

C H ROBINSON WORLDWIDE INC

Form 10-Q

May 10, 2012

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## SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

### FORM 10-Q

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2012**

**OR**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**FOR THE TRANSITION PERIOD FROM                      TO**

**Commission File Number 000-23189**

## **C.H. ROBINSON WORLDWIDE, INC.**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)  
**41-1883630**  
(I.R.S. Employer  
Identification No.)  
**14701 Charlson Road, Eden Prairie,**  
**Minnesota**  
(Address of principal executive offices)  
**55347**  
(Zip Code)  
**(952) 937-8500**  
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer   
Non-accelerated filer  Smaller reporting company   
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of May 4, 2012, the number of shares outstanding of the registrant's Common Stock, par value \$.10 per share, was 162,656,880.

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**C.H. ROBINSON WORLDWIDE, INC.**

**FORM 10-Q**

**For the Quarter Ended March 31, 2012**

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**Table of Contents****PART I FINANCIAL INFORMATION****ITEM 1. Financial Statements****C.H. ROBINSON WORLDWIDE, INC. AND SUBSIDIARIES****Condensed Consolidated Balance Sheets****(In thousands, except per share data)****(unaudited)**

	<b>March 31, 2012</b>	<b>December 31, 2011</b>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 311,365	\$ 373,669
Receivables, net of allowance for doubtful accounts of \$34,543 and \$31,328	1,245,379	1,189,637
Deferred tax asset	6,134	8,382
Prepaid expenses and other	38,253	39,855
<b>Total current assets</b>	<b>1,601,131</b>	<b>1,611,543</b>
Property and equipment, net	130,761	126,830
Goodwill	360,042	359,688
Intangible and other assets, net	42,351	39,980
<b>Total assets</b>	<b>\$ 2,134,285</b>	<b>\$ 2,138,041</b>
<b>LIABILITIES AND STOCKHOLDERS INVESTMENT</b>		
<b>Current liabilities:</b>		
Accounts payable and outstanding checks	\$ 747,638	\$ 704,734
Accrued expenses:		
Compensation and profit-sharing contribution	46,748	117,541
Income taxes and other	77,481	54,357
<b>Total current liabilities</b>	<b>871,867</b>	<b>876,632</b>
<b>Long term liabilities:</b>		
Noncurrent income taxes payable	13,336	11,343
Other long term liabilities	969	1,592
<b>Total liabilities</b>	<b>886,172</b>	<b>889,567</b>
<b>Stockholders investment:</b>		
Preferred stock, \$0.10 par value, 20,000 shares authorized; no shares issued or outstanding	0	0
Common stock, \$0.10 par value, 480,000 shares authorized; 177,272 and 177,312 shares issued; 162,716 and 163,441 shares outstanding	16,272	16,344
Retained earnings	1,897,041	1,845,032
Additional paid-in capital	201,979	205,794
Accumulated other comprehensive loss	(8,888)	(9,115)
Treasury stock at cost (14,556 and 13,871 shares)	(858,291)	(809,581)
<b>Total stockholders investment</b>	<b>1,248,113</b>	<b>1,248,474</b>

<b>Total liabilities and stockholders investment</b>	\$ 2,134,285	\$ 2,138,041
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See accompanying notes.

**Table of Contents****C.H. ROBINSON WORLDWIDE, INC. AND SUBSIDIARIES****Condensed Consolidated Statements of Operations and Comprehensive Income****(In thousands, except per share data)****(unaudited)**

	<b>Three Months Ended March 31,</b>	
	<b>2012</b>	<b>2011</b>
<b>REVENUES:</b>		
Transportation	\$ 2,176,797	\$ 1,991,022
Sourcing	359,730	360,028
Payment Services	15,587	14,422
<b>Total revenues</b>	<b>2,552,114</b>	<b>2,365,472</b>
<b>COSTS AND EXPENSES:</b>		
Purchased transportation and related services	1,809,581	1,648,102
Purchased products sourced for resale	327,787	327,029
Personnel expenses	183,438	175,109
Other selling, general, and administrative expenses	61,763	58,517
<b>Total costs and expenses</b>	<b>2,382,569</b>	<b>2,208,757</b>
<b>Income from operations</b>	<b>169,545</b>	<b>156,715</b>
Investment and other income	214	225
<b>Income before provision for income taxes</b>	<b>169,759</b>	<b>156,940</b>
Provision for income taxes	63,259	59,912
<b>Net income</b>	<b>106,500</b>	<b>97,028</b>
Other comprehensive income (loss)	227	(1,100)
<b>Comprehensive income</b>	<b>\$ 106,727</b>	<b>\$ 95,928</b>
Basic net income per share	\$ 0.65	\$ 0.59
Diluted net income per share	\$ 0.65	\$ 0.59
Basic weighted average shares outstanding	162,693	165,124
Dilutive effect of outstanding stock awards	330	640
Diluted weighted average shares outstanding	163,023	165,764

See accompanying notes.

**Table of Contents****C.H. ROBINSON WORLDWIDE, INC. AND SUBSIDIARIES****Condensed Consolidated Statements of Cash Flows****(In thousands)****(unaudited)**

	<b>Three Months Ended March 31,</b>	
	<b>2012</b>	<b>2011</b>
<b>OPERATING ACTIVITIES</b>		
Net income	\$ 106,500	\$ 97,028
Adjustments to reconcile net income to net cash provided by operating activities:		
Stock-based compensation	9,766	12,510
Depreciation and amortization	8,417	7,139
Provision for doubtful accounts	4,846	2,397
Deferred taxes and other	4,362	(1,822)
Changes in operating elements:		
Receivables	(60,588)	(142,121)
Prepaid expenses and other	800	(4,078)
Accounts payable and outstanding checks	43,138	81,701
Accrued compensation and profit-sharing contribution	(69,664)	(47,385)
Accrued income taxes and other	29,507	47,244
<b>Net cash provided by operating activities</b>	<b>77,084</b>	<b>52,613</b>
<b>INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(9,888)	(5,663)
Purchases and development of software	(3,932)	(3,967)
Sales/maturities of available-for-sale-securities	0	8,327
Other investing activities	4	18
<b>Net cash used for investing activities</b>	<b>(13,816)</b>	<b>(1,285)</b>
<b>FINANCING ACTIVITIES</b>		
Payment of contingent purchase price	(11,613)	(3,850)
Proceeds from stock issued for employee benefit plans	7,628	7,193
Stock tendered for payment of withholding taxes	(7,129)	(5,979)
Repurchase of common stock	(65,490)	(45,500)
Excess tax benefit on stock-based compensation	5,999	7,511
Cash dividends	(54,725)	(48,851)
<b>Net cash used for financing activities</b>	<b>(125,330)</b>	<b>(89,476)</b>
Effect of exchange rates on cash	(242)	(1,124)
<b>Net change in cash and cash equivalents</b>	<b>(62,304)</b>	<b>(39,272)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>373,669</b>	<b>398,607</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 311,365</b>	<b>\$ 359,335</b>

See accompanying notes.





**Table of Contents****C.H. ROBINSON WORLDWIDE INC. AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****(Unaudited)****1. General*****Basis of Presentation***

C.H. Robinson Worldwide, Inc. and our subsidiaries ( the company, we, us, or our ) are a global provider of transportation services and logistics solutions through a network of 235 branch offices operating in North America, Europe, Asia, South America, Australia, and the Middle East. The condensed consolidated financial statements include the accounts of C.H. Robinson Worldwide, Inc. and our majority owned and controlled subsidiaries. Our noncontrolling interests in subsidiaries are not significant. All intercompany transactions and balances have been eliminated in the condensed consolidated financial statements.

The condensed consolidated financial statements, which are unaudited, have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ( SEC ). In our opinion, these financial statements include all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the financial statements for the interim periods presented. Interim results are not necessarily indicative of results for a full year.

Consistent with SEC rules and regulations, we have condensed or omitted certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States. You should read the condensed consolidated financial statements and related notes in conjunction with the consolidated financial statements and notes in our Annual Report on Form 10-K for the year ended December 31, 2011.

**2. Goodwill and Intangible Assets**

The change in the carrying amount of goodwill is as follows (in thousands):

Balance December 31, 2011	\$ 359,688
Foreign currency translation	354
<b>Balance March 31, 2012</b>	<b>\$ 360,042</b>

A summary of our other intangible assets, with finite lives, which include primarily non-competition agreements and customer relationships, is as follows (in thousands):

	<b>March 31, 2012</b>	<b>December 31, 2011</b>
Gross	\$ 17,862	\$ 17,862
Accumulated amortization	(10,545)	(9,708)
<b>Net</b>	<b>\$ 7,317</b>	<b>\$ 8,154</b>

Other intangible assets, with indefinite lives, are as follows (in thousands):

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	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2012</b>	<b>2011</b>
Trademarks	\$ 1,875	\$ 1,800

Amortization expense for other intangible assets is as follows (in thousands):

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2012</b>	<b>2011</b>
Amortization expense	\$ 842	\$ 1,084

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Estimated amortization expense for each of the five succeeding fiscal years based on the intangible assets at March 31, 2012 is as follows (in thousands):

Remainder of 2012	\$ 2,357
2013	2,986
2014	1,851
2015	70
2016	53
Total	\$ 7,317

**3. Litigation**

We are not subject to any pending or threatened litigation other than routine litigation arising in the ordinary course of our business operations, including contingent auto liability cases. For such legal proceedings, we have accrued an amount that reflects the aggregate liability deemed probable and estimable, but this amount is not material to our consolidated financial position, results of operations, or cash flows. Because of the preliminary nature of many of these proceedings, the difficulty in ascertaining the applicable facts relating to many of these proceedings, the inconsistent treatment of claims made in many of these proceedings and the difficulty of predicting the settlement value of many of these proceedings, we are not able to estimate an amount or range of any reasonably possible additional losses. However, based upon our historical experience, the resolution of these proceedings is not expected to have a material effect on our financial condition, results of operations, or cash flows.

**4. Fair Value Measurement**

Accounting guidance on fair value measurements for certain financial assets and liabilities requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1 Quoted market prices in active markets for identical assets or liabilities.

Level 2 Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3 Unobservable inputs reflecting the reporting entity's own assumptions or external inputs from inactive markets. A financial asset or liability's classification within the hierarchy is determined based on the lowest level of input that is significant to the fair value measurement.

The following tables present information as of March 31, 2012 and December 31, 2011, about our financial assets and liabilities that are measured at fair value on a recurring basis, according to the valuation techniques we used to determine their fair values.

	Level 1	Level 2	Level 3	Total Fair Value
March 31, 2012				
Contingent purchase price related to acquisitions	\$ 0	\$ 0	\$ 1,265	\$ 1,265
Total liabilities at fair value	\$ 0	\$ 0	\$ 1,265	\$ 1,265

December 31, 2011

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Contingent purchase price related to acquisitions	\$ 0	\$ 0	\$ 13,070	\$ 13,070
Total liabilities at fair value	\$ 0	\$ 0	\$ 13,070	\$ 13,070

The table below sets forth a reconciliation of our beginning and ending Level 3 financial liability balance.

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	Three Months Ended March 31,	
	2012	2011
Balance, beginning of period	\$ 13,070	\$ 16,623
Payments of contingent purchase price	(11,613)	(3,850)
Total unrealized (gains)/losses included in earnings	(192)	98
<b>Balance, end of period</b>	<b>\$ 1,265</b>	<b>\$ 12,871</b>

**5. Stock Award Plans**

Stock-based compensation cost is measured at the grant date based on the value of the award and is recognized as expense as it vests. A summary of our total compensation expense recognized in our statements of operations for stock-based compensation is as follows (in thousands):

	Three Months Ended March 31,	
	2012	2011
Stock-based compensation expense	\$ 9,766	\$ 12,510

Our 1997 Omnibus Stock Plan allows us to grant certain stock awards, including stock options at fair market value and restricted shares and units, to our key employees, directors, and other third parties. A maximum of 28,000,000 shares can be granted under this plan; approximately 5,540,000 shares were available for stock awards as of March 31, 2012, which cover stock options and restricted stock awards. Awards that expire or are cancelled without delivery of shares generally become available for issuance under the plans.

**Stock Options** We have awarded performance-based stock options to certain key employees. These options are subject to certain vesting requirements over a five-year period, based on the company's earnings growth. Any options remaining unvested at the end of the five year vesting period are forfeited to the company. Although participants can exercise options via a stock swap exercise, we do not issue reloads (restoration options) on the grants from 2011.

The fair value of these options is established based on the market price on the date of grant, discounted for post-vesting holding restrictions, calculated using the Black-Scholes option pricing model. Changes in measured stock price volatility and interest rates are the primary reasons for changes in the discount. These grants are being expensed based on the terms of the awards. As of March 31, 2012, unrecognized compensation expense related to stock options was \$13.8 million. The amount of future expense to be recognized will be based on the company's earnings growth and certain other conditions.

**Restricted Stock Awards** We have awarded performance-based restricted shares and restricted units to certain key employees and non-employee directors. These restricted shares and restricted units are subject to certain vesting requirements over a five-year period, based on the company's earnings growth. The awards also contain restrictions on the awardees' ability to sell or transfer vested shares or units for a specified period of time. The fair value of these shares is established based on the market price on the date of grant, discounted for post-vesting holding restrictions. For grants that are still available to vest, the discounts have varied from 18 percent to 22 percent and are calculated using the Black-Scholes option pricing model. Changes in the measured stock price volatility and interest rates are the primary reason for changes in the discount. These grants are being expensed based on the terms of the awards.

We have also awarded restricted shares and units to certain key employees that vest primarily based on their continued employment. The value of these awards is established by the market price on the date of the grant and is being expensed over the vesting period of the award.

We have also issued to certain key employees and non-employee directors restricted shares and units which are fully vested upon issuance. These shares and units contain restrictions on the awardees' ability to sell or transfer vested shares and units for a specified period of time. The fair value of these shares is established using the same method discussed above. These grants have been expensed during the year they were earned.

As of March 31, 2012, there was unrecognized compensation expense of \$155.1 million related to previously granted restricted shares and units. The amount of future expense to be recognized will be based primarily on the company's earnings growth and certain other conditions.



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**Employee Stock Purchase Plan** Our 1997 Employee Stock Purchase Plan allows our employees to contribute up to \$10,000 of their annual cash compensation to purchase company stock. Purchase price is determined using the closing price on the last day of the quarter, discounted by 15 percent. Shares are vested immediately. The following table summarizes employee stock purchase plan activity for the period:

Shares purchased by employees	Three Months Ended March 31, 2012	
	Aggregate cost to employees	Expense recognized by the company
98,327	\$ 5,473,520	\$ 965,915

**6. Income Taxes**

C.H. Robinson Worldwide, Inc. and its 80 percent (or more) owned U.S. subsidiaries file a consolidated federal income tax return. We file unitary or separate state returns based on state filing requirements. With few exceptions, we are no longer subject to audits of U.S. federal, state and local, or non-U.S. income tax returns before 2007.

	Three Months Ended March 31,	
	2012	2011
Effective income tax rate	37.3%	38.2%

The effective income tax rate for both periods is greater than the statutory federal income tax rate primarily due to state income taxes, net of federal benefit.

**ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

You should read the following discussion of our financial condition and results of operations in conjunction with our condensed consolidated financial statements and related notes.

**Forward-looking Information**

Our quarterly report on Form 10-Q, including this discussion and analysis of our financial condition and results of operations and our disclosures about market risk, contains certain forward-looking statements. These statements represent our expectations, beliefs, intentions, or strategies concerning future events that, by their nature, involve risks and uncertainties. Forward looking statements include, among others, statements about our future performance, the continuation of historical trends, the sufficiency of our sources of capital for future needs, the effects of acquisitions, the expected impact of recently issued accounting pronouncements, and the outcome or effects of litigation. Risks that could cause actual results to differ materially from our current expectations include changes in economic conditions; 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 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 integrate the operations of acquired companies with our historic operations successfully; risks associated with litigation, including contingent auto liability and insurance coverage; risks associated with operations outside of the U.S.; risks associated with the potential impacts of changes in government regulations; risks associated with the produce industry, including food safety and contamination issues; increases in fuel prices increases or shortages; the impact of war on the economy; and other risks and uncertainties detailed in our Annual and Quarterly Reports. Therefore, actual results may differ materially from our expectations based on these and other risks and uncertainties, including those described in Item 1A. Risk Factors of our Annual Report on Form 10-K filed with the Securities and Exchange Commission for the year ended December 31, 2011, filed on February 29, 2012.

**Overview**

**Our company.** We are a global provider of transportation services and logistics solutions, operating through a network of branch offices in North America, Europe, Asia, South America, Australia, and the Middle East. As a third party logistics provider, we cultivate contractual relationships with a wide variety of transportation companies, and utilize those relationships to efficiently and cost effectively transport our customers' freight. We have contractual relationships with approximately 53,000 transportation companies, including motor carriers, railroads

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(primarily intermodal service providers), air freight and ocean carriers. Depending on the needs of our customer and their supply chain requirements, we select and hire the appropriate transportation for each shipment. Our model enables us to be flexible, provide solutions that optimize



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service for our customers, and minimize our asset utilization risk. In addition to transportation services, we also offer fresh produce sourcing and fee-based payment services. Our Sourcing business is the buying, selling, and marketing of fresh produce. We supply fresh produce through our network of independent produce growers and suppliers. Our customers include grocery retailers and restaurants, produce wholesalers, and foodservice providers. In many cases, we also arrange the logistics and transportation of the products we sell and provide related supply chain services such as replenishment, category management, and merchandising. Our Payment Services business is our subsidiary, T-Chek, which provides a variety of payment management and business intelligence services primarily to motor carrier companies and to fuel distributors. Those services include funds transfer, fuel purchasing, and online expense management.

**Our business model.** We are primarily a service company. We add value and expertise in the procurement and execution of transportation and logistics, including sourcing of produce products for our customers. Our total revenues represent the total dollar value of services and goods we sell to our customers. Our net revenues are our total revenues less purchased transportation and related services, including contracted motor carrier, rail, ocean, air, and other costs, and the purchase price and services related to the products we source. Our net revenues are the primary indicator of our ability to source, add value, and sell services and products that are provided by third parties, and we consider them to be our primary performance measurement. Accordingly, the discussion of our results of operations below focuses on the changes in our net revenues.

We keep our business model as variable as possible to allow us to be flexible and adapt to changing economic and industry conditions. We sell transportation services and produce to our customers with varied pricing arrangements. Some prices are committed to for a period of time, subject to certain terms and conditions, and some prices are set on a spot market basis. We buy most of our truckload capacity and produce on a spot market basis. Because of this our net revenue per transaction tends to increase in times when there is excess supply and decrease in times when demand is strong relative to supply. We also keep our personnel and other operating expenses as variable as possible. Compensation is performance-oriented and, for most employees in the branch network, based on the profitability of their individual branch office.

In addition, we do not have pre-committed targets for headcount. Our personnel decisions are decentralized. Our branch managers determine the appropriate number of employees for their offices, within productivity guidelines, based on their branch's volume of business. This helps keep our personnel expense as variable as possible with the business.

**Our branch network.** Our branch network is a competitive advantage. Building local customer and contract carrier relationships has been an important part of our success, and our worldwide network of offices supports our core strategy of serving customers locally, nationally, and globally. Our branch offices help us penetrate local markets, provide face-to-face service when needed, and recruit contract carriers. Our branch network also gives us knowledge of local market conditions, which is important in the transportation industry because it is market-driven and very dynamic.

Our branches work together to complete transactions and collectively meet the needs of our customers. For large multi-location customers, we often coordinate our efforts in one branch and rely on multiple branch locations to deliver specific geographic or modal needs. As an example, approximately 40 percent of our truckload shipments are shared transactions between branches. Our methodology of providing services is very similar across all branches. The majority of our global network operates on a common technology platform that is used to match customer needs with supplier capabilities, to collaborate with other branch locations, and to utilize centralized support resources to complete all facets of the transaction.

We did not open any branches during the first quarter of 2012. We are planning limited branch openings during the remainder of 2012.

**Our people.** Because we are a service company, our continued success is dependent on our ability to continue to hire and retain talented, productive people, and to properly align our headcount and personnel expense with our business. Our headcount as of March 31, 2012 increased 1.7 percent compared to our headcount as of December 31, 2011. Branch employees act as a team in their sales efforts, customer service, and operations. A significant portion of our branch employees' compensation is performance-oriented, based on individual performance and the profitability of their branch. We believe this makes our sales employees more service-oriented and focused on driving growth and maximizing office productivity. In 2003, we implemented a restricted equity program to better align our key employees with the interests of our shareholders, and to motivate and retain them for the long term. These restricted equity awards vest over a period of up to five years based on the company's earnings growth, and have been awarded annually since 2003.

**Our customers.** In 2011, we worked with more than 37,000 active customers, up from approximately 36,000 in 2010. We work with a wide variety of companies, ranging in size from Fortune 100 companies to small family businesses, in many different industries. Our customer base is very diverse and unconcentrated. Our top 100 customers represented approximately 34 percent of our total revenues and approximately 30 percent of our net revenues. Our largest customer was 3.6 percent of our total revenues and 2.3 percent of our total net revenues.



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**Our contracted carriers.** Our contracted carrier base includes motor carriers, railroads (primarily intermodal service providers), air freight, and ocean carriers. In 2011, our carrier base was approximately 53,000, up from approximately 49,000 in 2010. Motor carriers that had fewer than 100 tractors transported approximately 82 percent of our truckload shipments in 2011. In our Transportation business, no single carrier represents more than approximately two percent of our contracted carrier capacity.

**Our goals.** Since we became a publicly-traded company in 1997, our long-term compounded annual growth target has been 15 percent for net revenues, income from operations, and earnings per share. Although there have been periods where we have not achieved these goals, since 1997 we have exceeded this compounded growth goal in all three categories. Our expectation is that over time, we will continue to achieve our long-term target of 15 percent growth, but that we will have periods in which we exceed that goal and periods in which we fall short. We expect to reach our long-term growth primarily through internal growth but acquisitions that fit our growth criteria and culture may also augment our growth.

During the first quarter of 2012, our consolidated total revenues increased 7.9 percent due primarily to volume increases in all of our modes of transportation and increasing transportation rates. Transportation rates increased primarily due to a rise in fuel prices.

Due to decreased net revenue margin in most of our transportation modes, we did not achieve our long-term growth goal of 15 percent during the first quarter of 2012. Our net revenues grew 6.3 percent to \$414.7 million. Our income from operations increased 8.2 percent to \$169.5 million and our diluted earnings per share increased 10.2 percent to \$0.65. During the first quarter of 2012, our net revenue margins (net revenues as a percentage of total revenues) decreased to 16.3 percent from 16.5 percent in the first quarter of 2011.

**Results of Operations**

The following table summarizes our total revenues by service line:

	Three Months Ended March 31,		% change
	2012	2011	
Revenues (in thousands)			
Transportation	\$ 2,176,797	\$ 1,991,022	9.3%
Sourcing	359,730	360,028	-0.1%
Payment Services	15,587	14,422	8.1%
Total	\$ 2,552,114	\$ 2,365,472	7.9%

The following table illustrates our net revenue margins, or net revenues as a percentage of total revenues, between services and products:

	Three Months Ended March 31,	
	2012	2011
Transportation	16.9%	17.2%
Sourcing	8.9	9.2
Payment Services	100.0	100.0
Total	16.3%	16.5%

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The following table summarizes our net revenues by service line:

	Three Months Ended March 31,		
	2012	2011	% change
Net revenues (in thousands)			
Transportation:			
Truck	\$ 315,409	\$ 294,500	7.1%
Intermodal	9,711	9,600	1.2%
Ocean	15,761	15,570	1.2%
Air	8,873	9,185	-3.4%
Other Logistics Services	17,462	14,065	24.2%
Total transportation	367,216	342,920	7.1%
Sourcing	31,943	32,999	-3.2%
Payment Services	15,587	14,422	8.1%
Total net revenues	\$ 414,746	\$ 390,341	6.3%

The following table represents certain statement of operations data, shown as percentages of our net revenues:

	Three Months Ended March 31,	
	2012	2011
Net revenues	100.0%	100.0%
Operating expenses		
Personnel expenses	44.2	44.9
Other selling, general, and administrative expenses	14.9	15.0
Total operating expenses	59.1	59.9
Income from operations	40.9	40.1
Investment and other income	0.1	0.1
Income before provision for income taxes	40.9	40.2
Provision for income taxes	15.3	15.3
Net income	25.7%	24.9%

**Three Months Ended March 31, 2012 Compared to Three Months Ended March 31, 2011**

**Total revenues and direct costs.** Our consolidated total revenues increased 7.9 percent in the first quarter of 2012 compared to the first quarter of 2011. Total Transportation revenues increased 9.3 percent to \$2.2 billion in the first quarter of 2012 from \$2.0 billion in the first quarter of 2011. This increase was driven by higher volumes in all of our transportation services and increased pricing to our customers, including the impacts of higher fuel costs. Total purchased transportation services increased 9.8 percent in the first quarter of 2012 to \$1.8 billion from \$1.6 billion in the first quarter of 2011. This increase was due to higher volumes in all of our transportation services and higher transportation costs, including the impacts of higher fuel costs. Our Sourcing revenue decreased 0.1 percent to \$359.7 million in the first quarter of 2012. Purchased products sourced for resale increased 0.2 percent in the first quarter of 2012 to \$327.8 million from \$327.0 million in the first quarter of 2011. Our Payment Services revenue increased 8.1 percent to \$15.6 million in the first quarter of 2012 from \$14.4 million in the first quarter of 2011. The increase was driven primarily by higher fuel prices and changes to merchant agreements, and by an increase in MasterCard® transactions and other fuel card services.

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**Net revenues.** Total Transportation net revenues increased 7.1 percent to \$367.2 million in the first quarter of 2012 from \$342.9 million in the first quarter of 2011. The decline in our Transportation net revenue margin to 16.9 percent in 2012 from 17.2 percent in 2011 was largely driven by higher transportation costs and higher fuel costs, partially offset by an increase in transportation pricing to our customers. In our largest transportation service, truckload transportation, our different pricing arrangements with customers and contract carriers make it very difficult to measure the precise impact of changes in fuel prices; however, we believe that fuel costs essentially act as a pass-through to our truckload business. Therefore, in times of increasing fuel prices, our net revenue margin percentage declines as it did in the first quarter of 2012.

Truck net revenues, which consist of truckload and less-than-truckload ( LTL ) services, comprise approximately 76 percent of our total net revenues. Our truck net revenues increased 7.1 percent to \$315.4 million in the first quarter of 2012 from \$294.5 million in the first quarter of 2011. Our truckload volumes increased approximately eight percent. Truckload net revenue margin declined in the first quarter of 2012. Excluding the estimated impacts of the change in fuel, on average, our truckload pricing to our customers increased approximately one percent in the first quarter of 2012 compared to the first quarter of 2011. Our truckload transportation costs increased approximately two percent, excluding the estimated impacts of the change in fuel.

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During the first quarter of 2012, our LTL net revenues increased approximately 13 percent. The increase was driven by an increase in total shipments of approximately 13 percent.

Our intermodal net revenue increase of 1.2 percent to \$9.7 million in the first quarter was due to volume growth and price increases, largely offset by decreased net revenue margin. Our net revenue margin decline was due to a change in our customer and lane mix.

Our ocean transportation net revenues increased 1.2 percent in the first quarter of 2012, driven by increased volumes, partially offset by decreased pricing.

Our air transportation net revenue decreased 3.4 percent in the first quarter of 2012 due to pricing declines, partially offset by volume increases.

Other logistics services net revenues consist primarily of transportation management services, customs, warehousing, and small parcel. The increase of 24.2 percent in the first quarter was driven primarily by an increase in transportation management and customs net revenues.

For the first quarter, Sourcing net revenue decreased 3.2 percent to \$31.9 million in 2012 from \$33.0 million in 2011. This decline is primarily due to decreased net revenue margin, partially offset by volume growth. Our net revenue margin decreased to 8.9 percent in 2012 from 9.2 percent in 2011.

Our Payment Services net revenue increased 8.1 percent in the first quarter of 2012 to \$15.6 million. The increase was driven primarily by higher fuel prices and changes to merchant agreements, and by an increase in MasterCard® transactions and other fuel card services.

**Operating expenses.** For the first quarter, operating expenses increased 5.0 percent to \$245.2 million in 2012 from \$233.6 million in 2011. This was due to an increase of 4.8 percent in personnel expenses and an increase of 5.5 percent in other selling, general, and administrative expenses. As a percentage of net revenues, operating expenses decreased to 59.1 percent in the first quarter of 2012 from 59.9 percent in the first quarter of 2011.

Our personnel expenses are driven by headcount and earnings growth. For the first quarter, personnel expenses increased to \$183.4 million in 2012 from \$175.1 million in 2011. Our personnel expenses as a percentage of net revenue decreased in the first quarter of 2012 to 44.2 percent compared to 44.9 percent in the first quarter of 2011. Our average headcount increased approximately nine percent in the first quarter of 2012 from the first quarter of 2011. Expenses related to our various incentive plans that are designed to keep expenses variable with changes in net revenues and profitability declined in the quarter.

For the first quarter, other selling, general, and administrative expenses increased to \$61.8 million from \$58.5 million in the first quarter of 2011. Other operating expense growth was driven by an increase in the provision for doubtful accounts and travel expenses.

**Income from operations.** Income from operations increased 8.2 percent to \$169.5 million for the three months ended March 31, 2011. Income from operations as a percentage of net revenues was 40.9 percent and 40.1 percent for the three months ended March 31, 2012 and 2011.

**Investment and other income.** Investment and other income decreased 4.9 percent to \$0.2 million for the three months ended March 31, 2012. Our investment income is down due to lower investment yields during the first quarter of 2012 compared to the first quarter of 2011.

**Provision for income taxes.** Our effective income tax rate was 37.3 percent for the first quarter of 2012 and 38.2 percent for the first quarter of 2011. The effective income tax rate for both periods is greater than the statutory federal income tax rate primarily due to state income taxes, net of federal benefit.

**Net Income.** Net income increased 9.8 percent to \$106.5 million for the three months ended March 31, 2012. Basic and diluted net income per share was \$0.65 and \$0.59 for the three months ended March 31, 2012 and 2011.

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### LIQUIDITY AND CAPITAL RESOURCES

We have historically generated substantial cash from operations, which has enabled us to fund our growth while paying cash dividends and repurchasing stock. Cash and cash equivalents totaled \$311.4 million and \$359.3 million as of March 31, 2012 and 2011. As of March 31, 2012, we did not have any available-for-sale securities. Available-for-sale securities consisting primarily of highly liquid investments totaled \$1.0 million as of March 31, 2011. Working capital at March 31, 2012 and 2011 was \$729.3 million and \$730.3 million.

We prioritize our investments to grow the business, as we require some working capital and a relatively small amount of capital expenditures to grow. We are continually looking for acquisitions to support our long-term growth strategy, but those acquisitions must fit our culture and enhance our growth opportunities. We continue to invest our cash with a focus on principal preservation. Our current interest-bearing cash and investments are primarily municipal money markets in tax exempt bonds. Our investment income related to cash and cash equivalents is down for the first quarter of 2012 compared to the first quarter of 2011 due to the changes in the overall market yields of high-quality, short-term investments.

**Cash flow from operating activities.** We generated \$77.1 million and \$52.6 million of cash flow from operations during the three months ended March 31, 2012 and 2011. Accounts payable increased by \$43 million from December 31, 2011 to March 31, 2012. The increase in payables was driven by growth in transaction volumes and the increased cost of capacity. Accounts receivable increased by \$55.7 million from December 31, 2011 to March 31, 2012. This increase was driven by growth in total revenues and transaction volumes during the same period.

**Cash used for investing activities.** We used \$13.8 million and \$1.3 million of cash flow for investing activities during the three months ended March 31, 2012 and 2011. We used \$13.8 million and \$9.6 million of cash for capital expenditures, including the purchase and development of software, during the three months ended March 31, 2012 and 2011. We had \$8.3 million of cash provided from net purchases, sales, and maturities of available-for-sale securities during the three months ended March 31, 2011.

**Cash used for financing activities.** We used \$125.3 million and \$89.5 million of cash flow for financing activities during the three months ended March 31, 2012 and 2011. The increase in cash used for financing activities was due to increases in shares repurchased and dividends paid.

We used \$65.5 million and \$45.5 million of cash flow for share repurchases during the three months ended March 31, 2012 and 2011. This is due to an increase of 71.3 percent in the number of shares purchased partially offset by a ten percent decrease in the average price per share. We are currently purchasing shares under the 2009 authorization of 10,000,000 shares. As of March 31, 2012, there were 3,997,281 shares remaining under this authorization. The number of shares we repurchase, if any, during future periods will vary based on our cash position, potential uses of our cash, and market conditions.

We used \$54.7 million and \$48.9 million to pay cash dividends during the three months ended March 31, 2012 and 2011, with the increase in 2012 due to a 13.8 percent increase in our quarterly dividend rate to \$0.33 per share in 2012 from \$0.29 per share in 2011.

We also used \$11.6 million and \$3.9 million of cash flow for the payment of contingent consideration during the three months ended March 31, 2012 and 2011.

Assuming no change in our current business plan, management believes that our available cash, together with expected future cash generated from operations, will be sufficient to satisfy our anticipated needs for working capital, capital expenditures, and cash dividends in future periods. We also believe we could obtain funds under lines of credit on short notice, if needed.

### CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our condensed consolidated financial statements include accounts of the company and all majority-owned subsidiaries. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions. In certain circumstances, those estimates and assumptions can affect amounts reported in the accompanying condensed consolidated financial statements and related footnotes. In preparing our financial statements, we have made our best estimates and judgments of certain amounts included in the financial statements, giving due consideration to materiality. We do not believe there is a great likelihood that materially different amounts would be reported related to the accounting policies described below. However, application of these accounting policies involves the exercise of judgment and use of assumptions as to future uncertainties and, as a result, actual results could differ from these estimates. Note 1 of the Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2011, includes a summary of the significant accounting policies and methods used in the preparation of our consolidated financial statements. The following is a brief discussion of our critical accounting policies and estimates.





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**Revenue recognition.** Total revenues consist of the total dollar value of goods and services purchased from us by customers. Net revenues are total revenues less the direct costs of transportation, products, and handling. We act principally as the service provider for these transactions and recognize revenue as these services are rendered or goods are delivered. At that time, our obligations to the transactions are completed and collection of receivables is reasonably assured. Most transactions in our Transportation and Sourcing businesses are recorded at the gross amount we charge our customers for the service we provide and goods we sell. In these transactions, we are the primary obligor, we are a principal to the transaction, we have all credit risk, we maintain substantially all risks and rewards, we have discretion to select the supplier, and we have latitude in pricing decisions.

Additionally, in our Sourcing business, we take loss of inventory risk during shipment and have general inventory risk. Certain transactions in customs brokerage, transportation management, and all transactions in Payment Services are recorded at the net amount we charge our customers for the service we provide because many of the factors stated above are not present.

**Valuations for accounts receivable.** Our allowance for doubtful accounts is calculated based upon the aging of our receivables, our historical experience of uncollectible accounts, and any specific customer collection issues that we have identified. The allowance of \$34.5 million as of March 31, 2012, increased compared to the allowance of \$31.3 million as of December 31, 2011. We believe that the recorded allowance is sufficient and appropriate based on our customer aging trends, the exposures we have identified, and our historical loss experience.

**Goodwill.** We manage and report our operations as one operating segment. Our branches represent a series of components that are aggregated for the purpose of evaluating goodwill for impairment on an enterprise-wide basis. In the case where we have an acquisition that we feel has not yet become integrated into our branch network component, we will evaluate the impairment of any goodwill related to that specific acquisition and its results.

**Stock-based compensation.** The fair value of each share-based payment award is established on the date of grant. For grants of restricted shares and restricted units, the fair value is established based on the market price on the date of the grant, discounted for post-vesting holding restrictions. For grants that are still available to vest, the discounts have varied from 18 percent to 22 percent and are calculated using the Black-Scholes option pricing model. Changes in the measured stock price volatility and interest rates are the primary reason for changes in the discount. For grants of options, we use the Black-Scholes option pricing model to estimate the fair value of share-based payment awards. The determination of the fair value of share-based awards is affected by our stock price and a number of assumptions, including expected volatility, expected life, risk-free interest rate, and expected dividends.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

We had \$311.4 million of cash and investments on March 31, 2012. Although these investments are subject to the credit risk of the issuer, we manage our investment portfolio to limit our exposure to any one issuer. Substantially all of the cash equivalents are money market securities from treasury and tax exempt money issuers. Because of the credit risk criteria of our investment policies and practices, the primary market risks associated with these investments are interest rate and liquidity risks. A hypothetical 100-basis-point change in the interest rate would not have a material effect on our earnings. We do not use derivative financial instruments to manage interest rate risk or to speculate on future changes in interest rates. A rise in interest rates could negatively affect the fair value of our investments. Market risk arising from changes in foreign currency exchange rates are not material due to the size of our international operations.

### **ITEM 4. CONTROLS AND PROCEDURES**

#### ***(a) Evaluation of disclosure controls and procedures.***

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (the Exchange Act)). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective.

#### ***(b) Changes in internal controls over financial reporting.***

There were no changes that occurred during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect the company's internal control over financial reporting.



**Table of Contents****PART II OTHER INFORMATION****ITEM 1. Legal Proceedings**

We are not subject to any pending or threatened litigation other than routine litigation arising in the ordinary course of our business operations, including contingent auto liability cases. For such legal proceedings, we have accrued an amount that reflects the aggregate liability deemed probable and estimable, but this amount is not material to our consolidated financial position, results of operations, or cash flows. Because of the preliminary nature of many of these proceedings, the difficulty in ascertaining the applicable facts relating to many of these proceedings, the inconsistent treatment of claims made in many of these proceedings and the difficulty of predicting the settlement value of many of these proceedings, we are not able to estimate an amount or range of any reasonably possible additional losses. However, based upon our historical experience, the resolution of these proceedings is not expected to have a material effect on our financial condition, results of operations, or cash flows.

**ITEM 1A. Risk Factors**

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2011, which could materially affect our business, financial condition or future results. The risks described in our Annual Report on Form 10-K are not the only risks facing our company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

**ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds**

The following table provides information about purchases by the company during the quarter ended March 31, 2011 of equity securities that are registered by the company pursuant to Section 12 of the Exchange Act:

Period		(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs (1)	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
January 1, 2012	January 31, 2012	0	\$ 0	0	5,064,998
February 1, 2012	February 29, 2012	563,022	\$ 65.71	563,022	4,501,976
March 1, 2012	March 31, 2012	504,695	\$ 65.37	504,695	3,997,281
Total:		1,067,717	\$ 65.55	1,067,717	3,997,281

- (1) In August 2009, the C.H. Robinson Board of Directors authorized management to repurchase an additional 10,000,000 shares. We are currently purchasing shares under the 2009 authorization of 10,000,000 shares. As of March 31, 2012, there were 3,997,281 shares remaining under the 2009 authorization.

**ITEM 3. Defaults on Senior Securities**

None

**ITEM 5. Other Information**

None

**ITEM 6. Exhibits and Reports on Form 8-K**

(a) Exhibits

31.1 Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.2 Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32.1 Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

32.2 Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

101 Financial statements from the Quarterly Report on Form 10-Q of the Company for the period ended March 31, 2012, formatted in XBRL

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(b) Reports on Form 8-K

We filed a report on Form 8-K on January 20, 2012; as amended on Form 8-K/A on February 13, 2012; this report contained information regarding our announcement that our Board of Directors elected effective January 19, 2012, a new director, Scott P. Anderson, who will serve as a member of on each of the Compensation and Governance Committees.

We filed a report on Form 8-K on January 31, 2012; this report contained information under Item 12 (Results of Operations and Financial Condition) and included as an exhibit under Item 7 a copy of our earnings release for the quarter ended December 31, 2011.

We filed a report on Form 8-K on February 9, 2012; this report contained information regarding our announcement that our Board of Directors declared a regular quarterly cash dividend.

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

May 10, 2012

C.H. ROBINSON WORLDWIDE, INC.

By */S/ JOHN P. WIEHOFF*

**John P. Wiehoff**  
**Chief Executive Officer**

By */S/ CHAD M. LINDBLOOM*

**Chad M. Lindbloom**  
**Chief Financial Officer (principal accounting officer)**