



C.H. Robinson Worldwide (CHRW)

Updated November 21st, 2022 by Felix Martinez

Key Metrics

Current Price:	\$98	5 Year CAGR Estimate:	10.1%	Market Cap:	\$11.43 B
Fair Value Price:	\$119	5 Year Growth Estimate:	4.0%	Ex-Dividend Date:	12/01/22
% Fair Value:	82%	5 Year Valuation Multiple Estimate:	4.1%	Dividend Payment Date:	01/03/22
Dividend Yield:	2.5%	5 Year Price Target	\$145	Years Of Dividend Growth:	23
Dividend Risk Score:	A	Retirement Suitability Score:	B	Rating:	Buy

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 \$11.43 billion, over 14,800 employees, and produced roughly \$22 billion in revenue in 2021.

On November 2nd, 2022, C.H. Robinson Worldwide reported results for the third quarter and first nine months of Fiscal Year (FY)2022. For the quarter, revenue decreased (4.0)% to \$6.0 billion from \$6.26 billion in 3Q21. The decrease in revenue was driven primarily by lower ocean and air pricing, which was partially offset by higher pricing in less-than-truckload ("LTL") and truckload. For the quarter, the Truckload segment saw an increase of 19.6%. Ocean transportation saw a decrease of (25.5)% year over year, air also saw a decrease of (21.0)% year over year, and LTL saw a rise of 22.4% year over year. For the nine months of the fiscal year, total revenue is up 29.0% compared to the first nine months of 2021, which is driven primarily by higher pricing across most of the company services. Operating expenses increased 14.7% to \$1.7 billion year-over-year. Income from operations totaled \$1.1 billion, up 38.8% from last year, due to the increase in adjusted gross profits. Adjusted operating margin saw an increase of 440 basis points or a 39.0% increase compared to the first nine months for FY2021. Overall, Net income totaled \$844.3 million, up 37.5% from a year ago. Diluted EPS of \$6.50 increased 42.5%.

We expect that CHRW will make \$7.95 per share for the entire year of 2022. This will represent an increase of 25.9% compared to what the company achieved in FY2021. The expected EPS will be used for our total return and fair price calculations.

Growth on a Per-Share Basis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
EPS	\$2.76	\$2.65	\$3.05	\$3.51	\$3.59	\$3.34	\$4.73	\$4.19	\$3.72	\$6.31	\$7.95	\$9.67
DPS	\$1.34	\$1.40	\$1.43	\$1.57	\$1.74	\$1.81	\$1.88	\$2.01	\$2.04	\$2.08	\$2.26	\$2.75
Shares¹	162.0	157.0	148.0	145.0	143.0	141.0	140.0	138.0	136.0	133.0	133.0	133.0

C.H. Robinson has grown revenue by 5.1% annually over the past ten years and has grown it by 4.9% over the past five years. However, revenue grew by a significant amount last year. Earnings per share have increased by 13.6% over the past five years. We expect annual earnings growth to be 4% for the next five years with the newly purchased Prime Distribution Services' help. The company has been increasing dividends for 22 consecutive years, with a five-year dividend growth rate of 2.8%. However, the most recent increase was 10.9%, which was announced on November 17th. Thus, we expect CHRW to raise the dividend by 4% for the foreseeable future as there is enough profit for an increase.

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	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Now	2027
Avg. P/E	16.7	22.3	20.6	19.5	19.8	21.5	19.2	18.7	25.2	17.1	12.3	15.0
Avg. Yld.	1.9%	2.3%	2.8%	2.1%	2.4%	3.0%	3.0%	2.9%	2.2%	1.9%	2.5%	1.9%

CHRW has always had a relatively high P/E over the past decade. The company has a ten-year P/E average of 20.1. However, we will use a 15 P/E for our forward fair value estimate as a lower P/E ratio is warranted because of slower growth. Currently, the company is undervalued based on our PE estimates. The current dividend yield of 2.5% is near its 5-year dividend yield average of 2.7%.

Safety, Quality, Competitive Advantage, & Recession Resiliency

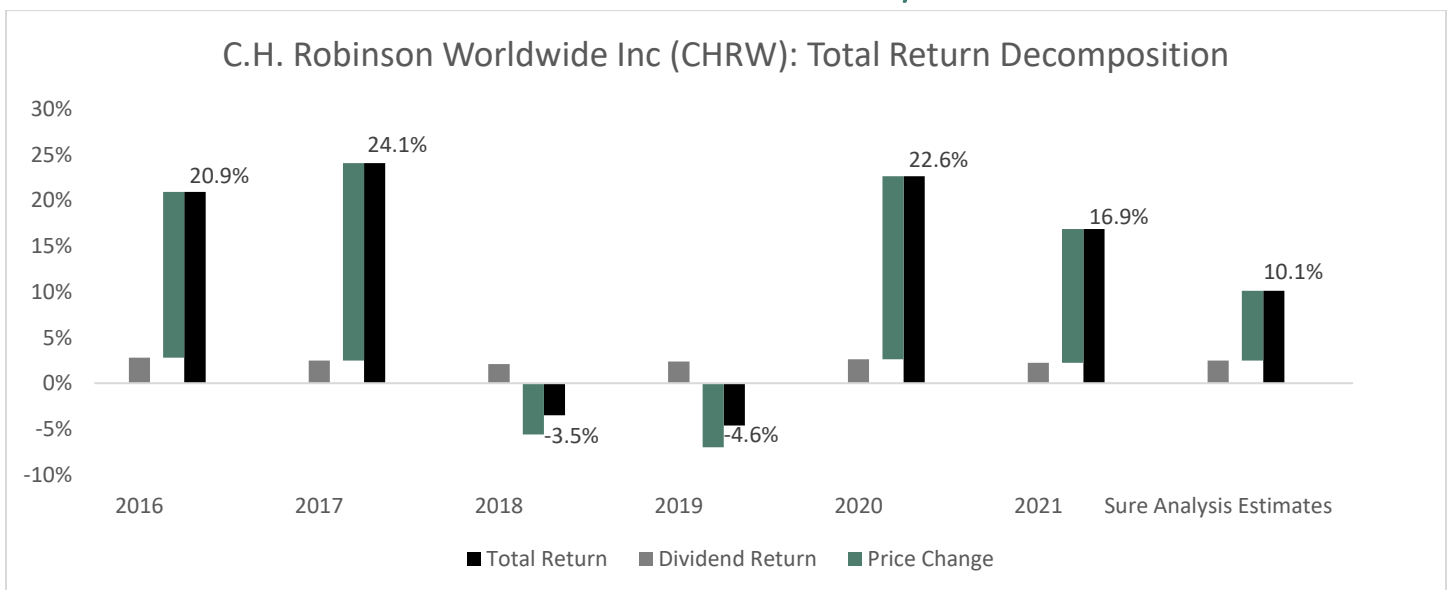
Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
Payout	48.6%	52.8%	46.9%	44.7%	48.5%	54.2%	39.7%	48.0%	54.8%	33.0%	28%	28%

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 to 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 1.5, and an interest coverage ratio of 19.2.

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 FY2022, we believe they will continue and grow at a 4% rate over the next five years. The company is currently undervalued at today's price. We estimate a 5-year annual return of 10.1% going forward. Thus, we have a buy recommendation at the current price because of the expected total return.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenue	11,359	12,752	13,470	13,476	13,144	14,869	166,31	15,310	16,207	23,102
Gross Profit	952	1,009	1,069	1,217	1,213	1,189	1,362	1,288	1,169	1,608
Gross Margin	8.4%	7.9%	7.9%	9.0%	9.2%	8.0%	8.2%	8.4%	7.2%	7.0%
SG&A Exp.	276	327	320	359	375	413	450	498	496	526
D&A Exp.	38	57	57	66	75	93	97	100	102	91
Op. Profit	675	683	748	858	838	775	912	790	673	1082
Op. Margin	5.9%	5.4%	5.6%	6.4%	6.4%	5.2%	5.5%	5.2%	4.2%	4.7%
Net Profit	594	416	450	510	513	505	665	577	506	844
Net Margin	5.2%	3.3%	3.3%	3.8%	3.9%	3.4%	4.0%	3.8%	3.1%	3.7%
FCF	410	300	484	674	438	326	729	765	445	24
Income Tax	365	257	274	313	299	224	216	165	122	178

Balance Sheet Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total Assets	2,804	2,803	3,214	3,184	3,688	4,236	4,427	4,641	5,144	7,028
Cash & Equivalents	210	162	129	168	248	334	379	448	244	257
Accounts Receivable	1,412	1,450	1,572	1,506	1,711	2,114	2,162	1,974	2,450	3,963
Goodwill & Int. Ass.	974	962	937	1,250	1,428	1,454	1,402	1,434	1,661	1,644
Total Liabilities	1,300	1,863	2,167	2,034	2,430	2,810	2,832	2,970	3,264	5,006
Accounts Payable	639	686	717	698	840	1,000	971	985	1,195	1,813
Long-Term Debt	254	875	1,105	950	1,240	1,465	1,346	1,235	1,093	1,919
Shareholder's Equity	1,504	940	1,047	1,150	1,258	1,426	1,595	1,671	1,880	2,022
LTD/E Ratio	0.17	0.93	1.06	0.83	0.99	1.03	0.84	0.74	0.58	0.95

Profitability & Per Share Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Return on Assets	24.0%	14.8%	14.9%	15.9%	14.9%	12.7%	15.3%	12.7%	10.4%	13.9%
Return on Equity	43.1%	34.0%	45.3%	46.4%	42.6%	37.6%	44.0%	35.3%	28.5%	43.3%
ROIC	39.5%	23.3%	22.7%	24.0%	22.3%	18.7%	22.8%	19.7%	17.2%	24.4%
Shares Out.	162.0	157.0	148.0	145.0	143.0	141.0	140.0	138.0	136.0	133.0
Revenue/Share	70.14	81.18	91.30	92.72	91.92	105.17	118.45	111.15	119.02	172.62
FCF/Share	2.53	1.91	3.28	4.64	3.06	2.31	5.19	5.55	3.27	0.18

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

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