Is Canadian Utilities 1 of the Best Safe Stocks to Buy Now?

Description

As the economic environment has remained strained throughout the year, and inflation numbers have continued to set four-decade records, investors have been desperately looking for high-quality and safe stocks to buy, such as **Canadian Utilities** (TSX:CU).

There are several different sectors where investors can find safe and defensive stocks, but without a doubt, utilities are some of the best you can buy.

These stocks are regulated by governments, which reduces risk significantly. However, they also offer services that are essential and have demand from consumers and businesses, which is highly inelastic.

In addition, in Canadian Utilities's case, the stock is also well diversified geographically, with businesses located in Canada, Latin America, South America, and Australia.

If you've been looking to add defence to your portfolio or specifically considering whether to buy Canadian Utilities, here's what it does, how well it's valued, and whether or not it's one of the best safe stocks to buy today.

What does Canadian Utilities do?

As its name suggests, Canadian Utilities is a utility stock with highly defensive operations located all over the world. However, in addition to its utility segment, Canadian Utilities also operates energy infrastructure and retail energy assets.

In its utility segment, Canadian Utilities specifically operates electricity transmission and distribution assets as well as natural gas transmission and distribution assets. However, it also operates international electricity operations.

The energy infrastructure assets are some of the most interesting and consist of electricity generation, energy storage and industrial water solutions. Meanwhile, its retail energy segment consists of electricity and natural gas sales.

These assets all help to diversify Canadian Utilities's operations while contributing to its core strategy of building a global portfolio of utilities and energy infrastructure assets, which can consistently deliver strong returns.

As the economy has shifted in 2022, and many companies in other industries are facing increasing headwinds as a result of inflation, Canadian Utilities continues to operate well.

In its most recent quarter, the stock reported earnings per share of $0.51 compared to the consensus estimate from analysts of $0.45. The beat was due to strong operations across all of its segments, an improvement in cost efficiencies, strong rate base growth, as well as a significant increase in pricing in its Australian natural gas business thanks to the impact of inflation.

Therefore, it's no surprise that a stock like Canadian Utilities is one of the top Dividend Aristocrats (stocks that have increased dividends for at least five consecutive years) in Canada and the longest-standing company on the list.

However, even with an exceptional business and highly resilient operations, does that make Canadian Utilities one of the best safe stocks to buy today?

Does Canadian Utilities offer enough value to make it one of the best stocks to buy now?

As of Thursday's close, Canadian Utilities stock was trading at roughly $40.50 a share, just off its 52-week high. This shouldn't be surprising, given that utility stocks have been in favour all year.

However, while we certainly won't find a significant discount buying utility stocks in this environment, Canadian Utilities could still offer value at this price and could still be one of the best safe stocks to buy now.

Looking at the stock's valuation, Canadian Utilities is currently trading at a forward price-to-earnings (P/E) ratio of roughly 17.5 times. That's toward the high end for the stock, and it's slightly above its five-year average of 16.4 times. However, with that being said, considering how uncertain the environment is today, 17.5 times its forward earnings is not that expensive.

Furthermore, when you compare the stock to many of its Canadian peers, it's clear that Canadian Utilities offers some of the best value.

Some of the most popular utility stocks in Canada, including **Fortis**, **Emera**, and **Hydro One**, currently trade at forward P/E ratios of 20 times, 20 times, and 21.6 times, respectively.

In addition, with the Dividend Aristocrat offering a yield of roughly 4.4%, it can generate some attractive passive income for investors looking to buy the stock today.

So, if you're looking to add defensive to your portfolio and have been considering Canadian Utilities, it may not be the cheapest stock on the market, but it's certainly one of the top safe Canadian stocks to buy now.

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