TFSA Investors: Why Enbridge (TSX:ENB) Will Be Worth Your Patience

Description

There are plenty of opportunities to crush the markets over time. The tough part isn't spotting such opportunities, as they may be hiding in plain sight, like with **Enbridge** (TSX:ENB)(NYSE:ENB). Rather, the tough part is sitting on your bum for years after you've pulled the trigger on a stock.

The patience required to hold onto a name until its ultimate payout is hard. After picking up shares in a company, you'll immediately be placed on a roller-coaster ride of emotions that'll have you second-guessing your decision to buy in the first place.

As the paper losses mount, you'll actively seek reasons to throw in the towel on your position, and with widespread negative headlines out there, you'll surely find something that'll convince you to lock in your losses for good.

You see, with a contrarian name like Enbridge with little to no near-term catalysts, you're in the company of a few extremely long-term investors who are continuing to be rewarded by a fat dividend (currently yielding 6.8%), despite the company's sizable debt load.

After the recent news of Line 3 Replacement delays, all but the most patient of investors remain. Everybody else has likely cut their losses and have moved on to opportunities that'll be more rewarding in the near term.

If you're looking for massive gains, however, you not only need a stomach for near-term losses; you need to be content with the potentially meagre total returns you'll stand to achieve until a troubled name like Enbridge can rise out of the ditches.

With no meaningful near-term catalysts, you need to be content with the dividend and the double-digit annual dividend hikes you'll receive in the meantime. The stock will continue to be a big mover on news, but to get the treasure that's at the end of the rainbow (or the light at the end of the tunnel), you'll need to stay aboard the ship, no matter how rough the waters get. Otherwise, you could risk missing out on the gain that'll come after the pain.

The highly regulated nature of the pipelines is both a blessing and a curse. Resistance and delays are to be expected, but for investors in Enbridge, many who've been patiently waiting years for progress, it's tough to justify hanging in there for a while longer just to be hit with more unfortunate news and ensuing capital losses.

Enbridge is a name that will be worth the wait, but only the most patient will be rewarded with outsized gains. By the time news of real progress begins, it'll likely be too late to pick up shares as they're at risk of correcting to the upside.

The stock trades at 12.47 times EV/EBITDA and 1.42 times book, both of which are much cheaper than their respective historical averages.

The dividend is stretched, but it looks safe, even given the vast uncertainties revolving around Enbridge's future cash flow streams. While more pain is likely in the cards for Enbridge over the medium term, I believe the pain will be worth it for those willing to stick around through thick and thin.

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