



C.H. Robinson Worldwide (CHRW)

Updated February 10th, 2024 by Felix Martinez

Key Metrics

Current Price:	\$75	5 Year CAGR Estimate:	-0.6%	Market Cap:	\$8.7 B
Fair Value Price:	\$48	5 Year Growth Estimate:	4.0%	Ex-Dividend Date:	02/29/24
% Fair Value:	156%	5 Year Valuation Multiple Estimate:	-8.5%	Dividend Payment Date:	04/01/24
Dividend Yield:	3.3%	5 Year Price Target	\$58	Years Of Dividend Growth:	25
Dividend Risk Score:	C	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 \$8.7 billion, over 14,800 employees, and produced roughly \$16.3 billion in revenue in 2023.

On January 31st, 2024, C.H. Robinson Worldwide reported results for the fourth quarter for Fiscal Year (FY)2023. The company faced challenges in Q4 2023, evident in a 20.0% drop in gross profits and a 34.5% decline in income from operations. The full-year picture was similarly difficult, with a 27.9% decrease in gross profits and a notable 59.4% decline in income from operations.

CEO Dave Bozeman acknowledged the impact of a poor demand and pricing environment. Despite challenges, strategic measures such as targeting more truckload volume in the spot market led to sequential improvements in overall truckload profit per load. However, December saw a decline due to higher seasonal transportation costs.

Bozeman highlighted achievements in productivity, including a 17% increase in NAST shipments per person per day. Expressing confidence in overcoming challenges, the company aims to optimize structural costs and position itself for a freight market rebound.

Q4 2023 financials revealed a 16.7% decrease in total revenues, a 20.0% drop in gross profits, and a 34.5% decline in income from operations. A 55.3% effective tax rate contributed to a 67.8% decrease in net income and a 67.5% decline in diluted EPS. Adjusted financial measures, including adjusted operating margin and adjusted EPS, were emphasized, offering insights into the company's resilience amid market challenges.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EPS	\$3.05	\$3.51	\$3.59	\$3.34	\$4.73	\$4.19	\$3.72	\$6.31	\$7.62	\$3.30	\$3.20	\$3.89
DPS	\$1.43	\$1.57	\$1.74	\$1.81	\$1.88	\$2.01	\$2.04	\$2.08	\$2.26	\$2.44	\$2.47	\$3.01
Shares¹	148.0	145.0	143.0	141.0	140.0	138.0	136.0	133.0	127.0	119.0	119.0	119.0

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 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	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	20.6	19.5	19.8	21.5	19.2	18.7	25.2	17.1	12.0	26.0	23.3	15.0
Avg. Yld.	2.8%	2.1%	2.4%	3.0%	3.0%	2.9%	2.2%	1.9%	2.5%	2.8%	3.3%	5.1%

CHRW has always had a relatively high P/E over the past decade. The company has a ten-year P/E average of 20.0x. 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 3.3% is higher than its 5-year dividend yield average of 2.7%.

Safety, Quality, Competitive Advantage, & Recession Resiliency

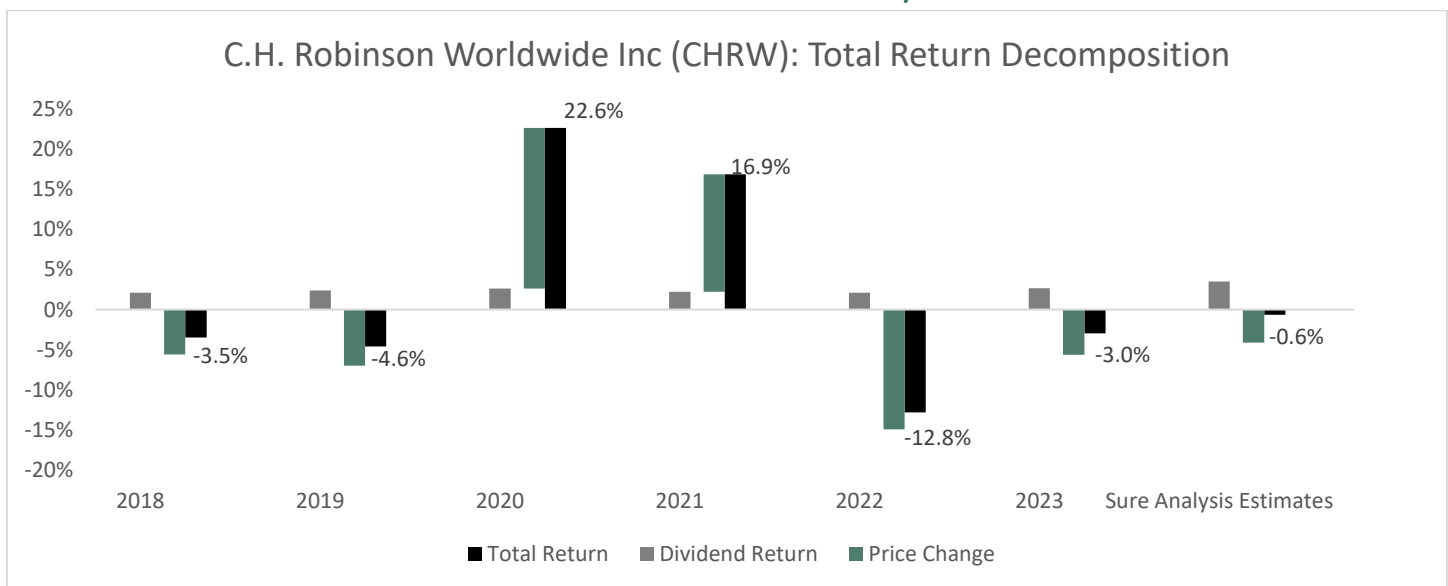
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	46.9%	44.7%	48.5%	54.2%	39.7%	48.0%	54.8%	33.0%	29.7%	73.9%	77%	77%

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 FY2024, 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 –(0.6)% 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	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	13,470	13,476	13,144	14,869	166,31	15,310	16,207	23,102	24,697	17,600
Gross Profit	1,069	1,217	1,213	1,189	1,362	1,288	1,169	1,608	1,870	1,139
Gross Margin	7.9%	9.0%	9.2%	8.0%	8.2%	8.4%	7.2%	7.0%	7.6%	6.5%
SG&A Exp.	320	359	375	413	450	498	496	526	603	624
D&A Exp.	57	66	75	93	97	100	102	91	93	99
Op. Profit	748	858	838	775	912	790	673	1,082	1,267	515
Op. Margin	5.6%	6.4%	6.4%	5.2%	5.5%	5.2%	4.2%	4.7%	5.1%	2.9%
Net Profit	450	510	513	505	665	577	506	844	941	325
Net Margin	3.3%	3.8%	3.9%	3.4%	4.0%	3.8%	3.1%	3.7%	3.8%	1.8%
FCF	484	674	438	326	729	765	445	24	1,522	648
Income Tax	274	313	299	224	216	165	122	178	226	84

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	3,214	3,184	3,688	4,236	4,427	4,641	5,144	7,028	5,955	5,225
Cash & Equivalents	129	168	248	334	379	448	244	257	217	146
Accounts Receivable	1,572	1,506	1,711	2,114	2,162	1,974	2,450	3,963	2,992	2,382
Goodwill & Int. Ass.	937	1,250	1,428	1,454	1,402	1,434	1,661	1,644	1,624	1,846
Total Liabilities	2,167	2,034	2,430	2,810	2,832	2,970	3,264	5,006	4,601	3,807
Accounts Payable	717	698	840	1,000	971	985	1,195	1,813	1,467	1,370
Long-Term Debt	1,105	950	1,240	1,465	1,346	1,235	1,093	1,919	1,974	1,580
Shareholder's Equity	1,047	1,150	1,258	1,426	1,595	1,671	1,880	2,022	1,353	1,419
LTD/E Ratio	1.06	0.83	0.99	1.03	0.84	0.74	0.58	0.95	1.46	1.11

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	14.9%	15.9%	14.9%	12.7%	15.3%	12.7%	10.4%	13.9%	14.5%	5.8%
Return on Equity	45.3%	46.4%	42.6%	37.6%	44.0%	35.3%	28.5%	43.3%	55.7%	23.5%
ROIC	22.7%	24.0%	22.3%	18.7%	22.8%	19.7%	17.2%	24.4%	25.9%	10.3%
Shares Out.	148.0	145.0	143.0	141.0	140.0	138.0	136.0	133.0	127.2	119.7
Revenue/Share	91.30	92.72	91.92	105.17	118.45	111.15	119.02	172.62	194.23	147.03
FCF/Share	3.28	4.64	3.06	2.31	5.19	5.55	3.27	0.18	11.97	5.41

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

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