



C.H. Robinson Worldwide (CHRW)

Updated November 20th, 2020 by Felix Martinez

Key Metrics

Current Price:	\$93	5 Year CAGR Estimate:	-0.5%	Market Cap:	\$12.6 B
Fair Value Price:	\$65	5 Year Growth Estimate:	4.0%	Ex-Dividend Date:	12/05/20 ¹
% Fair Value:	143%	5 Year Valuation Multiple Estimate:	-6.9%	Dividend Payment Date:	12/31/20
Dividend Yield:	2.2%	5 Year Price Target	\$79	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 \$12.6 billion, over 15,400 employees, and produced roughly \$15.3 billion in revenue in 2019.

On October 27, 2020, C.H. Robinson Worldwide reported results for the third-quarter ending on September 30, 2020. For the quarter, revenue increased 9.6% to \$4.2 billion from \$3.8 billion in 3Q19. For the nine months of FY2020, the company total sales were up slightly by 1.2%, from \$11.5 billion in FY2019 to now \$11.7 billion. An increase in revenue were driven by higher pricing in air and ocean services, which offset the decline in truckload revenue. Operating expenses saw a decrease of about (3.6)% driving by cost reductions like a (2.6)% decrease in workforce and a decline in variable compensation. Net income totaled \$136.5 million, down (7.1)% from a year ago. For the nine months, net income is down (25)% from \$477.8 million to \$358.6 million. Diluted EPS also saw a drop of (6.5)% from \$1.07 in the third quarter in 2019, to now \$1.00. For the nine months, the company Diluted EPS were down (23.8)% from \$3.35 to \$2.63. The Truckload segment was hit the hardest for the quarter as revenue was down (21)% for the quarter and down (25.6)% for the nine months. The Air segment has been performing the best. This segment saw revenue increase 29% for the quarter and 42.2% for the first nine months. The management team is still optimistic as they are in the midst of a strengthening freight cycle that they anticipate will continue into 2021.

We are increasing our last reported FY2020 estimated EPS from \$3.50 to now \$3.60. This will be used for our total return calculation as well as our fair price calculation.

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	\$3.60	\$4.38
DPS	\$1.04	\$1.20	\$1.34	\$1.40	\$1.43	\$1.57	\$1.74	\$1.81	\$1.88	\$2.01	\$2.04	\$2.48
Shares²	166.0	165.0	162.0	157.0	148.0	145.0	143.0	141.0	140.0	138.0	136.0	136.0

C.H. Robinson has grown revenue by 5% annually over the past ten years and has grown it by 1.5% over the past five years. Thus, revenue has been decreasing, but earnings per share have increased by 3.6% over the past five years. We expect annual earnings growth 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 per share, which is lower than the \$4.19 per share the company made in FY2019. However, 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 the nine months, \$292.4 million was returned to shareholders, with \$207.4 million in cash dividends and \$85.1 million in share repurchase.

¹ Ex-Dividend date and Dividend Payment date are estimates

² 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	25.7	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%	3.1%

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 lower than its 5-year dividend yield average of 2.7%.

Safety, Quality, Competitive Advantage, & Recession Resiliency

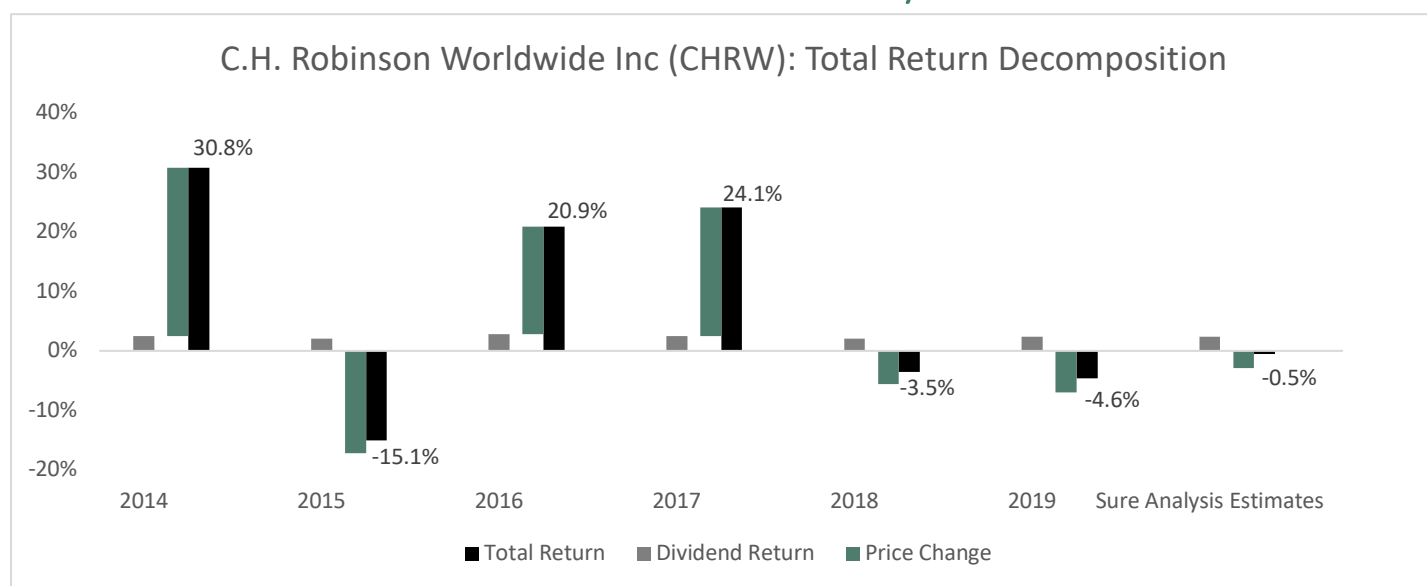
Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2025
Payout	44.6%	45.5%	48.6%	52.8%	46.9%	44.7%	48.5%	54.2%	39.7%	48.0%	57%	57%

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. CHRW sports a BBB+ credit rating from S&P, which is investment-grade quality. The company has a strong balance sheet with more assets than debt, and a total debt/equity ratio of 0.8, and an interest coverage ratio of 13.8.

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 -0.5% going forward. Thus, we are keeping our last reported recommendation of 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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