

C H ROBINSON WORLDWIDE INC  
Form 10-K  
March 02, 2015

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-K  
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended December 31, 2014  
Commission File Number: 000-23189

C.H. ROBINSON WORLDWIDE, INC.  
(Exact name of registrant as specified in its charter)  
Delaware  
(State or other jurisdiction of  
incorporation or organization)

41-1883630  
(I.R.S. Employer  
Identification No.)

14701 Charlson Road, Eden Prairie, Minnesota  
(Address of principal executive offices)

55347-5088  
(Zip Code)

Registrant's telephone number, including area code: 952-937-8500

Securities registered pursuant to Section 12(b) of the Act:

|   |   |
|---|---|
| Title of each class                     | Name of each exchange on which registered |
| Common Stock, par value \$.10 per share | The NASDAQ National Market                |
| Preferred Share Purchase Rights         |   |

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer  Accelerated filer

Non-accelerated filer  Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The aggregate market value of voting stock held by non-affiliates of the registrant as of June 30, 2014 was approximately \$9,309,100,899 (based upon the closing price of \$63.79 per common share on that date as quoted on The NASDAQ Global Select Market).

As of February 24, 2015, the number of shares outstanding of the registrant's Common Stock, par value \$.10 per share, was 146,328,737.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the Registrant's Proxy Statement relating to its Annual Meeting of Stockholders to be held May 7, 2015 (the "Proxy Statement"), are incorporated by reference in Part III.

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PART I

ITEM 1.

BUSINESS

Overview

C.H. Robinson Worldwide, Inc. (“C.H. Robinson,” “the company,” “we,” “us,” or “our”) is one of the largest third party logistics companies in the world with 2014 consolidated total revenues of \$13.5 billion. We are a service company. We provide freight transportation services and logistics solutions to companies of all sizes, in a wide variety of industries. During 2014, we handled approximately 14.3 million shipments and worked with more than 46,000 active customers. We operate through a network of 281 offices in North America, Europe, Asia, and South America. We have developed global transportation and distribution networks to provide transportation and supply chain services worldwide. As a result, we have the capability of facilitating most aspects of the supply chain on behalf of our customers.

As a third party logistics provider, we enter into contractual relationships with a wide variety of transportation companies, and utilize those relationships to efficiently and cost-effectively transport our customers’ freight. We have contractual relationships with approximately 66,000 transportation companies, including motor carriers, railroads (primarily intermodal service providers), and air freight and ocean carriers. Depending on the needs of our customer and their supply chain requirements, we select and hire the appropriate transportation for each shipment. Our model enables us to be flexible, provide solutions that optimize service for our customers, and minimize our asset utilization risk. As an integral part of our transportation services, we provide a wide range of value-added logistics services, such as freight consolidation, supply chain consulting and analysis, optimization, and reporting.

In addition to transportation, we provide sourcing services (“Sourcing”) through Robinson Fresh (“Robinson Fresh”). Our Sourcing business is primarily the buying, selling, and marketing of fresh fruits, vegetables, and other perishable items. It was our original business when we were founded in 1905. The foundation for much of our logistics expertise can be traced to our significant experience in handling produce and temperature controlled commodities. We supply fresh produce through our network of independent produce growers and suppliers. Our customers include grocery retailers and restaurants, produce wholesalers, and foodservice distributors. In many cases, we also arrange the logistics and transportation of the products we sell and provide related supply chain services, such as replenishment, category management, and merchandising. We have developed proprietary brands of produce and have exclusive licensing agreements to distribute fresh produce under recognized consumer brand names. The produce for these brands is sourced through our preferred grower network and packed to order through contract packing agreements. We have instituted quality assurance and monitoring procedures with each of these preferred growers.

Historically, we provided fee-based payment services (“Payment Services”) primarily through our subsidiary, T-Chek Systems, Inc., (“T-Chek”). T-Chek provided a variety of payment management and business intelligence services primarily to motor carrier companies and to fuel distributors. Those services included funds transfer, fuel purchasing, and online expense management. For most of these services, T-Chek charged a fee per transaction. On October 16, 2012, we sold substantially all of the assets and transferred certain liabilities of T-Chek to Electronic Funds Source, LLC (“EFS”). We continue to generate Payment Services revenues from the cash advance option we offer our contracted carriers through continued agreements with EFS.

Our flexible business model has been the main driver of our historical results and has positioned us for continued growth. One of our competitive advantages is our network of 281 offices. Our employees are in close proximity to both customers and transportation providers, which gives them broad knowledge of their local markets and enables them to respond quickly to customers’ and transportation providers’ changing needs. Employees act as a team in their sales efforts, customer service, and operations. A significant portion of most employees’ compensation is performance-oriented, based on the profitability and their contributions to the success of the company. We believe this makes our employees more service-oriented and focused on driving growth and maximizing office productivity. Our offices work together to complete transactions and collectively meet the needs of our customers. For large, multi-location customers, we often coordinate our efforts in one office and rely on multiple locations to deliver specific geographic or modal needs. As an example, approximately 48 percent of our truckload shipments are shared transactions between offices. Our methodology of providing services is very similar across all locations. The majority of our global network operates on a common technology platform that is used to match customer needs with supplier capabilities, to collaborate with other offices, and to utilize centralized support resources to complete all facets of the

transaction.

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Historically, we have grown primarily through internal growth, by increasing market share through the addition of new customers and expanding relationships with our current customers, adding new services, expanding our market presence and operations globally, and hiring additional employees. We have augmented our growth through selective acquisitions. In January 2015, we completed our acquisition of Freightquote.com, Inc. ("Freightquote"), a privately held freight broker based in Kansas City, Missouri. Freightquote provides services throughout North America. The acquisition enhances and brings synergies to our less-than-truckload and truckload businesses, and expands our e-commerce capabilities.

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 sell. Our net revenues are the primary indicator of our ability to source, add value, and sell services and products that are provided by third parties, and we consider them to be our primary performance measurement. Accordingly, the discussion of our results of operations focuses on the changes in our net revenues.

### Transportation and Logistics Services

C.H. Robinson provides freight transportation and related logistics and supply chain services. Our services range from commitments on a specific shipment to much more comprehensive and integrated relationships. We execute these service commitments by hiring and training people, developing proprietary systems and technology processes, and utilizing our network of contracted transportation providers, including, but not limited to, contract motor carriers, railroads, air freight carriers, and ocean carriers. We make a profit on the difference between what we charge to our customers for the totality of services provided to them and what we pay to the transportation providers to handle or transport the freight. While industry definitions vary, given our extensive contracting to create a flexible network of solutions, we are generally referred to in the industry as a third party logistics company.

We provide all of the following transportation and logistics services:

**Truckload**-Through our contracts with motor carriers, we have access to dry vans, temperature controlled vans, flatbeds, and bulk capacity. We also offer time-definite and expedited truck transportation.

**Less Than Truckload ("LTL")**-LTL transportation involves the shipment of single or multiple pallets of freight. We focus on shipments of a single pallet or larger, although we handle any size shipment. Through our contracts with motor carriers and our operating system, we consolidate freight and freight information to provide our customers with a single source of information on their freight. In many instances, we will consolidate partial shipments for several customers into full truckloads.

**Intermodal**-Our intermodal transportation service is the shipment of freight in trailers or containers by a combination of truck and rail. We have intermodal marketing agreements with container owners and all Class 1 railroads in North America, and we arrange local pickup and delivery (known as drayage) through local contracted motor carriers. In addition, we own approximately 1,000 intermodal containers.

**Ocean**-As a non-vessel ocean common carrier ("NVOCC") or freight forwarder, we consolidate shipments, determine routing, select ocean carriers, contract for ocean shipments, and provide for local pickup and delivery of shipments.

**Air**-As a certified indirect air carrier ("Indirect Air Carrier") or freight forwarder, we organize air shipments and provide door-to-door service.

**Customs**-Our customs brokers are licensed and regulated by U.S. Customs and Border Protection to assist importers and exporters in meeting federal requirements governing imports and exports.

**Other Logistics Services**-We provide fee-based managed services, warehousing services, small parcel, and other services.

Customers communicate their freight needs, typically on a shipment-by-shipment basis, to the C.H. Robinson team responsible for their account. The team ensures that all appropriate information about each shipment is available in our proprietary operating system. This information is entered by our employees, by the customer through our web tools, or received electronically from the customers' systems. With the help of information provided by our operating system, the salesperson then selects a contracted carrier or carriers, based upon his or her knowledge of the carrier's service capability, equipment availability, freight rates, and other relevant factors. Based on the information he or she has about the market and rates, the salesperson may either determine an appropriate price at that point or wait to

communicate with a contracted carrier directly

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before setting a price. In many cases, employees from different offices collaborate to hire the appropriate contracted carrier for our customers' freight, and the offices agree to an internal profit split.

Once the contracted carrier is selected, the salesperson communicates with the contract carrier to agree on the cost for the transportation and the contract carrier's commitment to provide the transportation. We are in contact with the contract carrier through numerous means of communication to meet our customers' requirements as well as track the status of the shipment from origin to delivery.

For most of our transportation and logistics services, we are a service provider. By accepting the customer's order, we accept certain responsibilities for transportation of the shipment from origin to destination. The carrier's contract is with us, not the customer, and we are responsible for prompt payment of freight charges. In the cases where we have agreed (either contractually or otherwise) to pay for claims for damage to freight while in transit, we pursue reimbursement from the contracted carrier for the claims. In our managed services business, we are acting as the shipper's agent. In those cases, the carrier's contract is typically with the customer, and we collect a fee for our services. As a result of our logistics capabilities, some of our customers have us handle all, or a substantial portion, of their freight transportation requirements. Our employees price our services to provide a profit to us for the totality of services performed for the customer. In some cases, our services to the customer are priced on a spot market, or transactional, basis. In a number of instances, we have contracts with the customer in which we agree to handle an estimated number of shipments, usually to specified destinations, such as from the customer's plant to a distribution center. Our commitments to handle the shipments are usually at pre-determined rates. Most of our rate commitments are for one year or less and allow for renegotiation. As is typical in the transportation industry, most of these contracts do not include specific volume commitments. When we enter into prearranged rate agreements for truckload services with our customers, we usually have fuel surcharge agreements, in addition to the underlying line-haul portion of the rate.

We purchase the majority of our truckload services from our contract truckload carriers on a spot market or transactional basis, even when we are working with the customer on a contractual basis. When we enter into spot transactions with contract motor carriers, we generally negotiate a mutually agreed-upon total market rate that includes all costs, including any applicable fuel expense. However, if requested by the contract carrier, we will estimate and report fuel separately. In a small number of cases, we may get advance commitments from one or more contract carriers to transport contracted shipments for the length of our customer contract. In those cases, where we have prearranged rates with contract carriers, there is a calculated fuel surcharge based on a mutually agreed-upon formula.

In the course of providing day-to-day transportation services, our employees often identify opportunities for additional logistics services as they become more familiar with our customers' daily operations and the nuances of our customers' supply chains. We offer a wide range of logistics services on a worldwide basis that reduce or eliminate supply chain inefficiencies. We will analyze the customers' current transportation rate structures, modes of shipping, and carrier selection. We can identify opportunities to consolidate shipments for cost savings. We will suggest ways to improve operating and shipping procedures and manage claims. We can help customers minimize storage through crossdocking and other flow-through operations. We may also examine the customers' warehousing and dock procedures. Many of these services are bundled with underlying transportation services and are not typically priced separately. They are usually included as a part of the cost of transportation services provided by us, based on the nature of the customer relationship. In addition to these transportation services, we may provide additional logistics services, such as contract warehousing, consulting, transportation management, and other services, for which we are usually paid separately.

As we have emphasized integrated logistics solutions, our relationships with many customers have broadened, and we have become a key provider to them by managing a greater portion of their supply chains. We may serve our customers through specially created teams and through several locations. Our transportation services are provided to numerous international customers through our worldwide network. See Note 1 to our 2014 consolidated financial statements included in Part II, Item 8 of this report for an allocation of our total revenues from domestic and foreign customers for the years ended December 31, 2014, 2013, and 2012 and our long-lived assets as of December 31, 2014, 2013, and 2012 in the United States and in foreign locations.





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The table below shows our net revenues by transportation mode for the periods indicated:

## Transportation Net Revenues

Year Ended December 31,

(in thousands)

|                          | 2014        | 2013        | 2012        | 2011        | 2010        |
|--------------------------|-------------|-------------|-------------|-------------|-------------|
| Truckload                | \$1,177,990 | \$1,054,565 | \$1,060,120 | \$1,037,876 | \$919,787   |
| LTL                      | 258,884     | 239,477     | 224,160     | 198,735     | 156,460     |
| Intermodal               | 40,631      | 39,084      | 38,815      | 41,189      | 36,550      |
| Ocean                    | 208,422     | 187,671     | 84,924      | 66,873      | 60,763      |
| Air                      | 79,125      | 73,089      | 44,444      | 39,371      | 42,315      |
| Customs                  | 41,575      | 36,578      | 18,225      | 13,100      | 11,866      |
| Other Logistics Services | 73,097      | 67,931      | 57,449      | 46,772      | 45,388      |
| Total                    | \$1,879,724 | \$1,698,395 | \$1,528,137 | \$1,443,916 | \$1,273,129 |

Transportation services accounted for approximately 94 percent of our net revenues in 2014, 93 percent in 2013, and 89 percent of our net revenues in 2012. The increases in ocean, air, and customs revenues in 2012 and 2013 are primarily related to our acquisition of Phoenix International Freight Services, Ltd., ("Phoenix"), on November 1, 2012.

## Sourcing

Since we were founded in 1905, we have been in the business of sourcing fresh produce. Much of our logistics expertise can be traced to our significant experience in handling produce and other perishable commodities. Because of its perishable nature, produce must be rapidly packaged, carefully transported within tight timetables, usually in temperature controlled equipment, and quickly distributed to replenish high-turnover inventories maintained by retailers, wholesalers, foodservice companies, and restaurants. In many instances, we consolidate individual customers' produce orders into truckload quantities at the point of origin and arrange for transportation of the truckloads, often to multiple destinations.

Our Sourcing customer base includes grocery retailers and restaurants, produce wholesalers, and foodservice distributors.

Our Sourcing services have expanded to include forecasting and replenishment, brand management, and category development services. We have various national and regional branded produce programs, including both proprietary brands and national licensed brands. These programs contain a wide variety of fresh bulk and value added fruits and vegetables that are high in quality. These brands have expanded our market presence and relationships with many of our retail customers. We have also instituted quality assurance and monitoring programs as part of our branded and preferred grower programs.

Sourcing accounted for approximately six percent of our net revenues in 2014, seven percent of our net revenues in 2013, and eight percent of our net revenues in 2012.

## Payment Services

On October 16, 2012, we sold substantially all of the operations of T-Chek, which represented a majority of our Payment Services. However, we still earn Payment Services revenues when we advance money to our contract carriers.

Payment Services accounted for less than one percent of our net revenues in 2014 and 2013, and three percent of our net revenues in 2012.

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## Organization

Branch Office Network. To keep us close to our customers and markets, we operate through a network of offices. We currently have 281 branches in the following areas of the world:

| Region        | Number of<br>Branches |
|---------------|-----------------------|
| North America | 184                   |
| Europe        | 52                    |
| Asia          | 39                    |
| South America | 6                     |

Each is responsible for its own growth and profitability. Our employees are responsible for developing new business, negotiating and pricing services, receiving and processing service requests from customers, and negotiating with carriers to provide the transportation requested. In addition to routine transportation, employees are often called upon to handle customers' unusual, seasonal, and emergency needs. Shipments to be transported by truck are priced at the local level, and locations cooperate with each other to hire contract carriers to provide transportation. Employees may rely on expertise in other offices when contracting LTL, intermodal, ocean, and air shipments. Multiple offices may also work together to service larger, national accounts where the expertise and resources of more than one office are required to meet the customer's needs. Their efforts are usually coordinated by one "lead" office on the account. Employees both sell to and service their customers. Sales opportunities are identified through our internal database, referrals from current customers, leads generated by people through knowledge of their local and regional markets, and company marketing efforts. Employees are also responsible for recruiting new over the road contract carriers, who are referred to our centralized carrier services group to confirm they are properly licensed and insured and have acceptable Federal Motor Carrier Safety Administration ("FMCSA") issued safety ratings.

Network Employees. 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. Because the quality of our employees is essential to our success, we are highly selective in our recruiting and hiring. To support our hiring processes, we have a corporate recruiting group that develops a pipeline of qualified candidates that managers can draw from. Our applicants typically have college degrees, and some have business experience, although not necessarily within the transportation industry.

Early in their tenure, most newly-hired employees go through centralized training that emphasizes development of the skills necessary to become productive members of a team, including technology training on our proprietary systems and our customer service philosophy. Centralized training is followed by ongoing, on-the-job training. We expect most new employees to start contributing in a matter of weeks.

Employees operate and are compensated in large part on a team basis. The team structure is motivated by our performance-based compensation system, in which a significant portion of the cash compensation of most branch managers and employees is dependent on the profitability of their particular branch. They are paid a performance-based bonus, which is a portion of the branch's earnings for that calendar year. The percentage they can potentially earn is predetermined in an annual bonus contract and is based on their productivity and contributions to the overall success of the office. Within our 401(k) plan, employees can also receive profit sharing contributions that depend on our overall profitability and other factors. In some special circumstances, such as opening new branches, we may guarantee a level of compensation to the manager and key employees for a short period of time.

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. Generally, these awards are eligible to vest over five-year periods and also include financial performance-based requirements for management employees.

Employees benefit both through the growth and profitability of individual offices and by achieving individual goals. They are motivated by the opportunity to advance in a variety of career paths, including management, corporate sales, and customer and carrier account management. We have a "promote from within" philosophy and fill nearly all management positions with current employees.

Shared Services. Our offices are supported by our shared and centralized services. Approximately ten percent of our employees provide shared services in centralized centers. Approximately 45 percent of these shared services employees are information technology personnel who develop and maintain our proprietary operating system software and our wide area network.

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## Executive Officers

The Board of Directors designates the executive officers annually. Below are the names, ages, and positions of the executive officers:

| Name                   | Age | Position  |
|------------------------|-----|---|
| John P. Wiehoff        | 53  | Chief Executive Officer, President, and Chairman of the Board |
| Ben G. Campbell        | 49  | Chief Legal Officer and Secretary                             |
| Bryan D. Foe           | 47  | President of C.H. Robinson Europe                             |
| Angela K. Freeman      | 47  | Chief Human Resources Officer                                 |
| Jordan Kass            | 42  | President of Managed Services                                 |
| James P. Lemke         | 47  | President of Robinson Fresh                                   |
| Chad M. Lindbloom      | 50  | Chief Information Officer and Chief Financial Officer         |
| Christopher J. O'Brien | 47  | Chief Commercial Officer                                      |
| Stéphane D. Rambaud    | 50  | President of Global Freight Forwarding                        |
| Scott A. Satterlee     | 46  | President of North American Surface Transportation            |

John P. Wiehoff has been chief executive officer of C.H. Robinson since May 2002, president of the company since December 1999, a director since 2001, and became the chairman in January 2007. Previous positions with the company include senior vice president from October 1998, chief financial officer from July 1998 to December 1999, treasurer from August 1997 to June 1998, and corporate controller from 1992 to June 1998. Prior to that, John was employed by Arthur Andersen LLP. John also serves on the Boards of Directors of Polaris Industries Inc. (NYSE: PII), a provider of off-road vehicles, snowmobiles, motorcycles and on-road electric/hybrid powered vehicles, and Donaldson Company, Inc. (NYSE: DCI), a provider of filtration systems. He holds a Bachelor of Science degree from St. John's University.

Ben G. Campbell was named chief legal officer and secretary in January 2015. Previous positions with the company include vice president, general counsel and secretary from January 2009 to December 2014 and assistant general counsel from February 2004 to December 2008. Ben joined C.H. Robinson in 2004. Before coming to C.H. Robinson, Ben was a partner at Rider Bennett, LLP, in Minneapolis, MN. Ben holds a Bachelor of Science degree from St. John's University and a Juris Doctor from William Mitchell College of Law.

Bryan D. Foe was named president of C.H. Robinson Europe in July 2012. He has served as a vice president since 2005. Additional positions with C.H. Robinson include president of T-Chek Systems, Inc., and manager of the Valley Forge, PA, and Grand Rapids, MI, offices. Bryan joined the company in 1990. He also served as a Research Advisory Committee Member for the American Transportation Research Institute and past treasurer of the Detroit Intermodal Association. He attended the Detroit College of Business.

Angela K. Freeman was named chief human resources officer in January 2015. Prior to that, she served as vice president of human resources from August 2012 to December 2014. Additional positions with C.H. Robinson include vice president of investor relations and public affairs from January 2009 to August 2012 and director of investor relations and director of marketing communications. She also serves as the president of the C.H. Robinson Worldwide Foundation. Prior to joining C.H. Robinson in 1998, Angela was with McDermott/O'Neill & Associates, a Boston-based public affairs firm. She holds a Bachelor of Arts degree and a Bachelor of Science degree from the University of North Dakota, and a Master of Science from the London School of Economics. Angela also serves on the Board of Directors of Community Health Charities of Minnesota and of the non-profit organization LeadersUp.

Jordan Kass was named president of managed services in January 2015. He previously served as vice president of management services. Additional positions with C.H. Robinson include director of TMC. Jordan began his career in 1994 at American Backhaulers and subsequently joined C.H. Robinson in 2000 following our acquisition of American Backhaulers. Jordan holds a Bachelor of Arts degree from Indiana University.

James P. Lemke was named president of Robinson Fresh in January 2015. Prior to that, he served as senior vice president from December 2007 to December 2014, having previously served as vice president, Sourcing since 2003. Prior to that time, he served as the vice president and manager of C.H. Robinson's corporate procurement and distribution services. Jim joined the company in 1989. Jim holds a Bachelor of Arts degree in International Relations from the University of Minnesota. Jim also serves on the Foundation Board of the United Fresh Produce Association. He also serves as a director for the Children's Theatre Company.

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Chad M. Lindbloom was named chief information officer in January 2015. He was named chief financial officer in 1999 and will continue to serve as CFO until his successor is identified and appointed. From June 1998 until December 1999, he served as corporate controller. Chad joined the company in 1990. Chad holds a Bachelor of Science degree and a Masters of Business Administration from the Carlson School of Management at the University of Minnesota.

Christopher J. O'Brien was named chief commercial officer in January 2015. Prior to that, he served as a senior vice president from May 2012 to December 2014. He has served as a vice president since May 2003. Additional positions with C.H. Robinson include president of the company's European division and manager of the Raleigh, NC, office. Christopher joined the company in 1993. He holds a Bachelor of Arts degree from Alma College in Michigan. Christopher also serves on the Board of Trustees of the University of Minnesota's Landscape Arboretum.

Stéphane Rambaud was named president of global freight forwarding in January 2015. Prior to that, he served as senior vice president of C.H. Robinson from November 2012 to December 2014 and as chief executive officer for Phoenix International, a privately-held international freight forwarder, which was acquired by C.H. Robinson in November 2012. Stéphane joined Phoenix International in 1985 and prior to becoming chief executive officer in 2007, he served as president from 2003 to 2007 and chief operating officer from 2000 to 2003. Stéphane completed his education at International Commerce at Académie Commerciale Internationale in Paris, France.

Scott A. Satterlee was named president of North American Surface Transportation in January 2015. Prior to that, he served as senior vice president from December 2007 to December 2014. He has served as an executive and officer of C.H. Robinson since February 2002. Additional positions with C.H. Robinson include director of operations and manager of the Salt Lake City office. Scott joined the company in 1991. Scott holds a Bachelor of Arts degree from the University of St. Thomas. Scott also serves on the Board of Directors of Fastenal (NASDAQ: FAST), a large fastener distributor.

### Employees

As of December 31, 2014, we had a total of 11,521 employees, 10,300 of whom were located in our branch offices. Services such as finance, information technology, legal, marketing, and human resource support are supported centrally.

### Customer Relationships

We work to establish long-term relationships with our customers and to increase the amount of business done with each customer by providing them with a full range of logistics services. During 2014, we served over 46,000 active customers worldwide, ranging from Fortune 100 companies to small businesses in a wide variety of industries. During 2014, our largest customer accounted for approximately two percent of total revenues and approximately one percent of net revenues. In recent years, we have grown by adding new customers and by increasing our volumes with, and providing more services to, our existing customers.

We seek additional business from existing customers and pursue new customers based on our knowledge of the marketplace and the range of logistics services that we can provide. We believe that our account management disciplines and decentralized structure enable our employees to better serve our customers by combining a broad knowledge of logistics and market conditions with a deep understanding of the specific supply chain issues facing individual customers and certain vertical industries. With the guidance of our executive and shared services teams, offices are given significant latitude to pursue opportunities and to commit our resources to serve our customers. In 2014, we continued to expand our corporate sales, account management, and marketing support to enhance sales capabilities. The network also calls on our executives and our corporate sales staff to support them in the pursuit of new business with companies that have more complex logistics requirements.

Relationships with Transportation Providers

We continually work on establishing contractual relationships with qualified transportation providers that also meet our service requirements to provide dependable services, favorable pricing, and contract carrier availability during periods when demand for transportation equipment is greater than the supply. Because we own very little transportation equipment and do not employ the people directly involved with the delivery of our customers' freight, these relationships are critical to our success.



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In 2014, we worked with approximately 66,000 transportation providers worldwide, of which the vast majority are contracted motor carriers. To strengthen and maintain our relationships with motor carriers, our employees regularly communicate with carriers and try to assist them by increasing their equipment utilization, reducing their empty miles, and repositioning their equipment. To make it easier for contract carriers to work with us, we have a policy of payment upon receipt of proof of delivery. For those contract carriers who would like a faster payment, we also offer payment within 48 hours of receipt of proof of delivery in exchange for a discount, along with offering in-trip cash advances.

Contracted motor carriers provide access to dry vans, temperature controlled vans, and flatbeds. These contract carriers are of all sizes, including owner-operators of a single truck, small and mid-size fleets, private fleets, and the largest national trucking companies. Consequently, we are not dependent on any one contract carrier. Our largest truck transportation provider was approximately two percent of our total cost of transportation in 2014. Motor carriers that had fewer than 100 tractors transported approximately 83 percent of our truckload shipments in 2014. Every motor carrier with which we do business is required to execute a contract that establishes that the carrier is acting as an independent contractor. At the time the contract is executed, and daily, through subscriptions with a third party service, we confirm that each motor carrier is properly licensed and insured, has the necessary federally-issued authority to provide transportation services, and has the ability to provide the necessary level of service on a dependable basis. Our motor carrier contracts require that the motor carrier issue invoices only to and accept payment solely from us for the shipments that they transport under their contract with us, and allow us to withhold payment to satisfy previous claims or shortages. Our standard contracts do not include volume commitments, and the initial contract rate is modified each time we confirm an individual shipment with a carrier.

We also have intermodal marketing agreements with container owners and all Class 1 railroads in North America, giving us access to additional trailers and containers. Our contracts with railroads specify the transportation services and payment terms by which our intermodal shipments are transported by rail. Intermodal transportation rates are typically negotiated between us and the railroad on a customer-specific basis. We own approximately 1,000 53-foot containers. We believe that these containers have helped us better serve our customers, and we will continue to analyze the strategy of controlling containers.

In our NVOCC ocean transportation business, we have contracts with most of the major ocean carriers which support a variety of service and rate needs for our customers. We negotiate annual contracts that establish the predetermined rates we agree to pay the ocean carriers. The rates are negotiated based on expected volumes from our customers in specific trade lanes. These contracts are often amended throughout the year to reflect changes in market conditions for our business, such as additional trade lanes.

We operate both as a consolidator and as a transactional Indirect Air Carrier ("IAC") internationally and in North America. We select air carriers and provide for local pickup and delivery of shipments. We execute our air freight services through our relationships with air carriers, through charter services, block space agreements, capacity space agreements, and transactional spot market negotiations. Through charter services, we contract part or all of an airplane to meet customer requirements. Our block space agreements and capacity space agreements are contracts for a defined time period. The contracts include fixed allocations for predetermined flights at agreed upon rates that are reviewed periodically throughout the year. The transactional negotiations afford us the ability to capture excess capacity at prevailing market rates for a specific shipment.

## Competition

The transportation services industry is highly competitive and fragmented. We compete against a large number of logistics companies, trucking companies, property freight brokers, carriers offering logistics services, NVOCCs, IACs, and freight forwarders. We also buy from and sell transportation services to companies that compete with us. In our Sourcing business, we compete with produce brokers, produce growers, produce marketing companies, produce wholesalers, and foodservice buying groups. We also buy from and sell produce to companies that compete with us. We often compete with respect to price, scope of services, or a combination thereof, but believe that our most significant competitive advantages are:

• People-Smart, dedicated, empowered people are an extension of our customers' teams to innovate and execute their supply chain strategies;

• Process-Proven processes and solutions combine strategy with practical experience for customized action plans that succeed in the real world;

• Technology-A significant investment in our Navisphere® proprietary technology gives flexibility, global visibility, customized solutions, easy integration, broad connectivity, and advanced security;

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- Network-Our customers gain local presence, regional expertise, and multiple global logistics options from one of the world's largest providers of logistics services;
- Relationships-A large number of unique, strong relationships provide global connections and valuable market knowledge;
- Portfolio of Services-A wide selection of services and products help provide our customers with consistent capacity and service levels;
- Scale-Our customers leverage our industry-leading capacity, broad procurement options, and substantial shipment volumes for better efficiency, service, and marketplace advantages; and
- Stability-Our financial strength, discipline, and consistent track record of success for strategic support of our customers' supply chains.

### Seasonality

Historically, our operating results have been subject to seasonal trends. In recent years, including 2014, operating income and earnings have been lower in the first quarter than in the other three quarters. However, this was not our experience in 2013 or 2012. 2012 would have followed this pattern, but our fourth quarter results were impacted by certain significant event-specific charges and credits related to our acquisitions and divestitures. We believe this pattern has been the result of, or influenced by, numerous factors, including national holidays, weather patterns, consumer demand, economic conditions, and other similar and subtle forces. Although seasonal changes in the transportation industry have not had a significant impact on our cash flow or results of operations, we expect this trend to continue and we cannot guarantee that it will not adversely impact us in the future.

### Proprietary Information Technology and Intellectual Property

Our information systems are essential to efficiently communicate, service our customers and contracted carriers, and manage our business. In 2014, we executed approximately 14.3 million shipments for more than 46,000 active customers and 66,000 contract carriers.

We rely on a combination of trademarks, copyrights, trade secrets, and nondisclosure and non-competition agreements to establish and protect our intellectual property and proprietary technology. Additionally, we have numerous registered trademarks, trade names, and logos in the United States and international locations.

In October 2012, we launched Navisphere<sup>®</sup>, a single platform that allows customers to communicate worldwide with every party in their supply chain across languages, currencies, and continents. Navisphere<sup>®</sup> offers sophisticated business analytics to help improve supply chain performance and meet increasing customer demands.

The CHRWTrucks<sup>®</sup> web-based platform provides contracted carriers additional access to our systems. Contract carriers can access available freight, perform online check calls, keep track of receivables, and upload scanned documentation. Many of our carriers' favorite features from CHRWTrucks<sup>®</sup> are also available through our CHRWTrucks<sup>®</sup> mobile application available for Android and IOS mobile operating systems.

Our systems help our employees service customer orders, select the optimal mode of transportation, build and consolidate shipments, and identify appropriate carriers, all based on customer-specific service parameters. Our systems provide our vast organization the necessary business intelligence to allow for real time scorecards and necessary decision support in all areas of our business.

### Government Regulation

Our operations may be regulated and licensed by various federal, state, and local transportation agencies in the United States and similar governmental agencies in foreign countries in which we operate.

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We are subject to licensing and regulation as a property freight broker and are licensed by the U.S. Department of Transportation (“DOT”) to arrange for the transportation of property by motor vehicle. The DOT prescribes qualifications for acting in this capacity, including certain surety bonding requirements. We are also subject to regulation by the Federal Maritime Commission as an ocean freight forwarder and an NVOCC and we maintain separate bonds and licenses for each. We operate as a Department of Homeland Security certified Indirect Air Carrier, providing air freight services, subject to commercial standards set forth by the International Air Transport Association and federal regulations issued by the Transportation Security Administration. We provide customs brokerage services as a customs broker under a license issued by the Bureau of U.S. Customs and Border Protection. We also have and maintain other licenses as required by law.

Although Congress enacted legislation in 1994 that substantially preempts the authority of states to exercise economic regulation of motor carriers and brokers of freight, some intrastate shipments for which we arrange transportation may be subject to additional licensing, registration, or permit requirements. We generally contractually require and/or rely on the carrier transporting the shipment to ensure compliance with these types of requirements. We, along with the contracted carriers that we rely on in arranging transportation services for our customers, are also subject to a variety of federal and state safety and environmental regulations. Although compliance with the regulations governing licensees in these areas has not had a materially adverse effect on our operations or financial condition in the past, there can be no assurance that such regulations or changes thereto will not adversely impact our operations in the future. Violation of these regulations could also subject us to fines, as well as increased claims liability.

We buy and sell fresh produce under licenses issued by the U.S. Department of Agriculture as required by the Perishable Agricultural Commodities Act (“PACA”). Other sourcing and distribution activities may be subject to various federal and state food and drug statutes and regulations.

We are subject to a variety of other U.S. and foreign laws and regulations including, but not limited to, the Foreign Corrupt Practices Act and other similar anti-bribery and anti-corruption statutes.

### Risk Management and Insurance

We contractually require all motor carriers we work with to carry at least \$750,000 in automobile liability insurance and \$25,000 in cargo insurance. We also require all motor carriers to maintain workers compensation and other insurance coverage as required by law. Many carriers have insurance exceeding these minimum requirements. Railroads, which are generally self-insured, provide limited common carrier liability protection, generally up to \$250,000 per shipment.

As a property freight broker, we are not legally liable for damage to our customers’ cargo. In our customer contracts, we may agree to assume cargo liability up to a stated maximum. We typically do not assume cargo liability to our customers above minimum industry standards in our international freight forwarding, ocean transportation, air freight businesses on international shipments, and domestic air shipments. We do offer our customers the option to purchase shippers interest coverage to insure goods in transit. When we agree to store goods for our customers for longer terms, we provide limited warehouseman’s coverage to our customers and contract for warehousing services from companies that provide us the same degree of coverage.

We maintain a broad cargo liability insurance policy to help protect us against catastrophic losses that may not be recovered from the responsible contracted carrier. We also carry various liability insurance policies, including automobile and general liability, with a \$200 million umbrella. Our contingent automobile liability coverage has a retention of \$5 million per incident.

As a seller of produce, we may, under certain circumstances, have legal responsibility arising from produce sales. We carry product liability coverage under our general liability and umbrella policies to cover tort claims. The deductible on our general liability coverage is \$250,000 per incident. In addition, in the event of a recall, we may be required to bear the costs of repurchasing, transporting, and destroying any allegedly contaminated product, as well as potential consequential damages which were generally not insured. Beginning in 2012, we carry product recall insurance coverage of \$50 million. This policy has a retention of \$5 million per incident.

### Investor Information

We were reincorporated in Delaware in 1997 as the successor to a business existing, in various legal forms, since 1905. Our corporate office is located at 14701 Charlson Road, Eden Prairie, Minnesota, 55347-5088, and our telephone number is (952) 937-8500. Copies of our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 are available free of charge through our website ([www.chrobinson.com](http://www.chrobinson.com)) as soon as reasonably practicable after we electronically file the material with the Securities and Exchange Commission.

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### Cautionary Statement Relevant to Forward-Looking Information

This Annual Report on Form 10-K, including our financial statements, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Item 7 of Part II of this report, and other documents incorporated by reference, contain certain “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. When used in this Form 10-K and in our other filings with the Securities and Exchange Commission, in our press releases, presentations to securities analysts or investors, in oral statements made by or with the approval of any of our executive officers, the words or phrases “believes,” “may,” “could,” “will,” “expects,” “should,” “continue,” “anticipates,” “intends,” “will likely result,” “estimates,” “projects,” or similar expressions and variations thereof are intended to identify such forward-looking statements.

Except for the historical information contained in this Form 10-K, the matters set forth in this document may be deemed to be forward-looking statements that represent our expectations, beliefs, intentions, or strategies concerning future events. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from our historical experience or our present expectations, including, but not limited to, such factors such as changes in economic conditions, including uncertain consumer demand; changes in market demand and pressures on the pricing for our services; competition and growth rates within the third party logistics industry; freight levels and increasing costs and availability of truck capacity or alternative means of transporting freight; changes in relationships with existing contracted truck, rail, ocean, and air carriers; changes in our customer base due to possible consolidation among our customers; our ability to successfully integrate the operations of acquired companies with our historic operations; risks associated with litigation, including contingent auto liability and insurance coverage; risks associated with operations outside of the U.S.; risks associated with the potential impacts of changes in government regulations; risks associated with the produce industry, including food safety and contamination issues; fuel price increases or shortages; the impact of war on the economy; changes to our capital structure, and other risks and uncertainties, including those described below. Forward-looking statements speak only as of the date they are made. We undertake no obligation to update these statements in light of subsequent events or developments.

### ITEM 1A.

### RISK FACTORS

The following are important factors that could affect our financial performance and could cause actual results for future periods to differ materially from our anticipated results or other expectations, including those expressed in any forward-looking statements made in this 10-K. We may also refer to this disclosure to identify factors that may cause actual results to differ from those expressed in other forward-looking statements, including those made in oral presentations such as telephone conferences and webcasts open to the public.

Economic recessions could have a significant, adverse impact on our business. The transportation industry historically has experienced cyclical fluctuations in financial results due to economic recession, downturns in business cycles of our customers, interest rate fluctuations, and other economic factors beyond our control. Deterioration in the economic environment subjects our business to various risks, which may have a material and adverse impact on our operating results and cause us to not reach our long-term growth goals:

Decrease in volumes-A reduction in overall freight volumes in the marketplace reduces our opportunities for growth. A significant portion of our freight is transactional or “spot” market opportunities. The transactional market may be more impacted than the freight market by overall economic conditions. In addition, if a downturn in our customers’ business cycles causes a reduction in the volume of freight shipped by those customers, particularly among certain national retailers or in the food, beverage, retail, manufacturing, paper, or printing industries, our operating results could be adversely affected.

Credit risk and working capital-Some of our customers may face economic difficulties and may not be able to pay us, and some may go out of business. In addition, some customers may not pay us as quickly as they have in the past, causing our working capital needs to increase.

Transportation provider failures-A significant number of our transportation providers may go out of business and we may be unable to secure sufficient equipment or other transportation services to meet our commitments to our

customers.

Expense management-We may not be able to appropriately adjust our expenses to changing market demands.

Personnel expenses are our largest expense. In order to maintain high variability in our business model, it is necessary to adjust staffing levels to changing market demands. In periods of rapid change, it is more difficult to match our staffing levels to our business needs. In addition, we have other expenses that are fixed for a period of time, and we may not be able to adequately adjust them in a period of rapid change in market demand.

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Higher carrier prices may result in decreased net revenue margin. Carriers can be expected to charge higher prices if market conditions warrant, or to cover higher operating expenses. Our net revenues and income from operations may decrease if we are unable to increase our pricing to our customers. Increased demand for truckload services and pending changes in regulations may reduce available capacity and increase carrier pricing.

Changing fuel costs and interruptions of fuel supplies may have an impact on our net revenue margins. In our truckload transportation business, which is the largest source of our net revenues, fluctuating fuel prices may result in decreased net revenue margin. While our different pricing arrangements with customers and contracted carriers make it very difficult to measure the precise impact, we believe that fuel costs essentially act as a pass-through cost to our truckload business. In times of fluctuating fuel prices, our net revenue margin declines.

Our dependence on third parties to provide equipment and services may impact the delivery and quality of our transportation and logistics services. We do not employ the people directly involved in delivering our customers' freight. We depend on independent third parties to provide truck, rail, ocean, and air services and to report certain events to us, including delivery information and freight claims. These independent third parties may not fulfill their obligations to us, preventing us from meeting our commitments to our customers. This reliance also could cause delays in reporting certain events, including recognizing revenue and claims. In addition, if we are unable to secure sufficient equipment or other transportation services from third parties to meet our commitments to our customers, our operating results could be materially and adversely affected, and our customers could switch to our competitors temporarily or permanently. Many of these risks are beyond our control including:

- equipment shortages in the transportation industry, particularly among contracted truckload carriers;
- changes in regulations impacting transportation;
- disruption in the supply or cost of fuel;
- reduction or deterioration in rail service; and
- unanticipated changes in transportation rates.

We are subject to negative impacts of changes in political and governmental conditions. Our operations are subject to the influences of significant political, governmental, and similar changes and our ability to respond to them, including:

- changes in political conditions and in governmental policies;
- changes in and compliance with international and domestic laws and regulations; and
- wars, civil unrest, acts of terrorism, and other conflicts.

We may be subject to negative impacts of catastrophic events. A disruption or failure of our systems or operations in the event of a major earthquake, weather event, cyber-attack, heightened security measures, actual or threatened, terrorist attack, strike, civil unrest, pandemic or other catastrophic event could cause delays in providing services or performing other critical functions. A catastrophic event that results in the destruction or disruption of any of our critical business or information systems could harm our ability to conduct normal business operations and adversely impact our operating results.

Our international operations subject us to operational and financial risks. We provide services within and between foreign countries on an increasing basis. Our business outside of the United States is subject to various risks, including:

- changes in tariffs, trade restrictions, trade agreements, and taxations;
- difficulties in managing or overseeing foreign operations and agents;
- limitations on the repatriation of funds because of foreign exchange controls;
- different liability standards; and

• intellectual property laws of countries which do not protect our rights in our intellectual property, including, but not limited to, our proprietary information systems, to the same extent as the laws of the United States.

The occurrence or consequences of any of these factors may restrict our ability to operate in the affected region and/or decrease the profitability of our operations in that region.



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As we continue to expand our business internationally, we expose the company to increased risk of loss from foreign currency fluctuations and exchange controls, as well as longer accounts receivable payment cycles. Foreign currency fluctuations could result in currency translation exchange gains or losses or could affect the book value of our assets and liabilities. Furthermore, we may experience unanticipated changes to our income tax liabilities resulting from changes in geographical income mix and changing international tax legislation. We have limited control over these risks, and if we do not correctly anticipate changes in international economic and political conditions, we may not alter our business practices in time to avoid adverse effects.

Our ability to appropriately staff and retain employees is important to our variable cost model. Our continued success depends upon our ability to attract and retain a large group of motivated salespeople and other logistics professionals. In order to maintain high variability in our business model, it is necessary to adjust staffing levels to changing market demands. In periods of rapid change, it is more difficult to match our staffing level to our business needs. We cannot guarantee that we will be able to continue to hire and retain a sufficient number of qualified personnel. Because of our comprehensive employee training program, our employees are attractive targets for new and existing competitors. Continued success depends in large part on our ability to develop successful employees into managers.

We face substantial industry competition. Competition in the transportation services industry is intense and broad-based. We compete against logistics companies, as well as transportation providers that own equipment, third party freight brokers, internet matching services, internet freight brokers, and carriers offering logistics services. We also compete against carriers' internal sales forces. In addition, customers can bring in-house some of the services we provide to them. We often buy and sell transportation services from and to many of our competitors. Increased competition could reduce our market opportunity and create downward pressure on freight rates, and continued rate pressure may adversely affect our net revenue and income from operations.

We rely on technology to operate our business. We have internally developed the majority of our operating systems. Our continued success is dependent on our systems continuing to operate and to meet the changing needs of our customers and users. We rely on our technology staff and vendors to successfully implement changes to and maintain our operating systems in an efficient manner. If we fail to maintain and enhance our operating systems, we may be at a competitive disadvantage and lose customers.

As demonstrated by recent material and high-profile data security breaches, computer malware, viruses, and computer hacking and phishing attacks have become more prevalent, have occurred on our systems in the past, and may occur on our systems in the future. Previous attacks on our systems have not had a material financial impact on our operations, but we cannot guarantee that future attacks will have little to no impact on our business. Furthermore, given the interconnected nature of the supply chain and our significant presence in the industry, we believe that we may be an attractive target for such attacks.

Though it is difficult to determine what, if any, harm may directly result from any specific interruption or attack, a significant impact on the performance, reliability, security, and availability of our systems and technical infrastructure to the satisfaction of our users may harm our reputation, impair our ability to retain existing customers or attract new customers, and expose us to legal claims and government action, each of which could have a material adverse impact on our financial condition, results of operations, and growth prospects.

Because we manage our business on a decentralized basis, our operations may be materially adversely affected by inconsistent management practices. We manage our business on a decentralized basis through a network of offices throughout North America, Europe, Asia, and South America, supported by executives and shared and centralized services, with local management responsible for day-to-day operations, profitability, personnel decisions, the growth of the business, and adherence to applicable local laws. Our decentralized operating strategy can make it difficult for us to implement strategic decisions and coordinated procedures throughout our global operations. In addition, some of our offices operate with management, sales, and support personnel that may be insufficient to support growth in their respective location without significant central oversight and coordination. Our decentralized operating strategy could result in inconsistent management practices and materially and adversely affect our overall profitability and expose us to litigation.

Our earnings may be affected by seasonal changes in the transportation industry. Results of operations for our industry generally show a seasonal pattern as customers reduce shipments during and after the winter holiday season. In recent

years, including 2014, our operating income and earnings have been lower in the first quarter than in the other three quarters. However, this was not our experience in 2013 or 2012. 2012 would have followed this pattern, but our fourth quarter results were impacted by certain significant event-specific charges and credits related to our acquisitions and divestitures. Although seasonal changes in the transportation industry have not had a significant impact on our cash flow or results of operations, we expect this trend to continue, and we cannot guarantee that it will not adversely impact us in the future.

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We are subject to claims arising from our transportation operations. We use the services of thousands of transportation companies in connection with our transportation operations. From time to time, the drivers employed and engaged by the carriers we contract with are involved in accidents which may result in serious personal injuries. The resulting types and/or amounts of damages may be excluded by or exceed the amount of insurance coverage maintained by the contracted carrier. Although these drivers are not our employees and all of these drivers are employees, owner-operators, or independent contractors working for carriers, from time to time, claims may be asserted against us for their actions, or for our actions in retaining them. Claims against us may exceed the amount of our insurance coverage, or may not be covered by insurance at all. In addition, our automobile liability policy has a retention of \$5 million per incident. A material increase in the frequency or severity of accidents, liability claims or workers' compensation claims, or unfavorable resolutions of claims could materially and adversely affect our operating results. In addition, significant increases in insurance costs or the inability to purchase insurance as a result of these claims could reduce our profitability. Our involvement in the transportation of certain goods, including but not limited to hazardous materials, could also increase our exposure in the event one of our contracted carriers is involved in an accident resulting in injuries or contamination.

Our Sourcing business is dependent upon the supply and price of fresh produce. The supply and price of fresh produce is affected by weather and growing conditions (such as drought, insects, and disease) and other conditions over which we have no control. Commodity prices can be affected by shortages or overproduction and are often highly volatile. If we are unable to secure fresh produce to meet our commitments to our customers, our operating results could be materially and adversely affected, and our customers could switch to our competitors temporarily or permanently. To assure access to certain commodities, we occasionally make advances to growers to finance their operations. Repayment of these advances is dependent upon the growers' ability to grow and harvest marketable crops.

Buying and reselling fresh produce exposes us to possible product liability. Agricultural chemicals used on fresh produce are subject to various approvals, and the commodities themselves are subject to regulations on cleanliness and contamination. Product recalls in the produce industry have been caused by concern about particular chemicals and alleged contamination, often leading to lawsuits brought by consumers of allegedly affected produce. Because we sell produce, we may face claims for a variety of damages arising from the sale, which may include potentially uninsured consequential damages. While we are insured for up to \$201 million for product liability claims, settlement of class action claims, subject to a \$250,000 deductible, is often costly, and we cannot guarantee that our liability coverage will be adequate and will continue to be available. If we have to recall produce, we may be required to bear the cost of repurchasing, transporting, and destroying any allegedly contaminated product, as well as consequential damages, which our insurance did not cover prior to 2012. Since 2012, we have carried product recall insurance coverage of \$50 million. This policy has a retention of \$5 million per incident. Any recall or allegation of contamination could affect our reputation, particularly of our proprietary and/or licensed branded produce programs. Loss due to spoilage (including the need for disposal) is also a routine part of the sourcing business.

Our business depends upon compliance with numerous government regulations. Our operations may be regulated and licensed by various federal, state, and local transportation agencies in the United States and similar governmental agencies in foreign countries in which we operate.

We are subject to licensing and regulation as a property freight broker and are licensed by the U.S. Department of Transportation ("DOT") to arrange for the transportation of property by motor vehicle. The DOT prescribes qualifications for acting in this capacity, including certain surety bonding requirements. We are also subject to regulation by the Federal Maritime Commission as an ocean freight forwarder and an NVOCC, and we maintain separate bonds and licenses for each. We operate as a Department of Homeland Security certified Indirect Air Carrier, providing air freight services, subject to commercial standards set forth by the International Air Transport Association and federal regulations issued by the Transportation Security Administration. We provide customs brokerage services as a customs broker under a license issued by the Bureau of U.S. Customs and Border Protection. We also have and maintain other licenses as required by law.

We source fresh produce under a license issued by the U.S. Department of Agriculture. We are also subject to various regulations and requirements promulgated by other international, domestic, state, and local agencies and port authorities. Our failure to comply with the laws and regulations applicable to entities holding these licenses could

materially and adversely affect our results of operations or financial condition.

Legislative or regulatory changes can affect the economics of the transportation industry by requiring changes in operating practices or influencing the demand for, and the cost of providing, transportation services. As part of our logistics services, we operate leased warehouse facilities. Our operations at these facilities include both warehousing and distribution services, and we are subject to various federal, state, and international environmental, work safety, and hazardous materials regulations. We may experience an increase in operating costs, such as security costs, as a result of governmental regulations that have been and will be adopted in response to terrorist activities and potential terrorist activities. No assurances can be given that we will be

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able to pass these increased costs on to our customers in the form of rate increases or surcharges, and our operations and profitability may suffer as a result.

Department of Homeland Security regulations applicable to our customers who import goods into the United States and our contracted ocean carriers can impact our ability to provide and/or receive services with and from these parties. Enforcement measures related to violations of these regulations can slow and or prevent the delivery of shipments, which may negatively impact our operations.

We cannot predict what impact future regulations may have on our business. Our failure to maintain required permits or licenses, or to comply with applicable regulations, could result in substantial fines or revocation of our operating permits and licenses.

Our freight carriers are subject to increasingly stringent laws protecting the environment, including those relating to climate change, which could directly or indirectly have a material adverse effect on our business. Future and existing environmental regulatory requirements in the U.S. and abroad could adversely affect operations and increase operating expenses, which in turn could increase our purchased transportation costs. If we are unable to pass such costs along to our customers, our business could be materially and adversely affected. Even without any new legislation or regulation, increased public concern regarding greenhouse gases emitted by transportation carriers could harm the reputations of companies operating in the transportation logistics industries and shift consumer demand toward more locally sourced products and away from our services.

We derive a significant portion of our total revenues and net revenues from our largest customers. Our top 100 customers comprise approximately 37 percent of our consolidated total revenues and 26 percent of consolidated net revenues. Our largest customer comprises approximately two percent of our consolidated total revenues and approximately one percent of our consolidated net revenues. The sudden loss of many of our major clients could materially and adversely affect our operating results.

We may be unable to identify or complete suitable acquisitions and investments. We may acquire or make investments in complementary businesses, products, services, or technologies. We cannot guarantee that we will be able to identify suitable acquisitions or investment candidates. Even if we identify suitable candidates, we cannot guarantee that we will make acquisitions or investments on commercially acceptable terms, if at all. The timing and number of acquisitions we pursue may also cause volatility in our financial results. In addition, we may incur debt or be required to issue equity securities to pay for future acquisitions or investments. The issuance of any equity securities could be dilutive to our stockholders.

We may have difficulties integrating acquired companies. For acquisitions, success depends upon efficiently integrating the acquired business into our existing operations. These risks could be heightened if we complete a large acquisition or multiple acquisitions within a short period of time. We are required to integrate these businesses into our internal control environment, which may present challenges that are different than those presented by organic growth and that may be difficult to manage. If we are unable to successfully integrate and grow these acquisitions and to realize contemplated revenue synergies and cost savings, our business, prospects, results of operations, financial position, and cash flows could be materially and adversely affected.

Our growth and profitability may not continue, which may result in a decrease in our stock price. Our long-term growth objective is to grow earnings per share by 10 percent. There can be no assurance that our long-term growth objective will be achieved or that we will be able to effectively adapt our management, administrative, and operational systems to respond to any future growth. Future changes in and expansion of our business, or changes in economic or political conditions, could adversely affect our operating margins. Slower or less profitable growth or losses could adversely affect our stock price.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.



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## ITEM 2. PROPERTIES

Our corporate headquarters is in Eden Prairie, Minnesota. The total square footage of our four buildings in Eden Prairie is 357,000. This total includes approximately 221,000 square feet used for our corporate and shared services, our data center of approximately 18,000 square feet, and 118,000 square feet used for branch operations. Most of our offices are leased from third parties under leases with initial terms ranging from three to fifteen years. Our office locations range in space from 1,000 to 153,000 square feet. The following table lists our office locations of greater than 20,000 square feet:

| Location                        | Approximate Square Feet |
|---------------------------------|-------------------------|
| Eden Prairie, MN                | 153,000                 |
| Eden Prairie, MN <sup>(1)</sup> | 105,000                 |
| Eden Prairie, MN <sup>(1)</sup> | 81,000                  |
| Chicago, IL <sup>(1)</sup>      | 80,000                  |
| Wood Dale, IL                   | 72,000                  |
| Chicago, IL                     | 46,000                  |
| Atlanta, GA                     | 27,000                  |
| Elk Grove Village, IL           | 25,000                  |
| Woodridge, IL                   | 22,000                  |
| Chicago, IL                     | 21,000                  |

(1) These properties are owned. All other properties in the table above are leased from third parties.

We also own or lease warehouses totaling approximately 1.6 million square feet of space in over 40 cities around the world. The following table lists our warehouses over 50,000 square feet:

| Location                      | Approximate Square Feet |
|-------------------------------|-------------------------|
| Long Beach, CA                | 228,000                 |
| Laredo, TX                    | 148,000                 |
| Elk Grove Village, IL         | 107,000                 |
| Wroclaw, Poland               | 104,000                 |
| Bethlehem, PA                 | 85,000                  |
| Vancouver, WA                 | 79,000                  |
| Miramar, FL                   | 75,000                  |
| Atlanta, GA                   | 70,000                  |
| Plant City, FL <sup>(1)</sup> | 65,000                  |
| Doral, FL                     | 59,000                  |
| Cobden, IL <sup>(1)</sup>     | 52,000                  |

(1) These properties are owned. All other properties in the table above are leased from third parties.

We consider our current office spaces and warehouse facilities adequate for our current level of operations. We have not had difficulty in obtaining sufficient office space and believe we can renew existing leases or relocate to new offices as leases expire.

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ITEM 3. 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 such legal proceedings, we have accrued an amount that reflects the aggregate liability deemed probable and estimable, but this amount is not material to our consolidated financial position, results of operations, or cash flows. Because of the preliminary nature of many of these proceedings, the difficulty in ascertaining the applicable facts relating to many of these proceedings, the inconsistent treatment of claims made in many of these proceedings, and the difficulty of predicting the settlement value of many of these proceedings, we are not able to estimate an amount or range of any reasonably possible additional losses. However, based upon our historical experience, the resolution of these proceedings is not expected to have a material adverse effect on our consolidated financial position, results of operations, or cash flows.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.



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## PART II

## ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES

Our Common Stock began trading on The NASDAQ National Market under the symbol "CHRW" on October 15, 1997, and currently trades on the NASDAQ Global Select Market.

Quarterly market information can be found in Part II, Item 8. Financial Statements and Supplementary Data, Note 13. On February 24, 2015, the closing sales price per share of our Common Stock as quoted on the NASDAQ Global Select Market was \$73.98 per share. On February 24, 2015, there were approximately 158 holders of record and approximately 123,777 beneficial owners of our Common Stock.

We declared quarterly dividends during 2013 for an aggregate of \$1.40 per share and quarterly dividends during 2014 for an aggregate of \$1.43 per share. We have declared a quarterly dividend of \$0.38 per share payable to shareholders of record as of March 6, 2015, payable on March 31, 2015. Our declaration of dividends is subject to the discretion of the Board of Directors. Any determination as to the payment of dividends will depend upon our results of operations, capital requirements and financial condition, and such other factors as the Board of Directors may deem relevant. Accordingly, there can be no assurance that the Board of Directors will declare or continue to pay dividends on the shares of Common Stock in the future.

The following table provides information about company purchases of Common Stock during the quarter ended December 31, 2014:

|                                    | Total Number of Shares Purchased <sup>(a)</sup> | Average Price Paid Per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs <sup>(a)</sup> | Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs <sup>(b)</sup> |
|------------------------------------|---|------------------------------|---|---|
| October 1, 2014-October 31, 2014   | 341,673   | \$67.67                      | 337,900   | 10,485,542  |
| November 1, 2014-November 30, 2014 | 180,563   | 72.34                        | 179,200   | 10,306,342  |
| December 1, 2014-December 31, 2014 | 7,464   | 74.43                        | —   | 10,306,342  |
| Fourth quarter 2014                | 529,700   | \$69.36                      | 517,100   | 10,306,342  |

(a) The total number of shares purchased includes: (i) 517,100 shares of common stock purchased under the authorization described below; and (ii) 12,600 shares of common stock surrendered to satisfy minimum statutory tax obligations under our stock incentive plans.

(b) In August 2013, the Board of Directors increased the number of shares authorized to be repurchased by 15,000,000 shares. As of December 31, 2014, there were 10,306,342 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 share repurchase programs.

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The graph below compares the cumulative 5-year total return of holders of C.H. Robinson Worldwide, Inc.'s Common Stock with the cumulative total returns of the S&P 500 index, the NASDAQ Transportation index, and the S&P Midcap 400 index. The graph tracks the performance of a \$100 investment in our Common Stock and in each index (with the reinvestment of all dividends) from December 31, 2009 to December 31, 2014.

|                               | December 31, |        |        |        |        |        |
|-------------------------------|--------------|--------|--------|--------|--------|--------|
|                               | 2009         | 2010   | 2011   | 2012   | 2013   | 2014   |
| C.H. Robinson Worldwide, Inc. | \$100.00     | 138.81 | 122.83 | 113.77 | 107.61 | 141.34 |
| S&P 500                       | \$100.00     | 115.06 | 117.49 | 136.30 | 180.44 | 205.14 |
| S&P Midcap 400                | \$100.00     | 126.64 | 124.45 | 146.69 | 195.84 | 214.97 |
| NASDAQ Transportation         | \$100.00     | 128.91 | 111.44 | 122.10 | 161.38 | 229.56 |

The stock price performance included in this graph is not necessarily indicative of future stock price performance.

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## ITEM 6. SELECTED FINANCIAL DATA

This table includes selected financial data for the last five years (amounts in thousands, except per share amounts and operating data for branches and employees). This financial data should be read together with our consolidated financial statements and related notes, Management's Discussion and Analysis of Financial Condition and Results of Operations, and other financial data appearing elsewhere in this report.

## STATEMENT OF OPERATIONS DATA

| Year Ended December 31,                                      | 2014         | 2013         | 2012 <sup>(1)</sup> | 2011         | 2010        |
|--|--------------|--------------|---------------------|--------------|-------------|
| Total revenues   | \$13,470,067 | \$12,752,076 | \$11,359,113        | \$10,336,346 | \$9,274,305 |
| Net revenues   | 2,007,652    | 1,836,095    | 1,717,571           | 1,632,658    | 1,467,978   |
| Income from operations                                       | 748,418      | 682,650      | 675,320             | 692,730      | 622,860     |
| Net income   | 449,711      | 415,904      | 593,804             | 431,612      | 387,026     |
| Net income per share   |              |              |                     |              |             |
| Basic  | \$3.06       | \$2.65       | \$3.68              | \$2.63       | \$2.35      |
| Diluted  | \$3.05       | \$2.65       | \$3.67              | \$2.62       | \$2.33      |
| Weighted average number of shares outstanding (in thousands) |              |              |                     |              |             |
| Basic  | 147,202      | 156,915      | 161,557             | 164,114      | 164,909     |
| Diluted  | 147,542      | 157,080      | 161,946             | 164,741      | 165,972     |
| Dividends per share  | \$1.43       | \$1.40       | \$1.34              | \$1.20       | \$1.04      |

## BALANCE SHEET DATA

|                          |           |           |           |           |           |
|--------------------------|-----------|-----------|-----------|-----------|-----------|
| As of December 31,       |           |           |           |           |           |
| Working capital          | \$529,599 | \$394,504 | \$440,073 | \$734,911 | \$710,161 |
| Total assets             | 3,214,338 | 2,802,818 | 2,804,225 | 2,138,041 | 1,995,699 |
| Current portion of debt  | 605,000   | 375,000   | 253,646   | —         | —         |
| Long-term notes payable  | 500,000   | 500,000   | —         | —         | —         |
| Stockholders' investment | 1,047,015 | 939,724   | 1,504,372 | 1,248,474 | 1,204,068 |

## OPERATING DATA

|                    |        |        |        |       |       |
|--------------------|--------|--------|--------|-------|-------|
| As of December 31, |        |        |        |       |       |
| Branches           | 281    | 285    | 276    | 235   | 231   |
| Employees          | 11,521 | 11,676 | 10,929 | 8,353 | 7,628 |

The company's results for 2012 were effected by certain significant event-specific charges or credits related to our acquisitions and divestitures. See "Reported to Adjusted Statements of Operations Data" on the following page and (1) Management's Discussion and Analysis of Financial Condition and Results of Operations in Item 7 of Part II of this report.

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## Non-GAAP Data Reconciliation

To assist readers in understanding our financial performance and the impact of certain significant charges or credits related to our acquisitions and divestitures in 2012, we supplement the financial results that are generated in accordance with the accounting principles generally accepted in the United States, or GAAP, with non-GAAP financial measures. These measures include non-GAAP income from operations, non-GAAP net income, and non-GAAP basic and diluted net income per share. We believe that these non-GAAP measures provide meaningful insight into our operating performance excluding certain event-specific charges, and provide an alternative perspective of our results of operations. We use non-GAAP measures, including those set forth in the table below, to assess our operating performance for the year. Management believes that these non-GAAP financial measures reflect an additional way of analyzing aspects of our ongoing operations that, when viewed with our GAAP results, provides a more complete understanding of the factors and trends affecting our business. A reconciliation of adjusted results reflecting the exclusion of certain non-recurring transaction impacts to our GAAP results is set forth below.

## Reported to Adjusted Statements of Operations Data (in thousands, except per share amounts)

| Non-GAAP Financial Measures                                       | 2014       | 2013      | 2012      | 2011      | 2010      |
|---|------------|-----------|-----------|-----------|-----------|
| Income from Operations  | \$748,418  | \$682,650 | \$675,320 | \$692,730 | \$622,860 |
| Adjustments to Income from Operations <sup>(1)</sup>              | —          | —         | 45,196    | —         | —         |
| Income from Operations-Adjusted                                   | \$748,418  | \$682,650 | \$720,516 | \$692,730 | \$622,860 |
| Interest and other (expense) income                               | \$(24,987) | \$(9,289) | \$283,142 | \$1,974   | \$1,242   |
| Adjustments to Interest and other (expense) income <sup>(2)</sup> | —          | —         | (281,551) | —         | —         |
| Interest and other (expense) income -Adjusted                     | \$(24,987) | \$(9,289) | \$1,591   | \$1,974   | \$1,242   |
| Income before Income Taxes  | \$723,431  | \$673,361 | \$958,462 | \$694,704 | \$624,102 |
| Adjustments to Income before Income Taxes                         | —          | —         | (236,355) | —         | —         |
| Income before Income Taxes-Adjusted                               | \$723,431  | \$673,361 | \$722,107 | \$694,704 | \$624,102 |
| Net Income  | \$449,711  | \$415,904 | \$593,804 | \$431,612 | \$387,026 |
| Adjustments to Net Income   | —          | —         | (146,797) | —         | —         |
| Net Income-Adjusted   | \$449,711  | \$415,904 | \$447,007 | \$431,612 | \$387,026 |
| Net Income per Share (basic)-Adjusted                             | \$3.06     | \$2.65    | \$2.77    | \$2.63    | \$2.35    |
| Net Income per Share (diluted)-Adjusted                           | \$3.05     | \$2.65    | \$2.76    | \$2.62    | \$2.33    |

The adjustment to income from operations includes \$34.6 million of personnel expense and \$10.6 million of other selling, general, and administrative expenses. Adjustments to personnel expense include \$33.0 million in incremental vesting expense of our equity awards triggered by the gain on the divestiture of T-Chek and \$1.4 million of transaction-related bonuses. Adjustments to other selling, general, and administrative expenses include amounts paid to third parties for investment banking, legal, and accounting fees related to acquisitions and divestitures.

(2) The adjustment to interest and other (expense) income reflects the gain from the divestiture of T-Chek.

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## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

## RESULTS OF OPERATIONS

The following table summarizes our total revenues by service line (dollars in thousands):

| For the years ended December 31, | 2014         | 2013         | Change | 2012         | Change  |
|----------------------------------|--------------|--------------|--------|--------------|---------|
| Transportation                   | \$11,921,974 | \$11,069,710 | 7.7 %  | \$9,685,415  | 14.3 %  |
| Sourcing                         | 1,533,555    | 1,669,134    | (8.1 ) | 1,620,183    | 3.0     |
| Payment Services                 | 14,538       | 13,232       | 9.9    | 53,515       | (75.3 ) |
| Total                            | \$13,470,067 | \$12,752,076 | 5.6 %  | \$11,359,113 | 12.3 %  |

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

| For the years ended December 31, | 2014   | 2013   | 2012   |
|----------------------------------|--------|--------|--------|
| Transportation                   | 15.8 % | 15.3 % | 15.8 % |
| Sourcing                         | 7.5    | 7.6    | 8.4    |
| Payment Services                 | 85.2   | 81.2   | 99.0   |
| Total                            | 14.9 % | 14.4 % | 15.1 % |

The following table summarizes our net revenues by service line (dollars in thousands):

| For the years ended December 31, | 2014        | 2013        | Change | 2012        | Change  |
|----------------------------------|-------------|-------------|--------|-------------|---------|
| Net revenues:                    |             |             |        |             |         |
| Transportation                   |             |             |        |             |         |
| Truckload                        | \$1,177,990 | \$1,054,565 | 11.7 % | \$1,060,120 | (0.5 )% |
| LTL <sup>(1)</sup>               | 258,884     | 239,477     | 8.1    | 224,160     | 6.8     |
| Intermodal                       | 40,631      | 39,084      | 4.0    | 38,815      | 0.7     |
| Ocean                            | 208,422     | 187,671     | 11.1   | 84,924      | 121.0   |
| Air                              | 79,125      | 73,089      | 8.3    | 44,444      | 64.5    |
| Customs                          | 41,575      | 36,578      | 13.7   | 18,225      | 100.7   |
| Other Logistics Services         | 73,097      | 67,931      | 7.6    | 57,449      | 18.2    |
| Total Transportation             | 1,879,724   | 1,698,395   | 10.7   | 1,528,137   | 11.1    |
| Sourcing                         | 115,546     | 126,950     | (9.0 ) | 136,438     | (7.0 )  |
| Payment Services                 | 12,382      | 10,750      | 15.2   | 52,996      | (79.7 ) |
| Total                            | \$2,007,652 | \$1,836,095 | 9.3 %  | \$1,717,571 | 6.9 %   |

(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:

| For the years ended December 31,                    | 2014  |   | 2013  |   | 2012  |   |
|---|-------|---|-------|---|-------|---|
| Net revenues  | 100.0 | % | 100.0 | % | 100.0 | % |
| Operating expenses:                                 |       |   |       |   |       |   |
| Personnel expenses                                  | 46.8  |   | 45.0  |   | 44.6  |   |
| Other selling, general, and administrative expenses | 15.9  |   | 17.8  |   | 16.1  |   |
| Total operating expenses                            | 62.7  |   | 62.8  |   | 60.7  |   |
| Income from operations                              | 37.3  |   | 37.2  |   | 39.3  |   |
| Interest and other (expense) income                 | (1.2  | ) | (0.5  | ) | 16.5  |   |
| Income before provision for income taxes            | 36.0  |   | 36.7  |   | 55.8  |   |
| Provision for income taxes                          | 13.6  |   | 14.0  |   | 21.2  |   |
| Net income  | 22.4  | % | 22.7  | % | 34.6  | % |

## 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, and South America. As a third party logistics provider, we enter into contractual relationships with a wide variety of transportation companies, and utilize those relationships to efficiently and cost effectively transport our customers' freight. We have contractual relationships with approximately 66,000 transportation companies, including motor carriers, railroads (primarily intermodal service providers), air freight, and ocean carriers. Depending on the needs of our customer and their supply chain requirements, we select and hire the appropriate transportation for each shipment. Our model enables us to be flexible, provide solutions that optimize service for our customers, and minimize our asset utilization risk.

In addition to transportation and logistics services, we also buy and sell fresh produce and offer fee-based payment services. Our Sourcing business is the buying, selling, and marketing of fresh produce. We purchase fresh produce through our network of produce suppliers and sell it to retail grocers and restaurant chains, produce wholesalers, and foodservice providers. In some cases, we also arrange the transportation of the produce we sell through our relationships with specialized transportation companies. Those revenues are reported as Transportation revenues. Historically, our Payment Services business consisted primarily of our former subsidiary, T-Chek Systems, Inc. ("T-Chek"). On October 16, 2012, we sold substantially all of our Payment Services business to Electronic Funds Source. We continue to generate Payment Services revenues from the cash advance options we offer our contracted carriers.

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

We keep our business model as variable as possible to allow us to be flexible and adapt to changing economic and industry conditions. We sell transportation services and produce to our customers with varied pricing arrangements. Some prices are committed to for a period of time, subject to certain terms and conditions, and some prices are set on a spot market basis. We buy most of our truckload 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.

In 2014, changing market conditions impacted our results. There were capacity constraints in nearly all of our transportation services. Additionally, we experienced a decrease in the length of haul in our North American truckload business in 2014 compared to 2013, which contributed to increased net revenue margin in our truckload transportation business. In general, a shorter length of haul can result in higher customer rates and transportation costs per mile.

We keep our personnel and other operating expenses as variable as possible. Compensation is performance-oriented and, for most employees in the office network, based on the profitability of their individual office. In 2014, we were able to leverage our past investments of talent and adapt to changing market conditions and drive efficiencies in our network. We experienced

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record North American truckload productivity levels in 2014, as measured by volumes per person. In 2015, we expect to grow our headcount to support our future volume growth.

Our personnel decisions are decentralized. Our branch managers determine the appropriate number of employees for their offices, within productivity guidelines, based on their volume of business. This helps keep our personnel expense as variable as possible with the business.

**Our branch 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 offices help us penetrate local markets, provide face-to-face service when needed, and recruit contract carriers. Our network also gives us knowledge of local market conditions, which is important in the transportation industry because it is market driven and very dynamic. In January 2015, we completed our acquisition of Freightquote.com, Inc. ("Freightquote"), a privately held freight broker based in Kansas City, Missouri. Freightquote provides services throughout North America. The acquisition enhances and brings synergies to our LTL and truckload businesses, and expands our e-commerce capabilities.

Our October 2012 acquisition of Apreo Logistics S.A. ("Apreo"), a leading freight forwarder based in Warsaw, Poland, enhanced our truckload capabilities in Europe. Our November 2012 acquisition of Phoenix, an international freight forwarder based in Chicago, Illinois, expanded our global forwarding network.

**Our people.** Because we are a service company, our continued success is dependent on our ability to continue to hire and retain talented, productive people, and to properly align our headcount and personnel expense with our business. Our headcount decreased by 155 employees during 2014. Employees act as a team in their sales efforts, customer service, and operations. A significant portion of many of our employees' compensation is performance-oriented, based on individual performance and the profitability of their office. We believe this makes our employees more service-oriented and focused on driving growth and maximizing office productivity. All of our managers and certain other employees who have significant responsibilities are eligible to receive equity awards because we believe these awards are an effective tool for creating long-term ownership and alignment between employees and our shareholders. **Our customers.** In 2014, we worked with more than 46,000 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. Our top 100 customers represented approximately 37 percent of our total revenues and approximately 26 percent of our net revenues. Our largest customer was approximately two percent of our total revenues and approximately one percent of our total net revenues.

**Our contracted carriers.** Our contracted carrier base includes motor carriers, railroads (primarily intermodal service providers), air freight, and ocean carriers. In 2014, our carrier base was approximately 66,000, up from approximately 63,000 in 2013. Motor carriers that had fewer than 100 tractors transported approximately 83 percent of our truckload shipments in 2014. In our Transportation business, no single contracted carrier represents more than approximately two percent of our contracted carrier capacity.

### 2014 COMPARED TO 2013

**Total revenues and direct costs.** Our consolidated total revenues increased 5.6 percent in 2014 compared to 2013.

Total Transportation revenues increased 7.7 percent to \$11.9 billion in 2014 from \$11.1 billion in 2013. This increase in Transportation revenues was driven by higher volumes in nearly all of our transportation modes and increased pricing to our customers. Total purchased transportation and related services increased 7.2 percent in 2014 to \$10.0 billion from \$9.4 billion in 2013. This increase was due to higher volumes in nearly all of our transportation modes and higher transportation costs. Our Sourcing revenue decreased 8.1 percent to \$1.5 billion in 2014 from \$1.7 billion in 2013. Purchased products sourced for resale decreased 8.1 percent in 2014 to \$1.4 billion from \$1.5 billion in 2013. These decreases were primarily due to decreased case volumes and a change in customer, product, and service mix. Our Payment Services revenue increased 9.9 percent to \$14.5 million in 2014 from \$13.2 million in 2013.

**Net revenues.** Total Transportation net revenues increased 10.7 percent to \$1.9 billion in 2014 from \$1.7 billion in 2013. Our Transportation net revenue margin increased to 15.8 percent in 2014 from 15.3 percent in 2013, largely driven by an increase in transportation rates charged to our customers, partially offset by higher transportation costs.





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Our truckload net revenues increased 11.7 percent to \$1.2 billion in 2014 from \$1.1 billion in 2013. Truckload volumes increased approximately 3 percent in 2014. Truckload net revenue margin increased in 2014 due to increased rates charged to our customers, partially offset by increased cost of capacity. Excluding the estimated impact of the change in fuel, on average, our truckload rates increased approximately 11 percent in 2014. Our truckload transportation costs increased approximately 10 percent, excluding the estimated impacts of the change in fuel. LTL net revenues increased 8.1 percent to \$258.9 million in 2014 from \$239.5 million in 2013. The increase in net revenues was driven by an increase in total shipments of approximately seven percent and increased customer pricing, partially offset by decreased net revenue margin.

Our intermodal net revenue increase of 4.0 percent to \$40.6 million in 2014 from \$39.1 million in 2013 was driven largely by a change in the mix of business and improved customer pricing, partially offset by volume declines.

Our ocean transportation net revenues increased 11.1 percent to \$208.4 million in 2014 from \$187.7 million in 2013. The increase in net revenues was primarily due to increased volumes and net revenue margin.

Our air transportation net revenues increased 8.3 percent to \$79.1 million in 2014 from \$73.1 million in 2013. The increase was primarily due to increased net revenue margin and volumes.

Our customs net revenues increased 13.7 percent to \$41.6 million in 2014 from \$36.6 million in 2013. The increase was due to increased transaction volumes.

Other logistics services net revenues, which include managed services, warehousing, and small parcel, increased 7.6 percent to \$73.1 million in 2014 from \$67.9 million in 2013. The increase in 2014 was primarily due to growth in managed services as a result of adding new customers.

Sourcing net revenues decreased 9.0 percent to \$115.5 million in 2014 from \$127.0 million in 2013. This decrease was primarily due to a change in customer, product, and service mix. Our net revenue margin decreased to 7.5 percent in 2014 compared to 7.6 percent in 2013.

Payment Services net revenues increased 15.2 percent to \$12.4 million in 2014 from \$10.8 million in 2013. This was primarily due to a rate increase on our cash advance option in July 2014.

Operating expenses. Operating expenses increased 9.2 percent to \$1.3 billion in 2014 from \$1.2 billion in 2013. This was due to an increase of 13.6 percent in personnel expenses and an decrease of 2.0 percent in other selling, general, and administrative expenses. As a percentage of net revenues, operating expenses decreased to 62.7 percent in 2014 from 62.8 percent in 2013.

Our personnel expenses are driven by headcount and earnings growth. In 2014, personnel expenses increased to \$939.0 million from \$826.7 million in 2013. Our personnel expenses as a percentage of net revenue increased in 2014 to 46.8 percent from 45.0 percent in 2013. The increase in personnel expense was due primarily to an increase in expenses related to incentive plans that are designed to keep expenses variable with changes in net revenues and profitability, in addition to average headcount growth of 2.7 percent in 2014.

Other selling, general, and administrative expenses decreased 2.0 percent to \$320.2 million in 2014 from \$326.8 million in 2013. The decrease in our selling, general, and administrative expenses is primarily related to decreases in claims and travel expenses.

Income from operations. Income from operations increased 9.6 percent to \$748.4 million in 2014 from \$682.7 million in 2013. Income from operations as a percentage of net revenues increased to 37.3 percent in 2014 from 37.2 percent in 2013. This increase was due to our net revenues growing more than our operating expenses.

Interest and other (expense) income. Interest and other expense was \$25.0 million in 2014 compared to \$9.3 million in 2013. The increase was due primarily to the interest expense related the long-term notes issued during the third quarter of 2013.

Provision for income taxes. Our effective income tax rate was 37.8 percent for 2014 and 38.2 percent for 2013. The effective income tax rate for both periods is greater than the statutory federal income tax rate, primarily due to state income taxes, net of federal benefit.

Net income. Net income increased 8.1 percent to \$449.7 million in 2014 from \$415.9 million in 2013. Basic net income per share increased 15.5 percent to \$3.06. Diluted net income per share increased 15.1 percent to \$3.05. Our weighted average basic and diluted shares outstanding decreased 6.2 percent and 6.1 percent respectively in 2014 compared to 2013, primarily due to the 8.5 million shares repurchased as part of accelerated share ("ASR") repurchase

program initiated in 2013.

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## 2013 COMPARED TO 2012

Total revenues and direct costs. Our consolidated total revenues increased 12.3 percent in 2013 compared to 2012. Total Transportation revenues increased 14.3 percent to \$11.1 billion in 2013 from \$9.7 billion in 2012. This increase was driven by higher volumes in nearly all of our transportation modes, the Phoenix acquisition, and increased pricing to our customers, including the impacts of higher fuel costs. Total purchased transportation and related services increased 14.9 percent in 2013 to \$9.4 billion from \$8.2 billion in 2012. This increase was due to higher volumes in nearly all of our transportation modes, the Phoenix acquisition, and higher transportation costs. Our Sourcing revenue increased 3.0 percent to \$1.7 billion in 2013 from \$1.6 billion in 2012. This increase was primarily due to higher case volumes. Purchased products sourced for resale increased 3.9 percent in 2013 to \$1.54 billion from \$1.48 billion in 2012. This increase was primarily due to higher case volumes and higher cost per case. Our Payment Services revenue decreased 75.3 percent to \$13.2 million in 2013 from \$53.5 million in 2012. The decrease was due to the sale of substantially all of our Payment Services business, T-Chek, to EFS on October 16, 2012.

Net revenues. Total Transportation net revenues increased 11.1 percent to \$1.70 billion in 2013 from \$1.53 billion in 2012. Our Transportation net revenue margin decreased to 15.3 percent in 2013 from 15.8 percent in 2012 largely driven by higher transportation costs, partially offset by an increase in transportation rates charged to our customers. Our truckload net revenues decreased 0.5 percent to \$1.05 billion in 2013 from \$1.06 billion in 2012. Truckload volumes increased approximately ten percent in 2013. Truckload net revenue margin decreased in 2013 due to increased cost of capacity, partially offset by increased rates charged to our customers. Excluding the estimated impact of the change in fuel, on average, our truckload rates increased approximately two percent in 2013. Our truckload transportation costs increased approximately three percent, excluding the estimated impacts of the change in fuel. LTL net revenues increased 6.8 percent to \$239.5 million in 2013 from \$224.2 million in 2012. The increase in net revenues was driven by an increase in total shipments of seven percent, partially offset by decreased net revenue margin. Our LTL transportation costs are increasing, while customer pricing has not kept up with increases in carrier costs.

Our intermodal net revenue increase of 0.7 percent to \$39.1 million in 2013 from \$38.8 million in 2012 was driven largely by a change in the mix of business and improved customer pricing, partially offset by volume declines.

Our ocean transportation net revenues increased 121.0 percent to \$187.7 million in 2013 from \$84.9 million in 2012. Our air transportation net revenues increased 64.5 percent to \$73.1 million in 2013 from \$44.4 million in 2012. Our customs net revenues increased 100.7 percent to \$36.6 million in 2013 from \$18.2 million in 2012. These increases were primarily driven by our acquisition of Phoenix.

Other logistics services net revenues, which include transportation management services, warehousing, and small parcel, increased 18.2 percent to \$67.9 million in 2013 from \$57.4 million in 2012. This increase was primarily due to an increase in warehouse services.

Sourcing net revenues decreased 7.0 percent to \$127.0 million in 2013 from \$136.4 million in 2012. This decrease was primarily due to a reduction in business with a large customer and a decrease in net revenue per case, partially offset by increased volumes. Our net revenue margin decreased to 7.6 percent in 2013 compared to 8.4 percent in 2012.

Historically, Payment Services was comprised primarily of revenue related to our former subsidiary, T-Chek. Payment Services net revenues decreased 79.7 percent to \$10.8 million in 2013 from \$53.0 million in 2012. The decrease was due to the T-Chek divestiture on October 16, 2012. We continue to generate Payment Services revenues from the cash advance options we offer our contracted carriers.

Operating expenses. Operating expenses increased 10.7 percent to \$1.2 billion in 2013 from \$1.0 billion in 2012. This was due to an increase of 7.9 percent in personnel expenses and an increase of 18.3 percent in other selling, general, and administrative expenses. As a percentage of net revenues, operating expenses increased to 62.8 percent in 2013 from 60.7 percent in 2012. This increase was primarily due to increased personnel and other selling, general, and administrative expenses as a result of our acquisitions in 2012.

Our personnel expenses are driven by headcount and earnings growth. In 2013, personnel expenses increased to \$826.7 million from \$766.0 million in 2012. Our personnel expenses as a percentage of net revenue increased in 2013 to 45.0 percent from 44.6 percent in 2012. In 2013, our average headcount increased approximately 25 percent, related

primarily to the acquisitions of Apreo and Phoenix. The increase in personnel expense from headcount growth was partially offset by declines in expenses related to incentive plans that are designed to keep expenses variable with changes in net revenues and profitability.

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Other selling, general, and administrative expenses increased 18.3 percent to \$326.8 million in 2013 from \$276.2 million in 2012. The increase in our selling, general, and administrative expenses is primarily related to an increase in amortization of intangible assets acquired, occupancy, and travel, partially offset by a reduction in purchased professional services.

Income from operations. Income from operations increased 1.1 percent to \$682.7 million in 2013 from \$675.3 million in 2012. Income from operations as a percentage of net revenues decreased to 37.2 percent in 2013 from 39.3 percent in 2012. This decrease was due to our expenses growing faster than our net revenues. Additionally, Phoenix has a higher operating expense to net revenue ratio than C.H. Robinson has historically experienced.

Interest and other (expense) income. Interest and other expense was \$9.3 million in 2013 compared to income of \$283.1 million in 2012. In 2013, we recorded interest expense on borrowings of \$11.1 million. In 2012, we recorded a gain of \$281.6 million on the divestiture of substantially all of our T-Chek business.

Provision for income taxes. Our effective income tax rate was 38.2 percent for 2013 and 38.0 percent for 2012. The effective income tax rate for both periods is greater than the statutory federal income tax rate, primarily due to state income taxes, net of federal benefit.

Net income. Net income decreased 30.0 percent to \$415.9 million in 2013 from \$593.8 million in 2012. Basic net income per share decreased 28.0 percent to \$2.65. Diluted net income per share decreased 27.8 percent to \$2.65.

## LIQUIDITY AND CAPITAL RESOURCES

We have historically generated substantial cash from operations, which has enabled us to fund our growth while paying cash dividends and repurchasing stock. In 2012, we entered into a senior unsecured revolving credit facility to partially fund the acquisition of Phoenix. In December 2014, we amended the revolving credit facility to increase the amount available from \$500 million to \$900 million and to extend the expiration date from October 2017 to December 2019. In 2013, we entered into a Note Purchase Agreement to fund the accelerated share repurchase agreements to repurchase \$500 million worth of our common stock. The Note Purchase Agreement was amended in February 2015 to conform its financial covenants to be consistent with the amended revolving credit facility. We also expect to use the revolving credit facility, and potentially other indebtedness incurred in the future, to assist us in continuing to fund working capital, capital expenditures, possible acquisitions, dividends, and share repurchases. Cash and cash equivalents totaled \$128.9 million and \$162.0 million as of December 31, 2014 and 2013. Cash and cash equivalents held outside the United States totaled \$80.6 million and \$80.2 million as of December 31, 2014 and 2013. Working capital at December 31, 2014 was \$529.6 million, which included \$359.4 million of restricted cash. Working capital at December 31, 2013 was \$394.5 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 \$513.4 million, \$347.8 million, and \$460.3 million of cash flow from operations in 2014, 2013, and 2012. The increase of \$165.6 million in cash flow from operations in 2014 is primarily the result of a \$101.5 million decrease in accrued income taxes, and increases in stock-based compensation, and accrued compensation and profit-sharing. During the first quarter of 2013, we used \$111.8 million to fund the payment of income taxes, primarily related to the gain recognized on the divestiture of T-Chek.

Cash used for investing activities. We used \$388.9 million of cash in 2014, \$28.9 million of cash in 2013, and \$359.1 million of cash in 2012 for investing activities. Our investing activities consist primarily of capital expenditures and cash paid for acquisitions. On December 31, 2014, we funded \$359.4 million of the purchase price for the acquisition of Freightquote, into escrow accounts pursuant to the purchase agreement and completion of the acquisition in January 2015. In 2012, cash received for the divestiture of T-Chek, net of the cash we sold, was \$274.8 million.

We used \$29.5 million, \$48.2 million, and \$50.7 million of cash for capital expenditures in 2014, 2013, and 2012. We spent \$24.0 million, \$35.9 million, and \$42.0 million in 2014, 2013, and 2012 primarily for annual investments in information technology equipment to support our operating systems, including the purchase and development of software. These information technology investments are intended to improve efficiencies and help grow the business.

Additionally, we built a new office building on our corporate campus in Eden Prairie, Minnesota. This building was completed in the first quarter of 2014 and it replaced space we previously leased in Eden Prairie. The cost of the building was approximately \$18.5 million, and the majority was funded in 2013.

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In 2012, we purchased 500 intermodal containers for \$5.2 million and funded the balance of the 2011 container purchases of approximately \$2.5 million.

We anticipate capital expenditures in 2015 to be approximately \$50 million to \$55 million.

During the second quarter of 2013, we received \$19.1 million in cash from the settlement of post-closing and working capital adjustments, in accordance with the Phoenix purchase agreement. We used cash of \$583.6 million for acquisitions in 2012. On October 1, 2012, we acquired Apreo for \$22.8 million, net of cash acquired. On November 1, 2012, we paid \$560.8 million in cash for Phoenix, net of cash acquired.

Cash used for financing activities. We used \$143.6 million, \$364.9 million, and \$264.3 million of cash flow for financing activities in 2014, 2013, and 2012.

In 2014 and 2013, we had net short-term borrowings of \$230.0 million and \$121.4 million, respectively. On October 29, 2012, we entered into a senior unsecured revolving credit facility for up to \$500 million with a \$500 million accordion feature. In December of 2014, we amended this facility to increase the amount available from \$500 million to \$900 million and extended the expiration of the facility from October 2017 to December 2019. This facility had \$605.0 million outstanding as of December 31, 2014. The original purpose of this facility was to partially fund the acquisition of Phoenix and will assist us in continuing to fund working capital, capital expenditures, possible acquisitions, dividends, and share repurchases. Advances under the facility carry an interest rate based on our total funded debt to total capitalization, as measured at the end of each quarter, and are based on a spread over LIBOR for outstanding balances. In addition, there is a commitment fee on the average daily undrawn stated amount under each letter of credit issued under the facility. The credit agreement contains certain financial covenants that require us to maintain a minimum fixed leverage ratio and minimum liquidity. We were in compliance with all of the credit facility's debt covenants as of December 31, 2014.

On August 23, 2013, we entered into a Note Purchase Agreement for \$500.0 million, of which the entire balance was outstanding as of December 31, 2014, and December 31, 2013. The primary purpose of this agreement was to fund the ASR agreements that were entered into on August 24, 2013. The agreement contains certain financial covenants that require us to maintain a minimum leverage ratio, an interest coverage ratio, and minimum liquidity. We were in compliance with all the covenants in the Notes as of December 31, 2014. The Note Purchase Agreement was amended in February 2015 to conform its financial covenants to be consistent with the amended revolving credit facility.

We used \$215.0 million, \$220.3 million, and \$275.4 million to pay cash dividends in 2014, 2013, and 2012. The decrease in 2014 was due to a decrease in the number of shares outstanding compared to 2013. The decrease in 2013 was due to a fifth quarterly dividend paid in 2012 and a lower number of shares outstanding in 2013, partially offset by an increase in the dividend rate in 2013 to \$0.35 per share from \$0.33 per share in 2012.

We also used \$164.0 million, \$757.3 million, and \$245.1 million on share repurchases in 2014, 2013, and 2012. The increase in 2013 was due to the \$500.0 million of shares repurchased as part of the ASR agreements entered into during the third quarter of 2013. We received 6.1 million shares of common stock with a fair value of \$350.0 million during the third quarter of 2013, which represented approximately 70 percent of the total shares expected to be repurchased under the agreements. In December 2013, one of the banks terminated their ASR agreement and delivered 1.2 million shares. In February 2014, the remaining ASR agreement was terminated. Approximately 1.2 million shares were delivered as final settlement of the remaining agreement. In August 2013, the Board of Directors increased the number of shares authorized to be repurchased by 15,000,000 shares. As of December 31, 2014, there were 10,306,342 shares remaining for future repurchases. The number of shares we repurchase, if any, during future periods will vary based on our cash position, potential uses of our cash, and market conditions.

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 facility, and credit available in the market, will be sufficient to satisfy our anticipated needs for working capital, capital expenditures, and cash dividends in future periods. We also believe we could obtain funds under lines of credit or other forms of indebtedness on short notice, if needed.



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CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our 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 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 includes a summary of the significant accounting policies and methods used in the preparation of our consolidated financial statements. The following is a brief discussion of our critical accounting policies and estimates.

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

Additionally, in our Sourcing business, we take loss of inventory risk during shipment and have general inventory risk. Certain transactions in customs brokerage, transportation management, and sourcing are recorded at the net amount we charge our customers for the service we provide because many of the factors stated above are not present. **Valuations for accounts receivable.** Our allowance for doubtful accounts is calculated based upon the aging of our receivables, our historical experience of uncollectible accounts, and any specific customer collection issues that we have identified. The allowance of \$41.1 million as of December 31, 2014, increased compared to the allowance of \$39.3 million as of December 31, 2013. This increase was primarily due to growth in our accounts receivable balance. We believe that the recorded allowance is sufficient and appropriate based on our customer aging trends, the exposures we have identified, and our historical loss experience.

**Goodwill.** We manage and report our operations as one operating segment. Our branches represent a series of components that are aggregated for the purpose of evaluating goodwill for impairment on an enterprise-wide basis. The fair value of the enterprise-wide reporting unit substantially exceeds the book value; therefore we have determined that there is no goodwill impairment as of December 31, 2014.

**Stock-based compensation.** We issue stock awards, including stock options, performance shares, and restricted stock units, to key employees and outside directors. In general, the awards vest over five years, either based on the company's earnings growth or the passage of time. 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 17 percent to 22 percent and are calculated using the Black-Scholes option pricing model. Changes in the measured stock price volatility and interest rates are the primary reason for changes in the discount. For grants of options, we use the Black-Scholes option pricing model to estimate the fair value of the awards. The determination of the fair value 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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## DISCLOSURES ABOUT CONTRACTUAL OBLIGATIONS AND COMMERCIAL CONTINGENCIES

The following table aggregates all contractual commitments and commercial obligations, due by period, that affect our financial condition and liquidity position as of December 31, 2014 (dollars in thousands):

|  | 2015      | 2016     | 2017     | 2018     | 2019     | Thereafter | Total       |
|--|-----------|----------|----------|----------|----------|------------|-------------|
| Borrowings under credit agreements     | \$605,000 | \$—      | \$—      | \$—      | \$—      | \$—        | \$605,000   |
| Long-term notes payable <sup>(1)</sup> | 21,388    | 21,388   | 21,388   | 21,388   | 21,388   | 698,000    | 804,940     |
| Operating Leases <sup>(2)</sup>        | 43,903    | 35,419   | 28,295   | 18,794   | 13,559   | 9,807      | 149,777     |
| Purchase Obligations <sup>(3)</sup>    | 62,515    | 5,062    | 1,242    | 363      | 363      | —          | 69,545      |
| Total                                  | \$732,806 | \$61,869 | \$50,925 | \$40,545 | \$35,310 | \$707,807  | \$1,629,262 |

(1) Amounts payable relate to the semi-annual interest due on the long-term notes and the principal amount at maturity.

(2) We have certain facilities and equipment under operating leases.

Purchase obligations include agreements for services that are enforceable and legally binding and that specify all significant terms. As of December 31, 2014, such obligations include ocean and air freight capacity, telecommunications services, and maintenance contracts.

We have no capital lease obligations. Long-term liabilities consist of noncurrent income taxes payable, long-term notes payable, and the obligation under our non-qualified deferred compensation plan. Due to the uncertainty with respect to the timing of future cash flows associated with our unrecognized tax benefits at December 31, 2014, we are unable to make reasonably reliable estimates of the period of cash settlement with the respective taxing authority. Therefore, \$24.0 million of unrecognized tax benefits have been excluded from the contractual obligations table above. See Note 5 to the consolidated financial statements for a discussion on income taxes. The obligation under our non-qualified deferred compensation plan has also been excluded from the above table as the timing of cash payment is uncertain. As of December 31, 2014, we did not have any off-balance sheet arrangements as defined in Item 303 (a)(4)(ii) of SEC Regulation S-K.

## ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We had \$128.9 million of cash and investments on December 31, 2014, consisting entirely of cash and cash equivalents. Although these investments are subject to the credit risk of the issuer, we manage our investment portfolio to limit our exposure to any one issuer. Substantially all of the cash equivalents are money market securities from treasury and tax exempt money issuers. Because of the credit risk criteria of our investment policies and practices, the primary market risks associated with these investments are interest rate and liquidity risks.

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. At December 31, 2014, there was \$605.0 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 December 31, 2014, there was \$500.0 million outstanding on the notes.

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.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of  
C.H. Robinson Worldwide, Inc.  
Eden Prairie, MN

We have audited the accompanying consolidated balance sheets of C.H. Robinson Worldwide, Inc. and subsidiaries (the "Company") as of December 31, 2014 and 2013, and the related consolidated statements of operations and comprehensive income, stockholders' investment, and cash flows for each of the three years in the period ended December 31, 2014. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of C.H. Robinson Worldwide, Inc. and subsidiaries as of December 31, 2014 and 2013 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2014, based on the criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 2, 2015 expressed an unqualified opinion on the Company's internal control over financial reporting.

Minneapolis, Minnesota  
March 2, 2015



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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of  
C.H. Robinson Worldwide, Inc.  
Eden Prairie, MN

We have audited the internal control over financial reporting of C.H. Robinson Worldwide, Inc. and subsidiaries (the "Company") as of December 31, 2014, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Controls over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on the criteria established in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule as of and for the year ended December 31, 2014 of the Company and our report dated March 2, 2015 expressed an unqualified opinion on those financial statements and financial statement schedule.

Minneapolis, Minnesota  
March 2, 2015

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CONSOLIDATED BALANCE SHEETS

| (In thousands, except per share data)   | December 31, |              |
|---|--------------|--------------|
|   | 2014         | 2013         |
| <b>ASSETS</b>   |              |              |
| Current assets:   |              |              |
| Cash and cash equivalents   | \$ 128,940   | \$ 162,047   |
| Restricted cash   | 359,388      | —            |
| Receivables, net of allowance for doubtful accounts of \$41,051 and \$39,292  | 1,571,591    | 1,449,581    |
| Deferred tax asset  | 7,746        | 8,286        |
| Prepaid expenses and other  | 37,794       | 44,571       |
| Total current assets  | 2,105,459    | 1,664,485    |
| Property and equipment  | 313,688      | 300,795      |
| Accumulated depreciation and amortization   | (161,217 )   | (140,092 )   |
| Net property and equipment  | 152,471      | 160,703      |
| Goodwill  | 825,038      | 829,073      |
| Other intangible assets, net of accumulated amortization of \$36,917 and \$33,325   | 98,330       | 117,467      |
| Other assets  | 33,040       | 31,090       |
| Total assets  | \$3,214,338  | \$2,802,818  |
| <b>LIABILITIES AND STOCKHOLDERS' INVESTMENT</b>   |              |              |
| Current liabilities:  |              |              |
| Accounts payable  | \$716,654    | \$685,890    |
| Outstanding checks  | 78,601       | 69,117       |
| Accrued expenses—   |              |              |
| Compensation and profit-sharing contribution  | 125,624      | 85,247       |
| Income taxes  | 4,616        | 11,681       |
| Other accrued liabilities   | 45,365       | 43,046       |
| Current portion of debt   | 605,000      | 375,000      |
| Total current liabilities   | 1,575,860    | 1,269,981    |
| Long-term debt  | 500,000      | 500,000      |
| Noncurrent income taxes payable   | 24,279       | 21,584       |
| Deferred tax liabilities  | 66,961       | 70,618       |
| Other long term liabilities   | 223          | 911          |
| Total liabilities   | 2,167,323    | 1,863,094    |
| Commitments and contingencies   |              |              |
| 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; 178,621 and 179,030 shares issued, 146,458 and 150,197 outstanding | 14,646       | 15,020       |
| Additional paid-in capital  | 321,968      | 217,894      |
| Retained earnings   | 2,648,539    | 2,413,833    |
| Accumulated other comprehensive loss  | (28,610 )    | (10,620 )    |
| Treasury stock at cost (32,163 and 28,833 shares)   | (1,909,528 ) | (1,696,403 ) |
| Total stockholders' investment  | 1,047,015    | 939,724      |
| Total liabilities and stockholders' investment  | \$3,214,338  | \$2,802,818  |

See accompanying notes to the consolidated financial statements.

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## C.H. ROBINSON WORLDWIDE, INC.

## CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

| (In thousands, except per share data)                            | For the years ended December 31, |              |             |
|--|----------------------------------|--------------|-------------|
|  | 2014                             | 2013         | 2012        |
| Revenues:  |                                  |              |             |
| Transportation   | \$11,921,974                     | \$11,069,710 | \$9,685,415 |
| Sourcing   | 1,533,555                        | 1,669,134    | 1,620,183   |
| Payment Services   | 14,538                           | 13,232       | 53,515      |
| Total revenues   | 13,470,067                       | 12,752,076   | 11,359,113  |
| Costs and expenses:  |                                  |              |             |
| Purchased transportation and related services                    | 10,042,250                       | 9,371,315    | 8,157,278   |
| Purchased products sourced for resale                            | 1,418,009                        | 1,542,184    | 1,483,745   |
| Purchased payment services                                       | 2,156                            | 2,482        | 519         |
| Personnel expenses   | 939,021                          | 826,661      | 766,006     |
| Other selling, general, and administrative expenses              | 320,213                          | 326,784      | 276,245     |
| Total costs and expenses   | 12,721,649                       | 12,069,426   | 10,683,793  |
| Income from operations   | 748,418                          | 682,650      | 675,320     |
| Interest and other (expense) income                              | (24,987 )                        | (9,289 )     | 283,142     |
| Income before provision for income taxes                         | 723,431                          | 673,361      | 958,462     |
| Provision for income taxes                                       | 273,720                          | 257,457      | 364,658     |
| Net income   | 449,711                          | 415,904      | 593,804     |
| Other comprehensive loss   | (17,990 )                        | (1,275 )     | (230 )      |
| Comprehensive income   | \$431,721                        | \$414,629    | \$593,574   |
| Basic net income per share                                       | \$3.06                           | \$2.65       | \$3.68      |
| Diluted net income per share                                     | \$3.05                           | \$2.65       | \$3.67      |
| Basic weighted average shares outstanding                        | 147,202                          | 156,915      | 161,557     |
| Dilutive effect of outstanding stock awards                      | 340                              | 165          | 389         |
| Diluted weighted average shares outstanding                      | 147,542                          | 157,080      | 161,946     |
| See accompanying notes to the consolidated financial statements. |                                  |              |             |



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## C.H. ROBINSON WORLDWIDE, INC.

## CONSOLIDATED STATEMENTS OF STOCKHOLDERS' INVESTMENT

| (In thousands, except per share data)                                | Common Shares Outstanding | Amount    | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Loss | Treasury Stock | Total Stockholders' Investment |
|--|---------------------------|-----------|----------------------------|-------------------|--------------------------------------|----------------|--------------------------------|
| Balance December 31, 2011  | 163,441                   | \$ 16,344 | \$ 205,794                 | \$ 1,845,032      | \$(9,115)                            | \$(809,581)    | \$ 1,248,474                   |
| Net income   |                           |           |                            | 593,804           |                                      |                | 593,804                        |
| Foreign currency translation adjustment                              |                           |           |                            |                   | (230)                                |                | (230)                          |
| Dividends declared, \$1.34 per share                                 |                           |           |                            | (220,607)         |                                      |                | (220,607)                      |
| Stock issued for acquisition   | 1,108                     | 111       | 60,041                     |                   |                                      |                | 60,152                         |
| Stock issued for employee benefit plans                              | 712                       | 71        | (32,435)                   |                   |                                      | 40,450         | 8,086                          |
| Issuance of restricted stock   | 276                       | 28        | (28)                       |                   |                                      |                | —                              |
| Stock-based compensation expense                                     | 28                        | 3         | 57,813                     |                   |                                      | 1,647          | 59,463                         |
| Excess tax benefit on deferred compensation and employee stock plans |                           |           | 12,294                     |                   |                                      |                | 12,294                         |
| Repurchase of common stock   | (4,238)                   | (424)     |                            |                   |                                      | (256,640)      | (257,064)                      |
| Balance December 31, 2012  | 161,327                   | 16,133    | 303,479                    | 2,218,229         | (9,345)                              | (1,024,124)    | 1,504,372                      |
| Net income   |                           |           |                            | 415,904           |                                      |                | 415,904                        |
| Foreign currency translation adjustment                              |                           |           |                            |                   | (1,275)                              |                | (1,275)                        |
| Dividends declared, \$1.40 per share                                 |                           |           |                            | (220,300)         |                                      |                | (220,300)                      |
| Stock issued for employee benefit plans                              | 263                       | 26        | (45,106)                   |                   |                                      | 10,102         | (34,978)                       |
| Issuance of restricted stock   | 335                       | 34        | (34)                       |                   |                                      |                | —                              |
| Stock-based compensation expense                                     | 30                        | 3         | 7,346                      |                   |                                      | 1,747          | 9,096                          |
| Excess tax benefit on deferred compensation and employee stock plans |                           |           | 27,209                     |                   |                                      |                | 27,209                         |
| Repurchase of common stock   | (11,758)                  | (1,176)   | (75,000)                   |                   |                                      | (684,128)      | (760,304)                      |
| Balance December 31, 2013  | 150,197                   | 15,020    | 217,894                    | 2,413,833         | (10,620)                             | (1,696,403)    | 939,724                        |
| Net income   |                           |           |                            | 449,711           |                                      |                | 449,711                        |
| Foreign currency translation adjustment                              |                           |           |                            |                   | (17,990)                             |                | (17,990)                       |

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|  |          |          |           |             |             |               |             |
|--|----------|----------|-----------|-------------|-------------|---------------|-------------|
| Comprehensive income   |          |          |           |             |             |               | 431,721     |
| Dividends declared,<br>\$1.43 per share                                    |          |          |           | (215,005 )  |             |               | (215,005 )  |
| Stock issued for<br>employee benefit plans                                 | 405      | 40       | (24,644 ) |             | 23,937      |               | (667 )      |
| Issuance of restricted<br>stock  | (410 )   | (41 )    | 41        |             |             |               | —           |
| Stock-based<br>compensation expense  | 30       | 3        | 46,119    |             | 1,599       |               | 47,721      |
| Excess tax benefit on<br>deferred compensation<br>and employee stock plans |          |          | 7,558     |             |             |               | 7,558       |
| Repurchase of common<br>stock  | (3,764 ) | (376 )   | 75,000    |             | (238,661 )  |               | (164,037 )  |
| Balance December 31,<br>2014   | 146,458  | \$14,646 | \$321,968 | \$2,648,539 | \$(28,610 ) | \$(1,909,528) | \$1,047,015 |

See accompanying notes to the consolidated financial statements.

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CONSOLIDATED STATEMENTS OF CASH FLOWS

| (In thousands)  | For the year ended December 31, |               |             |
|---|---------------------------------|---------------|-------------|
|   | 2014                            | 2013          | 2012        |
| <b>OPERATING ACTIVITIES</b>   |                                 |               |             |
| Net income  | \$449,711                       | \$415,904     | \$593,804   |
| Adjustments to reconcile net income to net cash provided by operating activities: |                                 |               |             |
| Depreciation and amortization   | 57,009                          | 56,882        | 38,090      |
| Provision for doubtful accounts   | 15,092                          | 15,587        | 10,459      |
| Stock-based compensation  | 47,861                          | 9,094         | 59,381      |
| Gain on divestiture   | (1,848)                         | ) —           | (281,551)   |
| Deferred income taxes   | (3,117)                         | ) 25,226      | (14,442)    |
| Loss on sale/disposal of assets   | 710                             | 314           | 3,208       |
| Other long-term liabilities   | —                               | 5             | 513         |
| Changes in operating elements, net of effects of acquisitions:                    |                                 |               |             |
| Receivables   | (137,102)                       | ) (87,316)    | ) (88,107)  |
| Prepaid expenses and other  | 6,294                           | (5,254)       | ) 5,260     |
| Other non-current assets  | 380                             | —             | —           |
| Accounts payable and outstanding checks   | 40,251                          | 47,488        | 61,732      |
| Accrued compensation and profit-sharing contribution                              | 40,236                          | (15,097)      | ) (19,064)  |
| Accrued income taxes  | (4,370)                         | ) (105,857)   | ) 104,542   |
| Other accrued liabilities   | 2,319                           | (9,199)       | ) (13,483)  |
| Net cash provided by operating activities   | 513,426                         | 347,777       | 460,342     |
| <b>INVESTING ACTIVITIES</b>   |                                 |               |             |
| Purchases of property and equipment   | (22,364)                        | ) (40,354)    | ) (36,096)  |
| Purchases and development of software   | (7,138)                         | ) (7,852)     | ) (14,560)  |
| Cash received for divestiture, net of cash sold                                   | —                               | —             | 274,802     |
| Acquisitions, net of cash acquired  | —                               | 19,126        | (583,631)   |
| Restricted cash   | (359,388)                       | ) —           | —           |
| Other   | (6)                             | ) 221         | 419         |
| Net cash used for investing activities  | (388,896)                       | ) (28,859)    | ) (359,066) |
| <b>FINANCING ACTIVITIES</b>   |                                 |               |             |
| Proceeds from stock issued for employee benefit plans                             | 11,942                          | 15,166        | 18,868      |
| Stock tendered for payment of withholding taxes                                   | (12,604)                        | ) (50,144)    | ) (10,782)  |
| Payment of contingent purchase price  | —                               | (927)         | ) (12,661)  |
| Repurchase of common stock  | (164,041)                       | ) (757,305)   | ) (245,067) |
| Cash dividends  | (215,008)                       | ) (220,257)   | ) (275,353) |
| Excess tax benefit on stock-based compensation                                    | 7,558                           | 27,209        | 12,294      |
| Proceeds from short-term borrowings   | 4,823,000                       | 4,165,023     | 324,051     |
| Payments on short-term borrowings   | (4,593,000)                     | ) (4,043,669) | ) (75,688)  |
| Debt issuance costs   | (1,484)                         | ) —           | —           |
| Proceeds from long-term borrowings  | —                               | 500,000       | —           |
| Net cash used for financing activities  | (143,637)                       | ) (364,904)   | ) (264,338) |
| Effect of exchange rates on cash  | (14,000)                        | ) (1,986)     | ) (588)     |

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|  |           |           |            |   |
|--|-----------|-----------|------------|---|
| Net change in cash and cash equivalents                          | (33,107   | ) (47,972 | ) (163,650 | ) |
| Cash and cash equivalents, beginning of year                     | 162,047   | 210,019   | 373,669    |   |
| Cash and cash equivalents, end of year                           | \$128,940 | \$162,047 | \$210,019  |   |
| Stock issued for acquisition                                     | \$—       | \$—       | \$60,152   |   |
| Cash paid for income taxes                                       | \$271,979 | \$313,799 | \$257,580  |   |
| Cash paid for interest   | \$27,066  | \$3,875   | \$518      |   |
| See accompanying notes to the consolidated financial statements. |           |           |            |   |

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C.H. ROBINSON WORLDWIDE, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**BASIS OF PRESENTATION.** C.H. Robinson Worldwide, Inc. and our subsidiaries (“the company,” “we,” “us,” or “our”) are a global provider of transportation services and logistics solutions through a network of 281 offices operating in North America, Europe, Asia, 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.

**USE OF ESTIMATES.** The preparation of financial statements, in conformity with accounting principles generally accepted in the United States, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. We are also required to disclose contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Our ultimate results could differ from those estimates.

**REVENUE RECOGNITION.** Total revenues consist of the total dollar value of goods and services purchased from us by 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. We act principally as the service provider for these transactions and recognize revenue as these services are rendered or goods are delivered. At that time, our obligations to the transactions are completed and collection of receivables is reasonably assured. Most transactions in our Transportation and Sourcing businesses are recorded at the gross amount we charge our customers for the service we provide and goods we sell. In these transactions, we are the primary obligor, we have credit risk, we have discretion to select the supplier, and we have latitude in pricing decisions. Additionally, in our Sourcing business, we take loss of inventory risk during shipment and have general inventory risk. Certain transactions in customs brokerage, transportation management services, and sourcing are recorded at the net amount we charge our customers for the service we provide because many of the factors stated above are not present.

**ALLOWANCE FOR DOUBTFUL ACCOUNTS.** Accounts receivable are reduced by an allowance for amounts that may become uncollectible in the future. We continuously monitor payments from our customers and maintain a provision for uncollectible accounts based upon our customer aging trends, historical loss experience, and any specific customer collection issues that we have identified.

**FOREIGN CURRENCY.** Most balance sheet accounts of foreign subsidiaries are translated or remeasured at the current exchange rate as of the end of the year. Statement of operations items are translated at average exchange rates during the year. The resulting translation adjustment is recorded as a separate component of comprehensive income in our statement of operations and comprehensive income.

**SEGMENT REPORTING AND GEOGRAPHIC INFORMATION.** We operate in the transportation and logistics industry. We provide a wide range of products and services to our customers and contract carriers, including transportation services, produce sourcing, freight consolidation, contract warehousing, and information services. Each of these is a significant component to optimizing logistics solutions for our customers.

These services are performed throughout our offices, as an integrated offering for which our customers are typically provided a single invoice. Our offices work together to complete transactions and collectively meet the needs of our customers. For large multi-location customers, we often coordinate our efforts in one location and rely on multiple locations to deliver specific geographic or modal needs. As an example, approximately 48 percent of our truckload transactions are shared transactions between offices. In addition, our methodology of providing services is very similar across all locations. The majority of our global network operates on a common technology platform that is used to match customer needs with supplier capabilities, to collaborate with other locations, and to utilize centralized support resources to complete all facets of the transaction. Accordingly, our chief operating decision maker analyzes our business as a single segment, relying on net revenues and operating income across our network of offices as the primary performance measures.



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The following table presents our total revenues (based on location of the customer) and long-lived assets (including intangible and other assets) by geographic regions (in thousands):

|                         | For the year ended December 31, |               |               |
|-------------------------|---------------------------------|---------------|---------------|
|                         | 2014                            | 2013          | 2012          |
| Total revenues          |                                 |               |               |
| United States           | \$ 11,800,140                   | \$ 11,140,163 | \$ 10,183,596 |
| Other locations         | 1,669,927                       | 1,611,913     | 1,175,517     |
| Total revenues          | \$ 13,470,067                   | \$ 12,752,076 | \$ 11,359,113 |
|                         |                                 |               |               |
|                         | December 31,                    |               |               |
|                         | 2014                            | 2013          | 2012          |
| Long-lived assets       |                                 |               |               |
| United States           | \$ 257,587                      | \$ 284,693    | \$ 281,729    |
| Other locations         | 26,254                          | 24,567        | 27,991        |
| Total long-lived assets | \$ 283,841                      | \$ 309,260    | \$ 309,720    |

**CASH AND CASH EQUIVALENTS.** Cash and cash equivalents consist of bank deposits.

**RESTRICTED CASH.** On December 31, 2014, we funded \$359.4 million of the purchase price for the acquisition of Freightquote, into an escrow account pursuant to the purchase agreement, pending the effective date of closing of the acquisition in January 2015. Funds were released on January 2, 2015.

**PREPAID EXPENSES AND OTHER.** Prepaid expenses and other include such items as prepaid rent, software maintenance contracts, insurance premiums, other prepaid operating expenses, and inventories, consisting primarily of produce and related products held for resale.

**PROPERTY AND EQUIPMENT.** Property and equipment are recorded at cost. Maintenance and repair expenditures are charged to expense as incurred. Depreciation is computed using the straight-line method over the estimated lives of the assets of 3 to 30 years. Amortization of leasehold improvements is computed over the shorter of the lease term or the estimated useful lives of the improvements.

We recognized the following depreciation expense (in thousands):

|      |           |
|------|-----------|
| 2014 | \$ 29,340 |
| 2013 | 27,757    |
| 2012 | 24,254    |

A summary of our property and equipment as of December 31 is as follows (in thousands):

|                                    | 2014       | 2013       |
|------------------------------------|------------|------------|
| Furniture, fixtures, and equipment | \$ 180,233 | \$ 168,354 |
| Buildings                          | 79,981     | 64,639     |
| Corporate aircraft                 | 11,334     | 11,334     |
| Leasehold improvements             | 25,545     | 24,489     |
| Land                               | 14,983     | 15,008     |
| Construction in progress           | 1,612      | 16,971     |
| Less accumulated depreciation      | (161,217)  | (140,092)  |
| Net property and equipment         | \$ 152,471 | \$ 160,703 |

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**GOODWILL AND OTHER INTANGIBLE ASSETS.** Goodwill is the difference between the purchase price of a company and the fair market value of the acquired company's net identifiable assets. Other intangible assets include customer lists, contract carrier lists, and non-competition agreements. These intangible assets are being amortized using the straight-line method over their estimated lives, ranging from 3 to 8 years. Goodwill is not amortized, but is tested for impairment using a fair value approach. Goodwill is tested for impairment annually or more frequently if events warrant. Intangible assets are evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. See Note 2.

**OTHER ASSETS.** Other assets include such items as purchased and internally developed software, and the investments related to our nonqualified deferred compensation plan. We amortize software using the straight-line method over 3 years. We recognized the following amortization expense of purchased and internally developed software (in thousands):

|      |         |
|------|---------|
| 2014 | \$8,921 |
| 2013 | 8,759   |
| 2012 | 7,528   |

A summary of our purchased and internally developed software as of December 31 is as follows (in thousands):

|                               | 2014     | 2013      |
|-------------------------------|----------|-----------|
| Purchased software            | \$21,872 | \$20,433  |
| Internally developed software | 27,429   | 24,358    |
| Less accumulated amortization | (35,369  | ) (29,802 |
| Net software                  | \$13,932 | \$14,989  |

**INCOME TAXES.** Income taxes are accounted for using the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences of temporary differences between the carrying amounts and tax bases of assets and liabilities using enacted rates.

Annual tax provisions include amounts considered sufficient to pay assessments that may result from examination of prior year tax returns; however, the amount ultimately paid upon resolution of issues raised may differ from the amounts accrued.

The financial statement benefits of an uncertain income tax position are recognized when more likely than not, based on the technical merits, the position will be sustained upon examination. Unrecognized tax benefits are, more likely than not, owed to a taxing authority, and the amount of the contingency can be reasonably estimated. Uncertain income tax positions are included in "Noncurrent income taxes payable" in the consolidated balance sheets.

Provisions are made for U.S. taxes on undistributed earnings of foreign subsidiaries and related companies.

**COMPREHENSIVE INCOME.** Comprehensive income includes any changes in the equity of an enterprise from transactions and other events and circumstances from non-owner sources. Our only component of other comprehensive income is foreign currency translation adjustment. It is presented on our consolidated statements of operations and comprehensive income.

**STOCK-BASED COMPENSATION.** We issue stock awards, including stock options, performance shares, and restricted stock units, to key employees and outside directors. In general, the awards vest over five years, either based on the company's earnings growth or the passage of time. The fair value of each share-based payment award is established on the date of grant. For grants of performance shares and restricted stock 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 17 percent to 22 percent and are calculated using the Black-Scholes option pricing model. Changes in measured stock 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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## NOTE 2: GOODWILL AND OTHER INTANGIBLE ASSETS

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

|                            | 2014      | 2013      |
|----------------------------|-----------|-----------|
| Balance, beginning of year | \$829,073 | \$822,215 |
| Acquisitions               | —         | 5,331     |
| Translation                | (4,035    | ) 1,527   |
| Balance, end of year       | \$825,038 | \$829,073 |

We complete an impairment test on goodwill annually. This impairment test did not result in any impairment losses. There is no aggregate goodwill impairment for any of the periods presented.

A summary of our other intangible assets, with finite lives, which include primarily customer relationships and non-competition agreements, as of December 31 is as follows (in thousands):

|                          | 2014      | 2013      |
|--------------------------|-----------|-----------|
| Gross                    | \$133,372 | \$148,917 |
| Accumulated amortization | (36,917   | ) (33,325 |
| Net                      | \$96,455  | \$115,592 |

Other intangible assets, with indefinite lives, as of December 31, is as follows (in thousands):

|            | 2014    | 2013    |
|------------|---------|---------|
| Trademarks | \$1,875 | \$1,875 |

Amortization expense for other intangible assets was (in thousands):

|      |          |
|------|----------|
| 2014 | \$18,748 |
| 2013 | 20,128   |
| 2012 | 6,308    |

Intangible assets at December 31, 2014, will be amortized over the next seven years, and that expense is as follows (in thousands):

|            |          |
|------------|----------|
| 2015       | \$16,939 |
| 2016       | 16,922   |
| 2017       | 16,623   |
| 2018       | 16,225   |
| 2019       | 16,225   |
| Thereafter | 13,521   |
| Total      | \$96,455 |

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

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

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

• Level 3-Unobservable inputs reflecting the reporting entity's own assumptions or external inputs from inactive markets.

A financial asset or liability's classification within the hierarchy is determined based on the lowest level of input that is significant to the fair value measurement.

The following table presents information as of December 31, 2012, about our financial assets and liabilities that are measured at fair value on a recurring basis, according to the valuation techniques we used to determine their fair values (in thousands).

|   | Level 1 | Level 2 | Level 3 | Total Fair Value |
|---|---------|---------|---------|------------------|
| Contingent purchase price related to acquisitions | \$—     | \$—     | \$922   | \$922            |
| Total liabilities at fair value                   | \$—     | \$—     | \$922   | \$922            |

In measuring the fair value of the contingent payment liability, we used an income approach that considers the expected future earnings of the acquired businesses and the resulting contingent payments, discounted at a risk-adjusted rate.

The table below sets forth a reconciliation of our beginning and ending Level 3 financial liability balance (in thousands). We had no Level 3 liabilities as of December 31, 2014.

|  | 2014 | 2013  | 2012      |
|--|------|-------|-----------|
| Balance, beginning of period                 | \$—  | \$922 | \$13,070  |
| Payments of contingent purchase price        | —    | (927  | ) (12,661 |
| Total unrealized losses included in earnings | —    | 5     | 513       |
| Balance, end of period                       | \$—  | \$—   | \$922     |

**NOTE 4. FINANCING ARRANGEMENTS**

On October 29, 2012, we entered into a senior unsecured revolving credit facility for up to \$500 million with a \$500 million accordion feature (the "Credit Agreement"), with a syndicate of financial institutions led by U.S. Bank. The purpose of this facility was to partially fund the acquisition of Phoenix and to allow us to continue to fund working capital, capital expenditures, dividends, and share repurchases. In December 2014, we amended the credit facility to increase the amount available from \$500 million to \$900 million and to extend the expiration date from October 2017 to December 2019.

As of December 31, 2014 and 2013, we had \$605.0 million and \$375.0 million in borrowings outstanding under the Credit Agreement, which is cla