

C H ROBINSON WORLDWIDE INC

Form 10-Q

August 08, 2018

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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, 2018

☐ 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," "smaller reporting company," and "emerging growth 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 August 6, 2018, the number of shares outstanding of the registrant's Common Stock, par value \$.10 per share, was 138,544,499.



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ITEM 1. FINANCIAL STATEMENTSC.H. ROBINSON WORLDWIDE, INC.  
Condensed Consolidated Balance Sheets

| (In thousands, except per share data)                                                                                         | June 30,<br>2018<br>(unaudited) | December<br>31, 2017 |
|-------------------------------------------------------------------------------------------------------------------------------|---------------------------------|----------------------|
| <b>ASSETS</b>                                                                                                                 |                                 |                      |
| Current assets:                                                                                                               |                                 |                      |
| Cash and cash equivalents                                                                                                     | \$310,575                       | \$333,890            |
| Receivables, net of allowance for doubtful accounts of \$39,399 and \$42,409                                                  | 2,202,460                       | 2,113,930            |
| Contract assets                                                                                                               | 182,247                         | —                    |
| Prepaid expenses and other                                                                                                    | 63,374                          | 63,116               |
| Total current assets                                                                                                          | 2,758,656                       | 2,510,936            |
| Property and equipment, net                                                                                                   | 228,325                         | 230,326              |
| Goodwill                                                                                                                      | 1,265,778                       | 1,275,816            |
| Other intangible assets, net                                                                                                  | 130,254                         | 151,585              |
| Deferred tax asset                                                                                                            | 10,714                          | 6,870                |
| Other assets                                                                                                                  | 59,557                          | 60,301               |
| Total assets                                                                                                                  | \$4,453,284                     | \$4,235,834          |
| <b>LIABILITIES AND STOCKHOLDERS' INVESTMENT</b>                                                                               |                                 |                      |
| Current liabilities:                                                                                                          |                                 |                      |
| Accounts payable                                                                                                              | \$1,059,669                     | \$1,000,305          |
| Outstanding checks                                                                                                            | 74,168                          | 96,359               |
| Accrued expenses:                                                                                                             |                                 |                      |
| Transportation expense                                                                                                        | 140,231                         | —                    |
| Compensation                                                                                                                  | 99,279                          | 105,316              |
| Income taxes                                                                                                                  | 18,393                          | 12,240               |
| Other accrued liabilities                                                                                                     | 66,987                          | 58,229               |
| Current portion of debt                                                                                                       | 66,000                          | 715,000              |
| Total current liabilities                                                                                                     | 1,524,727                       | 1,987,449            |
| Long-term debt                                                                                                                | 1,341,054                       | 750,000              |
| Noncurrent income taxes payable                                                                                               | 25,364                          | 26,684               |
| Deferred tax liabilities                                                                                                      | 42,779                          | 45,355               |
| Other long-term liabilities                                                                                                   | 1,201                           | 601                  |
| Total liabilities                                                                                                             | 2,935,125                       | 2,810,089            |
| 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; 179,101 and 179,103 shares issued, 138,744 and 139,542 outstanding | 13,874                          | 13,954               |
| Additional paid-in capital                                                                                                    | 478,451                         | 444,280              |
| Retained earnings                                                                                                             | 3,617,324                       | 3,437,093            |
| Accumulated other comprehensive loss                                                                                          | (46,537 )                       | (18,460 )            |
| Treasury stock at cost (40,357 and 39,561 shares)                                                                             | (2,544,953 )                    | (2,451,122 )         |
| Total stockholders' investment                                                                                                | 1,518,159                       | 1,425,745            |

|                                                |             |             |
|------------------------------------------------|-------------|-------------|
| Total liabilities and stockholders' investment | \$4,453,284 | \$4,235,834 |
|------------------------------------------------|-------------|-------------|

See accompanying notes to the condensed consolidated financial statements.

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## C.H. ROBINSON WORLDWIDE, INC.

## Condensed Consolidated Statements of Operations and Comprehensive Income

(unaudited)

|                                                     | Three Months Ended June 30, |             | Six Months Ended June 30, |             |
|-----------------------------------------------------|-----------------------------|-------------|---------------------------|-------------|
| (In thousands, except per share data)               | 2018                        | 2017        | 2018                      | 2017        |
| Revenues:                                           |                             |             |                           |             |
| Transportation                                      | \$3,953,139                 | \$3,319,995 | \$7,590,779               | \$6,422,038 |
| Sourcing                                            | 322,898                     | 390,023     | 610,585                   | 703,105     |
| Total revenues                                      | 4,276,037                   | 3,710,018   | 8,201,364                 | 7,125,143   |
| Costs and expenses:                                 |                             |             |                           |             |
| Purchased transportation and related services       | 3,313,196                   | 2,781,355   | 6,354,798                 | 5,345,240   |
| Purchased products sourced for resale               | 291,358                     | 354,874     | 549,158                   | 637,548     |
| Personnel expenses                                  | 340,630                     | 284,220     | 668,927                   | 574,724     |
| Other selling, general, and administrative expenses | 111,845                     | 107,749     | 217,888                   | 197,853     |
| Total costs and expenses                            | 4,057,029                   | 3,528,198   | 7,790,771                 | 6,755,365   |
| Income from operations                              | 219,008                     | 181,820     | 410,593                   | 369,778     |
| Interest and other expense                          | (5,128)                     | (9,368)     | (15,828)                  | (18,670)    |
| Income before provision for income taxes            | 213,880                     | 172,452     | 394,765                   | 351,108     |
| Provision for income taxes                          | 54,717                      | 61,381      | 93,305                    | 117,957     |
| Net income                                          | 159,163                     | 111,071     | 301,460                   | 233,151     |
| Other comprehensive (loss) income                   | (27,512)                    | 6,731       | (28,077)                  | 24,136      |
| Comprehensive income                                | \$131,651                   | \$117,802   | \$273,383                 | \$257,287   |
| Basic net income per share                          | \$1.14                      | \$0.79      | \$2.16                    | \$1.65      |
| Diluted net income per share                        | \$1.13                      | \$0.78      | \$2.14                    | \$1.65      |
| Basic weighted average shares outstanding           | 139,464                     | 141,061     | 139,745                   | 141,229     |
| Dilutive effect of outstanding stock awards         | 1,147                       | 526         | 1,215                     | 484         |
| Diluted weighted average shares outstanding         | 140,611                     | 141,587     | 140,960                   | 141,713     |
| Cash dividends declared per share                   | \$0.46                      | \$0.45      | \$0.92                    | \$0.90      |

See accompanying notes to the condensed consolidated financial statements.

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## C.H. ROBINSON WORLDWIDE, INC.

Condensed Consolidated Statements of Cash Flows  
(unaudited)

| (In thousands)                                                                    | Six Months Ended June 30,<br>2018 | 2017       |
|-----------------------------------------------------------------------------------|-----------------------------------|------------|
| <b>OPERATING ACTIVITIES</b>                                                       |                                   |            |
| Net income                                                                        | \$ 301,460                        | \$ 233,151 |
| Adjustments to reconcile net income to net cash provided by operating activities: |                                   |            |
| Depreciation and amortization                                                     | 48,479                            | 45,377     |
| Provision for doubtful accounts                                                   | 9,055                             | 7,669      |
| Stock-based compensation                                                          | 44,704                            | 16,842     |
| Deferred income taxes                                                             | (9,014)                           | (4,988)    |
| Excess tax benefit on stock-based compensation                                    | (7,502)                           | (10,583)   |
| Loss on disposal of assets                                                        | 668                               | 536        |
| Changes in operating elements (net of acquisitions):                              |                                   |            |
| Receivables                                                                       | (214,620)                         | (244,682)  |
| Contract assets                                                                   | (34,483)                          | —          |
| Prepaid expenses and other                                                        | 5,326                             | (9,646)    |
| Other non-current assets                                                          | 3,243                             | (1,016)    |
| Accounts payable and outstanding checks                                           | 101,770                           | 135,130    |
| Accrued transportation expense                                                    | 45,420                            | —          |
| Accrued compensation                                                              | (7,381)                           | (23,353)   |
| Accrued income taxes                                                              | 12,068                            | 10,185     |
| Other accrued liabilities                                                         | 9,277                             | (4,611)    |
| Net cash provided by operating activities                                         | 308,470                           | 150,011    |
| <b>INVESTING ACTIVITIES</b>                                                       |                                   |            |
| Purchases of property and equipment                                               | (20,569)                          | (24,105)   |
|                                                                                   | (9,514)                           | (8,865)    |

|                                        |         |   |         |   |
|----------------------------------------|---------|---|---------|---|
| Purchases and development of software  |         |   |         |   |
| Acquisitions, net of cash acquired     | (1,315  | ) | (1,780  | ) |
| Other                                  | (1,546  | ) | (1,095  | ) |
| Net cash used for investing activities | (32,944 | ) | (35,845 | ) |

#### FINANCING ACTIVITIES

|                                                       |            |   |            |   |
|-------------------------------------------------------|------------|---|------------|---|
| Proceeds from stock issued for employee benefit plans | 35,846     |   | 19,814     |   |
| Stock tendered for payment of withholding taxes       | (18,893    | ) | (19,626    | ) |
| Repurchase of common stock                            | (119,497   | ) | (70,494    | ) |
| Cash dividends                                        | (130,559   | ) | (128,806   | ) |
| Proceeds from long-term borrowings                    | 591,012    |   | 250,000    |   |
| Proceeds from short-term borrowings                   | 2,418,000  |   | 4,282,000  |   |
| Payments on short-term borrowings                     | (3,067,000 | ) | (4,430,000 | ) |
| Net cash used for financing activities                | (291,091   | ) | (97,112    | ) |
| Effect of exchange rates on cash                      | (7,750     | ) | 8,462      |   |
| Net change in cash and cash equivalents               | (23,315    | ) | 25,516     |   |
| Cash and cash equivalents, beginning of period        | 333,890    |   | 247,666    |   |
| Cash and cash equivalents, end of period              | \$ 310,575 |   | \$ 273,182 |   |

Noncash transactions from investing and financing activities:

|                                                             |         |       |
|-------------------------------------------------------------|---------|-------|
| Accrued share repurchases held in other accrued liabilities | \$2,400 | \$ —  |
| Accrued purchases of property and equipment                 | 1,677   | 1,500 |

See accompanying notes to the condensed consolidated financial statements.



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C.H. ROBINSON WORLDWIDE, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. 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 to our customers. 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, 2017.

RECENTLY ADOPTED 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 its effective date. The new comprehensive revenue recognition standard supersedes 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 adopted this new standard effective January 1, 2018 under the modified retrospective transition method applied to contracts that were not completed as of the date of initial application resulting in a \$9.2 million cumulative adjustment to retained earnings.

We have updated our revenue recognition critical accounting policy due to the adoption of this standard and expanded the summary of significant accounting policies included in our Annual Report on Form 10-K for the year ended December 31, 2017 below. The adoption of this standard changed the timing of revenue recognition for our transportation businesses from at delivery to over the transit period as our performance obligations are completed. Due to the short transit period of many of our performance obligations, this change did not have a material impact on our results of operations or cash flows.

The new standard expanded our existing revenue recognition disclosures upon adoption. In addition, we have identified certain customer contracts in our sourcing business that changed from a principal to an agent relationship under the new standard. This change resulted in these contracts being recognized at the net amount we charge our customers but had no impact on income from operations. See Note 10 to our consolidated financial statements which includes the expanded disclosures required by ASU 2014-09.

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. We adopted this new standard effective January 1, 2018. The amendments in this update will be applied prospectively to awards modified on or after January 1, 2018. The future impact of ASU 2017-09 will depend on the nature of future stock award modifications.

Table of Contents**RECENTLY ISSUED ACCOUNTING STANDARDS**

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. In July 2018, the FASB issued ASU 2018-11, Leases (Topic 842): Targeted Improvements, which provides another transition method no longer requiring application to previously reported periods. We plan to adopt Topic 842 by applying the new standard on January 1, 2019 and recognizing a cumulative adjustment to the opening balance of retained earnings.

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. We are in the process of implementing a global lease accounting software and designing necessary internal controls to facilitate the adoption of the new standard. As of December 31, 2017, we had \$282.7 million of minimum future lease commitments under noncancelable lease agreements which will be subject to ASU 2016-02 once adopted.

In February 2018, the FASB issued ASU 2018-02, Reclassification of Certain Tax Effects From Accumulated Other Comprehensive Income, which amends existing guidance for reporting comprehensive income to reflect changes resulting from the 2017 Tax Act ("Tax Act"). The amendment provides the option to reclassify stranded tax effects resulting from the Tax Act within accumulated other comprehensive income (AOCI) to retained earnings. New disclosures will be required upon adoption, including the accounting policy for releasing income tax effects from AOCI, whether reclassification of stranded income tax effects is elected, and information about other income tax effect reclassifications. The amendment will become effective for us on January 1, 2019, although early adoption is permitted. We are currently evaluating the impact of adopting this standard on our consolidated financial statements and disclosures.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Note 1 of the Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2017, includes a summary of the significant accounting policies and methods used in the preparation of our consolidated financial statements. We have expanded these policies below to effect the adoption of ASU 2014-09 in the first quarter of 2018.

**CONTRACT ASSETS.** Contract assets represent amounts for which we have the right to consideration for the services we have provided while a shipment is still in-transit but for which we have not yet completed our performance obligation or have not yet invoiced our customer. Upon completion of our performance obligations, which can vary in duration based upon the method of transport, and billing our customer these amounts become classified within accounts receivable and are then typically due within 30 days.

**ACCRUED TRANSPORTATION EXPENSE.** Accrued transportation expense represents amounts we owe to vendors, primarily transportation providers, for the services they have provided while a shipment is still in-transit as of the reporting date.

**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, 2017 balance | \$921,486 | \$ 185,873        | \$ 141,185     | \$ 27,272               | \$1,275,816 |
| Adjustments               | (40 )     | (268 )            | —              | —                       | (308 )      |
| Translation               | (6,305 )  | (2,301 )          | (942 )         | (182 )                  | (9,730 )    |

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|                       |           |            |            |           |              |
|-----------------------|-----------|------------|------------|-----------|--------------|
| June 30, 2018 balance | \$915,141 | \$ 183,304 | \$ 140,243 | \$ 27,090 | \$ 1,265,778 |
|-----------------------|-----------|------------|------------|-----------|--------------|

Goodwill is tested at least annually for impairment on November 30, or more frequently if events or changes in circumstances indicate that the asset might be impaired. We first perform a qualitative assessment to determine whether it is more likely than not that the fair value of our reporting units is less than their respective carrying value (“Step Zero analysis”). If the Step Zero analysis indicates it is more likely than not that the fair value of our reporting units is less than their respective carrying value, an additional impairment assessment is performed (“Step One Analysis”). Refer to Critical Accounting Policies and Estimates.

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

|                                | June 30, 2018 |                             |             | December 31, 2017 |                             |             |
|--------------------------------|---------------|-----------------------------|-------------|-------------------|-----------------------------|-------------|
|                                | Cost          | Accumulated<br>Amortization | Net         | Cost              | Accumulated<br>Amortization | Net         |
| Finite-lived intangibles       |               |                             |             |                   |                             |             |
| Customer relationships         | \$261,938     | \$(142,249)                 | ) \$119,689 | \$263,093         | \$(122,103)                 | ) \$140,990 |
| Non-competition agreements     | 300           | (210)                       | ) 90        | 300               | (180)                       | ) 120       |
| Total finite-lived intangibles | 262,238       | (142,459)                   | ) 119,779   | 263,393           | (122,283)                   | ) 141,110   |

## Indefinite-lived intangibles

|                   |           |             |             |           |             |             |
|-------------------|-----------|-------------|-------------|-----------|-------------|-------------|
| Trademarks        | 10,475    | —           | 10,475      | 10,475    | —           | 10,475      |
| Total intangibles | \$272,713 | \$(142,459) | ) \$130,254 | \$273,868 | \$(122,283) | ) \$151,585 |

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

|                      | Three Months<br>Ended June 30, |         | Six Months<br>Ended June 30, |          |
|----------------------|--------------------------------|---------|------------------------------|----------|
|                      | 2018                           | 2017    | 2018                         | 2017     |
| Amortization expense | \$9,196                        | \$8,843 | \$18,595                     | \$17,718 |

Definite-lived intangible assets, by reportable segment, as of June 30, 2018, will be amortized over their remaining lives as follows (in thousands):

|                   | NAST    | Global<br>Forwarding | Robinson<br>Fresh | All Other<br>and<br>Corporate | Total     |
|-------------------|---------|----------------------|-------------------|-------------------------------|-----------|
| Remainder of 2018 | \$3,913 | \$ 14,744            | \$ —              | —\$                           | —\$18,657 |
| 2019              | 7,820   | 29,485               | —                 | —                             | 37,305    |
| 2020              | 260     | 26,780               | —                 | —                             | 27,040    |
| 2021              | 260     | 13,260               | —                 | —                             | 13,520    |
| 2022              | 260     | 13,260               | —                 | —                             | 13,520    |
| Thereafter        | 354     | 9,383                | —                 | —                             | 9,737     |
| Total             |         |                      |                   |                               | \$119,779 |

## 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, 2018, and December 31, 2017.

There were no transfers between levels during the period.

Table of Contents**NOTE 4. FINANCING ARRANGEMENTS**

The components of our short-term and long-term debt and the associated interest rates were as follows (dollars in thousands):

|                                                    | Average interest rate<br>as of |                      |   | Maturity      | Carrying value as of |                      |
|----------------------------------------------------|--------------------------------|----------------------|---|---------------|----------------------|----------------------|
|                                                    | June 30,<br>2018               | December 31,<br>2017 |   |               | June 30,<br>2018     | December 31,<br>2017 |
| Revolving credit facility                          | 3.68%                          | 2.70%                | % | December 2019 | \$66,000             | \$ 715,000           |
| Senior Notes, Series A                             | 3.97%                          | 3.97%                | % | August 2023   | 175,000              | 175,000              |
| Senior Notes, Series B                             | 4.26%                          | 4.26%                | % | August 2028   | 150,000              | 150,000              |
| Senior Notes, Series C                             | 4.60%                          | 4.60%                | % | August 2033   | 175,000              | 175,000              |
| Receivables securitization facility <sup>(1)</sup> | 2.87%                          | 2.00%                | % | April 2019    | 249,854              | 250,000              |
| Senior Notes <sup>(1)</sup>                        | 4.20%                          | N/A                  |   | April 2028    | 591,200              | —                    |
| Total debt                                         |                                |                      |   |               | 1,407,054            | 1,465,000            |
| Less: Current maturities and short-term borrowing  |                                |                      |   |               | (66,000)             | (715,000)            |
| Long-term debt                                     |                                |                      |   |               | \$ 1,341,054         | \$ 750,000           |

<sup>(1)</sup> Net of unamortized discounts and issuance costs.

**SENIOR UNSECURED REVOLVING CREDIT FACILITY**

We have a senior unsecured revolving credit facility (the "Credit Agreement") with total availability of \$900 million. 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, 2018, 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 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.

The Credit Agreement contains various restrictions and covenants that require the Company to maintain certain financial ratios, including a maximum leverage ratio of 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"). On August 27, 2013, the Purchasers purchased an aggregate principal amount of \$500 million of the Company's Senior Notes, Series A, Senior Notes Series B, and Senior Notes Series C, collectively (the "Notes"). Interest on the Notes is payable semi-annually in arrears. The fair value of the Notes approximated \$491.8 million at June 30, 2018. We estimate the fair value of the Notes 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 the Notes were recorded at fair value, they would be classified as Level 2.

The Note Purchase Agreement contains various restrictions and covenants that require the Company to maintain certain financial ratios, including a maximum leverage ratio of 3.00 to 1.00, a minimum interest coverage ratio of 2.00 to 1.00, and a maximum consolidated priority debt to consolidated total asset ratio of 15 percent.

The Note Purchase Agreement provides for customary events of default. 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 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.

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**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 interest rate on borrowings under the Receivables Securitization Facility is based on the asset-backed commercial paper rate plus a margin or 30 day LIBOR plus a margin. There is also a commitment fee we are required to pay on any unused portion of the facility. The Receivables Securitization Facility expires on April 26, 2019 unless extended by the parties. 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.

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.

**SENIOR NOTES**

On April 9, 2018, we issued senior unsecured notes (“Senior Notes”) through a public offering. The Senior Notes bear an annual interest rate of 4.20 percent payable semi-annually on April 15 and October 15, until maturity on April 15, 2028. The proceeds from the Senior Notes were utilized to pay down the balance on our Credit Agreement. Taking into effect the amortization of the original issue discount and all underwriting and issuance expenses, the Senior Notes have an effective yield to maturity of approximately 4.39 percent per annum. The fair value of the Senior Notes, excluding debt discounts and issuance costs, approximated \$585.4 million as of June 30, 2018, based primarily on the market prices quoted from external sources. The carrying value of the Senior Notes was \$591.2 million as of June 30, 2018. If the Senior Notes were measured at fair value in the financial statements, they would be classified as Level 2 in the fair value hierarchy.

We may redeem the Senior Notes, in whole or in part, at any time and from time to time prior to their maturity at the applicable redemption prices described in the Senior Notes. Upon the occurrence of a “change of control triggering event” as defined in the Senior Notes (generally, a change of control of us accompanied by a reduction in the credit rating for the Senior Notes), we will generally be required to make an offer to repurchase the Senior Notes from holders at 101 percent of their principal amount plus accrued and unpaid interest to the date of repurchase.

The Senior Notes were issued under an indenture that contains covenants imposing certain limitations on our ability to incur liens, enter into sales and leaseback transactions and consolidate, merge or transfer substantial all of our assets and those of our subsidiaries on a consolidated basis. It also provides for customary events of default (subject in certain cases to customary grace and cure periods), which include among other things nonpayment, breach of covenants in the indenture and certain events of bankruptcy and insolvency. If an event of default occurs and is continuing with respect to the Senior Notes, the trustee or holders of at least 25 percent in principal amount outstanding of the Senior Notes may declare the principal and the accrued and unpaid interest, if any, on all of the outstanding Senior Notes to be due and payable. These covenants and events of default are subject to a number of important qualifications, limitations and exceptions that are described in the indenture. The indenture does not contain any financial ratios or specified levels of net worth or liquidity to which we must adhere.

As of June 30, 2018, we were in compliance with all of the covenants under the Credit Agreement, Note Purchase Agreement, Receivables Securitization Facility, and Senior Notes.



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## 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 2011. We are currently under an Internal Revenue Service audit for the 2015 tax year.

Our effective tax rate for the three months ended June 30, 2018 and 2017 was 25.6 percent and 35.6 percent, respectively, and our effective tax rate for the six months ended June 30, 2018 and 2017 was 23.6 percent and 33.6 percent, respectively. The effective income tax rate for the three and six months ended June 30, 2018 was higher than the statutory federal income tax rate due to state income taxes, net of federal benefit, and foreign income taxes, but was partially offset by the tax impact of share-based payment awards. The tax impact of share-based payment awards resulted in a decrease in our provision for income taxes for the six months ended June 30, 2018 and 2017 of \$7.5 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 \$15.0 million as of June 30, 2018.

In connection with our initial analysis of the impact of the Tax Act, we recorded a discrete net tax benefit of \$12.1 million in the year ended December 31, 2017. We have not yet completed our accounting for the income tax effects of certain elements of the Tax Act, but we were able to make reasonable estimates for elements in which our analysis is not complete and have therefore recorded provisional adjustments. During the six months ended June 30, 2018 we revised our analysis and recorded an additional net tax expense of \$1.0 million related to an increase in 2017 transition taxes, resulting in a revised estimated net tax benefit of \$11.1 million.

Further, per FASB guidance, we are allowed to make an accounting policy election of either (1) treating taxes due on future U.S. inclusions in taxable income related to Global Intangible Low-Taxed Income ("GILTI") as a current-period expense when incurred or (2) factoring such amounts into our measurement of our deferred taxes. We have elected to recognize the tax on GILTI as a current-period expense in the period the tax is incurred.

As of June 30, 2018, we have \$36.0 million of unrecognized tax benefits and related interest and penalties. It is possible the amount of unrecognized tax benefit could change in the next 12 months as a result of a lapse of the statute of limitations and settlements with taxing authorities. The total liability for unrecognized tax benefits is expected to decrease by approximately \$1.8 million in the next 12 months due to lapsing of statutes.

## 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, |          |
|                                        | 2018           | 2017    | 2018           | 2017     |
| Stock options                          | \$7,263        | \$624   | \$12,265       | \$3,626  |
| Stock awards                           | 18,692         | 3,312   | 30,904         | 11,722   |
| Company expense on ESPP discount       | 615            | 588     | 1,535          | 1,494    |
| Total stock-based compensation expense | \$26,570       | \$4,524 | \$44,704       | \$16,842 |

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 3,006,181 shares were available for stock awards under the plan as of June 30, 2018. 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.

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**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 or on the employees continued employment. 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, 2018, unrecognized compensation expense related to stock options was \$45.9 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-based 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 our 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 21 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 time-based 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, discounted for post-vesting holding restrictions 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, 2018, there was unrecognized compensation expense of \$106.9 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.

**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, 2018

| Shares purchased<br>by<br>employees | Aggregate cost<br>to employees | Expense recognized<br>by the company |
|-------------------------------------|--------------------------------|--------------------------------------|
| 48,991                              | \$ 3,484                       | \$ 615                               |

## 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 14 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.

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### NOTE 8. ACQUISITIONS

On August 31, 2017, we acquired the outstanding shares of Milgram & Company Ltd. ("Milgram") for the purpose of expanding our global presence and bringing additional capabilities and expertise to our portfolio. Total purchase consideration, net of cash acquired, was \$47.3 million, which was paid in cash. We used advances under the Credit Agreement to fund part of the cash consideration.

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

|                        | Estimated Life (years) |
|------------------------|------------------------|
| Customer relationships | 7                      |
|                        | \$ 14,004              |

There was \$28.3 million of goodwill recorded related to the acquisition of Milgram. The Milgram goodwill is a result of acquiring and retaining the Milgram existing workforce and expected synergies from integrating its business into ours. Purchase accounting is considered final. The goodwill is not deductible for tax purposes. The results of operations of Milgram have been included in our consolidated financial statements since September 1, 2017.

### 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. We identify 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®. 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. Segment information as of, and for the three and six months ended June 30, 2018 and 2017, is as follows (dollars in thousands):

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|                                      | NAST        | Global<br>Forwarding | Robinson<br>Fresh | All Other<br>and<br>Corporate | Eliminations | Consolidated |
|--------------------------------------|-------------|----------------------|-------------------|-------------------------------|--------------|--------------|
| Three Months Ended June 30, 2018     |             |                      |                   |                               |              |              |
| Revenues                             | \$2,878,904 | \$ 617,597           | \$621,024         | \$158,512                     | \$ —         | \$ 4,276,037 |
| Intersegment revenues <sup>(1)</sup> | 135,317     | 14,875               | 50,131            | 3,891                         | (204,214)    | —            |
| Total revenues                       | 3,014,221   | 632,472              | 671,155           | 162,403                       | (204,214)    | 4,276,037    |
| Net revenues                         | 436,813     | 144,031              | 55,537            | 35,102                        | —            | 671,483      |
| Income from operations               | 184,566     | 29,788               | 9,232             | (4,578 )                      | —            | 219,008      |
| Depreciation and amortization        | 6,085       | 8,753                | 1,144             | 8,256                         | —            | 24,238       |
| Total assets <sup>(2)</sup>          | 2,470,743   | 861,080              | 445,926           | 675,535                       | —            | 4,453,284    |
| Average headcount                    | 6,957       | 4,736                | 909               | 2,627                         | —            | 15,229       |

|                                      | NAST        | Global<br>Forwarding | Robinson<br>Fresh | All Other<br>and<br>Corporate | Eliminations | Consolidated |
|--------------------------------------|-------------|----------------------|-------------------|-------------------------------|--------------|--------------|
| Three Months Ended June 30, 2017     |             |                      |                   |                               |              |              |
| Revenues                             | \$2,381,551 | \$ 528,820           | \$657,003         | \$142,644                     | \$ —         | \$ 3,710,018 |
| Intersegment revenues <sup>(1)</sup> | 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>(2)</sup>          | 2,189,711   | 741,443              | 455,214           | 579,521                       | —            | 3,965,889    |
| Average headcount                    | 7,003       | 4,021                | 980               | 2,616                         | —            | 14,620       |

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|                                      | NAST        | Global Forwarding | Robinson Fresh | All Other and Corporate | Eliminations | Consolidated |
|--------------------------------------|-------------|-------------------|----------------|-------------------------|--------------|--------------|
| Six Months Ended June 30, 2018       |             |                   |                |                         |              |              |
| Revenues                             | \$5,541,915 | \$1,171,351       | \$1,171,493    | \$316,605               | \$ —         | \$8,201,364  |
| Intersegment revenues <sup>(1)</sup> | 258,862     | 24,239            | 98,477         | 10,190                  | (391,768)    | —            |
| Total Revenues                       | 5,800,777   | 1,195,590         | 1,269,970      | 326,795                 | (391,768)    | 8,201,364    |
| Net Revenues                         | 851,582     | 267,068           | 109,407        | 69,351                  | —            | 1,297,408    |
| Income from Operations               | 358,644     | 38,009            | 18,539         | (4,599)                 | —            | 410,593      |
| Depreciation and amortization        | 12,218      | 17,662            | 2,317          | 16,282                  | —            | 48,479       |
| Total assets <sup>(2)</sup>          | 2,470,743   | 861,080           | 445,926        | 675,535                 | —            | 4,453,284    |
| Average headcount                    | 6,921       | 4,743             | 913            | 2,600                   | —            | 15,177       |

|                                      | 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 <sup>(1)</sup> | 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>(2)</sup>          | 2,189,711   | 741,443           | 455,214        | 579,521                 | —            | 3,965,889    |
| Average headcount                    | 6,926       | 3,977             | 971            | 2,580                   | —            | 14,454       |

(1) Intersegment revenues represent the sales between our segments and are eliminated to reconcile to our consolidated results.

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

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## NOTE 10: REVENUE FROM CONTRACTS WITH CUSTOMERS

In 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers, which we adopted in the first quarter of 2018. The standard outlines a five-step model whereby revenue is recognized as performance obligations within a customer contract are satisfied. The standard also requires new and expanded disclosures regarding revenue recognition. We adopted the new standard on January 1, 2018, using the modified retrospective transition method. We recognized the cumulative effect of initially applying the new revenue standard as an adjustment to the January 1, 2018 opening balance of retained earnings. The comparative information for previous periods has not been restated and continues to be reported under the accounting standards in effect for those periods.

The cumulative effect of the changes made to our consolidated January 1, 2018 balance sheet for the adoption of ASU 2014-09 were as follows:

|                                                     | Balance at<br>December<br>31, 2017 | Adjustments  | Balance at<br>January 1,<br>2018 |
|-----------------------------------------------------|------------------------------------|--------------|----------------------------------|
| Balance Sheet                                       |                                    |              |                                  |
| Assets                                              |                                    |              |                                  |
| Receivables, net of allowance for doubtful accounts | \$2,113,930                        | \$(101,718 ) | \$2,012,212                      |
| Contract assets                                     | —                                  | 147,764      | 147,764                          |
| Prepaid expenses and other                          | 63,116                             | 4,021        | 67,137                           |
| Liabilities                                         |                                    |              |                                  |
| Accounts payable                                    | 1,000,305                          | (56,493 )    | 943,812                          |
| Accrued expenses - transportation expense           | —                                  | 94,811       | 94,811                           |
| Accrued expenses - compensation                     | 105,316                            | 1,964        | 107,280                          |
| Accrued expenses - other accrued liabilities        | 58,229                             | (2,752 )     | 55,477                           |
| Deferred tax liabilities                            | 45,355                             | 3,298        | 48,653                           |
| Equity                                              |                                    |              |                                  |
| Retained earnings                                   | 3,437,093                          | 9,239        | 3,446,332                        |

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The impact of adoption of ASU 2014-09 on our consolidated statements of operations and consolidated balance sheets were as follows. The adoption of ASU 2014-09 did not have a material impact upon our consolidated statements of cash flows.

|                                                      | Three Months Ended June 30, 2018 |                                          |                                   |
|------------------------------------------------------|----------------------------------|------------------------------------------|-----------------------------------|
|                                                      | As reported                      | Balances without adoption of ASU 2014-09 | Effect of Change Higher / (Lower) |
| <b>Income Statement</b>                              |                                  |                                          |                                   |
| <b>Revenues</b>                                      |                                  |                                          |                                   |
| Transportation                                       | \$3,953,139                      | \$3,897,434                              | \$55,705                          |
| Sourcing <sup>(1)</sup>                              | 322,898                          | 350,968                                  | (28,070 )                         |
| Total Revenues                                       | \$4,276,037                      | \$4,248,402                              | \$27,635                          |
| <b>Costs and expenses</b>                            |                                  |                                          |                                   |
| Purchased transportation and related services        | \$3,313,196                      | \$3,264,140                              | \$49,056                          |
| Purchased products sourced for resale <sup>(1)</sup> | 291,358                          | 319,428                                  | (28,070 )                         |
| Personnel expenses                                   | 340,630                          | 340,153                                  | 477                               |
| Other selling, general, and administrative expenses  | 111,845                          | 111,845                                  | —                                 |
| Total Costs and Expenses                             | 4,057,029                        | 4,035,566                                | 21,463                            |
| Income from operations                               | 219,008                          | 212,836                                  | 6,172                             |
| Interest and other expense                           | (5,128 )                         | (5,128 )                                 | —                                 |
| Income before provision for income taxes             | 213,880                          | 207,708                                  | 6,172                             |
| Provision for income taxes                           | 54,717                           | 53,130                                   | 1,587                             |
| Net income                                           | \$159,163                        | \$154,578                                | \$4,585                           |
|                                                      | Six Months Ended June 30, 2018   |                                          |                                   |
|                                                      | As reported                      | Balances without adoption of ASU 2014-09 | Effect of Change Higher / (Lower) |
| <b>Income Statement</b>                              |                                  |                                          |                                   |
| <b>Revenues</b>                                      |                                  |                                          |                                   |
| Transportation                                       | \$7,590,779                      | \$7,519,316                              | \$71,463                          |
| Sourcing <sup>(1)</sup>                              | 610,585                          | 665,799                                  | (55,214 )                         |
| Total Revenues                                       | \$8,201,364                      | \$8,185,115                              | \$16,249                          |
| <b>Costs and expenses</b>                            |                                  |                                          |                                   |
| Purchased transportation and related services        | \$6,354,798                      | \$6,292,803                              | \$61,995                          |
| Purchased products sourced for resale <sup>(1)</sup> | 549,158                          | 604,372                                  | (55,214 )                         |
| Personnel expenses                                   | 668,927                          | 668,377                                  | 550                               |
| Other selling, general, and administrative expenses  | 217,888                          | 217,888                                  | —                                 |
| Total Costs and Expenses                             | 7,790,771                        | 7,783,440                                | 7,331                             |
| Income from operations                               | 410,593                          | 401,675                                  | 8,918                             |
| Interest and other expense                           | (15,828 )                        | (15,828 )                                | —                                 |
| Income before provision for income taxes             | 394,765                          | 385,847                                  | 8,918                             |
| Provision for income taxes                           | 93,305                           | 91,032                                   | 2,273                             |
| Net income                                           | \$301,460                        | \$294,815                                | \$6,645                           |



(1) We have identified certain customer contracts in our sourcing managed procurement business that changed from a principal to an agent relationship under the new standard. This change resulted in these contracts being recognized at the net amount we charge our customers but had no impact on income from operations.

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|                                                     | As of June 30, 2018 |                                                      |                                            |
|-----------------------------------------------------|---------------------|------------------------------------------------------|--------------------------------------------|
|                                                     | As<br>reported      | Balances<br>without<br>adoption of<br>ASU<br>2014-09 | Effect of<br>Change<br>Higher /<br>(Lower) |
| Balance Sheet                                       |                     |                                                      |                                            |
| Assets                                              |                     |                                                      |                                            |
| Receivables, net of allowance for doubtful accounts | \$2,202,460         | \$2,268,854                                          | \$(66,394)                                 |
| Contract assets                                     | 182,247             | —                                                    | 182,247                                    |
| Prepaid expenses and other                          | 63,374              | 62,004                                               | 1,370                                      |
| Liabilities                                         |                     |                                                      |                                            |
| Accounts payable                                    | \$1,059,669         | \$1,103,551                                          | \$(43,882)                                 |
| Accrued expenses - transportation expense           | 140,231             | —                                                    | 140,231                                    |
| Accrued expenses - compensation                     | 99,279              | 96,766                                               | 2,513                                      |
| Accrued expenses - other accrued liabilities        | 66,987              | 70,054                                               | (3,067 )                                   |
| Deferred tax liabilities                            | 42,779              | 37,235                                               | 5,544                                      |

## Equity

Retained earnings \$3,617,324 \$3,601,440 \$15,884

We typically do not receive consideration from our customer prior to the completion of our performance obligation and as such contract liabilities as of June 30, 2018 and revenue recognized in the three and six months ended June 30, 2018 resulting from contract liabilities were not significant. Contract assets and accrued expenses - transportation expense fluctuate from period to period based upon shipments in-transit at period end.

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A summary of our gross revenues disaggregated by major service line and timing of revenue recognition is presented below for each of our reportable segments for the three and six months ended June 30, 2018 is as follows:

## Three Months Ended June 30, 2018

|                                       | NAST        | Global<br>Forwarding | Robinson<br>Fresh | All Other<br>and<br>Corporate | Total       |
|---------------------------------------|-------------|----------------------|-------------------|-------------------------------|-------------|
| Major Service Lines                   |             |                      |                   |                               |             |
| Transportation and logistics services | \$2,878,904 | \$ 617,597           | \$298,126         | \$ 158,512                    | \$3,953,139 |
| Sourcing                              | —           | —                    | 322,898           | —                             | 322,898     |
| Total                                 | \$2,878,904 | \$ 617,597           | \$621,024         | \$ 158,512                    | \$4,276,037 |

## Timing of Revenue Recognition

|                                                      |             |            |           |            |             |
|------------------------------------------------------|-------------|------------|-----------|------------|-------------|
| Performance obligations completed over time          | \$2,878,904 | \$ 617,597 | \$298,126 | \$ 158,512 | \$3,953,139 |
| Performance obligations completed at a point in time | —           | —          | 322,898   | —          | 322,898     |
| Total                                                | \$2,878,904 | \$ 617,597 | \$621,024 | \$ 158,512 | \$4,276,037 |

## Six Months Ended June 30, 2018

|                                       | NAST        | Global<br>Forwarding | Robinson<br>Fresh | All Other<br>and<br>Corporate | Total       |
|---------------------------------------|-------------|----------------------|-------------------|-------------------------------|-------------|
| Major Service Lines                   |             |                      |                   |                               |             |
| Transportation and logistics services | \$5,541,915 | \$ 1,171,351         | \$560,908         | \$ 316,605                    | \$7,590,779 |
| Sourcing                              | —           | —                    | 610,585           | —                             | 610,585     |
| Total                                 | \$5,541,915 | \$ 1,171,351         | \$ 1,171,493      | \$ 316,605                    | \$8,201,364 |

## Timing of Revenue Recognition

|                                                      |             |              |              |            |             |
|------------------------------------------------------|-------------|--------------|--------------|------------|-------------|
| Performance obligations completed over time          | \$5,541,915 | \$ 1,171,351 | \$560,908    | \$ 316,605 | \$7,590,779 |
| Performance obligations completed at a point in time | —           | —            | 610,585      | —          | 610,585     |
| Total                                                | \$5,541,915 | \$ 1,171,351 | \$ 1,171,493 | \$ 316,605 | \$8,201,364 |

Approximately 90 percent and 91 percent, respectively, of our gross revenues for the three and six months ended June 30, 2018 are attributable to arranging for the transportation of our customer's freight for which we transfer control and satisfy our performance obligation over the requisite transit period. A days in transit output method is used to measure the progress of our performance as of the reporting date. We determine the transit period based upon the departure date and the delivery date, which may be estimated if delivery has not occurred as of the reporting date. Determining the transit period and how much of it has been completed as of the reporting date may require management to make judgments that affect the timing of revenue recognized. We have determined that revenue recognition over the transit period provides a faithful depiction of the transfer of goods and services to our customer as our obligation is performed over the transit period. The transaction price for our performance obligation under these arrangements is generally fixed and readily determinable upon contract inception and is not contingent upon the occurrence or non-occurrence of another event.

Approximately eight percent and seven percent, respectively, of our gross revenues for the three and six months ended June 30, 2018 are attributable to buying, selling, and/or marketing of produce including fresh fruits, vegetables, and other value-added perishable items. Of these transactions, nearly all of our gross revenues are recognized at a point in time upon completion of our performance obligation, which is generally when the produce is received by our customer. The transaction price for our performance obligation under these arrangements is generally fixed and readily determinable upon contract inception and is not contingent upon the occurrence or non-occurrence of another event.

Approximately two percent of our gross revenues for both the three and six months ended June 30, 2018 are attributable to value-added logistics services, such as customs brokerage, fee-based managed services, warehousing services, small parcel, and supply chain consulting and optimization services. Of these services, nearly all are recognized over time as we complete our performance obligation. Transaction price is determined and allocated to these performance obligations at their fixed fee or agreed upon rate multiplied by their associated measure of progress, which may be transactional volumes, labor hours, or time elapsed.

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**Practical Expedients** - Upon the adoption of ASU 2014-09, we have determined that we qualify for certain practical expedients to facilitate the adoption of the standard. We have elected to expense incremental costs of obtaining customer contracts (i.e. sales commissions) due to the short duration of our arrangements as the amortization period of such amounts is expected to be less than one year. These amounts are included within personnel expenses in our consolidated statements of operations and comprehensive income. In addition, we do not disclose the aggregate amount of transaction price allocated to performance obligations that are unsatisfied as of the end of the period as our contracts have an expected length of one year or less. Finally, for certain of our performance obligations such as fee-based managed services, supply chain consulting and optimization services, and warehousing services we have recognized revenue in the amount for which we have the right to invoice our customer as we have determined this amount corresponds directly with the value provided to the customer for our performance completed to date.

**Critical Accounting Policies and Estimates** - We have updated our revenue recognition critical accounting policy to reflect the adoption of ASU 2014-09 below.

**REVENUE RECOGNITION.** At contract inception, we assess the goods and services promised in our contracts with customers and identify our performance obligations to provide distinct goods and services to our customers. We have determined that the following distinct goods and services represent our primary performance obligations.

**Transportation and Logistics Services** - As a third party logistics provider, our primary performance obligation under our customer contracts is to utilize our relationships with a wide variety of transportation companies to efficiently and cost-effectively transport our customer's freight. Revenue is recognized for these performance obligations as they are satisfied over the contract term, which generally represents the transit period. The transit period can vary based upon the method of transport, generally a couple days for over-the-road, rail and air transportation, or several weeks in the case of an ocean shipment. When the customer's freight reaches its intended destination our performance obligation is complete. Pricing for our services is generally a fixed amount and is typically due within 30 days upon completion of our performance obligation.

We also provide certain value-added logistics services, such as customs brokerage, fee-based managed services, warehousing services, small parcel, and supply chain consulting and optimization services. These services may include one or more performance obligations which are generally satisfied over the service period as we perform our obligations. The service period may be a very short duration, in the case of customs brokerage, or it may be longer in the case of managed services and supply chain consulting and optimization services. Pricing for our services is established in the customer contract and is dependent upon the specific needs of the customer but may be agreed upon at a fixed fee per transaction, labor hour, or service period. Payment is typically due within 30 days upon completion of our performance obligation.

**Sourcing services** - We contract with grocery retailers, restaurants, foodservice distributors, and produce wholesalers to provide sourcing services under the trade name Robinson Fresh. Our primary service obligation under these contracts is the buying, selling, and/or marketing of produce including fresh fruits, vegetables, and other value-added perishable items. Revenue is recognized when our performance obligations under these contracts is satisfied at a point in time, generally when the produce is received by our customer. Pricing under these contracts is generally a fixed amount and is typically due within 30 days upon completion of our performance obligation.

In many cases, as additional performance obligations, we contract to arrange logistics and transportation of the products we buy, sell, and/or market. These performance obligations are satisfied over the contract term consistent with our other transportation and logistics services. The contract period is typically less than one year. Pricing for our services is generally a fixed amount and is typically due within 30 days upon completion of our performance obligation.

Total revenues represent the total dollar value of revenue recognized from contracts with customers for the goods and services we provide. Substantially all of our revenue is attributable to contracts with 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. 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 primarily responsible for fulfilling the promise to provide

the specified good or service to our customer and we have discretion in establishing the price for the specified good or service. Additionally, in our sourcing business, in some cases we take inventory risk before the specified good has been transferred to our customer. Customs brokerage, managed services, freight forwarding, and sourcing managed procurement transactions 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.

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**NOTE 11. 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, 2018, and December 31, 2017, was \$46.5 million and \$18.5 million, respectively. Accumulated other comprehensive loss is comprised solely of foreign currency adjustments at June 30, 2018 and December 31, 2017.

**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, including uncertain consumer demand; economic recessions; changes in market demand and pressures on the pricing for our services; fuel prices and availability; changes in the availability of equipment and services from third party providers, including the availability of contracted truckload carriers and changes in prices; changes in political and governmental conditions domestically and internationally; catastrophic events such as environmental events or terrorist attacks; failure to retain employees; failure of any of our technology or operating systems, including due to data security breaches or hacking; competition and growth rates within the third party logistics industry; risks associated with our decentralized operations; seasonality in the transportation industry; risks associated with litigation and insurance coverage; risks associated with operations outside of the U.S.; risks associated with the produce industry, including supply, product liability, food safety and contamination issues; risks of unexpected or unanticipated events or opportunities that might require additional capital expenditures; our dependence on our largest customers; risks associated with identifying suitable acquisitions and investments and with integrating acquired companies; risks associated with our long-term growth and profitability; 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, 2017, filed with the Securities and Exchange Commission on February 28, 2018.

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 utilized approximately 73,000 contracted transportation companies, including motor carriers, railroads (primarily intermodal service providers), and air and ocean carriers in 2017. 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 and provide solutions that optimize service for our customers.

In addition to transportation and logistics services, we also provide sourcing services. Our sourcing business consists of buying, selling, and/or marketing fresh fruits, vegetables, and other value-added perishable items. We supply fresh

produce through a network of independent produce growers and suppliers. Our customers include grocery retailers, restaurants, foodservice distributors, and produce wholesalers. In many cases, as additional performance obligations, we also arrange the logistics and transportation of the products we sell and provide related supply chain services, such as replenishment, category management, and managed procurement services. Transportation revenues generated by Robinson Fresh are included in our transportation service line, but are included in Robinson Fresh.



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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.

On August 31, 2017, we acquired Milgram & Company Ltd. ("Milgram"), a provider of freight forwarding, customs brokerage, and surface transportation primarily in Canada. The acquisition strengthens our global forwarding and customs brokerage offerings in Canada.

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. Net revenues are a non-GAAP financial measure calculated as total revenues less the cost of purchased transportation and related services and the cost of purchased products sourced for resale. We believe net revenues are a useful measure of our ability to source, add value, and sell services and products that are provided by third parties, and we consider net revenues to be our primary performance measurement. Accordingly, the discussion of our results of operations often focuses on the changes in our net revenues. The reconciliation of total revenues to net revenues is presented below (in thousands):

|                                               | Three Months Ended<br>June 30, |             | Six Months Ended June<br>30, |             |
|-----------------------------------------------|--------------------------------|-------------|------------------------------|-------------|
|                                               | 2018                           | 2017        | 2018                         | 2017        |
| Revenues:                                     |                                |             |                              |             |
| Transportation                                | \$3,953,139                    | \$3,319,995 | \$7,590,779                  | \$6,422,038 |
| Sourcing                                      | 322,898                        | 390,023     | 610,585                      | 703,105     |
| Total revenues                                | 4,276,037                      | 3,710,018   | 8,201,364                    | 7,125,143   |
| Costs and expenses:                           |                                |             |                              |             |
| Purchased transportation and related services | 3,313,196                      | 2,781,355   | 6,354,798                    | 5,345,240   |
| Purchased products sourced for resale         | 291,358                        | 354,874     | 549,158                      | 637,548     |
| Total costs and expenses                      | 3,604,554                      | 3,136,229   | 6,903,956                    | 5,982,788   |
| Net revenues                                  | \$671,483                      | \$573,789   | \$1,297,408                  | \$1,142,355 |

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 under various price 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. Because of this, our net revenue per transaction tends to increase in times when there is excess supply and decrease in times when demand is strong relative to supply.

We keep our personnel and other operating expenses as variable as possible. 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. This helps keep our personnel expense as variable as possible with the business.

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 helps us penetrate local markets, provides face-to-face service when needed, and enables us to 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. Compensation programs are mostly performance-based and cash incentives are directly tied to productivity and performance. 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.

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Our customers. In 2017, we worked with more than 120,000 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 2017, our top 100 customers represented approximately 35 percent of our total revenues and approximately 23 percent of our net revenues. Our largest customer was approximately two percent of our total revenues in 2017.

Our contracted carriers. Our contracted carrier base includes motor carriers, railroads (primarily intermodal service providers), air freight, and ocean carriers. In 2017, we worked with approximately 73,000 transportation providers worldwide, up from approximately 71,000 in 2016. Motor carriers that had fewer than 100 tractors transported approximately 82 percent of our truckload shipments in 2017. In our transportation business, no single contracted carrier represents more than two percent of our contracted carrier capacity.

**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, |             |             |
|----------------|-----------------------------|-------------|-------------|---------------------------|-------------|-------------|
|                | 2018                        | 2017        | %<br>change | 2018                      | 2017        | %<br>change |
| Transportation | \$3,953,139                 | \$3,319,995 | 19.1 %      | \$7,590,779               | \$6,422,038 | 18.2 %      |
| Sourcing       | 322,898                     | 390,023     | -17.2 %     | 610,585                   | 703,105     | -13.2 %     |
| Total          | \$4,276,037                 | \$3,710,018 | 15.3 %      | \$8,201,364               | \$7,125,143 | 15.1 %      |

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

|                | Three Months<br>Ended June<br>30, |        | Six Months<br>Ended June<br>30, |        |
|----------------|-----------------------------------|--------|---------------------------------|--------|
|                | 2018                              | 2017   | 2018                            | 2017   |
| Transportation | 16.2 %                            | 16.2 % | 16.3 %                          | 16.8 % |
| Sourcing       | 9.8 %                             | 9.0 %  | 10.1 %                          | 9.3 %  |
| Total          | 15.7 %                            | 15.5 % | 15.8 %                          | 16.0 % |

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<br>30, |           |             | Six Months Ended June 30, |             |             |
|--------------------------|--------------------------------|-----------|-------------|---------------------------|-------------|-------------|
|                          | 2018                           | 2017      | %<br>change | 2018                      | 2017        | %<br>change |
| Transportation           |                                |           |             |                           |             |             |
| Truckload                | \$341,442                      | \$282,718 | 20.8 %      | \$671,733                 | \$586,840   | 14.5 %      |
| LTL <sup>(1)</sup>       | 119,189                        | 102,213   | 16.6 %      | 231,333                   | 199,836     | 15.8 %      |
| Intermodal               | 9,181                          | 8,308     | 10.5 %      | 15,513                    | 15,800      | -1.8 %      |
| Ocean                    | 87,035                         | 73,438    | 18.5 %      | 155,879                   | 136,313     | 14.4 %      |
| Air                      | 30,905                         | 25,820    | 19.7 %      | 59,788                    | 47,637      | 25.5 %      |
| Customs                  | 20,794                         | 16,311    | 27.5 %      | 41,449                    | 32,389      | 28.0 %      |
| Other Logistics Services | 31,397                         | 29,832    | 5.2 %       | 60,286                    | 57,983      | 4.0 %       |
| Total Transportation     | 639,943                        | 538,640   | 18.8 %      | 1,235,981                 | 1,076,798   | 14.8 %      |
| Sourcing                 | 31,540                         | 35,149    | -10.3 %     | 61,427                    | 65,557      | -6.3 %      |
| Total                    | \$671,483                      | \$573,789 | 17.0 %      | \$1,297,408               | \$1,142,355 | 13.6 %      |

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



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

|                                                     | Three Months<br>Ended June 30, |         | Six Months Ended<br>June 30, |         |
|-----------------------------------------------------|--------------------------------|---------|------------------------------|---------|
|                                                     | 2018                           | 2017    | 2018                         | 2017    |
| Net revenues                                        | 100.0 %                        | 100.0 % | 100.0 %                      | 100.0 % |
| Operating expenses:                                 |                                |         |                              |         |
| Personnel expenses                                  | 50.7 %                         | 49.5 %  | 51.6 %                       | 50.3 %  |
| Other selling, general, and administrative expenses | 16.7 %                         | 18.7 %  | 16.8 %                       | 17.4 %  |
| Total operating expenses                            | 67.4 %                         | 68.3 %  | 68.4 %                       | 67.6 %  |
| Income from operations                              | 32.6 %                         | 31.7 %  | 31.6 %                       | 32.4 %  |
| Interest and other expense                          | (0.8 )%                        | (1.6 )% | (1.2 )%                      | (1.6 )% |
| Income before provision for income taxes            | 31.9 %                         | 30.1 %  | 30.4 %                       | 30.7 %  |
| Provision for income taxes                          | 8.1 %                          | 10.7 %  | 7.2 %                        | 10.3 %  |
| Net income                                          | 23.7 %                         | 19.4 %  | 23.2 %                       | 20.4 %  |

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

|                                      | NAST        | Global<br>Forwarding | Robinson<br>Fresh | All Other<br>and<br>Corporate | Eliminations | Consolidated |
|--------------------------------------|-------------|----------------------|-------------------|-------------------------------|--------------|--------------|
| Three Months Ended June 30, 2018     |             |                      |                   |                               |              |              |
| Revenues                             | \$2,878,904 | \$ 617,597           | \$621,024         | \$158,512                     | \$ —         | \$ 4,276,037 |
| Intersegment revenues <sup>(1)</sup> | 135,317     | 14,875               | 50,131            | 3,891                         | (204,214     | —            |
| Total revenues                       | 3,014,221   | 632,472              | 671,155           | 162,403                       | (204,214     | 4,276,037    |
| Net revenues                         | 436,813     | 144,031              | 55,537            | 35,102                        | —            | 671,483      |
| Income from operations               | 184,566     | 29,788               | 9,232             | (4,578 )                      | —            | 219,008      |

|                                      | NAST        | Global<br>Forwarding | Robinson<br>Fresh | All Other<br>and<br>Corporate | Eliminations | Consolidated |
|--------------------------------------|-------------|----------------------|-------------------|-------------------------------|--------------|--------------|
| Three Months Ended June 30, 2017     |             |                      |                   |                               |              |              |
| Revenues                             | \$2,381,551 | \$ 528,820           | \$657,003         | \$142,644                     | \$ —         | \$ 3,710,018 |
| Intersegment revenues <sup>(1)</sup> | 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      |

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|                                      | NAST        | Global Forwarding | Robinson Fresh | All Other and Corporate | Eliminations | Consolidated |
|--------------------------------------|-------------|-------------------|----------------|-------------------------|--------------|--------------|
| Six Months Ended June 30, 2018       |             |                   |                |                         |              |              |
| Revenues                             | \$5,541,915 | \$1,171,351       | \$1,171,493    | \$316,605               | \$ —         | \$8,201,364  |
| Intersegment revenues <sup>(1)</sup> | 258,862     | 24,239            | 98,477         | 10,190                  | (391,768)    | —            |
| Total Revenues                       | 5,800,777   | 1,195,590         | 1,269,970      | 326,795                 | (391,768)    | 8,201,364    |
| Net Revenues                         | 851,582     | 267,068           | 109,407        | 69,351                  | —            | 1,297,408    |
| Income from Operations               | 358,644     | 38,009            | 18,539         | (4,599)                 | —            | 410,593      |

|                                      | 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 <sup>(1)</sup> | 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      |

(1) Intersegment revenues represent the sales between our segments and are eliminated to reconcile to our consolidated results.

#### Three Months Ended June 30, 2018 Compared to Three Months Ended June 30, 2017

Total revenues and direct costs. Our consolidated total revenues increased 15.3 percent to \$4.3 billion in the second quarter of 2018 compared to \$3.7 billion in the second quarter of 2017. Total transportation revenues increased 19.1 percent to \$4.0 billion in the second quarter of 2018 compared to \$3.3 billion in the second quarter of 2017. The increase was driven by increased pricing, including fuel, and volume growth in most of our transportation services. Total purchased transportation and related services increased 19.1 percent to \$3.3 billion in the second quarter of 2018 compared to \$2.8 billion the second quarter of 2017. The increase was due to increased cost of transportation, including fuel, and volume growth in most of our transportation services. Our sourcing revenue decreased 17.2 percent to \$322.9 million in the second quarter of 2018 from \$390.0 million in the second quarter of 2017. Purchased products sourced for resale decreased 17.9 percent in the second quarter of 2018 to \$291.4 million from \$354.9 million in the second quarter of 2017. Sourcing total revenues and purchased products for resale decreased by \$28.1 million as a result of our adoption of ASU 2014-09, Revenue from Contracts with Customers.

Net revenues. Total transportation net revenues increased 18.8 percent to \$639.9 million in the second quarter of 2018 from \$538.6 million in the second quarter of 2017. Our transportation net revenue margin was 16.2 percent in the second quarter of 2018 and the second quarter of 2017. Sourcing net revenues decreased 10.3 percent to \$31.5 million in the second quarter of 2018 from \$35.1 million in the second quarter of 2017. Our sourcing net revenue margin increased to 9.8 percent in the second quarter of 2018 from 9.0 percent in the second quarter of 2017 driven by the impact of our adoption of ASU 2014-09.

Operating expenses. Operating expenses increased 15.4 percent to \$452.5 million in the second quarter of 2018 from \$392.0 million in the second quarter of 2017. Operating expenses as a percentage of net revenues decreased to 67.4 percent in the second quarter of 2018 from 68.3 percent in the second quarter of 2017.

For the second quarter, personnel expenses increased 19.8 percent to \$340.6 million in 2018 from \$284.2 million in 2017. The increase in personnel expense was due to an increase in variable compensation and an increase of 4.2 percent in average headcount in the second quarter of 2018 compared to the second quarter of 2017.

For the second quarter of 2018, other selling, general, and administrative expenses increased 3.8 percent to \$111.8 million in 2018 from \$107.7 million in the second quarter of 2017.



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**Income from operations.** Income from operations increased 20.5 percent to \$219.0 million in the second quarter of 2018 from \$181.8 million in the second quarter of 2017. This increase was primarily driven by an increase in income from operations in NAST and Global Forwarding, partially offset by a decrease in income from operations in Robinson Fresh and All Other and Corporate. Income from operations as a percentage of net revenues increased to 32.6 percent in the second quarter of 2018 from 31.7 percent in the second quarter of 2017.

**Interest and other expense.** Interest and other expense was \$5.1 million in the second quarter of 2018 compared to \$9.4 million in the second quarter of 2017. The decrease was due primarily to an \$8.0 million favorable impact of currency revaluation, partially offset by increased interest expense from a higher average debt balance during the quarter ended June 30, 2018, compared to the same period ended June 30, 2017.

**Provision for income taxes.** Our effective income tax rate was 25.6 percent for the second quarter of 2018 and 35.6 percent for the second quarter of 2017. The effective income tax rate for the three months ended June 30, 2018 was higher than the statutory federal income tax rate due to state income taxes, net of federal benefit, and foreign income taxes, but was partially offset by the tax impact of share-based payment awards, which resulted in a decrease in our provision for income taxes for the three months ended June 30, 2018 and 2017 of \$1.3 million and \$1.2 million, respectively.

**Net income.** Net income increased 43.3 percent to \$159.2 million in the second quarter of 2018 from \$111.1 million in the second quarter of 2017. Basic net income per share increased 44.3 percent to \$1.14 from \$0.79 in the second quarter of 2018 compared to the second quarter of 2017. Diluted net income per share increased 44.9 percent to \$1.13 from \$0.78 in the second quarter of 2018 compared to the second quarter of 2017.

## SEGMENT RESULTS OF OPERATIONS

### Three Months Ended June 30, 2018, Compared to Three Months Ended June 30, 2017

**North American Surface Transportation.** NAST revenues increased 20.9 percent to \$2.9 billion in the second quarter of 2018 from \$2.4 billion in the second quarter of 2017. This increase was primarily driven by increased pricing, including fuel. NAST cost of transportation and related services increased 20.8 percent to \$2.4 billion in the second quarter of 2018 from \$2.0 billion in the second quarter of 2017, driven by higher cost per mile, including fuel. NAST net revenues increased 21.4 percent to \$436.8 million in the second quarter of 2018 from \$359.9 million in the second quarter of 2017. This was primarily driven by an increase in truckload and LTL net revenues, discussed below.

NAST truckload net revenues increased 22.9 percent to \$307.2 million in the second quarter of 2018 from \$250.0 million in the second quarter of 2017. NAST truckload volumes decreased 4.5 percent in the second quarter of 2018 compared to the second quarter of 2017. NAST truckload net revenue margin was slightly higher in the second quarter of 2018 compared to the second quarter of 2017.

NAST truckload net revenues accounted for approximately 94 percent of our total North American truckload net revenues in the second quarter of 2018 and approximately 92 percent in the second quarter of 2017. 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 increased approximately 20.5 percent in the second quarter of 2018 compared to the second quarter of 2017. Our truckload transportation costs increased approximately 19.5 percent, excluding the estimated increase in fuel costs. While rapidly rising prices often create incremental spot market activity, they can also create more margin compression on committed pricing arrangements. We experienced both of these impacts in our second quarter results, and expect them to continue for the remainder of 2018.

NAST LTL net revenues increased 17.8 percent to \$114.4 million in the second quarter of 2018 from \$97.1 million in the second quarter of 2017. This increase was due to increased customer pricing and a volume increase of six percent in the second quarter of 2018 compared to the second quarter of 2017, partially offset by a decrease in net revenue margin resulting from increased purchased transportation costs.

NAST intermodal net revenues increased 17.3 percent to \$9.1 million in the second quarter of 2018 from \$7.8 million in the second quarter of 2017. NAST intermodal net revenues increased due to increased customer pricing and a volume increase of approximately 3.5 percent, partially offset by a decrease in net revenue margin resulting from increased purchased transportation costs in the second quarter of 2018 compared to the second quarter of 2017.



NAST operating expenses increased 14.9 percent in the second quarter of 2018 to \$252.2 million compared to \$219.6 million in the second quarter of 2017. This was due to an increase in personnel expenses partially offset by a decrease in selling, general, and administrative expenses. The increase in personnel expense is primarily related to an increase in variable compensation,

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partially offset by a decrease in average headcount in the second quarter of 2018 compared to the second quarter of 2017. The decrease in selling, general, and administrative expenses is primarily due to a decrease in the provision for bad debt. The operating expenses of NAST and all other segments include allocated corporate expenses. NAST income from operations increased 31.6 percent to \$184.6 million in the second quarter of 2018 from \$140.3 million in the second quarter of 2017. This was primarily due to an increase in net revenues.

Global Forwarding. Global Forwarding revenues increased 16.8 percent to \$617.6 million in the second quarter of 2018 compared to \$528.8 million in the second quarter of 2017. Global Forwarding costs of transportation and related services increased 16.1 percent to \$473.6 million in the second quarter of 2018 from \$407.8 million in the second quarter of 2017. Global Forwarding net revenues increased 19.0 percent to \$144.0 million in the second quarter of 2018 compared to \$121.0 million in the second quarter of 2017. The acquisition of Milgram accounted for approximately five percentage points of the net revenue growth in Global Forwarding in the second quarter of 2018. Global Forwarding ocean transportation net revenues increased 18.5 percent to \$86.8 million in the second quarter of 2018 from \$73.2 million in the second quarter of 2017, primarily due to volume and pricing increases and approximately two percentage points of growth from Milgram. Ocean transportation volumes increased approximately seven percent in the second quarter of 2018 compared to the same period of 2017. Global Forwarding air transportation net revenues increased 17.4 percent to \$28.7 million in the second quarter of 2018 from \$24.5 million in the second quarter of 2017. Air transportation volumes increased approximately nine percent and customer pricing also increased in the second quarter of 2018 compared to the same period of 2017. Milgram contributed approximately two percentage points to the air transportation net revenue growth. Global Forwarding customs net revenues increased 27.5 percent to \$20.8 million in the second quarter of 2018 from \$16.3 million in 2017, with Milgram contributing approximately 21 percentage points to the growth. Customs transaction volumes increased approximately 60 percent in the second quarter of 2018 compared to the same period of 2017, with Milgram contributing approximately 50 percentage points to the growth. Global Forwarding operating expenses increased 22.4 percent in the second quarter of 2018 to \$114.2 million from \$93.3 million in the second quarter of 2017. This increase was primarily due to an increase in personnel expense, which was driven by an average headcount increase of 17.8 percent and an increase in variable compensation. The acquisition of Milgram added approximately 7.5 percentage points to the Global Forwarding average headcount. Global Forwarding income from operations increased 7.6 percent to \$29.8 million in the second quarter of 2018 from \$27.7 million in the second quarter of 2017. This was primarily due to an increase in net revenues, but was largely offset by increased personnel expenses.

Robinson Fresh. Robinson Fresh revenues decreased 5.5 percent to \$621.0 million in the second quarter of 2018 from \$657.0 million in the second quarter of 2017. Robinson Fresh costs of transportation and related services and purchased products sourced for resale decreased 5.1 percent to \$565.5 million in the second quarter of 2018 from \$596.2 million in the second quarter of 2017. Robinson Fresh net revenues decreased 8.7 percent to \$55.5 million in the second quarter of 2018 from \$60.8 million in the second quarter of 2017. Sourcing total revenues and purchased products for resale decreased by \$28.1 million as a result of our adoption of ASU 2014-09. Robinson Fresh net revenues from sourcing services decreased 10.3 percent to \$31.5 million in the second quarter of 2018 compared to \$35.1 million in the second quarter of 2017 as sourcing case volumes decreased six percent driven by lower levels of customer promotional activity in addition to higher purchased transportation costs. Robinson Fresh net revenues from transportation services decreased 6.6 percent to \$24.0 million in the second quarter of 2018 compared to \$25.7 million in the second quarter of 2017. A truckload volume decline of 14.5 percent and margin compression in our committed business were partially offset by an increase in revenue per shipment in transactional business and volume growth in LTL. Robinson Fresh operating expenses decreased 0.6 percent in the second quarter of 2018 to \$46.3 million from \$46.6 million in the second quarter of 2017. This was primarily due to a small decrease in selling, general and administrative expenses, partially offset by a small increase in personnel expenses. Robinson Fresh income from operations decreased 35.2 percent to \$9.2 million in the second quarter of 2018 from \$14.2 million in the second quarter of 2017. This was primarily due to a decrease in net revenues.



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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 10.5 percent in the second quarter of 2018 to \$20.1 million compared to \$18.2 million in the second quarter of 2017. This increase was primarily the result of selling additional services to existing customers and new customer wins. Other Surface Transportation net revenues increased 8.5 percent in the second quarter of 2018 to \$15.0 million compared to \$13.9 million in the second quarter of 2017. This increase was primarily the result of truckload pricing increases in Europe.

Six Months Ended June 30, 2018 Compared to Six Months Ended June 30, 2017

Total revenues and direct costs. Our consolidated total revenues increased 15.1 percent to \$8.2 billion in the six months ended June 30, 2018, compared to \$7.1 billion in the six months ended June 30, 2017. Total transportation revenues increased 18.2 percent to \$7.6 billion in the six months ended June 30, 2018, from \$6.4 billion in the six months ended June 30, 2017. The increase in total transportation revenues was driven by increased pricing and volumes in nearly all of our transportation services. Total purchased transportation and related services increased 18.9 percent in the six months ended June 30, 2018, to \$6.4 billion from \$5.3 billion in the six months ended June 30, 2017. The increase was due to increased costs of transportation, including fuel, and increased volumes in nearly all of our transportation services. Sourcing revenue decreased 13.2 percent to \$610.6 million in the six months ended June 30, 2018 compared to \$703.1 million in the six months ended June 30, 2017. Purchased products sourced for resale decreased 13.9 percent to \$549.2 million in the six months ended June 30, 2018 compared to \$637.5 million in the six months ended June 30, 2017. Sourcing total revenues and purchased products for resale decreased by \$55.2 million as a result of our adoption of ASU 2014-09.

Net revenues. Total transportation net revenues increased 14.8 percent to \$1.2 billion in the six months ended June 30, 2018 from \$1.1 billion in the six months ended June 30, 2017. Our transportation net revenue margin decreased to 16.3 percent in the six months ended June 30, 2018 from 16.8 percent in the six months ended June 30, 2017, primarily due to the cost of transportation increasing at a higher rate than customer pricing, including fuel, in nearly all transportation services. Sourcing net revenues decreased 6.3 percent to \$61.4 million in the six months ended June 30, 2018 from \$65.6 million in the six months ended June 30, 2017. Our sourcing net revenue margin increased in the six months ended June 30, 2018 to 10.1 percent from 9.3 percent in the six months ended June 30, 2017 driven by the impact of our adoption of ASU 2014-09.

Operating expenses. Operating expenses increased 14.8 percent in the six months ended June 30, 2018 compared to the six months ended June 30, 2017. Operating expenses as a percentage of net revenues increased to 68.4 percent in the six months ended June 30, 2018, from 67.6 percent in the six months ended June 30, 2017.

Personnel expenses increased 16.4 percent to \$668.9 million in the six months ended June 30, 2018, from \$574.7 million in the six months ended June 30, 2017. For the six months ended June 30, 2018, our average headcount increased 5.0 percent compared to the same period ended June 30, 2017. The increase in personnel expense was more than the increase in average headcount due to increased expenses related to variable compensation plans.

Other selling, general, and administrative expenses increased 10.1 percent to \$217.9 million in the six months ended June 30, 2018 from \$197.9 million in the six months ended June 30, 2017. This increase was primarily driven by claims and occupancy expense increases.

Income from operations. Income from operations increased 11.0 percent to \$410.6 million in the six months ended June 30, 2018, from \$369.8 million in the six months ended June 30, 2017. Income from operations as a percentage of net revenues decreased to 31.6 percent in the six months ended June 30, 2018, from 32.4 percent in the six months ended June 30, 2017.

Interest and other expense. Interest and other expense decreased to \$15.8 million in the six months ended June 30, 2018, from \$18.7 million in the six months ended June 30, 2017. The decrease was due primarily to a \$7.7 million favorable impact of currency revaluation, partially offset by increased interest expense on a higher average debt balance and higher interest rates during the six months ended June 30, 2018, compared to the same period ended

June 30, 2017.

Provision for income taxes. Our effective income tax rate was 23.6 percent for the six months ended June 30, 2018, and 33.6 percent for the six months ended June 30, 2017. The effective income tax rate for the six months ended June 30, 2018 was higher than the statutory federal income tax rate due to state income taxes, net of federal benefit, and foreign income taxes, but was partially offset by the tax impact of share-based payment awards which resulted in a decrease in our provision for income taxes for the six months ended June 30, 2018 and 2017 of \$7.5 million and \$10.6 million, respectively.

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Net income. Net income increased 29.3 percent to \$301.5 million in the six months ended June 30, 2018, from \$233.2 million in the six months ended June 30, 2017. Basic net income per share increased 30.9 percent to \$2.16 in the six months ended June 30, 2018 from \$1.65 in the six months ended June 30, 2017. Diluted net income per share increased 29.7 percent to \$2.14 in the six months ended June 30, 2018 from \$1.65 in the six months ended June 30, 2017.

### SEGMENT RESULTS OF OPERATIONS

#### Six Months Ended June 30, 2018 Compared to Six Months Ended June 30, 2017

North American Surface Transportation. NAST revenues increased 19.4 percent to \$5.5 billion during the six months ended June 30, 2018 from \$4.6 billion during the six months ended June 30, 2017. This increase was driven by pricing increases in all services. NAST cost of transportation and related services increased 20.0 percent to \$4.7 billion in the six months ended June 30, 2018 from \$3.9 billion in the six months ended June 30, 2017. This was driven by increases in costs of transportation in all services. NAST net revenues increased 16.3 percent to \$851.6 million in the six months ended June 30, 2018 from \$732.3 million in the six months ended June 30, 2017. This increase was driven primarily by an increase in truckload and LTL net revenues.

NAST truckload net revenues increased 16.3 percent to \$602.0 million during the six months ended June 30, 2018 from \$517.6 million in the six months ended June 30, 2017. NAST truckload volumes decreased approximately six percent during the six months ended June 30, 2018 compared to the six months ended June 30, 2017. NAST truckload net revenue margin decreased in the six months ended June 30, 2018 compared to the six months ended June 30, 2017, due to increased transportation costs, excluding the change in fuel costs.

NAST truckload net revenues accounted for approximately 94 percent of our total North American truckload net revenues in the six months ended June 30, 2018 and 92 percent in the six months ended June 30, 2017. 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 increased approximately 22 percent in the six months ended June 30, 2018 compared to the six months ended June 30, 2017. Our truckload transportation costs increased 23 percent, excluding the estimated increase in fuel costs.

NAST LTL net revenues increased 16.3 percent to \$221.7 million in the six months ended June 30, 2018 from \$190.7 million in the six months ended June 30, 2017. This increase was primarily due to an increase in customer pricing and a volume increase of approximately seven percent during the six months ended June 30, 2018 compared to the six months ended June 30, 2017, partially offset by a decrease in net revenue margin.

NAST intermodal net revenues increased 2.4 percent to \$15.3 million in the six months ended June 30, 2018 from \$14.9 million in the six months ended June 30, 2017. Intermodal pricing and volumes increased in the six months ended June 30, 2018 compared to the six months ended June 30, 2017.

NAST operating expenses increased 13.0 percent during the six months ended June 30, 2018 to \$492.9 million compared to \$436.2 million during the six months ended June 30, 2017. This increase was driven by increases in personnel expenses and, to a lesser extent, other selling, general, and administrative expenses. The increase in personnel expense is related to an increase in expenses related to variable compensation plans. The increase in selling, general, and administrative expenses was driven by an increase in claims expenses. In the first quarter of 2017, we recorded collection of a previously resolved legal claim of \$8.75 million.

NAST income from operations increased 21.1 percent to \$358.6 million during the six months ended June 30, 2018 from \$296.2 million in the six months ended June 30, 2017. This was primarily due to an increase in truckload and LTL net revenues, partially offset by increased personnel expenses.

Global Forwarding. Global Forwarding total revenues increased 17.4 percent to \$1.2 billion in the six months ended June 30, 2018 compared to \$997.6 million in the six months ended June 30, 2017. Global Forwarding costs of transportation and related services increased 17.4 percent to \$904.3 million in the six months ended June 30, 2018 from \$770.0 million in the six months ended June 30, 2017. Global Forwarding net revenues increased 17.4 percent to \$267.1 million in the six months ended June 30, 2018 compared to \$227.6 million in the six months ended June 30, 2017. The acquisition of Milgram accounted for approximately four percentage points of the net revenue growth in Global Forwarding during the six months ended June 30, 2018.

Global Forwarding ocean transportation net revenues increased 13.8 percent to \$155.5 million in the six months ended June 30, 2018 from \$136.7 million in the six months ended June 30, 2017, with Milgram contributing approximately two points to the

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growth. Ocean transportation volumes increased approximately nine percent and customer pricing also increased during the six months ended June 30, 2018 compared to the same period of 2017.

Global Forwarding air transportation net revenues increased 22.1 percent to \$54.8 million in the six months ended June 30, 2018 from \$44.9 million in the six months ended June 30, 2017, with Milgram contributing approximately two percentage points to the growth. Air transportation volumes increased approximately 13 percent and customer pricing also increased during the six months ended June 30, 2018 compared to the same period of 2017.

Global Forwarding customs net revenues increased 28.0 percent to \$41.4 million in the six months ended June 30, 2018 from \$32.4 million in 2017, with Milgram contributing approximately 16 percentage points to the growth.

Customs transaction volumes increased approximately 62 percent during the six months ended June 30, 2018 compared to the same period of 2017, with Milgram contributing approximately 50 percentage points to the growth. Global Forwarding operating expenses increased 24.7 percent in the six months ended June 30, 2018 to \$229.1 million from \$183.7 million in the six months ended June 30, 2017. This increase was due to increases in both personnel and selling, general, and administrative expenses. The personnel increase was driven by an increase in average headcount of 19.3 percent and increased variable compensation expense. The acquisition of Milgram added approximately 7.5 percentage points to the Global Forwarding average headcount.

Global Forwarding income from operations decreased 13.4 percent to \$38.0 million in the six months ended June 30, 2018 from \$43.9 million in the six months ended June 30, 2017. This was primarily due to an increase in operating expenses partially offset by an increase in net revenues.

Robinson Fresh. Robinson Fresh total revenues decreased 3.0 percent to \$1.17 billion in the six months ended June 30, 2018 compared to \$1.21 billion in the six months ended June 30, 2017. Robinson Fresh costs of transportation and related services and purchased products sourced for resale decreased 2.5 percent to \$1.06 billion in the six months ended June 30, 2018 from \$1.09 billion in the six months ended June 30, 2017. Robinson Fresh net revenues decreased 7.0 percent to \$109.4 million in the six months ended June 30, 2018 from \$117.7 million in the six months ended June 30, 2017. Sourcing total revenues and purchased products for resale decreased by \$55.2 million as a result of our adoption of ASU 2014-09.

Robinson Fresh net revenues from sourcing services decreased 6.3 percent to \$61.4 million in the six months ended June 30, 2018 compared to \$65.6 million in the six months ended June 30, 2017. This was primarily the result of lower case volumes and lower net revenue per case.

Robinson Fresh net revenues from transportation services decreased 8.0 percent to \$48.0 million in the six months ended June 30, 2018 compared to \$52.1 million in the six months ended June 30, 2017, primarily due to decreases in truckload net revenue. Robinson Fresh transportation net revenue margin decreased in the six months ended June 30, 2018 compared to the six months ended June 30, 2017, due primarily to increased transportation costs, including fuel. Robinson Fresh truckload volumes decreased approximately 12 percent and LTL volumes increased approximately 28 percent in the six months ended June 30, 2018 compared to the same period of 2017.

Robinson Fresh operating expenses increased 2.3 percent in the six months ended June 30, 2018 to \$90.9 million from \$88.8 million in the six months ended June 30, 2017. This was primarily due to a slight increase in personnel expenses, partially offset by a decline in selling, general, and administrative expenses.

Robinson Fresh income from operations decreased 35.9 percent to \$18.5 million in the six months ended June 30, 2018 from \$28.9 million in the six months ended June 30, 2017. This was primarily due to a decrease in 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 8.6 percent in the six months ended June 30, 2018 to \$38.4 million compared to \$35.4 million in the six months ended June 30, 2017. This increase was a result of volume growth from both new and existing customers. Other Surface Transportation increased 5.3 percent in the six months ended June 30, 2018 to \$31.0 million compared to \$29.4 million in the six months ended June 30, 2017, primarily due to increased



customer pricing in Europe Surface Transportation.

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## 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 addition, we maintain the following debt facilities as described in Note 4 (dollars in thousands):

| Description                                        | Carrying<br>Value as of<br>June 30,<br>2018 | Borrowing<br>Capacity | Maturity      |
|----------------------------------------------------|---------------------------------------------|-----------------------|---------------|
| Revolving credit facility                          | \$66,000                                    | \$900,000             | December 2019 |
| Senior Notes, Series A                             | 175,000                                     | 175,000               | August 2023   |
| Senior Notes, Series B                             | 150,000                                     | 150,000               | August 2028   |
| Senior Notes, Series C                             | 175,000                                     | 175,000               | August 2033   |
| Receivables securitization facility <sup>(1)</sup> | 249,854                                     | 250,000               | April 2019    |
| Senior Notes <sup>(1)</sup>                        | 591,200                                     | 600,000               | April 2028    |
| Total debt                                         | \$1,407,054                                 | \$2,250,000           |               |

<sup>(1)</sup> Net of unamortized discounts and issuance costs.

We expect to use our current debt facilities 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 \$310.6 million as of June 30, 2018, and \$333.9 million as of December 31, 2017. Cash and cash equivalents held outside the United States totaled \$260.0 million as of June 30, 2018, and \$275.3 million as of December 31, 2017. If we repatriated all foreign earnings, the estimated effect on income taxes payable would be an increase of approximately \$15.0 million as of June 30, 2018. Working capital at June 30, 2018, was \$1.2 billion and at December 31, 2017, was \$523.5 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 \$308.5 million and \$150.0 million of cash flow from operations during the six months ended June 30, 2018 and June 30, 2017, respectively, an increase of \$158.5 million compared to the six months ended June 30, 2017. This was a result of increased earnings and improved collections.

Cash used for investing activities. We used \$32.9 million and \$35.8 million of cash during the six months ended June 30, 2018 and June 30, 2017 for investing activities.

We used \$30.1 million and \$33.0 million for capital expenditures during the six months ended June 30, 2018 and June 30, 2017. During the six months ended June 30, 2018, 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 for a post-closing working capital adjustment due to the sellers of APC Logistics ("APC") under the terms of the acquisition agreement.

Cash used for financing activities. We used \$291.1 million and \$97.1 million of cash flow for financing activities during the six months ended June 30, 2018 and June 30, 2017.

During the six months ended June 30, 2018, we had net short-term repayments of \$649.0 million. The outstanding balance on the revolving credit facility was \$66.0 million as of June 30, 2018.

During the six months ended June 30, 2018, we had long-term borrowings on Senior Notes of \$591.0 million, net of underwriting discounts and issuance costs.

We used \$130.6 million and \$128.8 million to pay cash dividends during the six months ended June 30, 2018 and June 30, 2017. The increase was primarily due to a \$0.01 dividend rate increase in 2018 compared to 2017, partially offset by a decrease in weighted average shares outstanding during the six months ended June 30, 2018, compared to the six months ended June 30, 2017.



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We used \$119.5 million and \$70.5 million on share repurchases during the six months ended June 30, 2018 and June 30, 2017, see Item 2, Part II of this Quarterly Report on Form 10-Q. 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, 2018, compared to the same period of 2017. In May 2018, the Board of Directors increased the number of shares authorized for repurchase by 15,000,000 shares. As of June 30, 2018, there were 15,651,203 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, other potential uses of our cash, and market conditions.

We used \$18.9 million and \$19.6 million to acquire shares from employees through their withholding taxes resulting from the delivery of restricted equity during the six months ended June 30, 2018 and June 30, 2017.

Assuming no change in our current business plan, 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 for at least the next 12 months. 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, 2017, includes a summary of the significant accounting policies and methods used in the preparation of our consolidated financial statements. We have updated these policies as applicable for the adoption of ASU 2014-09 in the first quarter of 2018. The following is a discussion of our critical accounting policies and estimates.

**REVENUE RECOGNITION.** At contract inception, we assess the goods and services promised in our contracts with customers and identify our performance obligations to provide distinct goods and services to our customers. We have determined that the following distinct goods and services represent our primary performance obligations.

**Transportation and Logistics Services** - As a third party logistics provider, our primary performance obligation under our customer contracts is to utilize our relationships with a wide variety of transportation companies to efficiently and cost-effectively transport our customer's freight. Revenue is recognized for these performance obligations as they are satisfied over the contract term, which generally represents the transit period. The transit period can vary based upon the method of transport, generally a couple days for over-the-road, rail and air transportation, or several weeks in the case of an ocean shipment. When the customer's freight reaches its intended destination our performance obligation is complete. Pricing for our services is generally a fixed amount and is typically due within 30 days upon completion of our performance obligation.

We also provide certain value-added logistics services, such as customs brokerage, fee-based managed services, warehousing services, small parcel, and supply chain consulting and optimization services. These services may include one or more performance obligations which are generally satisfied over the service period as we perform our obligations. The service period may be a very short duration, in the case of customs brokerage, or it may be longer in the case of managed services and supply chain consulting and optimization services. Pricing for our services is established in the customer contract and is dependent upon the specific needs of the customer but may be agreed upon at a fixed fee per transaction, labor hour, or service period. Payment is typically due within 30 days upon completion of our performance obligation.

**Sourcing services** - We contract with grocery retailers, restaurants, foodservice distributors, and produce wholesalers to provide sourcing services under the trade name Robinson Fresh. Our primary service obligation under these

contracts is the buying, selling, and/or marketing of produce including fresh fruits, vegetables, and other value-added perishable items. Revenue is recognized when our performance obligations under these contracts is satisfied at a point in time, generally when the produce is received by our customer. Pricing under these contracts is generally a fixed amount and is typically due within 30 days upon completion of our performance obligation.

In many cases, as additional performance obligations, we contract to arrange logistics and transportation of the produce we buy, sell, and/or market. These performance obligations are satisfied over the contract term consistent with our other transportation and logistics services. Pricing for our services is generally a fixed amount and is typically due within 30 days upon completion of our performance obligation.

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Total revenues represent the total dollar value of revenue recognized from contracts with customers for the goods and services we provide. Substantially all of our revenue is attributable to contracts with 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. 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 primarily responsible for fulfilling the promise to provide the specified good or service to our customer and we have discretion in establishing the price for the specified good or service. Additionally, in our sourcing business, in some cases we take inventory risk before the specified good has been transferred to our customer. Customs brokerage, managed services, freight forwarding, and sourcing managed procurement transactions 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 \$39.4 million as of June 30, 2018 and \$42.4 million as of December 31, 2017. 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 for impairment annually on November 30, or more frequently if events or changes in circumstances indicate that the asset might be impaired. We first perform a qualitative assessment to determine whether it is more likely than not that the fair value of our reporting units is less than their respective carrying value (“Step Zero Analysis”). If the Step Zero Analysis indicates it is more likely than not that the fair value of our reporting units is less than their respective carrying value, an additional impairment assessment is performed (“Step One Analysis”). When we perform a Step One Analysis, the fair value of each reporting unit is compared with the carrying amount of the reporting unit, including goodwill. If the carrying amount of a reporting unit exceeds its fair value, an impairment loss is recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit.

In the Step One Analysis, 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 when a Step One analysis is performed.

**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 21 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.

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

We had \$310.6 million of cash and cash equivalents on June 30, 2018. 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, 2018, there was \$66 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, 2018, 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, 2018, there was \$250 million outstanding on the securitization facility.

We issued Senior Notes, through a public offering on April 9, 2018. The Senior Notes bear an annual interest rate of 4.20 percent payable semi-annually on April 15 and October 15, until maturity on April 15, 2028. Taking into effect the amortization of the original issue discount and all underwriting and issuance expenses, the Senior Notes have an effective yield to maturity of approximately 4.39 percent per annum. The fair value of the Senior Notes, excluding debt discounts and issuance costs, approximated \$585.4 million as of June 30, 2018, based primarily on the market prices quoted from external sources. The carrying value of the Senior Notes was \$591.2 million at June 30, 2018.

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.

**Foreign Exchange Risk**

We operate through a network of offices in North America, Europe, Asia, Australia, New Zealand, and South America. As a result, we frequently transact using currencies other than the U.S. dollar, primarily the Chinese Yuan, Euro, Canadian dollar, and Mexican Peso. This often results in assets and liabilities, including intercompany balances, denominated in a currency other than the local functional currency. In these instances most commonly we have balances denominated in U.S. dollars in regions where the U.S. dollar is not the functional currency. This results in foreign exchange risk.

Foreign exchange risk can be quantified by performing a sensitivity analysis assuming a hypothetical change in the value of the U.S. dollar compared to other currencies in which we transact. All other things being equal, a hypothetical 10 percent weakening of the U.S. dollar during three months ended June 30, 2018, would have a decrease to operating income of approximately \$34 million and a hypothetical 10 percent strengthening of the U.S. dollar during the three months ended June 30, 2018, would have an increase to operating income of approximately \$28 million. Our use of derivative financial instruments to manage foreign exchange risk is insignificant.

**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.



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## 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, 2017, 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, 2018, of shares of the company's common stock.

|                              | Total Number<br>of Shares<br>(or Units)<br>Purchased <sup>(a)</sup> | Average Price<br>Paid Per<br>Share<br>(or Unit) | Total Number of<br>Shares (or Units)<br>Purchased as Part of<br>Publicly Announced<br>Plans or Programs<br><sup>(b)</sup> | Maximum Number of<br>Shares (or Units)<br>That May Yet Be<br>Purchased Under the<br>Plans or Programs <sup>(b)</sup> |
|------------------------------|---------------------------------------------------------------------|-------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------|
| April 1, 2018-April 30, 2018 | 228,377                                                             | \$ 93.62                                        | 224,305                                                                                                                   | 1,210,290                                                                                                            |
| May 1, 2018-May 31, 2018     | 275,193                                                             | 87.81                                           | 273,285                                                                                                                   | 15,937,005                                                                                                           |
| June 1, 2018-June 30, 2018   | 288,742                                                             | 88.15                                           | 285,802                                                                                                                   | 15,651,203                                                                                                           |
| Second quarter 2018          | 792,312                                                             | \$ 89.61                                        | 783,392                                                                                                                   | 15,651,203                                                                                                           |

(a) The total number of shares purchased includes: (i) 783,392 shares of common stock purchased under the authorization described below; and (ii) 8,920 shares of common stock surrendered to satisfy minimum statutory tax obligations under our stock incentive plans.

(b) In May 2018, the Board of Directors increased the number of shares authorized for repurchase by 15,000,000 shares. As of June 30, 2018, there were 15,651,203 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.

## ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.



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ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

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

- Indenture, dated April 11, 2018, between C.H. Robinson Worldwide, Inc. and U.S. Bank National Association, as
- 4.1 Trustee (incorporated by reference to Exhibit 4.1 in C.H. Robinson Worldwide, Inc.'s Current Report on Form 8-K filed on April 11, 2018)
- First Supplemental Indenture, dated April 11, 2018, between C.H. Robinson Worldwide, Inc. and U.S. Bank
- 4.2 National Association, as Trustee, relating to the 4.200% Notes due 2028, (incorporated by reference to Exhibit 4.2 in C.H. Robinson Worldwide, Inc.'s Current Report on Form 8-K filed on April 28, 2018)
- 4.3 Form of Global Note representing the 4.200% Notes due 2028 (included in Exhibit 4.2) (incorporated by reference to Exhibit 4.2 in C.H. Robinson Worldwide, Inc.'s Current Report on Form 8-K filed on April 11, 2018)
- 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, 2018 formatted in XBRL

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized on August 8, 2018.

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)