



Is Goodfood (TSX:FOOD) Stock a Buy Right Now?

Description

The lockdown and its restrictions have taken a toll on even the most ardent cooking enthusiasts. No matter how much you love your kitchen, there is no way you are going to consistently dish out gourmet meals. You want a break from cooking, and that's where **Goodfood** ([TSX:FOOD](#)) comes in to play.

Goodfood is an online grocery company in Canada that also delivers online fresh meal subscriptions apart from private-label groceries. It has six meal plans and 35 meals to choose from for its subscribers. Customers can choose from a breakfast menu, ready-to-eat meals, and 300 private-label grocery items, as well as meal kits.

The company also runs Yumm.ca, a meal option for cost-conscious customers. In September, Goodfood was included in the TSX30, the exchange's program where it recognizes the 30 top-performing TSX stocks over a three-year period based on share price appreciation.

Goodfood has significantly grown sales since 2016

The one factor that I like about Goodfood is that it has not grown just because of the pandemic (though the pandemic has certainly boosted its numbers to a great extent). The company has grown from revenues of \$2.8 million in 2016 to \$161.3 in 2019. The company reported its numbers for the third quarter ended May 31, 2020, and it reported net income and positive EBITDA for the first time in its history since it was founded in 2014.

Its sales fell short of \$100 million for the quarter (it clocked \$86.6 million in sales, up \$36.7 million from the same period in 2019), and this took revenues for the last 12 months to \$247 million, a very significant improvement year on year. The company said that its revenue growth outpaced its customer growth in the quarter, which meant that its size of the customer wallet is growing.

The pandemic is a major tailwind

The COVID-19 pandemic has accelerated the growth rate for the company. Goodfood said that the

growth that was planned for five years has now been achieved in fewer than three years. There has been increased demand for all products, including its private-label grocery items.

Subscribers are ordering more, and the basket size for customers has been growing higher. As shopping for meals became more common, the company was able to reduce expenses it spent on marketing incentives and credits. Unit costs were also lower, as density increased in delivery zones and costs for packaging and shipping came down as well.

For the fiscal year ended August 31, 2020, the [company added 80,000 subscribers](#) to close at 280,000 subscribers, of which 8,000 were added in the fourth quarter. That's the only metric for the last quarter that Goodfood has released so far. Goodfood currently has a 40-45% of the market share in the home meal space in Canada and it is growing.

Good meals have become a habit and Goodfood [has a recurring subscriber rate](#) of 91%. This could translate into a solid customer base even after the pandemic has run its course. The stock has run up over 44% since September 7, 2020, and there could be mild pullbacks, but if you are a long-term investor this should not bother you at all. It's a great growth stock to hold in your portfolio.

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