Atmos Energy Corp. (ATO)

$168.37 (Stock Price as of 12/12/2025)

Price Target (6-12 Months): **$179.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 12/15/20) Prior Recommendation: Underperform	**Neutral**
Short Term: 1-3 Months	**Zacks Rank:** (1-5)	**2-Buy**
	Zacks Style Scores:	VGM: F
	Value: D | Growth: F | Momentum: D	

Summary

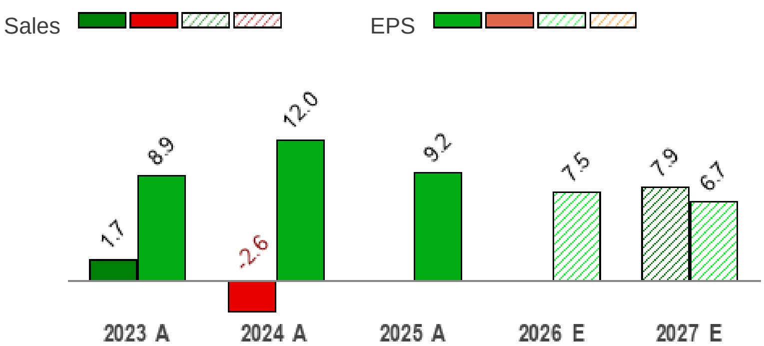
Atmos Energy's fiscal 2025 fourth-quarter earnings topped expectations. The company continues to benefit from rising demand for natural gas, courtesy of an expanding customer base. Its long-term investment plan should further increase the reliability of its natural gas pipelines. The company gains from industrial customer additions. Stable performance has allowed it to enhance shareholder returns through dividend hikes. ATO has enough liquidity to meet its near-term debt obligations. Shares of the company have outperformed the industry in the past year. Yet, the risk of accidents in natural gas distribution and competition from other clean alternative fuel suppliers act as headwinds. Dependence on a single state for its revenues exposes the company to the state's weather fluctuations and economic status.

Price, Consensus & Surprise(1)

Data Overview

52 Week High-Low	**$180.65 - $136.05**
20 Day Average Volume (sh)	**1,144,400**
Market Cap	**$27.2 B**
YTD Price Change	**20.9%**
Beta	**0.75**
Dividend / Div Yld	**$4.00 / 2.4%**
Industry	**Utility - Gas Distribution**
Zacks Industry Rank	**Bottom 40% (144 out of 243)**

Sales and EPS Growth Rates (Y/Y %)(1)



Last EPS Surprise	**5.9%**
Last Sales Surprise	**NA**
EPS F1 Est- 4 week change	**0.0%**
Expected Report Date	**02/03/2026**
Earnings ESP	**0.8%**

P/E TTM	**22.5**
P/E F1	**21.0**
PEG F1	**3.0**
P/S TTM	**5.8**

Sales Estimates (millions of $)(1)

	Q1	Q2	Q3	Q4	Annual*
2027	1,561 E	2,349 E	1,246 E	1,111 E	6,267 E
2026	1,452 E	2,236 E	1,127 E	993 E	5,808 E
2025	1,176 A	1,951 A	839 A		4,703 A

EPS Estimates(1)

	Q1	Q2	Q3	Q4	Annual*
2027	2.52 E	3.32 E	1.49 E	1.21 E	8.56 E
2026	2.39 E	3.27 E	1.33 E	1.09 E	8.02 E
2025	2.23 A	3.03 A	1.16 A	1.07 A	7.46 A

*Quarterly figures may not add up to annual.

(1) The data in the charts and tables, including the Zacks Consensus EPS and sales estimates, is as of 12/12/2025.
(2) The report's text and the price target are as of 12/03/2025.

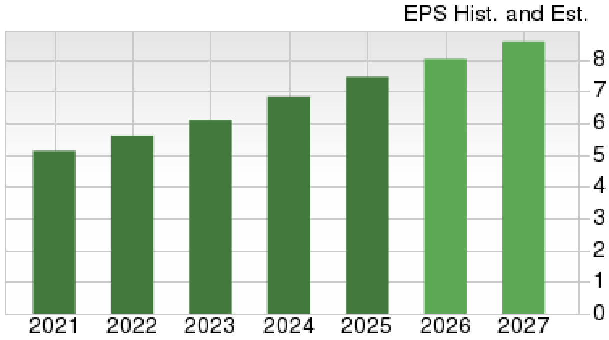
Overview

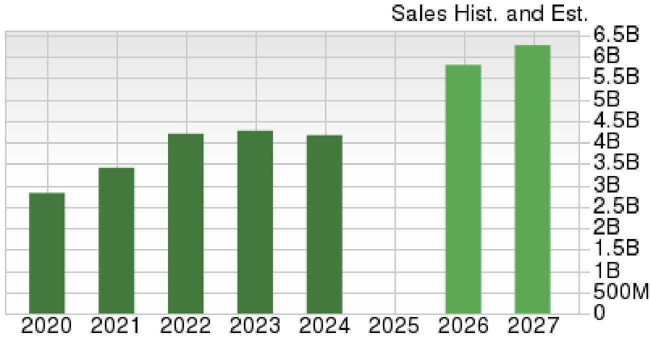
Founded in 1906, Atmos Energy Corporation, along with its subsidiaries, is engaged in the regulated natural gas distribution and storage business. The company serves nearly 3.4 million customers in more than 1,400 communities in eight states, from the Blue Ridge Mountains in the East to the Rocky Mountains in the West. The company operates more than 81,000 miles of transmission and distribution lines. Atmos Energy's pipelines are connected to 37 different pipelines across eight states, providing supplier diversity.

Since 2011, Atmos Energy's operating strategy has been focused on modernizing its transmission and distribution network as well as reducing regulatory lag. This operating strategy allowed the company to increase capital expenditure by nearly 13% per annum, improve the safety and reliability of its operations and lower methane emissions from its system.

The company manages its operations through the following reportable segments.

The distribution segment is primarily comprised of the company's regulated natural gas distribution and related sales operations in eight states, and storage assets located in Kentucky and Tennessee. This segment contributed nearly 94.1%, 94% and 95.9% to the company's total revenues in fiscal 2025, 2024 and 2023, respectively.





As of 12/12/2025

The pipeline and storage segment is primarily comprised of the pipeline and storage operations of Atmos Pipeline-Texas division, and the company's natural gas transmission operations in Louisiana. The company operates five storage facilities, having a combined storage capacity of 53 billion cubic feet. This segment contributed nearly 22.7%, 22.5% and 18.4% to the company's total revenues in fiscal 2025, 2024 and 2023, respectively.

Intersegment Eliminations lowered revenues by 16.8%, 16.5% and 14.3% in the same time frame.

As of 12/12/2025

Reasons To Buy:

Solid contributions from residential customers, returns within one year of investment, customer additions and positive regulatory outcomes will continue to boost the company's performance.

- Atmos Energy benefits from strategic acquisitions, the addition of industrial customers and constructive rate outcomes, which contribute to overall revenue and profitability growth. In the fiscal year 2025, ATO continued to record solid customer growth, adding about 57,000 residential customers. It also added nearly 3,200 commercial customers and 29 industrial customers during the same period. Once these industrial customers are fully operational, they are expected to consume roughly 4 billion cubic feet (Bcf) of gas annually. On a volumetric basis, this demand is comparable to adding nearly 74,000 residential customers. These new industrial customers can drive higher gas demand, leading to increased revenues for the company. Rising natural gas demand across all customer classes continues to underscore its essential role in supporting economic development throughout the company's service territory.

  Courtesy of constructive regulatory mechanisms, more than 90% of Atmos Energy's annual capital investments start earning returns within six months and substantially all of its capital expenditures within 12 months. Rates approved until Sept. 30, 2025, added $333.6 million to Atmos Energy's fiscal 2025 revenues. Rates approved until Nov. 5, 2025, are expected to add $146.3 million to Atmos Energy's fiscal 2026 revenues. The pending case, if approved without any changes, is expected to add another $18.3 million to its top line. Favorable rate outcomes allow the company to better cover its operational costs and generate funds for future capital expenditures.

- The company has a sturdy capital expenditure plan, helping the company to increase safety and reliability of its natural gas pipelines. A major portion of its planned capital expenditure is utilized to improve the safety and reliability of distribution and transportation systems. After investing $3.6 billion in fiscal 2025, 87% of which was allocated to safety and reliability, the company expects $4.2 billion in capital expenditures during fiscal 2026. In the past year, Atmos Energy's shares have risen 18.1% compared with the Zacks Utility Gas Distribution industry's 8.5% growth.

  Atmos Energy has planned long-term capital expenditure, which should further strengthen its infrastructure and operations. The company plans to invest $26 billion in fiscal 2026-2030, with more than 85% dedicated to safety and reliability. The planned investment is expected to drive 6-8% annual earnings growth over the period and support a 13-15% annual rate base expansion. Maintenance and upgrade of the existing infrastructure is of utmost importance to the company. Atmos Energy aims to replace miles of old transmission and distribution lines over the next five years in order to make its systems more reliable. In fiscal 2025, the company replaced more than 880 miles of distribution and transmission pipelines, along with nearly 54,000 service lines.

- Atmos Pipeline-Texas' Bethel to Groesbeck project is nearing completion, involving roughly 55 miles of 36-inch pipeline connecting the Bethel storage facility to the Groesbeck compressor station. The project will add pipeline capacity for increased gas transport and is expected to enter service later in 2025. Similarly, the company's Line WA Loop Phase 2 project is close to completion, comprising about 44 miles of 36-inch pipeline. This phase of the multiyear project will increase pipeline capacity from Line X to the northern portions of the expanding DFW Metroplex and is expected to be placed in service later in 2025.

  The company has been expanding its renewable natural gas (RNG) operation to help its customers achieve their environmental objectives. Atmos Energy's RNG strategy is built on partnerships with landfills, dairies and others to transport waste-derived energy to fuel homes, businesses and even vehicles. It is currently transporting 8 Bcf of RNG annually, which is equivalent to remove 97,870 passenger cars annually.

- The steady performance of the company has enabled it to reward shareholders through consistent increases in annual dividend rates. The company has raised its annual dividend for 42 consecutive years and paid 168th consecutive quarterly dividend. Currently, its quarterly dividend is $1 per share. The new dividend for fiscal 2026 is $4 per share, which represents an 14.9% increase from the fiscal 2025 level. Atmos Energy's current dividend yield is 2.35%, better than the Zacks S&P 500 composite's 1.46%.

  The company plans to raise its dividend by nearly 6-8% through 2030, subject to the approval of the board of directors. Given solid capital expenditure plans, addition of customers and an increase in consumption, it is expected that the company will continue with its annual dividend increase policy in the long run.

- Atmos Energy has been assigned top-tier credit ratings by rating agencies. As of Sept. 30, 2025, the company had $4.9 billion in available liquidity, enough to meet its current obligations. Historically, compared to its industry peers, ATO has been able to reduce debt and improve operations. Currently, ATO's total debt-to-capital is 39.89%, which is better than the industry's 47.91%. ATO consistently has a strong Times interest earned ratio, which indicates that it can meet its interest obligations without any difficulties.

  In October 2025, the U.S. Federal Reserve reduced interest rates by 25 basis points to a range of 3.75%-4.00%. This rate cut is expected to lower the company's capital project funding costs and help improve margins.

Reasons To Sell:

Competition from other fuel sources, dependence on a single state and the possibility of accident in gas pipelines are headwinds.

- Operations of the company are capital intensive, and despite making significant investment to upgrade and maintain infrastructure, there is always a possibility of accident and mishap. Distributing, transporting, and storing natural gas involve risks that may result in accidents. Any such risk could result in additional operating costs and reduced profitability.

- Courtesy of regulated operations, it does not face direct competition from any other distributor of natural gas to residential and commercial customers within its service areas. However, the company has to compete with other suppliers of natural gas and alternative fuels for sales to industrial customers. In addition, the company has to compete with energy products like electricity and propane that are used for space and water heating, and in the cooking market.

- Nearly 75% of Atmos Energy's consolidated operations are located in the State of Texas and around 65% of its distribution rate base is located in Texas. Its operations and financial results are vulnerable to state economic conditions, weather patterns and regulatory decisions. More than 50% of the company's distribution customers and most of its pipeline and storage assets and operations are located in the State of Texas.

- Atomos Energy has to pay in advance (to suppliers) for natural gas that it finally supplies to its natural gas customers. When the gas price goes up, the company recovers the same from customers. However, an increase in purchased gas costs also slows down Atmos Energy's natural gas distribution collections as customers may delay the payment of their gas bills, leading to higher-than-normal accounts receivable. This could result in higher short-term debt level, greater collection efforts and increased bad debt expense.

Last Earnings Report

Atmos Energy Beats Q4 Earnings Estimates, Provides Long-Term Guidance

FY Quarter Ending	9/30/2025
Earnings Reporting Date	Nov 05, 2025
Sales Surprise	NA
EPS Surprise	5.94%
Quarterly EPS	1.07
Annual EPS (TTM)	7.49

Atmos Energy posted fourth-quarter fiscal 2025 earnings of $1.07 per share, which beat the Zacks Consensus Estimate of $1.01 by 5.9%. The bottom line improved 24.4% from the year-ago quarter's 86 cents.

For fiscal 2025, Atmos Energy's earnings per share were $7.46 on net income of $1.2 billion.

Highlights of ATO's Release

Operating income in the fiscal fourth quarter was $219.5 million compared with $185 million in the year-ago quarter.

In fiscal 2025, new rates worth $333.6 million were implemented and in year-to-date fiscal 2026, rates worth $146.3 million were implemented.

ATO reported net income of $175 million in the fiscal fourth quarter compared with $134 million in the year-ago quarter.

ATO's Segmental Details

Distribution: Net income totaled $55 million, highlighting a 34.1% increase from $41 million in the year-ago quarter.

Pipeline and Storage: Income amounted to $120 million, reflecting a 29% increase from $93 million reported in the year-ago quarter.

ATO's Financial Highlights

As of Sept. 30, 2025, Atmos Energy reported a strong balance sheet with approximately $4.9 billion in available liquidity.

During fiscal 2025, issued two tranches of long-term debt having a combined value of $1.15 billion.

In fiscal 2025, the company invested nearly $3.56 billion, with 87% of the amount allocated for improving the safety and reliability of its distribution and transportation systems.

ATO's Guidance

Atmos Energy initiates fiscal 2026 guidance in the range of $8.15-$8.45 per share. The Zacks Consensus Estimate is pegged at $7.91 per share, lower than the company's guided range.

ATO also anticipates its fiscal 2026 capital expenditure to be $4.2 billion.

ATO's board of directors has declared a quarterly dividend of $1.00 per common share. The indicated annual dividend for fiscal 2026 is $4.00, which represents a 14.9% increase over fiscal 2025.

ATO plans to invest $26 billion from fiscal 2026 to 2030 to further strengthen its existing operations.

Valuation

Atmos Energy shares are up 11.8% in the past six months period, and up 18.1% over the trailing 12-month period. Stocks in the Zacks sub-industry is up 16.6% and the Zacks Utilities sector is up 11.2% in the past six months period. Over the past year, the Zacks sub-industry is up 8.5%, whereas the sector is up by 14.6%.

The S&P 500 index is up 17% in the past six months period and up 16.6% in the past year.

The stock is currently trading at 20.97X forward 12-months earnings, which compares with 21.6X for the Zacks sub-industry, 16.32X for the Zacks sector and 23.41X for the S&P 500 index.

Over the past five years, the stock has traded as high as 22.97X and as low as 15.98X, with a 5-year median of 18.71X.

Our Neutral recommendation indicates that the stock will perform in-line with the market. Our $179 price target reflects 22.07X forward 12-months earnings.

The table below shows summary valuation data for ATO.

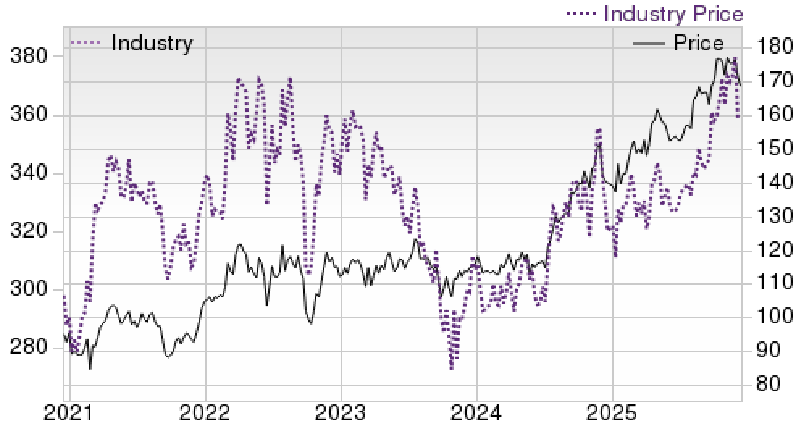
Valuation Multiples - ATO

		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	20.97	21.6	16.32	23.41
	5-Year High	22.97	21.6	17.86	23.82
	5-Year Low	15.98	13.81	13.13	15.73
	5-Year Median	18.71	16.27	15.88	21.19
P/S F12M	Current	4.67	2.82	3.08	5.29
	5-Year High	5.65	2.82	3.24	5.5
	5-Year Low	2.83	1.49	2.28	3.83
	5-Year Median	3.47	2.19	2.72	5.04
P/B TTM	Current	2.01	1.42	3.14	8.47
	5-Year High	2.12	1.78	3.28	9.16
	5-Year Low	1.4	1.11	2.38	6.6
	5-Year Median	1.66	1.43	2.87	8.04

As of 12/02/2025 *Source: Zacks Investment Research*

Industry Analysis[1]

Zacks Industry Rank: Bottom 40% (144 out of 243)



Top Peers [1]

Company (Ticker)	Rec	Rank
National Fuel Gas Co...**(NFG)**	Neutral	3
NewJersey Resources ...**(NJR)**	Neutral	3
Northwest Natural Ga...**(NWN)**	Neutral	4
ONE Gas, Inc. **(OGS)**	Neutral	3
Spire Inc. **(SR)**	Neutral	2
Sempra Energy **(SRE)**	Neutral	3
Southwest Gas Corpor...**(SWX)**	Neutral	3
UGI Corporation **(UGI)**	Neutral	4

Industry Comparison[1]

Industry: Utility - Gas Distribution

Industry Peers

	ATO	X Industry	S&P 500	NJR	SR	SWX
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	2	-	-	3	2	3
VGM Score	F	-	-	C	C	C
Market Cap	27.22 B	4.92 B	39.38 B	4.62 B	4.92 B	5.78 B
# of Analysts	6	2	22	3	5	1
Dividend Yield	2.38%	2.89%	1.41%	4.15%	3.96%	3.10%
Value Score	D	-	-	B	B	B
Cash/Price	0.01	0.02	0.04	0.00	0.00	0.13
EV/EBITDA	15.19	11.60	14.60	10.57	10.22	12.52
PEG Ratio	2.95	2.64	2.23	NA	1.50	1.65
Price/Book (P/B)	1.99	1.54	3.35	1.92	1.56	1.47
Price/Cash Flow (P/CF)	14.09	8.63	15.20	8.88	8.57	8.62
P/E (F1)	20.99	17.64	19.78	14.56	15.82	21.94
Price/Sales (P/S)	5.79	1.97	3.06	2.27	1.99	1.44
Earnings Yield	4.76%	5.39%	4.99%	6.88%	6.33%	4.56%
Debt/Equity	0.66	0.80	0.57	1.36	1.07	0.89
Cash Flow ($/share)	11.95	6.10	8.99	5.16	9.72	9.29
Growth Score	F	-	-	D	F	C
Hist. EPS Growth (3-5 yrs)	8.99%	2.99%	8.16%	9.93%	-1.64%	-7.04%
Proj. EPS Growth (F1/F0)	7.51%	4.11%	8.57%	-3.67%	18.69%	15.51%
Curr. Cash Flow Growth	12.47%	-2.83%	6.75%	13.34%	9.11%	-1.91%
Hist. Cash Flow Growth (3-5 yrs)	13.43%	6.18%	7.43%	11.29%	7.21%	5.20%
Current Ratio	0.77	0.75	1.19	0.73	0.32	1.55
Debt/Capital	39.83%	44.56%	38.01%	57.61%	49.85%	47.17%
Net Margin	25.49%	10.86%	12.78%	16.48%	10.96%	11.59%
Return on Equity	9.07%	8.73%	17.00%	13.73%	8.78%	6.78%
Sales/Assets	0.17	0.25	0.53	0.28	0.22	0.34
Proj. Sales Growth (F1/F0)	12.90%	4.26%	5.77%	12.20%	2.70%	-35.10%
Momentum Score	D	-	-	B	B	D
Daily Price Chg	0.77%	0.10%	-1.07%	-0.22%	1.44%	0.10%
1 Week Price Chg	-1.70%	-1.13%	-0.63%	1.62%	1.07%	1.26%
4 Week Price Chg	-3.85%	-2.50%	1.39%	-1.74%	-4.24%	-1.50%
12 Week Price Chg	3.34%	3.34%	2.45%	-2.39%	8.97%	2.14%
52 Week Price Chg	19.77%	11.89%	12.83%	-3.66%	23.06%	9.92%
20 Day Average Volume	1,144,400	388,660	2,728,366	616,902	388,660	325,852
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	0.00%	0.00%	0.00%	0.43%	3.61%	-0.41%
(F1) EPS Est 12 week change	2.73%	0.21%	0.69%	1.34%	4.48%	-2.01%
(Q1) EPS Est Mthly Chg	0.84%	0.66%	0.00%	-2.96%	0.66%	3.70%

Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we have an excellent balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	D
Growth Score	F
Momentum Score	D
VGM Score	F

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

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