



BUY NOW: Coronavirus Just Turned This Company Profitable

Description

The global economy and most businesses continue to [struggle](#) due to COVID-19 related headwinds. In contrast, the pandemic has accelerated growth for some industries and benefited companies belonging to these industries.

In this article, we'll take a closer look at one such company that has just reported a quarterly profit for the first time, and the pandemic-related closures played a big role in it. We'll also discuss why I find it stock really attractive at the moment.

Goodfood Market's earnings

Goodfood Market ([TSX:FOOD](#)) is a small online grocery company with a market cap of about \$351 million. On Wednesday, the company [released](#) its third quarter of fiscal 2020 results. In the quarter ended May 31, Goodfood surprised investors and analysts by reporting a quarterly profit for the first time. In Q3 2020, the company reported five cents adjusted earnings per share — far better as compared to analysts' estimate of five cents adjusted net loss per share.

In the third quarter, Goodfood Market's sales rose by 47.3% sequentially and 73.7% on a year-over-year (YoY) basis to \$86.6 million. It was also much better than Bay Street analysts' revenue expectation of \$81.4 million. Goodfood's solid revenue growth was primarily driven by a 44% YoY jump in its active subscriber base in the last quarter. At the end of the third quarter, the company had nearly 272,000 active subscribers.

During the COVID-19 closures across Canada, people started using online grocery store services — more than ever. This helped the company significantly increase its subscriber base.

The overall high business volume drove Goodfood Market's adjusted EBITDA margin up by 11.7 percentage points to 6.9%. It was also the first quarter when the company's adjusted EBITDA turned positive. As a result, Goodfood managed to report a \$2.8 million adjusted net profit in the quarter ended on May 31.

Why I find Goodfood's stock attractive

Suppose you're one of those people who started using online grocery services for the first time during the pandemic related closures. It's very unlikely that you would stop using it right away. You might continue to order groceries online at least until a COVID-19 vaccine hits the market. And this period should be long enough to make you realize the benefits of ordering groceries online.

That's one of the main reasons why companies like Goodfood Market could continue to see high sales in the coming quarters as well. High sales volumes would help Goodfood achieve economies of scale and turn sustainably profitable much sooner than expected.

Foolish takeaway

You may consider buying its stock for the long term as online grocery business is one of the fastest-growing industries right now. Goodfood Market currently trades at \$6.02 per share. It has already risen 92.3% in 2020 so far as compared to 8.4% losses in the **S&P/TSX Composite Index**.

Great future growth prospects could keep its stocks soaring going forward. As I always say, never forget to follow your risk management strategy strictly while investing in stocks.

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1. Coronavirus
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3. Stocks for Beginners

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