
BREAKWATER

March 2026

Building and Defending Value in An Era of Macro Disruption, Investor Recalibration and Story Quakes

How public companies can communicate volatility fluency and foresight, valuation coherence, and adaptive capacity to build and defend a resilient valuation



What Is Valuation Resilience?

Valuation resilience is the capacity of a company's narrative architecture to absorb Story Quakes without triggering Thesis Fracture that shortens perceived duration, undermines investor belief, and results in sustained multiple compression.

Agenda

1

Walk through our collective history

2

Outline key changes in the valuation environment

3

The drivers of a “Story Quake” and Seismic scale

4

Actionable IR strategies to build and defend and accelerate value

Three themes define the path forward

1

Risk & Macro Shift

2

Investor Recalibration

3

Early Warning System

Companies Without Foresight, Coherence, or Adaptability Face 6%–25% Valuation Drag

6 – 16%

Compression in valuation multiples when management fails to connect macro, rate, and liquidity dynamics to strategy, pricing, and capital allocation

8 – 20%

Discount applied when narrative, financials, and capital discipline diverge signaling weak linkage between ambition and returns

15 – 25%

Persistent valuation drag when companies fail to show structural adaptability or execution resilience following shocks



Why Valuation Resilience Is A Strategic Imperative

Valuation Drivers are Increasingly Interdependent

Interest Rates &
Monetary Policy

Inflation & Currency
Dynamics

Regulatory Policy
Shifts/Global
Regulatory
Divergence

Technology &
Digital
Disruption/Cyber

Geopolitics &
Market Volatility

Workforce,
Demographic
& Social Shifts

Volatile Energy
Environment

Changing Taxation,
Tariff and Trade
Policies

Speed of Intangible
Erosion

Resource Scarcity,
Climate
Imperatives &
Dependencies

Supply Chain
Resilience & De-
globalization /
De-coupling

Evolving
Governance &
Activism

Shifting Capital
Markets & Liquidity
/ Fund Flows

Evolution of Capital
Markets / Retail
Volume, Private
Equity

Changing Customer
Behavior & Market
Demands

Complexity of
interdependencies,
Systemic,
Structural &
Ecosystem risk

Disruptive
Innovation &
Compounding,
Amplified and Fast
Risks

Investors Are Increasingly Using Other Sources to Value a Public Company

The Age of	Print & Patience 1950s – 1970s	Big Money 1980s – 1999	Digital 2000 – 2019	Pre-AI 2020 – 2025	Infinite Momentum 2026 and Forward
Daily Information Volume (Approx. words/ day)	100,000	1-2 million	100 million	500 million	1 billion+
Information Analysis	1-2 Days	Minutes to hours	Milliseconds	Microseconds	Nanoseconds
Interconnectedness & Market Correlation	Low: 10%	Moderate: 30-40%	High: 60-70%	Very High: 80-90%	Hyperconnected: 90-95%
Nature of Financial Risk (Speed of changes)	Slow-moving: Weekly	Moderate-speed: Daily	Fast-moving: Hourly	Real-time: Minute-to-minute	AI-driven: Nanosecond
Risk Change Frequency (% of risk changing daily)	Daily to weekly: 1-5%	Hourly: 5-10%	Minute-by-minute: 20-30%	Second-to-second: 40-50%	Beyond real-time: 60-70%
Sources of Investor Information	Print media & personal brokerage	Television, stock terminals, analysts	Online news, HFT dashboards, AI analytics	AI-driven alerts, real-time feeds, social sentiment	AI-curated dashboards, real-time blockchain data
Information Mix (Company / Other Sources)	90% / 10%	75% / 25%	60% / 40%	50% / 50%	30% / 70%

Velocity of Market Signals for Investors Impact Investor Requirements

Geopolitical, Macro Shifts, Capital Market Disruptions & Risk Landscape

Time Horizon & Liquidity Needs

Risk, Resilience, Leadership Agility & Decisiveness

Capital Allocation, Operating Leverage & Value Creation (ROIC)

Unit Economics, Pricing Power & Margin Sustainability

Competitive Positioning & Moat Defensiveness

Business Model Adaptability & Scalability/Life-Cycle

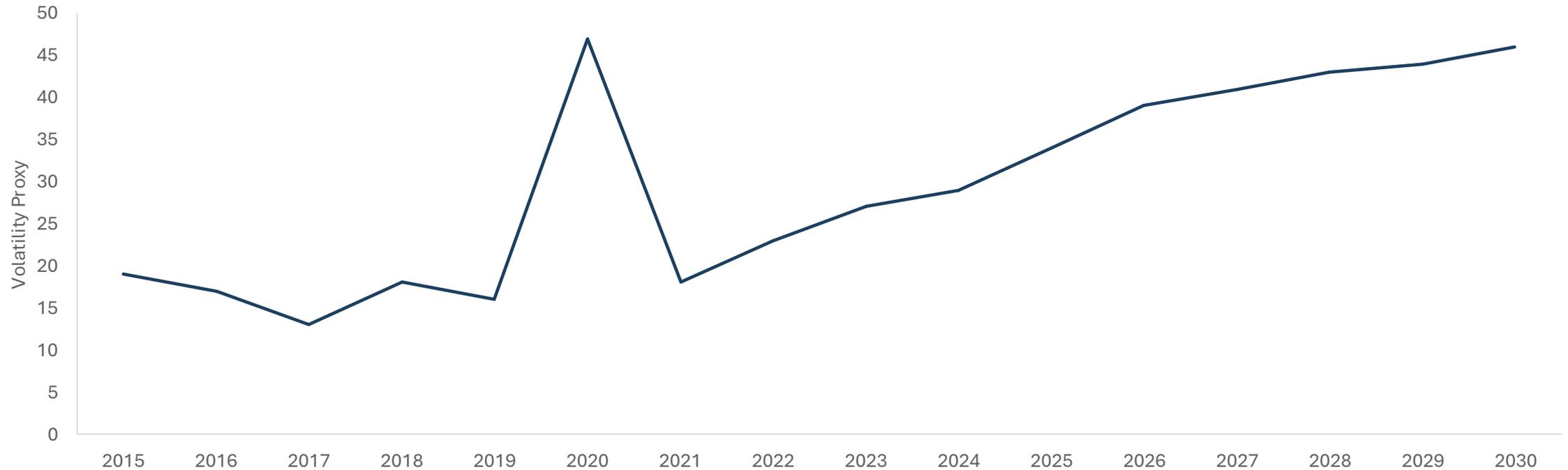
Customer & Market Engagement Strength

Investor Risk Appetite, Behavioral Factors & Cost of Risk

Optionality, Strategic Growth Potential & Intangibles

Volatility Is Moving Structurally Higher But Unevenly

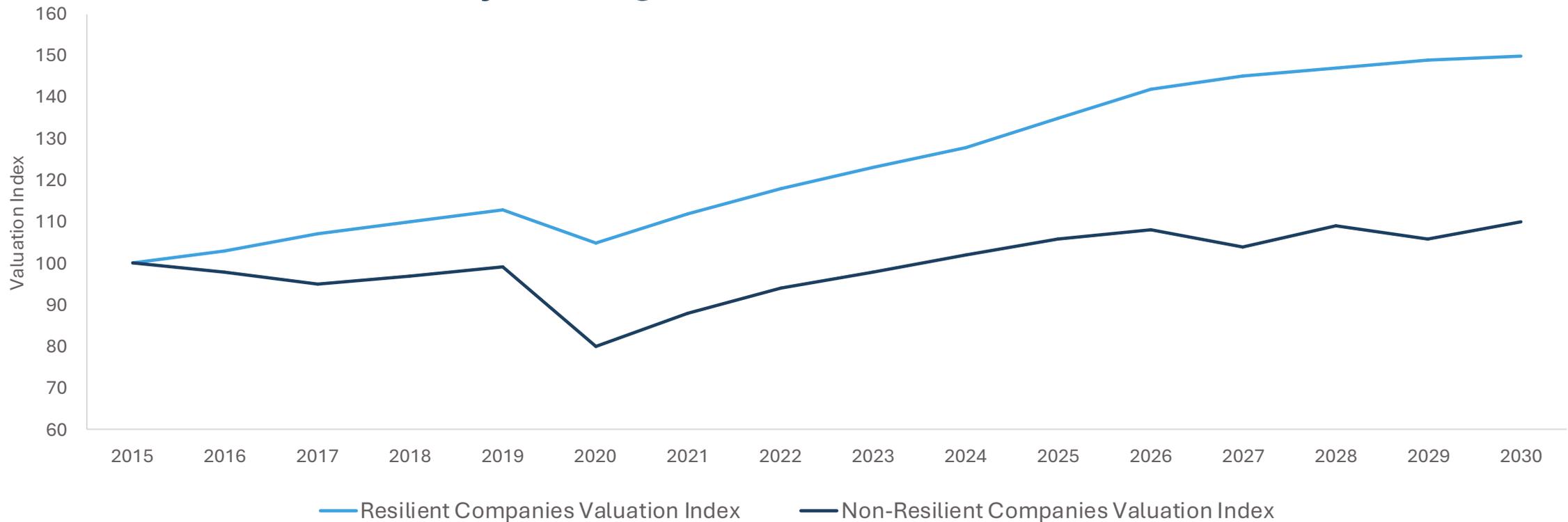
Volatility Proxy



Companies That Demonstrate Valuation Resilience Have An Expanding Valuation Advantage

N – 1,762

Key Changes to Valuation Models





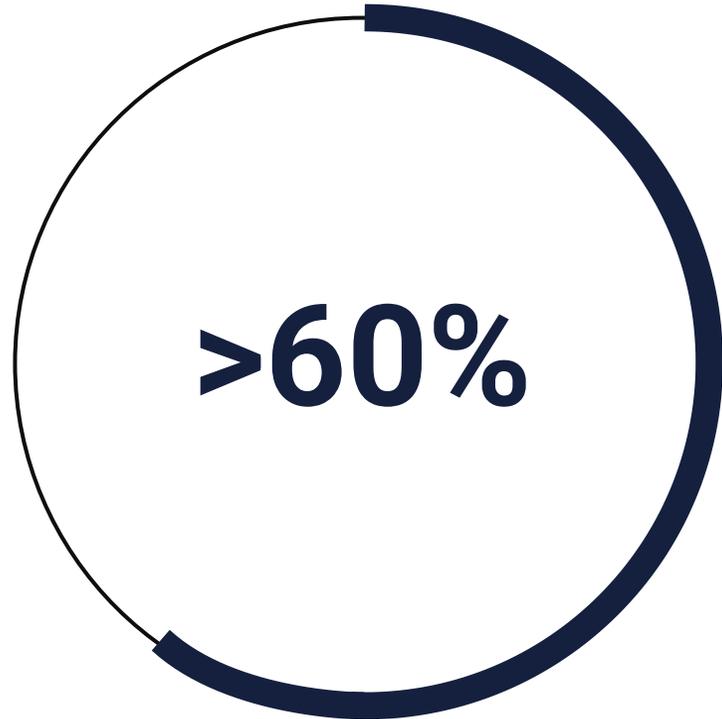
What Is Driving Higher Valuation Fragility

Strategic Agency Is The Next Valuation Era

Era	Balance Sheet 1930s – 1950s	Market Power 1960s – 1970s	Capital Discipline 1980s - 2000s	Duration 2009 - 2021	Resilience 2022 – 2026	Strategic Agency 2026 and Forward
Framework	Asset Recoverability	Franchise Permanence	Capital Efficiency	Growth Duration	Resilience Underwriting	Strategic Exposure
Key Focus	Balance sheet coverage, liquidation value	Market dominance, brand power, oligopolies	ROIC discipline, restructuring, capital returns	Long-duration growth, network effects	Adaptability, strategic relevance, financial flexibility	Strategic control, ecosystem leverage, policy navigation, geo-political
Market Question	Will this company survive?	Is this company permanently dominant?	Is capital allocated efficiently?	How large can this company become?	Will this company remain relevant through disruption?	Can this company shape its own future, or will external actors shape it first?

Valuation has moved from measuring assets, to earnings, to growth, to resilience and now to strategic agency.

Valuation Resets Begin When the Narrative Starts to Fall Apart

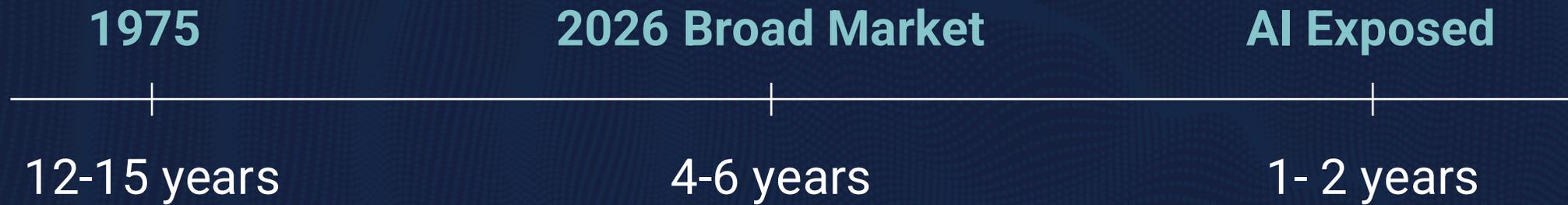


of the largest single-day stock collapses in the S&P 500 occurred **after narrative-changing events**, not earnings misses.¹

Intangible Capital Is Increasing



Competitive Cycles Have Significantly Shortened



The Narrative Half Life is Collapsing

Stable
Narrative

Long Duration
Expectations

Premium
Valuation
Multiple

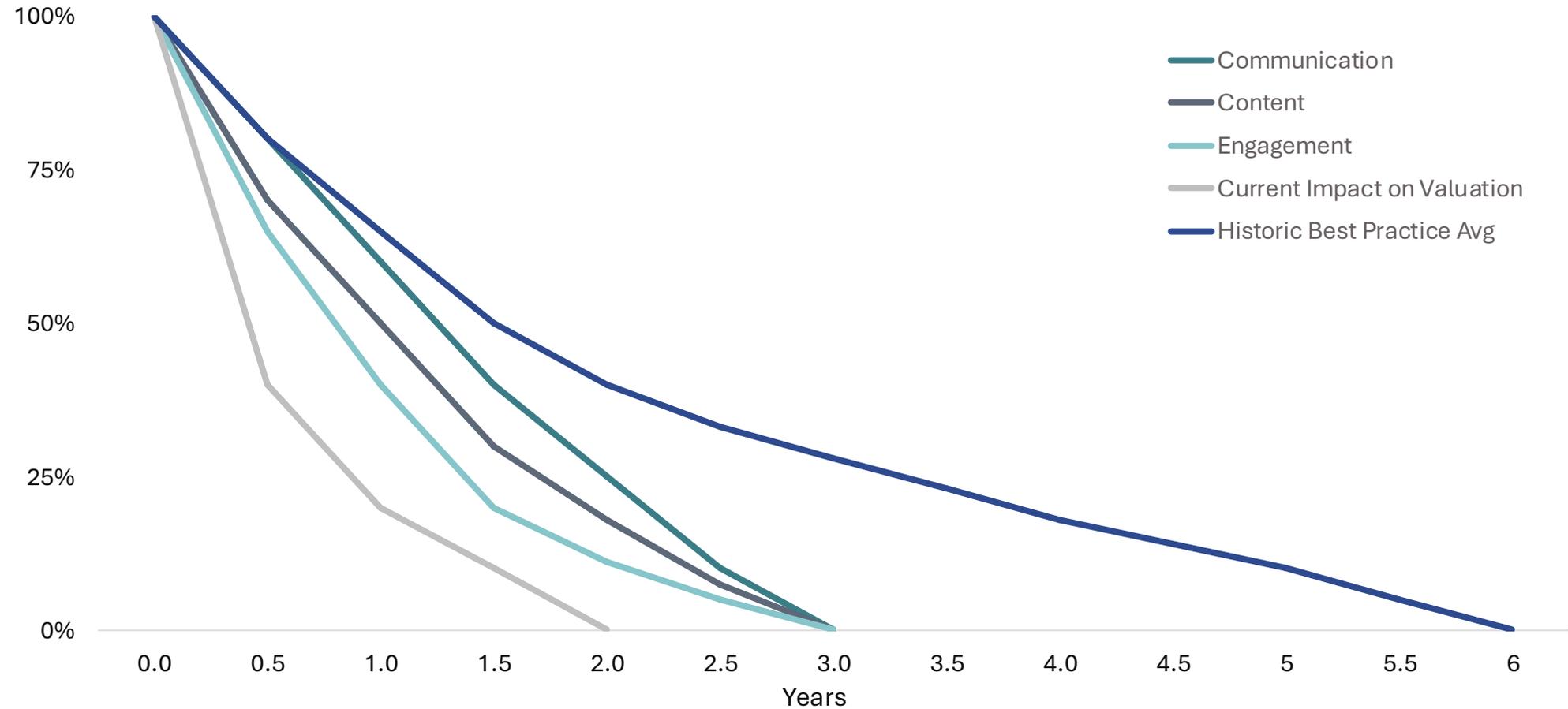
- Narratives extend perceived duration
- Story Quakes shorten perceived duration
- Durations collapse triggers multiple compression

Narrative
Break

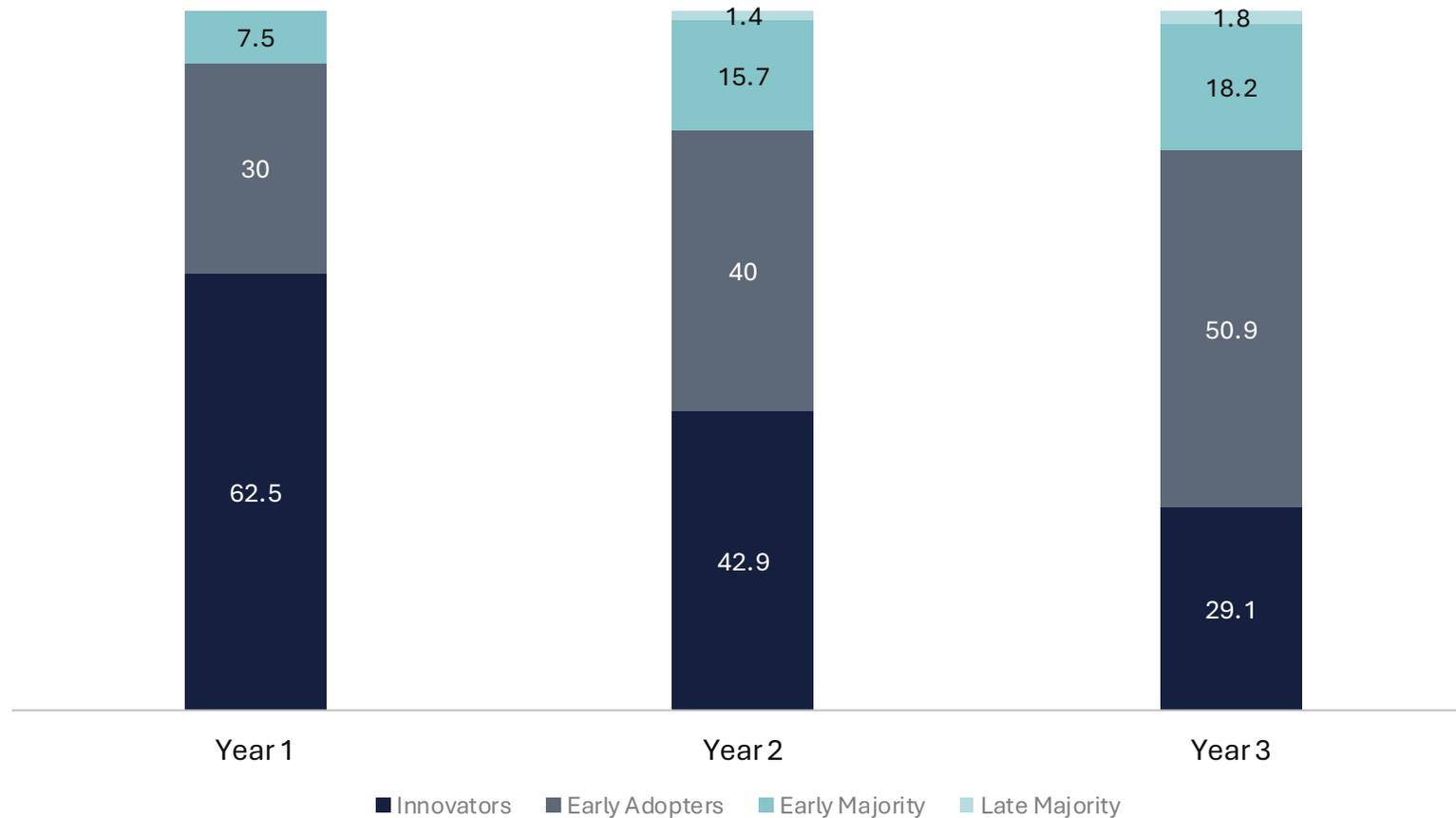
Duration
Collapse

Multiple
Compression

Use Of Traditional Best Practices Has Fallen Short

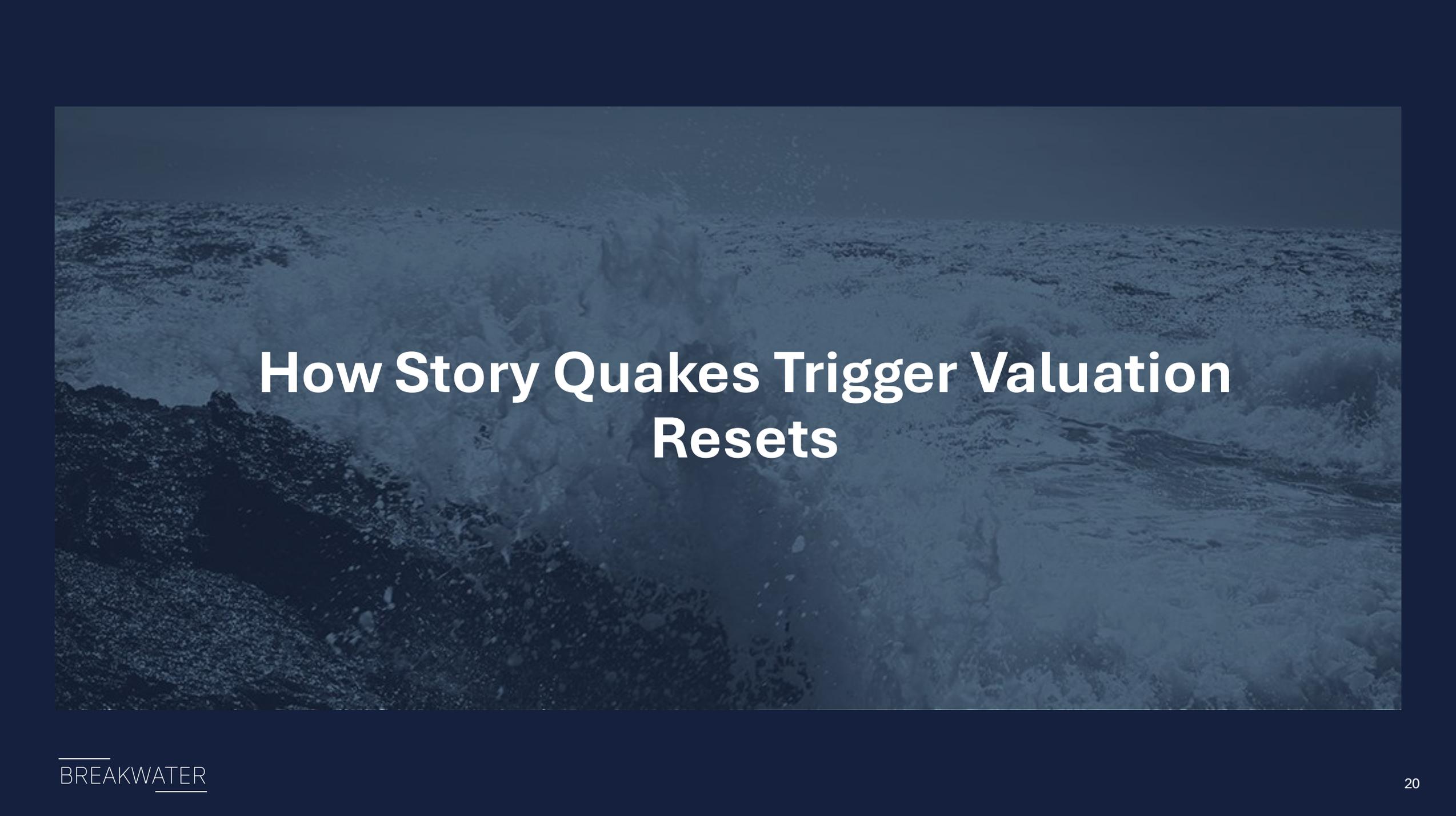


Early Adopters of Next Approaches Have Valuation Premiums



Cumulative Value

□ Innovators	33.1%
■ Early Adopters	36.5%
■ Early Majority	12.9%
■ Late Majority	1.1%



How Story Quakes Trigger Valuation Resets

What is a Story Quake



**When investor communication is
misaligned with investor valuation
needs**

Typical Story Quake Triggers

*Contradiction between
stated strategy and
observed economics.*

**These are the events
that turn a stable
narrative down the
seismic scale.**

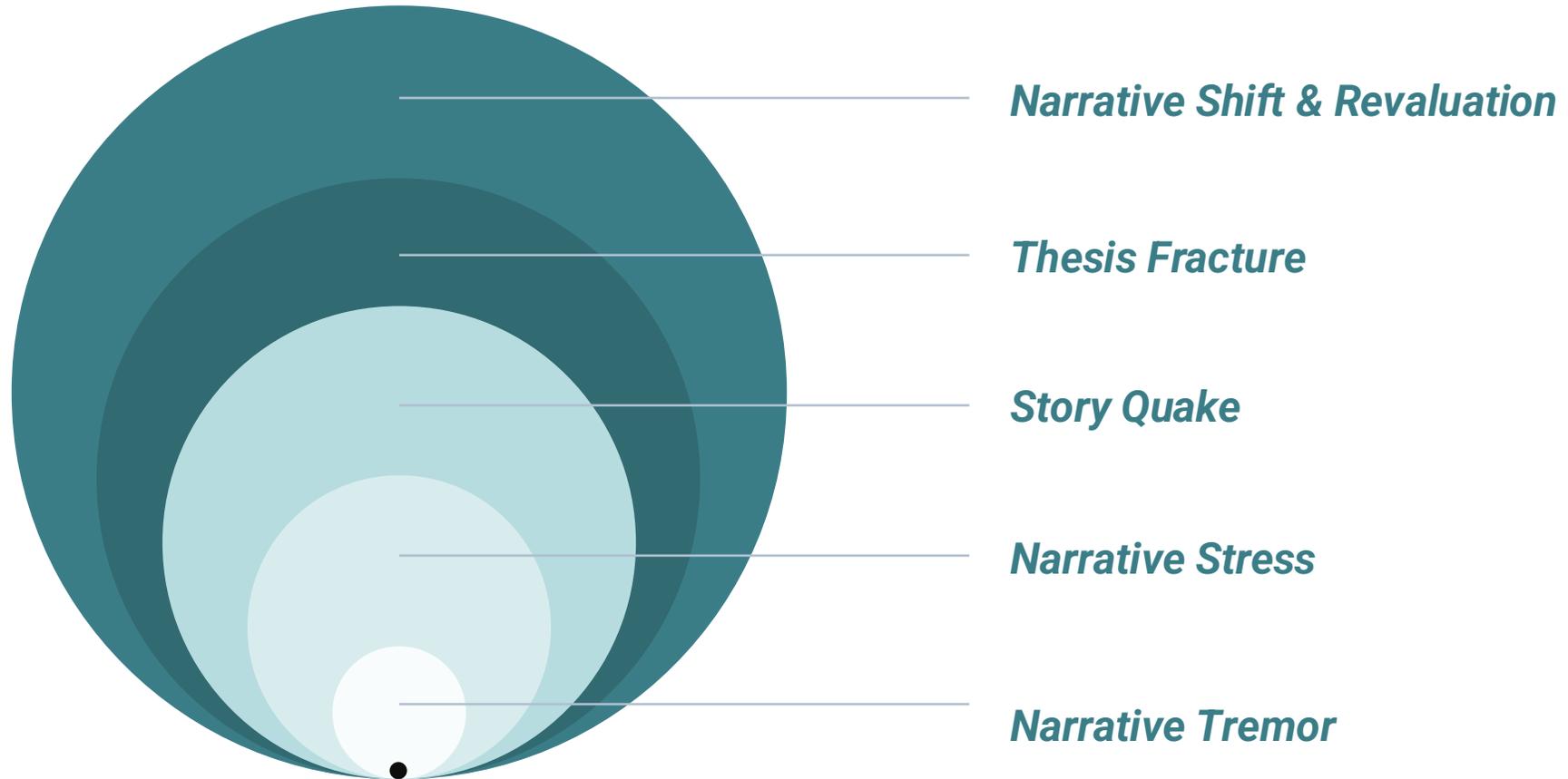
Contagion from one weak segment, geography, or end-market into a broader system of assumptions.

Compression in margin or return structure that reveals the story is less durable than thought.

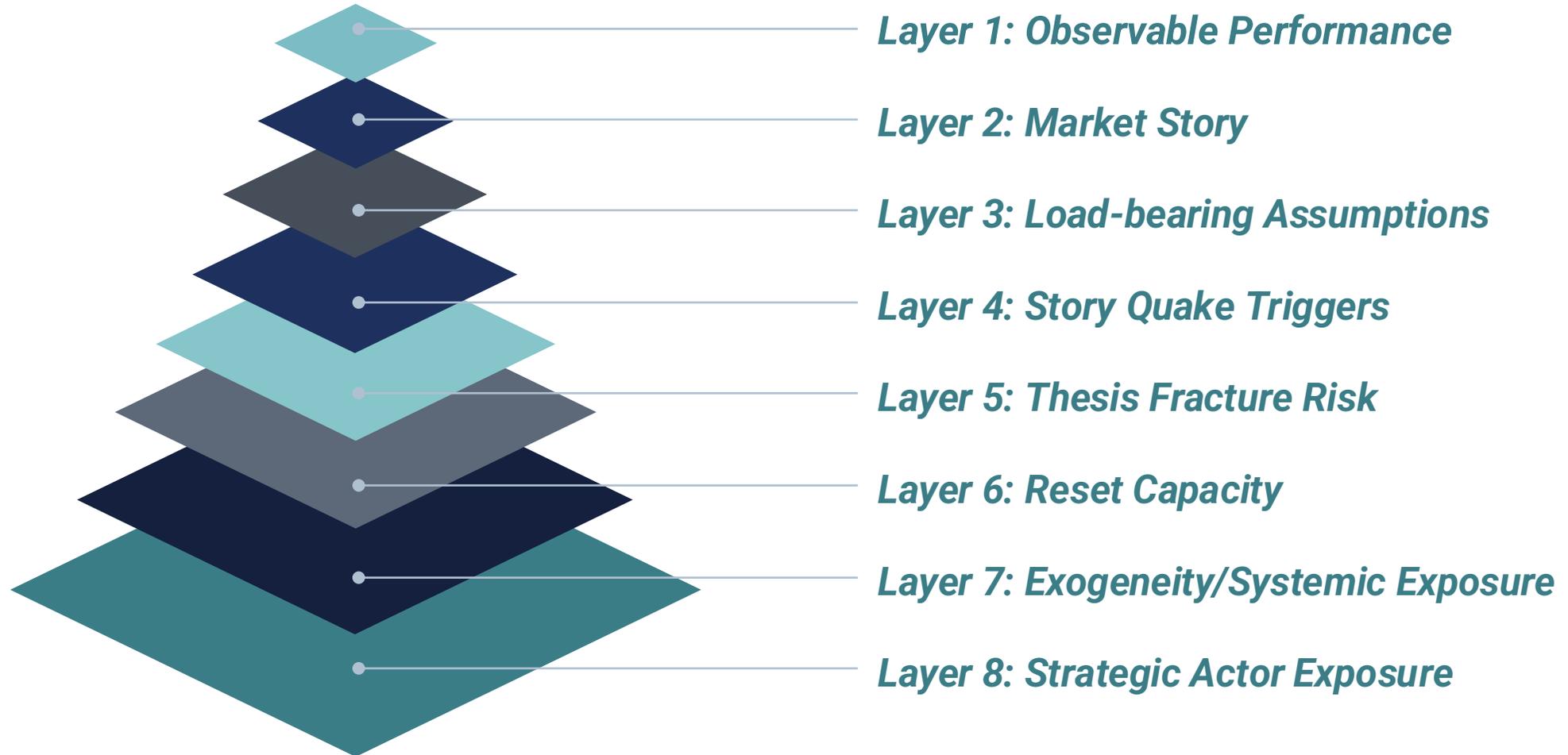
Displacement by a competitor, technology, regulation, or channel change that alters the structure of the market.

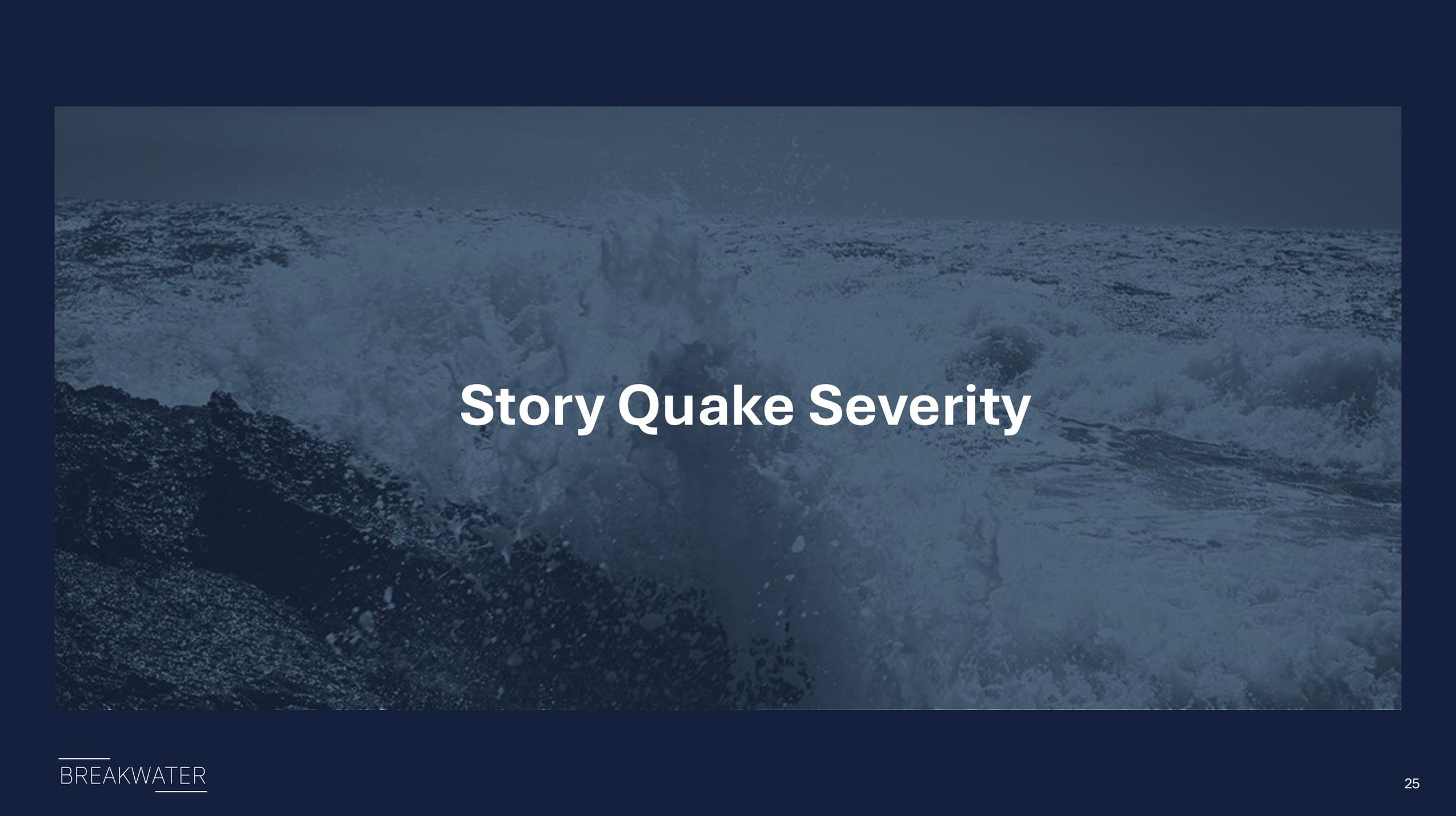
Incoherence between what management says the business is and what the operating evidence increasingly suggests it has become.

The Seismic Scale



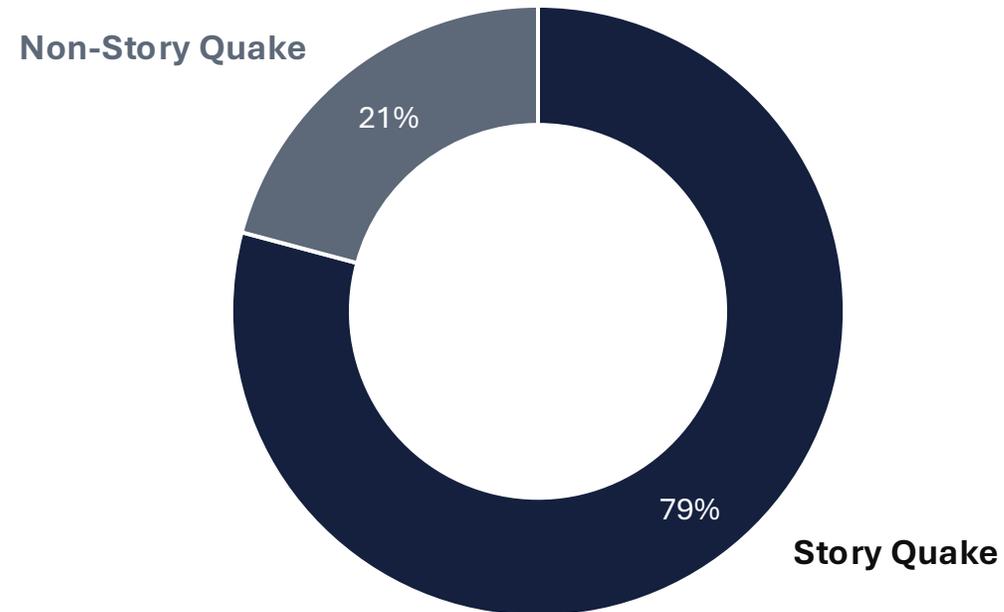
The Layers of Communication





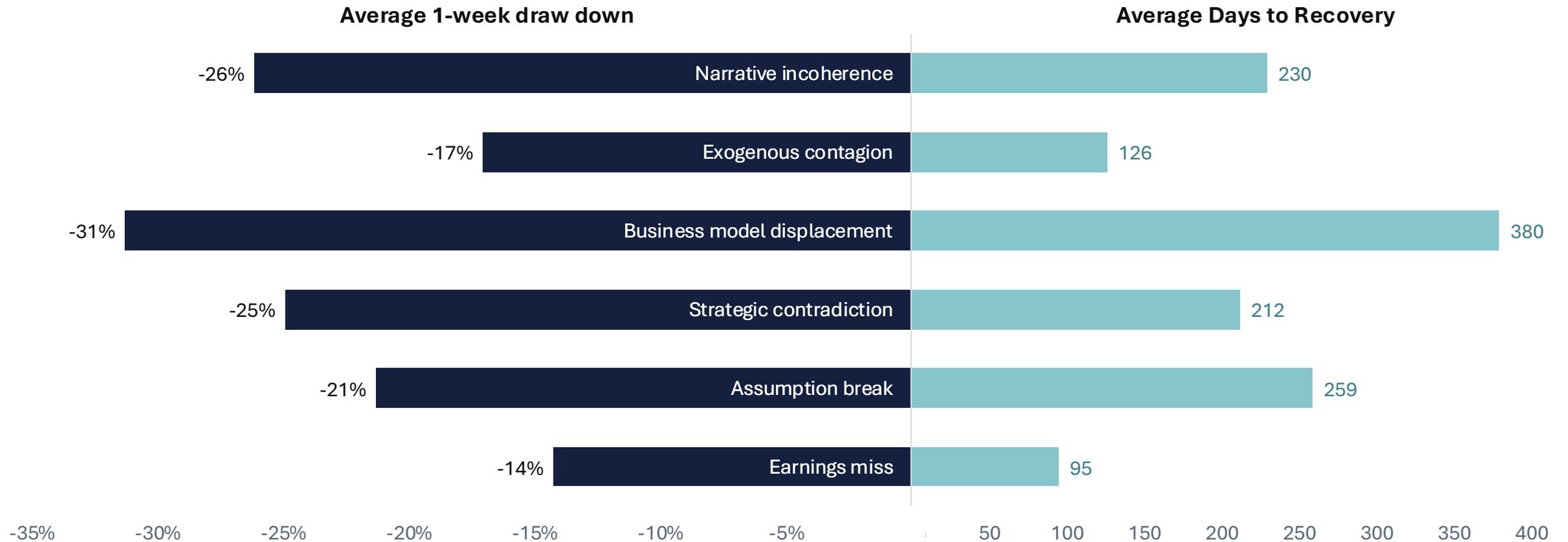
Story Quake Severity

Share of Major Resets Classified as Story Quakes



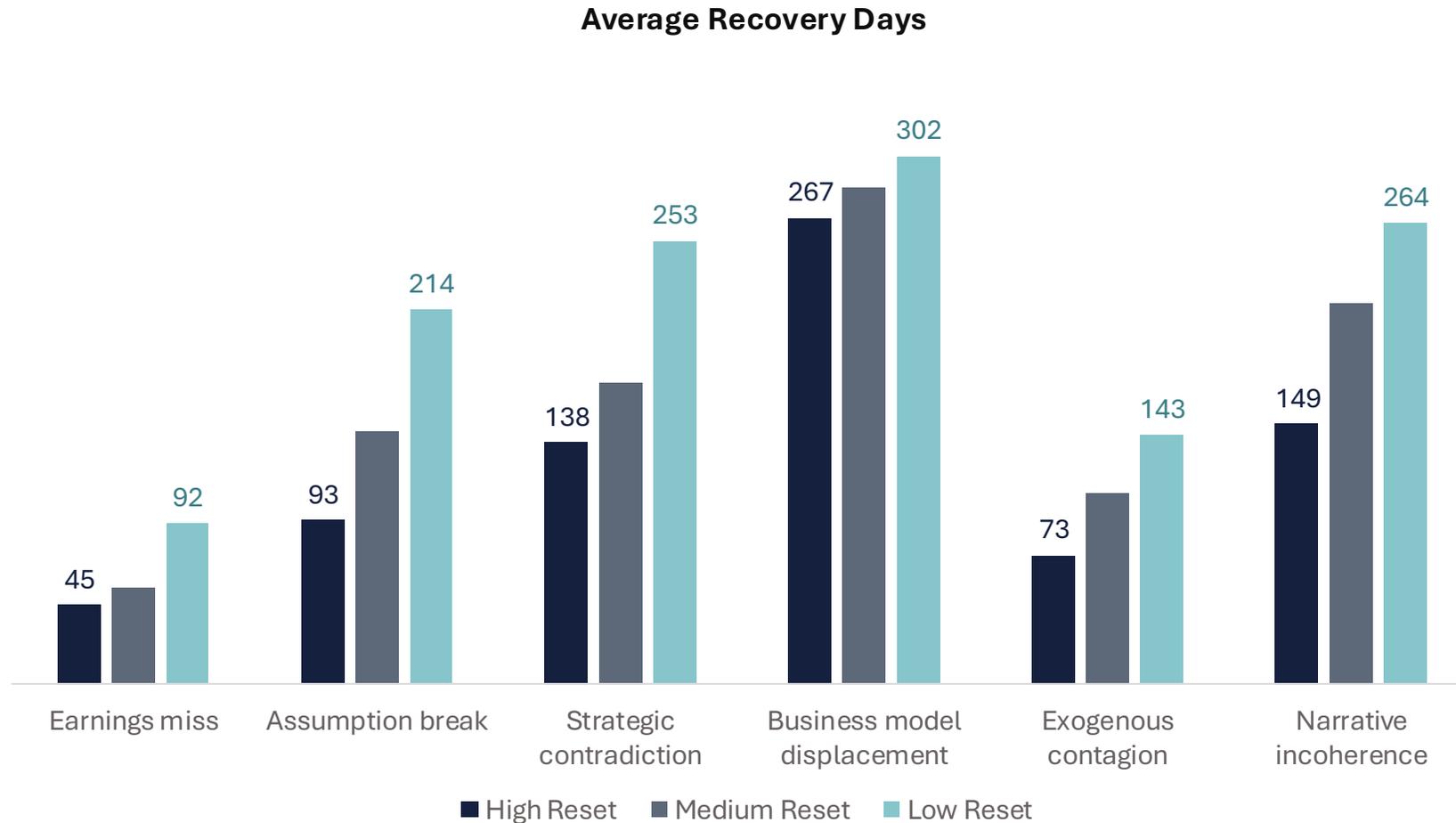
Most major valuation resets in the sample are classified as Story Quakes, and those events carry larger drawdowns and slower recovery.

Average Outcomes by Reset Trigger



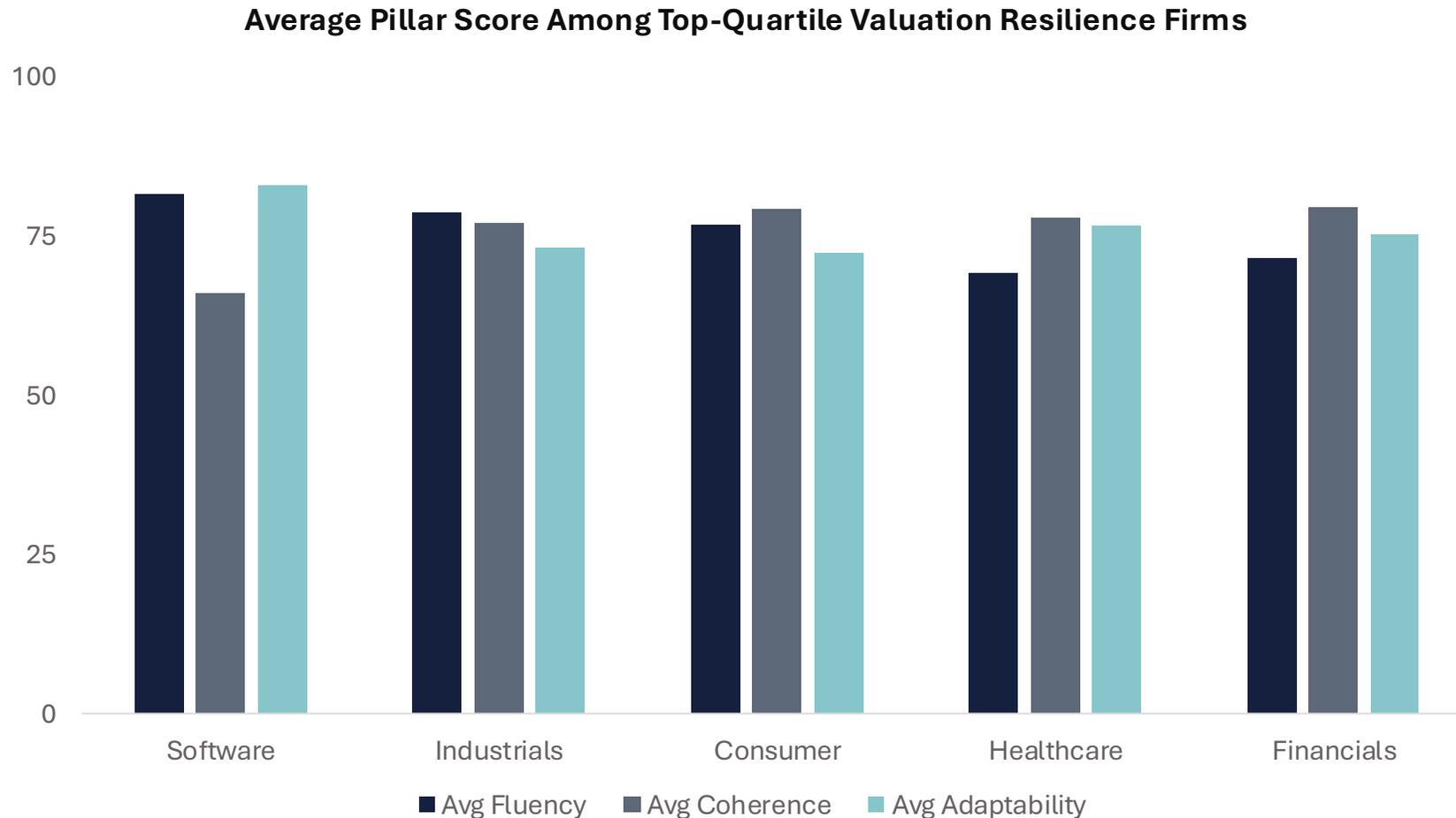
Ordinary earnings misses tend to recover faster; assumption breaks, displacement, and narrative incoherence create larger and more durable re-ratings.

Recovery Profile by Trigger Type and Reset Capacity



High reset capacity does not erase a Story Quake, but it shortens recovery time materially, especially for contradiction and displacement events.

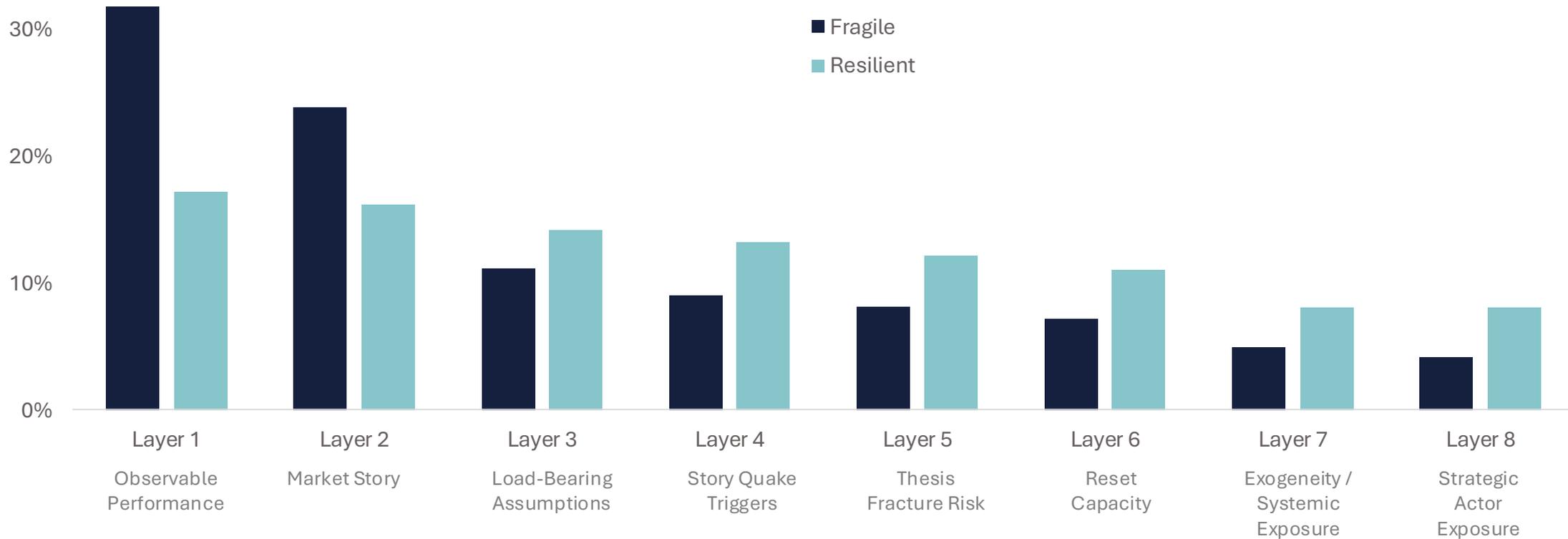
Resilience Pillar Importance by Sector



Sectors differ in which pillar carries the most weight: software leans on fluency, industrials on coherence, and financials on adaptability and capital response.

Communication Allocation: Resilient vs Fragile Companies

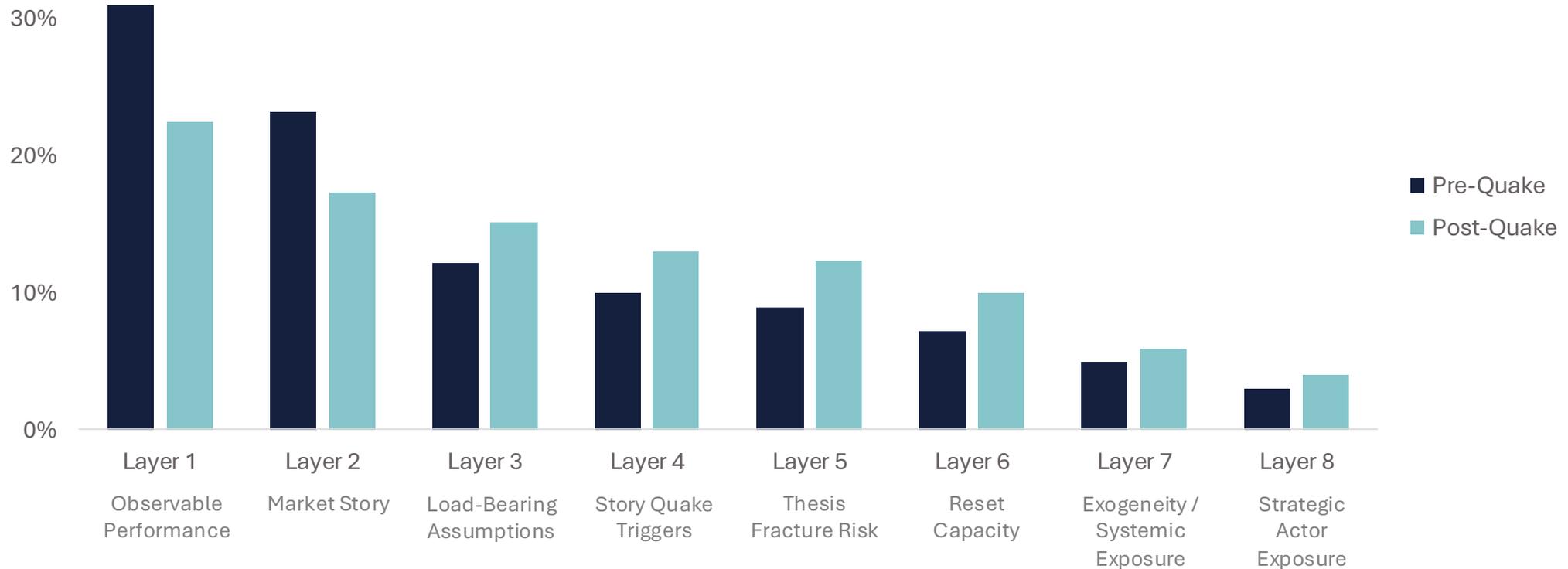
Average Communication Mix by Company Type



Resilient companies spend less time on current-quarter narration and more time on assumptions, dependencies, triggers, and reset capacity.

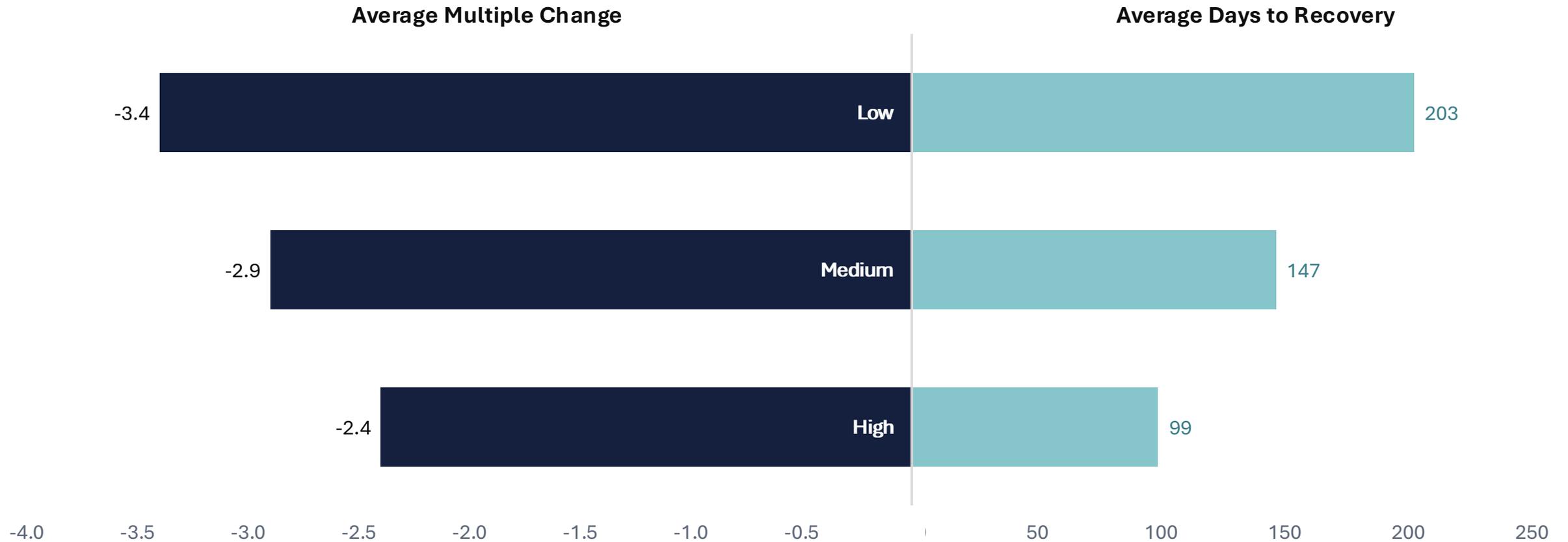
Communication Mix: Before and After a Story Quake

Average Communication Mix Before and After a Story Quake
Top Quartile Firms

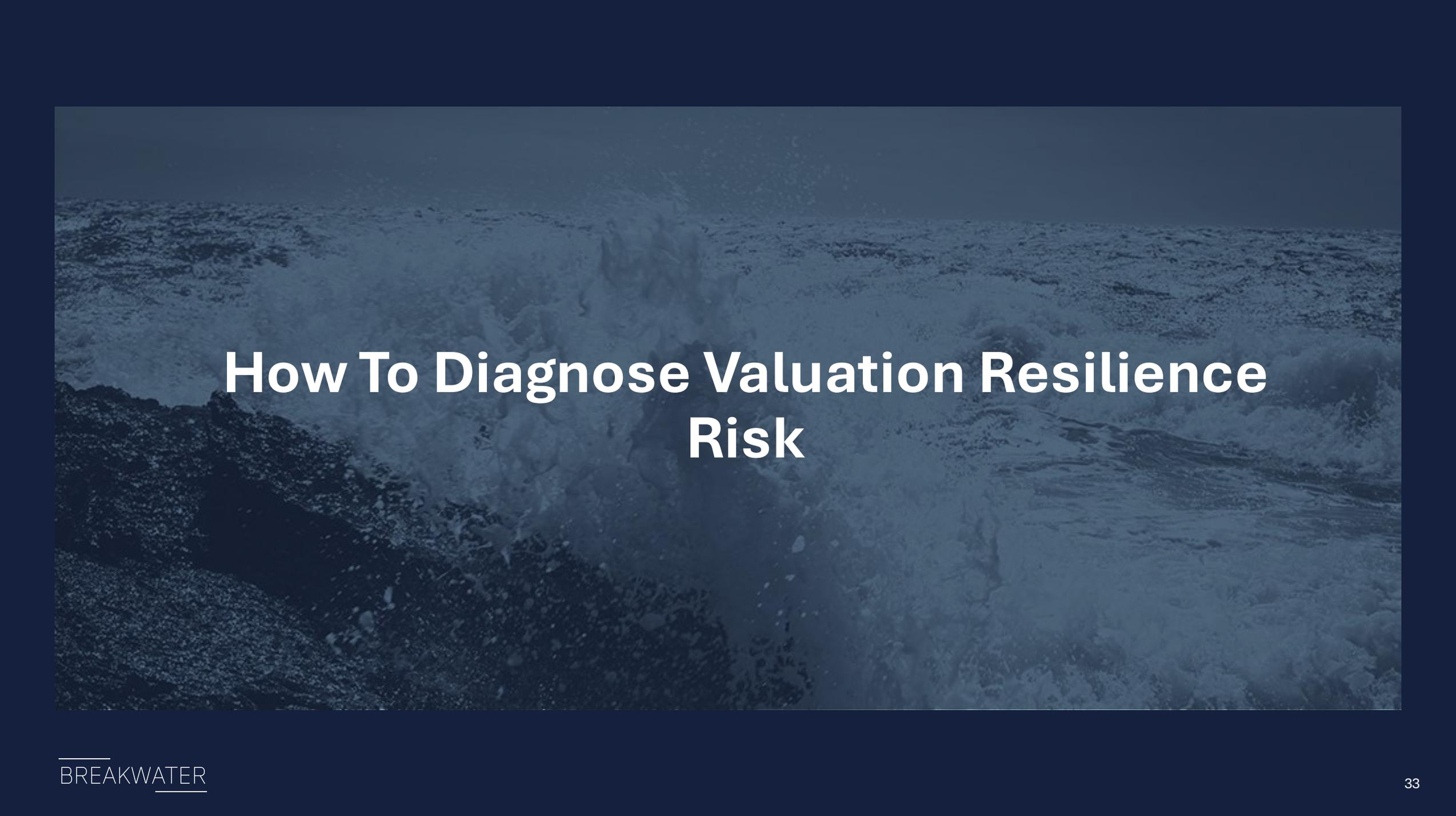


Strong teams rebalance quickly, moving airtime away from headline performance and toward assumptions, triggers, and reset capacity.

Reset Behaviors Reduce Durable Multiple Compression



Higher reset-capacity scores are associated with smaller multiple loss, faster recovery, and better odds of full-year recovery.



How To Diagnose Valuation Resilience Risk

Narrative Volatility Index: 5 Dimensions

1

**Narrative
Dependence**

2

**Assumption
Fragility**

3

**Shock
Exposure**

4

**Narrative
Coherence**

5

**Reset
Capacity**

1 – Narrative Dependence

How much of the multiple depends on a long-duration story rather than current cash flow.

High

High-multiple growth companies

Platform stories

AI / innovation leaders

Category creators

Low

Shorter-duration, asset-backed cash-yielding businesses

2 – Assumption Fragility

How vulnerable the thesis is to a small number of load-bearing assumptions breaking.

Pricing
power

Customer
retention

Regulatory
tolerance

Reinvestment
returns

Technological
relevance

3 – Shock Exposure

How exposed the company is to external shocks that can destabilize the story.

Geopolitics

Policy

Rates

Supply
chain

Capital
markets

Ecosystem
dependency

4 – Narrative Coherence

How internally consistent the story is across strategy, capital allocation, operating evidence, and management behavior.

Low coherence means

the story sounds good,
but the evidence does not line up

**That is where Story
Quakes often begin.**

5 – Reset Capacity

**How well management can stabilize the thesis if pressure emerges.
Includes:**

Balance sheet
flexibility

Operating
flexibility

Decision
speed

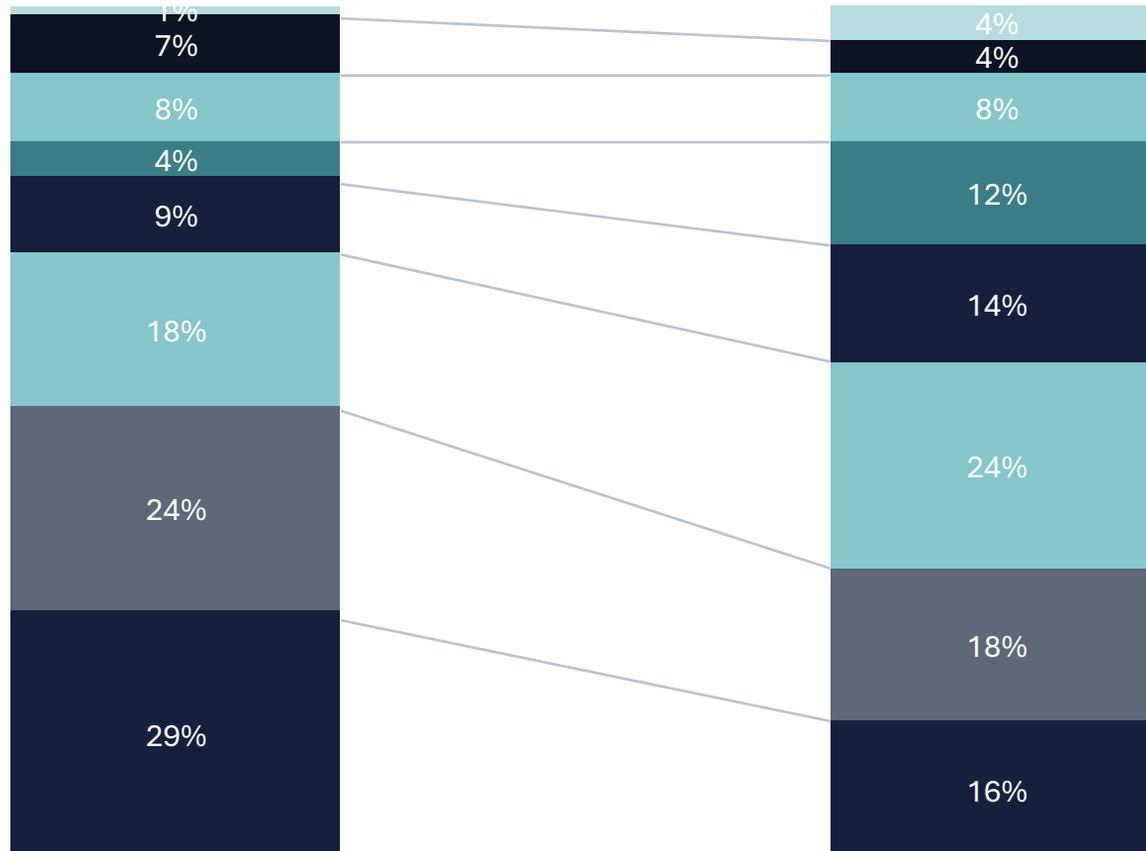
Credibility

Strategic
discipline



How To Build A More Resilient Valuation Architecture

Layers of Communication: Today vs. Quake Resistant



- Layer 8:** Strategic Actor Exposure
- Layer 7:** Exogeneity/Systemic Exposure
- Layer 6:** Reset Capacity
- Layer 5:** Thesis Fracture Risk
- Layer 4:** Story Quake Triggers
- Layer 3:** Load-bearing Assumptions
- Layer 2:** Market Story
- Layer 1:** Observable Performance

Today

Recommended

Layer 1 – Observable Performance

What happened.

This is the visible operating output of the business. It includes:

Revenue

Margins

Cash flow

Returns

Guidance

Capital Returns

This is the entry point for investor attention, but rarely the endpoint.

Investor question:

What did the company actually deliver?

Common communication strength:

Usually well served in press releases and prepared remarks.

Common communication failure:

Too much time spent here relative to the rest of the thesis.

Share of communication today: 29%

Recommended share: 16%

Layer 2 – Market Story

Why the performance deserves duration and a premium or discount.

This is the narrative bridge between current performance and future value. It includes:

Durable growth

Defensible moat

Superior reinvestment

Strategic position

Business model quality

Category leadership

Investor question:

Why do these results deserve persistence, premium, or rerating?

Common communication strength:

Usually served reasonably well in prepared remarks and investor materials.

Common communication failure:

Story stated as aspiration rather than mechanism.

Share of communication today: 24%

Recommended share: 18%

Layer 3 – Load-Bearing Assumptions

What must remain true for the story to hold.

These are the hidden supports beneath the market story. It includes:

Demand quality

Pricing durability

Regulatory tolerance

Capital efficiency

Competitive stability

Customer retention quality

Margin sustainability

Asset utilization quality

Investor question:

What assumptions are carrying the thesis?

Common communication strength:

Sometimes partially addressed in Q&A.

Common communication failure:

Assumptions are implied, not named.

Share of communication today: 18%

Recommended share: 24%

Layer 4 – Story Quake Triggers

What could destabilize one or more assumptions.

These are not generic risks. They are the specific developments that would weaken the story's internal coherence. It includes:

Contradiction

Contagion

Incoherence

Compression

Displacement

In practice, that can mean:

demand deteriorating faster than management expected

pricing no longer clearing

capex returns slipping

a competitor changing the structure of the market

regulation impairing economics

a strategic claim no longer matching operating evidence

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Investor question:

What developments would destabilize the thesis?

Common communication strength:

Usually under-served.

Common communication failure:

Generic risk language instead of thesis-relevant triggers.

Share of communication today: 9%

Recommended share: 14%

Layer 5 – Thesis Fracture Risk

How management can restore coherence if pressure emerges.

This is the probability that investors stop treating the current story as the right organizing logic for valuation. It includes:

Risk of multiple compression

Risk of premium loss

Risk of category reclassification

Risk that the old narrative no longer explains value

Risk that the market moves from duration to skepticism

Investor question:

How close is the thesis to a change in valuation frame?

Common communication strength:

Rarely addressed directly.

Common communication failure:

Management discusses resilience without defining fracture conditions.

Share of communication today: 4%

Recommended share: 12%

Layer 6 — Reset Capacity

How management can restore coherence if pressure emerges.

This is the company's ability to prevent a temporary shock from becoming a durable rerating. It includes three subcomponents:

Operational reset capacity:

- cost actions
- pricing actions
- portfolio shifts
- commercial reprioritization
- supply-chain adaptation

Financial reset capacity:

- balance-sheet flexibility
- capital allocation
- buyback restraint or deployment
- capex pacing
- liquidity preservation
- divestitures or restructuring capacity

Leadership and governance reset capacity:

- candor
- decision speed
- willingness to confront bad news
- strategic discipline
- board and management alignment

Investor question:

If pressure emerges, can management contain it and re-anchor confidence?

Common communication strength:

Often present, especially in difficult quarters.

Common communication failure:

Management discusses resilience without defining fracture conditions.

Share of communication today: 8%

Recommended share: 8%

Layer 7 — Exogeneity / Systemic Exposure

What external forces can overwhelm the thesis regardless of execution.

This layer captures risks outside management control that can alter the investment case even if the company performs well internally. It includes five subcomponents:

Macro exposure

- rates
- inflation
- labor conditions
- credit tightening
- enterprise or consumer cycle sensitivity

Policy and regulatory exposure

- tariffs
- reimbursement
- antitrust
- industrial policy
- environmental or disclosure regulation

Geopolitical exposure

- sanctions
- cross-border restrictions
- national security rules
- regional conflict
- trade corridor disruption

Market regime exposure

- funding conditions
- refinancing windows
- equity issuance dependence
- valuation regime shifts

Ecosystem / infrastructure exposure

- supplier concentration
- platform dependence
- standards dependence
- energy availability
- logistics fragility
- compute or grid bottlenecks

Layer 8 – Strategic Actor Exposure

What specific external actors can deliberately change the company's strategic path or valuation frame.

This layer captures the degree to which identifiable actors – not just macro forces – can alter the investment case through intentional moves that change economics, optionality, positioning, or investor perception. It includes five exposures:

<p>Competitive actor</p> <ul style="list-style-type: none"> price aggression capacity additions bundling or platform moves M&A by rivals category redefinition 	<p>Capital market</p> <ul style="list-style-type: none"> activists short sellers rating agencies and lenders concentrated ownership shifts private capital or strategic bids 	<p>Commercial counterparty</p> <ul style="list-style-type: none"> customer concentration channel partner leverage distributor power reimbursement gatekeepers contract renewal pressure 	<p>Platform / ecosystem</p> <ul style="list-style-type: none"> platform owners hyperscalers standards setters critical suppliers data, IP, or infrastructure dependencies
<p>Policy / sovereign actor</p> <ul style="list-style-type: none"> agency discretion approval or permit timing state-backed competitors 		<ul style="list-style-type: none"> cross-border intervention national security restrictions 	

Investor question:

Which outside actors can force a strategic reset or accelerate rerating before management can respond?

Common communication strength:

Sometimes partially addressed in sector-specific discussions.

Common communication failure:

Risk is described generically instead of naming who can move first, how they can alter the thesis, and what management can do.

Share of communication today: 3%

Recommended share: 4%



Early Quake Warning System

Index Score

1.0 - 1.9

Narrative Stability

The company's valuation is supported primarily by current economics, coherent strategy, and low assumption fragility.

Low risk of Story Quake-driven rerating

Narrative is stable and well anchored

Shocks are more likely to be absorbed than to reset the thesis

Index Score

2.0 - 2.9

Narrative Sensitivity

The valuation contains some narrative dependence or shock exposure, but the story remains broadly manageable.

Selective fault lines exist

Investors should monitor assumptions more closely

Valuation is somewhat exposed, but not acutely fragile

Index Score

3.0 - 3.9

Elevated Story Quake Risk

The valuation contains some narrative dependence or shock exposure, but the story remains broadly manageable.

Selective fault lines exist

Investors should monitor assumptions more closely

Valuation is somewhat exposed, but not acutely fragile

Index Score

4.0 - 5.0

High Narrative Volatility

The valuation is highly exposed to story instability.

Small shocks can trigger major reinterpretation

Duration expectations are fragile

The thesis may be vulnerable to rapid rerating

Story Quakes can quickly become Thesis Fractures

Multiple compression risk is high



What This Means for Management Teams and IR Leaders

IR is Competing in an Attention Market

From information scarcity to information overload, the investor information environment has shifted: more sources, faster cycles, less patience

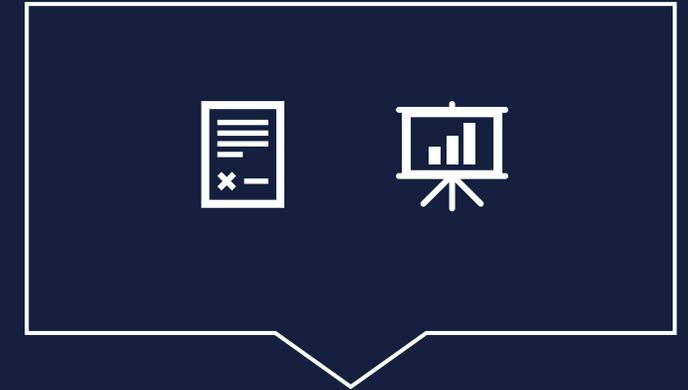
Individual owners don't experience your story through earnings alone

The “center of gravity” shifted from your channels to the ecosystem

Individual owner participation means narrative dynamics can move price/volatility quickly

IR's challenge is communication at scale

As a result, IR content must become discoverable, digestible, repeatable



Adapt



Investors Relations Officer Are The Architect of Change

1 Real-Time Narrative Orchestrator
Curates a living, adaptive equity story, instrumented with real-time feedback and dynamic scenario modeling.

2 Scenario & Sensitivity Architect
Delivers probability-weighted, scenario-based guidance with assumptions and triggers for updates.

3 Stakeholder Ecosystem Mobilizer
Engages a broader investor base (including retail), leveraging digital and social platforms for reach or resonance.

4 Trust & Transparency Champion
Builds confidence through granular, machine-readable data, frequent updates, and visible leadership engagement.

5 Experience Designer
Delivers modular, AI-powered, interactive events with global access, deep dives, and real-time investor participation.

6 Intelligence Integrator
Runs continuous, actionable investor intelligence, linking sentiment directly to valuation impact and strategic priorities.

7 Insightful Storyteller
Translates strategy into quantifiable proof points, tailoring depth and detail by segment, region, and audience.

8 Dynamic Comparator
Uses alternative data and AI to benchmark in real-time, highlighting competitive positioning and innovation ROI.

9 Risk Translator & Scenario Modeler
Quantifies macro, geopolitical, and cyber risks—showing direct impact on cash flow, margins, and valuation.

10 Value Creation Partner
Drives capital allocation messaging, links KPIs to value drivers, and defends and builds valuation through uncertainty.

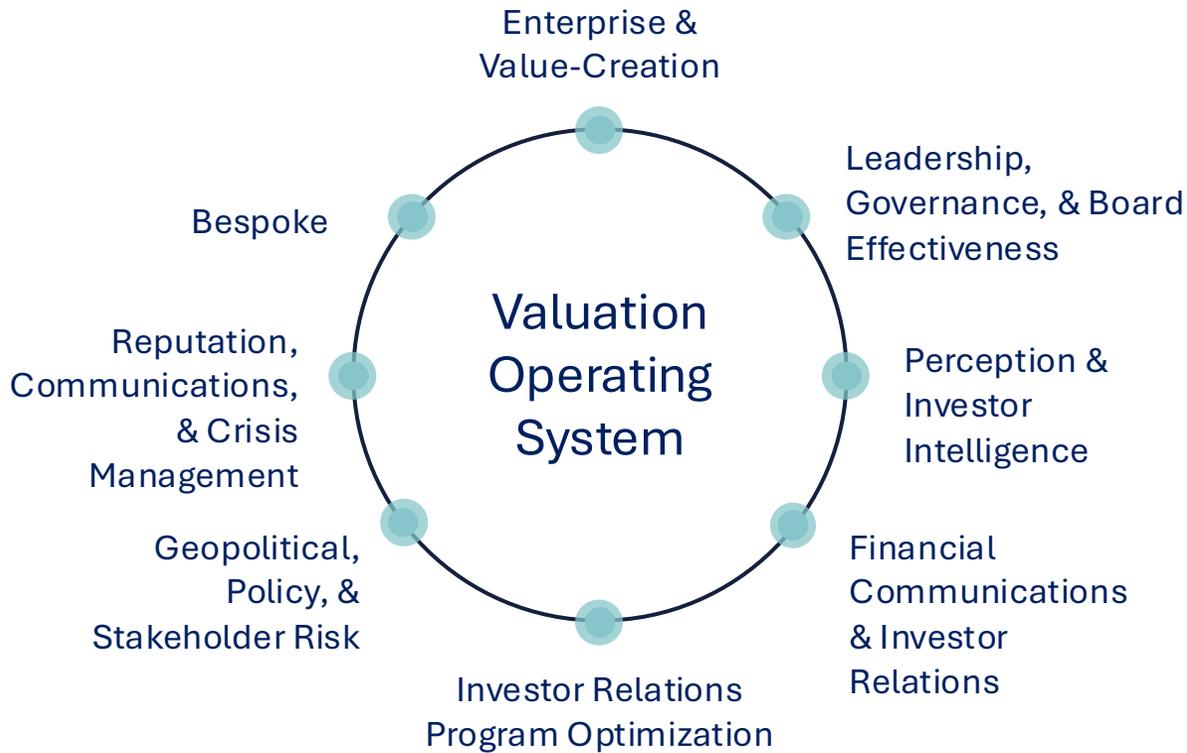
11 Cross-Market Communicator
Ability to localize the equity story.

12 Regulatory Interpreter
Translate rapid regulatory shifts into valuation scenarios.

13 Cross-Border Capital Connector
Manage investors across and secondary listings.

14 Bilingual Narrative Architect
Ensuring consistency across disclosures.

Eight Levers Anchor the Valuation Operating System (VOS)



Valuation Eight: Communication, Content, and Engagement

Strategic Optionality & Real Options Thinking
15%

Anticipatory Vision
20%

Strategic Trajectory
10%

Market Position & Moat Durability
15%

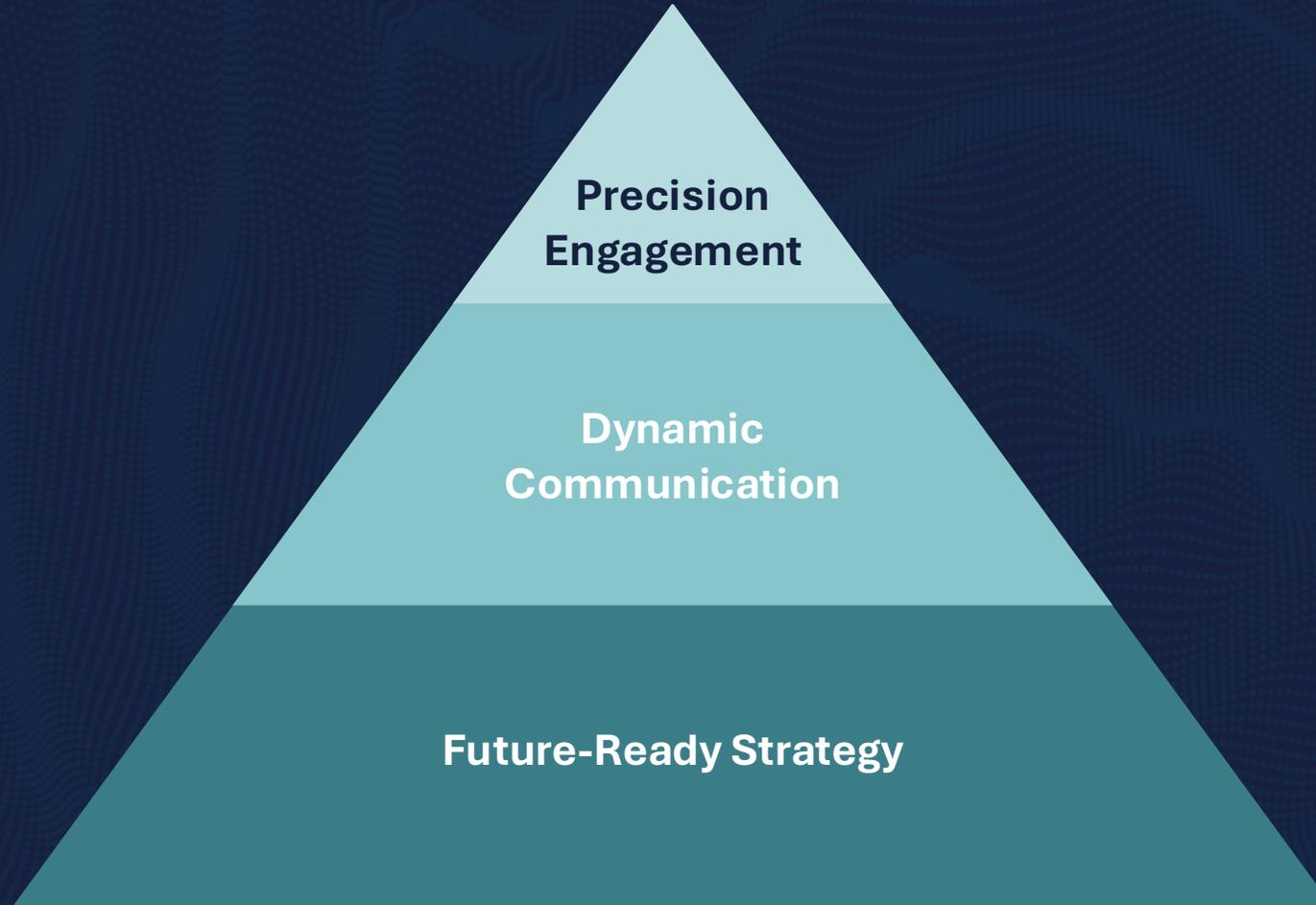
Capital Structure & Strategic Finance
10%

Execution Excellence & Operational Agility
10%

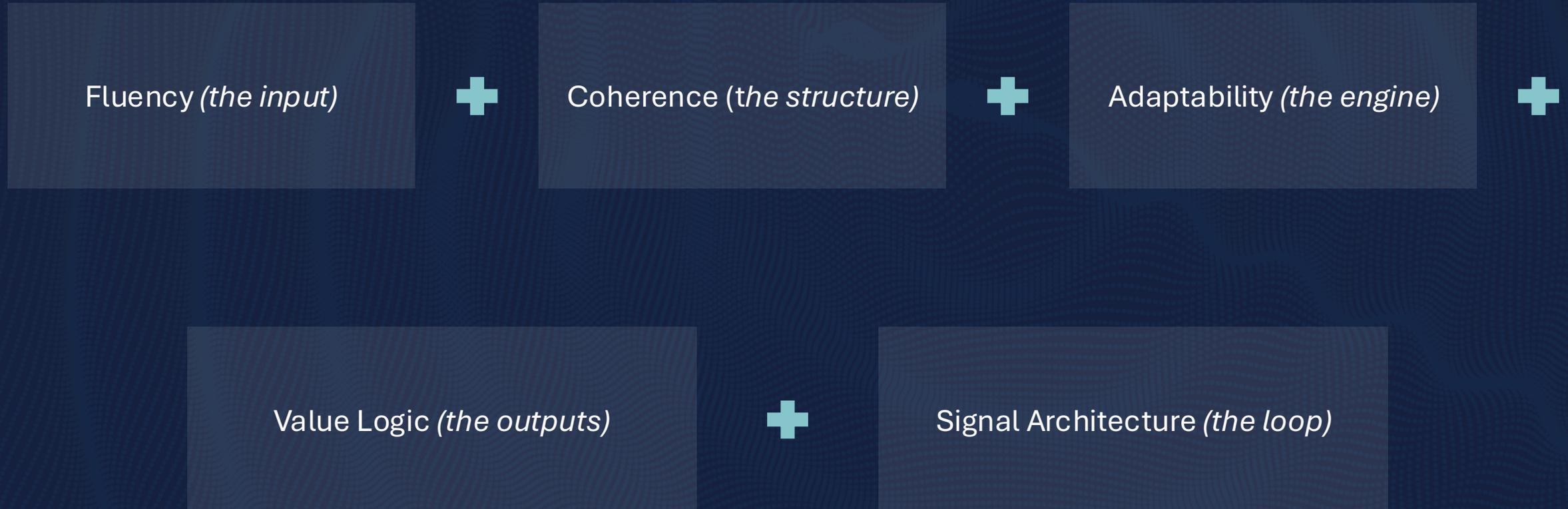
Accelerated Reinvention
20%

Intangible Value Stewardship
10%

Future-ready IR Strategy Rests on Dynamic Communication and Precision Engagement



The Valuation Architecture of the Future



Volatility Fluency & Foresight: How We See the World, the Scenarios We Plan For, and the Structure of Future Advantage

The World We Operate In (Multi-future scenarios)

- Three plausible futures (baseline, disruption, stress)
- Rate regimes, geopolitics, technology curves

Competitive System Map

- Value migration paths
- Category dynamics
- Competitive pressure points

Our Strategic Positioning Across Futures

- Invariant choices
- Flex paths
- Strategic time horizons

Valuation Coherence: How Strategy Translates into ROIC, Free Cash Flow, and Resilient Value Creation

Strategy → Economics → FCF → Value

- ROIC decomposition
- Value-driver tree
- Unit economics
- Cash conversion architecture

Portfolio Logic

- Core → growth → options
- Capital allocation return curves
- Kill-criteria and thresholds

Sensitivity Architecture

- Rate, mix, cost, demand bands
- What's priced vs. what's not priced
- How valuation elasticity works

Model-Ready Disclosures

- Data dictionary
- KPI architecture
- Quarterly forward signals

Adaptability: How We Learn, Reallocate, and Make Decisions Under Uncertainty

Decision OS

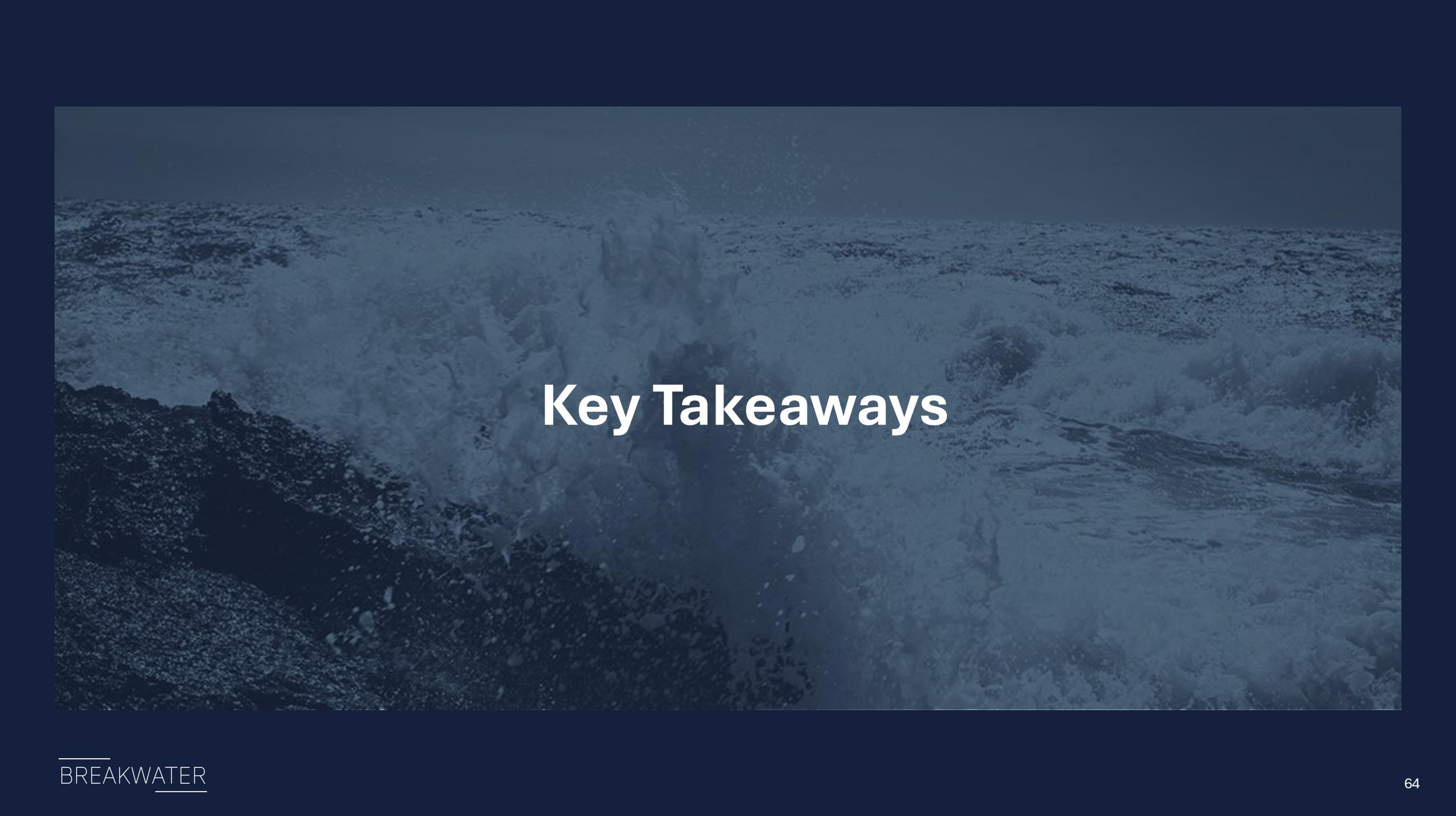
- How decisions are made under uncertainty
- Frameworks, escalation, speed

Learning Velocity Receipts

- What we learned last cycle
- What we changed
- What improved

Resilience & Operating Cadence

- Talent & incentive architecture
- Tech/data systems enabling adaptability
- How we reallocate capital in real time



Key Takeaways

Key Takeaways

1

Valuation resilience is built through fluency, coherence, and adaptability

2

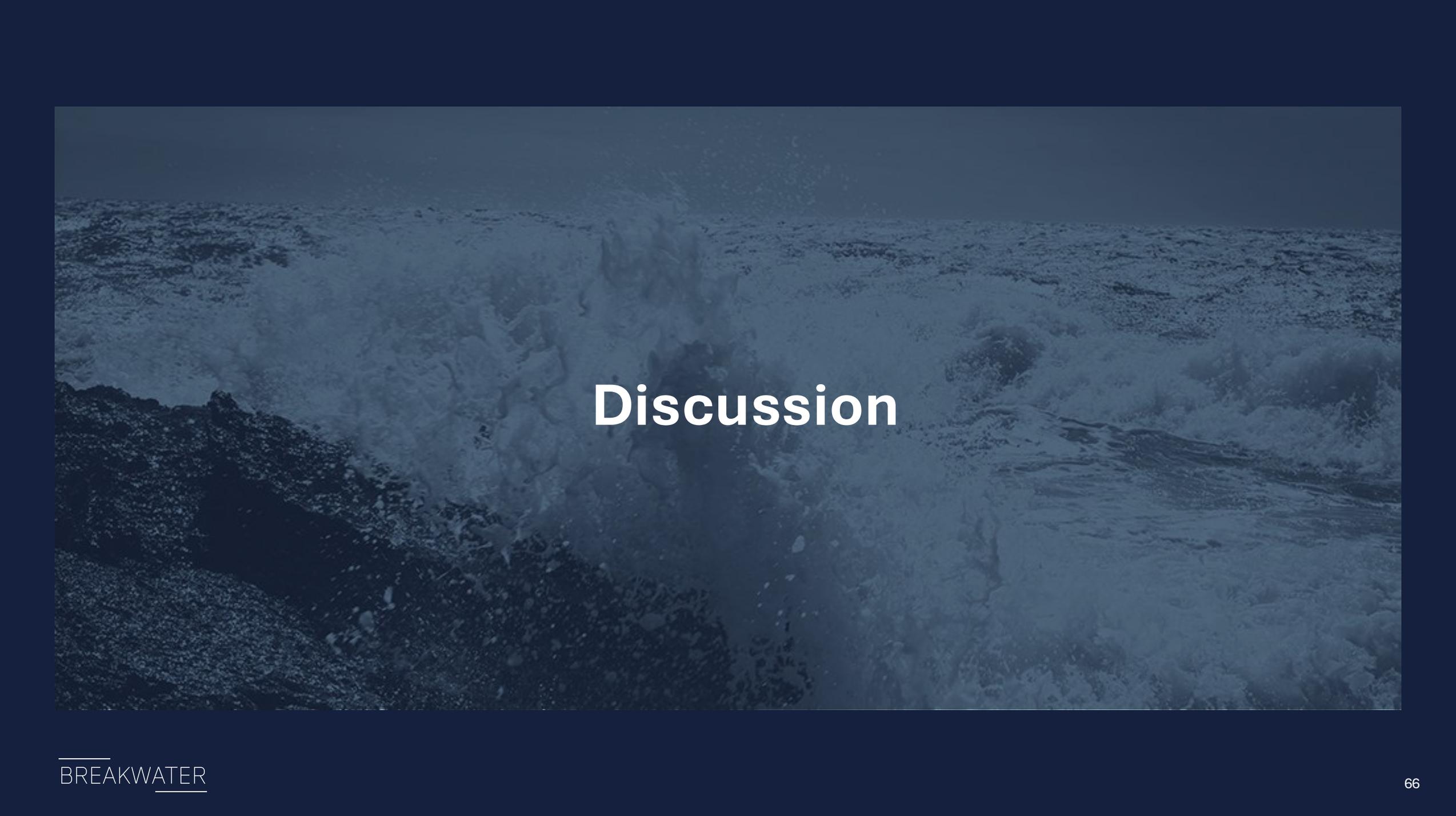
Story Quakes reveal where narratives are fragile

3

Resilience can be diagnosed before value resets

4

Management and IR can actively build and defend value to enable accelerated improvement



Discussion

For additional information, please
contact mark@breakwaterstrategy.com

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