



A Top TSX Stock Under \$10 to Watch Today

Description

There aren't that many truly magnificent TSX stocks that trade for under \$10. Whenever you do find one, though, they tend to be mid-caps with room to run. Indeed, the stakes are higher with smaller-cap companies, but so too are the odds of grabbing a potential multi-bagger.

In this piece, we'll have a closer look at shares of **Goodfood Market (TSX:FOOD)**, a \$630 million company that's fallen drastically out of favour in recent months. Undoubtedly, the initial hype has worn off, and it's been replaced by pessimism, making the name one of the best [contrarian](#) growth plays for young investors willing to take on the [rougher waters](#) that come with mid-cap territory.

TSX stock top pick: Under \$10 and undervalued

At \$8 and change per share, FOOD stock is one of my favourite under-\$10 TSX stocks to, at the very least, keep watch of going into a considerably more challenging environment. As COVID ends and people return to the grocery stores, meal-kit delivery firms may be vulnerable to subscription pauses or even cancellations en masse. It's not a good place to be, but if a company is to do well despite a tougher road, it's Goodfood — a firm with the means to one-up its competitors in the increasingly crowded meal-kit delivery scene.

Goodfood is down over 42% from its all-time high of \$14 and change. What's behind the big plunge? A lot of investors expect pain as lockdowns lift and the pandemic looks to go endemic. Goodfood was one of the best lockdown plays of 2020, after all, and come the reopening, the firm's fortunes could change in a hurry. That's what everyone is afraid of, but because they're fearful of it, I think the stock has way too much negativity baked in. The company has made significant strides to improve its value proposition with consumers, which will be critical to thriving on the other side of this pandemic.

With immense food inflation, however, FOOD could be in to take a bit of a hit to its margins, but the impact, I think, is for the long-term betterment of the company's prospects as it looks to grasp onto the many subscribers it won during lockdowns.

New initiatives add FOOD for thought

In many prior pieces, I've praised Goodfood for its extensive line-up of add-on items, from frozen foods to braised beef and everything in between; Goodfood wants to push further into the turf of Canadian grocers, not just other meal-kit delivery firms. Prices are becoming a concern, but Goodfood's latest innovation, lunch-and-dinner combos, do look to offer an unmatched value proposition that could allow it to take share.

Goodfood now offers options for a dinner meal kit whose leftovers can be used to create a different form of lunch for the next day. Indeed, leftovers can be boring, but Goodfood's latest meal-kit innovation, I believe, changes the game, making leftovers something to look forward to. For example, a dinner-lunch combo kit may include enough meat for a pasta dinner, with just enough left over to create a sandwich for the next day's lunch. The best part of the combo is that it's cheaper than buying two different meal kits, not to mention the time saved in the kitchen.

Having tried the combo myself, I'm a believer. It provides a unique type of value proposition, but whether or not consumers are fans is another question. Regardless, Goodfood is doing a great job of preparing for a storm that could hit with the great economic reopening. At 1.7 times sales, I think FOOD stock has a margin of safety, even though it'll be up against it over the next few years.

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