

Massachusetts Institute of Technology
Sloan School of Management

15.434 Corporate Finance
Spring 2001

Assignment for Wednesday, April 18th, 2001

Case:

Jaguar, Plc

Reading:

Skim Grinblatt & Titman, Chapter 20

Questions:

1. What are the sources Jaguar's exchange rate exposures. To which currencies is Jaguar exposed? How would one go about determining the magnitude of these exposures?
2. How should Jaguar's shares be priced? How would you estimate the likely value of Jaguar's equity in the following scenarios:
 - a. no change in the real exchange rate between the dollar and the pound.
 - b. a 25 percent drop in the real value of the dollar against the pound.
 - c. a 10 percent rise in the real value of the dollar against the pound.
3. How large is Jaguar's exposure likely to be when compared with its equity value? Its sales?
4. Should Jaguar attempt to hedge its dollar exposure? Why or why not? What methods are available for hedging this exposure? What are the costs and benefits of each?