



C.H. Robinson Worldwide (CHRW)

Updated February 19th, 2023 by Felix Martinez

Key Metrics

Current Price:	\$101	5 Year CAGR Estimate:	0.0%	Market Cap:	\$11.8B
Fair Value Price:	\$72	5 Year Growth Estimate:	4.0%	Ex-Dividend Date:	03/02/23
% Fair Value:	141%	5 Year Valuation Multiple Estimate:	-6.6%	Dividend Payment Date:	04/03/23
Dividend Yield:	2.4%	5 Year Price Target	\$87	Years Of Dividend Growth:	25
Dividend Risk Score:	B	Retirement Suitability Score:	B	Rating:	Sell

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 \$11.8 billion, over 14,800 employees, and produced roughly \$23.5 billion in revenue in 2022.

On February 1st, 2023, C.H. Robinson Worldwide reported results for the fourth quarter and full year for Fiscal Year (FY)2022. For the quarter, revenue decreased (22.1)% to \$5.1 billion from \$6.5 billion in 3Q21. Revenue decrease was driven by lower pricing and volume across most of the company services. Gross profits decreased (10.5)% Year-over-year, while operating expenses increased 6.2% to \$604.1 million. This was due to 21.5 million restructuring-related costs. For the quarter, the Truckload segment saw an increase of 2.2%. Ocean transportation saw a significant decrease of (51.3)% year over year, Air also saw a decrease of (51.3)% year over year, and LTL saw a rise of 7.1% year over year. Thus, adjusted EPS of \$1.03 decreased (40.8)%.

For the full year, total revenue increased 6.9% compared to 2021. This was primarily driven by higher pricing in truckload. Operating expenses increased 12.4% for the year to \$2.3 billion due to higher personnel expenses such as headcount, which increased 11.7%. Operating income totaled \$1.3 billion, up 17.1% due to increased adjusted gross profits. The adjusted operating margin of 35.3% increased by 100 basis points. Net income totaled \$940.5 million, up 11.4% for the entire year compared to 2021. Diluted Earnings Per Share (EPS) saw an increase of 17.3 to \$2.67 per share.

We expect that CHRW will make \$4.79 per share for the entire year of 2023. This will represent a decrease of (37)% compared to what the company achieved in FY2022. The expected EPS will be used for our total return and fair price calculations. This decrease will be due by lower pricing and volume across most of the company services.

Growth on a Per-Share Basis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
EPS	\$2.65	\$3.05	\$3.51	\$3.59	\$3.34	\$4.73	\$4.19	\$3.72	\$6.31	\$7.62	\$4.79	\$5.83
DPS	\$1.40	\$1.43	\$1.57	\$1.74	\$1.81	\$1.88	\$2.01	\$2.04	\$2.08	\$2.26	\$2.44	\$2.97
Shares¹	157.0	148.0	145.0	143.0	141.0	140.0	138.0	136.0	133.0	127.0	126.0	123.0

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 10.0% 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 25 consecutive years, with a five-year

¹ Share count is in millions.

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dividend growth rate of 3.8%. However, the most recent increase was only 2%. Thus, we expect CHRW to raise the dividend by 4% for the foreseeable future as there is enough profit for an increase.

Valuation Analysis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Now	2028
Avg. P/E	22.3	20.6	19.5	19.8	21.5	19.2	18.7	25.2	17.1	12.0	21.1	15.0
Avg. Yld.	2.3%	2.8%	2.1%	2.4%	3.0%	3.0%	2.9%	2.2%	1.9%	2.5%	2.4%	3.4%

CHRW has always had a relatively high P/E over the past decade. The company has a ten-year P/E average of 19.6. 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 overvalued based on our PE estimates. The current dividend yield of 2.4% is lower than its 5-year dividend yield average of 2.7%.

Safety, Quality, Competitive Advantage, & Recession Resiliency

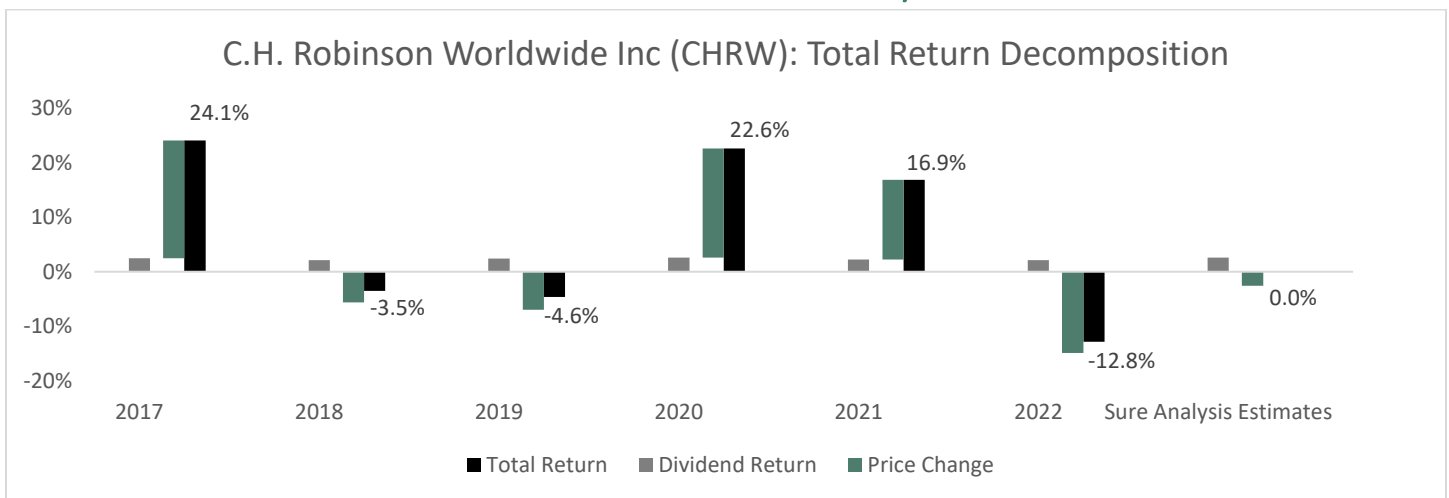
Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Payout	52.8%	46.9%	44.7%	48.5%	54.2%	39.7%	48.0%	54.8%	33.0%	29.7%	51%	51%

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 25 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 1.2, 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 lower for FY2023, we believe they will continue and grow at a 4% rate over the next five years. The company is currently overvalued at today's price. We estimate a 5-year annual return of 0.0% going forward. Thus, we have a sell recommendation at the current price because of the expected total return.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenue	12,752	13,470	13,476	13,144	14,869	166,31	15,310	16,207	23,102	24,697
Gross Profit	1,009	1,069	1,217	1,213	1,189	1,362	1,288	1,169	1,608	1,870
Gross Margin	7.9%	7.9%	9.0%	9.2%	8.0%	8.2%	8.4%	7.2%	7.0%	7.6%
SG&A Exp.	327	320	359	375	413	450	498	496	526	603
D&A Exp.	57	57	66	75	93	97	100	102	91	93
Op. Profit	683	748	858	838	775	912	790	673	1,082	1,267
Op. Margin	5.4%	5.6%	6.4%	6.4%	5.2%	5.5%	5.2%	4.2%	4.7%	5.1%
Net Profit	416	450	510	513	505	665	577	506	844	941
Net Margin	3.3%	3.3%	3.8%	3.9%	3.4%	4.0%	3.8%	3.1%	3.7%	3.8%
FCF	300	484	674	438	326	729	765	445	24	1,522
Income Tax	257	274	313	299	224	216	165	122	178	226

Balance Sheet Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Assets	2,803	3,214	3,184	3,688	4,236	4,427	4,641	5,144	7,028	5,955
Cash & Equivalents	162	129	168	248	334	379	448	244	257	217
Accounts Receivable	1,450	1,572	1,506	1,711	2,114	2,162	1,974	2,450	3,963	2,992
Goodwill & Int. Ass.	962	937	1,250	1,428	1,454	1,402	1,434	1,661	1,644	1,624
Total Liabilities	1,863	2,167	2,034	2,430	2,810	2,832	2,970	3,264	5,006	4,601
Accounts Payable	686	717	698	840	1,000	971	985	1,195	1,813	1,467
Long-Term Debt	875	1,105	950	1,240	1,465	1,346	1,235	1,093	1,919	1,974
Shareholder's Equity	940	1,047	1,150	1,258	1,426	1,595	1,671	1,880	2,022	1,353
LTD/E Ratio	0.93	1.06	0.83	0.99	1.03	0.84	0.74	0.58	0.95	1.46

Profitability & Per Share Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Return on Assets	14.8%	14.9%	15.9%	14.9%	12.7%	15.3%	12.7%	10.4%	13.9%	14.5%
Return on Equity	34.0%	45.3%	46.4%	42.6%	37.6%	44.0%	35.3%	28.5%	43.3%	55.7%
ROIC	23.3%	22.7%	24.0%	22.3%	18.7%	22.8%	19.7%	17.2%	24.4%	25.9%
Shares Out.	157.0	148.0	145.0	143.0	141.0	140.0	138.0	136.0	133.0	127.2
Revenue/Share	81.18	91.30	92.72	91.92	105.17	118.45	111.15	119.02	172.62	194.23
FCF/Share	1.91	3.28	4.64	3.06	2.31	5.19	5.55	3.27	0.18	11.97

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

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