Targa Resources Corp. (TRGP)

Updated February 26th, 2026 by Aristofanis Papadatos

Key Metrics

Current Price:	$230	**5 Year CAGR Estimate:**	3.2%	**Market Cap:**	$50 B
Fair Value Price:	$174	**5 Year Growth Estimate:**	7.0%	**Ex-Dividend Date:**	4/29/2026
% Fair Value:	132%	**5 Year Valuation Multiple Estimate:**	-5.4%	**Dividend Payment Date:**	5/14/2026
Dividend Yield:	1.7%	**5 Year Price Target**	$244	**Years Of Dividend Growth:**	4
Dividend Risk Score:	B	**Sector:** Energy		**Rating:**	Hold

Overview & Current Events

Targa Resources is a leading provider of midstream services and one of the largest independent midstream energy companies in North America. The company is primarily engaged in the business of gathering, processing, transporting and selling natural gas and natural gas liquids (NGLs). It also gathers and stores crude oil and refined products. It has the largest gathering and processing position in the Permian Basin and a market capitalization of $50 billion.

Targa was adversely affected by the downturn of the energy market in 2014-2016 and it took the company a whole decade to recover from that downturn. Its distributable cash flow (DCF) per share reached the level it was in 2015 in 2024. Moreover, its stock price plunged -90% from mid-2014 to early 2016 and it retrieved its losses only in early 2025.

On July 29th, 2022, Targa acquired Lucid Energy for $3.55 billion in cash. Lucid provides natural gas gathering, treating and processing services in the Delaware Basin, with more than 1,000 miles of natural gas pipelines.

In mid-February, Targa reported (2/19/26) financial results for the fourth quarter of fiscal 2025. Adjusted EBITDA grew 20% over the prior year's quarter, to a new all-time high, thanks to record Permian and NGL transportation and fractionation volumes. The contribution from recently completed projects was significant. Management provided strong guidance for 2026 thanks to sustained contribution from recent projects. It expects adjusted EBITDA of $5.4-$5.6 billion, thus implying 11% growth at the mid-point.

Due to the pandemic, Targa cut its quarterly dividend by -89% in 2020 but it has raised its dividend four times since then. Management raised the quarterly dividend from $0.75 to $1.00 last year and stated that it expects to keep raising the dividend for many more years. It has provided guidance for an annual dividend of $5.00 in 2026. Targa has net debt of $20.4 billion but it can service its debt thanks to the cash flows from recently completed projects.

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
CFPS	$2.68	$3.08	$4.06	$4.07	$5.05	$6.74	$9.86	$11.53	$15.45	$19.02	***$22.00***	***$30.86***
DPS	$3.64	$3.64	$3.64	$3.64	$1.21	$0.40	$1.40	$1.85	$2.75	$3.75	***$4.00***	***$6.15***
Shares[1]	184.7	217.6	232.1	232.5	229.2	228.6	229.9	224.5	218.3	215.7	***215.0***	***215.0***

Midstream companies usually have more stable performance than upstream energy stocks. However, this has not been the case for Targa, which has a markedly volatile performance record throughout the last decade. On the bright side, Targa currently has strong growth prospects, as many growth projects have come online in the last five years and the company has a long pipeline of growth projects. These projects will contribute significant, mostly fee-based cash flows.

On the other hand, Targa has greatly diluted its unitholders in the last decade. It also has a material debt load, though it has strengthened its balance sheet in recent years thanks to its strong cash flows. Its net debt is standing at $20.4 billion or about 4.1 *times last year's EBITDA* while its interest expense consumes 27% of its operating income. In 2019, Targa issued 10-year bonds at a 6.875% rate, which shows the desperation of Targa for funds back then. Overall, we expect cash flow per share to grow by 7% per year on average over the next five years.

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[1] 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/CF	14.7	16.1	12.1	9.7	4.1	6.2	7.0	6.8	9.1	9.2	***10.5***	***7.9***
Avg. Yld.	9.2%	7.3%	7.4%	9.2%	5.8%	1.0%	2.0%	2.3%	2.0%	2.1%	***1.7%***	***2.5%***

Targa is currently trading at a price-to-cash flow ratio of 10.5, which is higher than the 8-year average of 7.9 of the stock. If Targa trades at its historical average valuation level in five years, it will incur a -5.4% annualized drag due to the contraction of its cash flow multiple.

Safety, Quality, Competitive Advantage, & Recession Resiliency

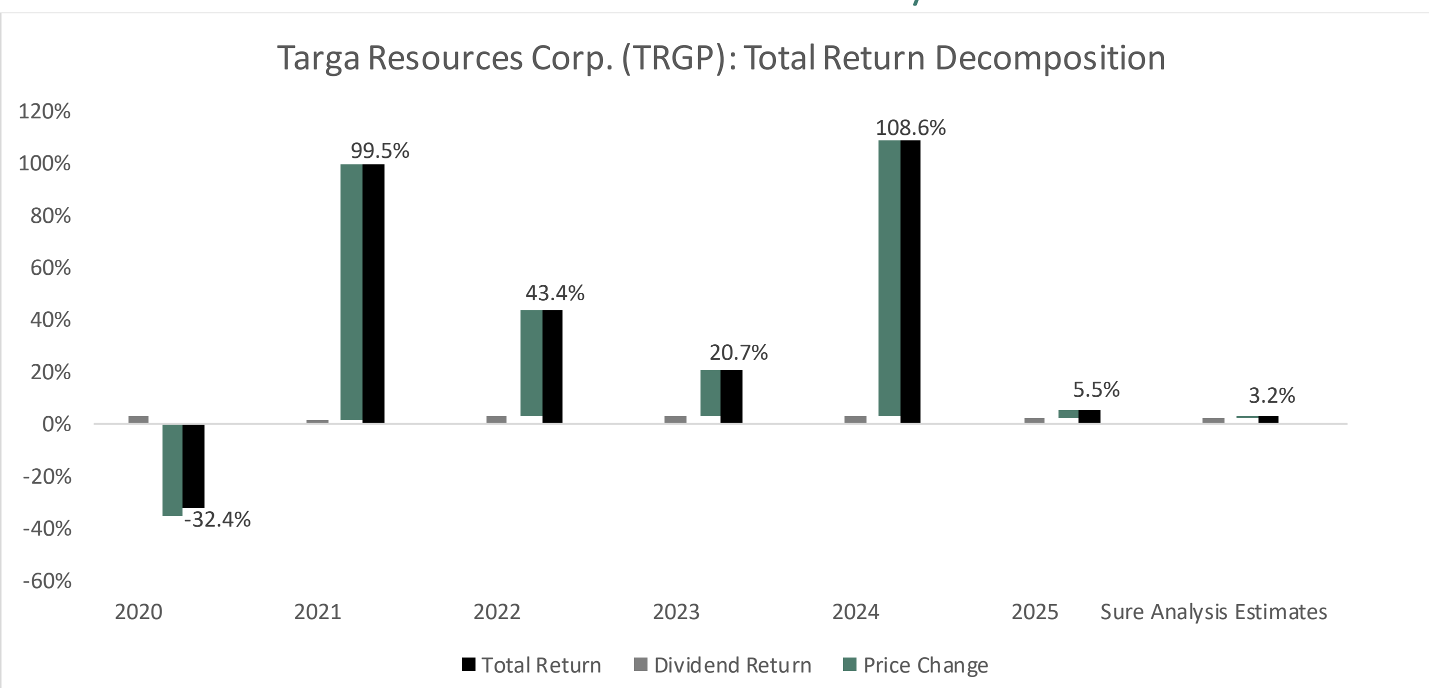
Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	136%	118%	89.7%	89.3%	24.0%	5.9%	14.2%	16.0%	17.8%	19.7%	***18.2%***	***19.9%***

Thanks to its industry position, Targa benefits from the integration of its assets and some economies of scale. While this is a competitive advantage, the volatile performance record reveals the vulnerability of the company to the gyrations of commodity prices, which are beyond its control. Targa is a risky security with a material debt load. The high leverage and the high operating and interest expenses of the company raise a red flag and help explain the decimation of the dividend in 2020. The -90% plunge of the stock in the first month of the pandemic in 2020 is a testament to the risk of the stock. Whenever the next downturn in the energy sector shows up, Targa is likely to come under pressure.

Final Thoughts & Recommendation

Targa has positive business momentum but this has been priced, at least in part, in the stock. Targa could offer a 3.2% average annual return over the next five years, as 7.0% growth and a 1.7% dividend may be partly offset by a -5.4% valuation headwind. The stock receives a hold rating. Targa is likely to keep growing its cash flows significantly thanks to its pipeline of growth projects, but we note its volatile performance and its extreme sensitivity to downturns in the energy sector.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	6,691	8,815	10,484	8,671	8,260	16,950	20,930	16,060	16,382	17,189
Gross Profit	1,010	1,099	1,430	1,581	2,290	2,350	2,952	4,054	4,256	3,867
Gross Margin	15.1%	12.5%	13.6%	18.2%	27.7%	13.9%	14.1%	25.2%	26.0%	22.5%
SG&A Exp.	187	203	257	281	255	273	310	349	385	406
D&A Exp.	758	810	816	972	865	871	1,096	1,330	1,423	1,515
Operating Profit	269	256	447	507	1,253	1,329	1,729	2,626	2,695	3,507
Operating Margin	4.0%	2.9%	4.3%	5.8%	15.2%	7.8%	8.3%	16.4%	16.5%	20.4%
Net Profit	(187)	54	2	(209)	(1,554)	71	1,196	1,346	1,312	1,946
Net Margin	-2.8%	0.6%	0.0%	-2.4%	-18.8%	0.4%	5.7%	8.4%	8.0%	11.3%
Free Cash Flow	275	(358)	(1,971)	(1,488)	793	1,798	1,047	826	684	584
Income Tax	(101)	(397)	6	(88)	(248)	15	132	363	385	530

Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Assets	12,871	14,389	16,938	18,815	15,876	15,208	19,560	20,672	22,734	26,294
Cash & Equivalents	74	137	232	331	243	159	219	142	157	321
Accounts Receivable	675	828	866	855	863	1,332	1,408	1,471	1,618	1,475
Inventories	138	205	165	162	182	153	394	372	334	429
Goodwill & Int. Ass.	1,864	2,422	2,030	1,735	1,382	1,095	2,735	2,351	1,977	1,764
Total Liabilities	7,147	7,633	9,222	10,372	9,973	10,030	14,578	16,062	18,316	23,116
Accounts Payable	691	1,001	1,201	955	834	1,402	1,449	1,575	2,013	1,873
Long-Term Debt	4,881	5,053	6,660	7,784	7,725	6,571	11,309	12,664	13,877	16,845
Shareholder's Equity	5,249	6,160	6,079	4,921	2,654	2,012	2,666	2,740	2,592	3,068
D/E Ratio	0.93	0.82	1.05	1.58	2.91	3.27	4.24	4.62	5.35	5.71

Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Return on Assets	-1.4%	0.4%	0.0%	-1.2%	-9.0%	0.5%	6.9%	6.7%	6.0%	7.7%
Return on Equity	-5.6%	0.9%	0.0%	-3.8%	-41.0%	3.1%	51.1%	28.1%	29.1%	51.1%
ROIC	-1.6%	0.5%	0.0%	-1.4%	-10.4%	0.6%	8.3%	8.0%	7.4%	9.9%
Shares Out.	184.7	217.6	232.1	232.5	229.2	228.6	231.1	226.0	221.3	216.9
Revenue/Share	43.33	42.60	46.76	37.30	35.57	74.15	90.57	71.06	74.02	79.25
FCF/Share	1.78	-1.73	-8.79	-6.40	3.41	7.86	4.53	3.66	3.09	2.69

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