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Interviews & News!

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Descartes runs a global logistics network and provides logistic services that allow its customers to communicate and exchange data with other carriers while more efficiently managing their business processes between one another



**Technology
Supply Chain and Logistics
(DSG-TSX, DSGX-NASDAQ)**

The Descartes Systems Group Inc.

**120 Randall Drive
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**Arthur Mesher
Chief Executive Officer**

BIO:

In his 25 year career, Arthur Mesher has emerged as one of the foremost pioneers, business developers and thought leaders

in the logistics industry and is considered by many to be one of the founders of the modern-day concept of on-demand logistics networks.

In the early 1980s, Mr. Mesher pioneered one of the industry's first store and forward communications networks, which enabled a JIT manufacturing strategy with a network of suppliers and carriers for MTS and Northern Telecom. In the mid 1980s, Mr. Mesher helped start up VOCAM Systems and brought to market the first PC-based multi-carrier manifest system, as well as the first data network that tied shippers and carriers together to exchange computer-to-computer electronic logistics data. VOCAM Systems was taken public and sold to Pitney Bowes.

In 1992, Mr. Mesher continued his pioneering work in on-demand networks for logistics by delivering the original definitional work on the concept of federated logistics networks, published by Benchmarking Partners. He subsequently served as an advisor to top executives at AMR SABRE Technologies and also CSX Corporation, which led to the development of the first client/server-based, on-demand freight management system for global cargo visibility. This system, known as the "GTN," was used by the U.S. military and deployed for commercial use.

In 1995, Mr. Mesher founded the Integrated Logistics practice at the Gartner Group, where he provided guidance to hundreds of global corporations on their logistics strategies. During that time, he was responsible for creating many of the industry's leading frameworks. His Concurrent Logistics Systems framework

(1995) and the 3Vs: Visibility, Velocity and Variability framework (1997) continue to be used today by logistics professionals to analyze logistics systems and define on-demand network computing environments.

As Chief Executive Officer of Descartes, Art Mesher oversees the Company's marketing and sales, product development, network operations, and customer and corporate services, with direct responsibility for the executive management team.

In 1998, Mr. Mesher joined Descartes where he led the creation of the first on-demand logistics network that provides application and communication capabilities for all three major modes of transportation: truck, air and ocean. In his role as EVP Strategic Development, Mr. Mesher helped implement success-based pricing and logistics innovation services, enabling the acceleration of value for Descartes customers. In May 2004, Mr. Mesher was appointed to Descartes' Office of the CEO and subsequently appointed CEO in November 2004. In 2006, under Mr. Mesher's guidance, Descartes was awarded the International Stevie Award for the "Best Business Turn-around" in The International Business Awards awarded to companies that showed a significant operational and financial improvement during 2006 over 2005 as well as recognized as The Best Canadian Company by Canadian Business Magazine.

Mr. Mesher is the Chairman of the Board of Directors for Sirit Inc., a company that designs, develops, manufactures and sells Radio Frequency Identification (RFID) technology.

As a thought-leader, innovator and business developer in the supply chain field, Mr. Mesher is a frequent keynote speaker at industry events and at academic institutions such as MIT, Penn State and Northwestern and the author of numerous articles and white papers.

Company Profile:

Descartes (TSX: DSG) (NASDAQ: DSGX), a leading provider of software-as-a-service (SaaS) logistics solutions, is delivering results across the globe today for organizations that operate logistics-intensive businesses. Descartes' logistics management solutions combine a multi-modal network, the Descartes Global Logistics Network, with component-based 'nano' sized applications to provide messaging services between logistics trading partners, "book-to-bill" services for contract carriers and private fleet management services for organizations of all sizes. These solutions and services help Descartes' customers reduce administrative costs, billing cycles, fleet size, contract carrier costs, and mileage driven and improve pick up and delivery reliability. Our hosted, transactional and packaged solutions deliver repeatable, measurable results and fast time-to-value. Descartes customers include an estimated 1,600 ground carriers and more than 90 airlines, 30 ocean carriers, 900 freight forwarders and third-party providers of logistics services, and hundreds of manufacturers, retailers, distributors, private fleet owners and regulatory agencies. The company has over 300 employees and is based in Waterloo, Ontario, with operations in Atlanta, Pittsburgh, Ottawa, Washington DC, Derby, Stockholm, Shanghai, Singapore and Melbourne.

**Interview conducted by:
Lynn Fosse, Senior Editor
CEOCFOinterviews.com**

CEOCFO: Mr. Mesher, what was your vision when you became CEO of Descartes and where are you today?

Mr. Mesher: "When I became CEO, Descartes was in a turnaround situation, so the first thing we needed to do was recover our business from what had been

a serious downturn. Our vision really was to stabilize the business, go back and focus on our core customers and start to grow and develop a profitable business. At that time we had \$400 million accumulated deficit, had just lost \$14 million in the quarter. We were at \$28 million in debt and at 118 days at our current spending rate before; we wouldn't be able to pay our debt back. It was pretty scary when I got here. Today we have no debt. We have been profitable for eleven consecutive quarters; every quarter since I have been CEO minus the first quarter to restructure everything. We have \$45 million cash in the bank; we have no debt and have an \$11 million dollar profit last year. My vision was simply, go back and focus on customers and run a profitable business and hopefully the rest will work itself out; you take care of customers and they tell their friends."

"We sell to logistic service providers and to manufacturers, retailers and distributors that have complex logistics processes. Our customers are airlines, trucking companies, steamship lines, and industry leading manufacturers. We do not sell to all manufacturers, retailers and distributors, but we sell to those that are at the top of their marketplace where they want to use logistics as a differentiator." - Arthur Mesher

CEOCFO: Who is your typical customer?

Mr. Mesher: "We sell to logistic service providers and to manufacturers, retailers and distributors that have complex logistics processes. Our customers are airlines, trucking companies, steamship lines, and industry leading manufacturers. We do not sell to all manufacturers, retailers and distributors, but we sell to those that are at the top of their marketplace where they want to use logistics as a differentiator. Our customers are people like Air Canada, Merck, Federal Express, Canadian brokerage houses or US brokerage houses."

CEOCFO: What services do you provide?

Mr. Mesher: "We run a network for our customers that allow them to communicate and exchange data with the other carriers that they do business with and

the different government regulatory agencies around the world like Customs and the Department of Census type organizations. We allow them to communicate, manage, and do business transactions. We standardize certain business processes like exchanging manifest information in advance of crossing boarders, or exchanging booking and billing information before airlines arrive in countries so that governments are comfortable that the wrong stuff is not on the plane. What we do is connect all of the different parties together that provide logistics services and allow them to more efficiently manage their business processes between one another. They do that all through the Descartes network."

CEOCFO: If a company wants to communicate with a company that is not in your network, how do you do that?

Mr. Mesher: "We have 3000 logistics companies in our network, and if they are not we wish they would be. Of the work we automate in the industry, probably only 5 to 10% of that work is really automated and the rest is yet to be automated. This is our opportunity. The kinds of things we automate, most people have not automated yet and our challenge is to get this industry to automate more."

CEOCFO: How do you get the industry to automate more?

Mr. Mesher: "There are a couple of ways, one is you send your sales people out there to do it, second and you make your customers happy and they tell their friends. The third one is for governments to pass laws that make people have to do it. That was kind of the hierarchy of our preference. The second best thing is that when people on our network tell their friends they really want them to do it. After that it is up to us to convince people that they should do it."

CEOCFO: What is your revenue model?

Mr. Mesher: "We charge transaction fees and subscription fees so we have a software and service model. About 85 and 90% of our revenue comes in a transaction oriented model."

CEOCFO: Are there services that you are not offering now that you would like to?

Mr. Mesher: “In our business there are always new standards. There are existing standards, old standards and new standards. As governments around the world and customs agencies and inspection agencies and other industry associations, the International Airtransport Association, The American Trucking Association; they will all over time have different rules and regulations about how they want their communities to share and exchange data and process information for business and security reasons. Whenever those come up, we want to be the ones to do them. It is not so much about us saying, ‘Gee what can we concoct that our customers would like’. It has more to do with what are the rules and regulations that are out there that need to be in place over time and can always be the one to provide those services.”

CEOCFO: How do you grow the business?

Mr. Mesher: “Slow and steady. We are a company that grows slowly and is always more profitable for its revenue. In the kind of business we are in, we grow .8 cents at a time. We just need to be careful. We have a business that is early in a long cycle with people adopting slowly because they are logistics companies and they are generally technology-adverse. There isn’t a sales force or a hype in my opinion that can accelerate those adoption rates. They just have to be one step at a time and as different governments around the world pass legislation, it brings the

kinds of things we do to the forefront better and gives us more potential opportunity. We need to grow at that pace, a pace our customers adopt.”

CEOCFO: I see you have won a number of awards recently, could you tell us about that?

Mr. Mesher: “The most important award for us was last year (2006), to win the Best Canadian Company Award and the International Turnaround of the Year Award from The American Business Association, the Stevie Award. In the business world, that is a good award to win. We are a company who had been through the bubble and gone through a very difficult time as a tech company. The people who are here believe in what they are doing. It was against a lot of adversity and I do not think there was anyone who thought our company would survive, as most of these tech bubble companies didn’t. Given our ability to focus on customers and let our results with customers drive our business and create our culture and then to become successful, that was rewarding but then to become recognized for that in the circles of business, I thought was very good for our country. Our customers were happy and helpful in writing their letters. Every once in a while you get a proud moment as a CEO and that was one of them.”

CEOCFO: You have offices worldwide; are you increasing your international exposure?

Mr. Mesher: “Yes, we are a global business. We have our products in 60 countries and we have different products that

are provisioned in up to fourteen languages. Logistics is a global thing and we are a global company. We continue to do more work on an international basis.”

CEOCFO: In closing, why should investors be interested in the company?

Mr. Mesher: “We are a company that could be a very large company someday trying to solve a very large problem. In the meantime, it is a problem that is going to take a long time to solve. We are not in the business of predicting if we can solve this problem this quarter or next quarter or one or two years from now. I believe we are in position to solve the problem. I want to make sure that this company has a very good balance sheet and does a good job for its customers. Because of those things, it is in a position so that when the big opportunity for us does come along, then we are there to realize it. We hope our shareholders are there to realize it also. We are a microcap stock and we have a big market opportunity. Most microcap stocks that have big opportunities if they fail to realize that opportunity, you lose all your money. We have a recurring revenue model and a very strong existing level of profitability. Because of that, if we don’t grow up, we blow up scenario really does not apply to us. If we don’t grow up we keep making twelve million dollars in cash for a little fifty million dollar company, waiting for our market opportunity some time later. It is that beta and our view of a long-term horizon that investors have to understand and then they have to make their own choices. There is risk in any small company.”



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