RGC Resources, Inc. (RGCO)

Updated August 7th, 2026, by Yiannis Zourmpanos

Key Metrics

Current Price:	$22	**5 Year Annual Expected Total Return:**	13.9%	**Market Cap:**	$225.8 M
Fair Value Price:	$28	**5 Year Growth Estimate:**	6.0%	**Ex-Dividend Date:**	10/16/26[1]
% Fair Value:	80%	**5 Year Valuation Multiple Estimate:**	4.6%	**Dividend Payment Date:**	11/03/26[2]
Dividend Yield:	4.0%	**5 Year Price Target**	$37	**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 August 6th, 2026, RGC Resources announced its third quarter results. The company posted Q3 non-GAAP EPS of $0.05, which beat the market's estimate by $0.06, and total revenues of $17.11 million that were down 0.9% year-over-year.

RGC Resources reported a relatively steady fiscal third quarter, with consolidated earnings of $559,000 compared with $538,000 a year ago. The more important development was the $757,000 year-over-year improvement in operating margin, supported by higher non-gas base rates effective January 1st, 2026 and returns from SAVE infrastructure investments. Residential customer growth also remained supportive, while delivered firm volumes were broadly unchanged. However, these gains were largely absorbed by higher operating expenses as inflation continued to pressure the cost base. Industrial demand was mixed: one industrial customer ceased operations, while interruptible volumes increased, although those volumes carry lower margins. As a result, operating earnings were roughly flat despite the stronger underlying margin contribution.

The year-to-date picture remains more encouraging. Net income for the first nine months of fiscal 2026 increased 5.2% to $14.2 million from $13.5 million, driven by stronger operating margins and lower interest expense, particularly earlier in the fiscal year. Overall, the quarter reinforces RGC Resources' defensive utility profile rather than signaling a major earnings acceleration. Rate increases, infrastructure investment and continued residential customer additions are supporting profitability, but inflation and weaker industrial activity remain offsets. The key going forward will be whether regulatory-driven margin expansion can continue outpacing rising operating costs.

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	***$1.38***	***$1.85***
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[3]	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

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[1] Estimated ex-dividend date.
[2] Estimated dividend payment date.
[3] Shares 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.

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 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 $1.38. 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 $1.85 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	***15.9***	***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%***	***3.2%***

RGC Resources is trading at a forward P/E of 15.9, 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 $37.

Safety, Quality, Competitive Advantage, & Recession Resiliency

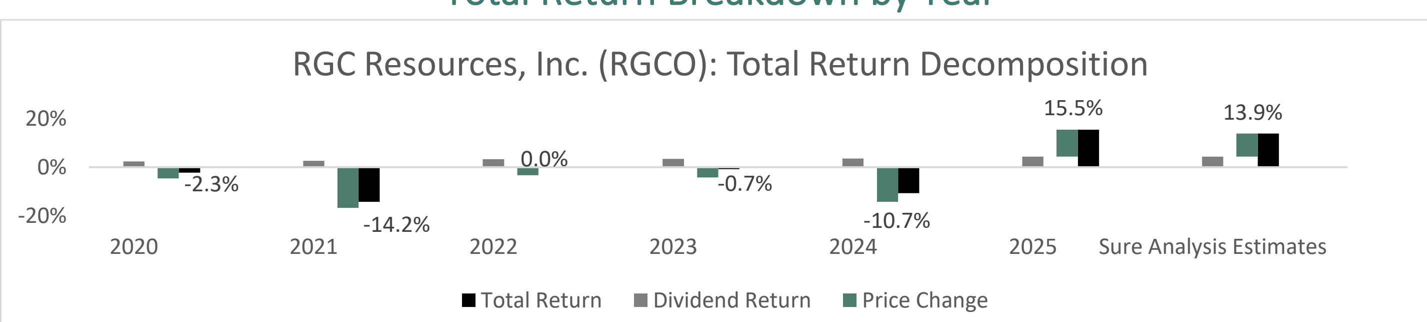
Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	67%	67%	65%	61%	54%	61%	-22%	69%	69%	64%	***63%***	***63%***

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 13.9% 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.

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