Plant-Based Foods Growth: Why I'm Buying This TSX Stock on the Dip

Description

SunOpta (TSX:SOY) is a Minneapolis-based company that manufactures and sells plant-based and fruit-based food and beverage products to a variety of customers, including top retailers. Today, I want to zero in on the recent drop for this TSX stock. More importantly, I want to discuss why investors should look to get in on companies that are manufacturing and selling plant-based food alternatives. Let's jump in.

This food-focused TSX stock has plunged to start 2022

Shares of this TSX stock have dropped 7.3% week over week as of late-morning trading on January 27. The stock has plunged 34% so far in 2022. Moreover, SunOpta has declined 65% in the year-over-year period.

The company is set to release its fourth-quarter and full-year 2021 results on March 1, 2022. In the third quarter, SunOpta delivered revenue growth of 3.6% to $198 million. It posted revenue growth of 16.5% in plant-based foods and beverages. However, fruit-based food and beverages revenue decreased 9.7% from the previous year.

SunOpta posted adjusted earnings of $1.1 million, or $0.01 per diluted common share — up from an adjusted loss of $5.8 million, or $0.06 per diluted common share, in Q3 2020. Meanwhile, adjusted EBITDA climbed 8.4% year over year to $15.6 million. SunOpta put together a very solid quarter in the face of worsening supply chain issues. Its plant-based revenue has increased 23.9% on a two-year stack basis.

Here's why investors need to get in on plant-based alternatives

Last week, I'd discussed why SunOpta was a TSX worth picking up due to its exposure to the plant-based alternatives market. In 2021, *Bloomberg Intelligence* reported that global retail sales of plant-based food alternatives were poised to reach $162 billion by 2030. That would be up from $29.4 billion in 2020. If that comes to pass, the plant-based food alternatives market would represent 7.7% of the global protein market. That should spur investors to take a hard look at TSX stocks like SunOpta.

Consumer trends were already moving in favour of plant-based foods in the previous decade. Some surveys estimate that veganism has increased by 300% from 2004 through 2019.

The inflation surge may also play a significant role in the rise of plant-based protein alternatives. In Canada, the prices for meat products were up 10% in October 2021 compared to the previous year. Fresh or frozen beef prices surged 14% from the same period in 2020. Moreover, bacon prices soared by 20%. High inflation is providing more momentum for the plant-based foods space.

Why this plant-based foods TSX stock is a buy-low candidate today

Shares of this TSX stock possessed a very attractive price-to-earnings ratio of 6.5 at the time of this writing. SunOpta stock had an RSI of 25 as of early afternoon trading on January 27. That puts this TSX stock in technically oversold territory. Investors should look to snag this promising plant-based food stock on the dip before we move into February.

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