



C.H. Robinson Worldwide (CHRW)

Updated February 15th, 2021 by Felix Martinez

Key Metrics

Current Price:	\$91	5 Year CAGR Estimate:	4.9%	Market Cap:	\$12.4 B
Fair Value Price:	\$78	5 Year Growth Estimate:	6.0%	Ex-Dividend Date:	03/04/21
% Fair Value:	117%	5 Year Valuation Multiple Estimate:	-3.2%	Dividend Payment Date:	04/01/21
Dividend Yield:	2.2%	5 Year Price Target	\$104	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 \$12.4 billion, over 14,800 employees, and produced roughly \$16.2 billion in revenue in 2020.

On January 26, 2021, C.H. Robinson Worldwide reported results for the fourth quarter and full Fiscal Year (FY)2020 results. For the quarter, revenue increased 19.9% to \$4.5 billion from \$3.8 billion in 4Q19. For FY2020, The Company's total sales were up by 5.9%, from \$15.5 billion in FY2019 to now \$16.2 billion. An increase in revenue was driven primarily by higher pricing and higher volume across most service lines. Operating expenses saw a decrease of about (1.9)%, driven by cost reductions like a (4.8)% decrease in the workforce and a decline in variable compensation. Net income totaled \$147.8 million, up 49% from a year ago. The net income is down (12.2)% from \$576.9 million to \$506.4 million for the year. Diluted Earnings Per Share (EPS) saw a big improvement of 47.9% from \$0.73 in the fourth quarter in 2019 to now \$1.08 per share. For the full year, CHRW Diluted EPS were down (11.2)% from \$4.19 to \$3.72. The Truckload segment was the only segment with negative sales over last year. For the quarter, Truckload segment revenue was down (1.4)% and down (20.5)% for the whole year. The Air segment has been performing the best. This segment saw revenue increase 37.7% for the quarter and up 41.8% year over year. 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 were expecting that The Company would earn \$3.60 per share for the year. However, The Company earned \$3.72, which is an increase of 3.3%. Still, it is lower than FY2019 EPS. We now expect that CHRW will make \$4.32 per share for the full year of 2021. This will be used for our total return calculation as well as our fair price calculation.

Growth on a Per-Share Basis

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2026
EPS	\$2.64	\$2.76	\$2.65	\$3.05	\$3.51	\$3.59	\$3.34	\$4.73	\$4.19	\$3.72	\$4.32	\$5.78
DPS	\$1.20	\$1.34	\$1.40	\$1.43	\$1.57	\$1.74	\$1.81	\$1.88	\$2.01	\$2.04	\$2.07	\$2.52
Shares¹	165.0	162.0	157.0	148.0	145.0	143.0	141.0	140.0	138.0	136.0	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 0.7% over the past five years. We expect annual earnings growth to be 6% for the next five years with the newly purchased Prime Distribution Services' help. Thus, we expect earnings to grow in the following years. For example, we expect growth in earnings for FY2021 of 16% as the world starts to go back to "Normal" from the COVID-19 pandemic.

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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The Company has been increasing dividends for 22 consecutive years, with a five-year dividend growth rate of 5.1%. However, the most recent increase was only 2%, and The Company has now increased its dividend for five consecutive quarters. We do expect CHRW to raise the dividend by 4% for the foreseeable future.

Valuation Analysis

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Now	2026
Avg. P/E	28.1	16.7	22.3	20.6	19.5	19.8	21.5	19.2	18.66	25.23	21.1	18.0
Avg. Yld.	2.0%	1.9%	2.3%	2.8%	2.1%	2.4%	3.0%	3.0%	2.9%	2.2%	2.2%	2.4%

CHRW has always had a relatively high P/E over the past decade. The company has a ten-year P/E average of 21.2. 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

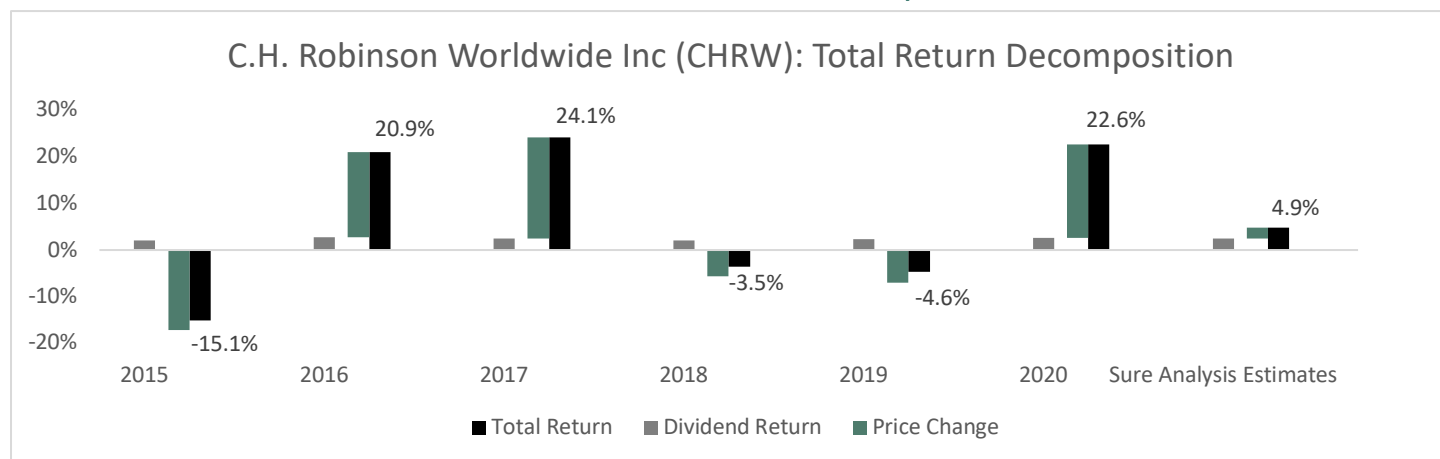
Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2026
Payout	45.5%	48.6%	52.8%	46.9%	44.7%	48.5%	54.2%	39.7%	48.0%	54.8%	48%	44%

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, 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 higher for FY2021, we believe that this will continue and grow at a 6% rate. The Company is currently overvalued at today's price. We estimate a 5-year annual return of 4.9% 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	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenue	10336	11359	12752	13470	13476	13144	14869	16631	15310	16207
Gross Profit	936	952	1009	1069	1217	1213	1189	1362	1288	1169
Gross Margin	9.1%	8.4%	7.9%	7.9%	9.0%	9.2%	8.0%	8.2%	8.4%	7.2%
SG&A Exp.	244	276	327	320	359	375	413	450	498	496
D&A Exp.	32	38	57	57	66	75	93	97	100	102
Op. Profit	693	675	683	748	858	838	775	912	790	673
Op. Margin	6.7%	5.9%	5.4%	5.6%	6.4%	6.4%	5.2%	5.5%	5.2%	4.2%
Net Profit	432	594	416	450	510	513	505	665	577	506
Net Margin	4.2%	5.2%	3.3%	3.3%	3.8%	3.9%	3.4%	4.0%	3.8%	3.1%
FCF	377	410	300	484	674	438	326	729	765	445
Income Tax	263	365	257	274	313	299	224	216	165	122

Balance Sheet Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total Assets	2138	2804	2803	3214	3184	3688	4236	4427	4641	5144
Cash & Equivalents	374	210	162	129	168	248	334	379	448	244
Accounts Receivable	1190	1412	1450	1572	1506	1711	2114	2162	1974	2450
Goodwill & Int. Ass.	395	974	962	937	1250	1428	1454	1402	1434	1704
Total Liabilities	890	1300	1863	2167	2034	2430	2810	2832	2970	3264
Accounts Payable	643	639	686	717	698	840	1000	971	985	1283
Long-Term Debt	0	254	875	1105	950	1240	1465	1346	1235	1093
Shareholder's Equity	1248	1504	940	1047	1150	1258	1426	1595	1671	1880
D/E Ratio	0.00	0.17	0.93	1.06	0.83	0.99	1.03	0.84	0.74	0.58

Profitability & Per Share Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Return on Assets	20.9%	24.0%	14.8%	14.9%	15.9%	14.9%	12.7%	15.3%	12.7%	10.4%
Return on Equity	35.2%	43.1%	34.0%	45.3%	46.4%	42.6%	37.6%	44.0%	35.3%	28.5%
ROIC	35.2%	39.5%	23.3%	22.7%	24.0%	22.3%	18.7%	22.8%	19.7%	17.2%
Shares Out.	165.0	162.0	157.0	148.0	145.0	143.0	141.0	140.0	138.0	136.0
Revenue/Share	62.74	70.14	81.18	91.30	92.72	91.92	105.17	118.45	111.15	119.02
FCF/Share	2.29	2.53	1.91	3.28	4.64	3.06	2.31	5.19	5.55	3.27

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

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