



This Top TSX Index IPO Could Double

Description

It's tough to score a [double](#) over the near term. It implies a high degree of market inefficiency, and although most academics would consider the TSX to be relatively efficient, the fact remains that the magnitude of such market efficiency decreases with a company's market cap.

Stocks priced at discounts to their intrinsic value are more abundant in the depths of the market where few care to look. While I wouldn't advise any investor to touch micro-cap penny stocks with a barge pole, I would actively encourage investors to seek small- and mid-caps if they're looking to amp up their portfolio's returns.

When a new IPO hits the public market, it tends to be trading either ridiculously above or below its intrinsic value. Given the lack of public quarterly releases, uncertainties with regards to the capabilities of management, and the haze clouding competitive advantages in markets of interest, it's not a mystery as to why IPOs experience erratic moves in the first year in the big leagues.

While the IPO market had a quiet 2018, there was one name that stood out as a potential multi-bagger. Enter [Ceridian HCM Holdings](#) (TSX:CDAY)([NYSE:CDAY](#)), a software-as-a-service player in the relatively untapped Human Capital Management (HCM) scene with its flagship Dayforce HR platform on the cloud.

In a prior piece, I'd noted that Ceridian had all the variables of a potentially explosive growth company: a vast and untapped growing market (HCM is expected to grow at 9.2% per year), a competent management team, and a commitment to investing in cutting-edge innovation.

What's most compelling about Ceridian is that Dayforce was named the Workforce Management (WFM) leader by Nucleus Research for the fifth straight year.

Trevor White, an analyst at Nucleus Research, stated that Dayforce provided "extraordinary levels of usability and functionality" and helped "reduce human error, improve compliance, and streamline complex processes."

White also noted that customers have enjoyed "significant return on the implementation of Dayforce," a

point that I shed light on in a prior piece.

The demand for Dayforce's value-adding services is only going to swell in size as time goes on. Today, Ceridian is a small fish at just \$6.8 billion (a mid-cap), but over the next decade and beyond, I see a scenario where either the company is sporting a high double-digit market cap or the company gets scooped up by a cloud king.

In any case, Ceridian is one of the most compelling TSX stocks out there, and I think growth-savvy investors should have no problem paying up 8.9 times sales for the winner of the IPO class of 2018.

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