



# C.H. Robinson Worldwide (CHRW)

Updated February 1<sup>th</sup>, 2020 by Felix Martinez

## Key Metrics

<b>Current Price:</b>	\$72	<b>5 Year CAGR Estimate:</b>	4.8%	<b>Market Cap:</b>	\$10.0B
<b>Fair Value Price:</b>	\$65	<b>5 Year Growth Estimate:</b>	4.0%	<b>Ex-Dividend Date:</b>	2/28/2020 <sup>1</sup>
<b>% Fair Value:</b>	111%	<b>5 Year Valuation Multiple Estimate:</b>	-2.1%	<b>Dividend Payment Date:</b>	3/31/2020
<b>Dividend Yield:</b>	2.8%	<b>5 Year Price Target</b>	\$79	<b>Years Of Dividend Growth:</b>	22
<b>Dividend Risk Score:</b>	C	<b>Retirement Suitability Score:</b>	C	<b>Last Dividend Increase:</b>	2.0%

## Overview & Current Events

Charles Henry Robinson founded C.H. Robinson Worldwide (CHRW) in the early 1900s. The company is now an American Fortune 500 provider of multimodal transportation services and third-party logistics. Some of the services that the company offers are freight transportation, transportation management, brokerage, and warehousing. CHRW also offers truckload, air freight, intermodal, and ocean transportation. The company's headquarters are in Eden Prairie, MN.

The company has a market capitalization of approximately \$10.0 billion, over 15,500 employees, and produced roughly \$15.3 billion in revenue in 2019.

On January 28, 2020, C.H. Robinson Worldwide reported results for the fourth quarter ending on December 31, 2019, and the full Fiscal Year (FY) 2019. For the fourth quarter, revenue was \$3.8 billion, which was a decrease of -8.3% compared to 4Q18, or \$4.14 billion. Management explained that the lower revenue was driven by lower pricing across most transportation service lines. CHRW reported a net income of \$578.9 million, which also saw a decrease of -18.9% vs. \$713.8 million Year over Year (YoY). In the full-year 2019, the company saw both revenue and net income declines of -7.9% and -4.4%, respectively, when compared to FY2018. The Truckload sector saw a decrease in revenue of -28.8% for the quarter. Earnings Per Share (EPS) came in at \$0.73 for the quarter vs. \$1.34 for the fourth quarter in FY18. This is a decrease in EPS of -45.52%. In the full year reported EPS was \$4.19, which was lower by -11.4% compared to \$4.73 in FY18. On a brighter note, Cash flow from operations increased 5.4% to \$835.4 million for the full year compared to \$792.9 million in FY18.

The company also announced that it had reached an agreement to acquire Prime Distribution Services, a leading provider of retail consolidation services in North America, from Roadrunner Transportation (RRTS). Prime had \$108.7 million in total revenues for the fiscal year 2019. C.H. Robinson will purchase Prime for approximately \$225 million in cash.

## Growth on a Per-Share Basis

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2025
<b>EPS</b>	\$2.33	\$2.62	\$3.67	\$2.65	\$3.05	\$3.51	\$3.59	\$3.57	\$4.73	\$4.19	<b>\$3.60</b>	<b>\$4.38</b>
<b>DPS</b>	\$1.04	\$1.20	\$1.34	\$1.40	\$1.43	\$1.57	\$1.74	\$1.81	\$1.88	\$2.01	<b>\$2.06</b>	<b>\$2.76</b>
<b>Shares<sup>2</sup></b>	166.0	165.0	162.0	157.0	148.0	145.0	143.0	141.0	140.0	139.0	<b>138.0</b>	<b>134.0</b>

C.H. Robinson has grown its revenue by 5% annually over the past ten years, and 1.5% over the past five years. Earnings per share have increased by 4.5% over the past five years. We expect annual earnings growth going forward to be 4% for the next five years with the help of the newly purchased Prime Distribution Services., but for FY2020, analysts are expecting CHRW to earn \$3.60, which is lower than the \$4.19 made in FY2019. We then expect earnings growth in the following years. The company has been increasing dividends for 22 consecutive years, with a five-year dividend growth

<sup>1</sup> Ex-dividend date and dividend payment date are estimates.

<sup>2</sup> Share count is in millions.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



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rate of 7.0%. For 4Q19, \$137.3 million was returned to shareholders, with \$69.9 million in cash dividends and \$67.4 million in share repurchase.

## Valuation Analysis

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Now	2025
Avg. P/E	27.0	28.1	16.7	22.3	20.6	19.5	19.8	21.5	19.2	18.7	<b>20.1</b>	<b>18.0</b>
Avg. Yld.	2.1%	2.0%	1.9%	2.3%	2.8%	2.1%	2.4%	3.0%	3.0%	2.9%	<b>2.8%</b>	<b>3.5%</b>

CHRW has always had a relatively high P/E over the past decade. The company has a ten-year P/E average of 21.3. However, we will use an 18 P/E for our forward fair value estimate as a lower P/E ratio is warranted give the company's growth slowdown. The current dividend yield of 2.8% is slightly higher than its 5-year dividend yield average of 2.7%.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

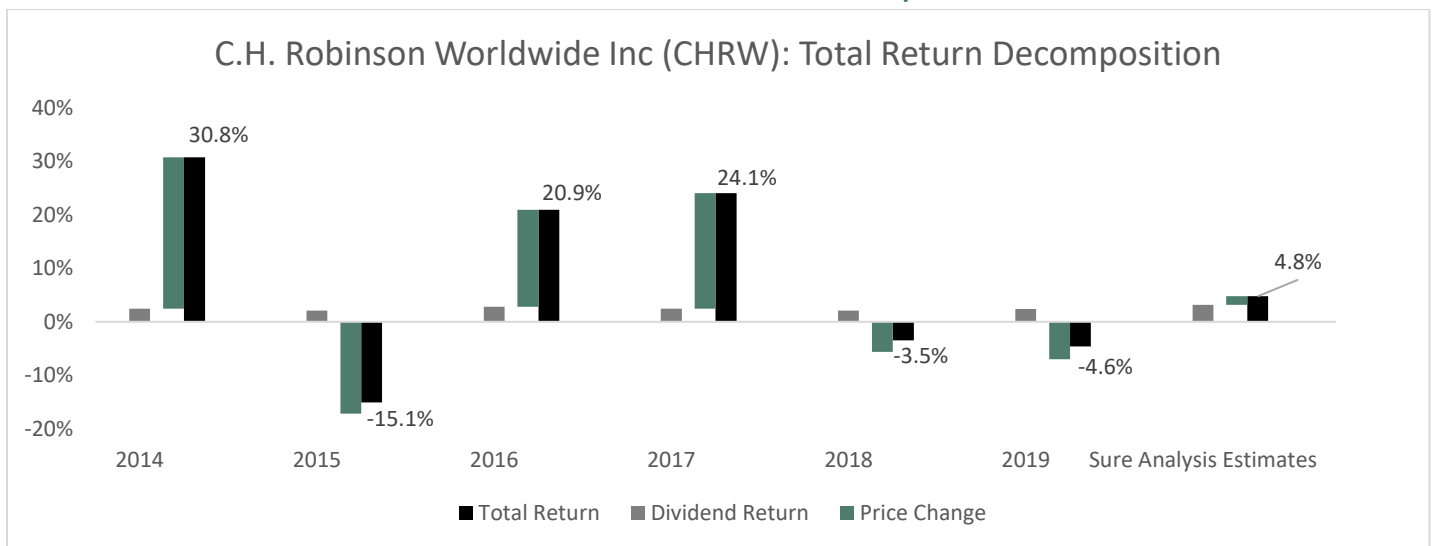
Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2025
Payout	44.6%	45.8%	36.5%	52.8%	46.9%	44.7%	48.5%	50.7%	39.7%	48.0%	<b>57%</b>	<b>63%</b>

The company went through the Great Recession in 2008-2009 very well. Earnings grew from \$1.86 in 2007 to \$2.13 in 2009. However, it did have an earnings growth of 26.6% CAGR from 2004-2007, and it slowed to just 2% in 2009. Nevertheless, it shows how resilient this company is. The dividend also grew from \$0.76 in 2007 to \$0.97 in 2009. CHRW has not had its dividend payout reach above 60% for the past 20 years. C. H. Robinson has a wide economic moat because it would be very capital intensive to have new or small competitors to grow a network as effective and efficient as CHRW. The company has a strong balance sheet with more assets than debt, and total debt/equity ratio of 1.8.

## Final Thoughts & Recommendation

C.H. Robinson Worldwide is a high-quality company that has had a relatively high PE/ ratio throughout the last ten years. Even though earnings are expected to be lower for FY2020, we believe that this will be short-lived. The company is currently overvalued at today's price. We estimate a 5-year annual return of 4.8% going forward. Thus, we have a hold recommendation at current prices.

## Total Return Breakdown by Year



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## Income Statement Metrics

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Revenue</b>	\$9,274	\$10,336	\$11,359	\$12,752	\$13,470	\$13,476	\$13,144	\$14,869	\$16,631	\$15,310
<b>Gross Profit</b>	\$836	\$936	\$952	\$1,009	\$1,069	\$1,217	\$1,213	\$1,189	\$1,362	\$1,288
<b>Gross Margin</b>	9.0%	9.1%	8.4%	7.9%	7.9%	9.0%	9.2%	8.0%	8.2%	8.4%
<b>SG&amp;A Exp.</b>	\$213	\$244	\$276	\$327	\$320	\$359	\$375	\$413	\$450	\$498
<b>D&amp;A Exp.</b>	\$29	\$32	\$38	\$57	\$57	\$66	\$75	\$93	\$97	\$100
<b>Op. Profit</b>	\$623	\$693	\$675	\$683	\$748	\$858	\$838	\$775	\$912	\$790
<b>Op. Margin</b>	6.7%	6.7%	5.9%	5.4%	5.6%	6.4%	6.4%	5.2%	5.5%	5.2%
<b>Net Profit</b>	\$387	\$432	\$594	\$416	\$450	\$510	\$513	\$505	\$665	\$577
<b>Net Margin</b>	4.2%	4.2%	5.2%	3.3%	3.3%	3.8%	3.9%	3.4%	4.0%	3.8%
<b>FCF</b>	\$316	\$377	\$410	\$300	\$484	\$674	\$438	\$326	\$729	\$765
<b>Income Tax</b>	\$237	\$263	\$365	\$257	\$274	\$313	\$299	\$224	\$216	\$165

## Balance Sheet Metrics

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Total Assets</b>	\$1,996	\$2,138	\$2,804	\$2,803	\$3,214	\$3,184	\$3,688	\$4,236	\$4,427	\$4,641
<b>Cash &amp; Equivalents</b>	\$399	\$374	\$210	\$162	\$129	\$168	\$248	\$334	\$379	\$448
<b>Accounts Receivable</b>		\$1,190	\$1,412	\$1,450	\$1,572	\$1,506	\$1,711	\$2,114	\$2,162	\$1,974
<b>Inventories</b>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Goodwill &amp; Int. Ass.</b>	\$373	\$395	\$974	\$962	\$937	\$1,250	\$1,428	\$1,454	\$1,402	\$1,482
<b>Total Liabilities</b>	\$792	\$890	\$1,300	\$1,863	\$2,167	\$2,034	\$2,430	\$2,810	\$2,832	\$2,970
<b>Accounts Payable</b>	\$568	\$643	\$639	\$686	\$717	\$698	\$840	\$1,000	\$971	\$1,063
<b>Long-Term Debt</b>	\$0	\$0	\$254	\$875	\$1,105	\$950	\$1,240	\$1,465	\$1,346	\$1,235
<b>Shareholder's Equity</b>	\$1,204	\$1,248	\$1,504	\$940	\$1,047	\$1,150	\$1,258	\$1,426	\$1,595	\$1,671
<b>D/E Ratio</b>	0.00	0.00	0.17	0.93	1.06	0.83	0.99	1.03	0.84	0.74

## Profitability & Per Share Metrics

Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Return on Assets</b>	20.2%	20.9%	24.0%	14.8%	14.9%	15.9%	14.9%	12.7%	15.3%	12.7%
<b>Return on Equity</b>	33.9%	35.2%	43.1%	34.0%	45.3%	46.4%	42.6%	37.6%	44.0%	35.3%
<b>ROIC</b>	33.9%	35.2%	39.5%	23.3%	22.7%	24.0%	22.3%	18.7%	22.8%	19.7%
<b>Shares Out.</b>	165.97	164.74	161.95	157.08	147.54	145.35	142.99	141.38	140.41	137.74
<b>Revenue/Share</b>	\$56	\$63	\$70	\$81	\$91	\$93	\$92	\$105	\$118	\$111
<b>FCF/Share</b>	\$1.90	\$2.29	\$2.53	\$1.91	\$3.28	\$4.64	\$3.06	\$2.31	\$5.19	\$5.55

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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