

Warrant Valuation and Strategic Exercise in Continuous Time and Imperfect Competition *

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Abstract

This paper focuses on the valuation of warrants using a game-theoretic approach, incorporating strategic exercise of the warrants. Unlike previous work on strategic exercise of warrants, this paper employs a continuous time framework for the case of an oligopolistic holding structure of the warrants and also allows the firm to apply a combination of uses for the exercise proceeds. The results suggest that American warrants might be worth less than European warrants, in much broader sets of parameters than previously shown in the literature.

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