

REAL OPTIONS in LISBON 2014

OBJECTIVES

The course is for students interested in evaluating strategy and financial engineering value in infrastructure, property, hotels, power, R&D, sports, new ventures, media, telcos, banking and debt management. These businesses will be studied in terms of the real options which have generally been identified by practitioners. The "expected outcome" is that students will understand the basics of real options, and the practical applications to business opportunities and problems.

TEACHING METHODS

Each session will generally involve lectures and application to an appropriate industry or enterprise. Students are required to be familiar with Excel, and with the basics of options. There will be tutorials in connection with case/report. Relevant practical cases are in the REAL OPTIONS VALUE book.

Case/ Project

Students will advise a particular enterprise on the actions management should take regarding the identified real options. Do either a case or a group project. PRACTICAL CASES: FUNAIR (Renewal), HUDSON HOTELS (Renovation), HBS GREEN (Switching Inputs), NER REFINING (On/Off Switching), STEMCELLS (Sequential). Projects might extend course/case models to a context of your interest.

COURSE OUTLINE (provisional)

Thurs Mar 6 #1 Basic Real Options, Position Strategies

Fri Mar 7 #2 American Growth Options, Cases/Projects

Thurs Mar 13 #3 Renewal Options, Switching Options

Fri Mar 14 #4 Sequential Options, MOCK EXAM, Cases/Projects

Thurs Mar 20 #5 Debt Options, Cases/Projects

Fri Mar 21 #6 Exam Tutorial, Cases & Project Presentations.

Recommended Readings:

Brach, M.A. (2003), Real Options in Practice, Wiley Finance, Hoboken: ISBN 0 471 26308 7.

Howell, S., A. Stark, D. Newton, D. Paxson, M. Cavus, J. Pereira and K. Patel (2001), Real Options: Evaluating Corporate Investment Opportunities in a Dynamic World, Financial Times Prentice Hall, London: ISBN 0 273 65302 4.

Patel, Kanak, Dean Paxson and Tien Foo Sing (2005), “Practical Uses of Real Property Options”, RICS Research Papers, London.

Paxson, Dean (2014), REAL OPTIONS VALUE, manuscript.

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