



TMX Group (TSX:X) in 2022: Another Terrific Year or Not?

Description

Last year was a record-setting year for the Toronto Stock Exchange. Apart from closing above 21,000 points, Canada's primary stock exchange delivered a total return of 21.74%. It was a [bull market](#) if compared to the Index's performance in the 2020 COVID year (+2.17%).

For the TSX's operator, **TMX Group** ([TSX:X](#)), 2021 was an excellent year and an extraordinary one for clients raising capital from its markets. However, this year is quite tumultuous, despite the strong start. The index also posted an all-time high of 22,087.20 on March 29, 2022, but it has since been erratic due to [soaring inflation](#) and geopolitical tensions.

With the TSX falling to a three-month low last week, TMX might not report strong earnings results like in 2021. Six of the 11 primary sectors are in negative territory to begin May. Also, the World Bank's report of slowing economic growth could heighten volatility and trigger a market correction.

Terrific year

John McKenzie, TMX Group's CEO, said, "TMX's excellent 2021 results, highlighted by double digit revenue and earnings per share growth, reflect an extraordinary year for clients raising capital on our markets and strength across our business model."

He added, "We are extremely proud of the efforts of our people in driving TMX's success, and thankful for their exemplary efforts in serving our clients and industry stakeholders through all market conditions."

In Q4 2021, revenue and net income increased 15% and 22% versus Q4 2020. For the Capital Formation segment, where the TSX belongs, revenue increased 33% compared to the same quarter in 2020. Meanwhile, revenue and net income for the full year rose 13% and 31% year over year, respectively. TMX's cash flow from operating activities grew 7% to \$441.4 million.

Building the great markets even stronger

During the earnings presentation on February 7, 2022, McKenzie said, "As we move forward in 2022, TMX is focused on building our great markets even stronger, innovating and adapting to meet the evolving needs of the marketplace, and accelerating our global growth strategy."

TMX also operates the TSX Venture Exchange (TSXV), where many of the companies graduate to the main stage. In March 2022, total financings increased 348% versus the preceding month. The TSX welcomed 11 new issuers for the month, including five [exchange-traded funds](#) (ETFs).

As of March 31, 2022, the total number of IPOs was 34 or 38% lower from the 71 in the same month in 2021. Moreover, the \$348.22 million IPO financing raised (-90%) paled in comparison to the \$3.49 billion figure at the close of Q1 2021. The new publicly listed companies include **Brookfield Business Corporation**.

Market analysts forecast a price appreciation in one year, although business growth could slow down due to higher operating costs. Their 12-month average price target is \$149.57 or 14% higher than the current share price of \$130.79.

Rock-steady dividends

TMX Group's total return in 9.61 years is 248.71% (13.87% CAGR). The business has done pretty well in the last 10 years with the TSX losing only twice (2015 and 2018). Furthermore, the stock can be a valuable addition to a portfolio, because the dividend (2.54%) should be rock steady.

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