Market Rally: 1 TSX Stock You Can't Pass Up

Description

Throughout the last month, many investors have been scouring the markets, looking for stocks to buy. The bear market in stocks didn't last nearly as long as many thought it would, and we are already starting to see a stock market rally develop.

There is, however, a good chance that the market could still crash further due to negative news. However, as long-term investors, we can't worry about that. Instead, we should be trying to find the best deals we can in case stocks continue their rally and these discounts disappear.

I already mentioned a few weeks ago some of the top stocks I doubled down on. These companies have great long-term businesses, and at the share prices they were offering, I couldn't pass up a chance to average down my position.

Buying high-quality businesses is the best way to set yourself up for long-term investing success. But when you can buy those high-quality stocks at a discount, that's when the situation is most opportune.

So, over the last few weeks, as I saw **Enbridge** (TSX:ENB)(NYSE:ENB) trading at less than $40 a share, I knew I had to seize the opportunity.

Top stock in a market rally

Enbridge is a massive blue-chip company with operations all over North America. The sheer size of the company alone and the dependency that the North American energy markets have on Enbridge give it an incredible competitive advantage.

The company transports roughly 25% of all the crude oil in North America. Not to mention, it transports approximately 20% of all the natural gas consumed in the U.S.

Enbridge is diversified, too, though. On top of its pipeline and energy infrastructure business, it also owns a major natural gas utility company. That business has more than 3.5 million customers and provides Enbridge with regulated cash flow.

Going forward, the company expects it can grow organically due to its strong industry position. Management expects that post-2020, Enbridge will naturally grow its distributable cash flow between 5% and 7% per year.

This is an incredible rate and will lead to further dividend increases for the company.

It's even proved it can consistently grow its earnings before interest, taxes, depreciation, and amortization (EBITDA), even through periods of falling oil prices like 2015 and 2016.

The low-risk nature of Enbridge during this period of uncertainty is one of the main reasons why it will be a top-performing stock in a market rally.

Robust financials

Enbridge is already one of the top stocks on the Canadian Dividend Aristocrats list. It's grown the dividend by nearly 75% in the last five years. That's a compounded annual growth rate of almost 12%.

12% is incredible and is why it's such an appealing dividend-growth stock. And with management already signaling 5-7% growth going forward, investors will continue to be rewarded handsomely.

Dividends that are increased annually are already attractive. But when you consider Enbridge's dividend will continue to grow and is yielding a whopping 8% today, it's clear that it's one of the top TSX stocks to buy before the market really starts to rally.

Valuations that won't last in a market rally

Big blue-chips like Enbridge that are investor favourites are likely to be the first **TSX** stocks to gain rapidly as the market starts to rally.

This is why Enbridge should be one of your first considerations if you're looking to buy a stock should before this market rally goes any further.

The stock is already attractive as a long-term business and for its near 8% dividend. It's also an appealing investment on a share valuation basis.

The massive blue-chip trades at just 15 times earnings. Furthermore, it's enterprise value-to-EBITDA ratio is just 11.5 times. This has the company significantly undervalued, especially for such a stable blue-chip stock.

Bottom line

For long-term investors, at current prices, Enbridge is a steal. By my estimates, the company is worth closer to $50 in these uncertain market conditions. And that could be a lot higher when sentiment returns to markets and valuation multiples for all stocks increase, causing a major market rally.

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