TFSA Investors: Spend Your $6,000 on This Beaten-Down Stock

Description

Since hitting a significant low with the onset of the pandemic, the **S&P/TSX Composite Index** is up 41% from its March bottom. While the broader market has found itself recovering a significant portion of the losses, several top stocks trading on the **TSX** continue to sell for a low valuation.

If you happened to miss out on opportunities to purchase high-quality stocks for a bargain at the market bottom, you still might have a chance to buy up a beaten-down stock from Canada's energy sector. I will discuss **Enbridge Inc.** (TSX:ENB)(NYSE:ENB) and why you might want to add its shares to your portfolio.

Energy sector woes

Most sectors of the economy took massive hits due to the pandemic. While most of them are recovering well, the energy industry has not been doing well. A one-two punch of the oil price war and the pandemic created significant issues for energy companies. Oil and gas pipeline stocks have also suffered due to the decline.

With lower demand for oil and gas, there has been a sharp decline in crude oil prices, which has affected business for oil and gas pipeline companies. An uncertain economic outlook makes the environment even harsher. Still, the top energy companies have a better outlook due to diversified operations, making the businesses more resilient.

A gradual increase in economic activity in the second half of the year can bring back the liquidity for pipeline companies. Adding a stock with reliable growth prospects to your Tax-Free Savings Account (TFSA) can significantly boost your overall wealth.

Enbridge

Enbridge is a giant in the energy sector. At writing, the pipeline stock is 21.23% below its price at the beginning of 2020. Despite all the woes for the energy sector, the sell-off for Enbridge stock and the subsequent decline in its value is entirely unwarranted. The company is best known for its massive pipeline network, but also has operations across several profitable segments.

Enbridge generates almost 98% of its EBITDA from long-term contracts with businesses that provide the company stability despite volatile commodity prices. The massive pipeline gives Enbridge competitive superiority and generates substantial cash flows. It also enjoys benefits from its renewable power business through long-term power-purchase agreements.

Enbridge is also a Canadian Dividend Aristocrat that has increased its payouts to shareholders for the last 25 years. It has increased its dividends at a Compound Annual Growth Rate (CAGR) of 11% in the last 15 years. While its share prices are significantly down, the dividend yield has inflated to a juicy 7.74%.

Foolish takeaway

Enbridge has a vast defensive moat due to its business models. It charges customers for the use of its pipeline network based on the volume rather than the commodity price. It can enjoy predictable income without worrying about how much crude oil costs.

Enbridge's revenue stream, growth potential, and juicy dividend yield can help you make the most of the additional $6,000 contribution room in your TFSA to boost your passive income and overall capital.

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