

C.H. Robinson Worldwide (CHRW)

Updated August 19th, 2020 by Felix Martinez

Key Metrics

Current Price:	\$95	5 Year CAGR Estimate:	-0.6%	Market Cap:	\$12.8 B
Fair Value Price:	\$63	5 Year Growth Estimate:	5.0%	Ex-Dividend Date:	9/03/20
% Fair Value:	151%	5 Year Valuation Multiple Estimate:	-8.0%	Dividend Payment Date:	9/30/20
Dividend Yield:	2.2%	5 Year Price Target	\$80	Years Of Dividend Growth:	22
Dividend Risk Score:	B	Retirement Suitability Score:	C	Last Dividend Increase:	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. The company's services are freight transportation, transportation management, brokerage, and warehousing. CHRW also offers truckload, air freight, intermodal, and ocean transportation. The company headquarters is in Eden Prairie, MN.

CHRW has a market capitalization of approximately \$12.8 billion, over 15,400 employees, and produced roughly \$15.3 billion in revenue in 2019.

On July 28, 2020, C.H. Robinson Worldwide reported results for the second quarter ending on June 30, 2020. For the quarter, revenue was down (7.2)% to \$3.6 billion from \$3.9 billion in 2Q19. The lower revenue was driven by, the lower pricing in the Truckload and Less Than Truckload (LTL) segments. Operating expenses also saw a decrease of about (9)% driving by short-term cost reductions like a (4.7)% decrease in full-time equivalents due to furloughs and reduced work hours. Net income totaled \$143.9 million, down (14.9)% from a year ago. Diluted EPS also saw a drop of (13.1)% from \$1.22 in the second quarter in 2019, to now \$1.06. For the first half of Fiscal Year (FY)2020, the company's total revenue was lower by only (3)% to \$7.4 billion, driven by declines across most transportation service lines. However, net income saw a substantial decrease of (32.9)% or \$222.1 million compared to \$330 million for the first half in 2019. Diluted earnings saw the same kind of fall for the first half by (31.4)%. The company earned \$2.39 a share in 1H19 to now \$1.64 a share for the 1H20.

However, as the shutdown begins to ease up, we are increasing our last reported FY2020 estimated EPS from \$2.97 to now \$3.50.

Growth on a Per-Share Basis

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2025
EPS	\$2.33	\$2.64	\$2.76	\$2.65	\$3.05	\$3.51	\$3.59	\$3.34	\$4.73	\$4.19	\$3.50	\$4.47
DPS	\$1.04	\$1.20	\$1.34	\$1.40	\$1.43	\$1.57	\$1.74	\$1.81	\$1.88	\$2.01	\$2.05	\$2.62
Shares¹	166.0	165.0	162.0	157.0	148.0	145.0	143.0	141.0	140.0	138.0	135.0	135.0

C.H. Robinson has grown its revenue by 5% annually over the past ten years and has grown by 1.5% over the past five years. Earnings per share have increased by 3.6% over the past five years. We expect annual earnings growth 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 \$3.50, 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 5.1%. For 2Q20, 10.3 million was returned to shareholders, with \$67.2 million in cash dividends and \$1.2 million in share repurchase.

¹ 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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Valuation Analysis

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Now	2025
Avg. P/E	27	28.1	16.7	22.3	20.6	19.5	19.8	21.5	19.2	18.66	27.2	18.0
Avg. Yld.	2.1%	2.0%	1.9%	2.3%	2.8%	2.1%	2.4%	3.0%	3.0%	2.9%	2.2%	3.3%

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 to give the company's growth slowdown. Currently, the company is overvalued based on our PE estimates. The current dividend yield of 2.2% is slightly higher than its 5-year dividend yield average of 2.7%.

Safety, Quality, Competitive Advantage, & Recession Resiliency

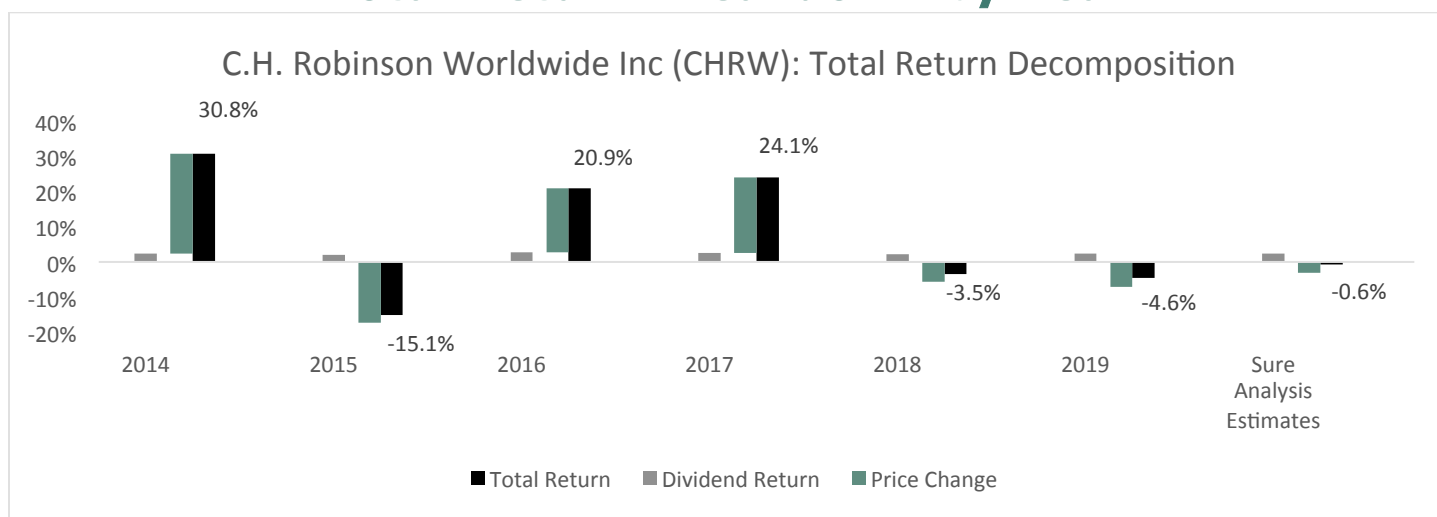
Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2025
Payout	44.6%	45.5%	48.6%	52.8%	46.9%	44.7%	48.5%	54.2%	39.7%	48.0%	59%	59%

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 0.84 which is an increase from the last report of 2.1.

Final Thoughts & Recommendation

C.H. Robinson Worldwide is a high-quality company with 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 -0.6% going forward. Thus, we are keeping our last reported recommendation to Sell.

Total Return Breakdown by Year



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Income Statement Metrics

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

Balance Sheet Metrics

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Total Assets	\$1,996	\$2,138	\$2,804	\$2,803	\$3,214	\$3,184	\$3,688	\$4,236	\$4,427	\$4,641
Cash & Equivalents	\$399	\$374	\$210	\$162	\$129	\$168	\$248	\$334	\$379	\$448
Accounts Receivable		\$1,190	\$1,412	\$1,450	\$1,572	\$1,506	\$1,711	\$2,114	\$2,162	\$1,974
Inventories	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Goodwill & Int. Ass.	\$373	\$395	\$974	\$962	\$937	\$1,250	\$1,428	\$1,454	\$1,402	\$1,482
Total Liabilities	\$792	\$890	\$1,300	\$1,863	\$2,167	\$2,034	\$2,430	\$2,810	\$2,832	\$2,970
Accounts Payable	\$568	\$643	\$639	\$686	\$717	\$698	\$840	\$1,000	\$971	\$1,063
Long-Term Debt	\$0	\$0	\$254	\$875	\$1,105	\$950	\$1,240	\$1,465	\$1,346	\$1,235
Shareholder's Equity	\$1,204	\$1,248	\$1,504	\$940	\$1,047	\$1,150	\$1,258	\$1,426	\$1,595	\$1,671
D/E Ratio	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
Return on Assets	20.2%	20.9%	24.0%	14.8%	14.9%	15.9%	14.9%	12.7%	15.3%	12.7%
Return on Equity	33.9%	35.2%	43.1%	34.0%	45.3%	46.4%	42.6%	37.6%	44.0%	35.3%
ROIC	33.9%	35.2%	39.5%	23.3%	22.7%	24.0%	22.3%	18.7%	22.8%	19.7%
Shares Out.	165.97	164.74	161.95	157.08	147.54	145.35	142.99	141.38	140.41	137.74
Revenue/Share	\$56	\$63	\$70	\$81	\$91	\$93	\$92	\$105	\$118	\$111
FCF/Share	\$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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