



# C.H. Robinson Worldwide (CHRW)

Updated August 6<sup>th</sup>, 2023 by Felix Martinez

## Key Metrics

<b>Current Price:</b>	\$99	<b>5 Year CAGR Estimate:</b>	-3.8%	<b>Market Cap:</b>	\$11.5 B
<b>Fair Value Price:</b>	\$56	<b>5 Year Growth Estimate:</b>	4.0%	<b>Ex-Dividend Date:</b>	09/01/23 <sup>1</sup>
<b>% Fair Value:</b>	178%	<b>5 Year Valuation Multiple Estimate:</b>	-10.8%	<b>Dividend Payment Date:</b>	08/04/23
<b>Dividend Yield:</b>	2.5%	<b>5 Year Price Target</b>	\$68	<b>Years Of Dividend Growth:</b>	25
<b>Dividend Risk Score:</b>	B	<b>Retirement Suitability Score:</b>	C	<b>Rating:</b>	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 \$11.5 billion, over 14,800 employees, and produced roughly \$23.5 billion in revenue in 2022.

On August 2<sup>nd</sup>, 2023, C.H. Robinson Worldwide reported results for the second quarter for Fiscal Year (FY)2023. The company saw a substantial 35.0% decrease in total revenues, amounting to \$4.4 billion, was noted due to reduced pricing in ocean and truckload services. Correspondingly, gross profits diminished by 35.9% to \$656.7 million, with adjusted gross profits echoing this trend at a decline of 35.5% to \$665.5 million, driven by lower adjusted gross profit per transaction in truckload and ocean services. Conversely, operating expenses decreased by 5.2% to \$532.9 million, primarily attributed to cost optimization efforts and reduced variable compensation. Nevertheless, the quarter saw a 71.8% decline in income from operations, partially offset by the reduction in operating expenses, resulting in an adjusted operating margin drop of 2,560 basis points, resting at 19.9%. Ultimately, net income totaled \$97.3 million, marking a 72.1% decrease, with diluted EPS declining by 69.7% to \$0.81, and adjusted EPS dropping by 64.3% to \$0.90.

Comparatively, year-to-date results reflected a similar pattern with cumulative total revenues decreasing by 33.6% to \$9.0 billion, largely driven by lowered pricing in ocean and truckload services. Likewise, gross profits declined by 30.7% to \$1.3 billion, and adjusted gross profits decreased by 30.3% to \$1.4 billion. Operating expenses saw a 5.8% decrease to \$1.1 billion, with personnel expenses reducing by 11.4% due to cost optimization efforts and decreased variable compensation. Conversely, SG&A expenses increased by 12.3% to \$297.1 million. Income from operations for the first half of the year amounted to \$293.7 million, marking a 64.0% decrease, and the adjusted operating margin decreased by 2,040 basis points to 21.7%.

## Growth on a Per-Share Basis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
<b>EPS</b>	\$2.65	\$3.05	\$3.51	\$3.59	\$3.34	\$4.73	\$4.19	\$3.72	\$6.31	\$7.62	<b>\$3.70</b>	<b>\$4.50</b>
<b>DPS</b>	\$1.40	\$1.43	\$1.57	\$1.74	\$1.81	\$1.88	\$2.01	\$2.04	\$2.08	\$2.26	<b>\$2.44</b>	<b>\$2.97</b>
<b>Shares<sup>2</sup></b>	157.0	148.0	145.0	143.0	141.0	140.0	138.0	136.0	133.0	127.0	<b>126.0</b>	<b>123.0</b>

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

<sup>1</sup> Ex-Dividend and Dividend Payment dates are estimates.

<sup>2</sup> 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.



# C.H. Robinson Worldwide (CHRW)

Updated August 6<sup>th</sup>, 2023 by Felix Martinez

Distribution Services' help. However, 2023 EPS will see a significant decrease in earnings. The company has been increasing dividends for 25 consecutive years, with a five-year 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	26.6	15.0
Avg. Yld.	2.3%	2.8%	2.1%	2.4%	3.0%	3.0%	2.9%	2.2%	1.9%	2.5%	2.5%	4.4%

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 2.5% is lower than its 5-year dividend yield average of 2.7%.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

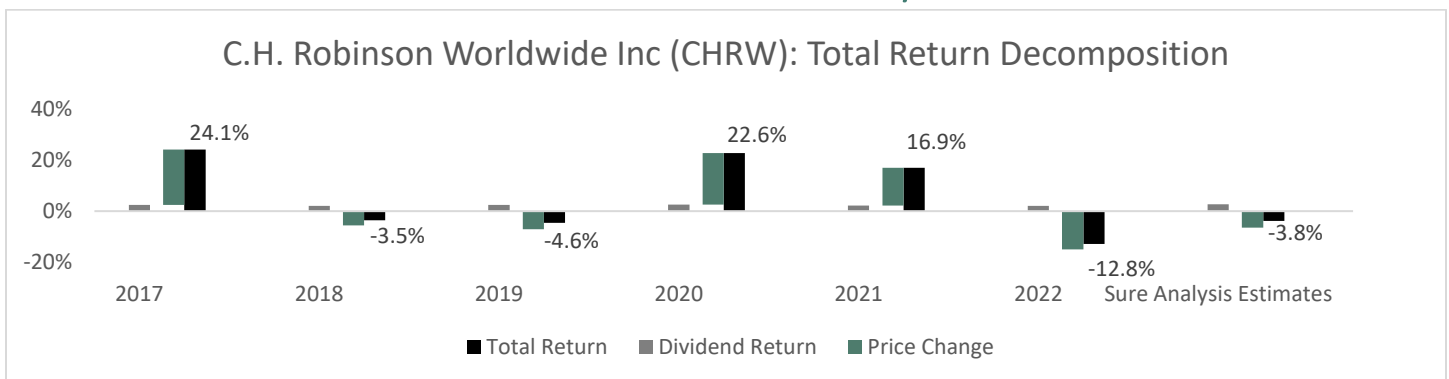
Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Payout	52.8%	46.9%	44.7%	48.5%	54.2%	39.7%	48.0%	54.8%	33.0%	29.7%	66%	66%

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 1.7, and an interest coverage ratio of 9.5.

## 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 -3.8% going forward. Thus, we have a sell recommendation at the current price because of the expected total return.

## Total Return Breakdown by Year



[Click here to rate and review this research report. Your feedback is important to us.](#)

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.



# C.H. Robinson Worldwide (CHRW)

Updated August 6<sup>th</sup>, 2023 by Felix Martinez

## Income Statement Metrics

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

## Balance Sheet Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Total Assets</b>	2,803	3,214	3,184	3,688	4,236	4,427	4,641	5,144	7,028	5,955
<b>Cash &amp; Equivalents</b>	162	129	168	248	334	379	448	244	257	217
<b>Accounts Receivable</b>	1,450	1,572	1,506	1,711	2,114	2,162	1,974	2,450	3,963	2,992
<b>Goodwill &amp; Int. Ass.</b>	962	937	1,250	1,428	1,454	1,402	1,434	1,661	1,644	1,624
<b>Total Liabilities</b>	1,863	2,167	2,034	2,430	2,810	2,832	2,970	3,264	5,006	4,601
<b>Accounts Payable</b>	686	717	698	840	1,000	971	985	1,195	1,813	1,467
<b>Long-Term Debt</b>	875	1,105	950	1,240	1,465	1,346	1,235	1,093	1,919	1,974
<b>Shareholder's Equity</b>	940	1,047	1,150	1,258	1,426	1,595	1,671	1,880	2,022	1,353
<b>LTD/E Ratio</b>	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
<b>Return on Assets</b>	14.8%	14.9%	15.9%	14.9%	12.7%	15.3%	12.7%	10.4%	13.9%	14.5%
<b>Return on Equity</b>	34.0%	45.3%	46.4%	42.6%	37.6%	44.0%	35.3%	28.5%	43.3%	55.7%
<b>ROIC</b>	23.3%	22.7%	24.0%	22.3%	18.7%	22.8%	19.7%	17.2%	24.4%	25.9%
<b>Shares Out.</b>	157.0	148.0	145.0	143.0	141.0	140.0	138.0	136.0	133.0	127.2
<b>Revenue/Share</b>	81.18	91.30	92.72	91.92	105.17	118.45	111.15	119.02	172.62	194.23
<b>FCF/Share</b>	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.

### Disclaimer

Nothing presented herein is, or is intended to constitute, specific investment advice. Nothing in this research report should be construed as a recommendation to follow any investment strategy or allocation. Any forward-looking statements or forecasts are based on assumptions and actual results are expected to vary from any such statements or forecasts. No reliance should be placed on any such statements or forecasts when making any investment decision. While Sure Dividend has used reasonable efforts to obtain information from reliable sources, we make no representations or warranties as to the accuracy, reliability or completeness of third-party information presented herein. No guarantee of investment performance is being provided and no inference to the contrary should be made. There is a risk of loss from an investment in marketable securities. Past performance is not a guarantee of future performance.