



The shares of ONE Gas, Inc. began trading "regular-way" on the New York Stock Exchange on February 3, 2014. That happened as a result of the separation of ONEOK's natural gas distribution operation. Regarding the details of the spinoff, on January 31, 2014, ONEOK distributed one share of OGS common stock for every four shares of ONEOK common stock held by ONEOK shareholders of record as of the close of business on January 21. It should be mentioned that ONEOK did not retain any ownership interest in the new company.

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	© VALUE LINE PUB. LLC	23-25
Revenues per sh	--	--	--	--	34.92	29.62	27.30	29.43	31.08	31.32	<b>28.30</b>	<b>30.20</b>	Revenues per sh	40.00
"Cash Flow" per sh	--	--	--	--	4.52	4.82	5.43	5.96	6.32	6.96	<b>7.10</b>	<b>7.55</b>	"Cash Flow" per sh	9.65
Earnings per sh <sup>A</sup>	--	--	--	--	2.07	2.24	2.65	3.02	3.25	3.51	<b>3.50</b>	<b>3.65</b>	Earnings per sh <sup>A</sup>	4.75
Div'ds Decl'd per sh <sup>B</sup>	--	--	--	--	.84	1.20	1.40	1.68	1.84	2.00	<b>2.16</b>	<b>2.32</b>	Div'ds Decl'd per sh <sup>B</sup>	2.80
Cap'l Spending per sh	--	--	--	--	5.70	5.63	5.91	6.81	7.50	7.91	<b>8.80</b>	<b>8.95</b>	Cap'l Spending per sh	9.35
Book Value per sh	--	--	--	--	34.45	35.24	36.12	37.47	38.86	40.35	<b>44.15</b>	<b>45.80</b>	Book Value per sh	54.10
Common Shs Outst'g <sup>C</sup>	--	--	--	--	52.08	52.26	52.28	52.31	52.57	52.77	<b>53.00</b>	<b>53.50</b>	Common Shs Outst'g <sup>C</sup>	55.00
Avg Ann'l P/E Ratio	--	--	--	--	17.8	19.8	22.7	23.5	23.1	25.3	<b>26.5</b>	<b>26.5</b>	Avg Ann'l P/E Ratio	26.5
Relative P/E Ratio	--	--	--	--	.94	1.00	1.19	1.18	1.25	1.37	<b>1.45</b>	<b>1.45</b>	Relative P/E Ratio	1.45
Avg Ann'l Div'd Yield	--	--	--	--	2.3%	2.7%	2.3%	2.4%	2.5%	2.3%	<b>2.2%</b>	<b>2.2%</b>	Avg Ann'l Div'd Yield	2.2%
Revenues (\$mill)	--	--	--	--	1818.9	1547.7	1427.2	1539.6	1633.7	1652.7	<b>1500</b>	<b>1615</b>	Revenues (\$mill)	2200
Net Profit (\$mill)	--	--	--	--	109.8	119.0	140.1	159.9	172.2	186.7	<b>185</b>	<b>195</b>	Net Profit (\$mill)	260
Income Tax Rate	--	--	--	--	38.4%	38.0%	37.8%	36.4%	23.7%	18.7%	<b>19.0%</b>	<b>19.5%</b>	Income Tax Rate	22.0%
Net Profit Margin	--	--	--	--	6.0%	7.7%	9.8%	10.4%	10.5%	11.3%	<b>12.3%</b>	<b>12.1%</b>	Net Profit Margin	11.8%
Long-Term Debt Ratio	--	--	--	--	40.1%	39.5%	38.7%	37.8%	38.6%	37.7%	<b>40.0%</b>	<b>40.0%</b>	Long-Term Debt Ratio	38.0%
Common Equity Ratio	--	--	--	--	59.9%	60.5%	61.3%	62.2%	61.4%	62.3%	<b>60.0%</b>	<b>60.0%</b>	Common Equity Ratio	62.0%
Total Capital (\$mill)	--	--	--	--	2995.3	3042.9	3080.7	3153.5	3328.1	3415.5	<b>3900</b>	<b>4085</b>	Total Capital (\$mill)	4800
Net Plant (\$mill)	--	--	--	--	3293.7	3511.9	3731.6	4007.6	4283.7	4565.2	<b>4800</b>	<b>5030</b>	Net Plant (\$mill)	5750
Return on Total Cap'l	--	--	--	--	4.4%	4.7%	5.2%	5.8%	5.9%	6.4%	<b>6.0%</b>	<b>6.0%</b>	Return on Total Cap'l	6.5%
Return on Shr. Equity	--	--	--	--	6.1%	6.5%	7.4%	8.2%	8.4%	8.8%	<b>8.0%</b>	<b>8.0%</b>	Return on Shr. Equity	8.5%
Return on Com Equity	--	--	--	--	6.1%	6.5%	7.4%	8.2%	8.4%	8.8%	<b>8.0%</b>	<b>8.0%</b>	Return on Com Equity	8.5%
Retained to Com Eq	--	--	--	--	3.7%	3.1%	3.5%	3.7%	3.7%	3.8%	<b>3.0%</b>	<b>3.0%</b>	Retained to Com Eq	3.5%
All Div'ds to Net Prof	--	--	--	--	40%	53%	52%	55%	56%	56%	<b>62%</b>	<b>64%</b>	All Div'ds to Net Prof	59%

**CAPITAL STRUCTURE as of 6/30/20**  
 Total Debt \$1812.4 mill. Due in 5 Yrs \$1150.0 mill.  
 LT Debt \$1581.9 mill. LT Interest \$85.0 mill.  
 (LT interest earned: 4.7x; total interest coverage: 4.7x)  
 Leases, Uncapitalized Annual rentals \$7.6 mill.  
 Pfd Stock None  
 Pension Assets-12/19 \$908.0 mill.  
 Oblig. \$1001.4 mill.  
 Common Stock 52,920,531 shs.  
 as of 7/20/20  
 MARKET CAP: \$4.0 billion (Mid Cap)

**CURRENT POSITION**

	2018	2019	6/30/20
Cash Assets (\$mill)	21.3	17.9	10.5
Other	522.0	488.3	336.9
Current Assets	543.3	506.2	347.4
Accts Payable	174.5	120.5	62.7
Debt Due	299.5	516.5	230.5
Other	224.9	235.7	197.6
Current Liab.	698.9	872.7	490.8
Fix. Chg. Cov.	677%	567%	560%

**ANNUAL RATES**

	Past 10 Yrs.	Past 5 Yrs.	Est'd '17-'19 to '23-'25
Revenues (per sh)	--	-2.5%	4.5%
"Cash Flow"	--	7.0%	7.0%
Earnings	--	9.5%	6.5%
Dividends	--	17.0%	7.5%
Book Value	--	2.5%	5.5%

**QUARTERLY REVENUES (\$mill.)**

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2017	550.4	279.7	247.1	462.4	1539.6
2018	638.5	292.5	238.3	464.4	1633.7
2019	661.0	290.6	248.6	452.5	1652.7
2020	528.2	273.3	245	453.5	1500
2021	590	310	255	460	1615

**EARNINGS PER SHARE <sup>A</sup>**

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2017	1.34	.39	.36	.93	3.02
2018	1.72	.39	.31	.83	3.25
2019	1.76	.46	.33	.96	3.51
2020	1.72	.48	.33	.97	3.50
2021	1.80	.50	.36	.99	3.65

**QUARTERLY DIVIDENDS PAID <sup>B</sup>**

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2016	.35	.35	.35	.35	1.40
2017	.42	.42	.42	.42	1.68
2018	.46	.46	.46	.46	1.84
2019	.50	.50	.50	.50	2.00
2020	.54	.54	.54	.54	2.16

**BUSINESS:** ONE Gas, Inc. provides natural gas distribution services to more than two million customers. There are three divisions: Oklahoma Natural Gas, Kansas Gas Service, and Texas Gas Service. The company purchased 174 Bcf of natural gas supply in 2019, compared to 180 Bcf in 2018. Total volumes delivered by customer (fiscal 2019): transportation, 56.6%; residential, 32.5%; commercial

**ONE Gas, Inc. posted lackluster results through the first half of 2020.** Profits of \$2.20 per share were a couple of pennies lower than last year's \$2.22 total. That can be traced, to a certain degree, to diminished gas sales, net of weather normalization, primarily in Kansas and Oklahoma because of warmer weather. Also, there was a decrease in transportation volumes in Kansas as well as a higher effective income tax rate.

**Prospects over the remaining six months don't appear exciting, either.** The coronavirus is having an unfavorable impact on results. However, the effects are being partially offset by regulatory actions enabling the company to use an accounting mechanism to accumulate and defer certain incremental costs incurred (including bad-debt expenses) and lost revenues in connection with the pandemic. Moreover, leadership implemented a comprehensive set of procedures to protect the safety of employees and customers. Even so, it seems that full-year earnings will be around \$3.50 a share, flat relative to the 2019 tally of \$3.51. But concerning 2021, the bottom line stands to increase 4% or

& industrial, 10.3%; other, .6%. ONE Gas has around 3,600 employees. BlackRock owns 12.1% of common stock; The Vanguard Group, 10.1%; T. Rowe Price Associates, 7.0%; officers and directors, 1.9% (4/20 Proxy). CEO: Pierce H. Norton II. Incorporated: Oklahoma. Address: 15 East Fifth Street, Tulsa, Oklahoma 74103. Tel.: 918-947-7000. Internet: www.onegas.com.

so, to \$3.65 a share, assuming that COVID-19 is largely under control. **This year's capital expenditures, including asset removal costs, are now anticipated to lie between \$500 million and \$525 million.** (That's above both the initial \$475 million target and the 2019 amount of \$465 million.) The increase is attributed mainly to the extension of service to new customers. Around 70% of the funds are being utilized for system integrity and pipeline replacement projects. We believe that corporate finances are quite sufficient to make those initiatives possible. Notably, leadership expects the spending budget to range between \$475 million and \$525 million annually during the 2020-2024 period, with roughly the same percentage of capital allocated to where it is at present.

**The equity has some appealing attributes.** Capital gains potential in the 18-month period and out to mid-decade looks solid. Consider, also, the dividend growth prospects, although the yield does not stand out compared to the average of Value Line's Natural Gas Utility group. *Frederick L. Harris, III August 28, 2020*

(A) Diluted EPS. Excludes nonrecurring gain: 2017, \$0.06. Next earnings report due early Nov. Quarterly EPS for 2018 don't add up due to rounding.

(B) Dividends historically paid in early March, June, Sept., and Dec. ■ Dividend reinvestment plan. Direct stock purchase plan.  
 (C) In millions.

Company's Financial Strength	
Stock's Price Stability	A
Price Growth Persistence	95
Earnings Predictability	100
	95

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