



Earnings Conference Call – Fourth Quarter 2019  
January 29, 2020

Bob Biesterfeld, CEO  
Mike Zechmeister, CFO  
Bob Houghton, VP of Corporate Finance



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**C.H. ROBINSON**

# Safe Harbor Statement

Except for the historical information contained herein, the matters set forth in this presentation and the accompanying earnings release are forward-looking statements that represent our expectations, beliefs, intentions or strategies concerning future events. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from our historical experience or our present expectations, including, but not limited to such factors as changes in economic conditions, including uncertain consumer demand; changes in market demand and pressures on the pricing for our services; competition and growth rates within the third party logistics industry; freight levels and increasing costs and availability of truck capacity or alternative means of transporting freight; changes in relationships with existing contracted truck, rail, ocean, and air carriers; changes in our customer base due to possible consolidation among our customers; our ability to successfully integrate the operations of acquired companies with our historic operations; risks associated with litigation, including contingent auto liability and insurance coverage; risks associated with operations outside of the United States; risks associated with the potential impact of changes in government regulations; risks associated with the produce industry, including food safety and contamination issues; fuel price increases or decreases, or fuel shortages; cyber-security related risks; the impact of war on the economy; changes to our capital structure; risks related to the elimination of LIBOR; and other risks and uncertainties detailed in our Annual and Quarterly Reports.



# Q4 2019 Summary

- Fourth quarter results below our long-term targets
- Improving volume trends in truckload
- Entered a definitive agreement to acquire Prime Distribution Services



# Results Q4 2019

*in thousands, except per share amounts and headcount*

	Three Months Ended December 31			Twelve Months Ended December 31		
	2019	2018	% Change	2019	2018	% Change
Total Revenues	\$3,793,326	\$4,137,908	(8.3%)	\$15,309,508	\$16,631,172	(7.9%)
Total Net Revenues	\$578,863	\$713,783	(18.9%)	\$2,586,310	\$2,705,235	(4.4%)
<i>Net Revenue Margin %</i>	15.3%	17.2%	(190 bps)	16.9%	16.3%	60 bps
Personnel Expenses	\$298,981	\$339,316	(11.9%)	\$1,298,528	\$1,343,542	(3.4%)
Selling, General, and Admin	\$143,076	\$118,950	20.3%	\$497,806	\$449,610	10.7%
Income from Operations	\$136,806	\$255,517	(46.5%)	\$789,976	\$912,083	(13.4%)
<i>Operating Margin %</i>	23.6%	35.8%	(1,220 bps)	30.5%	33.7%	(320 bps)
Depreciation and Amortization	\$25,327	\$24,327	4.1%	\$100,449	\$96,729	3.8%
Net Income	\$99,106	\$187,150	(47.0%)	\$576,968	\$664,505	(13.2%)
Earnings Per Share (Diluted)	\$0.73	\$1.34	(45.5%)	\$4.19	\$4.73	(11.4%)
Average Headcount	15,540	15,243	1.9%	15,551	15,204	2.3%

- Decline in net revenues driven primarily by margin compression in truckload
- Decrease in personnel expenses driven by a decline in variable compensation expense and partially offset by increased IT spend
- The largest contributors to the SG&A expense increase were increased technology spend and purchased services related to accelerating our growth and cost savings initiatives



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# Q4 2019 Other Income Statement Items

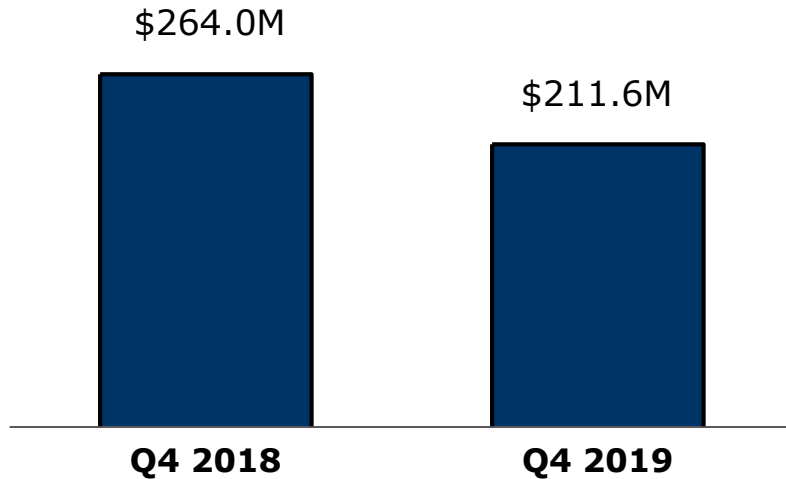
- Q4 effective tax rate of 21.4% vs. 23.9% last year
  - \$3.2 million benefit from one-time items
  - Expect full-year 2020 effective tax rate to be 22.0-24.0%
- \$0.9 million unfavorable impact from currency revaluation
- Interest expense decline due to lower debt levels
- Weighted average diluted shares outstanding down 1.8 percent



# Q4 2019 Cash Flow and Capital Distribution

## Cash Flow from Operations

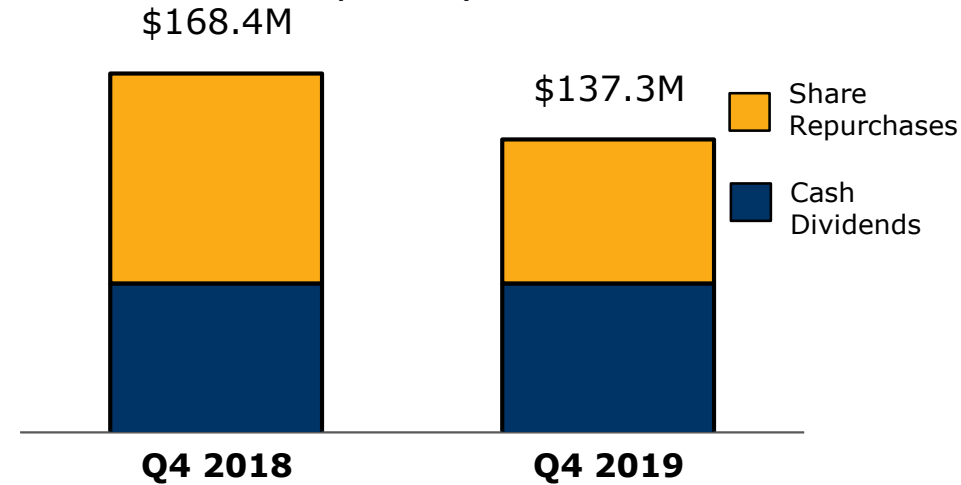
(19.9%)



- \$52.4 million decrease in cash flow primarily driven by lower net income
- \$19.5 million in capital expenditures
- Expect full-year 2020 capital expenditures to be \$60-70 million

## Capital Distribution

(18.5%)



- \$137.3 million returned to shareholders
  - \$69.9 million in cash dividends
  - \$67.4 million in share repurchases
    - 863,096 shares repurchased in the fourth quarter at an average price of \$78.07 per share



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# Q4 2019 Balance Sheet

*in thousands*

	December 31, 2019	December 31, 2018	% Change
Accounts Receivable, Net <sup>(1)</sup>	\$2,107,255	\$2,322,073	(9.3%)
Accounts Payable <sup>(2)</sup>	\$1,164,029	\$1,182,927	(1.6%)
<b>Net Operating Working Capital<sup>(3)</sup></b>	<b>\$943,226</b>	<b>\$1,139,146</b>	<b>(17.2%)</b>

- Total debt balance \$1.24 billion
  - \$600 million senior unsecured notes, 4.20% coupon
  - \$500 million private placement debt, 4.28% average coupon
  - \$143 million accounts receivable securitization debt facility, 2.5% borrowing rate
  - 4.1% weighted average interest rate in the quarter

*(1) Accounts receivable amount includes contract assets.*

*(2) Accounts payable amount includes outstanding checks and accrued transportation expense.*

*(3) Net operating working capital is defined as net accounts receivable less accounts payable.*



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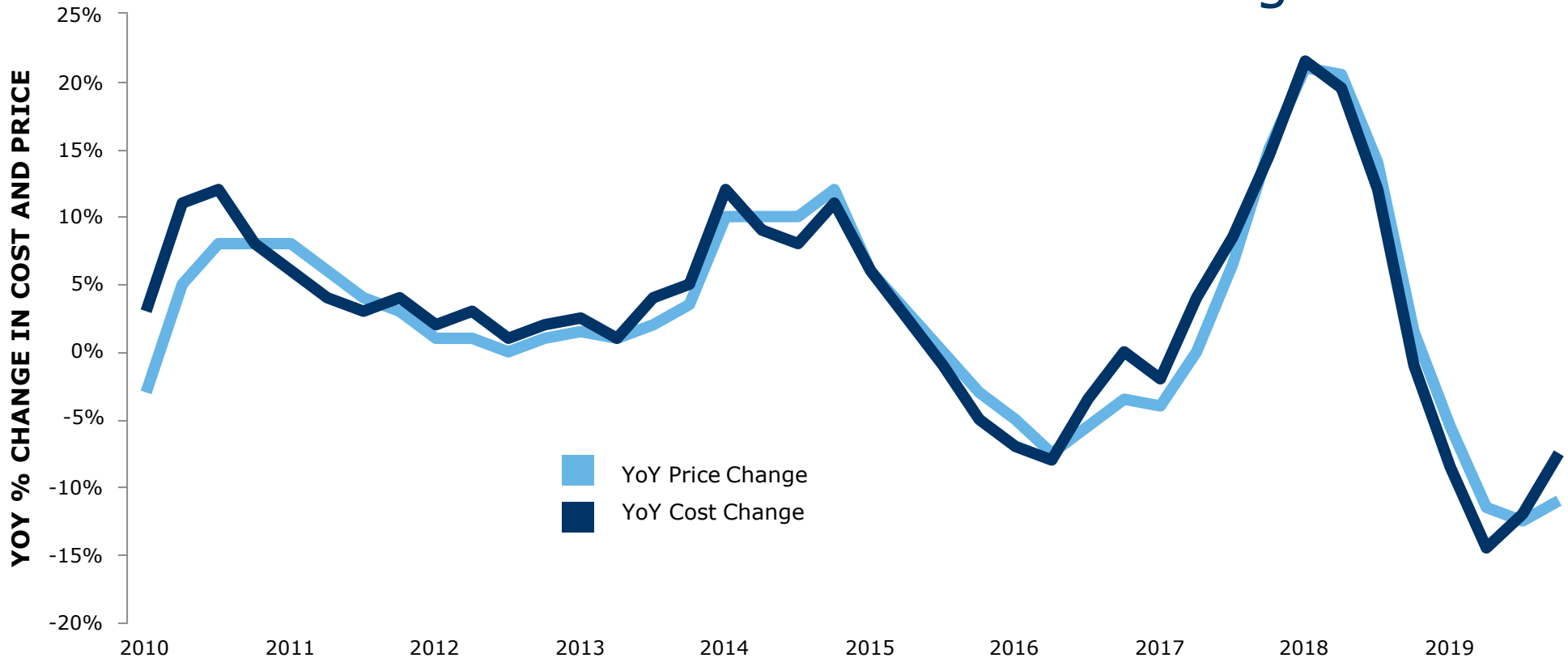
# First Quarter 2020 Trends – January

- January to date total company net revenue per business day has decreased approximately 18 percent when compared to January 2019
- North America truckload volume per business day has increased 6 percent on a year-over-year basis in January





# NAST Truckload Cost and Price Change(1)



- North American Surface Transportation ("NAST") truckload cost and price change chart represents truckload shipments in North America
- Includes the impact of the truckload service line previously reported in the Robinson Fresh segment

(1) Growth rates are rounded to the nearest 0.5 percent.

(2) Pricing and cost measures exclude the estimated impact of the change in fuel prices.

(3) Represents price and cost YoY change for North America shipments across all segments.

NAST Truckload		2019 Q4
Volume <sup>(1)</sup>		0.0%
Pricing <sup>(1)(2)(3)</sup>		(11.0%)
Cost <sup>(1)(2)(3)</sup>		(7.5%)
Net Revenue Margin		↓



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# Q4 2019 NAST Results by Service Line

## Truckload, Less Than Truckload and Intermodal

*in thousands*

Three Months Ended December 31

Net Revenues	2019	2018	% Change
Truckload	\$264,191	\$375,289	(29.6%)
LTL	\$112,213	\$116,195	(3.4%)
Intermodal	\$8,217	\$8,483	(3.1%)
Other	\$6,020	\$8,723	(31.0%)
<b>Total Net Revenues</b>	<b>\$390,641</b>	<b>\$508,690</b>	<b>(23.2%)</b>
<i>Net Revenue Margin %</i>	<i>14.0%</i>	<i>16.7%</i>	<i>(270 bps)</i>

- Year-over-year price declines in truckload, LTL and intermodal
- Net revenue margin compression in truckload and LTL
- 4.5 percent volume increase<sup>(3)</sup> in LTL
- Added 3,800 new carriers in the quarter

	Truckload	LTL	Intermodal
Pricing <sup>(1)(2)</sup>	↓	↓	↓
Cost <sup>(1)(2)</sup>	↓	↑	↓
Volume	↔	↑	↓
Net Revenue Margin	↓	↓	↑

*(1) Represents price and cost YoY change for North America shipments across all segments.*

*(2) Pricing and cost measures exclude the estimated impact of the change in fuel prices.*

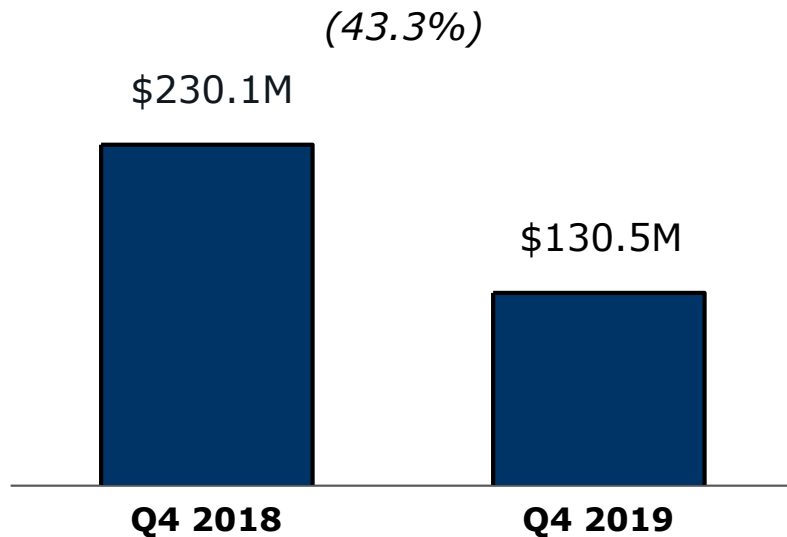
*(3) Growth rate is rounded to the nearest 0.5 percent.*



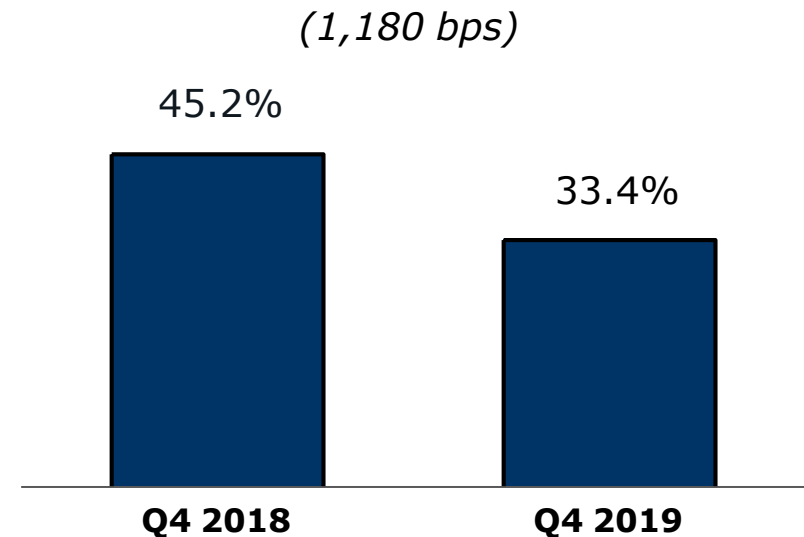
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# Q4 2019 NAST Operating Income

## Q4 Operating Income



## Q4 Operating Margin %



- Decreased net revenues
- Average headcount decreased 3.3 percent
- Lower variable compensation



# Q4 2019 Global Forwarding Results by Service Line

## Ocean, Air and Customs

*in thousands*

Three Months Ended December 31

Net Revenues	2019	2018	% Change
Ocean	\$73,445	\$82,113	(10.6%)
Air	\$24,448	\$28,051	(12.8%)
Customs	\$22,941	\$23,762	(3.5%)
Other	\$8,155	\$8,811	(7.4%)
<b>Total Net Revenues</b>	<b>\$128,989</b>	<b>\$142,737</b>	<b>(9.6%)</b>
<i>Net Revenue Margin %</i>	<i>21.5%</i>	<i>21.1%</i>	<i>40 bps</i>

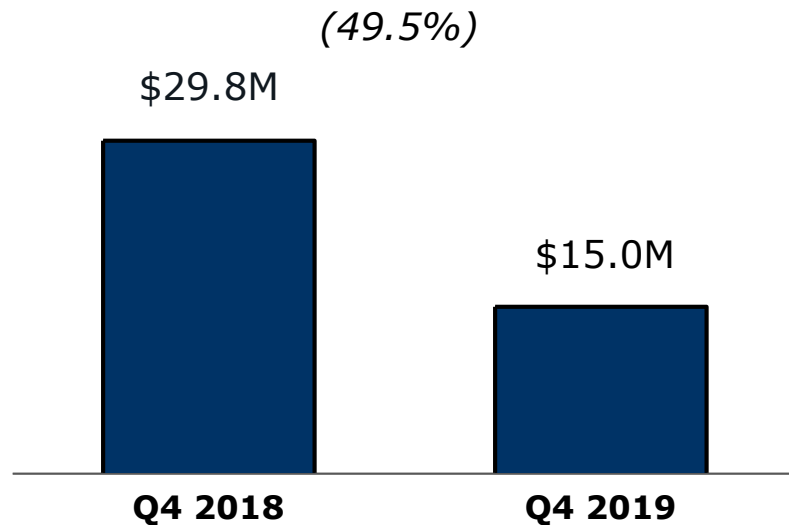
- Ocean, air and customs net revenue declines due to lower pricing and volume
- Space Cargo acquisition net revenue impact to Global Forwarding<sup>(1)</sup>:
  - Ocean +2 pts
  - Air +6 pts
  - Customs +1 ppt

	Ocean	Air
Pricing	↓	↓
Volume	↓	↓
Net Revenue Margin	↓	↑

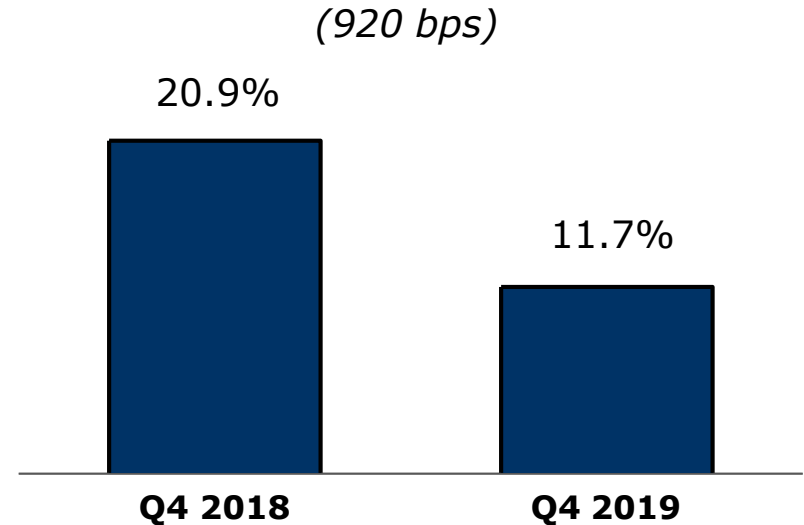


# Q4 2019 Global Forwarding Operating Income

## Q4 Operating Income



## Q4 Operating Margin %



- Decreased net revenues
- 3.4 percent increase in average headcount
  - Space Cargo acquisition contributed 3.5 percentage points to Global Forwarding headcount growth<sup>(1)</sup>
- Increased SG&A expenses



# Q4 2019 All Other and Corporate Results

## Robinson Fresh, Managed Services and Other Surface Transportation

*in thousands*

Three Months Ended December 31

<b>Net Revenues</b>	<b>2019</b>	<b>2018</b>	<b>% Change</b>
Robinson Fresh	\$22,907	\$27,003	(15.2%)
Managed Services	\$21,380	\$20,318	5.2%
Other Surface Transportation	\$14,946	\$15,035	(0.6%)
<b>Total</b>	<b>\$59,233</b>	<b>\$62,356</b>	<b>(5.0%)</b>

### Robinson Fresh

- Case volume decline of 6.0 percent<sup>(1)</sup>

### Managed Services

- Over \$4 billion in annual freight under management

### Other Surface Transportation

- Dema Service acquisition added 9.0 percentage points of net revenue growth<sup>(1)</sup>



# Final Comments

- Expectations for 2020:
  - Expect net revenue per load headwinds through the first half of 2020
  - Leverage technology investments to drive productivity gains and increasing levels of automation
  - Three-year \$100 million cost reduction initiative
  - Opportunistic share repurchases





# Appendix



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# Q4 2019 Transportation Results(1)

*in thousands*

Transportation	Three Months Ended December 31			Twelve Months Ended December 31		
	2019	2018	% Change	2019	2018	% Change
Total Revenues	\$3,570,405	\$3,896,750	(8.4%)	\$14,322,295	\$15,515,921	(7.7%)
Total Net Revenues	\$557,205	\$688,891	(19.1%)	\$2,482,862	\$2,593,744	(4.3%)
Net Revenue Margin %	15.6%	17.7%	(210 bps)	17.3%	16.7%	60 bps

Transportation Net Revenue Margin %	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Q1	17.4%	17.2%	16.9%	16.3%	15.3%	16.8%	19.7%	17.3%	16.4%	18.6%
Q2	15.8%	16.2%	14.9%	15.4%	16.0%	17.5%	19.3%	16.2%	16.2%	18.3%
Q3	16.6%	16.4%	15.6%	15.0%	16.2%	18.4%	17.6%	16.4%	16.6%	16.9%
Q4	17.6%	16.3%	15.8%	15.1%	15.9%	19.0%	17.2%	16.6%	17.7%	15.6%
<b>Total</b>	<b>16.8%</b>	<b>16.5%</b>	<b>15.8%</b>	<b>15.4%</b>	<b>15.9%</b>	<b>17.9%</b>	<b>18.4%</b>	<b>16.6%</b>	<b>16.7%</b>	<b>17.3%</b>



# Q4 2019 NAST Results

*in thousands, except headcount*

Three Months Ended December 31

Twelve Months Ended December 31

	2019	2018	% Change	2019	2018	% Change
Total Revenues	\$2,788,547	\$3,050,247	(8.6%)	\$11,283,692	\$12,346,757	(8.6%)
Total Net Revenues	\$390,641	\$508,690	(23.2%)	\$1,797,369	\$1,906,261	(5.7%)
<i>Net Revenue Margin %</i>	14.0%	16.7%	(270 bps)	15.9%	15.4%	50 bps
Income from Operations	\$130,548	\$230,070	(43.3%)	\$722,763	\$821,844	(12.1%)
<i>Operating Margin %</i>	33.4%	45.2%	(1,180 bps)	40.2%	43.1%	(290 bps)
Depreciation and Amortization	\$6,384	\$6,385	0.0%	\$24,508	\$25,290	(3.1%)
Total Assets	\$2,550,010	\$2,567,120	(0.7%)	\$2,550,010	\$2,567,120	(0.7%)
Average Headcount	7,154	7,396	(3.3%)	7,354	7,387	(0.4%)



# Q4 2019 Global Forwarding Results

*in thousands, except headcount*

	Three Months Ended December 31			Twelve Months Ended December 31		
	2019	2018	% Change	2019	2018	% Change
Total Revenues	\$600,168	\$677,125	(11.4%)	\$2,327,913	\$2,487,744	(6.4%)
Total Net Revenues	\$128,989	\$142,737	(9.6%)	\$533,976	\$543,906	(1.8%)
<i>Net Revenue Margin %</i>	21.5%	21.1%	40 bps	22.9%	21.9%	100 bps
Income from Operations	\$15,030	\$29,782	(49.5%)	\$80,527	\$91,626	(12.1%)
<i>Operating Margin %</i>	11.7%	20.9%	(920 bps)	15.1%	16.8%	(170 bps)
Depreciation and Amortization	\$9,293	\$8,751	6.2%	\$36,720	\$35,148	4.5%
Total Assets	\$1,021,592	\$969,736	5.3%	\$1,021,592	\$969,736	5.3%
Average Headcount	4,824	4,664	3.4%	4,766	4,711	1.2%



# Q4 2019 All Other and Corporate Results

*in thousands, except headcount*

Three Months Ended December 31

Twelve Months Ended December 31

	<b>2019</b>	<b>2018</b>	<b>% Change</b>	<b>2019</b>	<b>2018</b>	<b>% Change</b>
Total Revenues	\$404,611	\$410,536	(1.4%)	\$1,697,903	\$1,796,671	(5.5%)
Total Net Revenues	\$59,233	\$62,356	(5.0%)	\$254,965	\$255,068	0.0%
Income from Operations	(\$8,772)	(\$4,335)	<i>NM</i>	(\$13,314)	(\$1,387)	<i>NM</i>
Depreciation and Amortization	\$9,650	\$9,191	5.0%	\$39,221	\$36,291	8.1%
Total Assets	\$1,069,458	\$890,556	20.1%	\$1,069,458	\$890,556	20.1%
Average Headcount	3,562	3,183	11.9%	3,431	3,106	10.5%





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