Goodfood Stock Likely to Double in 2022!

Description

Goodfood Market (TSX:FOOD) was one of the growth stocks that came out swinging during the pandemic. With Canadians unable to go to the grocery store without feeling unsafe, Goodfood stock provided a great option to have home-cooked meals safely at home.

But as soon as it appeared that the pandemic could be easing, shares started to fall. Now, Goodfood stock trades at just $1.82 — far below its all-time highs of about $13 per share.

While I'm not sure we'll get back to those numbers, we could certainly see shares of Goodfood stock double. In fact, it could happen this year alone! Here's why.

Business model remains intact

The reason many analysts liked Goodfood stock in the first place is its business model. The company learned from other global meal-kit delivery services and picked and chose the best options. It's now managed to be the top choice among Canadians to this day.

And even with shares falling, Goodfood stock managed to expand its operations year after year. It now offers one-hour grocery delivery in many urban cities. It can reach about 90% of all Canada through its meal-kit delivery service. And it has options for everything from grocery items to breakfast and dinner for Canadians to buy.

With more fulfillment centres popping up across the country, Canadians wanting meal-kit delivery can see fast, fresh food delivered using the company's local partnerships. And it's why the company continues to see growth through financials as well.

Sales dwindled

The problem with Goodfood stock is the return to in-store shopping. With Canadians able to buy their own groceries, they didn't want to pay a premium for something like a meal-kit service. That remains true today, with inflation reaching 6.8% year over year in April.

During the last quarter, Goodfood stock saw net sales decrease to $73.4 million from $100.7 million the year before. Its net loss improved, however, to $20.6 million from $21.6 million the year before. This comes from what management identified as improvements to the cost structure to bring in profitability and cash flow.

Share drop overdone

While a share drop may have been necessary, analysts believe that it was overdone. Goodfood stock has taken a huge tumble, down 86% from all-time highs and 55% year to date. This comes from being related to the pandemic and growth stocks in general. These have been the first to go during the latest market correction.

But in the last week, there has been an improvement in Goodfood stock, as with the rest of the market. Shares are up 6%, and while that isn't huge, it's certainly something. Furthermore, analysts give it a consensus target price of $3.19. That's a 75% increase from where it is today, and it could easily reach higher if investor sentiment keeps improving.

Foolish takeaway

Am I saying you should go buy Goodfood stock in bulk? No, but I am saying that at these prices it's certainly simple to buy a small stake to see what happens. Shares have hit all-time lows, and look to be recovering. And even if another dip comes, Goodfood is likely to last over the next decade at least. That means you're more than likely looking at strong returns long term, and shares that could double in the next year alone.

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