



\$1,000 Invested in Goodfood (TSX:FOOD) IPO Would Be Worth This Much Today

Description

Initial public offers (IPOs) are intriguing for investors. They generally provide an opportunity to invest in companies with enviable growth prospects. Here, we take a look at the performance of a small-cap Canadian company since its IPO.

Goodfood ([TSX:FOOD](#)) is an online grocery and home-meal kit company. Goodfood went public back in April 2015 and closed trading at \$3.33 on April 24, 2015. The stock is currently trading at \$6.16. This means if you invested \$1,000 in Goodfood IPO at \$3.33, you could have bought 300 shares. This investment would have ballooned to \$1,848 today.

Despite these impressive returns, investors should note that the stock has been extremely volatile. Goodfood stock fell below \$1 in October 2016 and then recovered to trade at \$3.5 in January 2019. It then fell to a low of \$1.49 in March 2020, due to the COVID-19-led sell-off.

Goodfood stock has increased over 220% since bottoming out in March. Here, we look at the long-term prospects of investing in this company.

Goodfood reports its first profitable quarter

In the quarter ended in May 2020, Goodfood reported sales of \$86.6 million, an increase of 74% year-over-year, compared to the prior-year period. It reported a net income of \$2.8 million or \$0.05 per share in the fiscal third quarter of 2020, up from a net loss of \$3.6 million in Q3 of fiscal 2019.

Goodfood reported a positive net income for the first time in company history. Its bottom-line was driven by a 28.8% improvement in gross margin that rose to 77% coupled with a 63% increase in gross merchandise sales that stood at \$99.8 million. In the last 12 months, Goodfood's gross merchandise sales were \$418 million.

Goodfood also reported a positive EBITDA for the first time. Adjusted EBITDA rose to \$6 million indicating a margin of 6.9%, up from -4.8% in the prior-year period.

While the coronavirus pandemic has decimated most sectors, it has had a positive impact on Goodfood and acted as a catalyst in the shift to e-commerce grocery shopping. Although the company faced operational and supply chain challenges, it experienced growth in demand-driven metrics.

Company CEO, Jonathan Ferrari [stated](#), “The COVID-19 outbreak ignited the growth of online grocery shopping in Canada, where the penetration rate has historically been particularly low compared to many other developed economies.”

He added, “The adoption rate of online grocery shopping has effectively outpaced industry growth projections by several years, with Canadians embracing a new way of shopping that we expect is here to stay. Seizing this truly unique opportunity has allowed Goodfood to grow significantly and reinforce its position as a leading online grocery company in Canada.”

Why the stock remains a solid long-term bet

In Q3, Goodfood added 26,000 net new active subscribers, bringing its total count to 272,000, an increase of 44% year over year. In the near-term, the company will continue to benefit from higher-order rates and basket size from existing customers.

However, the [shift to online grocery shopping](#) has accelerated and will continue to drive the company top-line in the upcoming decade.

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