TFSA Investors: 1 Blue-Chip Stock to Buy Cheap

Description

It's no secret the markets have been hurting in the last couple of weeks. In these times of turmoil, some investors panic and liquidate their positions. All this does is locks in losses that are only on paper right now. The Foolish investor understands that now is the time to create or add to positions for cheap — especially in blue-chip stocks.

Blue-chip stocks with solid fundamentals don't go on sale very often. Right now, a lot of them are on sale because COVID-19 has the markets in distress. If you're a TFSA investor with a long investment horizon, you should be excited about the prospects of picking these stocks up for cheap. Sure, maybe the market has more downside risk in the next two months, or eight months, or what have you. But what about five, seven, nine years down the line? This crash will be just a blip. For any blue-chip stock that hasn't had its fundamentals drastically changed by recent market conditions, depressed share prices of late present a great buying opportunity.

Today, we'll take a look at a premier Canadian blue-chip stock that now offers a great yield to investors.

BCE is a blue-chip stock on sale

BCE (TSX:BCE)(NYSE:BCE) is Canada's largest telecom company. It provides mobile phone, landline, internet, and TV services to residential and business customers across the country. The company is known for building some of the largest, fastest, and most stable networks. With the introduction of 5G right around the corner, BCE looks to continue to be the market leader.

It's important to consider that BCE was recently mandated to cut prices of mid-range plans by 25%. However, I feel that the shift towards 5G is going to have customers clamouring for higher data limits (or unlimited), so the effect of mid-range price cuts on BCE's bottom line could be muted.

Fundamentally, BCE is a strong blue-chip stock. It recently posted revenue of $23.96 billion and a profit margin of 13.32%. Without context, its debt-to-equity ratio of about 1.22 seems high, but it is significantly healthier than the figures for **Rogers** and **Telus**. Now, BCE does trade at a slightly higher P/E ratio than its peers. However, with stronger profits, a better debt-to-equity ratio, and a vastly higher dividend yield, the premium is more than justified.

With its Q4 2019 report, BCE raised its dividend by 5%, meaning the dividend has slightly more than doubled in the last decade. A week ago, BCE was trading as high as $63.67. As of writing, BCE is now trading at $59.46. This lower price offers an enormous dividend yield of about 5.6%. A TFSA investor using the maximum contribution of $69,500 would rake in close to $4,000 a year in dividends — and that's not including DRIP re-investments or compounding. Of course, I wouldn't recommend putting all your eggs in one basket, but there's no denying that BCE's yield is highly lucrative. Over a long period of time, with compounding and tax savings, a TFSA investor could stand to significantly boost their portfolio with a strong blue-chip stock like BCE.

The bottom line

During short-term market crashes, blue-chip stocks are on sale for investors with long investment horizons. Investors looking for ways to spend cash in hand on these blue-chip stocks should consider BCE. At current market prices, the stock offers an enormous 5.6% dividend yield that dwarfs its peers' offerings, and its underlying financials are strong.

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