



ONE Gas, Inc. (OGS)

Updated November 5th, 2025 by Nikolaos Sismanis

Key Metrics

Current Price:	\$82	5 Year Annual Expected Total Return:	4.0%	Market Cap:	\$4.91 B
Fair Value Price:	\$66	5 Year Growth Estimate:	5.5%	Ex-Dividend Date:	11/14/25
% Fair Value:	125%	5 Year Valuation Multiple Estimate:	-4.3%	Dividend Payment Date:	12/01/25
Dividend Yield:	3.3%	5 Year Price Target	\$86	Years Of Dividend Growth:	11
Dividend Risk Score:	F	Sector:	Utilities	Rating:	Hold

Overview & Current Events

ONE Gas, Inc. is one of the largest publicly traded natural gas utilities in the United States. The company provides natural gas distribution services to about 2.3 million customers. ONE Gas is the largest natural gas distributor in Oklahoma (89% market share) and Kansas (71% market share), and the third-largest in Texas (13% market share). Its customers comprise residential, commercial, and transportation-related in all three states. ONE Gas is the successor to the company founded in 1906 as Oklahoma Natural Gas Company, which became ONEOK, Inc. (NYSE: OKE) in 1980. On January 31st, 2014, ONE Gas officially separated from ONEOK. The company generates around \$2.6 billion in annual revenues and is based in Tulsa, Oklahoma.

On November 3rd, 2025, ONE Gas posted its Q3 results for the period ending September 30th, 2025. For the quarter, revenues came in at \$379.1 million, up 11.4% year-over-year. Operating income was \$65.4 million, compared to \$59.5 million in the prior year's quarter.

The increase in operating income was primarily driven by an increase of \$19.2 million from new rates and an increase of \$1.4 million in residential sales due to continued customer growth in Oklahoma and Texas. These gains were partially offset by i) an increase of \$4.8 million in depreciation and amortization expense from additional capital investment, ii) an increase of \$4.1 million in ad valorem taxes, iii) an increase of \$3.8 million in employee-related costs, and iv) an increase of \$1.0 million in outside services.

EPS was \$0.44, up \$0.10 vs. Q3-2024, aided by a \$3.4 million decrease in net interest expense, excluding interest related to KGSS-I securitized bonds, due to lower rates on commercial paper borrowings. Management narrowed its full-year 2025 EPS guidance to \$4.34 to \$4.40 and we continue to expect the midpoint of this range.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$2.26	\$2.67	\$3.10	\$3.27	\$3.53	\$3.70	\$3.85	\$4.08	\$4.14	\$3.91	\$4.37	\$5.71
DPS	\$1.20	\$1.40	\$1.68	\$1.84	\$2.00	\$2.16	\$2.32	\$2.48	\$2.60	\$2.64	\$2.68	\$2.89
Shares ¹	52.6	52.5	52.5	52.7	52.9	53.1	53.6	54.2	55.6	56.8	60.6	65.0

Since its separation from ONEOK, ONE Gas has grown its profitability annually at a very consistent rate and without any notable disruptions. Due to the company's dominant market share in 2 of the 3 states it operates in, ONE Gas should continue to gradually grow its net income, powered by incremental population/customer growth and base rate increases as approved by regulators.

ONE Gas expects base rates and net income to grow between 7% and 9% through 2029. Growth CAPEX and acquisitions of smaller competitors should also contribute to EPS growth over time. Still, due to potential dilution, they expect EPS growth to be on the upper end of the 4% - 6% range in the interim. We have set a 5.5% growth rate in our estimates.

Regarding its dividend, its growth has slowed down notably lately, as management expects to need \$4.0 billion to finance CAPEX needs through 2029, of which around half is going to be funded by equity. Thus, they target DPS growth between 1% and 2% through 2029. We have applied a 1.5% CAGR in our DPS growth estimates.

¹ Share count is in millions.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	19.9	21.0	21.9	22.6	24.6	20.3	18.7	19.4	17.6	17.2	18.7	15.0
Avg. Yld.	2.7%	2.5%	2.5%	2.5%	2.3%	2.9%	3.2%	3.1%	3.6%	3.9%	3.3%	3.4%

Since ONE Gas's separation from ONEOK, its shares have traded with a P/E ranging from 15 to 25 over the years. The valuation is currently near the lower end of this range, standing at 18.7 times ONE Gas' 2025 projected EPS. We believe that a multiple compression is justified, given the higher opportunity cost related to higher interest rates. Our fair P/E remains at 15x, suggesting that further valuation headwinds are possible. The company's stable operational history, great moat, and solid dividend deserve a premium, but not as high as the stock's previous multiples, given the current interest rates environment. We also expect the company's 3.6% yield to remain at attractive levels going forward, as shares tend to appreciate relatively in line with dividend growth.

Safety, Quality, Competitive Advantage, & Recession Resiliency

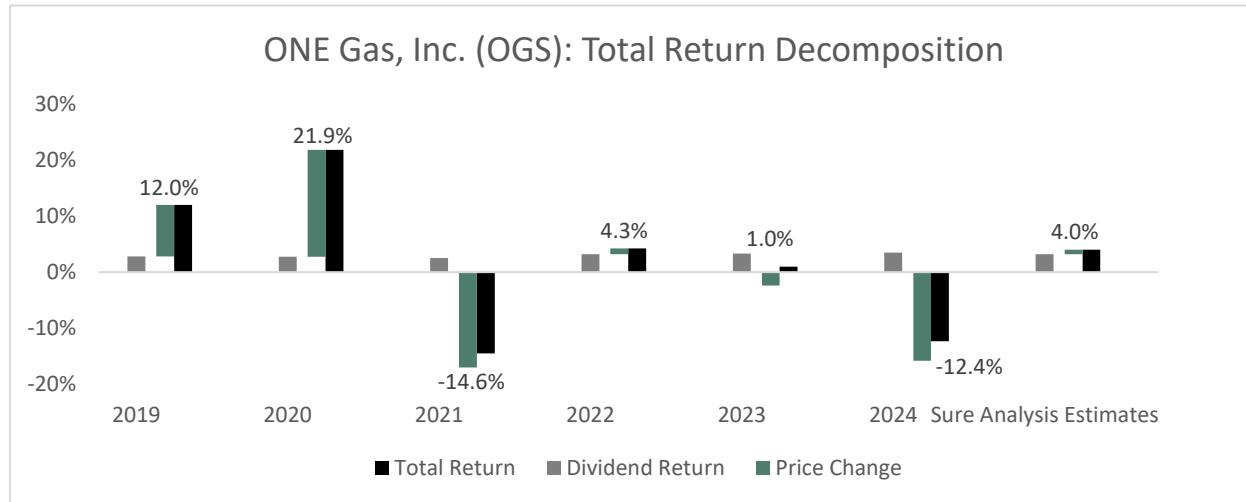
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	53%	52%	54%	56%	57%	58%	60%	61%	63%	68%	61%	51%

ONE Gas' dividend should be considered quite safe. The company has maintained the payout ratio within its 55%-65% target range, while its operating cash flows are resilient due to natural gas enjoying relatively predictable consumption, especially during the winter months. Being the dominant natural gas provider in Oklahoma and Kansas, the company possesses a significant competitive advantage. Due to the CAPEX-demanding nature of its operations, smaller competitors should pose no threat in these two states. In Texas, competition is harsher, though the company could have greater growth prospects due to the state's much more dynamic population growth. Overall, ONE Gas is a quality operator, proven by its consistently improving profitability and smooth detachment from ONEOK. We expect a relatively robust performance even under a potential recession due to natural being a necessity fuel both for residential consumption and in certain fields of transpiration.

Final Thoughts & Recommendation

ONE Gas has produced reliable returns for shareholders since its separation from ONEOK. Earnings are expected to be up this year as per management's guidance and should continue to sufficiently cover the underlying dividend. Our growth estimates and the current dividend yield, along with the possibility of a valuation headwind, imply annualized returns of just 4.0% through 2030. We rate the stock a hold, but praise its clear earnings and dividend growth visibility.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	1,548	1,427	1,540	1,634	1,653	1,530	1,809	2,578	2,372	2,084
Gross Profit	427	488	526	507	536	562	584	647	729	775
Gross Margin	27.6%	34.2%	34.2%	31.1%	32.4%	36.7%	32.3%	25.1%	30.7%	37.9%
D&A Exp.	133	144	152	160	180	195	207	228	280	297
Operating Profit	239	289	317	288	295	304	310	350	378	399
Operating Margin	15.5%	20.2%	20.6%	17.7%	17.9%	19.8%	17.1%	13.6%	15.9%	19.1%
Net Profit	119	140	163	172	187	196	206	222	231	223
Net Margin	7.7%	9.8%	10.6%	10.5%	11.3%	12.8%	11.4%	8.6%	9.7%	10.7%
Free Cash Flow	114	(18)	(103)	73	(107)	(107)	(2031)	961	273	(335)
Income Tax	73	85	93	54	43	42	40	47	41	36

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	4,635	4,943	5,207	5,469	5,708	6,029	8,402	7,776	7,771	8,426
Cash & Equivalents	2	15	14	21	18	8	9	9.7	19	58
Accounts Receivable	216	291	299	295	250	293	342	554	348	408
Inventories	175	160	170	152	160	147	235	340	265	253
Goodwill & Int. Ass.	158	158	158	158	158	158	158	482	452	434
Total Liabilities	2,793	3,055	3,247	3,426	3,579	3,795	6,053	5,192	5,005	5,321
Accounts Payable	107	132	144	175	120	152	259	360	278	261
Long-Term Debt	1,204	1,337	1,550	1,585	1,803	2,001	4,177	2,925	3,049	3,329
Shareholder's Equity	1,842	1,888	1,960	2,043	2,129	2,233	2,350	2,584	2,766	3,105
LTD/E Ratio	0.65	0.71	0.79	0.78	0.85	0.90	1.78	1.13	1.10	1.07

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	2.6%	2.9%	3.2%	3.2%	3.3%	3.3%	2.9%	2.7%	3.0%	2.8%
Return on Equity	6.5%	7.5%	8.5%	8.6%	9.0%	9.0%	9.0%	9.0%	8.6%	7.6%
ROIC	3.9%	4.5%	4.8%	4.8%	4.9%	4.8%	3.8%	3.7%	4.0%	3.6%
Shares Out.	52.6	52.5	52.5	52.7	52.9	53.1	53.7	54.3	55.9	57.0
Revenue/Share	29.06	26.95	29.06	30.81	31.04	28.67	33.70	47.44	42.46	36.53
FCF/Share	2.13	(0.35)	(1.94)	1.38	(2.01)	(2.00)	(37.84)	17.69	4.89	(5.87)

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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