



Atmos Energy Corp. (ATO)

Updated February 25th, 2026, by Josh Arnold

Key Metrics

Current Price:	\$182	5 Year CAGR Estimate:	9.0%	Market Cap:	\$30 B
Fair Value Price:	\$173	5 Year Growth Estimate:	8.0%	Ex-Dividend Date:	02/23/26
% Fair Value:	105%	5 Year Valuation Multiple Estimate:	-1.0%	Dividend Payment Date:	03/09/26
Dividend Yield:	2.2%	5 Year Price Target	\$255	Years Of Dividend Growth:	42
Dividend Risk Score:	A	Sector:	Utilities	Rating:	Hold

Overview & Current Events

Atmos Energy can trace its beginnings all the way back to 1906 when it was formed in Texas. Since that time, it has grown both organically and through mergers to a \$30 billion market capitalization. The company distributes and stores natural gas in eight states, serves over 3 million customers, and should generate almost \$5 billion in revenue this year. Atmos has a 42-year history of raising dividends, putting it in rare company among dividend stocks.

Atmos posted first quarter earnings on February 4th, 2026, and results were a continuation of strength we've seen recently. Net income was \$403 million, while earnings-per-share on a diluted basis was \$2.44, which was up 9.4% year-over-year. The company noted it received about \$100 million in rate increases due to Texas House Bills. Capex came to \$1 billion for the quarter, 85% of which was due to safety and reliability spending, with the balance going to growth investments.

New customers amounted to 54k in the past 12 months, and management noted new pipeline projects that added 700k Mcf per day of gas supply.

Earnings is expected to come to \$8.15 to \$8.35 per share for the year, and we've updated our estimate accordingly at \$8.25. Atmos expects to spend \$4.2 billion in capex this year.

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
EPS	\$3.38	\$3.60	\$4.00	\$4.35	\$4.69	\$5.12	\$5.60	\$6.08	\$6.83	\$7.46	\$8.25	\$12.12
DPS	\$1.68	\$1.80	\$1.94	\$2.10	\$2.30	\$2.57	\$2.72	\$2.96	\$3.22	\$3.48	\$4.00	\$5.88
Shares¹	101	104	106	117	123	132	140	145	146	161	163	172

Atmos' earnings-per-share has risen steadily in the past decade as the company continues to grow both organically and through acquisitions. We are forecasting a five-year annual growth rate of 8% moving forward, in line with our prior estimate.

The company can achieve this growth through continued improvements in gross margin, reductions in operating costs as a percentage of revenue, and top line growth via acquisitions as well as customer growth. Along with margin improvements, Atmos should be able to produce mid-to-upper single-digit earnings-per-share growth annually. It continues to file favorable rate cases with its various localities that provide for small revenue increases over time as well, as we have seen time and again over the years. The distribution segment continues to lead the way while pipeline and storage struggles relatively. The company is working to modernize its pipeline and storage business, including heavy capex investment, in the hopes that this may translate into more efficient operating and therefore, better margins.

We are forecasting similar growth for the dividend as years of weak dividend growth have given way to a management team that is more willing to boost the payout. The company's payout ratio is just half of earnings, thus a dividend growth rate congruent with earnings-per-share growth, or slightly higher, looks reasonable given recent history. Indeed, the most recent dividend increase was 14.9%. We see the dividend rising to \$5.88 over the next five years.

¹ Share count 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	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg. P/E	20.8	22	21.8	23.5	22.4	18.8	18.2	16.3	20.3	22.9	22.1	21.0
Avg. Yld.	2.4%	2.3%	2.2%	2.0%	2.2%	2.7%	2.7%	2.8%	2.3%	2.0%	2.2%	2.3%

Atmos, like many other utilities and dividend stocks in general, has seen a sizable increase in its valuation in recent years. The valuation has declined since our last update, and stands today at 22.1 times this year's earnings. Thus, we are forecasting a small headwind to total returns based upon the current valuation. We see the yield potentially rising as dividend raises outpace share price appreciation.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	50%	50%	49%	48%	49%	50%	49%	49%	47%	47%	48%	48%

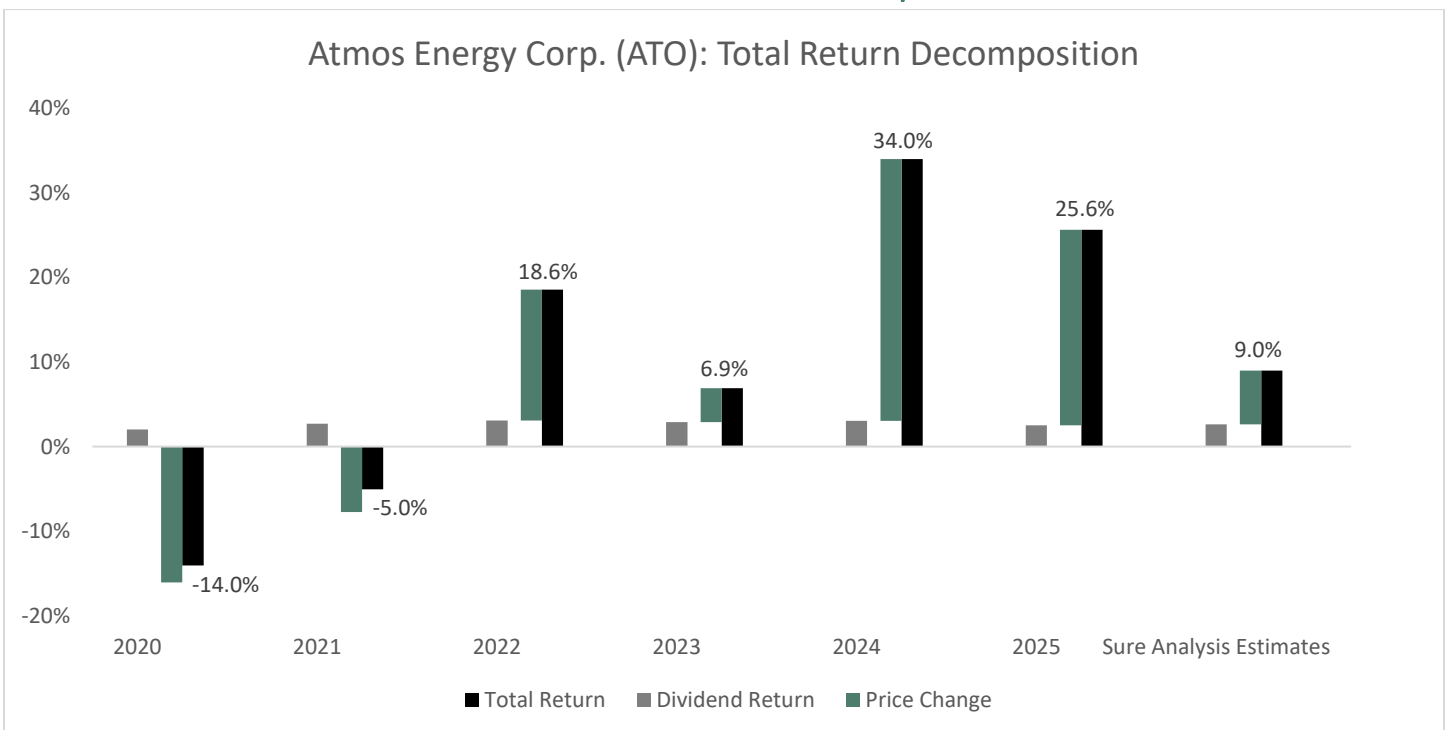
Atmos' payout ratio has drifted lower in recent years as dividend increases have been a lower priority than other spending. We expect the payout ratio to remain around 50%, as dividend increases roughly match the growth rate of earnings in the coming years. Atmos' dividend is safe and with the 2.2% yield, we see the payout as attractive compared to the broader market.

The company's competitive advantage is in its wide distribution area and lack of direct competition in its service areas for residential and commercial customers. In addition, discretionary use of natural gas is low as people use what they need, regardless of economic conditions, meaning Atmos' recession performance is likely to be resilient, as seen in 2020.

Final Thoughts & Recommendation

Atmos has strong fundamentals and a long track record of solid performance, but the valuation remains slightly elevated. We are forecasting total annual returns of 9%, consisting of the current 2.2% yield, 8% earnings-per-share growth and a modest headwind from the valuation. Given this, we're reiterating the stock at a hold rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	2455	2760	3116	2902	2,821	3,407	4,202	4,275	4,165	4,703
Gross Profit	1708	1834	1948	2043	2,162	2,375	2,519	2,058	2,412	1,999
Gross Margin	69.6%	66.5%	62.5%	70.4%	76.6%	69.7%	59.9%	48.1%	57.9%	42.5%
D&A Exp.	293	320	361	391	430	478	536	604	670	735
Operating Profit	657	736	728	746	824	905	921	1,067	1,355	1,560
Operating Margin	26.8%	26.7%	23.4%	25.7%	29.2%	26.6%	21.9%	25.0%	32.5%	33.2%
Net Profit	350	396	603	511	601	666	774	886	1,043	1,198
Net Margin	14.3%	14.4%	19.4%	17.6%	21.3%	19.5%	18.4%	20.7%	25.0%	25.5%
Free Cash Flow	-292	-270	-343	-725	-898	-3,054	-1,467	654	-1,203	-1,512
Income Tax	197	221	8	139	145	154	78	114	193	279

Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Assets	10011	10750	11874	13368	15,359	19,609	22,193	22,517	25,194	28,906
Cash & Equivalents	48	26	14	25	21	117	52	15	307	204
Accounts Receivable	120	135	139	127	140	343	258	329	221	376
Inventories	185	189	174	136	119	178	384	246	186	192
Goodwill & Int. Ass.	727	730	730	731	731	731	731	823	814	806
Total Liabilities	6548	6851	7104	7617	8,568	11,702	12,774	11,647	13,037	15,347
Accounts Payable	114	143	135	177	141	423	259	218	342	381
Long-Term Debt	3269	3515	3644	3994	4,523	4,930	8,095	6,893	7,870	9,258
Shareholder's Equity	3463	3899	4770	5750	6,791	7,907	9,419	10,870	12,158	13,559
LTD/E Ratio	0.94	0.90	0.76	0.69	0.67	0.62	0.86	0.63	0.65	0.69

Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Return on Assets	3.7%	3.8%	5.3%	4.1%	4.2%	3.8%	3.7%	4.0%	4.4%	4.4%
Return on Equity	10.5%	10.8%	13.9%	9.7%	9.6%	9.1%	8.9%	8.7%	9.1%	9.3%
ROIC	5.5%	5.6%	7.6%	5.6%	5.7%	5.0%	4.8%	5.0%	5.5%	5.6%
Shares Out.	101	104	106	117	123	130	138	145	153	161
Revenue/Share	23.71	26.01	28.06	24.70	22.96	26.24	30.43	29.45	27.28	29.29
FCF/Share	-2.82	-2.54	-3.09	-6.17	-7.31	-23.52	-10.62	4.50	-7.88	-9.42

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

Disclaimer

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