



A Top Financial Services Stock You Can Buy Right Now

Description

Finding stocks that can consistently outperform the market isn't easy. A good place to start looking, though, is by finding stocks that have a history of doing so. Of course, just because a company has been able to consistently provide market-beating returns doesn't mean it will maintain that run indefinitely. However, it may be instructive to figure out why it has been able to do so. Let's take a look at a company that has provided market-beating returns over the past 10 years: **TMX Group** ([TSX:X](#)).

Core operations

TMX is a financial services company that operates Canadian equity exchanges. The TSX itself — the largest Canadian equity market — is operated by TMX.

Though the Toronto-based firm originally focused on the Canadian market, it has since expanded its operations. For instance, in late 2017, TMX acquired Trayport — a London-based energy-trading platform — from the Intercontinental Exchange.

TMX's subsidiary Shorcan is a specialized fixed-income trading platform that even [ventured](#) into the cryptocurrency frenzy. TMX also operates derivative markets, both domestically and internationally.

Other services TMX offers include TMX Datalinx, which compiles data from various exchanges for the benefit of investors, and TMX Insights, which offers analytics and database management services to companies in the financial services sector.

Recent financial results

TMX's revenues and earnings are impacted (positively or otherwise) by general trends in equity markets. When markets are down, trading volume tends to decrease, which has an adverse impact on TMX's top line. That is exactly what happened towards the end of last year — a trend which persisted for much of the first quarter of this year.

According to the firm's MD&A for the first quarter of the current fiscal year, "Overall, Canadian equities trading volumes were down 12% in the quarter ended March 31, 2019, compared with the same period last year."

This led to a 5% decrease in TMX's Equities and Fixed Income Trading and Clearing segment during Q1 2019. Derivatives markets were less affected by this negative trend and were actually up compared to last year, leading to a 4% increase in Derivatives Trading and Clearing revenue.

Global Solutions and Insights, Analytics, and Capital Formation round up TMX's major segments, and while the former saw its revenue increase by 3%, the latter saw a 17% decline in revenue. Overall, the Toronto-based firm's revenue decreased by 5% and adjusted net income decreased by 1%.

Dividends

Dividend investors rarely turn to the financial services industry when looking for great dividend stocks. While there are always exceptions, the sector isn't known for its generous dividend payouts. That makes TMX's current 2.90% yield relatively competitive by industry's standard. The firm currently offers a healthy 44% dividend payout, which means there is plenty of room for growth.

Should you buy?

TMX is well positioned in its industry, with various (and growing) service offerings. The firm's growth has spurred a healthy run on the market over the past 10 years. Further, TMX offers decent dividends and has the ability to increase its payouts.

While there will always be ups and downs, TMX might be a good stock to consider for those looking to profit from capital appreciation at some point down the line.

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