Market Crash: This Top TSX Stock Is at 8-Year Lows. Will You Buy?

Description

Some stocks get hammered more than the others amid market crashes. However, this could be a lucrative opportunity to buy quality stocks for long-term investors. The top TSX stock **Enbridge** (TSX:ENB)(NYSE:ENB) is one such heavyweight that looks attractive right now.

Enbridge stock at eight-year lows

The energy midstream company has fallen approximately 32% since last month and is currently trading at its eight-year low. Enbridge stock was last at this level in August 2012. However, it recovered and more than doubled the investment along with dividends in those eight years.

I agree that energy markets are one of the weakest sectors of all in the current situation. However, energy infrastructure companies are relatively safe compared to oil-producing ones. Additionally, Enbridge's unparalleled capabilities and huge scale notably differentiate it from its peers. This could make Enbridge a top investment pick in good as well as bad times.

Competitive advantage

Enbridge transports 25% of the oil and 20% of the total natural gas needs of North America. Its large pipeline network is non-replicable and acts as a high barrier for new entrants.

Almost all of Enbridge's earnings come from fixed-fee contracts and thus are stable and predictable. It also means that they are not susceptible to volatile oil and gas prices. Enbridge's diverse set of pipeline networks, efficient operations, and large scale support favourable economics.

In 2019, Enbridge's growth marginally slowed on lower demand. Its EBITDA increased 3% year over year to $13.3 billion. However, in 2018 and 2017, its EBITDA growth averaged around 40% year over year. Technological developments and increased shale gas drilling notably improved production, resulting in higher needs of transportation assets.

Top TSX stock: Valuation and dividends

From a valuation standpoint, Enbridge stock looks significantly cheap at the moment. It is trading at an enterprise value-to-EBITDA ratio of 12 times. Notably, its five-year historical EV-to-EBITDA multiple comes out at around 17 times. Thus, Enbridge's discounted valuation could be an attractive opportunity to buy this top TSX stock amid the market crash. It is prudent to use EV-to-EBITDA valuation metrics to know the real financial performance of a company.

Enbridge's juicy dividend yield of 8.5% is another positive. Though it has surged recently mainly because of the stock's weakness, the dividend profile is sturdy and durable.

A consistent increase in dividends plays a big role in driving investors' returns over the long term. The company has increased its 2020 dividends by 10% over last year and is expected to pay around $3.24 per share. So, an investment of $10,000 in ENB as of today will pay you annual dividends of more than $850 per year.

Enbridge stock could continue to trade weak in the short term amid overall market weakness. However, in the long term, it will likely continue to generate steady cash flows and ultimately pay stable dividends.

In my view, quality stocks give very few opportunities to buy and this is one of those. Top TSX stocks such as Enbridge are trading at a significantly discounted valuation after the recent sell-off. Its earnings stability and handsome dividend profile make it an even more attractive investment proposition for the long term.

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