

14th Annual International Conference on

Real Options

Theory Meets

Practice

Organized by
Real Options Group and
LUISS Business School, Rome

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

June 17 - 19, 2010

Program Sessions Summary Guide

DAY 1 - THURSDAY, JUNE 17

8:15-9:00 Registration
9:00-9:45 Welcome & President's Address
9:45-10:30 Strategy (2)
11:00-11:45 Innovation Evidence (2)
11:45-12:45 Empirical Evidence (3)
12:45-2:00 Luncheon
2:00-3:15 Options & Games: Overview (3)
3:45-4:30 Keynote Address
4:30-5:30 Panel Discussion
5:45-7:15 Networking Reception

DAY 2 - FRIDAY, JUNE 18

Track I	Track II
8:30-9:00 Registration	
9:00-10:15 Research & Development (3)	9:00-10:15 Valuing Energy & Power Investments (3)
10:45-12:00 Innovation & Technology Adoption (3)	10:45-12:00 Switching Options Applications (3)
12:00-2:00 Luncheon	
2:00-3:15 Competition Games (3)	2:00-3:15 Infrastructure Investment (3)
3:45-5:00 Mergers & Acquisitions (3)	3:45-5:00 Environmental Policy & Sustainable Development (3)

DAY 3 - SATURDAY, JUNE 19

Track I	Track II
9:00-10:15 Downscale & Abandon Options (3)	9:00-10:15 Theoretical Models & Issues (3)
10:45-12:00 Capital Structure & Taxes (3)	10:45-12:00 Computation Methods & Applications (3)
12:00-1:00 Panel Discussion: Current State, Challenges and Future Prospects	

Bus Tour (2:00-7:00)

Program Sessions

DAY 1 – THURSDAY, JUNE 17

8:15 – 9:00 Registration

9:00 – 9:15 Welcome

9:15 – 9:45 President's Address

L. Trigeorgis (U. Cyprus & President, Real Options Group)
Patent Strategies: Fight or Cooperate?
(with F. Baldi, Luiss U., Italy)

9:45 – 10:30 Strategy

Chairperson: L. Trigeorgis (U. Cyprus)

N. Kulatilaka (Boston U., USA) and L. Toschi (U. Bologna, Italy),
Integrating Resource-based View and Real Options for Investments in Outside Opportunities

T. Watanabe (Tokyo Metropolitan U., Japan), *Real Options and Signaling in Strategic Investment Games*

10:30 – 11:00 Morning Coffee Break

11:00 – 11:45 Innovation Evidence

A. Himmelmann and D. Schiereck (Tech U. Darmstadt, Germany),
Risk Dynamics and Stock Trading Behavior Around New Product Introductions

M. I. Leone and R. Oriani (Luiss U., Italy),
Explaining the Remuneration Structure of Patent Licenses

11:45 – 12:45 Empirical Evidence

Chairperson: R. Oriani (Luiss U., Italy)

Y. Li (Ryerson U., Canada) and G. Sick (U. Calgary, Canada),
Equilibrium of a Real Options Bargaining Game: Evidence from Natural Gas

S. Ioulianou, L. Trigeorgis (U. Cyprus) and T. Driouchi (Cranfield U., UK),
Multinationality, Growth Options and Real Options Capability: Impact on Firm Performance

I. U. Gucbilmez, S. Banerjee and G. Pawlina (Lancaster U., UK),
Leaders and Followers in a Hot IPO Market

12:45 – 2:00 Luncheon

2:00 – 3:15 Options & Games: Overview

Chairperson: K. Huisman (Tilburg U., Netherlands)

K. Barton and Y. Lawryshyn (U. Toronto, Canada),

Reconciling Real Option Models: Incorporating Market and Private Uncertainties

A. Azevedo (Hull U., UK) and D. Paxson (U. Manchester, UK),

Real Options Investment Games: A Review

B. Chevalier-Roignant, C. M. Flath, A. Huchzermeier (WHU, Germany) and L.

Trigeorgis (U. Cyprus), *Strategic Investment Under Uncertainty: An Overview*

3:15 – 3:45 Afternoon Coffee Break

3:45 – 4:30 Keynote Address

4:30 – 5:30 Panel Discussion

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

Moderator: J. Kensinger (U. North Texas, USA)

Panelists Include:

L. Brandao (PUC-Rio, Brazil)

M. Collan (Fennicum Financial, Finland)

N. Gill (U. Manchester, UK)

S. von Helfenstein (Braver PC, USA)

P. Rolando (REAG, Italy)

G. Sick (U. Calgary, Canada)

M. Vulpiani (Deloitte, Italy)

5:45 – 7:15 Networking Reception

Sponsored by ROG, LUISS Business School and REAG

DAY 2 – FRIDAY, JUNE 18

8:30 – 9:00 Registration

9:00 – 10:15

I. Research & Development

Chairperson: G. Pawlina (Lancaster U., UK)

L. Sereno (U. Pisa, Italy) and E. Pennings (Erasmus U. Rotterdam, Netherlands),
Evaluating Pharmaceutical R&D Under Technical and Economic Uncertainty

V. Hagspiel, K. Huisman (Tilburg U., Netherlands) and Claudia Nunes (Instituto Superior Tecnico, Portugal), *R&D Investment and Technology Adoption*

M. Tsujimura (Ryukoku U., Japan), *Assessing Alternative R&D Investments Under Uncertainty*

II. Valuing Energy & Power Investments

Chairperson: G. Sick (U. Calgary, Canada)

L. M. Abadie (Basque Centre for Climate Change), J. M. Chamorro (U. Basque Country) and M. Gonzalez-Eguino (Basque Centre for Climate Change, Spain),

Valuing Investments to Enhance Energy Efficiency

J. Brajkovic (U. Southampton, UK), *Valuing Base Load Coal-fired Power Plant Investment*

R. Takashima (Chiba Institute of Technology, Japan), A. Siddiqui (U. College London, UK) and S. Nakada (U. Tokyo, Japan), *Investment Timing, Capacity Size and Technology Choice for Power Plants*

10:15 – 10:45 Morning Coffee Break

10:45 – 12:00

I. Innovation & Technology Adoption

Chairperson: K. Zavadov (U. Cambridge, UK)

L. Sereno (U. Pisa, Italy) and R. Andergassen (U. Bologna, Italy),

Valuation of N-stage Investments Under Jump-diffusion Processes

V. Hagspiel (Tilburg U., Netherlands), *Optimal Technology Adoption When the Arrival Rate of New Technologies Changes*

K. Zavadov and K. Patel (U. Cambridge, UK), *Functional Dependencies in Vertical Industrial Structures and Readiness of Complementarity in Innovation*

II. Switching Options Applications

Chairperson: S. Sodal (U. Agder, Norway)

J. Dockendorf and D. Paxson (U. Manchester, UK), *Rainbow Options in Co-integrated Markets*

B. M. Lambrecht, G. Pawlina (Lancaster U., UK) and J.C.A. Teixeira, (U. Azores, Portugal), *The Dynamics of Outsourcing and Integration*

S. Sodal (U. Agder, Norway) and R. Adland (Clarksons U., UK), *Switching in Shipping Markets Under Extreme Uncertainty*

12:00 – 2:00 Luncheon

2:00 – 3:15

I. Competition Games

Chairperson: A. Rodrigues (U. Minho, Portugal)

M. Della Seta (Tilburg U., Netherlands), *Competition, Uncertainty and Corporate Cash Holdings*

P. Pereira (U. Porto, Portugal) and A. Rodrigues (U. Minho, Portugal), *Investment, Exogenous Entry and Expandable Markets Under Uncertainty*

B. Chevalier-Roignant, A. Huchzermeier (WHU, Germany) and L. Trigeorgis (U. Cyprus), *Market Entry Sequencing Under Uncertainty*

II. Infrastructure Investment

Chairperson: Y. Lawryshyn (U. Toronto, Canada)

Y. Li, P.-J. Engelen, C. Kool and T. Poot (Utrecht U., Netherlands), *Valuing Hydrogen-based Infrastructure Investment With Multiple Sources of Uncertainty: An Application to Transportation System in Netherlands*

K. Patel and P. Doan (U. Cambridge, UK), *Investment With Government Subsidies and Cost Contingency: The Case of Build-Operate-Transfer (BOT) Toll Road*

Y. Lawryshyn and S. Jaimungal (U. Toronto, Canada), *Modular Expansion of a Wastewater Treatment Plant*

3:15 – 3:45 Afternoon Coffee Break

3:45 – 5:00

I. Mergers & Acquisitions

Chairperson: F. Baldi (Luiss U., Italy)

J. Kinnunen (Abo Akademi U., Finland), *Valuing M&A Synergies as (Fuzzy) Real Options*

M. Goto (Hokkaido U., Japan), *Option to Acquire, LBOs and Debt Ratio in a Growing Industry*

V. Baranouskaya (Swiss Finance Institute, Switzerland), *Mergers and Market Valuation*

II. Environmental Policy & Sustainable Development

Chairperson: J. Kensinger (U. North Texas, USA)

M. Hervé-Mignucci (U. Paris-Dauphine, France), *Carbon Price Uncertainty and Power Plant Greenfield Investment*

H. Jang and H. Park (Korea U.), *Valuing Clean Development With Emission Credit Price Uncertainty*

M. Correa Dalbem and L. Lima Gomes (PUC-Rio, Brazil), *Tender Offer for Wind Energy in Brazil: An Option-Games Explanation*

DAY 3 – SATURDAY, JUNE 19

9:00 – 10:15

I. Downscale & Abandon Options

Chairperson: P. Kort (Tilburg U., Netherlands)

K. Huisman, P. Kort (Tilburg U., Netherlands) and J. Thijssen (Trinity College Dublin, Ireland), *The Option to Downscale Production in Recessionary Times*

L. Muller (IMPA), M. Souza (U. Federal Fluminense) and J. Zubelli (IMPA, Brazil), *Evaluation of Optional Cancellation Contracts*

R. Adkins (U. Salford, UK) and D. Paxson (U. Manchester, UK), *The After-tax Replacement Decision Under Cost and Salvage Price Uncertainty*

II. Theoretical Models & Issues

Chairperson: C. Carlsson (Abo Akademi U., Finland)

R. Kast (CNRS, France), A. Lapied and D. Roubaud (U. Aix-Marseille, France), *Real Options Under Ambiguity*

E. Billette de Villemeur (U. Toulouse), R. Ruble and B. Versaevel (EM Lyon, France), *Optimal Timing in Vertical Supplier Relationships With Endogenous Cost*

G. Lai (U. Texas at Austin), F. Margot, and N. Secomandi (Carnegie Mellon U., USA), *Valuing the Option to Store Natural Gas and Practice-based Heuristics*

10:15 – 10:45 Morning Coffee Break

10:45 – 12:00

I. Interactions, Capital Structure & Taxes

Chairperson: E. Agliardi (U. Bologna, Italy)

K. P. Wong and Y. Wu (U. Hong Kong), *Tax Convexity, Investment and Capital Structure*

K. C. Chu and K. P. Wong (U. Hong Kong), *Investment Timing and Intensity Under Progressive Taxation*

E. Agliardi (U. Bologna, Italy) and N. Koussis (Frederick U., Cyprus), *Optimal Capital Structure With Sequential Options*

II. Computational Methods & Applications

Chairperson: L. Brandao (PUC-Rio, Brazil)

C. Bastian-Pinto, L. E. Brandao (PUC-Rio, Brazil) and W. J. Hahn (Pepperdine U., USA), *A Binomial Model For Mean Reverting Stochastic Processes: Application to Ethanol Industry Expansion*

T. Haahtela (Aalto U., Finland), *Valuing Real Options With Changing Volatility Using Trinomial Trees*

J. Gahungu and Y. Smeers (U. Louvain, Belgium), *Real Options in Electricity Capacity Generation*

12:00 – 1:00 Panel Discussion: Current State, Challenges and Future Prospects

Moderator: G. Sick (U. Calgary)

Panelists Include:

E. Agliardi (U. Bologna, Italy)

L. Brandão (PUC-Rio, Brazil)

C. Carlsson (Abo Akademi U., Finland)

K. Huisman (Tilberg U., Netherlands)

J. Kensinger (U. North Texas, USA)

R. Oriani (Luiss U., Italy.)

S. Sodal (Agder U., Norway)

1:15 Closing Remarks

1:20 – 1:50 Light Lunch

2:00 – 7:00 Bus Tour (Rome site-seeing)

Conference Concludes

* For more detailed information or to register for the conference see www.realoptions.org