Raging River Exploration Inc. Is Better Than Exxon Mobil Corporation

Description

Since oil prices started falling in 2014, the stock prices of nearly every crude producer has followed suit with many filing for bankruptcy. But not **Raging River Exploration Inc.** (TSX:RRX).

Over the past five years, shares have grown by more than 300% with only a few dips along the way. Outpacing the price of oil is something Raging River has proven its ability to do. Even over the last 12 months, shares are up about 34% versus a return of just 2% for Brent crude prices.

If you're looking to get exposure to rising oil prices, Raging River is your best bet.

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A management team like no other

Exxon Mobil Corporation (NYSE:XOM) is widely regarded as the industry's best capital allocator. It's the return-on-capital leader in its peer group and has spent billions in largely well-timed share buybacks, dividends, and acquisitions. Last year, while the rest of the energy sector was struggling through its most severe downturn in years, Exxon Mobil raised its dividend by 6%. Now that's stability.

But, with its smaller size and equally capable management team, Raging River has dominated Exxon Mobil's returns over the years. The advantages are still in place for Raging River to repeat this success.

Before starting Raging River, its management team founded two other energy companies: Wild Stream Exploration and Wild River Resources. Both were sold to **Crescent Point Energy Corp.** for big gains. It wasn't just a matter of lucky timing either. Shareholders of Wild River Resources experienced average annual returns of 36%, despite the company being sold at depressed prices in 2009. Shareholders of Wild Stream Exploration experienced 39% annual returns until the sale of the company in 2012.

Raging River is yet another chance to piggyback off a management team that clearly knows how to create value. Company executives own about 20% of diluted shares, so they've put their own money on the line.

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Prepare for the next leg of growth

While Raging River shares have clearly performed well in recent years, don't be fooled into thinking the run is over.

This year the company announced its intention to raise $86.5 million by selling 10 million shares. Two hours later, in response to mounting interest, it hiked the issue to 11 million shares for $95.2 million. Investors are waiting in line to give the company money to reinvest back into projects. That's fine for Raging River too, as they've been on the prowl for more acquisitions, many of which are being sold at fire-sale prices.

In June, **Penn West Petroleum Ltd.** received at least four bids from companies for its Viking light-oil assets. According to *Reuters*, "PWE's Viking assets, which produce nearly 20K boe/day, are important to the company, and its willingness to sell them highlights the company's financial pressure over its large debt burden."

Earlier in the year, **Husky Energy Inc.** received interest from several parties, including Raging River, for its western Canadian oil and natural gas assets, which it had been trying to shop.

Who knows when Raging River will strike another deal, but it certainly has the capital and opportunities to do so, likely creating plenty of long-term shareholder value. If you're invested in oil, consider Raging River over stodgier names like Exxon Mobil.

CATEGORY

1. Energy Stocks
2. Investing

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1. NYSE:XOM (Exxon Mobil Corporation)

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