.31	3.9	\$54.8
Granted	280,658	\$88.82		
Exercised	(332,109)	\$37.25		
Forfeited	(15,199)	\$77.06		
Balance at January 31, 2025	1,501,901	\$61.06	3.8	\$91.6
Vested or expected to vest at January 31, 2025	1,501,901	\$61.06	3.8	\$91.6
Exercisable at January 31, 2025	1,091,499	\$54.70	3.3	\$73.5

The total intrinsic value of options exercised during the years ended January 31, 2025, 2024 and 2023 was approximately \$20.3 million, \$13.2 million and \$2.5 million, respectively. The exercise price range for outstanding options at January 31, 2025 was \$26.44 to \$120.82.

A summary of the status of our unvested stock options under our shareholder-approved stock option plan as of January 31, 2025 is presented as follows:

	Number of Stock Options Outstanding	Weighted- Average Grant-Date Fair Value per Share
Balance at January 31, 2023	488,821	\$16.11
Granted	278,845	\$26.19
Vested	(303,628)	\$17.74
Forfeited	(17,485)	\$18.29
Balance at January 31, 2024	446,553	\$20.67
Granted	280,658	\$29.53
Vested	(301,921)	\$21.88
Forfeited	(14,888)	\$25.16
Balance at January 31, 2025	410,402	\$25.21

Performance Share Units

A summary of PSU activity is as follows:

	Number of PSUs Outstanding	Weighted- Average Granted Date Fair Value	Weighted- Average Remaining Contractual Life (years)	Aggregate Intrinsic Value (in millions)
Balance at January 31, 2023	915,233	\$38.41	4.5	\$67.9
Granted	95,134	\$105.96		
Performance units issued	68,005	\$53.80		
Exercised	(87,354)	\$14.29		
Forfeited	(2,475)	\$81.82		
Balance at January 31, 2024	988,543	\$53.81	4.5	\$86.3
Granted	92,873	\$109.77		
Performance units issued	40,477	\$80.11		
Exercised	(109,820)	\$19.88		
Forfeited	(3,428)	\$80.66		
Balance at January 31, 2025	1,008,645	\$62.92	4.6	\$123.1
Vested or expected to vest at January 31, 2025	1,008,645	\$62.92	4.6	\$123.1
Exercisable at January 31, 2025	726,075	\$47.45	3.2	\$88.6

The aggregate intrinsic values represent the total pre-tax intrinsic value (the aggregate closing share price of our common shares on January 31, 2025) that would have been received by PSU holders if all PSUs had been vested on January 31, 2025.

As of January 31, 2025, \$10.6 million of total unrecognized compensation costs related to non-vested awards is expected to be recognized over a weighted average period of 1.7 years. The total fair value of PSUs vested during 2025 was \$6.1 million.

Restricted Share Units

A summary of RSU activity is as follows:

	Number of RSUs Outstanding	Weighted- Average Granted Date Fair Value	Weighted- Average Remaining Contractual Life (years)	Aggregate Intrinsic Value (in millions)
Balance at January 31, 2023	474,631	\$32.44	4.7	\$35.2
Granted	61,774	\$79.89		
Exercised	(53,898)	\$8.52		
Forfeited	(413)	\$60.66		
Balance at January 31, 2024	482,094	\$40.19	4.8	\$42.1
Granted	62,597	\$88.66		
Exercised	(54,173)	\$13.36		
Forfeited	(829)	\$70.74		
Balance at January 31, 2025	489,689	\$48.48	5.0	\$59.8
Vested or expected to vest at January 31, 2025	489,689	\$48.48	5.0	\$59.8
Exercisable at January 31, 2025	427,613	\$43.14	4.4	\$52.2

The aggregate intrinsic values represent the total pre-tax intrinsic value (the aggregate closing share price of our common shares on January 31, 2025) that would have been received by RSU holders if all RSUs had been vested on January 31, 2025.

As of January 31, 2025, \$5.1 million of total unrecognized compensation costs related to non-vested awards is expected to be recognized over a weighted average period of 1.7 years. The total fair value of RSUs vested during 2025 was \$4.5 million.

Deferred Share Unit Plan

As at January 31, 2025, the total number of DSUs held by participating directors was 332,473 (311,081 at January 31, 2024), representing an aggregate accrued liability of \$38.6 million (\$27.3 million at January 31, 2024). During 2025, 21,392 DSUs were granted and nil DSUs were redeemed and settled in cash. As at January 31, 2025, the unrecognized aggregate liability for the unvested DSUs was nil (nil at January 31, 2024). The fair value of the DSU liability is based on the closing price of our common shares at the balance sheet date. The total compensation cost related to DSUs recognized in our consolidated statements of operations was approximately \$13.9 million, \$6.7 million and \$3.2 million for the years ended January 31, 2025, 2024 and 2023, respectively.

Cash-Settled Restricted Share Unit Plan

A summary of activity under our CRSU plan is as follows:

	Number of CRSUs Outstanding	Weighted- Average Remaining Contractual Life (years)
Balance at January 31, 2023	14,583	1.4
Granted	7,879	
Vested and settled in cash	(11,092)	
Balance at January 31, 2024	11,370	1.8
Granted	8,579	
Vested and settled in cash	(7,333)	
Forfeited	(599)	
Balance at January 31, 2025	12,017	1.7
Non-vested at January 31, 2025	12,017	1.7

We recognize the compensation cost of the CRSUs ratably over the service/vesting period relating to the grant and have recorded an aggregate accrued liability of \$0.2 million at January 31, 2025 (\$0.2 million at January 31, 2024). As at January 31, 2025, the unrecognized aggregate liability for the unvested CRSUs was \$1.2 million (\$0.8 million at January 31, 2024). The fair value of the CRSU liability is based on the closing price of our common shares at the balance sheet date. The total compensation cost related to CRSUs recognized in our consolidated statements of operations was approximately \$0.8 million, \$0.6 million and \$0.8 million for the years ended January 31, 2025, 2024 and 2023, respectively.

Note 18 - Income Taxes

Income before income taxes is earned in the following tax jurisdictions:

<i>Year Ended</i>	January 31, 2025	January 31, 2024	January 31, 2023
Canada	60,119	53,246	49,158
United States	92,637	62,346	51,268
Other countries	38,877	35,560	33,302
	191,633	151,152	133,728

Income tax expense (recovery) is incurred in the following jurisdictions:

<i>Year Ended</i>	January 31, 2025	January 31, 2024	January 31, 2023
Current income tax expense			
Canada	22,282	16,376	9,673
United States	18,020	16,532	13,085
Other countries	13,100	8,315	5,490
	53,402	41,223	28,248
Deferred income tax expense (recovery)			
Canada	(3,875)	(2,369)	5,059
United States	585	(5,060)	(1,888)
Other countries	(1,752)	1,451	73
	(5,042)	(5,978)	3,244
	48,360	35,245	31,492

Income tax expense for 2025, 2024 and 2023 was 25%, 23% and 24% of income before income taxes, respectively, with current income tax expense being 28%, 27% and 21% of income before income taxes, respectively.

Current income tax expense increased in 2025 as compared to 2024 primarily due to a decrease in tax attributes available to shelter income in Canada and the United Kingdom.

Current income tax expense increased in 2024 as compared to 2023 primarily due to a decrease in tax attributes available to shelter income in Canada and the new requirement to capitalize research and development expenses in the United States.

Deferred income tax recovery decreased in 2025 as compared to 2024 primarily due to the utilization of tax attributes in the United States partially offset by full utilization of tax attributes in the United Kingdom and Canada in the prior period.

Deferred income tax expense decreased in 2024 as compared to 2023 primarily due to the capitalization of research and development expenses in the United States in 2024 and the increased utilization of tax attributes in Canada in 2023.

The components of the deferred income tax assets and liabilities are as follows:

	January 31, 2025	January 31, 2024
Assets		
Accrued liabilities not currently deductible	10,326	11,736
Accumulated losses	2,813	2,397
Difference between tax and accounting basis of property and equipment	9,653	9,088
Research and development expenditures and tax credits	9,683	7,680
Total deferred income tax assets	32,475	30,901
Liabilities		
Difference between tax and accounting basis of intangible assets	(53,346)	(42,423)
Temporary difference on equity derivative and related party debt	(6,990)	(5,513)
Total deferred income tax liabilities	(60,336)	(47,936)
Net deferred income taxes	(27,861)	(17,035)
Valuation allowance	(2,464)	(1,969)
Net deferred income taxes, net of valuation allowance	(30,325)	(19,004)

As at January 31, 2025, we have not accrued for foreign withholding taxes and Canadian income taxes applicable to approximately \$1,305.0 million of unremitted earnings of subsidiaries operating outside of Canada. These earnings, which we consider to be invested indefinitely, will become subject to these taxes if and when they are remitted as dividends or if we sell our stock in the subsidiaries. If we decide to repatriate the foreign earnings, we would need to adjust our income tax provision in the period we determined that the earnings will no longer be indefinitely invested outside Canada.

The provision (recovery) for income taxes varies from the expected provision at the statutory rates for the reasons detailed in the table below:

<i>Year Ended</i>	January 31, 2025	January 31, 2024	January 31, 2023
Income before income taxes	191,633	151,152	133,728
Combined basic Canadian statutory rates	26.5%	26.5%	26.5%
Income tax expense based on the above rates	50,783	40,055	35,438
Increase (decrease) in income taxes resulting from:			
Permanent differences	1,490	124	590
Effect of differences between Canadian and foreign tax rates	(2,042)	(1,293)	(1,859)
Effect of rate changes on current year timing differences	(424)	(48)	(219)
Change in estimates relating to prior periods	66	(2,888)	(972)
Increase (decrease) in accruals for uncertain tax positions	(544)	(117)	(1,181)
Valuation allowance	564	263	(155)
Research tax credits	(2,230)	(1,488)	(734)
Other, including foreign exchange	697	637	584
Income tax expense	48,360	35,245	31,492

We have income tax loss carry forwards which expire as follows:

<i>Expiry year</i>	Canada	United States	EMEA	Asia Pacific	Total
2026	-	-	-	59	59
2027	-	-	-	191	191
2028	-	138	-	50	188
2029	-	138	-	8	146
2030	-	138	-	237	375
Thereafter	-	310	-	488	798
Indefinite	-	532	9,326	-	9,858
	-	1,256	9,326	1,033	11,615

The following is a tabular reconciliation of the total estimated liability associated with uncertain tax positions taken:

	January 31, 2025	January 31, 2024
Liability, beginning of year	6,153	6,120
Gross increases – current period	1,476	3,946
Lapsing due to statutes of limitations	(2,098)	(3,913)
Liability, end of year	5,531	6,153

We have identified accruals of \$5.5 million with respect to uncertain tax positions as at January 31, 2025. It is possible that these accruals for uncertain tax positions will not be required in which case up to \$5.5 million of the recorded liability will decrease the effective tax rate in future years if this liability is reversed. We believe that it is reasonably possible that \$0.1 million of the uncertain tax positions could decrease tax expense in the next 12 months relating primarily to tax years becoming statute barred for purposes of future tax examinations by local taxing jurisdictions.

We recognize accrued interest and penalties related to uncertain tax positions as a current tax expense. As at January 31, 2025 and January 31, 2024, the unrecognized tax positions have resulted in no material liability for estimated interest and penalties.

Descartes and our subsidiaries file their tax returns as prescribed by the tax laws of the jurisdictions within which they operate. We are no longer subject to income tax examinations by tax authorities in our major tax jurisdictions as follows:

Tax Jurisdiction	Years No Longer Subject to Audit
United States Federal	2020 and prior
Canada	2017 and prior
United Kingdom	2021 and prior
Sweden	2022 and prior
Norway	2018 and prior
Netherlands	2019 and prior
Belgium	2022 and prior
Germany	2019 and prior
Switzerland	2020 and prior
Brazil	2020 and prior

Note 19 – Contract Balances, Performance Obligations and Contract Costs

Deferred Revenue

The following table presents the changes in the deferred revenue balance as follows:

	Deferred Revenue
Balance at January 31, 2023	69,399
Recognition of previously deferred revenue	(56,102)
Deferral of revenue	72,483
Increases from business combinations, net	115
Effect of movements in foreign exchange	82
Balance at January 31, 2024	85,977
Recognition of previously deferred revenue	(68,389)
Deferral of revenue	86,328
Increases from business combinations, net	2,195
Effect of movements in foreign exchange	(903)
Balance at January 31, 2025	105,208
Current	104,230
Long-term	978

Performance Obligations

As of January 31, 2025, approximately \$528.3 million of revenue is expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the end of the reporting period. We expect to recognize revenue on approximately 80% of these remaining performance obligations over the next 24 months with the balance recognized thereafter.

Contract Assets

The following table presents the changes in the contract assets balance as follows:

	Contract Assets
Balance at January 31, 2023	3,222
Transfers to trade receivables from contract assets	(1,291)
Increases as a result of revenue recognized during the period, net of amounts transferred to trade receivables	1,104
Effect of movements in foreign exchange	(6)
Balance at January 31, 2024	3,029
Transfers to trade receivables from contract assets	(1,585)
Increases as a result of revenue recognized during the period, net of amounts transferred to trade receivables	6,008
Effect of movements in foreign exchange	(31)
Balance at January 31, 2025	7,421

Contract Costs

Capitalized contract costs net of accumulated amortization is \$19.0 million at January 31, 2025 (\$18.6 million at January 31, 2024). Capitalized contract costs are amortized consistent with the pattern of transfer to the customer for the goods and services to which the asset relates. The total contract cost amortization included in sales and marketing expenses was approximately \$6.9 million, \$6.6 million and \$5.8 million for the years ended January 31, 2025, 2024 and 2023, respectively.

Note 20 - Other Charges

Other charges are comprised of acquisition-related costs, contingent consideration adjustments and restructuring initiatives which have been undertaken from time to time under various restructuring plans. Acquisition-related costs primarily include advisory services, administrative costs and retention bonuses to employees joining by way of an acquisition, and collectively relate to completed and prospective acquisitions. Contingent consideration adjustments relate to changes in anticipated acquisition earnout payment accruals primarily as a result of increases or decreases to revenue performance and forecasts. Revenue forecasts are updated on a quarterly basis and the related earnout payment accruals are updated accordingly.

The following tables shows the components of other charges as follows:

<i>Year Ended</i>	January 31, 2025	January 31, 2024	January 31, 2023
Acquisition-related costs	5,803	3,697	2,560
Contingent consideration accretion and adjustments	707	16,334	2,804
Restructuring plans	956	1,618	77
	7,466	21,649	5,441

Fiscal 2024 Restructuring Plan

In the third quarter of fiscal 2024, management approved and began to implement the fiscal 2024 restructuring plan to reduce operating expenses and increase operating margins. To date, \$1.8 million has been recorded within other charges in conjunction with this restructuring plan. These charges are comprised of office closures and workforce reduction charges. As of January 31, 2025, we expect total remaining office closures to be nominal.

The following table shows the changes in the restructuring provision for the fiscal 2024 restructuring plan:

	Workforce Reduction	Office Closures	Total
Balance at January 31, 2024	442	-	442
Accruals and adjustments	66	112	178
Cash draw downs	(503)	(112)	(615)
Non-cash draw downs and foreign exchange	(5)	-	(5)
Balance at January 31, 2025	-	-	-

Fiscal 2025 Restructuring Plan

In the fourth quarter of fiscal 2025, management approved and began to implement the fiscal 2025 restructuring plan to reduce operating expenses and increase operating margins. To date, \$0.8 million has been recorded within other charges in conjunction with this restructuring plan. These charges are comprised of workforce reduction charges. As of January 31, 2025, we expect total remaining workforce reduction costs to be incurred of approximately \$0.1 million to \$0.2 million.

The following table shows the changes in the restructuring provision for the fiscal 2025 restructuring plan:

	Workforce Reduction	Total
Balance at January 31, 2024	-	-
Accruals and adjustments	778	778
Cash draw downs	(616)	(616)
Balance at January 31, 2025	162	162

Note 21 – Supplemental Cash Flow Information

The following tables present cash provided by (used in) operating activities related to changes in assets and liabilities:

<i>Year Ended</i>	January 31, 2025	January 31, 2024	January 31, 2023
Trade accounts receivable	3,299	(6,566)	151
Other accounts receivable	(1,802)	(683)	2,589
Prepaid expenses and other	(14,712)	(8,039)	(5,560)
Accounts payable	1,868	6,180	(620)
Accrued liabilities	(9,017)	9,270	2,433
Income taxes payable	956	(446)	753
Operating leases	(349)	325	(95)
Deferred revenue	5,825	15,141	8,142
Changes in operating assets and liabilities	(13,932)	15,182	7,793

Note 22 - Segmented Information

We review our operating results, assess our performance, make decisions about resources, and generate discrete financial information at the single enterprise level. Accordingly, we have determined that we operate in one reportable business segment providing logistics technology solutions.

The Company has determined that it has a chief operating decision maker (“CODM”) comprised of the Company’s chief executive officer and president & chief operating officer. The CODM assesses performance for the Company and makes operating decisions based on consolidated net income and Adjusted EBITDA. 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). 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. Adjusted EBITDA is a non-GAAP financial measure and may not be comparable to similarly titled measures reported by other companies. The CODM uses net income and adjusted EBITDA to assess overall performance of the Company and to evaluate whether to reinvest profits or invest in acquisitions. Asset information is not regularly provided to the CODM and as such the CODM does not make decisions based on assets.

The following table provides a breakdown of the measures of profit regularly provided to the CODM:

<i>Year Ended</i>	January 31, 2025	January 31, 2024	January 31, 2023
Revenues	651,000	572,931	486,014
Less:			
Headcount-related costs, including stock compensation expense	249,887	226,897	195,261
Cost of revenues and network charges (exclusive of other items presented separately)	67,212	53,797	33,996
SaaS software and maintenance	23,066	19,908	16,476
Other segment items	54,723	63,505	44,445
Depreciation	5,589	5,474	5,225
Amortization of intangible assets	69,399	60,501	60,177
	469,876	430,082	355,580
Income from operations	181,124	142,849	130,434
Interest expense	(1,004)	(1,363)	(1,167)
Investment and other income	11,513	9,666	4,461
Income before taxes	191,633	151,152	133,728
Income tax expense	48,360	35,245	31,492
Net income , as reported on Consolidated Statements of Operations	143,273	115,907	102,236
Adjustments to reconcile to Adjusted EBITDA:			
Interest expense	1,004	1,363	1,167
Investment and other income	(11,513)	(9,666)	(4,461)
Income tax expense	48,360	35,245	31,492
Depreciation expense	5,589	5,474	5,225
Amortization of intangible assets	69,399	60,501	60,177
Stock-based compensation and related taxes	21,098	17,005	13,920
Other charges (Note 20)	7,466	21,649	5,441
Adjusted EBITDA	284,676	247,478	215,197

Other segment items includes travel expenses, reseller fees, contractors, corporate cars, bad debt expense, occupancy, insurance, marketing, employee administrative costs, professional fees, board of director fees, foreign exchange gains and losses, and other expenses.

The following tables provide our disaggregated revenue information by geographic location of customer and revenue type:

<i>Year Ended</i>	January 31, 2025	January 31, 2024	January 31, 2023
Revenues			
United States	439,103	382,176	307,102
Europe, Middle-East and Africa	153,004	137,164	126,942
Canada	39,254	35,422	34,547
Asia Pacific	19,639	18,169	17,423
	651,000	572,931	486,014

<i>Year Ended</i>	January 31, 2025	January 31, 2024	January 31, 2023
Revenues			
License	5,715	5,326	8,385
Services	590,243	520,930	435,734
Professional services and other	55,042	46,675	41,895
	651,000	572,931	486,014

License revenues are derived from perpetual licenses granted to our customers to use our software products. Services revenues are comprised of ongoing transactional and/or subscription fees for use of our services and products by our customers and maintenance, which include revenues associated with maintenance and support of our services and products. Professional services and other revenues are comprised of professional services revenues from consulting, implementation and training services related to our services and products, hardware revenues and other revenues.

The following table provides information by geographic area of operation for our long-lived assets. Long-lived assets represent property and equipment and intangible assets that are attributed to geographic areas.

	January 31, 2025	January 31, 2024
Total long-lived assets		
United States	246,048	178,843
Europe, Middle-East and Africa	49,737	26,298
Canada	31,007	47,072
Asia Pacific	6,959	10,386
	333,751	262,599

CORPORATE INFORMATION

Stock Exchange Information

Our common stock trades on the Toronto Stock Exchange under the symbol DSG and on The Nasdaq Stock Market under the symbol DSGX.

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