

expand  
*valuing*  
flexibility



risk management strategy

competition

*16<sup>th</sup> Annual International Conference on*

# Real Options

*Theory Meets Practice*

***Organized by***  
**Real Options Group and**  
**London Business School**

*In cooperation with*  
Bank of Cyprus Chair/University of Cyprus  
Northwestern University and University of  
California at Los Angeles

**June 28 - 30, 2012**  
**London, UK**

# Program Sessions Summary Guide

## DAY 1 - THURSDAY, JUNE 28

8:00-8:30 Registration
8:30-9:15 Welcome & President's Address
9:15-10:15 Market Valuation & Empirical Evidence
10:45-12:00 Basic Methodological Issues
12:00-1:15 Luncheon
1:15-2:15 Basic Energy & Policy Applications
2:15-3:30 Real Estate: Empirical Evidence
4:00-4:40 Keynote Address
4:45-5:45 Panel Discussion
5:45-7:00 Networking Reception

## DAY 2 - FRIDAY, JUNE 29

Track I	Track II
8:30-9:00 Registration	
9:00-10:15 R&D and Technology Investment	9:00-10:15 Natural Resources & Computation
10:45-12:00 Human Capital & Entrepreneurship	10:45-12:00 Optimal Resource Management
12:00-2:00 Luncheon	
2:00-3:15 Competition & Preemption Games	2:00-3:15 Sequential/ Infrastructure Investment
3:45-5:00 Differentiation, Dynamic Pricing & Competition	3:45-5:00 Environmental Management & Policy

## DAY 3 - SATURDAY, JUNE 30

Track I	Track II
9:00-10:15 Leverage, Taxes & Agency Issues	9:00-10:15 Theoretical Models & Issues
10:45-12:00 Information & Asset Pricing	10:45-12:00 Complex Structures & Regime Switching
12:00-1:00 Panel Discussion: Current State, Challenges and Future Prospects	

# Program Sessions

## **DAY 1 - THURSDAY, JUNE 28**

**8:00 - 8:30 Registration**

**8:30 - 8:45 Welcome**

### **8:45 - 9:15 President's Address**

Lenos Trigeorgis (U. Cyprus, LBS & President, Real Options Group)

*Valuing Brand Leveraging Strategies*

(with Francesco Baldi, Luiss U., Italy)

### **9:15 - 10:15 Market Valuation & Empirical Evidence**

*Chairperson: Lenos Trigeorgis (U. Cyprus and LBS)*

Kristin Linnerud (CICERO), Ane Marte Heggedal and Stein-Erik Fleten (NTNU, Norway), *Uncertain Climate Policy Decisions and Investment Timing: Evidence from Small Hydropower Plants*

Pablo de Andrés (Autonoma U. Madrid), Gabriel de la Fuente and María del Pilar Velasco (U. Valladolid, Spain), *Evidence on the Corporate Diversification-Value Puzzle*

Susana Alonso Bonis, Valentín Azofra Palenzuela and Gabriel De La Fuente Herrero (U. Valladolid, Spain), *Evidence on Revenue Rises vs. Cost Savings in Investors' Valuation of Growth Options*

### **10:15 - 10:45 Morning Coffee Break**

### **10:45 - 12:00 Basic Methodological Issues**

*Chairperson: Lenos Trigeorgis (U. Cyprus and LBS)*

Luiz Ozorio (Ibmec), Carlos Bastian-Pinto (Unigranrio) and Luiz Brandao (PUC-Rio, Brazil), *The Choice of Stochastic Process in Real Option Valuation*

Pietro Guj (U. of Western Australia) and Atul Chandra (Curtin U., Australia), *Are Results Consistent Among Different ROV Methodologies? A Copper Mine Application*

Carol Alexander and Xi Chen (U. Reading, UK), *General Real Option Valuation with Application to Real Estate*

### **12:00 - 1:15 Luncheon**

## **1:15 - 2:15 Basic Energy & Policy Applications**

*Chairperson: Luiz Brandão (PUC-Rio, Brazil)*

David Schüller (U. Duisburg - Essen, Germany) and Philipp Hieronymi (U. of Illinois at Urbana-Champaign, USA), *Clean Development, Stochastic Permit Prices and Energy Investments*

Carlos Bastian-Pinto and Marta Dalbem (UnigranRio), Luiz Brandão, Leonardo Lima Gomes and Rafael Igrejas (PUC-Rio, Brazil), *Opportunistic Behavior in Government Energy Concessions*

Carlos F. Fontoura, Luiz Brandão, Leonardo Gomes (PUC-Rio) and Carlos Bastian-Pinto (UnigranRio, Brazil), *Modeling Electricity Prices: Application in a Biomass Power Plant in Brazil*

## **2:15 - 3:30 Real Estate: Empirical Evidence**

*Chairperson: Gordon Sick (U. Calgary, Canada)*

Gianluca Marcato and Tumellano Sebehela (U. Reading, UK), *Valuing U.S. REITs M&As under Stochastic Volatility*

Luca Di Corato (SLU, Sweden), Michele Moretto (U. Padova) and Sergio Vergalli (U. Brescia, Italy), *Land Conversion Pace under Uncertainty*

Jianfu Shen and Frederik Pretorius (U. Hong Kong, Hong Kong), *Real Options, Financial Frictions and Collateralized Debt: Evidence from Real Estate Firms*

## **3:30 - 4:00 Afternoon Coffee Break**

### **4:00 - 4:40 Keynote Address**

*Avinash Dixit (Princeton University)*

*A Real Options Perspective on the Future of the Euro*

### **4:45 - 5:45 Panel Discussion**

**Energy & Real Estate Investing vs. Innovation/Technology and Strategy:  
Commonalities and Different Perspectives**

*Moderator: John Kensinger (U. North Texas, USA)*

#### **Panelists Include:**

*Luiz Brandao (PUC-Rio, Brazil)*

*Nuno Gil (U. Manchester, UK)*

*Peter Monkhouse (BHP Billiton Ltd, Australia)*

*Gordon Sick (U. Calgary, Canada)*

*Babak Jafarizadeh (Statoil, Norway)*

### **5:45 - 7:00 Networking Reception**

**Sponsored by ROG and London Business School**

## **DAY 2 - FRIDAY, JUNE 29**

**8:30 - 9:00 Registration**

**9:00 - 10:15**

### **I. R&D and Technology Investment**

*Chairperson:* Afzal Siddiqui (University College London, UK)

Afzal Siddiqui (University College London, UK),  
*Valuing Managerial Flexibility in Technology R&D*

Roger Adkins (U. Bradford) and Dean Paxson (U. Manchester, UK),  
*Evaluating Real Sequential R&D Investment Opportunities*

Besma Teffahi (U. Manouba, Tunisia),  
*Technology Adoption With Double Exponential Jump Diffusion*

### **II. Natural Resources Management & Computation Methods**

*Chairperson:* Nicola Secomandi (Carnegie Mellon U., USA)

Selvaprabu Nadarajah, Francois Margot and Nicola Secomandi (Carnegie Mellon U., USA),  
*Real Option Management of Commodity Storage*

Julia Cristina Caminha-Noronha, Jose Wanderley Marangon-Lima and Germano Lambert-Torres (Federal U. of Itajuba - UNIFEI, Brazil),  
*Power Distribution Investment under Distribution Service Price Uncertainty*

Juan Pablo Garrido (École des Mines de Paris, France) and  
Stephen Zhang (PUC-Chile, Chile), *Valuing Multiple Mining Investment Options*

**10:15 - 10:45 Morning Coffee Break**

**10:45 - 12.00**

### **I. Human Capital & Entrepreneurship**

*Chairperson:* John Kensinger (U. North Texas, USA)

Lenos Trigeorgis (U. Cyprus and LBS, UK) and Francesco Baldi (LUISS - Guido Carli U., Italy),  
*A Real Options Theory of Strategic Human Resource Investment*

Jeffrey Stokes (U. N. Iowa, USA), *What is the (Real Option) Value of a College Degree?*

Miguel Tavares, Paulo Pereira and Elísio Brandão (U. Porto, Portugal),  
*How and When Entrepreneurs Seek Venture Capital Financing?*

## II. Optimal Resource Management

*Chairperson: Michail Chronopoulos (London Business School, UK)*

Ben Abdallah Skander and Pierre Lasserre (U. Quebec at Montreal, Canada),  
*Alternative Repeated Investments: Species Choice and Harvest Age in Forestry*

Lioudmila Moeller, Alfons Balmann and Karin Kataria (IAMO, Germany),  
*Impact of Multiple Volatilities in Bioenergy Investments*

Bunn Derek, Michail Chronopoulos (London Business School),  
Bert De Reyck and Afzal Siddiqui (University College London, UK),  
*Generation Capacity Expansion in Uncertain Electricity Markets under Rivalry*

### 12:00 - 2:00 Luncheon

### 2:00 - 3:15

#### I. Competition & Preemption Games

*Chairperson: Jacco Thijssen (U. York, UK)*

Bruno Versaevel (EM LYON & CNRS, France), *Cumulative Leadership and New Market Dynamics*

Jacco Thijssen (U. York, UK), *Equilibria in Continuous Time Preemption Games*

Alcino Azevedo (U. Hull) and Dean Paxson (U. Manchester, UK),  
*Rivalry with Market and Technical Uncertainty in the Adoption of New Technologies*

#### II. Sequential/ Infrastructure Investment

*Chairperson: Sigbjorn Sodal (U. Agder, Norway)*

Steinar Ekern (NHH, Norway), Mark Shackleton (LUMS, UK) and Sigbjorn Sodal (UiA, Norway),  
*Valuation and Capital Cost of Flexibility in Sequential Investment*

Shashi Jain (TU Delft), Ferry Roelofs (Nuclear Research Group) and Cornelis Oosterlee (CWI, Netherlands), *Optimal Sequential Investment in Modular Nuclear Reactors*

Manuel Loureiro, Paulo J. Pereira and João Claro (U. Porto, Portugal),  
*Real Options Portfolios and Capacity Expansion in Transmission Network Investment*

### 3:15 - 3:45 Afternoon Coffee Break

### 3:45 - 5:00

#### I. Differentiation, Dynamic Pricing & Competition

*Chairperson: Bruno Versaevel (EM LYON & CNRS, France)*

Carlos Deck and Jaime Casassus (PUC-Chile, Chile), *Product Differentiation and Option Games*

Paul Johnson, Andreas Papayiannis (U. Manchester, UK) and Kevin Poquet (ENSTA ParisTech, France),  
*Dynamic Pricing Strategies with Bayesian Learning*

Yuanshun Li (Ryerson U.) and Gordon Sick (U. Calgary, Canada), *Cooperative and Competitive Gas Processing*

## **II. Environmental Management & Policy**

*Chairperson: Motoh Tsujimura (Doshisha U., Japan)*

Motoh Tsujimura (Doshisha U., Japan), *Sequential Investment in Pollution Control Equipment*

Yu-Fu Chen (U. Dundee, UK), Michael Funke and Nicole Glanemann (Hamburg U., Germany),  
*Time is Running Out: The 2°C Target and Optimal Policies*

Yu-Fu Chen (U. Dundee, UK), Michael Funke and Nicole Glanemann (Hamburg U., Germany),  
*Dark Clouds or Silver Linings? Knightian Uncertainty and Climate Change*

## **DAY 3 - SATURDAY, JUNE 30**

**9:00 - 10:15**

### **I. Leverage, Taxes & Agency Issues**

*Chairperson: Gordon Sick (U. Calgary, Canada)*

Kit Pong Wong (U. Hong Kong, Hong Kong),  
*Taxes, Leverage and Stimuli of Investment under Uncertainty*

Baran Siyahhan (Aarhus U., Denmark),  
*Efficiency, Leverage and Exit: The Role of Information Asymmetry in Concentrated Industries*

David Cardoso and Paulo Pereira (U. Porto, Portugal),  
*Duopolistic Investment with Agency Risk and Contract Design*

### **II. Theoretical Models & Issues**

*Chairperson: Kirill Zavadov (U. Cambridge, UK)*

Sebastian Jaimungal and Yuri Lawryshyn (U. Toronto, Canada),  
*Managerial Risk Aversion in Real Option Valuation of Early Stage Investments*

Carlos Bastian-Pinto (UnigranRio), Luiz Brandão (PUC-Rio) and Luiz Ozorio (Ibmec, Brazil),  
*A Binomial Lattice Approach for Generic One Factor Markov Processes*

Marco Araujo (U. Porto, Portugal),  
*Capital Budgeting in Competitive Markets using Options and Games: The Case of Telecom*

**10:15 - 10:45 Morning Coffee Break**



**10:45 - 12:00**

## **I. Information, Uncertainty & Asset Pricing**

*Chairperson: Bart Lambrecht (U. Lancaster, UK)*

Viral Achary (New York U., USA) and Bart Lambrecht (U. Lancaster, UK),  
*Income Smoothing When Insiders Know More Than Outsiders*

Kirill Zavodov and Henri Buchsteiner (U. Cambridge, UK), *Explaining Bubbles in Open Economies*

Y L Gao (Central U. Finance and Economics, China) and Tarik Driouchi (King's College, UK),  
*Irreversible Commitment and Price Negotiation under Knightian Uncertainty*

## **II. Investment under Complex Structures & Regime Switching**

*Chairperson: Yuri Lawryshyn (U. Toronto, Canada)*

Elena Rogova and Andrey Yarygin (National Research U. Higher School of Economics, Russia),  
*Innovation Investments with Weighted Average Polynomial Option Pricing*

Keiichi Tanaka (Tokyo Metropolitan U., Japan), *Irreversible Investment with Regime Switching*

Makoto Goto (Hokkaido U.), Katsumasa Nishide (Yokohama National U.), and  
Ryuta Takashima (Chiba Institute of Technology, Japan), *Irreversible Investments under Competition with  
Markov Switching Regime*

## **12:00 - 1:00 Panel Discussion: Current State, Challenges and Future Prospects**

*Moderator: Gordon Sick (U. Calgary, Canada)*

### **Panelists Include:**

*Luiz Brandão (PUC-Rio, Brazil)*

*John Kensinger (U. North Texas, USA)*

*Bart Lambrecht (U. Lancaster, UK)*

*Dean Paxson (U. Manchester, UK)*

*Sigbjorn Sodal (Agder U., Norway)*

*Jacco Thijssen (U. York, UK)*

**1:00 Closing Remarks**

**Conference Concludes**



# About the Conference

## Venue

The conference will be hosted at the premises of London Business School at Regent's Park in London, UK. London has been voted Europe's best city for business for 16 consecutive years. London is home to 75% of the Fortune 500 companies, has more international banks than any other city and accounts for 43% of the global foreign equity market. Among its cultural attractions, the city boasts 200 museums and galleries and 150 theatres. For information about LBS, life in the City and the London experience, see [www.london.edu/theschool/londonexperience.html](http://www.london.edu/theschool/londonexperience.html)

## Fees & Registration

See the conference website [www.realoptions.org](http://www.realoptions.org) (Registration)

Registration fees go up by 20% after April 20. Registration should be made online.

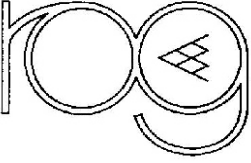
## Important Administrative Information

Registration fees include the conference proceedings and other materials, gifts, lunches, coffee breaks, and receptions. Only registrations paid by April 20 are guaranteed to be confirmed and be included on the official list of participants. For information on registration and other general-type conference-related inquiries contact Eugenia (tel +357 22893605; fax +357 22895030; e-mail [conference.registration@realoptions.org](mailto:conference.registration@realoptions.org)). For information on local logistics, LBS or London contact Stefania Uccheddu (tel +44(0)207008250, e-mail [succheddu@london.edu](mailto:succheddu@london.edu)).

## Hotels, Airport/Transport

For hotels/accommodation see [www.realoptions.org](http://www.realoptions.org) (Hotels). The closest international airport is Heathrow (13 miles). Closest underground station is Baker Street. For guidelines to the school and transportation details see [www.london.edu/contactus/gettingtotheschool.html](http://www.london.edu/contactus/gettingtotheschool.html)

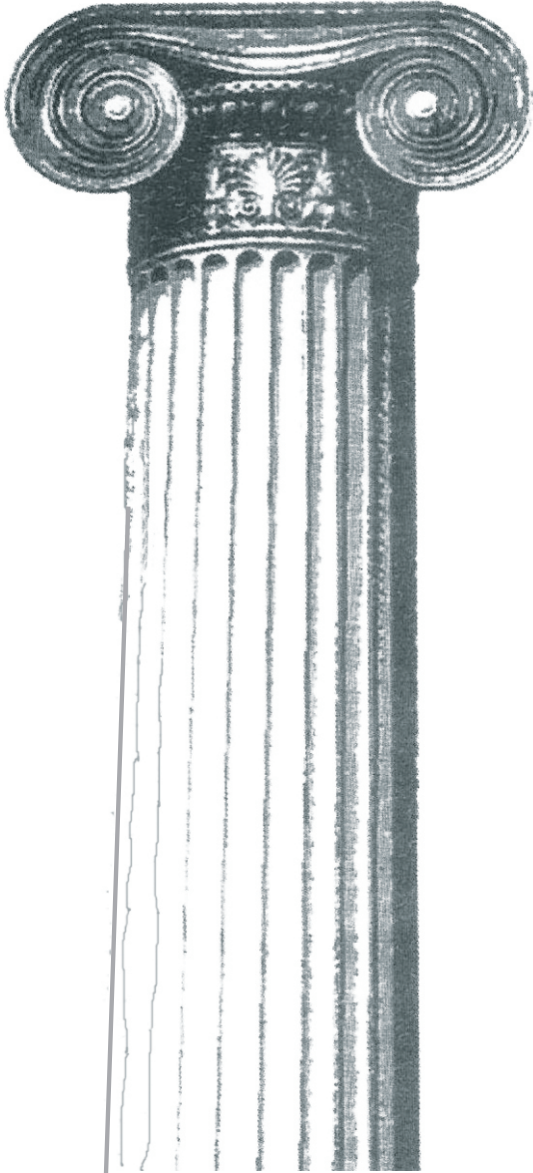
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