



1 Stock Is Worth an Investment as the TSX's Bull Run Continues

Description

With how the **Toronto Stock Exchange** (TSX) has been performing thus far in 2021, its operator must be a [viable investment option](#) too. Canada's senior equities market is one of four operating segments of **TMX Group** ([TSX:X](#)). TSX and the **Toronto Venture Exchange** (TSXV) belong to TMX's Capital Formation segment.

Companies that list on the global exchange gains prestige and access to equity capital to enhance their liquidity. Also, TSX's 24.20% year-to-date gain is the result of the explosive start to 2021 and the bull run that followed. As of November 17, 2021, the index remains in record territory at 21,653.02.

Operating segments

Besides Capital Formation, TMX operates Global Solutions, Insights & Analytics, Derivatives Trading & Clearing, and Equities and Fixed Income Trading & Clearing. The Global Solutions, Insights & Analytics segment provides important equities and index data. Integrated data sets for the proprietary and third-party analytics are also available.

The TSX has 11 primary sectors, and the energy sector currently leads the pack with its 80.1% year-to-date gain. All sectors, except one (health care), are in positive territory. Moreover, three sectors currently outperform the broad market: the financial sector (+30.15%) followed by real estate (+29.57%) and information technology (+29.04%).

TSX30 program

In September 2019, TMX launched the TSX30. The flagship program is the ranking of the top 30 performers on the TSX. It showcases mostly [growth stocks](#) or [growth-oriented companies](#). The average three-year performance of the TSX30 winners is 307%, and the capitalization increase during the three-year period was \$248 billion. Notably, 37% of TSX30 companies are graduates of the TSXV.

New milestone

This year, total combined market capitalization of the TSX and TSXV reached \$4 trillion for the first time. Based on data from the World Federation of Exchanges, the TMX Group is second in the number of new listings as of mid-year 2021. There was a surge in issuer financings too that contributed to the 48% increase in Capital Formation revenues.

TMX wasn't spared from the market selloff in March 2020. The share price sunk to as low as \$85.83 on March 23, 2020. Still, the stock delivered a 15% overall return for the year, while the TSX eked out a 2.17% gain. The stock trades at \$133.65 per share today, or a 56% increase from its COVID low.

In Q3 2021, TMX reported 11% and 10% increases in revenue and net income, respectively, compared to Q3 2020. The revenue of its Capital Formation segment increased 20% to \$60.2 million. It comprised initial, additional, and sustaining listing fees plus other issuer services. Notably, income from operations grew 9% to \$109.4 million year over year.

John McKenzie, TMX Group's CEO, said, "We are extremely pleased with TMX's strong performance in the quarter, as we achieved double-digit top and bottom-line growth with contributions from across the enterprise."

Buy rating

Mr. McKenzie noted the increasing investor interest in the company's specific products, including share futures, equity and ETF options, and interest rate derivatives. He added that management will further diversify revenue streams and increase the proportion of recurring revenue.

Regarding stock performance, current TMX investors enjoy a 6.93% gain on top of the decent 2.29% dividend. Market analysts recommend a buy rating, and they anticipate a 15.33% climb, on average, to \$154.14 in 12 months.

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