



The Best Oil Company Today: Raging River Exploration Inc.

Description

Due to its strong and consistent performance, both Wall Street and Bay Street analysts have had to constantly upgrade shares of **Raging River Exploration Inc.** (TSX:RRX). Those upgrades often come with higher price targets.

For example, **Bank of Montreal** lifted its price target on shares from \$12.50 to \$13 and gave the company an outperform rating this summer. **Royal Bank of Canada** reiterated its outperform rating and \$13 price target in July. That month **Toronto-Dominion Bank** also reiterated its buy rating and issued a \$14 target.

Most recently, on October 24 **Canadian Imperial Bank of Commerce** upped its target from \$12 to \$13.

It seems like major analysts have caught on to the compelling story behind Raging River. Still, it remains one of the least talked about oil companies on the TSX.

Here's how to take advantage

One of the easiest ways to beat the market is by following seasoned, successful investors who have consistently done it over their investing history. Raging River's management team fits that bill with its proven ability to generate outsized returns for shareholders.

Previous to starting Raging River, the company's founders sold two projects (Wild River Resources and Wild Stream Exploration) 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.

Raging River is using their proven template to success

Management's previous projects were typically sold after the company developed its low-cost reserves and boosted production significantly. Raging River looks no different.

Since 2012 production has grown every year from 2,277 barrels per day to 13,715 barrels per day in 2015. For 2017 management expects to hit 22,000 barrels per day, representing an impressive 22% year-over-year production growth per share. It has averaged a 37%-per-year average-production-per-share growth since its inception.

Thanks to its focus on low-cost assets, profitability remains impressive even with low oil prices. Last year it realized an average selling price of US\$49 per barrel and still managed to make US\$35 in profit for every barrel sold. Even at US\$35 a barrel oil, Raging River would experience a 17% IRR on its projects.

Over the next decade, management anticipates growing total per-share returns (growth and FCF) at 10-15% annually. Their long-term projections call for \$40 million in free cash flow by 2020, \$160 million by 2022, and a whopping \$280 million by 2025.

Get in today while you still can.

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