



Market Crash 2021: 1 Top Canadian Stock You Need to Pick Up

Description

Canadian stocks have continued to rally into 2021, making it feel difficult to buy exciting growth stocks. After the fast recovery in 2020, many Canadians likely feel like they missed out. Despite being in a pandemic and an economic recession, [stocks just keep going up](#). The low cost of borrowing and the rush from bonds to equities has largely lead to some heated markets.

Heated markets will cool — but when?

The point is, stock markets could see a slight crash or correction in the near future. Just like in 2020, it will likely be due to an issue that the market has failed to foresee. It could be a new coronavirus strain, political instability, or a fast uptick in inflation or interest rates.

Right now, we just don't know. I recommend you prepare your investment wish list beforehand. Ask yourself what Canadian stocks have disruptive and innovative business models? Which stocks are market leaders or are consolidating a specific segment? What top Canadian stocks have tailwinds that could fuel growth for five, 10, or 20 years ahead?

Feast on this top Canadian stock in a crash

One top Canadian growth stock that answers some of these questions is **Goodfood Market** ([TSX:FOOD](#)). It is a really intriguing Canadian stock that would be a great buy in a market crash. It has become one of Canada's largest distributors of meal-kits and online groceries.

The pandemic lockdown has been a major boon, as people stuck at home look for convenient, fresh meal ideas. Goodfood spent much of 2020 scaling its distribution capacity, investing in innovation, and expanding its reach to more Canadians.

A good quarter

Yesterday, this Canadian stock [released](#) solid first quarter results (ended on November 30, 2020). Revenues, gross profits, and adjusted EBITDA increased respectively by 62%, 82%, and 137%. Unfortunately, the company did not reach profitability in the quarter. It had a loss of \$0.04/share (although that was a 56% improvement from 2019). The company saw active subscribers increase 33% from 2019 to 306,000 — a 10% increase from the prior quarter.

Investors need to be aware that this is a very competitive industry and involves significant incentives. Fortunately, Goodfood reported that incentives dropped from 21% of sales to 10.8% in the quarter. Goodfood continues to plow forward in expanding its products and services. This includes same-day delivery, and a growing basket of grocery products (around 500) available beyond meal kits.

For the trailing year, this Canadian growth stock is up 304%! Generally, its valuation has now exceeded many of its meal-kit peers and it trades well above its grocery peers. Consequently, it looks fairly valued to slightly overvalued. I would wait for a market correction to buy in. Some commentators have voiced concerns that meal kits in Canada are increasingly becoming competitive (which could disrupt EBITDA margin growth). This is one area investors need to watch carefully.

This top Canadian stock is disrupting groceries through technology

Yet, I believe the company is disrupting a heavily “store-front” industry. If there is one thing we have learned in the pandemic, digital shopping is easy and efficient. Goodfood is steadily becoming a market leader in online groceries. While its grocery offerings are still limited, management believes it can eventually offer better products at an equal price to store-front grocery chains. The company is steadily increasing economies of scale, margins are improving, and hopefully profitability will rise.

Given this, I think the rewards outweigh some of the risks. This is even truer if you can buy this Canadian stock at a discount during a stock market correction in 2021.

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