



1 Top TSX Tech Stock to Consider Buying Today

Description

As far as TSX tech stocks go, **TMX Group** ([TSX:X](#)) is one that's been on my watch list for some time.

Why?

Well, TMX has been one of the steadiest growth plays in recent years. The company performed very well through the pandemic for multiple reasons. Indeed, the company's business model is extremely defensive as far as tech stocks go — a factor I think plays into the decision-making criteria of investors more than ever right now.

Accordingly, I'm of the view investors seeking stability and growth ought to consider this stock right now.

Intriguing business model

This Toronto-based company operates exchanges that enable the trading of securities and derivatives. Its subsidiaries include the TSX and the TSX Venture Exchange. Furthermore, TMX owns and operates two more subsidiaries, namely the Boston Options Exchange and the Montreal Exchange. These two businesses are primarily involved in the trading of derivatives.

TMX Group's operations include equity and fixed-income securities trading and derivatives trading. Furthermore, the company is also engaged in capital-formation activities as well as providing global insights and analytics. This company has benefitted significantly from the volatile conditions throughout 2020, as trading volumes predictably surged last year.

TMX has strategically begun shifting its focus from being primarily a highly cyclical listing and exchange company to a recurring-revenue-based data analytics business. The company has acquired its way into this business via its recent **Trayport** deal. Additional acquisitions could be on the horizon to further transform the company's business model.

Additionally, TMX Group has stretched the trading hours for its derivatives platform, which should lead

to increased revenue from key Asian markets. I believe more strategic acquisitions could be on the horizon as TMX looks to expand its operations further.

Bottom line

From a fundamentals standpoint, TMX looks decently valued, given its strategic shifts toward a recurring revenue model.

The company has a valuation multiple of 27 times its earnings, which isn't cheap by any means. However, considering the company's listings business and data analytics operations, its valuation is reasonable. Indeed, this stock seems like a bargain at this price for the quality of its business. It delivered record earnings in 2020, which was something only a few Canadian companies achieved. Analysts believe that it can earn more than \$7 by next year and could be trading over the \$175 mark in the near term.

This [current environment](#) is highly conducive to excellent performance for TMX. The company has a clean balance sheet and a prudent business model, which remains unaffected by macroeconomic factors. Furthermore, its impressive fundamentals represent excellent long-term growth prospects.

Hence, I believe this is certainly a tech option worth considering for investors who are looking for a defensive play right now.

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