



C.H. Robinson Worldwide (CHRW)

Updated October 26th, 2021 by Felix Martinez

Key Metrics

Current Price:	\$99	5 Year CAGR Estimate:	9.0%	Market Cap:	\$13.13 B
Fair Value Price:	\$100	5 Year Growth Estimate:	7.0%	Ex-Dividend Date:	12/11/21 ¹
% Fair Value:	99%	5 Year Valuation Multiple Estimate:	0.3%	Dividend Payment Date:	01/04/22
Dividend Yield:	2.1%	5 Year Price Target	\$140	Years Of Dividend Growth:	22
Dividend Risk Score:	A	Retirement Suitability Score:	B	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 \$13.13 billion, over 14,800 employees, and produced roughly \$16.2 billion in revenue in 2020.

On October 26, 2021, C.H. Robinson Worldwide reported results for the third quarter for Fiscal Year (FY)2021. For the quarter, revenue increased 48.3% to \$6.3 billion from \$4.44 billion in 3Q20. For the first nine months of the fiscal year, revenues are up 42.4% compared to the first nine months of FY2020. Revenue growth was driven primarily by higher pricing and higher volume across most of the CHRW services. For the quarter, the transportation segment saw an increase of 52.1%. Ocean transportation saw an increase of 141.7% year over year, while truckload saw 32.7%, and LTL saw a rise of 11.7% year over year. Operating expenses increased 26.7% to \$522.4 million due to higher personnel expenses. Operating expenses are up 15% versus the same period last year for the nine months of the fiscal year. Income from operations totaled \$310.8 million, up 84.7% due to increased adjusted gross profits. Adjusted operating margin of 36.8% increased 820 basis points. Net income totaled \$247.1 million, up 81% for the quarter year-over-year, and net income is up 71.3% for the first nine months of the fiscal year compared to the first nine months of FY2020. Diluted Earnings Per Share (EPS) saw a significant improvement of 85% from \$1.00 per share in the third quarter in 2020 to \$1.85 per share. EPS is also up notable from \$2.63 per share for the nine months of 2020 to \$4.56 per share, increasing 73.4% year-over-year.

We now expect that CHRW will make \$5.55 per share for the entire year of 2021. Initially, we were expecting the Company to earn \$5.40 per share for FY2021. This will represent an increase of 49.2% compared to what the Company achieved in FY2020. The new expected EPS will be used for our total return calculation and 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	\$5.55	\$7.78
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
Shares²	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 decreased, but earnings per share have increased by 0.7% over the past five years. We expect annual earnings growth to be 7% for the next five years with the newly purchased Prime Distribution Services' help.

¹ Ex-Dividend Date and Dividend Payment Date are estimates.

² Share count is in millions.

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Thus, we expect earnings to grow in the following years. For example, we expect growth in earnings for FY2021 of 49.2% as the world starts to go back to "Normal" from the COVID-19 pandemic.

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 not increased its dividend for five consecutive quarters. However, we expect CHRW to raise the dividend by 4% for the foreseeable future as there is enough profit for an increase.

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	17.7	18.0
Avg. Yld.	2.0%	1.9%	2.3%	2.8%	2.1%	2.4%	3.0%	3.0%	2.9%	2.2%	2.1%	1.8%

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 undervalued based on our PE estimates. The current dividend yield of 2.1% is lower than its 5-year dividend yield average of 2.7%.

Safety, Quality, Competitive Advantage, & Recession Resiliency

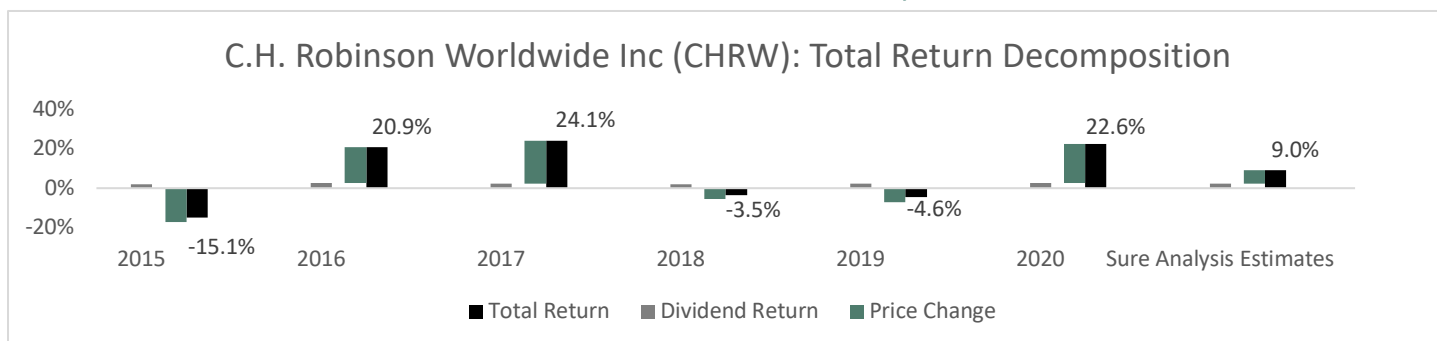
Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2026
Payout	45.5%	48.6%	52.8%	46.9%	44.7%	48.5%	54.2%	39.7%	48.0%	54.8%	37%	32%

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 0.9, and an interest coverage ratio of 19.4.

Final Thoughts & Recommendation

Throughout the last ten years, C.H. Robinson Worldwide has been a high-quality company with a relatively high P/E ratio. Even though earnings are expected to be higher for FY2021, we believe they will continue and grow at a 7% rate. The Company is currently fairly valued at today's price. We estimate a 5-year annual return of 9.0% going forward. Thus, we have a Buy recommendation at the current price.

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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