

REAL OPTIONS in LISBON 2020

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 some 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 Strategies in Distress Markets (Debt & Equity). These are real options embedded in the quoted firms. A natural extension is evaluating the total net investment value (sum-of-the-parts) per share compared to the share price. Monetizing assets may be another option for some firms.

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

COURSE OUTLINE (provisional)

Thurs Mar 5 #1 Basic Real Options, Position Strategies
Fri Mar 6 #2 Growth Options, Finding Real Options
Thurs Mar 12 #3 Switching & Transport Options
Fri Mar 13 #4 Debt & Equity Options, MOCK EXAM
Thurs Mar 19 #5 Submit Draft Project, PM Exam Tutorial
Fri Mar 20 #6 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 (2020), REAL OPTIONS VALUE, manuscript.

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