3 Reasons to Buy Goodfood Market (TSX:FOOD) Stock Right Now

Description

Goodfood Market ([TSX:FOOD](#)) is a leading online grocery services provider. Thanks to the growing adoption of online grocery services, the company has consistently delivered impressive sales, which supported the uptrend in its stock. For those who don't know, Goodfood Market stock has outperformed the benchmark index by a wide margin the past three consecutive years and made its investors rich.

With the strong secular industry tailwinds and its focus on strengthening its delivery capabilities, I see further upside in Goodfood Market stock. Besides, its stock has reversed some of its gains this year and is trading cheap at current price levels. Without further delay, let's check what Goodfood Market stock has going for it.

Impressive financial performances

As stated above, Goodfood has been delivering solid quarterly performances in the past on the back of increased demand, growing grocery selections, ready-to-cook offerings, and its strong fulfillment capabilities.

On July 7, Goodfood announced yet another [impressive quarter](#) wherein its revenues recorded a growth of 24% to $108 million. Its gross profits surged 51%, while its gross margin expanded significantly to 35%. The company's chief operating officer Neil Cuggy stated that the "continued last-mile delivery optimization and improved operational effectiveness leading to lower credits and incentives, coupled with our growing scale and additional investments in automation" led to a record gross margin in Q3.

Additionally, Goodfood Market launched a new mobile application during the quarter and announced its first local fulfillment center in Ottawa, which is likely to boost its delivery capabilities. Further, the company launched about 250 new products, which augurs well for future growth.

Multiple growth catalysts

Goodfood Market is poised to benefit from favourable industry trends that provide multi-year growth opportunities. The online grocery industry is likely to grow rapidly, reflecting the continued adoption among consumers and increased spending on e-commerce platforms.

While the pandemic accelerated the demand for online grocery services, the economic reopening could play spoilsport in the near term as a portion of the consumer spending could roll back to physical retail stores. While Goodfood Market could witness a normalization in its growth rate in the short term, I am bullish on its long-term prospects.

I expect the demand for Goodfood Market's services to sustain, even in the post-COVID era, as companies ramp up investments to reduce delivery time and expand their online offerings.

As for Goodfood Market, its focus on targeted marketing, capacity expansion, investments in automation, and growing product selections could continue to drive its active subscriber base and basket size. Furthermore, the company's dominant competitive positioning, increasing scale, network optimization, and focus on reducing delivery time should drive order frequency and bring more customers.

Further, its continued last-mile delivery optimization, same-day delivery in key markets, and operational efficiencies could drive Goodfood Market's margins and profitability over the long term.

Stock trading cheap

Goodfood stock has generated a significant amount of wealth for its investors in the past. Since its IPO in June 2017, the stock has gained over 281%, which is remarkable. Decent year-over-year growth in e-commerce spending and a shift towards online grocery services drove its stock higher.

However, Goodfood Market stock has corrected about 32% in six months, providing a solid opportunity for long-term investors to buy this high-growth company at the current levels.

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