



C.H. Robinson Worldwide (CHRW)

Updated November 11th, 2023 by Felix Martinez

Key Metrics

| | | | | | |
|-----------------------------|------|--|-------|----------------------------------|-----------------------|
| Current Price: | \$80 | 5 Year CAGR Estimate: | -0.4% | Market Cap: | \$9.3 B |
| Fair Value Price: | \$53 | 5 Year Growth Estimate: | 4.0% | Ex-Dividend Date: | 12/01/23 ¹ |
| % Fair Value: | 150% | 5 Year Valuation Multiple Estimate: | -7.8% | Dividend Payment Date: | 01/03/24 |
| Dividend Yield: | 3.1% | 5 Year Price Target | \$65 | Years Of Dividend Growth: | 25 |
| Dividend Risk Score: | B | Retirement Suitability Score: | C | 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 \$9.3 billion, over 14,800 employees, and produced roughly \$23.5 billion in revenue in 2022.

On November 1st, 2023, C.H. Robinson Worldwide reported results for the third quarter for Fiscal Year (FY)2023. In Q3 2023, the company saw a sharp decline with total revenues falling by 27.8% to \$4.3 billion due to lower pricing in ocean and truckload services. Gross profits and adjusted gross profits both dropped around 28%. Operating expenses decreased by 13.1%, driven by a 21.5% reduction in personnel expenses. Despite cost-cutting, income from operations fell by 60.5%, and net income dropped by 63.7% to \$81.9 million.

For the year-to-date period in 2023, total revenues decreased by 31.9% to \$13.4 billion. Gross profits and adjusted gross profits both fell by about 30%. Operating expenses decreased by 8.3%, with personnel expenses down 14.8%. Income from operations for the year-to-date period fell by 63.1% to \$407.2 million, and net income dropped by 65.2% to \$294.2 million. Despite a decline in effective tax rates, the company faces significant challenges in recovering its financial position.

In summary, the company's financial performance in the third quarter and year-to-date of 2023 was characterized by substantial declines in total revenues, gross profits, and net income, driven primarily by reduced pricing in key services. Despite cost optimization efforts leading to a reduction in operating expenses, the overall impact resulted in significant decreases in income from operations and adjusted operating margin. The effective tax rate declined in both periods, providing some relief, but the company faces challenges in recovering its financial position.

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 | \$3.55 | \$4.32 |
| 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 |
| Shares² | 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. 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.

¹ Ex-Dividend and Dividend Payment dates are estimates.

² 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 | 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 | 22.5 | 15.0 |
| Avg. Yld. | 2.3% | 2.8% | 2.1% | 2.4% | 3.0% | 3.0% | 2.9% | 2.2% | 1.9% | 2.5% | 3.1% | 4.6% |

CHRW has always had a relatively high P/E over the past decade. The company has a ten-year P/E average of 19.6x. However, we will use a 15x 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 3.1% is higher than its 5-year dividend yield average of 2.7%.

Safety, Quality, Competitive Advantage, & Recession Resiliency

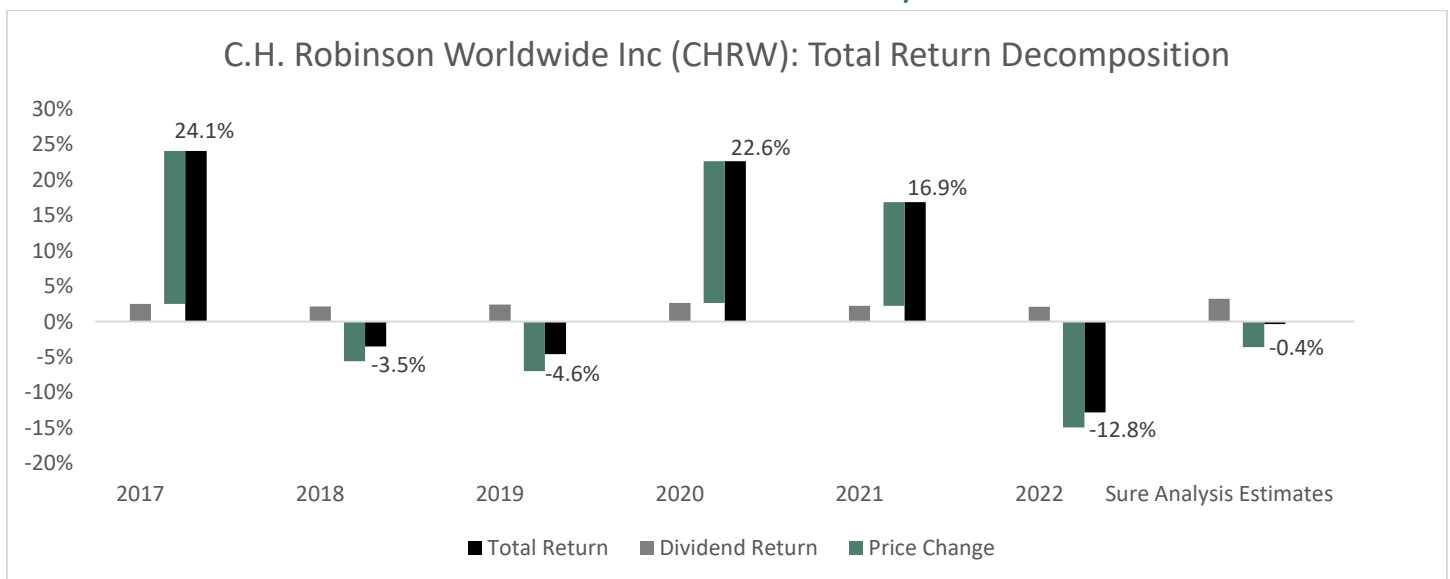
| Year | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2028 |
|--------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|------------|------------|
| Payout | 52.8% | 46.9% | 44.7% | 48.5% | 54.2% | 39.7% | 48.0% | 54.8% | 33.0% | 29.7% | 69% | 69% |

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 1.4, and an interest coverage ratio of 5.2.

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 –(0.4)% 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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