



C.H. Robinson Worldwide (CHRW)

Updated November 20th, 2024 by Felix Martinez

Key Metrics

| | | | | | |
|-----------------------------|-------|--|-------|----------------------------------|----------|
| Current Price: | \$109 | 5 Year CAGR Estimate: | -2.9% | Market Cap: | \$12.9 B |
| Fair Value Price: | \$66 | 5 Year Growth Estimate: | 4.0% | Ex-Dividend Date: | 12/06/24 |
| % Fair Value: | 166% | 5 Year Valuation Multiple Estimate: | -9.6% | Dividend Payment Date: | 01/02/25 |
| Dividend Yield: | 2.3% | 5 Year Price Target | \$80 | 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 \$12.9 billion, over 14,800 employees, and produced roughly \$16.3 billion in revenue in 2023.

On October 30st, 2024, C.H. Robinson Worldwide reported results for the third quarter for Fiscal Year (FY)2024. The company reported strong financial results for the third quarter of 2024, ending September 30. The company achieved a significant 15.5% increase in gross profits, totaling \$723.8 million, and a 58.7% rise in income from operations to \$180.1 million. Adjusted operating margin grew by 660 basis points to 24.5%, with adjusted earnings per share (EPS) increasing 45.5% to \$1.28. These results were driven by disciplined volume growth, improvements in operating leverage, and enhanced profitability across divisions. Despite a decline in cash from operations to \$108.1 million due to higher ocean rates, the company demonstrated robust performance amid a challenging freight market. The North American Surface Transportation (NAST) segment faced a 4.9% revenue decline due to oversupply in truckload capacity, yet adjusted gross profits rose 8.8% to \$420.7 million. This growth was supported by a 21.0% increase in truckload profit per shipment, despite a slight decrease in shipment volumes. Meanwhile, the Global Forwarding segment experienced a remarkable 58.7% revenue growth to \$1.1 billion, driven by higher ocean service pricing and volume. Adjusted gross profits surged by 38.1%, supported by significant gains in ocean and air freight profitability. Operating expenses in both segments decreased due to cost optimization and restructuring efforts.

CEO Dave Bozeman emphasized the impact of the company's new operating model, which has improved execution, decision-making, and operational efficiency. By focusing on disciplined pricing and volume quality, the organization continues to build on its competitive strengths, even during a prolonged freight recession. Looking ahead, C.H. Robinson remains committed to leveraging its evolving operating strategies and tools to sustain growth and deliver long-term value to stakeholders.

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 | \$4.39 | \$5.34 |
| DPS | \$1.43 | \$1.57 | \$1.74 | \$1.81 | \$1.88 | \$2.01 | \$2.04 | \$2.08 | \$2.26 | \$2.44 | \$2.45 | \$2.98 |
| 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 decreased by (4.7)% 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 4.0%. 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 | 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 | 24.8 | 15.0 |
| Avg. Yld. | 2.8% | 2.1% | 2.4% | 3.0% | 3.0% | 2.9% | 2.2% | 1.9% | 2.5% | 2.8% | 2.3% | 3.7% |

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 2.3% is in line with its 5-year dividend yield average.

Safety, Quality, Competitive Advantage, & Recession Resiliency

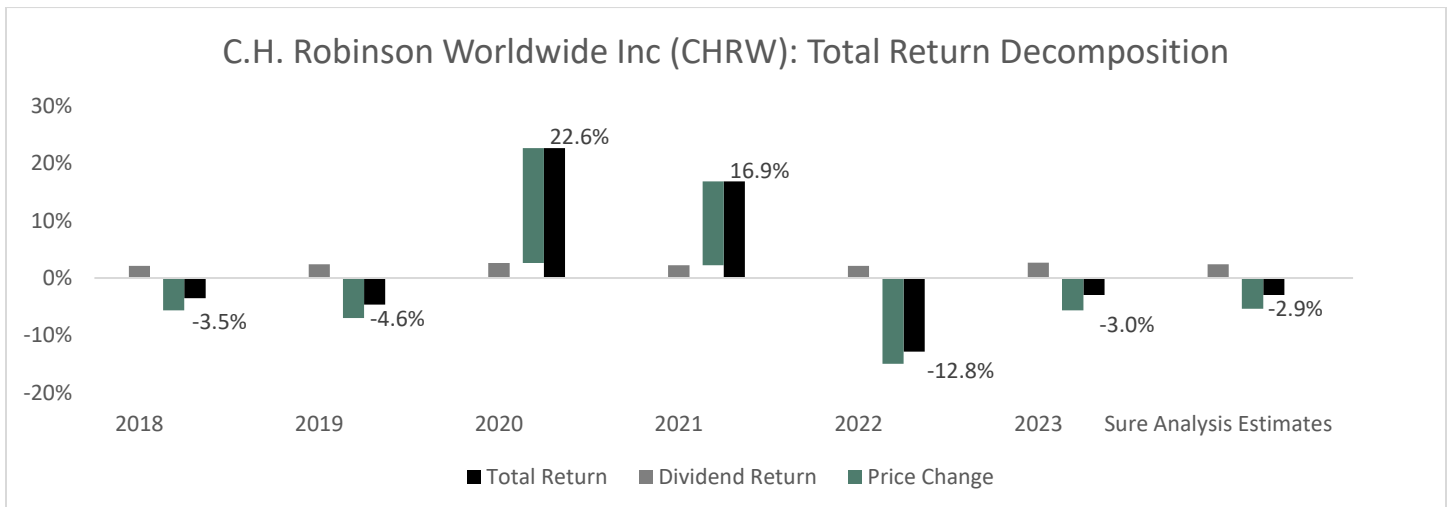
| Year | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2029 |
|--------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|------------|------------|
| Payout | 46.9% | 44.7% | 48.5% | 54.2% | 39.7% | 48.0% | 54.8% | 33.0% | 29.7% | 73.9% | 56% | 56% |

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 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 higher 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 negative annual return of (2.9)% 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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