



C.H. ROBINSON WORLDWIDE (CHRW)

Business Model

C.H. Robinson Worldwide Inc. is a non-asset based third-party logistics provider. The company provides domestic freight brokerage services. It also operates a growing air and ocean forwarding unit and a legacy produce-sourcing operation. The company is all about efficiency. This is something investors like. CHRW counts over 15,000 employees worldwide, serving over 120,000 customers. The bulk of its business (52%) comes from truck transportation logistics.

The Company in a Nutshell

- CHRW provides freight transportation and logistics, outsource solutions, produce sourcing, and information services.
- CHRW has a network providing access to 73,000 transportation providers worldwide.
- CHRW is the largest North America freight broker by estimated net revenues.

Investment Thesis

At a time where globalization is not a trend but an established reality, CHRW has become the expert of making transportation of goods simple and efficient. We like the company's client diversification by numbers (over 120K) and by sectors (21% in food & beverage, 15% in manufacturing, 15% in retail, 14% in auto/industrial, etc.). 91% of their client relationships have been active for over 10 years. The company enjoys size and scale to dominate the market with strong margins. This Aristocrat has been quite generous with its shareholders, but the dividend growth isn't strong enough to justify the current valuation. CHRW is to be added to your watch list, but don't buy it at any price.

VALUATION

Dividend Growth Rate Years 1-10: 5%

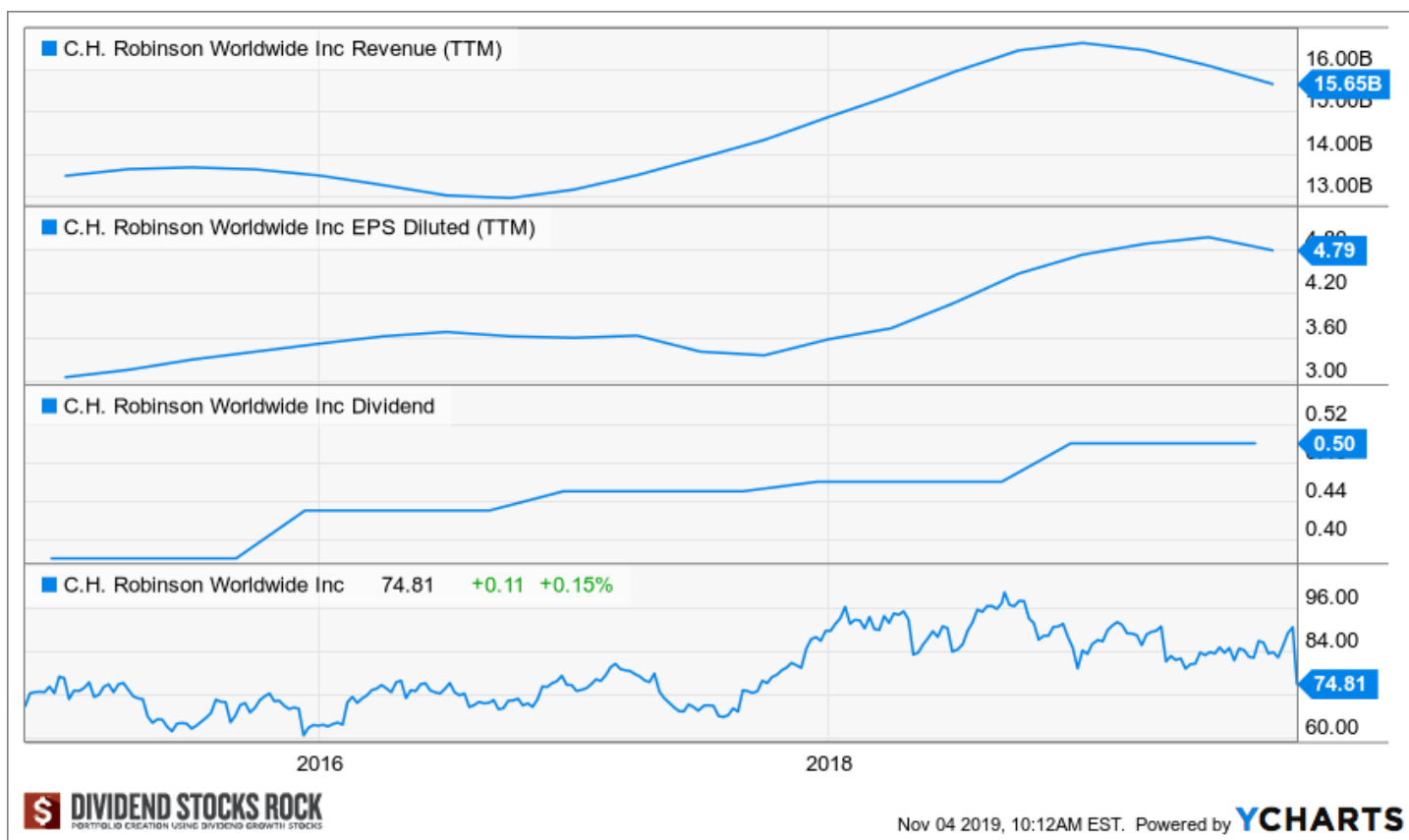
Terminal Dividend Growth Rate: 5%

	Discount Rate (Horizontal)		
Margin of Safety	8.00%	9.00%	10.00%
20% Premium	\$84.00	\$63.00	\$50.40
10% Premium	\$77.00	\$57.75	\$46.20
Intrinsic Value	\$70.00	\$52.50	\$42.00
10% Discount	\$63.00	\$47.25	\$37.80
20% Discount	\$56.00	\$42.00	\$33.60



DSR STOCK CARD

11/05/2019



Potential Risks

In our previous analysis, we mentioned CHRW would be a good candidate for a major drop in the event of a market crash. The market didn't plummet, but CHRW dropped like a rock over their last earnings report. Weak demand and aggressive industry pricing hurt CHRW's revenue and margin. CHRW evolves in a fragmented market where brains and technology are more important than arms and size. Therefore, CHRW could face competition in areas it doesn't suspect as technology evolves. You can wait a little more and you may be able to catch CHRW with a 3% yield in a few months.

Dividend Growth Perspective

C.H. Robinson is now an Aristocrat with more than 25 years of consecutive dividend increase. The company has a proven business model and grew its market shares significantly. Management's desire to return wealth to shareholders is obvious. Therefore, you can expect a mid-single digit dividend growth rate going forward. CHRW will not let you down.