Hungry for Food Stocks? Which 1 Suits Your Taste?

Description

Online grocery and meal solutions company **Goodfood Market** ([TSX:FOOD](#)) strategically focused on marketing campaigns during the back to school and Black Friday periods to appeal to its target market. This helped it achieve 33% growth in subscriber count to 306,000 in fiscal Q1 2021 compared to a year ago.

In the prior year, its subscriber growth was 83%. The slower growth could be the result of the law of large numbers. That said, no one would argue against Goodfood, as it's experiencing growth during the pandemic when most other companies are experiencing contraction. Indeed, a percentage of consumers have shifted to online grocery as a part of their routine to limit or eliminate their visits to physical grocery stores.

Goodfood's subscriber growth helped boost its revenue growth by 77% in fiscal 2020 to $285 million year over year. Its gross profit more than doubled to $86 million, while it expanded its gross profit margin from 25% to 30%. Its operating cash flow skyrocketed to $8.5 million from $0.88 million.

Like many high-growth companies, Goodfood is delaying profitability to grow the business, expand its offerings, and increase its market share.

At $9.25 per share, Goodfood has a market cap of about $624 million. Eight analysts have an average 12-month price target of $11.72 for close to 27% near-term upside potential.

Let's see how traditional [grocery chains](#) are doing.

Loblaw stock

Loblaw (TSX:L) is a food and pharmacy leader with more than 2,400 (corporate, franchised, and associate-owned) locations in Canada. If you still buy groceries from the physical stores, you've probably visited one of its stores in the past week, as its grocery stores span the value spectrum from discount to specialty. It's the parent company of Superstore, Shoppers Drug Mart, No Frills, Extra Foods, T&T, etc.

In the last 12 months, Loblaw increased its revenue by 7% to $51 billion, while its gross profit increased by about 6%. Its gross profit margin was essentially flat. That said, its EBITDA and net income margins shrunk meaningfully to 6.9% from 9% and to 2% from 2.2%, respectively.

At $64.60 per share, Loblaw has a market cap of $22.8 billion. Analysts have an average 12-month price target of $79.45 for 23% near-term upside potential. It also offers a 2% dividend yield.

Metro stock

Metro (TSX:MRU) has been more defensive than Loblaw with a focus on Quebec and Ontario. Its network consists of approximately 950 food stores under banners including Metro, Metro Plus, Super C and Food Basics, and roughly 650 drug stores primarily under the Jean Coutu, Brunet, Metro Pharmacy and Food Basics Pharmacy banners.

In the last 12 months, Metro's revenue climbed by 7.3% to almost $18 billion, while its gross profit increased by about 13%. Its gross profit, EBITDA, and net income margins all improved from a year ago to 11.8%, 9.3%, and 4.4%, respectively.

At $57.96 per share, Metro has a market cap of $14.5 billion. Analysts have an average 12-month price target of $63.50 for almost 10% near-term upside potential. It also offers a 1.5% dividend yield.

The Foolish takeaway

The food stocks have dipped in the last couple of months. Although both Loblaw and Metro offer online groceries, they can't beat GoodFood, which is a pure play in the space. Metro has been more defensive and it, therefore, trades at a higher multiple than Loblaw.

If I were to invest in one right now, I'd consider GoodFood first and perhaps Loblaw as a value investment. Which one suits your taste?

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2. TSX:L (Loblaw Companies Limited)
3. TSX:MRU (Metro Inc.)

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