



Stock Deep Dive: Goodfood Market (TSX:FOOD)

Description

Often, when disruptive companies first enter the market, there is quite a big lag between its initial offering and widespread adoption of its products. Sometimes, it requires a significant catalyst before investors understand the potential of certain businesses. I will be among the first to admit that when I first heard of **Goodfood Market** ([TSX:FOOD](#)), I brushed it aside as a fad. However, since I have started ordering groceries online, it has become clear how big of an opportunity this could be.

What does this company do?

Goodfood Market is a leading online grocery, home meal, and meal kit company in Canada. As of August 2019, the company had [200,000 active subscribers](#). The company first went public in April 2015. Over the next five years, its stock had been rather underwhelming, to say the least. However, at the start of the year, a large opportunity presented itself during the pandemic.

Countries were required to shut down, and consumers struggled to reach grocery stores or would rather avoid large crowds. As a result, a new form of shopping needed to be adopted. In recent years, e-commerce has been taking the world by storm. Online sales have been steadily increasing year over year. Due to the pandemic, grocery shopping is the latest area of retail to make a widespread jump into the online world.

Goodfood's business model allows it to run with an excellent amount of operating leverage. The company orders ingredients from its farming partnerships and suppliers as soon as an order is placed by a customer. This allows Goodfood to keep inventory numbers low. The company will then fulfill the order and distribute payments to suppliers within 90 days.

Why is this an attractive opportunity?

The grocery industry is very large. In Canada, it is a \$130 billion market. Goodfood believes that the industry is ripe for innovation. The company has a three-pronged approach which should help it succeed in the future. It plans on executing in breakfast, ready-to-eat, and ready-to-cook dinner foods.

Goodfood also offers a wide variety of meal plans, brands, and meal options based on price and prep time.

The company is well positioned to serve the entirety of Canada, with its strategically placed production facilities. Goodfood has a total of 302,000 square feet across its production and distribution facilities in Montreal, Calgary, and Vancouver. Currently, its western facilities have the capacity to serve 150,000 to 200,000 subscribers. Its eastern facilities are capable of serving 300,000 to 400,000 subscribers as of this writing.

Another interesting point about the company is its leadership team. First and foremost, the company is founder led. Jonathan Ferrari (CEO) and Neil Cuggy (president and COO) founded the company in 2014 and are still heavily involved with day-to-day operations. Goodfood also features an exceptionally high level of insider ownership. The company's co-founders each own 15.5% of outstanding shares in the company. All other insiders considered, the company's leadership accounts for about 40% of Goodfood Market.

Foolish takeaway

Goodfood is a leader in [an emerging industry](#). Even though Goodfood stock has seen an incredible run this year, its best years are still ahead. Online commerce will only be more prominent in the future, and the grocery industry is ripe for disruption. Goodfood Market could be a very rewarding stock to hold in your portfolio.

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Date

2025/09/28

Date Created

2020/10/23

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