



## Should You Buy the Dip in TMX Group Ltd. Stock?

### Description

**TMX Group Ltd.** ([TSX:X](#)) is a Toronto-based company that operates cash and derivative markets for equities and fixed income. Shares of TMX Group dropped 2.2% week over week as of close on May 3. The stock has climbed 8.3% in 2018 so far. Should investors leap on this slight dip?

TMX Group released its 2017 fourth-quarter and full-year results on February 12. The company achieved 12% sequential revenue growth between Q3 and Q4, and adjusted diluted earnings per share were up 3% year over year to \$1.22. The company is expected to release its first-quarter results on the evening of May 9.

Volumes slumped in the first quarter of 2018 for the Toronto Stock Exchange (TSX) but were still up year over year for TMX Equities marketplaces broadly. On May 3, the company released consolidated trading statistics for April. [Volume on the TSX](#) were down from March to April and also fell marginally year over year. Year-to-date volume is now down 4.2% on the TSX, while value and transactions are up 5.1% and 6.7%, respectively. Across all of its equities marketplaces volumes are up 3% year to date.

In March, TMX Group announced that it would [launch a cryptocurrency brokerage](#) that would initially deal in Bitcoin and Ether. Subsidiary Shorcan Brokers Ltd. is building the brokerage platform, which will include services that compile data on cryptocurrencies and public performance data. Canada has emerged as something of a safe haven for cryptocurrencies after other nations, particularly in Europe and Southeast Asia, have introduced stiff regulations that have stymied the growth of exchanges and miners.

The exchange was projected to launch sometime in the second quarter. The venture aims to capture 2-5% of the global over-the-counter cryptocurrency market. Shorcan is partnering with Paycase Financial Corp. to build the brokerage, and **Bank of Montreal** is providing payment and settlement services.

The development of the brokerage by TMX Group may pose a significant threat to cryptocurrency platforms that are already established. Coinsquare is one such platform and recently launched a television advertising campaign. The company plans to pursue an initial public offering in September

2018 and aims to raise approximately \$120 million to fund an expansion into the United States and United Kingdom. Coinsquare is the 95th-largest cryptocurrency exchange worldwide and just the third largest in Canada, behind both LakeBTC and QuadrigaCX in terms of daily volume.

TMX Group's foray into cryptocurrencies is an early vote of confidence in what has been a tumultuous 2018 for the price of Bitcoin and others. Its trusted reputation will undoubtedly give it a leg up and could pose problems for the growth strategy of companies like Coinsquare.

### **Should you buy TMX Group in May?**

TMX Group has benefited from higher volumes across its equities marketplaces. Its foray into cryptocurrencies is intriguing, but it will be facing significant competition in a market that is still relatively small. The company's overall growth through its exchanges has been promising, and it remains an attractive long-term buy before Q1 results are released.

### **CATEGORY**

1. Investing

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1. TSX:X (TMX Group)

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1. Investing

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