

REAL OPTIONS in LISBON 2019

OBJECTIVES

The course is for students interested in evaluating strategy and financial engineering value in infrastructure, property, energy, R&D, sports, and public policy. These activities 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.

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/projects.

Cases/Projects

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: SWN GAS GROWTH (Growth), RRC NG TO NGL OUTPUTS (Switching) AR Hedging with Collars (Incentives). Last year the most interesting projects were groups examining the real value of six U.S. Gas frackers (combined investment appraisal and real option applications, where there is extensive voluntary disclosure).

Grading: 50% on case or group project, and 50% exam.

COURSE OUTLINE (provisional)

Thurs Mar 7 #1 Basic Real Options, Position Strategies

Fri Mar 8 #2 Growth Options, Finding Real Options

Thurs Mar 21 #3 Collar & Switching Options

Fri Mar 22 #4 Debt & Share Repurchasing Options, MOCK EXAM

Thurs Mar 28 #5 Exam Tutorial, Your Choice Options?

Fri Mar 29 #6 Project Presentations. Brexit?

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 (2019), REAL OPTIONS VALUE, manuscript.

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