

C.H. Robinson

Reaches another pause with activist; seeks new CFO

Maintain Rating: UNDERPERFORM | PO: 80.00 USD | Price: 87.34 USD

Will renominate 2 to board; stay the course

Last week, C.H. Robinson's (CHRW) Board agreed with activist investor Ancora (owner of 2% of CHRW shares) to renominate Ancora's two-appointed board members in exchange for it not seeking any proxy solicitation ahead of CHRW's 2024 annual stockholder meeting (per its SEC Form 8-K). CHRW agreed to renominate current Directors Henry "Jay" Winship and Henry J. Maier, provided that Ancora will not nominate any other individuals to the board, make any proposals, or engage in any proxy solicitation ahead of its annual meeting. The agreement is similar to its prior standstill/cooperation agreements, though supersedes prior agreements from Jan 6, 2023 and Feb 28 2022. Ancora's first formal CHRW board approach in 2022 led to a committee review of capital allocation, operations, strategy, and shareholder disclosure/transparency. Resulting action also coincided with the termination of the former CEO Bob Bieseterfeld (exactly one year ago today). CHRW named Dave Bozeman CEO on June 26, 2023 (see [June note](#)). The selection of Mr. Bozeman (formerly with Ford, Amazon Transportation Services, Caterpillar and Harley Davidson) appeared to contrast with market expectations that former UPS COO Jim Barber and CHRW Board member would be named CEO. CHRW subsequently held an analyst meeting Sept 6, 2023 to lay out its new long-term plan revolving around a LEAN structure and growth focus. With this week's agreement, CHRW noted its positive progress (not merely maintaining status quo) which highlights its adherence to an execution plan launched under new CEO Bozeman.

CFO search underway; Bozeman seeks pick

On Dec. 21, CHRW launched a CFO search as CFO Mike Zechmeister plans to step down by May 31 after a 4-year tenure. We believe the move highlights CEO Bozeman's intention to rebuild the executive team. Since being named CEO on June 26, 2023, Mr. Bozeman has focused on lowering cost to serve, and improving the customer & carrier experience. CHRW is looking to improve North American Surface Transportation productivity 15% in 23, as part of its goal for 50% productivity gains in the next 3 years.

Maintain Underperform rating; \$80 PO

We remain Underperform on CHRW's shares and hold our \$80 PO on 19.5x our 2024e EPS. Our target is the mid-point of its 17x-22x 10-year range given sustained domestic truck broker margin pressure with the potential trough reached in 2024.

Estimates (Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
EPS	6.29	7.50	3.55	4.05	4.95
GAAP EPS	6.29	7.37	3.28	4.05	4.95
EPS Change (YoY)	69.5%	19.2%	-52.7%	14.1%	22.2%
Consensus EPS (Bloomberg)			3.56	3.96	4.64
DPS	2.08	2.26	2.45	2.50	2.58
Valuation (Dec)					
P/E	13.9x	11.6x	24.6x	21.6x	17.6x
GAAP P/E	13.9x	11.9x	26.6x	21.6x	17.6x
Dividend Yield	2.4%	2.6%	2.8%	2.9%	3.0%
EV / EBITDA*	10.4x	8.9x	17.8x	16.0x	13.7x
Free Cash Flow Yield*	0.6%	15.2%	7.4%	5.0%	6.0%

* For full definitions of *IQmethod*SM measures, see page 5.

03 January 2024

Equity

Ken Hoexter
Research Analyst
BofA
+1 646 855 1498
ken.hoexter@bofa.com

Adam Roszkowski, CFA
Research Analyst
BofA
+1 646 855 5498
adam.roszkowski@bofa.com

Nathan Ho, CFA
Research Analyst
BofA
+1 646 855 3599
nathan.m.ho@bofa.com

Stock Data

Price	87.34 USD
Price Objective	80.00 USD
Date Established	1-Nov-2023
Investment Opinion	B-3-7
52-Week Range	78.69 USD - 108.05 USD
Mrkt Val (mn) / Shares Out (mn)	10,473 USD / 119.9
Free Float	97.2%
Average Daily Value (mn)	106.08 USD
BofA Ticker / Exchange	CHRW / NAS
Bloomberg / Reuters	CHRW US / CHRW.OQ
ROE (2023E)	30.6%
Net Dbt to Eqty (Dec-2022A)	129.8%
ESGMeter™	High

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to ["BofA ESGMeter Methodology"](#).

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Timestamp: 03 January 2024 08:52PM EST

iQprofileSM C.H. Robinson

iQmethodSM – Bus Performance*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	23.7%	26.2%	14.4%	16.3%	18.7%
Return on Equity	43.3%	56.7%	30.6%	33.2%	38.1%
Operating Margin	4.7%	5.2%	3.3%	3.6%	4.1%
Free Cash Flow	61	1,588	771	529	624

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash Realization Ratio	0.1x	1.7x	1.9x	1.2x	1.2x
Asset Replacement Ratio	0.4x	0.7x	0.4x	0.5x	0.5x
Tax Rate	17.4%	19.4%	14.7%	18.5%	20.2%
Net Debt-to-Equity Ratio	82.2%	129.8%	100.7%	103.1%	95.9%
Interest Cover	NA	NA	NA	NA	NA

Income Statement Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Sales	23,102	24,697	17,661	18,388	19,216
% Change	42.5%	6.9%	-28.5%	4.1%	4.5%
Gross Profit	3,152	3,593	2,618	2,717	2,947
% Change	30.7%	14.0%	-27.1%	3.8%	8.5%
EBITDA	1,173	1,380	689	765	895
% Change	51.4%	17.6%	-50.1%	10.9%	17.1%
Net Interest & Other Income	(60)	(100)	(90)	(76)	(76)
Net Income (Adjusted)	844	957	425	477	568
% Change	66.7%	13.3%	-55.6%	12.3%	19.3%

Free Cash Flow Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont Operations (GAAP)	844	957	425	477	568
Depreciation & Amortization	91	93	102	104	107
Change in Working Capital	(850)	718	319	(31)	(31)
Deferred Taxation Charge	(110)	(59)	(35)	0	0
Other Adjustments, Net	120	(59)	2	28	28
Capital Expenditure	(34)	(62)	(41)	(49)	(49)
Free Cash Flow	61	1,588	771	529	624
% Change	-86.4%	NM	-51.5%	-31.4%	18.0%
Share / Issue Repurchase	(538)	(1,388)	(48)	(300)	(300)
Cost of Dividends Paid	(277)	(285)	(292)	(291)	(293)
Change in Debt	825	54	(456)	0	0

Balance Sheet Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash & Equivalents	257	217	85	31	39
Trade Receivables	3,963	2,992	2,466	2,502	2,550
Other Current Assets	583	380	342	342	342
Property, Plant & Equipment	140	159	193	261	347
Other Non-Current Assets	2,084	2,206	2,202	2,196	2,186
Total Assets	7,028	5,955	5,288	5,332	5,464
Short-Term Debt	525	1,054	663	663	663
Other Current Liabilities	2,801	2,269	2,003	2,027	2,059
Long-Term Debt	1,394	920	856	856	856
Other Non-Current Liabilities	286	358	343	343	343
Total Liabilities	5,006	4,601	3,864	3,888	3,920
Total Equity	2,022	1,353	1,424	1,444	1,544
Total Equity & Liabilities	7,028	5,955	5,288	5,332	5,464

* For full definitions of iQmethodSM measures, see page 5.

Company Sector

Air Freight

Company Description

C.H. Robinson Worldwide is one of the largest third-party logistics companies in the U.S. providing global multimodal transport and logistics solutions. It handled shipments for over 42,000 customers through a network of offices in North America, Europe, Asia, South America, and the Middle East. CHRW maintains the largest network of transport companies via contracts with 56,000 motor carriers, railroads (intermodal service providers), air freight, and ocean carriers.

Investment Rationale

CHRW benefits from a large brokerage operation with its scale benefits, and its automation adoption, while new digital brokerage entrants work to erode its leadership position. The company should continue to re-focus on adjusting its cost base to compete with digital entrants. The company aims to return to growth in its brokerage market share, which itself is an expanding market.

Stock Data

Average Daily Volume 1214,549

Quarterly Earnings Estimates

	2022	2023
Q1	2.05A	0.98A
Q2	2.53A	0.90A
Q3	1.84A	0.84A
Q4	1.03A	0.83E

Red Sea uncertainty could favor forwarding

While CHRW noted it has yet to see significant impacts from Red Sea container ship diversions in its Global Forwarding business, we expect persistent product and supply chain disruption and rate volatility to improve historically weak fundamentals for CHRW and other freight forwarders.



Price objective basis & risk

C.H. Robinson (CHRW)

Our \$80 price objective is based on a 19.5x target multiple of our 2024 EPS estimate, the midpoint of its 10-year 17x-22x historical range, as we expect results to fall to trough levels post-COVID ramps, with forwarding results pulling back to nearly 2020 levels, truckload margins dropping to cyclical trough levels as spot pricing has rolled over in 2022 and contract rates should decline in 2023 (thus negatively impacting margins). We believe CHRW will see the peak impact of the decelerating freight environment in 2023 and it is launching an executive management overhaul. We believe the company should benefit from continued progress in its brokerage automation (Navisphere & Freightquote), which should enable further productivity improvement.

Upside risks to our price objective are faster-than-expected advancement in its technology and digital integration as well as larger-than-expected cost reductions. Downside risks to our price objective are the continued inability to pass along rate increases faster than capacity cost increases (or decreases for both), which would negatively impact margins. Also, a prolonged economic downturn, increased fuel headwinds, increased pricing pressure within the third party logistics industry, changes in the company's customer base due to consolidation, and changes in relationships with its truck, ocean, and air carriers could also impact returns, as well as its ability (or inability) to blend recent acquisitions.

Analyst Certification

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US - Transportation Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Canadian Pacific Kansas City Ltd	CP	CP US	Ken Hoexter
	CSX Corporation	CSX	CSX US	Ken Hoexter
	FedEx Corp.	FDX	FDX US	Ken Hoexter
	J.B. Hunt Transport Services	JBHT	JBHT US	Ken Hoexter
	Kirby Corp	KEX	KEX US	Ken Hoexter
	Knight-Swift Transportation Holdings Inc	KNX	KNX US	Ken Hoexter
	Norfolk Southern	NSC	NSC US	Ken Hoexter
	Old Dominion Freight Line	ODFL	ODFL US	Ken Hoexter
	RXO, Inc.	RXO	RXO US	Ken Hoexter
	Saia Inc.	SAIA	SAIA US	Ken Hoexter
	Union Pacific	UNP	UNP US	Ken Hoexter
	XPO, Inc.	XPO	XPO US	Ken Hoexter
NEUTRAL				
	Canadian National	CNI	CNI US	Ken Hoexter
	Schneider National	SNDR	SNDR US	Ken Hoexter
	Scorpio Tankers Inc.	STNG	STNG US	Ken Hoexter
	Teekay Tankers Limited	TNK	TNK US	Ken Hoexter
	TFI International	TFII	TFII US	Ken Hoexter
	TFI International	YFII	TFII CN	Ken Hoexter
	UPS	UPS	UPS US	Ken Hoexter
	Wabtec Corp.	WAB	WAB US	Ken Hoexter
UNDERPERFORM				
	ArcBest Corporation	ARCB	ARCB US	Ken Hoexter
	C.H. Robinson	CHRW	CHRW US	Ken Hoexter
	The Greenbrier Companies	GBX	GBX US	Ken Hoexter
	Werner Enterprises	WERN	WERN US	Ken Hoexter

US - Transportation Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	World Kinect	WKC	WKC US	Ken Hoexter

IQmethodSM Measures Definitions**Business Performance**

Return On Capital Employed

Return On Equity
Operating Margin
Earnings Growth
Free Cash Flow

Quality of Earnings

Cash Realization Ratio
Asset Replacement Ratio
Tax Rate
Net Debt-To-Equity Ratio
Interest Cover

Valuation Toolkit

Price / Earnings Ratio
Price / Book Value
Dividend Yield
Free Cash Flow Yield
Enterprise Value / Sales

EV / EBITDA

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income
Operating Profit
Expected 5 Year CAGR From Latest Actual
Cash Flow From Operations – Total Capex

Numerator

Cash Flow From Operations
Capex
Tax Charge
Net Debt = Total Debt – Cash & Equivalents
EBIT

Numerator

Current Share Price
Current Share Price
Annualised Declared Cash Dividend
Cash Flow From Operations – Total Capex
EV = Current Share Price × Current Shares + Minority Equity + Net Debt +
Other LT Liabilities
Enterprise Value

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill
Amortization
Shareholders' Equity
Sales
N/A
N/A

Denominator

Net Income
Depreciation
Pre-Tax Income
Total Equity
Interest Expense

Denominator

Diluted Earnings Per Share (Basis As Specified)
Shareholders' Equity / Current Basic Shares
Current Share Price
Market Cap = Current Share Price × Current Basic Shares
Sales

Basic EBIT + Depreciation + Amortization

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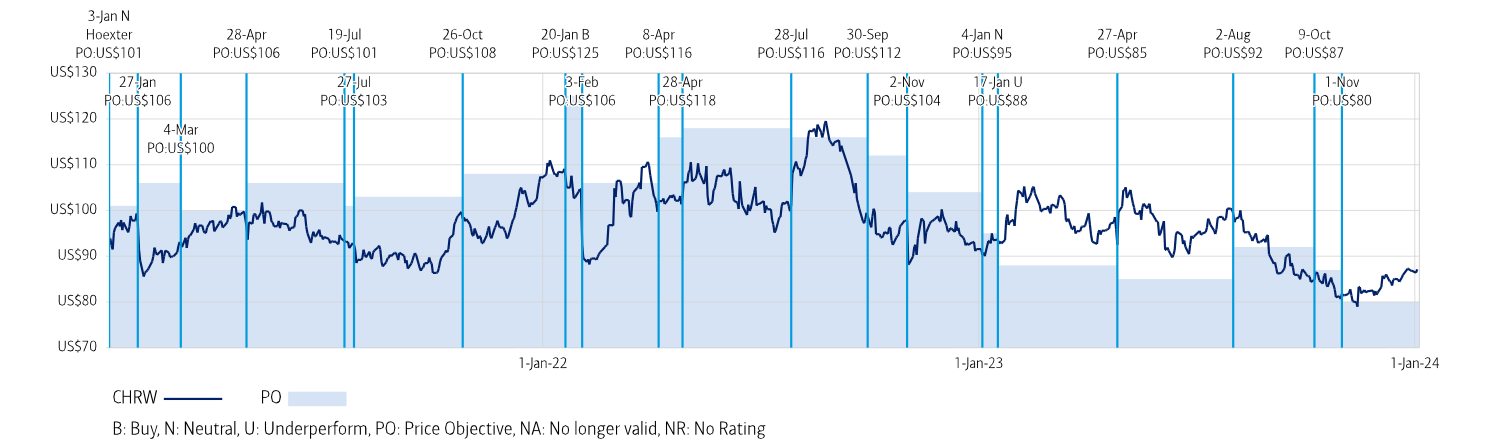
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C.H. Robinson (CHRW) Price Chart



The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Equity Investment Rating Distribution: Transport/Infrastructure Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	67	50.38%	Buy	44	65.67%
Hold	31	23.31%	Hold	13	41.94%
Sell	35	26.32%	Sell	17	48.57%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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