RGC Resources, Inc. (RGCO)

Updated April 28th, 2026, by Yiannis Zourmpanos

Key Metrics

Current Price:	$22	**5 Year Annual Expected Total Return:**	12.8%	**Market Cap:**	$227 M
Fair Value Price:	$26	**5 Year Growth Estimate:**	6.0%	**Ex-Dividend Date:**	04/17/26
% Fair Value:	84%	**5 Year Valuation Multiple Estimate:**	3.6%	**Dividend Payment Date:**	05/01/26
Dividend Yield:	4.0%	**5 Year Price Target**	$35	**Years Of Dividend Growth:**	21
Dividend Risk Score:	C	**Sector:**	Utilities	**Rating:**	Hold

Overview & Current Events

RGC Resources, Inc. (RGCO) operates as a distributor and seller of natural gas to industrial, commercial, and residential customers through its subsidiaries: Roanoke Gas, Midstream, and Diversified Energy. Residential customers are the company's largest customer segment, accounting for ~58% of the total revenues, followed by commercial customers at 34%. The company operates in three segments: Gas Utility, the key revenue generator; Investment in Affiliates; and Parent & Other. The company was founded in 1883 and generates just under $100 million in annual revenue.

On March 31st, 2026, RGC Resources announced its first quarter results. The company posted Q1 non-GAAP EPS of $0.47, which beat the market's estimate by $0.02, and total revenues of $30.26 million.

RGC Resources reported first-quarter 2026 earnings of $4.9 million, slightly down from $5.3 million in the same period last year. The decline was largely attributed to flat margins and a noticeable uptick in operating costs, including personnel, IT, property taxes, and depreciation. That said, lower interest expense offered a partial cushion. Management has already taken steps to address these pressures, filing a rate case in December aimed at securing $4.3 million in additional annualized revenue. Interim rates went into effect at the start of January, though they remain subject to regulatory review. It's a fairly typical move for a utility, but still, it signals that cost inflation is becoming harder to absorb internally.

Operationally, the business held up well. Roanoke Gas continued to benefit from steady customer growth, driven by new housing developments and an uptick in service reconnections. Weather patterns played a subtle role too—while temperatures were colder on average, they lacked the prolonged chill seen last year, which softened margin performance a bit. Even so, system reliability remained strong, and the company continues to invest in infrastructure to support long-term demand. There's a sense of cautious optimism here. While near-term earnings face some headwinds, the combination of regulatory actions, customer expansion, and disciplined investment suggests a company positioning itself for more stable growth ahead.

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
EPS	$0.81	$0.86	$0.95	$1.08	$1.30	$1.22	($3.48)	$1.14	$1.16	$1.29	***$1.31***	***$1.75***
DPS	$0.54	$0.58	$0.62	$0.66	$0.70	$0.74	$0.78	$0.79	$0.80	$0.83	***$0.87***	***$1.16***
Shares[1]	7.2	7.2	8.0	8.1	8.2	8.4	9.1	9.9	10.2	10.3	***10.7***	***13.2***

RGC Resources is highly dependent on Roanoke Gas' natural gas distribution business, which accounts for more than 98% of the firm's total revenues. The continued demand for natural gas ensures that the company is stable with consistent financial performance over time. Although the net loss posted in fiscal 2022 may reflect otherwise, it is essential to consider the earnings and dividend growth posted by the company over time and that the net loss was due to an impairment charge related to the Mountain Valley Pipeline.

The company is expected to continue its growth trajectory in the coming years owing to a strong demand for natural gas as it remains the cheapest heat source compared with electricity and fuel. However, it is also important to realize that

[1] Shares in millions.

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the company operates in a highly regulated industry, and its topline remains highly dependent on gas costs, consumption patterns, and weather/economic conditions. The increase or decrease in gas prices is passed on to customers through the PGA mechanism, which means that sometimes, regulators do not allow price increases.

We have matched analysts' EPS estimate for 2026 at $1.31. We continue to forecast EPS growth of 6.0% as this aligns with the company's long-term average, leading to our EPS estimate of $1.75 for 2031. In addition, the company will likely grow its dividends at a healthy pace, and we have assumed a dividend growth rate of 6.0% for the next five years.

Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg. P/E	19.1	28.7	28.2	26.3	19.2	18.8	-6.6	18.7	17.7	16.5	***16.8***	***20.0***
Avg. Yld.	3.5%	2.3%	2.3%	2.3%	2.8%	3.2%	3.4%	3.7%	3.4%	3.9%	***4.0%***	***3.3%***

RGC Resources is trading at a forward P/E of 16.8, slightly below its ten-year average of 18.7. We have assumed a target P/E of 20.0 to value the company by 2031. We believe the higher multiple reflects the growth pathway for the company going forward, leading to our five-year price target of $35.

Safety, Quality, Competitive Advantage, & Recession Resiliency

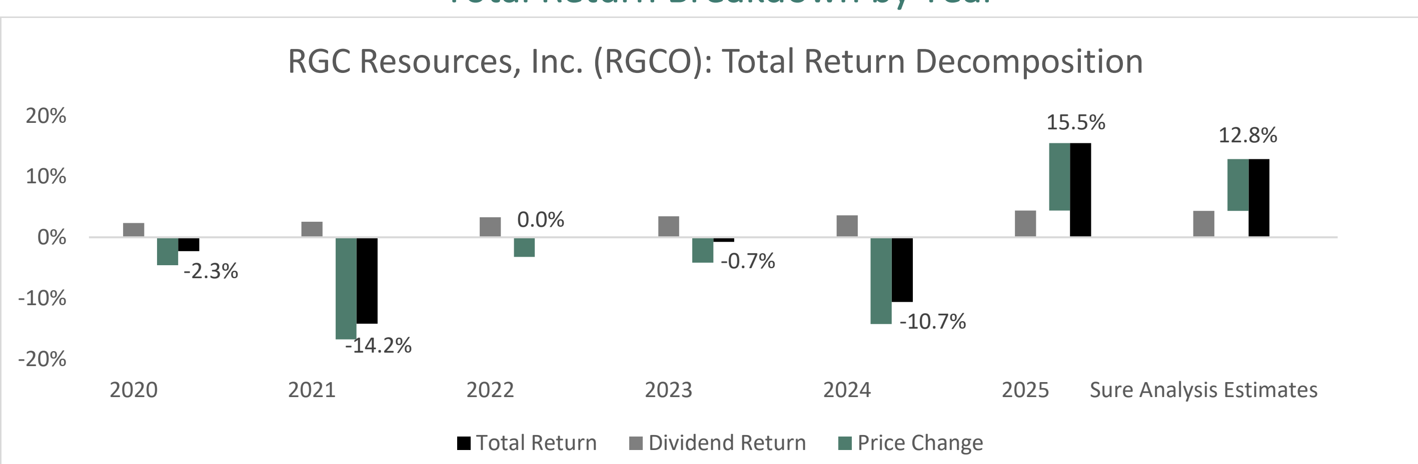
Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	67%	67%	65%	61%	54%	61%	-22%	69%	69%	64%	***66%***	***66%***

RGC Resources has maintained a healthy payout ratio and has increased the dividends at a CAGR of 5.4% from 2015 to 2024. The company has continuously paid regularly scheduled cash dividends for the past 78 years and has increased dividend payments over the past 21 years. The company's consistently high payout ratio reflects the ability of RGC Resources, Inc. to generate sufficient cash flow in all business cycles. In addition, RGC Resources, Inc. would not be overly affected by a possible recession since gas is a utility product that is generally considered a necessity, especially in winter, which keeps the demand alive for the company despite the state of the economy.

Final Thoughts & Recommendation

Despite being a utility company that operates in a highly regulated sector, RGC Resources has demonstrated mostly steady growth. Owing to natural gas demand and the company's extensive record of solid execution, we believe that RGC Resources will continue delivering value to shareholders through continued dividends and consistent profitability. We rate shares as a hold, premised upon the 12.8% annualized total returns for the medium-term, due to our forecasted earnings-per-share growth of 6.0%, the 4.0% dividend yield, a valuation tailwind, and a moderate dividend risk score.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	59	62	66	68	63	75	84	97	85	95
Gross Profit	18	20	20	21	23	25	26	30	30	21
Gross Margin	31.3%	32.5%	31.0%	31.0%	35.8%	33.9%	31.1%	30.9%	35.3%	22.1%
D&A Exp.	6	6	7	8	8	9	9	10	11	11
Operating Profit	11	12	11	12	13	15	15	18	17	18
Op. Margin	19.0%	19.6%	17.5%	17.0%	19.8%	19.7%	17.7%	18.6%	20.0%	18.9%
Net Profit	6	6	7	9	11	10	(32)	11	12	13
Net Margin	9.8%	10.0%	11.1%	12.8%	16.7%	13.4%	-37.7%	11.3%	14.1%	13.7%
Free Cash Flow	(3)	(8)	(10)	(7)	(10)	(8)	(10)	(1.5)	(4.7)	8
Income Tax	4	4	3	3	3	3	(11)	3.5	4	4

Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Assets	166	183	220	258	282	310	290	304	321	330
Cash & Equivalents	1	0	0	2	0	2	5	1.5	0.9	2
Acc. Receivable	3	3	4	4	3	5	5	4	5	5
Inventories	8	9	9	7	7	9	18	13	10	10
Total Liabilities	110	123	140	175	193	210	197	203	213	216
Accounts Payable	5	5	5	4	4	8	9	6	5	7
Long-Term Debt	48	61	70	103	124	140	136	141	149	149
Total Equity	56	60	80	83	89	100	93	101	108	114
LTD/E Ratio	0.87	1.02	0.88	1.24	1.39	1.41	1.46	1.40	1.37	1.31

Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Return on Assets	3.7%	3.6%	3.6%	3.6%	3.9%	3.4%	-10.6%	3.8%	3.8%	4.1%
Return on Equity	10.7%	10.8%	10.5%	10.7%	12.3%	10.7%	-32.9%	11.7%	11.3%	12.0%
ROIC	5.9%	5.5%	5.4%	5.2%	5.3%	4.5%	-13.5%	4.8%	4.7%	5.1%
Shares Out.	7.2	7.2	8.0	8.1	8.2	8.4	9.1	9.9	10.2	10.3
Revenue/Share	8.25	8.59	8.52	8.42	7.74	9.10	9.23	9.82	8.33	9.25
FCF/Share	(0.42)	(1.07)	(1.27)	(0.89)	(1.24)	(1.02)	(1.09)	(0.15)	(0.46)	0.80

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