



Why Did Goodfood Stock Drop 12% on Tuesday?

Description

Goodfood Marketplace ([TSX:FOOD](#)) dropped to 52-week lows on Tuesday, falling 12% at its lowest point. This comes after the company reported its earnings on Tuesday, that showed “stable” sales.

What happened?

Goodfood reported \$78 million in net sales, which was \$1 million less than the quarter before during its first quarter for 2022. The company also expanded its net loss to \$22 million, which included a \$2 million “reorganization cost” for cost-saving initiatives (how ironic). Furthermore, it came in below analyst [estimates](#) of a loss of \$0.24 per share, instead reporting a loss of \$0.29 per share.

Goodfood’s customer count grew, but only by 5,000 between quarters. However, its on-demand active customers grew by 50% to 13,000 customers in the last eight weeks. This comes from its new 30-minute grocery delivery service.

So what?

While Goodfood management believes this is the “beginning of an expected progressive improvement to our adjusted EBITDA margin,” it looks like a long process. Inflation, selling, general and administrative expenses, and less customer growth continue to weigh heavily on its once heavy crown.

Still, Goodfood management remains convinced that the \$2 million restructuring costs will help the company achieve \$11-\$13 million in annualized savings compared to the 2021 fourth quarter. This leaves the company with a strong balance sheet that can implement its long-term growth driver, management said.

Now what?

Shares of Goodfood dropped 12%, but have since [rebounded](#), down about 7% as of writing from the

previous days prices. However, shares are a far cry from the 52-week highs of \$14.72. And analysts don't believe those numbers will be back anytime soon. Consensus target prices remain around \$5.85 as of writing. But that may soon change with analysts weighing in on earnings.

Still, next quarter could see improvements, as winter days and COVID risks increase the likelihood of using the meal-kit service. Further, Goodfood is also adding its third local micro-fulfillment centre, expanding its Toronto reach from Oakville to Mississauga. And management plans to have these on-demand services reaching all Canadians in the coming years.

So, what now? If you have it, I'd hold it. If you don't, maybe watch it for now. But Goodfood does seem to have a long way to go to reach greatness once again.

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