



# C.H. Robinson Worldwide (CHRW)

Updated May 5<sup>th</sup>, 2020 by Felix Martinez

## Key Metrics

<b>Current Price:</b>	\$71	<b>5 Year CAGR Estimate:</b>	2.4%	<b>Market Cap:</b>	\$9.7 B
<b>Fair Value Price:</b>	\$53	<b>5 Year Growth Estimate:</b>	5.0%	<b>Ex-Dividend Date:</b>	6/06/20 <sup>1</sup>
<b>% Fair Value:</b>	133%	<b>5 Year Valuation Multiple Estimate:</b>	-5.6%	<b>Dividend Payment Date:</b>	6/28/20
<b>Dividend Yield:</b>	2.9%	<b>5 Year Price Target</b>	\$68	<b>Years Of Dividend Growth:</b>	22
<b>Dividend Risk Score:</b>	B	<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 headquarter is in Eden Prairie, MN.

CHRW has a market capitalization of approximately \$9.7 billion, over 15,400 employees, and produced roughly \$15.3 billion in revenue in 2019.

On April 28, 2020, C.H. Robinson Worldwide reported results for the first quarter ending on March 31, 2020. For the quarter, total revenues were up slightly by 1.4%, from \$3,751 million in 1Q19 to \$3,805 million. However, Net income and income from operations saw a loss of (51.7)% and (51.3)%, respectively. All Transportation segments saw losses in revenue compared to 1Q19 except for Intermodal which saw an increase of 24.3%, Air saw an increase of 2.7%, and Other Logistics services which saw an increase of 19.1% YoY. The effective tax rate in the quarter was 17.1% compared to 22% percent last year. The lower effective tax rate was due primarily to the tax benefit related to stock-based compensation. Diluted EPS of \$0.57 decreased (50.9)% vs. \$1.16 in the first quarter of last year. Cash from Operations also saw a decrease of (77.2)% to \$58.5 million due to unfavorable changes in working capital and decreased earnings. Thus, the COVID-19 economic shutdown has hurt CHRW earnings. We lower our Earnings per share outlook for FY2020 from \$3.60 a share to \$2.97.

CEO Bob Biesterfeld said, "We remain committed to maintaining our quarterly dividend, and we believe we are well positioned to weather the economic uncertainty in the months ahead."

## 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>\$2.97</b>	<b>\$3.79</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>\$2.63</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>136.0</b>	<b>136.0</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 5% for the next five years with the help of the newly purchased Prime Distribution Services., but for FY2020, analysts are expecting CHRW to earn \$2.97, which is lower than the \$4.19 made in FY2019. We expect earnings to grow in the following years. The company has been increasing dividends for 22 consecutive years, with a five-year dividend growth rate of 7.0%. For 1Q19, \$152.2 million was returned to shareholders, with \$69.9 million in cash dividends and \$82.4 million in share repurchase.

<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.*



# C.H. Robinson Worldwide (CHRW)

Updated May 5<sup>th</sup>, 2020 by Felix Martinez

## 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>24.0</b>	<b>18.00</b>
Avg. Yld.	2.1%	2.0%	1.9%	2.3%	2.8%	2.1%	2.4%	3.0%	3.0%	2.9%	<b>2.9%</b>	<b>3.9%</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 given the company's growth slowdown. Currently the company is overvalued based on our PE estimates. The current dividend yield of 2.9% is slightly higher than its 5-year dividend yield average of 2.7%.

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

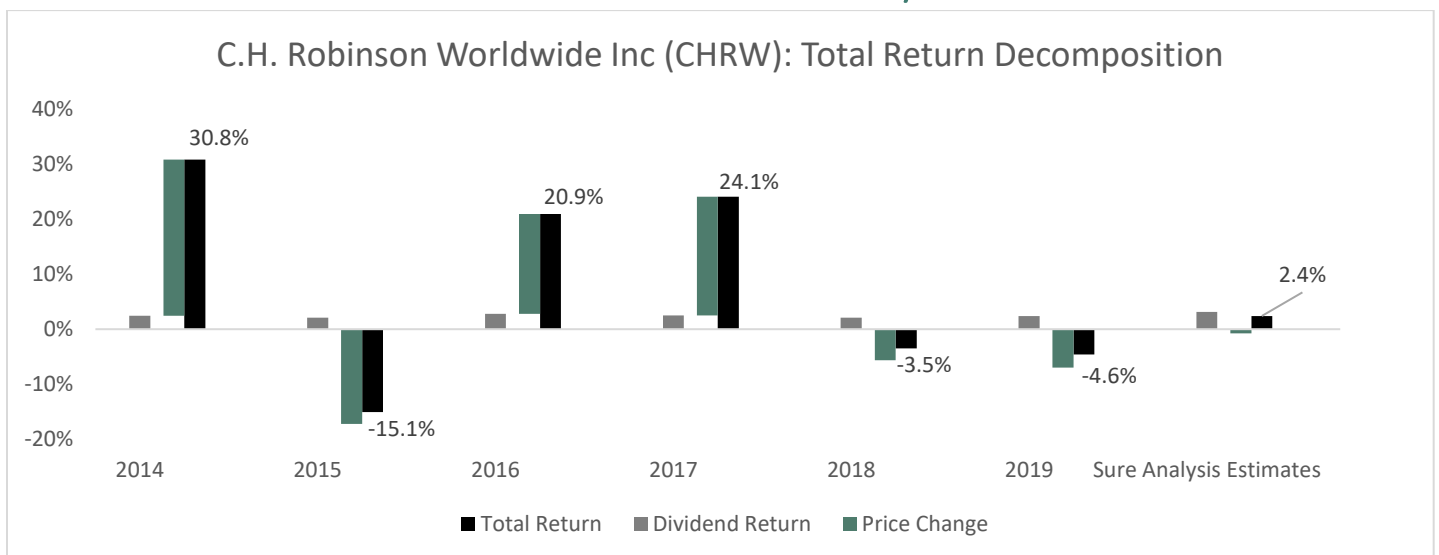
Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2025
Payout	44.6%	45.8%	36.5%	52.8%	46.9%	44.7%	48.5%	50.7%	39.7%	48.0%	<b>69%</b>	<b>69%</b>

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 a total debt/equity ratio of 2.1 which is an increase from last report 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 2.4% going forward. Thus, we are changing our recommendation from Hold, from last report, to now Sell.

## Total Return Breakdown by Year



[Click here to rate and review this research report. Your feedback is important to us.](#)

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.



# C.H. Robinson Worldwide (CHRW)

Updated May 5<sup>th</sup>, 2020 by Felix Martinez

## 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	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<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.

### Disclaimer

Nothing presented herein is, or is intended to constitute, specific investment advice. Nothing in this research report should be construed as a recommendation to follow any investment strategy or allocation. Any forward-looking statements or forecasts are based on assumptions and actual results are expected to vary from any such statements or forecasts. No reliance should be placed on any such statements or forecasts when making any investment decision. While Sure Dividend has used reasonable efforts to obtain information from reliable sources, we make no representations or warranties as to the accuracy, reliability or completeness of third-party information presented herein. No guarantee of investment performance is being provided and no inference to the contrary should be made. There is a risk of loss from an investment in marketable securities. Past performance is not a guarantee of future performance.