

C H ROBINSON WORLDWIDE INC

Form 10-Q

August 03, 2017

Table of Contents

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-Q

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

For the Quarterly Period Ended June 30, 2017

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)

Delaware	41-1883630
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

14701 Charlson Road, Eden Prairie, Minnesota	55347-5088
(Address of principal executive offices)	(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 website, 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 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  Emerging Growth Company

Non-accelerated filer  Smaller reporting company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 July 31, 2017, the number of shares outstanding of the registrant's Common Stock, par value \$.10 per share, was 140,386,068.



Table of Contents

C.H. ROBINSON WORLDWIDE, INC.  
TABLE OF CONTENTS

PART I. Financial Information

Item 1. <u>Financial Statements (Unaudited)</u>	<u>3</u>
<u>Condensed Consolidated Balance Sheets as of June 30, 2017 and December 31, 2016</u>	<u>3</u>
<u>Condensed Consolidated Statements of Operations and Comprehensive Income for the Three Months and Six Months Ended June 30, 2017 and 2016</u>	<u>4</u>
<u>Condensed Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2017 and 2016</u>	<u>5</u>
<u>Notes to Condensed Consolidated Financial Statements</u>	<u>6</u>
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>16</u>
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>28</u>
Item 4. <u>Controls and Procedures</u>	<u>28</u>

PART II. Other Information

Item 1. <u>Legal Proceedings</u>	<u>29</u>
Item 1A. <u>Risk Factors</u>	<u>29</u>
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>29</u>
Item 3. <u>Defaults on Senior Securities</u>	<u>29</u>
Item 4. <u>Mine Safety Disclosures</u>	<u>30</u>
Item 5. <u>Other Information</u>	<u>30</u>
Item 6. <u>Exhibits</u>	<u>30</u>

Table of ContentsPART I - FINANCIAL INFORMATION  
ITEM 1. FINANCIAL STATEMENTSC.H. ROBINSON WORLDWIDE, INC.  
Condensed Consolidated Balance Sheets

(In thousands, except per share data)	June 30, 2017	December 31, 2016
<b>ASSETS</b>	(unaudited)	
Current assets:		
Cash and cash equivalents	\$273,182	\$247,666
Receivables, net of allowance for doubtful accounts of \$42,514 and \$39,543	1,948,204	1,711,191
Prepaid expenses and other	63,636	49,245
Total current assets	2,285,022	2,008,102
Property and equipment, net	234,312	232,953
Goodwill	1,242,918	1,232,796
Other intangible assets, net	154,124	167,525
Deferred tax asset	5,142	2,250
Other assets	44,371	44,132
Total assets	\$3,965,889	\$3,687,758
<b>LIABILITIES AND STOCKHOLDERS' INVESTMENT</b>		
Current liabilities:		
Accounts payable	\$978,431	\$839,736
Outstanding checks	76,864	82,052
Accrued expenses:		
Compensation	74,754	98,107
Income taxes	16,004	15,472
Other accrued liabilities	59,441	70,351
Current portion of debt	592,000	740,000
Total current liabilities	1,797,494	1,845,718
Long-term debt	750,000	500,000
Noncurrent income taxes payable	17,278	18,849
Deferred tax liabilities	63,667	65,122
Other long-term liabilities	242	222
Total liabilities	2,628,681	2,429,911
Stockholders' investment:		
Preferred stock, \$ .10 par value, 20,000 shares authorized; no shares issued or outstanding	—	—
Common stock, \$ .10 par value, 480,000 shares authorized; 179,003 and 179,006 shares issued, 140,679 and 141,258 outstanding	14,068	14,126
Additional paid-in capital	421,133	419,280
Retained earnings	3,294,767	3,190,578
Accumulated other comprehensive loss	(37,306 )	(61,442 )
Treasury stock at cost (38,324 and 37,748 shares)	(2,355,454 )	(2,304,695 )
Total stockholders' investment	1,337,208	1,257,847
Total liabilities and stockholders' investment	\$3,965,889	\$3,687,758
See accompanying notes to the condensed consolidated financial statements.		



Table of Contents

## C.H. ROBINSON WORLDWIDE, INC.

## Condensed Consolidated Statements of Operations and Comprehensive Income

(unaudited)

(In thousands, except per share data)	Three Months Ended June		Six Months Ended June	
	30, 2017	2016	30, 2017	2016
Revenues:				
Transportation	\$3,319,995	\$2,881,496	\$6,422,038	\$5,595,184
Sourcing	390,023	418,245	703,105	778,500
Total revenues	3,710,018	3,299,741	7,125,143	6,373,684
Costs and expenses:				
Purchased transportation and related services	2,781,355	2,324,995	5,345,240	4,504,617
Purchased products sourced for resale	354,874	380,531	637,548	711,517
Personnel expenses	284,220	270,251	574,724	547,748
Other selling, general, and administrative expenses	107,749	90,217	197,853	177,103
Total costs and expenses	3,528,198	3,065,994	6,755,365	5,940,985
Income from operations	181,820	233,747	369,778	432,699
Interest and other expense	(9,368)	(6,265)	(18,670)	(15,037)
Income before provision for income taxes	172,452	227,482	351,108	417,662
Provision for income taxes	61,381	84,392	117,957	155,609
Net income	111,071	143,090	233,151	262,053
Other comprehensive gain (loss)	6,731	(3,577)	24,136	(27)
Comprehensive income	\$117,802	\$139,513	\$257,287	\$262,026
Basic net income per share	\$0.79	\$1.00	\$1.65	\$1.83
Diluted net income per share	\$0.78	\$1.00	\$1.65	\$1.83
Basic weighted average shares outstanding	141,061	142,998	141,229	143,259
Dilutive effect of outstanding stock awards	526	218	484	178
Diluted weighted average shares outstanding	141,587	143,216	141,713	143,437
Cash dividends declared per share	\$0.45	\$0.43	\$0.90	\$0.86

See accompanying notes to the condensed consolidated financial statements.

Table of Contents

C.H. ROBINSON WORLDWIDE, INC.  
Condensed Consolidated Statements of Cash Flows  
(unaudited)

(In thousands)	Six Months Ended June 30, 2017	2016
<b>OPERATING ACTIVITIES</b>		
Net income	\$ 233,151	\$ 262,053
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	45,377	35,059
Provision for doubtful accounts	7,669	2,144
Stock-based compensation	16,842	25,785
Deferred income taxes	(4,988 )	17,004
Excess tax benefit on stock-based compensation	(10,583 )	(15,104 )
Loss on sale/disposal of assets	536	366
Changes in operating elements (net of acquisitions):		
Receivables	(244,682 )	(94,030 )
Prepaid expenses and other	(9,646 )	(19,066 )
Other non-current assets	(1,016 )	(1,615 )
Accounts payable and outstanding checks	135,130	52,843
Accrued compensation	(23,353 )	(61,029 )
Accrued income taxes	10,185	43,606
Other accrued liabilities	(4,611 )	(755 )
Net cash provided by operating activities	150,011	247,261
<b>INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(24,105 )	(33,483 )
Purchases and development of software	(8,865 )	(10,493 )

Acquisitions, net of cash acquired	(1,780	)	—	
Other	(1,095	)	(405	)
Net cash used for investing activities	(35,845	)	(44,381	)

#### FINANCING ACTIVITIES

Proceeds from stock issued for employee benefit plans	19,814		12,132	
Stock tendered for payment of withholding taxes	(19,626	)	(33,133	)
Repurchase of common stock	(70,494	)	(45,248	)
Cash dividends	(128,806	)	(127,520	)
Excess tax benefit on stock-based compensation	—		15,104	
Proceeds from long-term borrowings	250,000		—	
Proceeds from short-term borrowings	4,282,000		2,840,000	
Payments on short-term borrowings	(4,430,000	)	(2,825,000	)
Net cash used for financing activities	(97,112	)	(163,665	)
Effect of exchange rates on cash	8,462		(361	)
Net increase in cash and cash equivalents	25,516		38,854	
Cash and cash equivalents, beginning of period	247,666		168,229	
Cash and cash equivalents, end of period	\$ 273,182		\$ 207,083	

Noncash transactions from investing and financing activities:

Accrued share repurchases held in other accrued liabilities	\$ 1,500	\$ 3,000
Accrued purchases of property and equipment	—	5,359

See accompanying notes to the condensed consolidated financial statements.



Table of Contents

C.H. ROBINSON WORLDWIDE, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 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 operating through a network of offices located in North America, Europe, Asia, Australia, New Zealand, and South America. The consolidated financial statements include the accounts of C.H. Robinson Worldwide, Inc. and our majority owned and controlled subsidiaries. Our minority interests in subsidiaries are not significant. All intercompany transactions and balances have been eliminated in the consolidated financial statements.

Our reportable segments are North American Surface Transportation (“NAST”), Global Forwarding, Robinson Fresh, and All Other and Corporate. The All Other and Corporate segment includes Managed Services, Other Surface Transportation outside of North America, and other miscellaneous revenues and unallocated corporate expenses. We group offices primarily by services they provide. For financial information concerning our reportable segments, refer to Note 9.

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, 2016.

Recently Issued Accounting Standards - In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, Revenue from Contracts with Customers, and in August 2015 issued ASU 2015-14, which amended the standard as to effective date. The new comprehensive revenue recognition standard will supersede all existing revenue recognition guidance under U.S. GAAP. The standard’s core principle is that a company will recognize revenue when it transfers promised goods or services to a customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The standard requires more detailed disclosures to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. We plan to adopt this new standard on January 1, 2018 under the modified retrospective transition method with a cumulative adjustment to retained earnings instead of retrospectively adjusting prior periods. We anticipate the adoption of this standard will change the timing of revenue recognition for most of our transportation business from at delivery to over the transit period as our performance obligation is completed. Due to the short transit period of many of our performance obligations, we do not expect this change to have a material impact on our results of operations, financial position, or cash flows once implemented although we are still finalizing our evaluation of the system and data requirements necessary to quantify the impact. The adoption of the new standard may change the presentation of revenue from gross to the net amount we charge our customers for certain of our sourcing performance obligations and will expand our existing revenue recognition disclosures upon adoption. As we complete our overall evaluation and implementation efforts we are also identifying and preparing to implement changes to our accounting policies, practices, and controls to support the new standard.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). This update requires a lessee to recognize on the balance sheet a liability to make lease payments and a corresponding right-of-use asset. The guidance also requires certain qualitative and quantitative disclosures about the amount, timing, and uncertainty of cash flows arising from leases. This update is effective for annual and interim periods beginning after December 15, 2018, which will require us to adopt these provisions in the first quarter of 2019 using a modified retrospective approach. Early adoption is permitted, although we do not plan to adopt early. We have obligations under lease agreements for facilities and

equipment, which are classified as operating leases under the existing lease standard. While we are still evaluating the impact ASU 2016-02 will have on our consolidated results of operations, financial condition, and cash flows, our financial statements will reflect an increase in both assets and liabilities due to the requirement to recognize right-of-use assets and lease liabilities on the consolidated balance sheets for our facility and equipment leases.

Table of Contents

In March 2016, the FASB issued ASU 2016-09, Compensation - Stock Compensation (Topic 718). This update was issued as part of the FASB's simplification initiative and affects all entities that issue share-based payment awards to their employees. The amendments in this update cover such areas as the recognition of excess tax benefits and deficiencies, the classification of those excess tax benefits on the statement of cash flows, and accounting policy election for forfeitures, the amount an employer can withhold to cover income taxes and still qualify for equity classification, and the classification of those taxes paid on the statement of cash flows. This update is effective for annual and interim periods beginning after December 15, 2016. During the first quarter of 2017, we adopted ASU 2016-09, Compensation - Stock Compensation (Topic 718). The adoption of ASU 2016-09 prospectively impacts the recording of income taxes related to share-based payment awards in our consolidated statement of financial position and results of operations, as well as the operating and financing cash flows on the consolidated statements of cash flows. The magnitude of such impacts are dependent on our future grants of stock-based compensation, our future stock price in relation to the fair value of awards on grant date, and the exercise behavior of our option holders. We prospectively adopted these provisions in the first quarter of 2017. Prior periods have not been restated. This adoption resulted in a decrease in our provision for income taxes for the three and six months ended June 30, 2017 of \$1.2 million and \$10.6 million, respectively.

In January 2017, the FASB issued ASU 2017-04, Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment. This update simplifies the accounting for goodwill impairments by eliminating step two from the goodwill impairment test. Instead, if the carrying amount of a reporting unit exceeds its fair value, any impairment loss shall be recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit. The ASU is effective for annual and any interim impairment tests for periods beginning after December 15, 2019. Early adoption is permitted for interim and annual goodwill impairment tests performed after January 1, 2017. We have not yet selected a transition date nor have we determined the effect of the standard on our ongoing financial reporting.

In May 2017, the FASB issued ASU 2017-09, Compensation - Stock Compensation (Topic 718): Scope of Modification Accounting. This update amends the scope of modification accounting for share-based payment arrangements. The ASU provides guidance on the types of changes to the terms or conditions of share-based payment awards to which an entity would be required to apply modification accounting under Topic 718. The ASU is effective for annual and interim periods beginning after December 15, 2017, with early adoption permitted. The amendments in this update will be applied prospectively to awards modified on or after the adoption date. The future impact of ASU 2017-09 will be dependent on the nature of future stock award modifications.

**NOTE 2. GOODWILL AND OTHER INTANGIBLE ASSETS**

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

	NAST	Global Forwarding	Robinson Fresh	All Other and Corporate	Total
December 31, 2016 balance	\$907,230	\$ 159,050	\$ 139,558	\$ 26,958	\$ 1,232,796
Translation	7,449	1,306	1,146	221	10,122
June 30, 2017 balance	\$914,679	\$ 160,356	\$ 140,704	\$ 27,179	\$ 1,242,918

We evaluate our reporting units on a continual basis and, if necessary, reassign goodwill using a relative fair value allocation approach. Goodwill is tested for impairment at the reporting unit level on an annual basis and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. These events or circumstances could include a significant change in the business climate, legal factors, operating performance indicators, competition, or sale or disposition of a significant portion of a reporting unit.

Table of Contents

Identifiable intangible assets consisted of the following (in thousands):

	June 30, 2017			December 31, 2016		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Finite-lived intangibles						
Customer relationships	\$248,530	\$(105,043)	\$143,487	\$244,036	\$(87,199)	\$156,837
Non-competition agreements	500	(338)	162	500	(287)	213
Total finite-lived intangibles	249,030	(105,381)	143,649	244,536	(87,486)	157,050
Indefinite-lived intangibles						
Trademarks	10,475	—	10,475	10,475	—	10,475
Total intangibles	\$259,505	\$(105,381)	\$154,124	\$255,011	\$(87,486)	\$167,525

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

	Three Months		Six Months	
	Ended June 30, 2017	2016	Ended June 30, 2017	2016
Amortization expense	\$8,843	\$6,095	\$17,718	\$12,188

Definite-lived intangible assets, by reportable segment, as of June 30, 2017, will be amortized over their remaining lives as follows (in thousands):

	NAST	Global Forwarding	Robinson Fresh	All Other and Corporate	Total
Remainder of 2017	\$3,780	\$13,804	\$—	—\$280	\$17,864
2018	7,560	27,476	—	—	35,036
2019	7,560	27,476	—	—	35,036
2020	—	24,772	—	—	24,772
2021	—	11,251	—	—	11,251
Thereafter	—	19,690	—	—	19,690
Total					\$143,649

**NOTE 3. 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.

We had no Level 3 assets or liabilities as of and during the periods ended June 30, 2017, and December 31, 2016.

There were no transfers between levels during the period.

Table of Contents

## NOTE 4. FINANCING ARRANGEMENTS

## Senior Unsecured Revolving Credit Facility

We have a senior unsecured revolving credit facility (the "Credit Agreement") with total availability of \$900 million which expires in December 2019. As of June 30, 2017, and December 31, 2016, we had \$592 million and \$740 million, respectively, in borrowings outstanding under the Credit Agreement, which is classified as a current liability on the condensed consolidated balance sheets. As of June 30, 2017, we had remaining borrowing availability of \$308 million. The recorded amount of borrowings outstanding approximates fair value because of the short maturity period of the debt; therefore, we consider these borrowings to be a Level 2 financial liability.

Borrowings under the Credit Agreement generally bear interest at a variable rate determined by a pricing schedule or the base rate (which is the highest of (a) the administrative agent's prime rate, (b) the federal funds rate plus 0.50 percent, or (c) the sum of one-month LIBOR plus a specified margin). As of June 30, 2017, the variable rate equaled LIBOR plus 1.13 percent. In addition, there is a commitment fee on the average daily undrawn stated amount under each letter of credit issued under the facility. The weighted average interest rate incurred on borrowings during the three and six months ended June 30, 2017, was approximately 2.2 percent and 2.1 percent, respectively. At June 30, 2017, the interest rate incurred on borrowings was approximately 2.3 percent. The weighted average interest rate incurred on borrowings during each of the three and six months ended June 30, 2016, was approximately 1.5 percent. At June 30, 2016, the interest rate incurred on borrowing was approximately 1.5 percent.

The Credit Agreement contains various restrictions and covenants. Among other requirements, we may not permit our leverage ratio, determined as of the end of each of our fiscal quarters, of (i) Consolidated Funded Indebtedness to (ii) EBITDA (earnings before interest, taxes, depreciation, and amortization), to exceed 3.00 to 1.00.

The Credit Agreement also contains customary events of default. If an event of default under the Credit Agreement occurs and is continuing, then the administrative agent may declare any outstanding obligations under the Credit Agreement to be immediately due and payable. In addition, if we become the subject of voluntary or involuntary proceedings under any bankruptcy, insolvency, or similar law, then any outstanding obligations under the Credit Agreement will automatically become immediately due and payable.

## Note Purchase Agreement

On August 23, 2013, we entered into a Note Purchase Agreement with certain institutional investors (the "Purchasers") named therein (the "Note Purchase Agreement"). Pursuant to the Note Purchase Agreement, the Purchasers purchased, on August 27, 2013, (i) \$175,000,000 aggregate principal amount of the company's 3.97 percent Senior Notes, Series A, due August 27, 2023 (the "Series A Notes"), (ii) \$150,000,000 aggregate principal amount of the company's 4.26 percent Senior Notes, Series B, due August 27, 2028 (the "Series B Notes"), and (iii) \$175,000,000 aggregate principal amount of the company's 4.60 percent Senior Notes, Series C, due August 27, 2033 (the "Series C Notes" and, together with the Series A Notes and the Series B Notes, the "Notes"). Interest on the Notes is payable semi-annually in arrears. We applied the proceeds of the sale of the Notes for share repurchases.

The Note Purchase Agreement contains customary provisions for transactions of this type, including representations and warranties regarding the company and its subsidiaries and various covenants, including covenants that require us to maintain specified financial ratios. The Note Purchase Agreement includes the following financial covenants: we will not permit our leverage ratio, determined as of the end of each of our fiscal quarters, of (i) Consolidated Funded Indebtedness to (ii) EBITDA (earnings before interest, taxes, depreciation, and amortization), to exceed 3.00 to 1.00; we will not permit the interest coverage ratio, as of the end of each of our fiscal quarters and for the twelve-month period then ending, of (i) Consolidated EBIT (earnings before income taxes) to (ii) Consolidated Interest Expense to be less than 2.00 to 1.00; and we will not permit, as of the end of each of our fiscal quarters, Consolidated Priority Debt to exceed 15 percent of Consolidated Total Assets.

The Note Purchase Agreement provides for customary events of default, generally with corresponding grace periods, including, without limitation, payment defaults with respect to the Notes, covenant defaults, cross-defaults to other agreements evidencing indebtedness of the company or its subsidiaries, certain judgments against the company or its subsidiaries, and events of bankruptcy involving the company or its material subsidiaries. The occurrence of an event of default would permit certain Purchasers to declare certain Notes then outstanding to be immediately due and payable.

Under the terms of the Note Purchase Agreement, the Notes are redeemable, in whole or in part, at 100 percent of the principal amount being redeemed together with a “make-whole amount” (as defined in the Note Purchase Agreement), and accrued and unpaid interest with respect to each Note. The obligations of the company under the Note Purchase Agreement and the Notes

9

---

## Table of Contents

are guaranteed by C.H. Robinson Company, a Delaware corporation and a wholly-owned subsidiary of the company, and by C.H. Robinson Company, Inc., a Minnesota corporation and an indirect wholly-owned subsidiary of the company.

The Notes were issued by the company to the initial purchasers in a private placement in reliance on Section 4(a)(2) of the Securities Act of 1933, as amended (the "Securities Act"). The Notes have not been registered under the Securities Act and may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements.

The fair value of long-term debt under the Notes Purchase Agreement approximated \$542.6 million at June 30, 2017. We estimate the fair value of our long-term debt primarily using an expected present value technique, which is based on observable market inputs using interest rates currently available to companies of similar credit standing for similar terms and remaining maturities, and considering our own risk. If our long-term debt was recorded at fair value, it would be classified as Level 2.

### U.S. Trade Accounts Receivable Securitization

On April 26, 2017, we entered into a receivables purchase agreement and related transaction documents with The Bank of Tokyo-Mitsubishi UFJ, Ltd., New York Branch and Wells Fargo Bank, National Association to provide a receivables securitization facility (the "Receivables Securitization Facility"). The Receivables Securitization Facility is based on the securitization of our U.S. trade accounts receivable and provides funding of up to \$250 million. The borrowings outstanding under the Receivables Securitization Facility were \$250 million as of June 30, 2017 and are classified as long-term debt on the condensed consolidated balance sheets. The borrowings under the Receivables Securitization Facility in the three months ended June 30, 2017 were used to pay down amounts previously outstanding on the Credit Agreement. The interest rate on borrowings under the Receivables Securitization Facility for the three months ended June 30, 2017 was based on the asset-backed commercial paper rate plus a margin or 30 day LIBOR plus a margin, for a combined rate of 1.7 percent. The Receivables Securitization Facility expires on April 26, 2019 unless extended by the parties. There is a commitment fee we would be required to pay on any unused portion of the facility.

The Receivables Securitization Facility contains various customary affirmative and negative covenants, and it also contains customary default and termination provisions which provide for acceleration of amounts owed under the Receivables Securitization Facility upon the occurrence of certain specified events including, but not limited to, the failure to pay yield, fees, and other amounts due, defaults on certain other indebtedness, failure to discharge certain judgments, insolvency events, change in control, and exceeding certain financial ratios designed to capture events negatively affecting the overall credit quality of the receivables.

As of June 30, 2017, we were in compliance with all of the covenants under the Credit Agreement, Note Purchase Agreement, and Receivables Securitization Facility.

The recorded amount of borrowings outstanding on the Receivables Securitization Facility approximates fair value because it can be redeemed on short notice and the interest rate floats, therefore, we consider these borrowings to be a Level 2 financial liability.

### NOTE 5. INCOME TAXES

C.H. Robinson Worldwide, Inc. and its 80 percent (or more) owned U.S. subsidiaries file a consolidated federal 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 2010. During the first quarter of 2017, we adopted ASU 2016-09, Compensation - Stock Compensation (Topic 718). This adoption resulted in a decrease in our provision for income taxes for the three and six months ended June 30, 2017 of \$1.2 million and \$10.6 million, respectively. We have asserted that we will indefinitely reinvest earnings of foreign subsidiaries to support expansion of our international business. If we repatriated all foreign earnings, the estimated effect on income taxes payable would be an increase of approximately \$23.7 million as of June 30, 2017.

Our effective tax rate for the three months ended June 30, 2017 and 2016 was 35.6 percent and 37.1 percent, respectively, and our effective tax rate for the six months ended June 30, 2017 and 2016 was 33.6 percent and 37.3 percent. The effective income tax rate for the three months ended June 30, 2017 was higher than the statutory federal income tax rate due to state income taxes, net of federal benefit. The effective income tax rate for the six months

ended June 30, 2017 was lower than the statutory federal income tax rate due to the adoption of ASU 2016-09. It is possible the amount of unrecognized tax benefit could change in the next twelve months as a result of a lapse of the statute of limitations and settlements with taxing authorities; however, we do not anticipate the change will have a material impact on our condensed consolidated results of operations or condensed consolidated financial position.



Table of Contents

## NOTE 6. 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 condensed consolidated statements of operations and comprehensive income for stock-based compensation is as follows (in thousands):

	Three Months		Six Months	
	Ended June 30,		Ended June 30,	
	2017	2016	2017	2016
Stock options	\$624	\$1,878	\$3,626	\$5,215
Stock awards	3,312	8,181	11,722	19,021
Company expense on ESPP discount	588	547	1,494	1,549
Total stock-based compensation expense	\$4,524	\$10,606	\$16,842	\$25,785

On May 12, 2016, our shareholders approved an amendment to and restatement of our 2013 Equity Incentive Plan, which allows us to grant certain stock awards, including stock options at fair market value and performance shares and restricted stock units, to our key employees and outside directors. A maximum of 13,041,803 shares can be granted under this plan. Approximately 4,960,911 shares were available for stock awards under the plan as of June 30, 2017. Shares subject to awards that expire or are canceled without delivery of shares or that are settled in cash generally become available again for issuance under the plan.

**Stock Options** - We have awarded time-based and 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. 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 June 30, 2017, unrecognized compensation expense related to stock options was \$53.0 million. The amount of future expense to be recognized will be based on the passage of time, the company's earnings growth, and certain other conditions.

**Full Value Awards** - We have awarded performance shares and restricted stock units to certain key employees and non-employee directors. These awards 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 awards for a specified period of time. The fair value of these awards is established based on the market price on the date of grant, discounted for post-vesting holding restrictions. The discounts on outstanding grants vary from 15 percent to 22 percent and are calculated using the Black-Scholes option pricing model-protective put method. 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.

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

As of June 30, 2017, there was unrecognized compensation expense of \$126.8 million related to previously granted full value awards. The amount of future expense to be recognized will be based on the passage of time, the company's earnings growth, and certain other conditions.

Table of Contents

Employee Stock Purchase Plan - Our 1997 Employee Stock Purchase Plan ("ESPP") 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 each quarter discounted by 15 percent. Shares vest immediately. The following is a summary of the employee stock purchase plan activity (dollar amounts in thousands):

Three Months Ended June 30, 2017

Shares purchased by employees	Aggregate cost to employees	Expense recognized by the company
56,889	\$ 3,320	\$ 588

## NOTE 7. 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 16 contingent auto liability cases. For some legal proceedings, we have accrued an amount that reflects the aggregate liability deemed probable and estimable, but this amount is not material to our condensed 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 often unable 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 consolidated financial position, results of operations, or cash flows.

## NOTE 8. ACQUISITIONS

On September 30, 2016, we acquired all of the outstanding stock of APC Logistics ("APC") for the purpose of expanding our global presence and bringing additional capabilities and expertise to our portfolio. Total purchase consideration was \$229.4 million, which was paid in cash. We used advances under the Credit Agreement to fund part of the cash consideration. The following is a preliminary summary of the allocation of purchase price consideration to the estimated fair value of net assets for the acquisition of APC (in thousands):

Cash	\$10,181
Receivables	37,190
Inventory and other current assets	2,609
Property and equipment	1,696
Identifiable intangible assets	78,842
Goodwill	132,797
Other noncurrent assets	70
Long term deferred tax asset	814
Total assets	264,199

Accounts payable	(22,147 )
Accrued expenses	(12,700 )
Estimated net assets acquired	\$229,352

Identifiable intangible assets and estimated useful lives are as follows (dollars in thousands):

Estimated Life (years)

Customer relationships	7	\$78,842
------------------------	---	----------

The APC goodwill is a result of acquiring and retaining the APC existing workforce and expected synergies from integrating their business into ours. Purchase accounting is considered preliminary, subject to revision, mainly with respect to certain potential post-closing adjustments. The goodwill will not be deductible for tax purposes. The results of operations of APC have



Table of Contents

been included in our consolidated financial statements since October 1, 2016. Pro forma financial information for prior periods is not presented because we believe the acquisition to be not material to our consolidated results. During the first quarter of 2017, we paid \$1.8 million resulting from a working capital adjustment due to the sellers per the terms of the agreement.

NOTE 9. SEGMENT REPORTING

Our reportable segments are based on our method of internal reporting, which generally segregates the segments by service line and the primary services they provide to our customers. Beginning with the fourth quarter of 2016, based on certain internal reporting changes, we identified three reportable segments as follows:

North American Surface Transportation-NAST provides freight transportation services across North America through a network of offices in the United States, Canada, and Mexico. The primary services provided by NAST include truckload, LTL, and intermodal.

Global Forwarding-Global Forwarding provides global logistics services through an international network of offices in North America, Asia, Europe, Australia, New Zealand, and South America and also contracts with independent agents worldwide. The primary services provided by Global Forwarding include ocean freight services, airfreight services, and customs brokerage.

Robinson Fresh-Robinson Fresh provides sourcing services under the trade name of Robinson Fresh. Our sourcing services primarily include the buying, selling, and marketing of fresh fruits, vegetables, and other perishable items. Robinson Fresh sources products from around the world and has a physical presence in North America, Europe, Asia, and South America. This segment often provides the logistics and transportation of the products they sell, in addition to temperature controlled transportation services for its customers.

All Other and Corporate-All Other and Corporate includes our Managed Services segment, as well as Other Surface Transportation outside of North America and other miscellaneous revenues and unallocated corporate expenses.

Managed Services provides Transportation Management Services, or Managed TMS<sup>®</sup>. Other Surface Transportation revenues are primarily earned by Europe Surface Transportation. Europe Surface Transportation provides services similar to NAST across Europe.

The internal reporting of segments is defined, based in part, on the reporting and review process used by our chief operating decision maker, our Chief Executive Officer. The accounting policies of our reporting segments are the same as those described in the summary of significant accounting policies in our Annual Report on Form 10-K for the year ended December 31, 2016. Segment information for prior years has been retroactively recast to align with current year presentation. Segment information as of, and for the three and six months ended June 30, 2017 and 2016, is as follows (dollars in thousands):

Table of Contents

	NAST	Global Forwarding	Robinson Fresh	All Other and Corporate	Eliminations	Consolidated
Three Months Ended June 30, 2017						
Revenues	\$2,381,551	\$ 528,820	\$657,003	\$142,644	\$—	\$ 3,710,018
Intersegment revenues	112,243	7,440	39,669	3,670	(163,022 )	—
Total Revenues	\$2,493,794	\$ 536,260	\$696,672	\$146,314	\$(163,022 )	\$ 3,710,018
Net Revenues	\$359,906	\$ 121,023	\$60,846	\$32,014	\$—	\$ 573,789
Income from Operations	140,284	27,675	14,249	(388 )	—	181,820
Depreciation and amortization	5,706	8,099	1,198	7,943	—	22,946
Total assets <sup>(1)</sup>	2,189,711	741,443	455,214	579,521	—	3,965,889
Average headcount	7,003	4,021	980	2,616	—	14,620

	NAST	Global Forwarding	Robinson Fresh	All Other and Corporate	Eliminations	Consolidated
Three Months Ended June 30, 2016						
Revenues	\$2,158,615	\$ 356,773	\$660,204	\$124,149	\$—	\$ 3,299,741
Intersegment revenues	71,543	8,763	27,049	229	(107,584 )	—
Total Revenues	\$2,230,158	\$ 365,536	\$687,253	\$124,378	\$(107,584 )	\$ 3,299,741
Net Revenues	\$399,203	\$ 97,224	\$67,820	\$29,968	\$—	\$ 594,215
Income from Operations	182,721	22,396	27,311	1,319	—	233,747
Depreciation and amortization	5,502	5,079	839	6,764	—	18,184
Total assets <sup>(1)</sup>	1,936,149	505,778	427,272	479,871	—	3,349,070
Average headcount	6,800	3,514	947	2,261	—	13,522

Table of Contents

	NAST	Global Forwarding	Robinson Fresh	All Other and Corporate	Eliminations	Consolidated
Six Months Ended June 30, 2017						
Revenues	\$4,640,803	\$997,608	\$1,207,448	\$279,284	\$—	\$7,125,143
Intersegment revenues	213,397	15,583	73,009	10,548	(312,537 )	—
Total Revenues	\$4,854,200	\$1,013,191	\$1,280,457	\$289,832	\$(312,537 )	\$7,125,143
Net Revenues	\$732,346	\$227,569	\$117,683	\$64,757	\$—	\$1,142,355
Income from Operations	296,161	43,881	28,901	835	—	369,778
Depreciation and amortization	11,296	16,119	2,344	15,618	—	45,377
Total assets <sup>(1)</sup>	2,189,711	741,443	455,214	579,521	—	3,965,889
Average headcount	6,926	3,977	971	2,580	—	14,454

	NAST	Global Forwarding	Robinson Fresh	All Other and Corporate	Eliminations	Consolidated
Six Months Ended June 30, 2016						
Revenues	\$4,204,094	\$707,885	\$1,224,297	\$237,408	\$—	\$6,373,684
Intersegment revenues	131,812	14,843	50,945	542	(198,142 )	—
Total Revenues	\$4,335,906	\$722,728	\$1,275,242	\$237,950	\$(198,142 )	\$6,373,684
Net Revenues	\$783,001	\$190,090	\$126,005	\$58,454	\$—	\$1,157,550
Income from Operations	345,072	39,253	45,044	3,330	—	432,699
Depreciation and amortization	11,004	10,158	1,607	12,290	—	35,059
Total assets <sup>(1)</sup>	1,936,149	505,778	427,272	479,871	—	3,349,070
Average headcount	6,749	3,499	937	2,216	—	13,401

(1) All cash and cash equivalents are included in All Other and Corporate.

**NOTE 10. CHANGES IN ACCUMULATED OTHER COMPREHENSIVE LOSS**

Accumulated other comprehensive loss is included in Stockholders' investment on our condensed consolidated balance sheets. The recorded balance, at June 30, 2017, and December 31, 2016, was \$37.3 million and \$61.4 million, respectively. Accumulated other comprehensive loss is comprised solely of foreign currency translation adjustments at June 30, 2017 and December 31, 2016.

Table of Contents

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 or dispositions, 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 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, or for other reasons; 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 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; fuel price increases or decreases, or fuel shortages; cyber-security related risks; the impact of war on the economy; changes to our capital structure; risk of unanticipated events or opportunities that might require additional capital expenditures or alter the timing of such expenditures; 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 for the year ended December 31, 2016, filed with the Securities and Exchange Commission on March 1, 2017.

Any forward-looking statement speaks only as of the date on which such statement is made, and we undertake no obligation to update such statement to reflect events or circumstances arising after such date.

**OVERVIEW**

Our company. We are a global provider of transportation services and logistics solutions, operating through a network of offices in North America, Europe, Asia, Australia, New Zealand, and South America. As a third party logistics provider, we enter into 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 107,000 transportation companies, including motor carriers, railroads (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 service for our customers, and minimize our asset utilization risk.

In addition to transportation and logistics services, we also provide sourcing services. Our sourcing business consists of buying, selling, and marketing fresh produce. We purchase fresh produce through our network of produce suppliers and sell it to grocery retailers, restaurants, foodservice distributors, and produce wholesalers. In some cases, we also arrange the transportation of the produce we sell through our relationships with specialized transportation companies. Transportation revenues generated by Robinson Fresh are included in our transportation service line, but are included in Robinson Fresh.

Our reportable segments are North American Surface Transportation (“NAST”), Global Forwarding, Robinson Fresh, and All Other and Corporate. The All Other and Corporate segment includes Managed Services, Other Surface Transportation outside of North America, and other miscellaneous revenues and unallocated corporate expenses. We group offices primarily by services they provide. For financial information concerning our reportable segments and geographic regions, refer to Note 9 of our consolidated financial statements.

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,



Table of Contents

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 transportation capacity and produce on a spot market basis. Consequently, 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 design our personnel and other operating expenses to be variable. Compensation is tied to productivity and performance. Each office is responsible for its hiring and headcount decisions, based on the needs of their office and to balance personnel resources with business requirements.

**Our office network.** Our office 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 network offices help us penetrate local markets, provide face-to-face service when needed, and recruit contract carriers. Our 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 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 increased by 375 employees during the second quarter of 2017. Most network management compensation is dependent on the profitability of their particular office. We believe this makes our employees more service-oriented and focused on driving growth and maximizing office productivity. All of our managers and certain other employees who have significant responsibilities are eligible to receive equity awards because we believe these awards are an effective tool for creating long-term ownership and alignment between employees and our shareholders.

**Our customers.** In 2016, we worked with more than 113,000 active customers. 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. In 2016, our top 100 customers represented approximately 30 percent of our total revenues and approximately 26 percent of our net revenues. Our largest customer was approximately two percent of our total revenues.

**Our contracted carriers.** Our contracted carrier base includes motor carriers, railroads (primarily intermodal service providers), air freight, and ocean carriers. In 2016, we worked with approximately 71,000 transportation providers worldwide, up from approximately 68,000 in 2015. Motor carriers that had fewer than 100 tractors transported approximately 81 percent of our truckload shipments in 2016. In our transportation business, no single contracted carrier represents more than approximately 1.6 percent of our contracted carrier capacity.

Table of Contents

## RESULTS OF OPERATIONS

The following table summarizes our total revenues by services and products (in thousands):

	Three Months Ended June 30,			Six Months Ended June 30,		
	2017	2016	% change	2017	2016	% change
Transportation	\$3,319,995	\$2,881,496	15.2 %	\$6,422,038	\$5,595,184	14.8 %
Sourcing	390,023	418,245	(6.7 )%	703,105	778,500	(9.7 )%
Total	\$3,710,018	\$3,299,741	12.4 %	\$7,125,143	\$6,373,684	11.8 %

The following table illustrates our net revenue margins by services and products:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Transportation	16.2 %	19.3 %	16.8 %	19.5 %
Sourcing	9.0 %	9.0 %	9.3 %	8.6 %
Total	15.5 %	18.0 %	16.0 %	18.2 %

The following table summarizes our net revenues by service line. The service line net revenues in the table differ from the segment service line revenues discussed below as our segments have revenues from multiple service lines (in thousands):

	Three Months Ended June 30,			Six Months Ended June 30,		
	2017	2016	% change	2017	2016	% change
Transportation						
Truckload	\$282,718	\$329,740	(14.3)%	\$586,840	\$651,424	(9.9 )%
LTL <sup>(1)</sup>	102,213	99,778	2.4 %	199,836	191,071	4.6 %
Intermodal	8,308	9,021	(7.9 )%	15,800	18,285	(13.6)%
Ocean	73,438	60,068	22.3 %	136,313	118,737	14.8 %
Air	25,820	20,118	28.3 %	47,637	38,527	23.6 %
Customs	16,311	11,605	40.6 %	32,389	22,329	45.1 %
Other Logistics Services	29,832	26,171	14.0 %	57,983	50,194	15.5 %
Total Transportation	538,640	556,501	(3.2 )%	1,076,798	1,090,567	(1.3 )%
Sourcing	35,149	37,714	(6.8 )%	65,557	66,983	(2.1 )%
Total	\$573,789	\$594,215	(3.4 )%	\$1,142,355	\$1,157,550	(1.3 )%

(1) Less than truckload ("LTL").

Table of Contents

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net revenues	100.0 %	100.0 %	100.0 %	100.0 %
Operating expenses:				
Personnel expenses	49.5 %	45.5 %	50.3 %	47.3 %
Other selling, general, and administrative expenses	18.7 %	15.2 %	17.4 %	15.3 %
Total operating expenses	68.3 %	60.7 %	67.6 %	62.6 %
Income from operations	31.7 %	39.3 %	32.4 %	37.4 %
Interest and other expense	(1.6 )%	(1.1 )%	(1.6 )%	(1.3 )%
Income before provision for income taxes	30.1 %	38.3 %	30.7 %	36.1 %
Provision for income taxes	10.7 %	14.2 %	10.3 %	13.4 %
Net income	19.4 %	24.1 %	20.4 %	22.6 %

The following table summarizes our results by reportable segment (dollars in thousands):

	NAST	Global Forwarding	Robinson Fresh	All Other and Corporate	Eliminations	Consolidated
Three Months Ended June 30, 2017						
Revenues	\$2,381,551	\$ 528,820	\$657,003	\$142,644	\$—	\$ 3,710,018
Intersegment revenues	\$112,243	\$ 7,440	\$39,669	\$3,670	\$(163,022 )	\$—
Total Revenues	\$2,493,794	\$ 536,260	\$696,672	\$146,314	\$(163,022 )	\$ 3,710,018
Net Revenues	\$359,906	\$ 121,023	\$60,846	\$32,014	\$—	\$ 573,789
Income from Operations	\$140,284	\$ 27,675	\$14,249	\$(388 )	\$—	\$ 181,820

	NAST	Global Forwarding	Robinson Fresh	All Other and Corporate	Eliminations	Consolidated
Three Months Ended June 30, 2016						
Revenues	\$2,158,615	\$ 356,773	\$660,204	\$124,149	\$—	\$ 3,299,741
Intersegment revenues	\$71,543	\$ 8,763	\$27,049	\$229	\$(107,584 )	\$—
Total Revenues	\$2,230,158	\$ 365,536	\$687,253	\$124,378	\$(107,584 )	\$ 3,299,741
Net Revenues	\$399,203	\$ 97,224	\$67,820	\$29,968	\$—	\$ 594,215
Income from Operations	\$182,721	\$ 22,396	\$27,311	\$1,319	\$—	\$ 233,747

Table of Contents

	NAST	Global Forwarding	Robinson Fresh	All Other and Corporate	Eliminations	Consolidated
Six Months Ended June 30, 2017						
Revenues	\$4,640,803	\$997,608	\$1,207,448	\$279,284	\$—	\$7,125,143
Intersegment revenues	\$213,397	\$15,583	\$73,009	\$10,548	\$(312,537)	\$—
Total Revenues	\$4,854,200	\$1,013,191	\$1,280,457	\$289,832	\$(312,537)	\$7,125,143
Net Revenues	\$732,346	\$227,569	\$117,683	\$64,757	\$—	\$1,142,355
Income from Operations	\$296,161	\$43,881	\$28,901	\$835	\$—	\$369,778

	NAST	Global Forwarding	Robinson Fresh	All Other and Corporate	Eliminations	Consolidated
Six Months Ended June 30, 2016						
Revenues	\$4,204,094	\$707,885	\$1,224,297	\$237,408	\$—	\$6,373,684
Intersegment revenues	\$131,812	\$14,843	\$50,945	\$542	\$(198,142)	\$—
Total Revenues	\$4,335,906	\$722,728	\$1,275,242	\$237,950	\$(198,142)	\$6,373,684
Net Revenues	\$783,001	\$190,090	\$126,005	\$58,454	\$—	\$1,157,550
Income from Operations	\$345,072	\$39,253	\$45,044	\$3,330	\$—	\$432,699

## Three Months Ended June 30, 2017 Compared to Three Months Ended June 30, 2016

Total revenues and direct costs. Our consolidated total revenues increased 12.4 percent in the second quarter of 2017 compared to the second quarter of 2016. Total transportation revenues increased 15.2 percent in the second quarter of 2017 compared to the second quarter of 2016. The increase was driven by increased volumes in all of our transportation services. Total purchased transportation and related services increased 19.6 percent in the second quarter of 2017 compared to the second quarter of 2016. The increase was due to increased volumes in all of our transportation services and increased cost of transportation, including fuel. Our sourcing revenue decreased 6.7 percent to \$390.0 million in the second quarter of 2017 from \$418.2 million in the second quarter of 2016. Purchased products sourced for resale decreased 6.7 percent in the second quarter of 2017 to \$354.9 million from \$380.5 million in the second quarter of 2016. These decreases were due to lower pricing resulting from lower commodity costs. Case volumes were flat in the second quarter of 2017 compared to the second quarter of 2016.

Net revenues. Total transportation net revenues decreased 3.2 percent to \$538.6 million in the second quarter of 2017 from \$556.5 million in the second quarter of 2016. Our transportation net revenue margin decreased to 16.2 percent in the second quarter of 2017 from 19.3 percent in the second quarter of 2016 primarily due to the cost of transportation increasing more than customer pricing, including fuel, in nearly all transportation services. Sourcing net revenues decreased 6.8 percent to \$35.1 million in the second quarter of 2017 from \$37.7 million in the second quarter of 2016. This decrease was primarily the result of lower net revenue per case, as sourcing revenues and costs declined at the same rate. Our sourcing net revenue margin was 9.0 percent in the second quarter of both 2017 and 2016.

Operating expenses. Operating expenses increased 8.7 percent to \$392.0 million in the second quarter of 2017 from \$360.5 million in the second quarter of 2016. Operating expenses as a percentage of net revenues increased to 68.3 percent in the second quarter of 2017 from 60.7 percent in the second quarter of 2016.

For the second quarter, personnel expenses increased 5.2 percent to \$284.2 million in 2017 from \$270.3 million in 2016. The increase in personnel expense was due to an increase in average headcount, partially offset by decreased expenses related to variable incentive plans. During the second quarter of 2017, our average headcount increased 8.1 percent compared to the second quarter of 2016, including approximately 310 employees added as a result of our acquisition of APC.

For the second quarter of 2017, other selling, general, and administrative expenses increased 19.4 percent to \$107.7 million in 2017 from \$90.2 million in the second quarter of 2016. This increase was primarily due to increases in

claims, costs related to the addition of the APC business, the provision for bad debt, and warehouse costs.

20

---

Table of Contents

Income from operations. Income from operations decreased 22.2 percent to \$181.8 million in the second quarter of 2017 from \$233.7 million in the second quarter of 2016. This decrease was primarily driven by declines in income from operations in NAST and Robinson Fresh. Income from operations as a percentage of net revenues decreased to 31.7 percent in the second quarter of 2017 from 39.3 percent in the second quarter of 2016.

Interest and other expense. Interest and other expense was \$9.4 million in the second quarter of 2017 compared to \$6.3 million in the second quarter of 2016. The increase was due primarily to a higher average debt balance during the quarter ended June 30, 2017, compared to the same period ended June 30, 2016. Increased borrowings were related to the acquisition of APC.

Provision for income taxes. Our effective income tax rate was 35.6 percent for the second quarter of 2017 and 37.1 percent for the second quarter of 2016. During the first quarter of 2017, we adopted ASU 2016-09, Compensation - Stock Compensation (Topic 718). The adoption of ASU 2016-09 prospectively impacts the recording of income taxes related to share-based payment awards in our consolidated statement of financial position and results of operations, as well as the operating and financing cash flows on the consolidated statements of cash flow. This adoption resulted in a decrease in our provision for income taxes of \$1.2 million the second quarter of 2017.

Net income. Net income decreased 22.4 percent to \$111.1 million in the second quarter of 2017 from \$143.1 million in the second quarter of 2016. Basic net income per share decreased 21.0 percent to \$0.79 from \$1.00. Diluted net income per share decreased 22.0 percent to \$0.78 from \$1.00.

**SEGMENT RESULTS OF OPERATIONS**

Three Months Ended June 30, 2017, Compared to Three Months Ended June 30, 2016

North American Surface Transportation. NAST total revenues, including intersegment revenues, increased 11.8 percent to \$2.5 billion in the second quarter of 2017 from \$2.2 billion in the second quarter of 2016. This increase was driven by volume increases in all services. NAST cost of transportation and related services increased 16.5 percent to \$2.1 billion in the second quarter of 2017 from \$1.8 billion in the second quarter of 2016. This increase was driven by increase in volume and costs of transportation in all services. NAST net revenues decreased 9.8 percent to \$359.9 million in the second quarter of 2017 from \$399.2 million in the second quarter of 2016. This decrease was driven by a decline in truckload net revenues, discussed below.

NAST truckload net revenues decreased 14.1 percent to \$250.0 million in the second quarter of 2017 from \$291.1 million in the second quarter of 2016. NAST truckload volumes increased approximately eight percent in the second quarter of 2017 compared to the second quarter of 2016. NAST truckload net revenue margin decreased in the second quarter of 2017 compared to the second quarter of 2016, due primarily to higher transportation costs, including fuel costs.

NAST truckload net revenues accounted for approximately 92 percent of our total North American truckload net revenues in the second quarter of both 2017 and 2016. The majority of the remaining North American truckload net revenues are included in Robinson Fresh. Excluding the estimated impacts of the increase in fuel costs, our average truckload rate per mile charged to our customers was flat in the second quarter of 2017 compared to the second quarter of 2016. Our truckload transportation costs increased approximately four percent, excluding the estimated increase in fuel costs.

NAST LTL net revenues increased 2.1 percent to \$97.1 million in the second quarter of 2017 from \$95.1 million in the second quarter of 2016. This increase was primarily due to a volume increase of approximately 6.5 percent in the second quarter of 2017 compared to the second quarter of 2016, partially offset by a decrease in net revenue margin resulting from increased purchased transportation costs.

NAST intermodal net revenues decreased 6.3 percent to \$7.8 million in the second quarter of 2017 from \$8.3 million in the second quarter of 2016. Net revenues decreased while volume increased in the second quarter of 2017 compared to the second quarter of 2016 due to lower-margin contractual volume growth, partially offset by a decrease in transactional business.

NAST operating expenses increased 1.5 percent in the second quarter of 2017 to \$219.6 million compared to \$216.5 million in the second quarter of 2016. This increase was due to increases in selling, general, and administrative expenses, partially offset by a small decrease in personnel expenses. The decrease in personnel expense is related to variable incentive plans, partially offset by an increase in average headcount of 3.0 percent. The operating expenses of

NAST and all other segments include allocated corporate expenses.

NAST income from operations decreased 23.2 percent to \$140.3 million in the second quarter of 2017 from \$182.7 million in the second quarter of 2016. This was primarily due to a decline in net revenues caused by an increase in transportation costs.

Table of Contents

Global Forwarding. Global Forwarding total revenues, including intersegment revenues, increased 46.7 percent to \$536.3 million in the second quarter of 2017 compared to \$365.5 million in the second quarter of 2016. Global Forwarding costs of transportation and related services increased 54.8 percent to \$415.2 million in the second quarter of 2017 from \$268.3 million in the second quarter of 2016. Global Forwarding net revenues increased 24.5 percent to \$121.0 million in the second quarter of 2017 compared to \$97.2 million in the second quarter of 2016. These increases were primarily driven by our acquisition of APC.

Global Forwarding ocean transportation net revenues increased 22.0 percent to \$73.2 million in the second quarter of 2017 from \$60.0 million in the second quarter of 2016. Ocean transportation volumes increased approximately 22 percent and customer rates also increased in the second quarter of 2017 compared to the same period of 2016.

Global Forwarding air transportation net revenues increased 31.0 percent to \$24.5 million in the second quarter of 2017 from \$18.7 million in the second quarter of 2016. Air transportation volumes increased approximately 32 percent and customer rates also increased in the second quarter of 2017 compared to the same period of 2016.

Global Forwarding customs net revenues increased 40.6 percent to \$16.3 million in the second quarter of 2017 from \$11.6 million in 2016. The increase was primarily due to increased transaction volumes, primarily related to the acquisition of APC. Customs transaction volumes increased approximately 34 percent in the second quarter of 2017 compared to the same period of 2016.

Global Forwarding operating expenses increased 24.8 percent in the second quarter of 2017 to \$93.3 million from \$74.8 million in the second quarter of 2016. These increases were driven by an average headcount increase of 14.4 percent and the acquisition amortization related to the acquisition of APC.

Global Forwarding income from operations increased 23.6 percent to \$27.7 million in the second quarter of 2017 from \$22.4 million in the second quarter of 2016. This was primarily due to an increase in net revenues, partially offset by an increase in operating expenses.

Robinson Fresh. Robinson Fresh total revenues, including intersegment revenues, increased 1.4 percent to \$696.7 million in the second quarter of 2017 from \$687.3 million in the second quarter of 2016. Robinson Fresh costs of transportation and related services and purchased products sourced for resale increased 2.6 percent to \$635.8 million in the second quarter of 2017 from \$619.4 million in the second quarter of 2016. Robinson Fresh net revenues decreased 10.3 percent to \$60.8 million in the second quarter of 2017 from \$67.8 million in the second quarter of 2016. This decrease was the result of declines in transportation and sourcing net revenues.

Robinson Fresh net revenues from sourcing services decreased 6.8 percent to \$35.1 million in the second quarter of 2017 compared to \$37.7 million in the second quarter of 2016. This was primarily the result of lower net revenue per case, as sourcing revenues and costs declined at the same rate. Case volumes were flat in the second quarter of 2017 compared to the second quarter of 2016.

Robinson Fresh net revenues from transportation services decreased 14.6 percent to \$25.7 million in the second quarter of 2017 compared to \$30.1 million in the second quarter of 2016, primarily due to a decrease of 19.8 percent in truckload net revenue. Robinson Fresh transportation net revenue margin decreased in the second quarter of 2017 compared to the second quarter of 2016. Robinson Fresh transportation volumes increased 15 percent in the second quarter of 2017 compared to the second quarter of 2016.

Robinson Fresh operating expenses increased 15.0 percent in the second quarter of 2017 to \$46.6 million from \$40.5 million in the second quarter of 2016. This was primarily due to an increase in claims expenses, warehousing expenses related to expanding facilities, and an increase in average headcount.

Robinson Fresh income from operations decreased 47.8 percent to \$14.2 million in the second quarter of 2017 from \$27.3 million in the second quarter of 2016. This was primarily due to an increase in operating expenses and a decrease in transportation services and sourcing net revenues.

All Other and Corporate. All Other and Corporate includes our Managed Services segment, as well as Other Surface Transportation outside of North America and other miscellaneous revenues and unallocated corporate expenses. Managed Services provides Transportation Management Services, or Managed TMS. Other Surface Transportation revenues are primarily earned by Europe Surface Transportation. Europe Surface Transportation provides services similar to NAST across Europe.



Managed Services net revenues increased 15.1 percent in the second quarter of 2017 to \$18.2 million compared to \$15.8 million in the second quarter of 2016. This increase was a result of new business with new and existing customers. Other

Table of Contents

Surface Transportation decreased 2.4 percent in the second quarter of 2017 to \$13.9 million compared to \$14.2 million in the second quarter of 2016, primarily the result of lower margins in Europe Surface Transportation. Six Months Ended June 30, 2017 Compared to Six Months Ended June 30, 2016

Total revenues and direct costs. Our consolidated total revenues increased 11.8 percent in the six months ended June 30, 2017, compared to the six months ended June 30, 2016. Total transportation revenues increased 14.8 percent to \$6.4 billion in the six months ended June 30, 2017, from \$5.6 billion in the six months ended June 30, 2016. The increase in total transportation revenues was driven by increased volumes in all of our transportation services, partially offset by lower rates charged to our customers, including fuel. Total purchased transportation and related services increased 18.7 percent in the six months ended June 30, 2017, to \$5.3 billion from \$4.5 billion in the six months ended June 30, 2016. The increase was due to increased volumes in all of our transportation services, and by increased costs of transportation, including fuel. Sourcing revenue decreased 9.7 percent in the six months ended June 30, 2017 compared to the six months ended June 30, 2016. Purchased products sourced for resale decreased 10.4 percent in the six months ended June 30, 2017 compared to the six months ended June 30, 2016. These decreases were primarily due to lower pricing and commodity costs.

Net revenues. Total transportation net revenues decreased 1.3 percent to \$1.08 billion in the six months ended June 30, 2017 from \$1.09 billion in the six months ended June 30, 2016. Our transportation net revenue margin decreased to 16.8 percent in the six months ended June 30, 2017 from 19.5 percent in the six months ended June 30, 2016, primarily due to the cost of transportation increasing more than customer pricing, including fuel, in nearly all transportation services. Sourcing net revenues decreased 2.1 percent to \$65.6 million in the six months ended June 30, 2017 from \$67.0 million in the six months ended June 30, 2016. This decrease was primarily the result of lower net revenue per case, as price per case decreased more than cost per case. Our sourcing net revenue margin increased in the six months ended June 30, 2017 to 9.3 percent from 8.6 percent in the six months ended June 30, 2016.

Operating expenses. Operating expenses increased 6.6 percent in the six months ended June 30, 2017 compared to the six months ended June 30, 2016. Operating expenses as a percentage of net revenues increased to 67.6 percent in the six months ended June 30, 2017, from 62.6 percent in the six months ended June 30, 2016.

Personnel expenses increased 4.9 percent to \$574.7 million in the six months ended June 30, 2017, from \$547.7 million in the six months ended June 30, 2016. For the six month period ended June 30, 2017, our average headcount grew 7.9 percent compared to the same period ended June 30, 2016, including 310 employees added on September 30, 2016 with the acquisition of APC. The increase in personnel expense was less than the increase in average headcount due to decreased expenses related to variable incentive plans.

Other selling, general, and administrative expenses increased 11.7 percent to \$197.9 million in the six months ended June 30, 2017 from \$177.1 million in the six months ended June 30, 2016. This increase was primarily due to an increase in acquisition amortization, the provision for bad debt, and warehouse costs.

Income from operations. Income from operations decreased 14.5 percent to \$369.8 million in the six months ended June 30, 2017, from \$432.7 million in the six months ended June 30, 2016. Income from operations as a percentage of net revenues decreased to 32.4 percent in the six months ended June 30, 2017, from 37.4 percent in the six months ended June 30, 2016.

Interest and other expense. Interest and other expense increased to \$18.7 million in the six months ended June 30, 2017, from \$15.0 million in the six months ended June 30, 2016. The change was due primarily to a higher average debt balance and higher interest rates on our short-term debt during the six month period ended June 30, 2017, compared to the same period ended June 30, 2016.

Provision for income taxes. Our effective income tax rate was 33.6 percent for the six months ended June 30, 2017, and 37.3 percent for the six months ended June 30, 2016. During the first quarter of 2017, we adopted ASU 2016-09, Compensation - Stock Compensation (Topic 718). The adoption of ASU 2016-09 prospectively impacts the recording of income taxes related to share-based payment awards in our consolidated statement of financial position and results of operations, as well as the operating and financing cash flows on the consolidated statements of cash flow. This adoption resulted in a decrease in our provision for income taxes of \$10.6 million the six months ended June 30, 2017. The effective income tax rate for the six months ended June 30, 2017 was lower than the statutory federal income tax rate due to the adoption of ASU 2016-09.

Net income. Net income decreased 11.0 percent to \$233.2 million in the six months ended June 30, 2017, from \$262.1 million in the six months ended June 30, 2016. Basic and diluted net income per share decreased 9.8 percent to \$1.65 in the six months ended June 30, 2017 from \$1.83 in the six months ended June 30, 2016.

Table of Contents

## SEGMENT RESULTS OF OPERATIONS

Six Months Ended June 30, 2017, Compared to Six Months Ended June 30, 2016

North American Surface Transportation. NAST total revenues, including intersegment revenues, increased 12.0 percent to \$4.9 billion during the six months ended June 30, 2017 from \$4.3 billion during the six months ended June 30, 2016. This increase was driven by volume increases in all services. NAST cost of transportation and related services increased 16.0 percent to \$4.1 billion in the six months ended June 30, 2017 from \$3.6 billion in the six months ended June 30, 2016. This was driven by increases in volumes and costs of transportation in all services. NAST net revenues decreased 6.5 percent to \$732.3 million in the six months ended June 30, 2017 from \$783.0 million in the six months ended June 30, 2016. This decrease was driven primarily by a decline in truckload net revenues.

NAST truckload net revenues decreased 9.9 percent to \$517.6 million during the six months ended June 30, 2017 from \$574.8 million in the six months ended June 30, 2016. NAST truckload volumes increased approximately nine percent during the six months ended June 30, 2017 compared to the six months ended June 30, 2016. NAST truckload net revenue margin decreased in the six months ended June 30, 2017 compared to the six months ended June 30, 2016, due to lower customer pricing and increased transportation costs, excluding the change in fuel costs.

NAST truckload net revenues accounted for approximately 92 percent of our total North American truckload net revenues in the six months ended June 30, of both 2017 and 2016. The majority of the remaining North American truckload net revenues are included in Robinson Fresh. Excluding the estimated impacts of the increase in fuel costs, our average truckload rate per mile charged to our customers decreased approximately two percent in the six months ended June 30, 2017 compared to the six months ended June 30, 2016. Our truckload transportation costs increased approximately one percent, excluding the estimated increase in fuel costs.

NAST LTL net revenues increased 4.5 percent to \$190.7 million in the six months ended June 30, 2017 from \$182.4 million in the six months ended June 30, 2016. This increase was primarily due to a volume increase of approximately 7.5 percent during the six months ended June 30, 2017 compared to the six months ended June 30, 2016, partially offset by a decrease in net revenue margin.

NAST intermodal net revenues decreased 11.9 percent to \$14.9 million in the six months ended June 30, 2017 from \$17.0 million in the six months ended June 30, 2016. Net revenues decreased while volume increased in the six months ended June 30, 2017 compared to the six months ended June 30, 2016 due to lower-margin contractual volume growth, partially offset by a decrease in transactional business.

NAST operating expenses decreased 0.4 percent during the six months ended June 30, 2017 to \$436.2 million compared to \$437.9 million during the six months ended June 30, 2016. This decrease was driven by a decline in personnel expenses, partially offset by an increase in other selling, general, and administrative expenses. The decrease in personnel expense is related to variable incentive plans, partially offset by an increase in average headcount of 2.6 percent. The operating expenses of NAST and all other segments include allocated corporate expenses.

NAST income from operations decreased 14.2 percent to \$296.2 million during the six months ended June 30, 2017 from \$345.1 million in the six months ended June 30, 2016. This was primarily due to a decline in net revenues caused by lower customer pricing and increased cost of transportation services.

Global Forwarding. Global Forwarding total revenues, including intersegment revenues, increased 40.2 percent to \$1.0 billion in the six months ended June 30, 2017 compared to \$722.7 million in the six months ended June 30, 2016. Global Forwarding costs of transportation and related services increased 47.5 percent to \$785.6 million in the six months ended June 30, 2017 from \$532.6 million in the six months ended June 30, 2016. Global Forwarding net revenues increased 19.7 percent to \$227.6 million in the six months ended June 30, 2017 compared to \$190.1 million in the six months ended June 30, 2016. These increases were primarily driven by our acquisition of APC.

Global Forwarding ocean transportation net revenues increased 15.2 percent to \$136.7 million in the six months ended June 30, 2017 from \$118.6 million in the six months ended June 30, 2016. The increase in net revenues was primarily a result of our acquisition of APC, partially offset by margin compression.

Our air transportation net revenues increased 24.4 percent to \$44.9 million in the six months ended June 30, 2017 from \$36.1 million in the six months ended June 30, 2016. The increase was primarily the result of our acquisition of APC, partially offset by margin compression.



Table of Contents

Our customs net revenues increased 45.1 percent to \$32.4 million in the six months ended June 30, 2017 from \$22.3 million in 2016. The increase was due to increased transaction volumes, primarily related to the acquisition of APC.

Global Forwarding operating expenses increased 21.8 percent in the six months ended June 30, 2017 to \$183.7 million from \$150.8 million in the six months ended June 30, 2016. These increases were driven by an average headcount increase of 13.7 percent and the acquisition amortization expense related to the acquisition of APC.

Global Forwarding income from operations increased 11.8 percent to \$43.9 million in the six months ended June 30, 2017 from \$39.3 million in the six months ended June 30, 2016. This was primarily due to an increase in net revenues, partially offset by an increase in operating expenses.

Robinson Fresh. Robinson Fresh total revenues, including intersegment revenues, were flat at \$1.3 billion in the six months ended June 30, 2017 compared to the six months ended June 30, 2016. Robinson Fresh costs of transportation and related services and purchased products sourced for resale decreased 1.2 percent to \$1.2 billion in the six months ended June 30, 2017 from \$1.1 billion in the six months ended June 30, 2016. Robinson Fresh net revenues decreased 6.6 percent to \$117.7 million in the six months ended June 30, 2017 from \$126.0 million in the six months ended June 30, 2016. This decrease was the result of declines in transportation and sourcing net revenues.

Robinson Fresh net revenues from sourcing services decreased 2.1 percent to \$65.6 million in the six months ended June 30, 2017 compared to \$67.0 million in the six months ended June 30, 2016. This was primarily the result of lower net revenue per case due to a similar rate of decline in both price and cost per case.

Robinson Fresh net revenues from transportation services decreased 11.7 percent to \$52.1 million in the six months ended June 30, 2017 compared to \$59.0 million in the six months ended June 30, 2016, primarily due to decreases in truckload net revenue. Robinson Fresh transportation net revenue margin decreased in the six months ended June 30, 2017 compared to the six months ended June 30, 2016, due primarily to lower customer pricing.

Robinson Fresh operating expenses increased 9.7 percent in the six months ended June 30, 2017 to \$88.8 million from \$81.0 million in the six months ended June 30, 2016. This was primarily due to an increase in claims and warehousing expenses related to expanding facilities and an increase in average headcount, partially offset by a decrease in expenses related to variable incentive compensation plans.

Robinson Fresh income from operations decreased 35.8 percent to \$28.9 million in the six months ended June 30, 2017 from \$45.0 million in the six months ended June 30, 2016. This was primarily due to a decrease in transportation and sourcing net revenues, and an increase in operating expenses.

All Other and Corporate. All Other and Corporate includes our Managed Services segment, as well as Other Surface Transportation outside of North America and other miscellaneous revenues and unallocated corporate expenses.

Managed Services provides Transportation Management Services, or Managed TMS. Other Surface Transportation revenues are primarily earned by Europe Surface Transportation. Europe Surface Transportation provides services similar to NAST across Europe.

Managed Services net revenues increased 16.5 percent in the six months ended June 30, 2017 to \$35.4 million compared to \$30.4 million in the six months ended June 30, 2016. This increase was a result of volume growth from both new and existing customers. Other Surface Transportation increased 4.6 percent in the six months ended June 30, 2017 to \$29.4 million compared to \$28.1 million in the six months ended June 30, 2016, primarily the result of growth in Europe Surface Transportation.

Table of Contents

## LIQUIDITY AND CAPITAL RESOURCES

We have historically generated substantial cash from operations, which has enabled us to fund our organic growth while paying cash dividends and repurchasing stock. In 2012, we entered into a senior unsecured revolving credit facility to partially fund an acquisition. In December 2014, we amended the revolving credit facility to increase the amount available from \$500 million to \$900 million and to extend the expiration date from October 2017 to December 2019, primarily to fund an acquisition. In 2013, we entered into a Note Purchase Agreement to fund the repurchase of \$500 million worth of our common stock. The Note Purchase Agreement was amended in February 2015 to conform its financial covenants to be consistent with the amended revolving credit facility. In April 2017, we entered into an U.S. Trade Accounts Receivable Securitization facility to reduce the amount outstanding on our revolving credit facility. We also expect to use the revolving credit facility, the receivables securitization facility, and potentially other indebtedness incurred in the future to assist us in continuing to fund working capital, capital expenditures, possible acquisitions, dividends, and share repurchases. Cash and cash equivalents totaled \$273.2 million as of June 30, 2017, and \$247.7 million as of December 31, 2016. Cash and cash equivalents held outside the United States totaled \$206.3 million as of June 30, 2017, and \$172.2 million as of December 31, 2016. If we repatriated all foreign earnings, the estimated effect on income taxes payable would be an increase of approximately \$23.7 million as of June 30, 2017. Working capital at June 30, 2017, was \$487.5 million and at December 31, 2016, was \$162.4 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, but those acquisitions must fit our culture and enhance our growth opportunities.

**Cash flow from operating activities.** We generated \$150.0 million and \$247.3 million of cash flow from operations during the six months ended June 30, 2017 and June 30, 2016, respectively, a decrease of \$97.3 million compared to the six months ended June 30, 2016. The increase in volumes, customer rates, and costs of transportation, including fuel prices, in the first six months of 2017 compared to the first six months of 2016 resulted in increased growth in working capital and led to decreased operating cash flow.

**Cash used for investing activities.** We used \$35.8 million and \$44.4 million of cash during the six months ended June 30, 2017 and June 30, 2016 for investing activities.

We used \$33.0 million and \$44.0 million for capital expenditures during the six months ended June 30, 2017 and June 30, 2016. During the six months ended June 30, 2017, our capital expenditures consisted primarily of investments in facilities, office equipment, and information technology, which are intended to improve efficiencies and help grow the business.

During the six months ended June 30, 2017, we used \$1.8 million in connection with the acquisition of APC resulting from a post-closing working capital adjustment due to the sellers under the terms of the acquisition agreement.

**Cash used for financing activities.** We used \$97.1 million and \$163.7 million of cash flow for financing activities during the six months ended June 30, 2017 and June 30, 2016.

During the six months ended June 30, 2017, we had net short-term repayments of \$148.0 million. During the six months ended June 30, 2016, we had net short-term borrowings of \$15.0 million. The outstanding balance on the revolving credit facility was \$592.0 million as of June 30, 2017.

During the six months ended June 30, 2017, we had long-term borrowings of \$250.0 million on the securitization facility. The outstanding balance on the securitization facility was \$250.0 million as of June 30, 2017. We were in compliance with all of the covenants under the Credit Agreement, Note Purchase Agreement, and Receivables Securitization Facility as of June 30, 2017.

We used \$128.8 million and \$127.5 million to pay cash dividends during the six months ended June 30, 2017 and June 30, 2016. The increase was primarily due to a dividend rate increase in 2017 compared to 2016, partially offset by a decrease in weighted average shares outstanding during the six months ended June 30, 2017, compared to the six months ended June 30, 2016.

We used \$70.5 million and \$45.2 million on share repurchases during the six months ended June 30, 2017 and June 30, 2016. The change was due to an increase in the number of shares repurchased and the average price of the repurchased shares during the six months ended June 30, 2017, compared to the same period of 2016. In August 2013, the Board of Directors increased the number of shares authorized for repurchase by 15,000,000 shares. As of June 30,

2017, there were 3,531,355 shares remaining for future repurchases under the repurchase 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 \$19.6 million and \$33.1 million to acquire shares from employees through their withholding taxes resulting from the delivery of restricted equity during the six months ended June 30, 2017 and June 30, 2016.



## Table of Contents

Management believes that our available cash, together with expected future cash generated from operations, the amount available under our credit facilities, and credit available in the market will be sufficient to satisfy our anticipated needs for working capital, capital expenditures, and cash dividends in the foreseeable future. We also believe we could obtain funds under lines of credit or other forms of indebtedness 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, 2016, 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.

**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 have credit risk, we have discretion to select the supplier, and we have latitude in pricing decisions. Additionally, in our Sourcing business, we often take loss of inventory risk during shipment and have general inventory risk.

Certain transactions in customs brokerage, transportation management, and sourcing 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 was \$42.5 million as of June 30, 2017 and \$39.5 million as of December 31, 2016. 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.** Goodwill represents the excess of the cost of acquired businesses over the net of the fair value of identifiable tangible net assets and identifiable intangible assets purchased and liabilities assumed.

Goodwill is tested at least annually for impairment and is tested for impairment more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test is performed using a two-step process. In the first step, the fair value of each reporting unit is compared with the carrying amount of the reporting unit, including goodwill. If the estimated fair value is less than the carrying amount of the reporting unit, there is an indication that goodwill impairment exists, and a second step must be completed to determine the amount of the goodwill impairment, if any, that should be recorded. In the second step, an impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill over the implied fair value of that goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit in a manner similar to a purchase price allocation.

The fair value of each reporting unit is determined using a discounted cash flow analysis and market approach. Projecting discounted future cash flows requires us to make significant estimates regarding future revenues and expenses, projected capital expenditures, changes in working capital, and the appropriate discount rate. Use of the market approach consists of comparisons to comparable publicly-traded companies that are similar in size and industry. Actual results may differ from those used in our valuations.



## Table of Contents

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. The discounts on outstanding grants vary from 15 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 \$273.2 million of cash and cash equivalents on June 30, 2017. Substantially all of the cash equivalents are in demand accounts with financial institutions. The primary market risks associated with these investments are liquidity risks.

We are a party to a credit agreement with various lenders consisting of a \$900 million revolving loan facility. Interest accrues on the revolving loan at variable rates based on LIBOR or "prime" plus the applicable add-on percentage as defined therein. At June 30, 2017, there was \$592 million outstanding on the revolving loan.

We are a party to the Note Purchase Agreement, as amended, with various institutional investors with fixed rates consisting of: (i) \$175,000,000 of the company's 3.97 percent Senior Notes, Series A, due August 27, 2023, (ii) \$150,000,000 of the company's 4.26 percent Senior Notes, Series B, due August 27, 2028, and (iii) \$175,000,000 of the company's 4.60 percent Senior Notes, Series C, due August 27, 2033. At June 30, 2017, there was \$500 million outstanding on the notes.

We are a party to a receivables securitization facility with various lenders and provides funding of up to \$250 million. Interest accrues on the facility at variable rates based on the asset-backed commercial paper rate or the 30 day LIBOR plus the applicable add-on percentage as defined therein. At June 30, 2017, there was \$250 million outstanding on the securitization facility.

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. For some 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 often unable 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 consolidated financial position, 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, 2016, 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 June 30, 2017, of shares of the company's common stock.

	Total Number of Shares (or Units) Purchased <sup>(a)</sup>	Average Price Paid Per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs <sup>(b)</sup>	Maximum Number of Shares (or Units) That May Yet Be Purchased Under the Plans or Programs <sup>(b)</sup>
April 1, 2017-April 30, 2017	254,225	\$ 75.64	251,180	3,837,404
May 1, 2017-May 31, 2017	146,983	69.31	144,246	3,693,158
June 1, 2017-June 30, 2017	165,255	67.98	161,803	3,531,355
Second quarter 2017	566,463	\$ 71.77	557,229	3,531,355

(a) The total number of shares purchased includes: (i) 557,229 shares of common stock purchased under the authorization described below; and (ii) 9,234 shares of common stock surrendered to satisfy minimum statutory tax obligations under our stock incentive plans.

(b) In August 2013, the Board of Directors increased the number of shares authorized for repurchase by 15,000,000 shares. As of June 30, 2017, there were 3,531,355 shares remaining for future repurchases. Purchases can be made in the open market or in privately negotiated transactions, including Rule 10b5-1 plans and accelerated repurchase programs.

## ITEM 3. DEFAULTS ON SENIOR SECURITIES

None

Table of Contents

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS

Exhibits filed with, or incorporated by reference into, this report:

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 June 30, 2017, formatted in XBRL

30

---

Table of Contents

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 on August 3, 2017.

C.H. ROBINSON WORLDWIDE, INC.

By: /s/ John P. Wiehoff  
John P. Wiehoff  
Chief Executive Officer

By: /s/ Andrew C. Clarke  
Andrew C. Clarke  
Chief Financial Officer (principal accounting officer)