Lockton

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-Financial analyst

On handshake

HQ in KC

Excel

Quiz:

1. What is the case question?

* Should she invest in Ramsynch

1. call option strike $100 @ $90 worth?
   1. 0
2. Should she avoid investment?
   1. Depends, bc embedded option

BS: s\*N(d1) -N(d2)ke^-rt

D1=(1n(s/k)+(r+(s^2/2))t)/S\*(t)^1/2

Once you get the number do some sensitivity analysis

Real option: power to choose or change your mind down the road.

**ASSIGNMENT QUESTIONS: “RamSync”**

1. What is an option?

2. Do the following factors affect the call price?

 Stock and exercise price

 Time to maturity

 Volatility

3. How does an option’s intrinsic value differ from its time value?

4. Is the MRAM *growth option* comparable to a financial option? If so, how?

5. How much would the MRAM growth option have to be worth to make it worthwhile to invest in RamSync?

6. Does the predicted volatility for MRAM’s cash flows affect the amount she is willing to pay for RamSync?

7. If the MRAM market could provide $300 million in future discounted cash flow to the firm, would that change the decision to purchase RamSync? How about $120 million? And $100 million?