

C H ROBINSON WORLDWIDE INC  
Form 10-Q  
November 08, 2005

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**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 10-Q**

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(Mark One)

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

**FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2005**

**OR**

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

**FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_**

Commission File Number

000-23189

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

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

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

**8100 Mitchell Road, Eden Prairie, Minnesota**  
(Address of principal executive offices)

**55344-2248**  
(Zip Code)

**(952) 937-8500**

(Registrant's telephone number, including area code)

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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 is an accelerated filer (as defined by Rule 12b-2 of the Act). Yes  No

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

As of October 31, 2005, the number of outstanding shares of the registrant's common stock was 170,999,387.

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## PART I FINANCIAL INFORMATION

## ITEM 1. Financial Statements

## C.H. ROBINSON WORLDWIDE, INC. AND SUBSIDIARIES

## Condensed Consolidated Balance Sheets

(In thousands, except per share data)

(unaudited)

|  | September 30,<br>2005 | December 31,<br>2004 |
|--|-----------------------|----------------------|
|  | <u>          </u>     | <u>          </u>    |
| <b>ASSETS</b>  |                       |                      |
| CURRENT ASSETS:  |                       |                      |
| Cash and cash equivalents  | \$ 191,942            | \$ 166,476           |
| Available-for-sale securities  | 123,181               | 121,600              |
| Receivables, net of allowance for doubtful accounts of \$28,128 and \$25,204   | 698,254               | 544,274              |
| Deferred tax asset   | 6,596                 | 8,180                |
| Prepaid expenses and other   | 9,070                 | 5,457                |
|  | <u>          </u>     | <u>          </u>    |
| Total current assets   | 1,029,043             | 845,987              |
| PROPERTY AND EQUIPMENT, net  | 58,595                | 51,122               |
| GOODWILL, net  | 219,518               | 171,202              |
| INTANGIBLE AND OTHER ASSETS, net   | 29,793                | 12,385               |
|  | <u>          </u>     | <u>          </u>    |
| Total assets   | \$ 1,336,949          | \$ 1,080,696         |
|  | <u>          </u>     | <u>          </u>    |
| <b>LIABILITIES AND STOCKHOLDERS INVESTMENT</b>   |                       |                      |
| CURRENT LIABILITIES:   |                       |                      |
| Accounts payable and outstanding checks  | \$ 469,132            | \$ 358,929           |
| Accrued expenses   |                       |                      |
| Compensation and profit-sharing contribution   | 71,969                | 60,261               |
| Income taxes and other   | 38,253                | 33,629               |
|  | <u>          </u>     | <u>          </u>    |
| Total current liabilities  | 579,354               | 452,819              |
| LONG TERM LIABILITIES:   |                       |                      |
| Deferred tax liability   | 4,871                 | 4,153                |
| Non-qualified deferred compensation obligation   | 3,030                 | 2,868                |
|  | <u>          </u>     | <u>          </u>    |
| Total liabilities  | 587,255               | 459,840              |
|  | <u>          </u>     | <u>          </u>    |
| STOCKHOLDERS INVESTMENT:   |                       |                      |
| Preferred stock, \$0.10 par value, 20,000 shares authorized; no shares issued or outstanding   |                       |                      |
| Common stock, \$0.10 par value, 480,000 shares authorized; 171,988 and 171,610 shares issued, 170,918 and 170,480 shares outstanding | 17,091                | 17,048               |

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|   |                             |                             |
|---|-----------------------------|-----------------------------|
| Additional paid-in capital                      | 174,203                     | 163,487                     |
| Retained earnings                               | 604,994                     | 498,406                     |
| Deferred compensation                           | (19,244)                    | (34,241)                    |
| Cumulative other comprehensive income           | 1,486                       | 1,608                       |
| Treasury stock at cost (1,070 and 1,130 shares) | (28,836)                    | (25,452)                    |
|   | <u>                    </u> | <u>                    </u> |
| Total stockholders' investment                  | 749,694                     | 620,856                     |
|   | <u>                    </u> | <u>                    </u> |
| Total liabilities and stockholders' investment  | \$ 1,336,949                | \$ 1,080,696                |
|   | <u>                    </u> | <u>                    </u> |

The accompanying notes are an integral part of these condensed consolidated balance sheets.

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

## Condensed Consolidated Statements of Operations and Comprehensive Income

(In thousands, except per share data)

(unaudited)

|  | Three Months Ended<br>September 30, |            | Nine Months Ended<br>September 30, |              |
|--|-------------------------------------|------------|------------------------------------|--------------|
|  | 2005                                | 2004       | 2005                               | 2004         |
| <b>GROSS REVENUES</b>                                      |                                     |            |                                    |              |
| Transportation   | \$ 1,218,026                        | \$ 943,256 | \$ 3,340,267                       | \$ 2,587,383 |
| Sourcing   | 257,409                             | 172,026    | 737,067                            | 535,513      |
| Information Services                                       | 9,934                               | 8,524      | 28,117                             | 24,621       |
| Total gross revenues                                       | 1,485,369                           | 1,123,806  | 4,105,451                          | 3,147,517    |
| <b>COST OF TRANSPORTATION, PRODUCTS AND HANDLING</b>       |                                     |            |                                    |              |
| Transportation   | 1,020,051                           | 793,108    | 2,785,878                          | 2,173,179    |
| Sourcing   | 236,444                             | 158,525    | 675,905                            | 494,526      |
| Total cost of transportation, products and handling        | 1,256,495                           | 951,633    | 3,461,783                          | 2,667,705    |
| <b>GROSS PROFITS</b>                                       | 228,874                             | 172,173    | 643,668                            | 479,812      |
| <b>SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES</b>       |                                     |            |                                    |              |
| Personnel expenses   | 110,595                             | 85,978     | 317,662                            | 244,777      |
| Other selling, general, and administrative expenses        | 32,661                              | 25,184     | 92,267                             | 74,336       |
| Total selling, general, and administrative expenses        | 143,256                             | 111,162    | 409,929                            | 319,113      |
| <b>INCOME FROM OPERATIONS</b>                              | 85,618                              | 61,011     | 233,739                            | 160,699      |
| <b>INVESTMENT AND OTHER INCOME</b>                         |                                     |            |                                    |              |
| Interest income and other                                  | 1,726                               | 637        | 4,129                              | 1,981        |
| Non-qualified deferred compensation investment gain (loss) | 139                                 | (80)       | 154                                | (49)         |
| Total investment and other income                          | 1,865                               | 557        | 4,283                              | 1,932        |
| <b>INCOME BEFORE PROVISION FOR INCOME TAXES</b>            | 87,483                              | 61,568     | 238,022                            | 162,631      |
| <b>PROVISION FOR INCOME TAXES</b>                          | 33,394                              | 24,219     | 92,810                             | 63,932       |
| <b>NET INCOME</b>  | 54,089                              | 37,349     | 145,212                            | 98,699       |
| <b>OTHER COMPREHENSIVE INCOME (LOSS):</b>                  |                                     |            |                                    |              |
| Foreign currency translation adjustment                    | 526                                 | 492        | (135)                              | (1,287)      |
| <b>COMPREHENSIVE INCOME</b>                                | \$ 54,615                           | \$ 37,841  | \$ 145,077                         | \$ 97,412    |
| <b>BASIC NET INCOME PER SHARE</b>                          | \$ 0.32                             | \$ 0.22    | \$ 0.85                            | \$ 0.58      |
| <b>DILUTED NET INCOME PER SHARE</b>                        | \$ 0.31                             | \$ 0.22    | \$ 0.83                            | \$ 0.57      |

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|   |                   |                   |                   |                   |
|---|-------------------|-------------------|-------------------|-------------------|
| BASIC WEIGHTED AVERAGE SHARES OUTSTANDING   | 170,105           | 169,232           | 170,072           | 169,276           |
| DILUTIVE EFFECT OF OUTSTANDING STOCK AWARDS | 4,428             | 3,864             | 4,285             | 3,741             |
|   | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| DILUTED WEIGHTED AVERAGE SHARES OUTSTANDING | 174,533           | 173,096           | 174,357           | 173,017           |
|   | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |

The accompanying notes are an integral part of these condensed consolidated statements.

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

## Condensed Consolidated Statements of Cash Flows

(In thousands)

(unaudited)

|  | <b>Nine Months Ended<br/>September 30,</b> |                   |
|--|--|-------------------|
|  | <b>2005</b>                                | <b>2004</b>       |
| <b>OPERATING ACTIVITIES:</b>   |  |                   |
| Net income   | \$ 145,212                                 | \$ 98,699         |
| Adjustments to reconcile net income to net cash provided by operating activities |  |                   |
| Depreciation and amortization  | 13,326                                     | 8,461             |
| Provision for doubtful accounts  | 6,484                                      | 6,471             |
| Stock-based compensation   | 21,956                                     | 14,208            |
| Other non-cash expenses  | 5,036                                      | 1,904             |
| Changes in operating elements  |  |                   |
| Receivables  | (129,923)                                  | (96,707)          |
| Prepaid expenses and other   | (2,559)                                    | 498               |
| Accounts payable   | 83,816                                     | 23,144            |
| Accrued compensation and profit sharing contribution                             | 8,598                                      | 1,303             |
| Accrued income taxes and other   | 4,685                                      | 5,001             |
| <b>Net cash provided by operating activities</b>                                 | <b>156,631</b>                             | <b>62,982</b>     |
| <b>INVESTING ACTIVITIES:</b>   |  |                   |
| Purchases of property and equipment, net   | (16,151)                                   | (22,575)          |
| Insurance proceeds   |  | 1,590             |
| Purchases of available for-sale-securities                                       | (99,791)                                   | (37,050)          |
| Sales/maturities of available for-sale-securities                                | 98,225                                     | 36,569            |
| Cash paid for acquisitions, net  | (60,124)                                   | (9,112)           |
| Other  | (1,891)                                    | (1,050)           |
| <b>Net cash used for investing activities</b>                                    | <b>(79,732)</b>                            | <b>(31,628)</b>   |
| <b>FINANCING ACTIVITIES:</b>   |  |                   |
| Proceeds from stock issued for employee benefit plans                            | 13,466                                     | 8,763             |
| Repurchase of common stock   | (26,186)                                   | (19,457)          |
| Cash dividends   | (38,578)                                   | (30,648)          |
| <b>Net cash used for financing activities</b>                                    | <b>(51,298)</b>                            | <b>(41,342)</b>   |
| Effect of exchange rates on cash   | (135)                                      | (1,000)           |
| Net increase (decrease) in cash and cash equivalents                             | 25,466                                     | (10,988)          |
| <b>CASH AND CASH EQUIVALENTS, beginning of period</b>                            | <b>166,476</b>                             | <b>123,413</b>    |
| <b>CASH AND CASH EQUIVALENTS, end of period</b>                                  | <b>\$ 191,942</b>                          | <b>\$ 112,425</b> |

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The accompanying notes are an integral part of these condensed consolidated statements.

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**C.H. ROBINSON WORLDWIDE INC. AND SUBSIDIARIES**

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

**1. General**

Basis of Presentation

C.H. Robinson Worldwide, Inc. and our subsidiaries ( the Company, we, us, or our ) are a global provider of multimodal transportation services and logistics solutions through a network of 195 branch offices operating in North America, South America, Europe, and Asia. The condensed 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.

The condensed consolidated financial statements, which are unaudited, have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ( SEC ). In management 's opinion, these financial statements include all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the results of operations for the interim periods presented. The results of operations for the nine months ended September 30, 2005 and 2004 are not necessarily indicative of results to be expected for the entire year. Pursuant to SEC rules and regulations, certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted from these statements. The condensed consolidated financial statements and related notes should be read in conjunction with the consolidated financial statements and notes in our Annual Report on Form 10-K for the year ended December 31, 2004.

On October 14, 2005, our shareholders approved a two-for-one stock split. For shareholders of record as of the end of business on October 14, 2005, every share owned was automatically subdivided into two shares of common stock. All share and per share information herein reflect this stock split.

**2. Acquisitions**

On February 14, 2005, we acquired the ongoing operations and certain assets and assumed certain liabilities of three produce sourcing and marketing companies, FoodSource, Inc. and FoodSource Procurement, LLC ( FoodSource ) and Epic Roots, Inc. ( Epic Roots ). The three companies combined had gross revenues of approximately \$270 million in 2004.

We paid approximately \$42.5 million in cash and \$10.4 million (approximately 195,000 shares) in C.H. Robinson Worldwide, Inc. common stock for the three entities. In addition, there are contingent additional cash payments to the sellers over a 3 year period based on the results of the acquired business up to a predetermined maximum amount.

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The companies provide a variety of produce sourcing and distribution services including produce procurement, contract management, private label brand management, new item development, merchandising, packaging, and transportation of produce. The revenues for these businesses are concentrated in their top customers. The success of the acquisitions is dependent on maintaining relationships with these customers.

During the third quarter, we acquired two freight forwarding companies, in separate transactions: Hirdes Group Worldwide ( Hirdes ), and Bussini Transport S.r.l. ( Bussini ). The two companies combined had gross revenues of approximately \$52 million in 2004. The purchase price for these two entities was \$20.7 million.

Hirdes provides air and ocean international forwarding with local cartage and operates in Germany and the United States. Bussini provides international freight forwarding, customs brokerage, and domestic truck services. It is based in Milan, Italy. These companies now operate as nine different branches.

These acquisitions added approximately \$0.02 to our diluted earnings per share for the quarter.

### 3. Goodwill and Intangible Assets

A summary of our intangible assets as of September 30, 2005 is as follows (in thousands):

|                          | Unamortizable<br>intangible<br>assets | Amortizable<br>intangible<br>assets |
|--------------------------|---------------------------------------|-------------------------------------|
|                          | <u>          </u>                     | <u>          </u>                   |
| Gross                    | \$ 234,281                            | \$ 25,978                           |
| Accumulated amortization | (11,929)                              | (5,998)                             |
| Net                      | <u>\$ 222,352</u>                     | <u>\$ 19,980</u>                    |

The change in the carrying amount of goodwill for the period ended September 30, 2005 is as follows (in thousands):

|                                       |                   |
|---------------------------------------|-------------------|
| Balance December 31, 2004             | \$ 171,202        |
| Goodwill associated with acquisitions | 48,316            |
| Balance September 30, 2005            | <u>\$ 219,518</u> |

The change in the carrying amount of amortizable intangible assets for the period ended September 30, 2005 is as follows (in thousands):

|  |                  |
|--|------------------|
| Balance December 31, 2004                      | \$ 2,852         |
| Intangible assets associated with acquisitions | 19,924           |
| Amortization expense                           | (2,796)          |
| Balance September 30, 2005                     | <u>\$ 19,980</u> |

Amortization expense for the nine months ended September 30, 2005 for other intangible assets was \$2.8 million. Estimated amortization expense for each of the 5 succeeding fiscal years based on the intangible assets at September 30, 2005 is as follows (in thousands):

|                   |          |
|-------------------|----------|
| Remainder of 2005 | \$ 1,226 |
| 2006              | 4,695    |
| 2007              | 4,533    |
| 2008              | 4,521    |
| 2009              | 4,316    |
| Thereafter        | 689      |

#### 4. Litigation

During 2002, we were named as a defendant in two lawsuits by a number of present and former employees. The first lawsuit, brought by a group of 14 current and former female employees, alleges gender discrimination, including hostile working environment, and violations of the Fair Labor Standards Act. The second lawsuit, brought by a group of 6 current and former male employees, alleges violations of the Fair Labor Standards Act. The plaintiffs in both lawsuits seek unspecified monetary and non-monetary damages and class action certification. On March 31, 2005, the judge issued an order denying class certification for the hostile working environment claims, and allowing class certification for the claims of gender discrimination in pay and promotion. This is a procedural step, and we continue to deny all allegations and vigorously defend the suits. The judge also granted our motions for summary judgment as to the hostile working environment claims of ten of the named plaintiffs, and dismissed those claims. We have insurance coverage for some of the claims asserted in the first lawsuit. Currently, the amount of any loss is not expected to be material to us; however, unfavorable developments could have a material adverse effect on our consolidated financial statements.

We are not otherwise subject to any pending or threatened litigation other than routine litigation arising in the ordinary course of our business operations, none of which is expected to have a material adverse effect on our financial condition, results of operations, or cash flows.

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

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

### **Forward-looking Information**

Our quarterly report on Form 10-Q, including this discussion and analysis of our financial condition and results of operations and our disclosures about market risk, contains certain forward-looking statements. These statements represent our expectations, beliefs, intentions, or strategies concerning future events and by their nature involve risks and uncertainties. Forward looking statements include, among others, statements about our future performance, the continuation of historical trends, the sufficiency of our sources of capital for future needs, the effects of acquisitions, the expected impact of recently issued accounting pronouncements, and the outcome or effects of litigation. Risks that could cause actual results to differ materially from our current expectations include changes in market demand and pricing for our services, the impact of competition, changes in relationships with our customers, freight levels and our ability to source capacity to transport freight, our ability to source produce, the risks associated with litigation and insurance coverage, our ability to integrate acquisitions, the impacts of war, the risks associated with operations outside the United States, and changing economic conditions. Therefore, actual results may differ materially from our expectations based on these and other risks and uncertainties, including those described in the Business Description of our Form 10-K filed with the Securities and Exchange Commission for the year ended December 31, 2004 filed on March 15, 2005.

### **Stock Split**

On October 14, 2005, our shareholders approved a two-for-one stock split. For shareholders of record as of the end of business on October 14, 2005, every share owned was automatically subdivided into two shares of common stock. All share and per share information herein reflect this stock split.

### **Overview**

We are a global provider of multimodal transportation services and logistics solutions, operating through a network of branch offices in North America, South America, Europe, and Asia. We are a non-asset based transportation provider, meaning we do not own the transportation equipment that is used to transport our customers' freight. Through our relationships with transportation companies, we select and hire the appropriate transportation to manage our customers' needs. As an integral part of our transportation services, we provide a wide range of value-added logistics services, such as supply chain analysis, freight consolidation, core carrier program management, and information reporting.

In addition to multimodal transportation services, we have two other logistics business lines: fresh produce sourcing and fee-based information services. Our Sourcing business is the buying and selling of fresh produce. We purchase fresh produce through our network of produce suppliers, and sell it to wholesalers, grocery retailers, restaurants, and foodservice distributors. In the majority of cases, we also arrange the

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transportation of the produce we sell, through our relationships with specialized transportation companies. Our Information Services business is our subsidiary, T-Chek Systems, Inc., which provides a variety of management and information services to motor carrier companies and to fuel distributors. Those services include funds transfer, driver payroll services, fuel management services, and fuel and use tax reporting.

Our gross revenues represent the total dollar value of services and goods we sell to our customers. Our costs of transportation, products, and handling include the direct costs of transportation, including motor carrier, rail, ocean, air and other costs, and the purchase price of the products we source. We act principally as a service provider to add value and expertise in the procurement and execution of these services and products for our customers. Our gross profits (gross revenues less the direct costs of transportation, products, and handling) are the primary indicator of our ability to source, add value, and resell services and products that are provided by third parties, and are considered by management to be our primary performance measurement. Accordingly, the discussion of our results of operations below focuses on the changes in our gross profits.

Our variable cost business model allows us to be flexible and adapt to changing economic and industry conditions. We buy most of our transportation capacity and produce on a spot-market basis. We also keep our personnel and other operating expenses as variable as possible. Compensation, our largest operating expense, is performance oriented and, for most employees in the branch network, based on the profitability of our branch offices.

We believe our large decentralized branch network is a major competitive advantage. Our worldwide network of offices supports our core strategy of serving customers locally, nationally, and globally. Our branch offices help us penetrate local markets, provide face-to-face service when needed, and recruit carriers. Our decentralized network also gives us knowledge of local market conditions, which is important in transportation because it is so dynamic and market-driven.

We opened 8 new branches and added, through acquisition, 9 branches during the third quarter of 2005. We are planning to open 1 to 2 branches during the remainder of 2005. Including the third quarter additions, we have added 25 branches in 2005. Because we usually open new offices with only two or three employees, we do not expect them to make a material contribution to our financial results in the first few years of their operation. We believe building local customer and carrier relationships has been an important part of our success. Acquisitions that fit our growth criteria and culture may also augment our growth.

We are a service company, and our continued success is dependent on our ability to continue to hire and retain talented, productive people. Including the 119 employees related to the acquisitions, we grew by approximately 235 employees during the third quarter of 2005. Including the third quarter additions, we have grown by 934 employees in 2005. Branch employees act as a team in their sales efforts, customer service, and operations. A significant portion of our branch employees' compensation is performance-oriented, based on individual performance and the profitability of their branch. We believe this makes our sales employees more service-oriented, focused, and creative. In 2003, we implemented a new restricted stock program to better align our key employees with the interests of our shareholders, and to motivate and retain them for the long-term.

Since we became a publicly-traded company in 1997, our long-term compounded annual growth target has been 15 percent for gross profits, income from operations, and earnings per share. This goal was based on an analysis of our performance in the previous twenty years, during which our compounded annual growth rate was 15 percent. Our expectation has been that over time we will continue to achieve our target of 15 percent growth, but that we will have periods in which we exceed that goal, and periods in which we fall short. In the third quarter of 2005, we exceeded our long-term growth goal in gross profits, income from operations, and earnings per share. Our gross profits grew 32.9 percent in the third quarter of 2005 over the third quarter of 2004 to \$228.9 million. Our income from operations increased 40.3 percent in the third quarter of 2005 to \$85.6 million, and our diluted earnings per share increased 40.9 percent to \$0.31.

In the transportation industry, results of operations generally show a seasonal pattern as customers reduce shipments during and after the winter holiday season. In recent years, our income from operations has been lower in the first quarter than in the other three quarters, but it has not had a significant impact on our results of operations or our cash flows. Also, inflation has not materially affected our operations due to the short-term, transactional basis of our business. However, we cannot fully predict the impact seasonality and inflation may have in the future.

During 2004 and 2005, the price of truckload transportation services charged by motor carriers increased significantly more than the rate of increase in prior years. The rate increases were driven by both increased operating costs for the carriers, including the price of fuel, insurance, and driver wages, and by pricing leverage as increased freight volumes drove an increase in the demand for capacity. The tight capacity conditions and higher rates created a very transactional, or spot market, transportation marketplace as shippers had to look for additional sources of capacity outside their planned transportation. While we have typically gained additional business due to these conditions, we have to be careful to manage our pricing correctly for both our spot and committed business to preserve our gross profit margins in a volatile pricing environment.

In our opinion this is a normal cyclical pattern in the truck transportation industry. As truck transportation rates increase, it becomes more lucrative to provide those services as new carriers and capacity enter the marketplace. Over time, the supply of capacity and the demand for that capacity will become more balanced. In that situation, the growth of our transactional business may slow or even decline. These cycles can change rapidly based on economic conditions and it is very difficult to predict when and at what pace that will happen.





In the third quarter of 2005, we experienced strong volume growth with significant freight demand consistent with the fourth quarter of 2004 and the first half of 2005. The rate increases that occurred in 2004 have remained in place during 2005.

## Results of Operations

The following table sets forth our gross profit margins, or gross profit as a percentage of gross revenues, between services and products:

|                      | Three Months Ended<br>September 30, |              | Nine Months Ended<br>September 30, |              |
|----------------------|-------------------------------------|--------------|------------------------------------|--------------|
|                      | 2005                                | 2004         | 2005                               | 2004         |
| Transportation       | 16.3%                               | 15.9%        | 16.6%                              | 16.0%        |
| Sourcing             | 8.1                                 | 7.8          | 8.3                                | 7.7          |
| Information Services | 100.0                               | 100.0        | 100.0                              | 100.0        |
| <b>Total</b>         | <b>15.4%</b>                        | <b>15.3%</b> | <b>15.7%</b>                       | <b>15.2%</b> |

The following table summarizes our gross profits by service line:

|                              | Three Months Ended<br>September 30, |                   |              | Nine Months Ended<br>September 30, |                   |              |
|------------------------------|-------------------------------------|-------------------|--------------|------------------------------------|-------------------|--------------|
|                              | 2005                                | 2004              | %<br>change  | 2005                               | 2004              | %<br>change  |
| Gross profits (in thousands) |                                     |                   |              |                                    |                   |              |
| Transportation:              |                                     |                   |              |                                    |                   |              |
| Truck                        | \$ 172,435                          | \$ 131,248        | 31.4%        | \$ 488,438                         | \$ 360,084        | 35.6%        |
| Intermodal                   | 8,469                               | 7,083             | 19.6         | 22,737                             | 21,919            | 3.7          |
| Ocean                        | 8,638                               | 5,806             | 48.8         | 20,412                             | 15,275            | 33.6         |
| Air                          | 3,495                               | 2,284             | 53.0         | 8,481                              | 6,412             | 32.3         |
| Miscellaneous                | 4,938                               | 3,727             | 32.5         | 14,321                             | 10,514            | 36.2         |
| <b>Total transportation</b>  | <b>197,975</b>                      | <b>150,148</b>    | <b>31.9</b>  | <b>554,389</b>                     | <b>414,204</b>    | <b>33.8</b>  |
| Sourcing                     | 20,965                              | 13,501            | 55.3         | 61,162                             | 40,987            | 49.2         |
| Information Services         | 9,934                               | 8,524             | 16.5         | 28,117                             | 24,621            | 14.2         |
| <b>Total</b>                 | <b>\$ 228,874</b>                   | <b>\$ 172,173</b> | <b>32.9%</b> | <b>\$ 643,668</b>                  | <b>\$ 479,812</b> | <b>34.2%</b> |

The following table represents certain statement of operations data shown as percentages of our gross profits:

|   | Three Months Ended<br>September 30, |        | Nine Months Ended<br>September 30, |        |
|---|-------------------------------------|--------|------------------------------------|--------|
|   | 2005                                | 2004   | 2005                               | 2004   |
| Gross profits                                       | 100.0%                              | 100.0% | 100.0%                             | 100.0% |
| Selling, general, and administrative expenses       |                                     |        |                                    |        |
| Personnel expenses                                  | 48.3                                | 49.9   | 49.4                               | 51.0   |
| Other selling, general, and administrative expenses | 14.3                                | 14.6   | 14.3                               | 15.5   |
| Total selling, general, and administrative expenses | 62.6                                | 64.6   | 63.7                               | 66.5   |
| Income from operations                              | 37.4                                | 35.4   | 36.3                               | 33.5   |
| Investment and other income                         | 0.8                                 | 0.3    | 0.7                                | 0.4    |
| Income before provision for income taxes            | 38.2                                | 35.8   | 37.0                               | 33.9   |
| Provision for income taxes                          | 14.6                                | 14.1   | 14.4                               | 13.3   |
| Net income  | 23.6%                               | 21.7%  | 22.6%                              | 20.6%  |

### Three Months Ended September 30, 2005 Compared to Three Months Ended September 30, 2004

*Revenues.* Gross revenues for the three months ended September 30, 2005 were \$1.5 billion, an increase of 32.2 percent over gross revenues of \$1.1 billion for the three months ended September 30, 2004. Gross profits for the three months ended September 30, 2005 were \$228.9 million, an increase of 32.9 percent over gross profits of \$172.2 million for the three months ended September 30, 2004. This was a result of an increase in Transportation gross profits of 31.9 percent to \$198.0 million from \$150.1 million in 2004, an increase in Sourcing gross profits of 55.3 percent to \$21.0 million from \$13.5 million in 2004, and an increase in Information Services gross profits of 16.5 percent to \$9.9 million from \$8.5 million in 2004.

For the third quarter, our gross profit margin increased to 15.4 percent in 2005 from 15.3 percent in 2004. Transportation gross profit margin increased to 16.3 percent from 15.9 percent. Sourcing gross profit margin increased to 8.1 percent from 7.8 percent. Our Information Services business is a fee-based business, so our gross revenues are equal to our gross profits.

For the third quarter, Transportation gross profits increased 31.9 percent to \$198.0 million from \$150.1 million in 2004. The increase in our truck transportation business of 31.4 percent was driven by volume growth and price increases in both truckload and less-than-truckload transactions. Tight capacity created opportunities with new and existing customers. We are adding new carriers and expanding our existing carrier relationships, both of which gave us the capacity we needed to efficiently meet these needs.

Our intermodal gross profits increase of 19.6 percent in the third quarter of 2005 resulted from an increase in gross profit margins, offset by a decrease in volume. Our volume was impacted by market conditions that continue to drive business back to truck in certain lanes. Our gross profit margin increase resulted from the elimination of some lower margin business and some rate increases to offset increased costs.

Our international ocean and air gross profits increased 50.0 percent in the third quarter of 2005. This growth includes the impact of our acquisitions of Bussini and Hirdes during the quarter.

Our ocean gross profits increased 48.8 percent and our air gross profits increased 53.0 percent in the third quarter of 2005. Excluding the impact of the acquisitions above, our growth rates in ocean and air gross profits would have been 38.2 percent and 17.3 percent in the third quarter of 2005. We continue to add new customers and broaden our relationships with existing customers to include international transportation.

Miscellaneous transportation gross profits consist of customs brokerage fees, transportation management fees, warehouse and cross-dock services, and other miscellaneous transportation related services. The increase of 32.5 percent in the third quarter was driven by increases in our transportation management fees and customs brokerage business.

For the third quarter, Sourcing gross profits increased 55.3 percent to \$21.0 million in 2005 from \$13.5 million in 2004. Excluding the impact of the acquisitions of FoodSource and Epic Roots, announced in the first quarter, our Sourcing gross profits increased 0.6 percent.

Information Services is comprised entirely of revenue generated by our subsidiary, T-Chek Systems. For the third quarter, Information Services gross profit increased 16.5 percent to \$9.9 million from \$8.5 million in 2004, primarily due to transaction volume growth.

*Personnel Expenses.* Personnel expenses for the three months ended September 30, 2005 were \$110.6 million, an increase of 28.6 percent over personnel expenses of \$86.0 million for the three months ended September 30, 2004. Our consolidated headcount increased by 799 to 5,605 since December 31, 2004. For the third quarter, personnel expense as a percentage of gross profit decreased to 48.3 percent in 2005 from 49.9 percent in 2004. While many of our personnel expenses are variable, we gain leverage in periods of growth.

*Other Selling, General, and Administrative Expenses.* Other selling, general, and administrative expenses for the three months ended September 30, 2005 were \$32.7 million, an increase of 29.7 percent from \$25.2 million for the three months ended September 30, 2004. Operating expenses as a percentage of gross profits decreased for the third quarter of 2005 to 14.3 percent compared to 14.6 percent in 2004. While many of our expenses are variable, we historically gain leverage in periods of growth.

*Income from Operations.* Income from operations was \$85.6 million for the three months ended September 30, 2005, an increase of 40.3 percent over \$61.0 million for the three months ended September 30, 2004. The increase was driven by the increase in our gross profits and by gaining leverage in our operating expenses for the same period. Income from operations as a percentage of gross profit was 37.4 percent and 35.4 percent for the three months ended September 30, 2005 and 2004.

*Investment and Other Income.* Investment and other income was \$1.9 million for the three months ended September 30, 2005, compared to \$0.6 million for the three months ended September 30, 2004. This is due to an increase in our invested balance and an increase in our portfolio yield. Our cash and investments as of September 30, 2005, increased \$81.4 million over the balance as of September 30, 2004. Compared to the third quarter of 2004, investment income on our non-qualified deferred compensation investment portfolio increased \$0.2 million.

*Provision for Income Taxes.* Our effective income tax rates were 38.2 percent and 39.3 percent for the three months ended September 30, 2005 and 2004. The effective income tax rate for both periods is greater than the statutory federal income tax rate due to state income taxes, net of federal benefit and non-deductible expenses attributable to incentive stock options.

*Net Income.* Net income was \$54.1 million for the three months ended September 30, 2005, an increase of 44.8 percent over \$37.3 million for the three months ended September 30, 2004. Basic net income per share increased by 45.5 percent to \$0.32 from \$0.22 per share in 2004. Diluted net income per share increased 40.9 percent to \$0.31 from \$0.22 per share in 2004.

#### **Nine Months Ended September 30, 2005 Compared to Nine Months Ended September 30, 2004**

*Revenues.* Gross revenues for the nine months ended September 30, 2005 were \$4.1 billion, an increase of 30.4 percent over gross revenues of \$3.1 billion for the nine months ended September 30, 2004. Gross profits for the nine months ended September 30, 2005 were \$643.7 million, an increase of 34.2 percent over gross profits of \$479.8 million for the nine months ended September 30, 2004. This was a result of an increase in Transportation gross profits of 33.8 percent to \$554.4 million from \$414.2 million in 2004, an increase in Sourcing gross profits of 49.2 percent

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to \$61.2 million from \$41.0 million in 2004, and an increase in Information Services gross profits of 14.2 percent to \$28.1 million from \$24.6 million in 2004.

Our gross profit margin for the period increased to 15.7 percent in 2005 from 15.2 percent in 2004. Transportation gross profit margin increased to 16.6 percent from 16.0 percent. Sourcing gross profit margin increased to 8.3 percent from 7.7 percent. Our Information Services business is a fee-based business, so our gross revenues are equal to our gross profits.

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For the period, Transportation gross profits increased 33.8 percent to \$554.4 million from \$414.2 million in 2004. The increase in our truck transportation business of 35.6 percent was driven by volume growth and price increases in both truckload and less-than-truckload transactions and an increase in our gross profit margin. Tight capacity created opportunities with new and existing customers. We are adding new carriers and expanding our existing carrier relationships, both of which gave us the capacity we needed to efficiently meet these needs.

For the period, Intermodal gross profit increased 3.7 percent to \$22.7 million from \$21.9 million in 2004. This was the result of an increase in gross profit margin and a decrease in volume. Our volume was impacted by market conditions which continue to drive business back to truck in certain lanes.

Our international ocean and air gross profits increased 33.2 percent during the nine months ended September 30, 2005 over 2004. This growth includes the impact of our acquisitions of Bussini and Hirdes during the third quarter.

For the period, ocean gross profits increased 33.6 percent to \$20.4 million from \$15.3 million in 2004. Air gross profits increased 32.3 percent to \$8.5 million from \$6.4 million in 2004. Excluding the impact of the acquisitions above, our growth rates in ocean and air gross profits would have been 29.6 percent and 19.5 percent for the period. We continue to add new customers and broaden our relationships with existing customers to include international transportation.

Miscellaneous transportation gross profits consist of customs brokerage fees, transportation management fees, warehouse and cross-dock services, and other miscellaneous transportation related services. The increase of 36.2 percent in the first nine months of 2005 compared to 2004 was driven by an increase in transportation management fees and customs brokerage fees.

Sourcing gross profits increased 49.2 percent to \$61.2 million in the first nine months of 2005 from \$41.0 million in the same period of 2004. Excluding the impact of the acquisitions of FoodSource and Epic Roots, announced in the quarter, our Sourcing gross profits increased 1.7 percent.

Information Services is comprised entirely of revenue generated by our subsidiary, T-Chek Systems. Information Services gross profit increased 14.2 percent to \$28.1 million in the first nine months of 2005 from \$24.6 million in the same period of 2004, primarily due to transaction growth.

*Personnel Expenses.* Personnel expenses for the nine months ended September 30, 2005 were \$317.7 million, an increase of 29.8 percent over personnel expenses of \$244.8 million for the nine months ended September 30, 2004. For the nine months ended September 30, personnel expense as a percentage of gross profit was 49.4 percent in 2005 and 51.0 percent 2004.

*Other Selling, General, and Administrative Expenses.* Other selling, general, and administrative expenses for the nine months ended September 30, 2005 were \$92.3 million, an increase of 24.1 percent from \$74.3 million for the nine months ended September 30, 2004. Operating expenses as a percentage of gross profits decreased to 14.3 percent from 15.5 percent in 2004. While many of our expenses are variable, we historically gain leverage in periods of growth.

*Income from Operations.* Income from operations was \$233.8 million for the nine months ended September 30, 2005, an increase of 45.5 percent over \$160.7 million for the nine months ended September 30, 2004. The increase was driven by the increase in our gross profits and by gaining

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leverage in our operating expenses for the same period. Income from operations as a percentage of gross profit was 36.3 percent and 33.5 percent for the nine months ended September 30, 2005 and 2004.

*Investment and Other Income.* Investment and other income was \$4.3 million for the nine months ended September 30, 2005, compared to \$1.9 million for the nine months ended September 30, 2004. This is due to an increase in our invested balance and an increase in our portfolio yield. Our cash and investments as of September 30, 2005, increased \$81.4 million over the balance as of September 30, 2004.

*Provision for Income Taxes.* Our effective income tax rates were 39.0 percent and 39.3 percent for the nine months ended September 30, 2005 and 2004. The effective income tax rate for both periods is greater than the statutory federal income tax rate due to state income taxes, net of federal benefit and non-deductible expenses attributable to incentive stock options.

*Net Income.* Net income was \$145.2 million for the nine months ended September 30, 2005, an increase of 47.1 percent over \$98.7 million for the nine months ended September 30, 2004. Basic net income per share increased by 46.6 percent to \$0.85 from \$0.58 per share in 2004. Diluted net income per share increased 45.6 percent to \$0.83 from \$0.57 per share in 2004.

## **Liquidity and Capital Resources**

We have historically generated substantial cash from operations which has enabled us to fund our growth while paying cash dividends and repurchasing stock. Cash and cash equivalents totaled \$191.9 million and \$166.5 million as of September 30, 2005 and December 31, 2004. We also had available-for-sale securities of \$123.2 million and \$121.6 million on September 30, 2005 and December 31, 2004.

We generated \$156.6 million and \$63.0 million of cash flow from operations for the nine months ended September 30, 2005 and 2004. The increase is due to net income growth and an improvement in our working capital.

We used \$79.7 million and \$31.6 million of cash and cash equivalents for investing activities for the nine months ended September 30, 2005 and 2004. For the nine months ended September 30, 2005 and 2004, we purchased \$16.2 million and \$22.6 million of property and equipment. In February 2005, we used \$42.5 million for the acquisition of the ongoing operations and certain assets of three produce sourcing and marketing companies, FoodSource, Inc. and FoodSource Procurement LLC and Epic Roots, Inc. During the third quarter of 2005, we used \$16.5 million for the acquisition of the European freight-forwarding companies Hirdes and Bussini.

We used \$51.3 million and \$41.3 million of cash and cash equivalents for financing activities for the nine months ended September 30, 2005 and 2004, primarily to pay quarterly cash dividends and to repurchase common stock. We declared a \$0.15 per share dividend payable to shareholders of record as of September 9, 2005, that was paid on October 3, 2005.

We have 3 million Euros available under a line of credit at an interest rate of Euribor plus 45 basis points (2.57 percent at September 30, 2005). This discretionary line of credit has no expiration date. As of September 30, 2005 and 2004, we had no outstanding balance on this facility. Our credit agreement contains certain financial covenants, but does not restrict the payment of dividends. We were in compliance with all covenants of this agreement as of September 30, 2005.

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

## **Critical Accounting Policies**



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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 in our Annual Report on Form 10-K for the year ended December 31, 2004, includes a summary of the significant accounting policies and methods used in the preparation of our consolidated financial statements. The following is a brief discussion of our critical accounting policies and estimates.

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**REVENUE RECOGNITION.** Gross revenues consist of the total dollar value of goods and services purchased from us by customers. Gross profits are gross 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 and goods are delivered. At that time, our obligations to the transactions are completed and collection of receivables is reasonably assured. Emerging Issues Task Force Issue No. 99-19, Reporting Revenue Gross as a Principal versus Net as an Agent, establishes the criteria for recognizing revenues on a gross or net basis. Nearly all transactions in our Transportation and Sourcing businesses are recorded at the gross amount we charge our customers for the service we provide and goods we sell. In these transactions, we are the primary obligor, we are a principal to the transaction, we have all credit risk, we maintain substantially all revenue risks and rewards, we have discretion to select the supplier, and we have latitude in pricing decisions. Additionally, in our Sourcing business, we take loss of inventory risk after customer order and during shipment and have general inventory risk. Certain transactions in customs brokerage, transportation management, and all transactions in Information Services are recorded at the net amount we charge our customers for the service we provide because many of the factors stated above are not present.

**VALUATIONS FOR ACCOUNTS RECEIVABLE.** Our allowance for doubtful accounts is calculated based upon the aging of our receivables, our historical experience of uncollectible accounts, and any specific customer collection issues that we have identified. The allowance of \$28.1 million as of September 30, 2005, increased 11.6 percent compared to the allowance of \$25.2 million as of December 31, 2004. Net accounts receivable for that same period increased 28.3 percent. 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 homogenous reporting units that are aggregated for the purpose of analyzing goodwill for impairment, thus goodwill is evaluated for impairment on an enterprise wide basis. There is no indication of goodwill impairment at September 30, 2005.

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

We had approximately \$315.1 million of cash and investments on September 30, 2005, consisting of \$191.9 million of cash and cash equivalents and \$123.2 million of available-for-sale securities. The cash equivalents are money market securities and high quality bonds from domestic issuers. All of our available-for-sale securities are high-quality bonds. Because of the credit risk criteria of our investment policies, the primary market risk associated with these investments is interest rate risk. 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. We believe a reasonable near-term change in interest rates would not have a material impact on our future earnings due to the short-term nature of our investments.

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

(a) Evaluation of disclosure controls and procedures.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (the Exchange Act)). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective in timely alerting them to the material information relating to us (or our consolidated subsidiaries) required to be included in the reports we file or submit under the Exchange Act.

(b) Changes in internal controls over financial reporting.

There were no changes that occurred during the most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect the Company's internal control over financial reporting except that we have excluded the businesses acquired during the first quarter and the current quarter.

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As described more fully in Note 2 to the consolidated financial statements, the company acquired FoodSource and Epic Roots during the first quarter of 2005 and Bussini and Hirdes during the third quarter. We have not fully evaluated any changes in internal control over financial reporting associated with these acquisitions and therefore any material changes that may result from these acquisitions have not been disclosed in this report. We intend to disclose all material changes resulting from these acquisitions within or prior to the time our first annual assessment of internal control over financial reporting that is required to include these entities.

The acquired companies combined had gross revenues of approximately \$322 million in 2004. The results reported in this quarterly report include those of the FoodSource entities acquired February 15, Bussini acquired July 31, and Hirdes acquired September 1. These acquisitions added approximately \$0.02 to our diluted earnings per share for the quarter.

## PART II OTHER INFORMATION

### ITEM 1. Legal Proceedings

During 2002, we were named as a defendant in two lawsuits by a number of present and former employees. The first lawsuit, brought by a group of 14 current and former female employees, alleges gender discrimination, including hostile working environment, and violations of the Fair Labor Standards Act. The second lawsuit, brought by a group of 6 current and former male employees, alleges violations of the Fair Labor Standards Act. The plaintiffs in both lawsuits seek unspecified monetary and non-monetary damages and class action certification. On March 31, 2005, the judge issued an order denying class certification for the hostile working environment claims, and allowing class certification for the claims of gender discrimination in pay and promotion. This is a procedural step, and we continue to deny all allegations and vigorously defend the suits. The judge also granted our motions for summary judgment as to the hostile working environment claims of ten of the named plaintiffs, and dismissed those claims. We have insurance coverage for some of the claims asserted in the first lawsuit. Currently, the amount of any loss is not expected to be material to us; however, unfavorable developments could have a material adverse effect on our consolidated financial statements.

We are not otherwise subject to any pending or threatened litigation other than routine litigation arising in the ordinary course of our business operations, none of which is expected to have a material adverse effect on our financial condition, results of operations, or cash flows.

### ITEM 2. Changes in Securities, Use of Proceeds and Issuer Purchases of Equity Securities

The following table provides information about purchases by the company during the quarter ended September 30, 2005 of equity securities that are registered by the company pursuant to Section 12 of the Exchange Act:

| <u>Period</u> | (a)  | (b)   | (c)  | (d)   |
|---------------|--|---|--|---|
|               | <u>Total Number of<br/>Shares (or Units)<br/>Purchased (1)</u> | <u>Average Price Paid<br/>per Share (or<br/>Unit)</u> | <u>Total Number of<br/>Shares (or Units)<br/>Purchased as Part of<br/>Publicly Announced<br/>Plans or Programs (2)</u> | <u>Maximum Number (or<br/>Approximate Dollar<br/>Value) of Shares (or<br/>Units) that May Yet</u> |

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|                    |                |                 |                | <b>Be Purchased Under</b>    |
|--------------------|----------------|-----------------|----------------|------------------------------|
|                    |                |                 |                | <b>the Plans or Programs</b> |
| 07/01/05- 07/31/05 |                |                 |                | 5,826,000                    |
| 08/01/05- 08/31/05 | 184,000        | \$ 30.00        | 184,000        | 5,642,000                    |
| 09/01/05- 09/30/05 | 168,000        | \$ 30.85        | 168,000        | 5,474,000                    |
|                    | <u>352,000</u> | <u>\$ 30.40</u> | <u>352,000</u> | <u>5,474,000</u>             |
| <b>Total:</b>      | <u>352,000</u> | <u>\$ 30.40</u> | <u>352,000</u> | <u>5,474,000</u>             |

- (1) We repurchased an aggregate of 352,000 shares of our common stock pursuant to the repurchase program that was approved by our Board of Directors in February 1999 (the Program ).

- (2) Our board of directors approved the repurchase by us of up to an aggregate of 8,000,000 shares of our common stock pursuant to the Program. Unless terminated earlier by resolution of our board of directors, the Program will expire when we have repurchased all shares authorized for repurchase thereunder.

ITEM 3. Defaults Upon Senior Securities

None.

ITEM 4. Submission of Matters to a Vote of Security Holders

On Friday, October 14, 2005, the shareholders approved an amendment which sought approval for a 2-for-1 stock split of the company's Common Stock, effective October 14, 2005, by a vote as follows: 80,901,779 votes For, 395,681 votes Against, 17,807 votes Abstained, and 0 Broker Non-Votes.

At the meeting, shareholders approved an amendment which sought to increase the number of authorized shares of Common Stock from 130,000,000 shares to 480,000,000 shares, by a vote as follows: 57,802,828 votes For, 23,451,076 votes Against, 61,363 votes Abstained, and 0 Broker Non-Votes.

ITEM 5. Other Information

None.

ITEM 6. Exhibits and Reports on Form 8-K

(a) Exhibits

- 31.1 Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 31.2 Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 32.1 Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 32.2 Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(b) Reports on Form 8-K

A report on Form 8-K was filed by the Company on July 26, 2005; such report contained information under Item 12 (Results of Operations and Financial Condition) and included as an exhibit under Item 7 a copy of the company's earnings release for the quarter ended June 30, 2005.

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A report on Form 8-K was furnished by the Company on August 5, 2005; such report contained information under Item 5 announcing the election of Kenneth E. Keiser to the company's Board of Directors.

A report on Form 8-K was furnished by the Company on August 22, 2005; such report contained information regarding the company's announcement that its board of directors declared a regular quarterly cash dividend.

A report on Form 8-K was furnished by the Company on September 1, 2005; such report contained information under Item 8 announcing a special meeting of the company's stockholders on October 14, 2005, to vote on a proposed amendment of the company's Certificate of Incorporation.

A report on Form 8-K was furnished by the Company on September 2, 2005; such report contained information under Item 8 regarding the Company's acquisition, in separate transactions, two freight forwarding companies, Hirdes Group Worldwide and Bussini Transport S.r.l.

A report on Form 8-K was furnished by the Company on October 17, 2005; such report contained information under Item 8 announcing its shareholders approved a two-for-one stock split, effective as of the end of business October 14, 2005. In addition, the shareholders approved an increased share authorization to 480,000,000 shares.

A report on Form 8-K was filed by the Company on October 27, 2005; such report contained information under Item 12 (Results of Operations and Financial Condition) and included as an exhibit under Item 7 a copy of the company's earnings release for the quarter ended September 30, 2005.



SIGNATURES

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

Date: November 8, 2005

C.H. ROBINSON WORLDWIDE, INC.

By /s/ John P. Wiehoff

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John P. Wiehoff  
Chief Executive Officer

By /s/ Thomas K. Mahlke

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Thomas K. Mahlke  
Controller (principal accounting officer)