1 Great Canadian Stock to Buy While it's Fresh off a 50% Plunge

Description

Goodfood Market (TSX:FOOD) took an uppercut straight to the chin, with shares of the Canadian meal-kit delivery firm shedding nearly 50% of its value since late January of 2021. It's been an epic slide, and as we inch ever so closer to the end of this pandemic, one has to think that the demand for Goodfood meal kits is about to fall off a cliff.

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Peak growth concerns may very well be warranted. The value to be had in meal kit subscriptions is really up for debate. During lockdown times, where the risk of contracting the deadly COVID-19 is higher, yes, Goodfood's service is well worthwhile, as it means fewer trips to the crowded grocery store.

Post-pandemic headwinds likely baked into the stock

The meal kit delivery kingpin makes staying at home that much easier. As a result, the Canadian stock has been profoundly rewarded in 2020, with incredible multi-bagger gains (around 600%) since the depths of March 2020. That was then, though, and this is now. The year 2021 hasn't been kind to 2020's biggest winners, and Goodfood Market stock is one of those losers who've punished those who chased the name up to its peak.

With investors bracing so subscriber cancellations en masse, it seems like Goodfood is a pandemic play that's about to come crashing down to earth. I don't think that's the case, though.

CEO Jonathan Ferrari may be one of the younger top bosses out there, but I think he has what it takes to retain the many subscribers who may be so inclined to return to grocery stores, restaurants, and all the sort. The substitution effect worked for Goodfood during the worst of the lockdowns, and now, it's looking like tailwinds could turn into headwinds.

Goodfood faces challenges, but it can rise to the occasion

How are Ferrari and company going to keep its Canadian consumers sticking around? With an improved value proposition and perhaps a wider selection of add-on items. The latter could allow

Goodfood to continue growing without taking too big a hit to its margins. As one of the more operationally efficient meal kit players in the space, though, I think Goodfood can afford to take a margin hit if it means keeping subscribers around well into the post-pandemic environment.

Moreover, a 50% collapse in the Canadian stock, I believe, is overblown beyond proportion. While things aren't looking nearly as favourable in the year ahead, I do think that with the bar set so low, Goodfood is in a spot to surprise and awe.

For a fast-growing firm like Goodfood, I think investors will reward revenue growth while giving the firm a free pass on a lack of profitability. As the company looks to expand upon its already solid roster of add-on items (think cold-press juices, loaves of banana bread, ready-made soups, sides, and all the sort), I think Goodfood is in a unique spot to take share, even as industry tailwinds fade away and turn into headwinds.

50% off a great Canadian stock

After FOOD stock got sliced in half, I see deep value in the Canadian stock. Shares trade at 1.5 times sales, which is just far too low for a business of Goodfood's calibre. While sales multiple expansion could hit in a post-pandemic environment, most investors are underestimating the firm's abilities to keep its customers hooked.

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