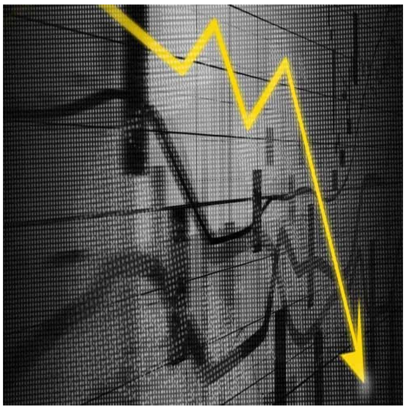

Goodfood (TSX:FOOD) Stock Sinks 31% After Earnings Loss

Description

Goodfood Market (TSX:FOOD) shares plummeted on Nov. 17 after the company announced earnings. While it managed to see a record increase in sales, its loss increased almost 500%, sending shares down over 30%.

Key points

- Goodfood stock shares sunk after the company announced its loss increased almost 500% year over year.
- Shares were down over 30% in early trading on Wednesday, Nov. 17.
- Management backs up the loss for creating its fulfillment network and on-demand meal and grocery delivery service.

What happened?

Goodfood stock had a lot of positivity during its earnings report, but it cannot be denied that the major problem was the loss from the meal-kit company. Net sales increased 33% year over year to $379.2 million — a record for annual net sales for the company. It remained in a "strong financial position" with $125.5 million in cash on its books, and it announced further expansion of its fulfillment network.

However, Goodfood stock also announced an enormous loss of $31.8 million compared to the same time in 2020. Last year that loss was at $5.3 million, an increase of 495% for this year. That came in at a loss of $0.45, an increase from the loss of $0.09 last year by 400%, and *far* more than the estimated loss of $0.06 by analysts.

Still, management chalked this up to its continued investments. The company continues to create a fulfillment network of 13 facilities across the country. This should both speed up delivery times and support online on-demand delivery for both meals and groceries.

What Goodfood stock management says

The bottom line of the business is sales growth, and Chief Executive Officer Jonathan Ferrari believes this is what long-term investors should look forward to. Goodfood stock continues to be in its long-term growth strategy of creating a solid online, on-demand grocery and meal service. Soon, that could mean deliveries in less than an hour, soon to be launched in Toronto and Montreal.

“This year’s record annual net sales and gross profit have helped lay the foundation for the next phase of our growth and evolution, despite the headwinds faced in the fourth quarter, as easing COVID restrictions reduced consumer demand and appeared to magnify expected Q4 seasonality,” stated Ferrari. “We expect these headwinds to stabilize as the year progresses and the return to normalcy continues, with our newly launched one-hour on-demand delivery providing the key platform for growth.”

What’s next for Goodfood stock?

What’s next is whether or not management can prove this long-term growth strategy will work. Investors may worry that Goodfood stock won’t see the growth they’ve become accustomed to with the pandemic easing. Consumers are venturing out, with vaccination rates down. So, this may mean fewer sales in the future.

However, just looking at the numbers this doesn’t seem to be the case. Goodfood stock continues to reach record sales, only hampered by its recent investments. The losses its accrued are therefore not based on the reduction of sales, but investment in its business. So, this is definitely something to consider when looking at Goodfood stock.

Goodfood stock is now down 62% year to date, reaching 52-week lows after this earnings announcement. That’s compared to a gain of 20% on the **S&P/TSX Composite Index**.

CATEGORY

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