

This FTSE 100 stock is down 45% in 1 year: here's why it can soar again!

Ocado is developing revolutionary robotics and artificial intelligence technology within the internet retail industry.

The FTSE 100 company has a £9bn market cap, and its operating segments include; retail, UK solutions & logistics, and global solutions.

Most people are familiar with Ocado from its retail segment, which provides online grocery and general merchandise offerings to customers in the UK.

Ocado to outperform FTSE 100 index in 2022?

In a research note on 23rd February, the Royal Bank of Canada put a target price of GBX 1700, which indicates an upside potential of 43% based on the current price. If Ocado hits this price target within the next few years it will almost certainly outperform the FTSE 100.

One of the biggest drags on the FTSE 100 index last year was Ocado, as shares fell 11.6% after it posted steep losses. Ocado shares declined 27% last year; however, in 2020 it went up 78.8%, while the FTSE 100 returned a loss of -14% for 2020.

Highly innovative FTSE 100 technology companies often require substantial profit reinvestment to continue growing through research and development. This is no different with Ocado as it continues to develop its cutting-edge robotics and artificial intelligence technology. Recent development in Ocado's robotics is largely down to joining forces with Kindred Systems and Haddington Dynamics.

Ocado's robotics are used for a wide range of activities including:

- Developing smart robotic systems to make them more efficient at picking and packing customer orders.
- Designing bots that fulfil orders in Ocado's customer fulfilment centres.
- Enhancing picking stations and developing a grid that's tolerant to seismic events.

Ocado designs, builds, and operates smart mobile machines that collaborate to achieve unprecedented efficiency in picking and packing items. Artificial intelligence and machine learning algorithms are also powerful tools being utilised by Ocado. The algorithms learn about what you like, which helps Ocado tailor offers relevant to you, helping you find what you need through a personalised experience.

The artificial intelligence tools help power forecasts to predict demand, reduce waste and maximise the availability of fresh food. It's clear that Ocado uses cutting-edge technology compared to most of the other food delivery service companies in the FTSE 100.

Declining earnings

Ocado reported a 12.1% fall in earnings before interest, tax, depreciation and amortisation (EBITDA) to £61m for 2021. A net loss of £223.2m for 2021 and £134.3m for 2020 does not look attractive for potential FTSE 100 investors, especially as supermarket spending increased during lockdowns.

In 2022, Ocado's finance chief Stephen Daintith told reporters that Ocado was planning £30m more investment in its International Solutions technology business than the market had anticipated.

The upcoming earnings in 2022 may surprise many; therefore I'm not tempted to buy at the current price. Instead, I'd rather wait for Ocado to report more robust earnings, which could potentially see its share price soar again.

Ocado stock is historically very volatile compared to other FTSE 100 stocks; therefore I consider this a high-risk stock for potentially a high reward.