

Riviera Resources: \$295MM Hugoton Basin Asset Sale

On August 28, 2019, RVRA [announced](#) that it had reached an agreement to sell its assets in the Hugoton Basin for \$295M. This was unexpected and a significant positive. The sale price represents ~45% of RVRA's pre-announcement market cap.

The press release noted that management had not finalized what it will do with the proceeds, but it hinted that a tax free dividend is possible (I think probable). This could result in a \$4.90 special dividend.

My conservative valuation increases from \$15.58 to \$16.66 with the added catalyst that shareholders will likely receive a \$4+ special tax free dividend in Q4 2019. Longer term, I think the stock is worth \$25+.

See how I get to my \$16.66 per share valuation below:

Riviera Resources Proved Reserves and Net Cash Value

PDP PV-10 at 6/30/2019	\$576
Hugoton Sale	\$268
Updated PDP PV-10	\$308
Updated PDP PV-10 for current pricing	\$283
Proceeds from Hugoton Sale	\$289
Net cash as of 6/30/2019	\$47
Estimated Proceeds from Other Asset Sales in Q3 2019	\$46
Cash used in share repurchase tender offer through 8/7/19	-\$62
Total PDP value + Net Cash	\$603

Current Price	\$13.25
Shares Outstanding as of 8/7/2019 (MM)	58.8
Market Cap	\$780

Implied Value of Blue Mountain	\$176
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Updated Company Valuation (8/29/2019)

Proved Reserves and Net Cash	\$603
Midstream (Blue Mountain assuming 6x EBITDA multiple)	\$377
Total Value	\$980
Share Price	\$16.66