TFSA Investors: How This Little Growth Stock Will KO Enbridge (TSX:ENB) Stock

Description

Enbridge (TSX:ENB)(NYSE:ENB) stock has a huge investor following. It's large; it has a market cap of more than $100 billion and an enterprise value of over $180 billion.

Comparing Enbridge to **Savaria** (TSX:SIS) is like comparing an elephant to an ant. Savaria has a market cap of about $700 million and an enterprise value of about $750 million.

Yet investors who were invested in little growth stock Savaria for a long time did way better.

An investment in Enbridge stock vs. Savaria stock

Interestingly, in the past 14 years, during which both stocks paid a dividend, Enbridge stock delivered annualized returns of 11%, transforming a $10,000 investment to just under $48,000.

In the same period, Savaria stock delivered greater returns of 16.1% per year, transforming a $10,000 investment to just under $95,000.

What if dividends were reinvested every quarter? Enbridge and Savaria would have delivered total returns of 12.5% and 20.1%, respectively, per year ending with a balance of just under $59,000 and more than $156,500.

Enbridge's admirable dividend record

Enbridge is praised for its track record of dividend growth, and, along the way, it has made lots of money for its long-term investors. The Dividend Aristocrat has increased its dividend for 24 consecutive years.

About 98% of the company's EBITDA is regulated, thereby creating some very reliable and predictable profitability. In fact, it has increased its dividend by 10% in the first quarter of 2020.

Going forward, management forecasts Enbridge will increase its distributable cash flow by 5-7% per year on a per-share basis. This stable growth should keep on driving dividend growth roughly in that range.

Savaria shall outperform Enbridge

As discussed earlier, Enbridge is a massive company and, down from double digits, its growth rate is set to moderate to 5-7%.

However, as a company that improves people's mobility (mostly for seniors) by providing products such as stairlifts, wheelchair lifts, ceiling lifts, residential and commercial elevators, Savaria has a long growth runway riding on the mega-trend of a growing aging population.

Therefore, an investment in Savaria stock should outperform one in Enbridge over the next decade.

Be a smart investor!

However, Savaria is markedly different from Enbridge — besides their size and returns potential. Investors need to know what they're getting into and be sure they're able to stomach the uncertainty.

While Enbridge is a synonym for predictability and provides safe dividends and stable growth, Savaria can easily be labeled as an antonym.

In the last six of 14 years, Savaria slashed its dividend, which suggests that it would be smart for investors to aim to buy Savaria when it runs into trouble and cuts its dividend. Time and again, it experiences extraordinary double-digit growth within one to two years of cutting its dividend.

Investor takeaway

Despite unpredictability and dividend cuts, Savaria stock still managed to considerably outperform Enbridge stock over the long run. By buying Savaria in a TFSA when it cuts its dividend, investors should result in gigantic tax-free returns when all is said and done. If total returns are what you're after, seek to buy Savaria strategically.

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