1 Top TSX Stock That Still Has Room to Grow

Description

The coronavirus pandemic has changed pretty much everything in our lives. The impact hasn't stopped with investing either. Almost every **TSX** stock has been impacted in some way by the global pandemic.

Over the last few months, markets have moved with extreme volatility. They were declining rapidly in March; they've come roaring back in the weeks since.

Despite the rally in stocks, the economy still has a tonne of uncertainty. Furthermore, there is considerable worry that the economy may go into recession.

So, the majority of investors have been using this opportunity to stabilize their portfolios ahead of what's likely to be a recession that follows.

This rush to stabilize portfolios has been what's driving most of the share momentum the last few weeks, with the most defensive TSX stocks outperforming the market.

However, as always, there are some opportunities that the market has managed to miss. One of those stocks is **Enbridge** (TSX:ENB)(NYSE:ENB).

Highly resilient TSX stock

Before COVID-19, Enbridge was always considered to be a great TSX stock for long-term investors. The company has a long track record of growth, is a mainstay in the North American economy, and pays a substantial dividend to shareholders.

It wasn't until coronavirus hit the economy that Enbridge proved how resilient its business was. So far, the impacts on its business have been so minimal that it reaffirmed its 2020 guidance for distributable cash flow, which was originally issued before COVID-19.

This is extremely significant; even the low end of its range only implies a payout ratio of 72% in 2020.

The reason why its business will see only minimal impacts are due to Enbridge's diversification, high-quality pipeline assets, and top-notch management that continue to find cost savings.

Most of its segments are likely to see only a marginal impact from COVID-19. The one segment that is at risk, its mainline pipeline, also has considerable competitive advantages. This will likely mitigate most of the effects of curtailments in Alberta.

The ability for Enbridge to be only minimally affected by curtailments is another reason management had the confidence to reaffirm guidance.

This resiliency, however, is not reflected in Enbridge's share price. The highly stable TSX stock continues to trade more than 20% off its 52-week high.

One of the best value stocks on the TSX today

Not only is Enbridge attractive naturally for its dividend, but in an environment such as the one we find ourselves in, a high-quality TSX stock like Enbridge that offers a significant dividend is a no-brainer buy.

This means that not only should Enbridge be fully valued, but, in my view, the stock could command a premium as investors look for more resiliency.

As of Monday's close, the dividend yield was north of 7.3% — one of the most attractive of any TSX stock.

7.3% is significantly lower than Enbridge's five-year average. This suggests that the stock has considerable runway from here. And with economic activity starting to pick back up, the stock could begin to skyrocket any day now.

Bottom line

Although Enbridge has recovered mightily from the lows of March, there is still significant room to grow. A 7.3% dividend makes sense for a TSX stock with a bit more risk.

However, given Enbridge's long track record and demonstrated ability to weather economic downturns, it's clear the stock has more room to grow from here.

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