
BREAKWATER

June 2026

The Great Repricing: Closing the 29% Narrative-to-Valuation Gap

An Adaptive Framework for Building and Defending Public-Company Value Under Macro Disruption, Investor Recalibration, and Narrative Fragility

About Breakwater Capital Markets

We have a global mandate.

We bring distinctive judgment and deep market insight to the decisions that shape valuation, command investor confidence, and position companies for enduring leadership.

Our proprietary Valuation Operating System (VOS) transforms how companies build, defend, and accelerate value, integrating market intelligence, compelling equity narratives, and precision investor engagement into a single, powerful engine. The result is sharper perception, stronger confidence, and resilient valuation in an increasingly uncertain and complex global environment.

Trusted by boards, management teams, and investors worldwide, we help leaders anticipate shifts, seize opportunity, create advantage, and excel on the most demanding global stage driving sustained value creation.

Enterprise Strategy & Value-Creation || Leadership, Governance, & Board Effectiveness || Perception & Investor Intelligence || Investor Relations, Capital Markets Days, Financial Communications & Transactions || Individual Owners Investor Strategy & Market Engagement || Investor Relations Program Optimization || Geopolitical, Policy, & Stakeholder Risk || Reputation, Communications, & Crisis Management || Bespoke Solutions

Three themes define the path forward

1

Structural Valuation Fragility

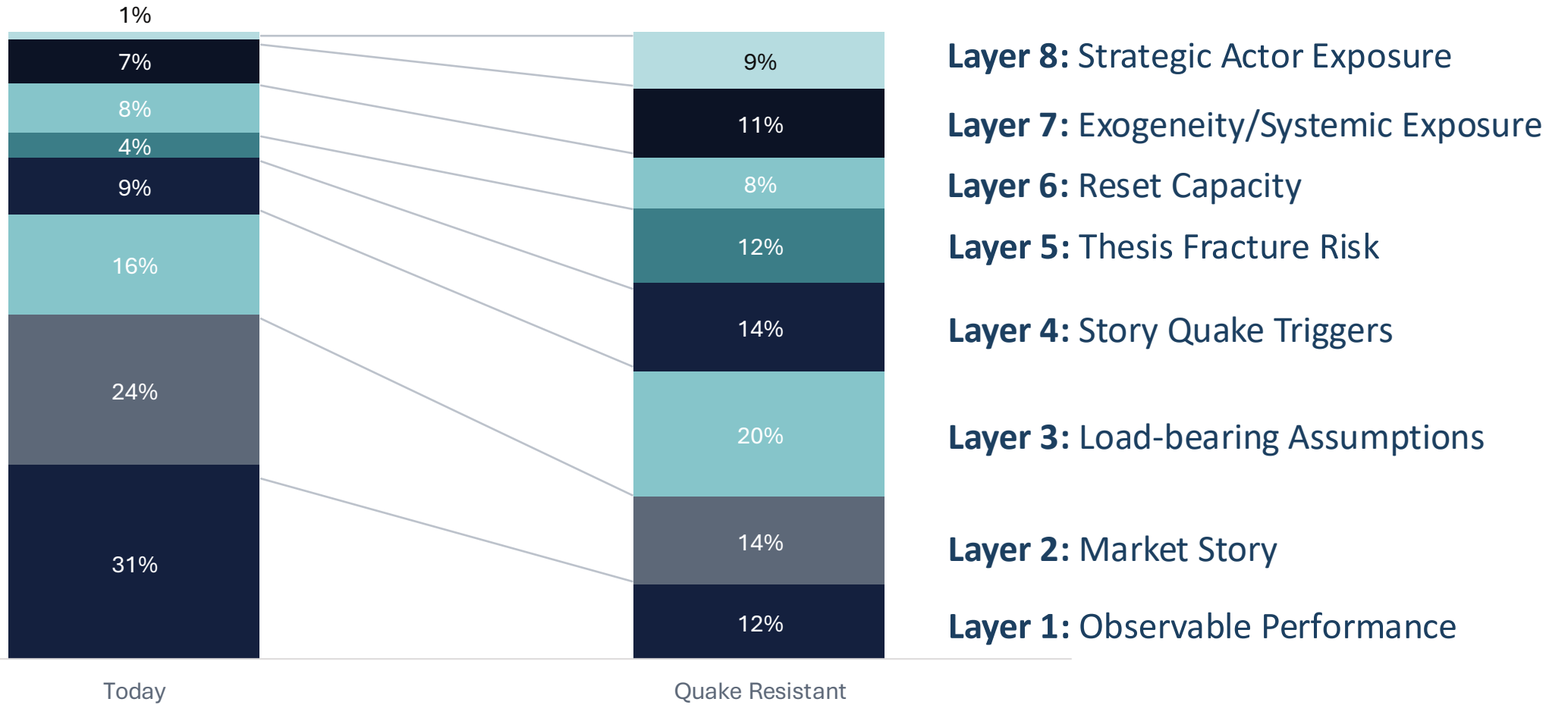
2

Era of Strategic Agency

3

Preventable Volatility &
Valuation Resilience

29% of Investor Communication is Mis-Aligned to Valuation Requirements





Valuation Resilience Is A Strategic Imperative



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.

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

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

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	2030
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%	20% / 80%



What Is Driving Higher Valuation Fragility

The Narrative Half Life Has Collapsed

Stable
Narrative

Long Duration
Expectations

Premium
Valuation
Multiple

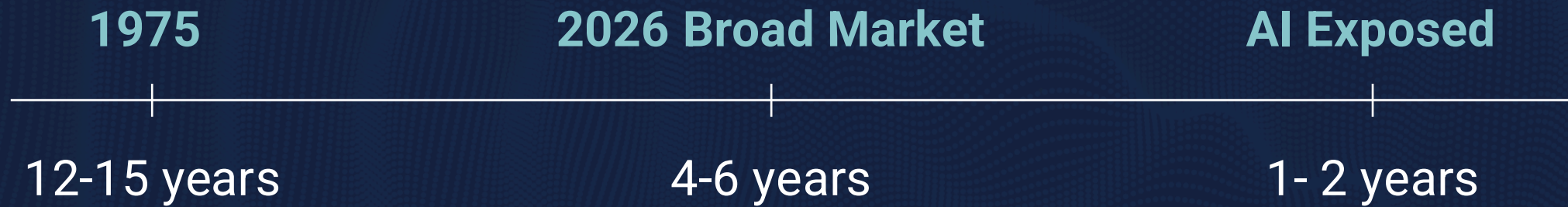
- Narratives extend perceived duration
- Story Quakes shorten perceived duration
- Durations collapse triggers multiple compression

Narrative
Break

Duration
Collapse

Multiple
Compression

Competitive Cycles Have Significantly Shortened



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.

Intangible capital is increasing



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.



How Story Quakes Trigger Valuation Resets

What is a Story Quake



When investor communication is misaligned with investor valuation needs during a time of transformational change, the equity story can fracture into a valuation reset

Some Events Change Numbers, Story Quakes Change Meaning

A Story Quake occurs when new information causes investors to reinterpret the company's valuation thesis

- It is not merely an earnings miss; it is a break in the assumptions that made the equity story credible
- Story Quakes happen when load-bearing assumptions break: pricing power, margin durability, retention, capital efficiency, regulation, or competitive position

Not every selloff is a Story Quake

Ordinary Earnings Miss

- Changes estimates
- Usually affects near-term numbers
- Can recover with execution
- Investor question: “What changed this quarter?”

Story Quake

- Changes the valuation frame
- Affects perceived duration
- Requires narrative reset
- Investor question: “Is the thesis still true?”

Typical Story Quake Triggers

*Contradiction between
stated strategy and
observed economics.*

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

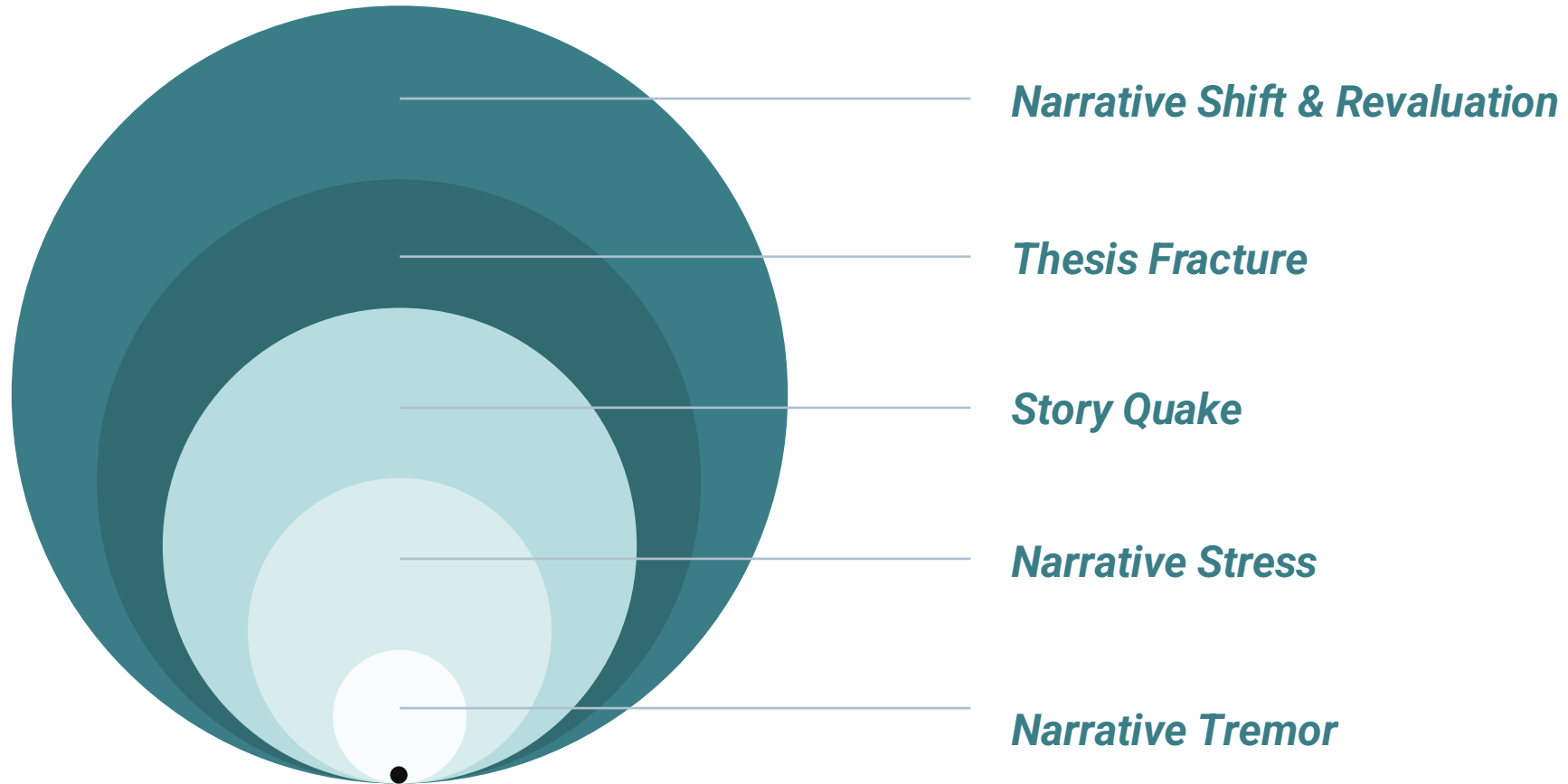
Contagion from
one weak segment,
geography, or end-
market into a broader
system of
assumptions.

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

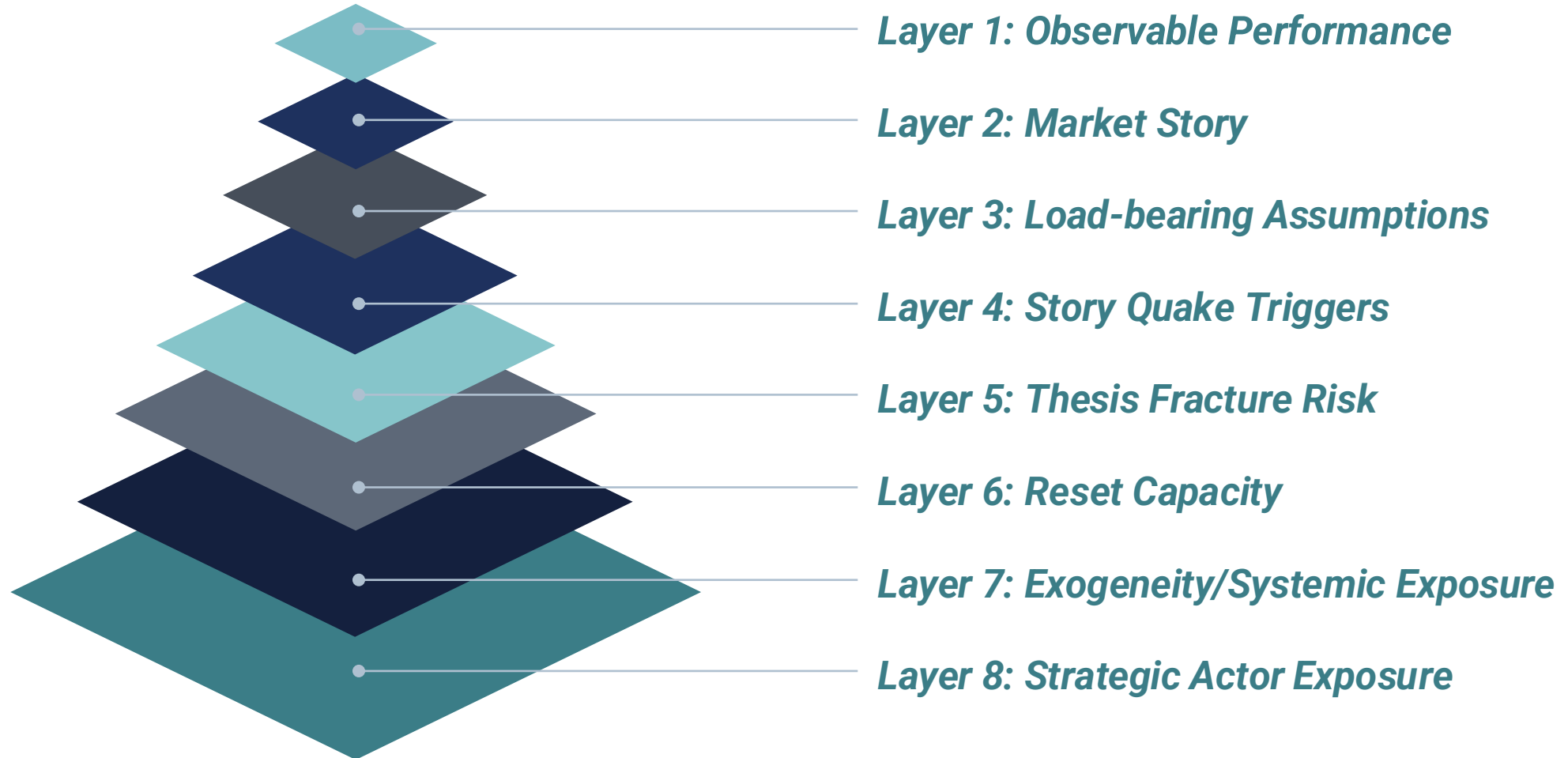
Displacement by
a competitor,
technology, regulation,
or channel change that
alters the structure of
the market.

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



The Layers of Communication

Eight Layers of Communication

Observable Performance

What happened;
Visible operating output of the business, including: revenue, margins, guidance, cash flow

CURRENT WEIGHTING

31%

RECOMMENDED WEIGHTING

12%

Market Story

Why the performance deserves duration and a premium: durable growth, Defensible moat, business model quality, Category leadership

CURRENT WEIGHTING

24%

RECOMMENDED WEIGHTING

14%

Load-bearing Assumptions

What must remain true for the story to hold: Demand quality, pricing durability, competitive stability, margin stability

CURRENT WEIGHTING

16%

RECOMMENDED WEIGHTING

20%

Story Quake Triggers

What could destabilize assumptions and weaken the story's coherence: Contradiction, Contagion, Incoherence, Compression, Displacement

CURRENT WEIGHTING

9%

RECOMMENDED WEIGHTING

14%

Thesis Fracture Risk

How close the valuation narrative is to a permanent change in frame: defining risk of multiple compression, risk the old narrative no longer explains value

CURRENT WEIGHTING

4%

RECOMMENDED WEIGHTING

12%

Reset Capacity

How to restore coherence, prevent temporary shock from becoming durable: Operational, Financial, Leadership & governance

CURRENT WEIGHTING

8%

RECOMMENDED WEIGHTING

8%

Exogeneity/Systemic Exposure

What external forces can overwhelm the thesis regardless of execution: macro, policy, regulatory, geopolitical, ecosystem

CURRENT WEIGHTING

7%

RECOMMENDED WEIGHTING

11%

Strategic Actor Exposure

Which external actors can deliberately change the strategic path or valuation: Competitive actor, Capital market, counterparty

CURRENT WEIGHTING

1%

RECOMMENDED WEIGHTING

9%

Communication Architecture Differs by Sector Due to Differing Load-Bearing Assumptions

	Observable Performance	Market Story	Load-Bearing Assumptions	Story Quake Triggers	Thesis Fracture Risk	Reset Capacity	Exogeneity / Systematic Exposure	Strategic Actor Exposure
Software / AI		High	High	High				High
Semiconductors			High	High			High	High
Banks	High				High	High	High	
Energy	High					High	High	
Healthcare				High			High	High
Industrials			High			High	High	
Consumer		High	High	High				
Utilities	High					High	High	



Story Quakes Create Deeper and Longer Valuation Resets and Multiple Compression

Research demographics, company universe

2,281 valuation reset events | Global public markets | 2000–2026

Universe Weighted cross-sector screen of the 5,000 largest publicly traded companies globally by market capitalization, calibrated to approximate MSCI World Index composition. The initial 2,281 qualifying events were reduced to an analytical sample of N=1,762 after removing events with insufficient post-event data and controlling for concurrent M&A activity and other variables.

Time Period 2000–2026, spanning multiple market regimes: the dot-com unwind, the 2008 financial crisis, the post-QE expansion, the 2022 rate shock, and the emergence of AI disruption.

Valuation Reset A single-session share price decline of 10% or more, confirmed by a measurable shift in forward multiple, sell-side estimate revision, or analyst rating action within 10 trading days. Price decline alone was not sufficient for inclusion.

Story Quake vs. Earnings Miss Events were classified using contemporaneous earnings transcripts, filings, and sell-side research. An *earnings miss* changes near-term estimates. A *Story Quake* changes the valuation frame.

Outcome Measures 1, 4, 8 and 16 week drawdowns; days to full price recovery; change in forward P/E multiple.

Recovery Share price at or above its pre-event close for three consecutive sessions. Events without recovery within 500 calendar days were excluded from recovery averages but retained for multiple compression analysis.

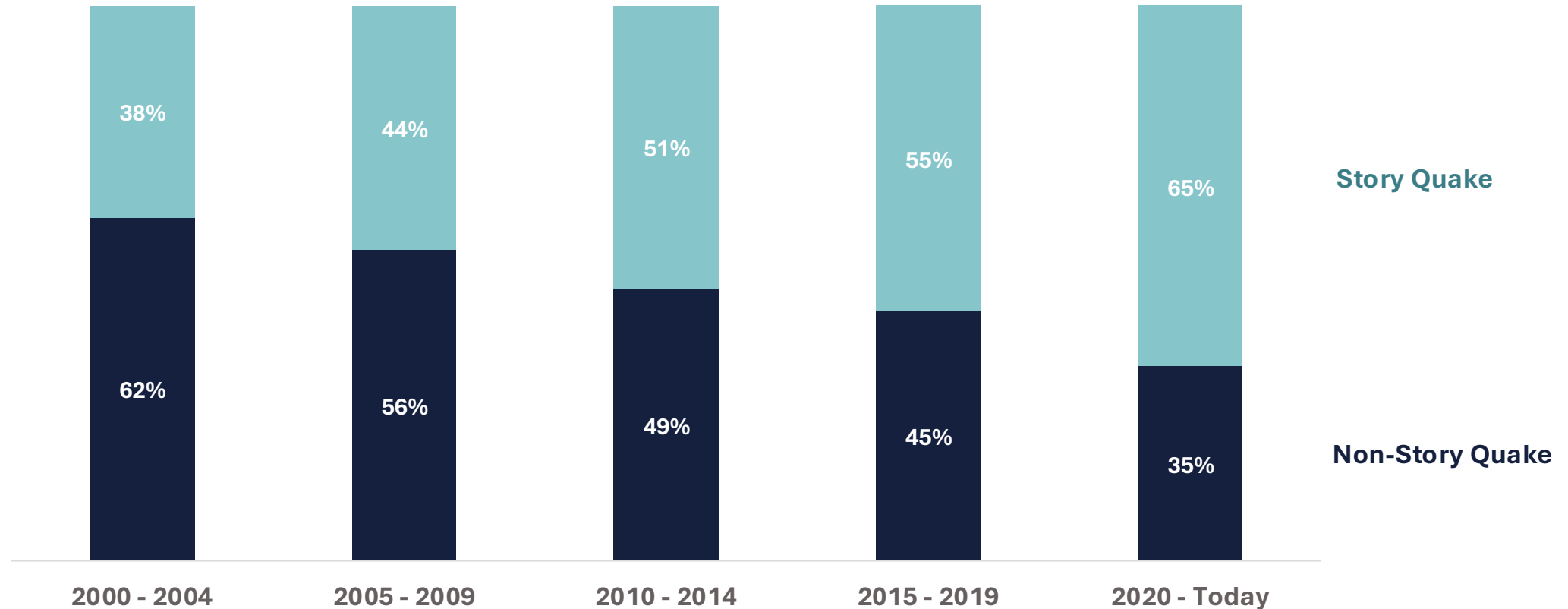
Reset Capacity A composite score across operational, financial, and leadership/governance, measuring a company's ability to prevent a temporary shock from becoming a durable rerating. Companies are assigned to High, Medium, or Low terciles throughout the analysis.

When the Story Breaks, the Multiple Breaks

Before the Quake	Story Quake	After the Quake
<ul style="list-style-type: none">• Stable narrative• Long-duration expectations• Premium multiple• Investor confidence in assumptions	<ul style="list-style-type: none">• Assumption break• Strategic contradiction• Business model displacement• Narrative incoherence• External shock	<ul style="list-style-type: none">• Duration shortens• Risk premium rises• Multiple compresses• Recovery depends on reset capacity

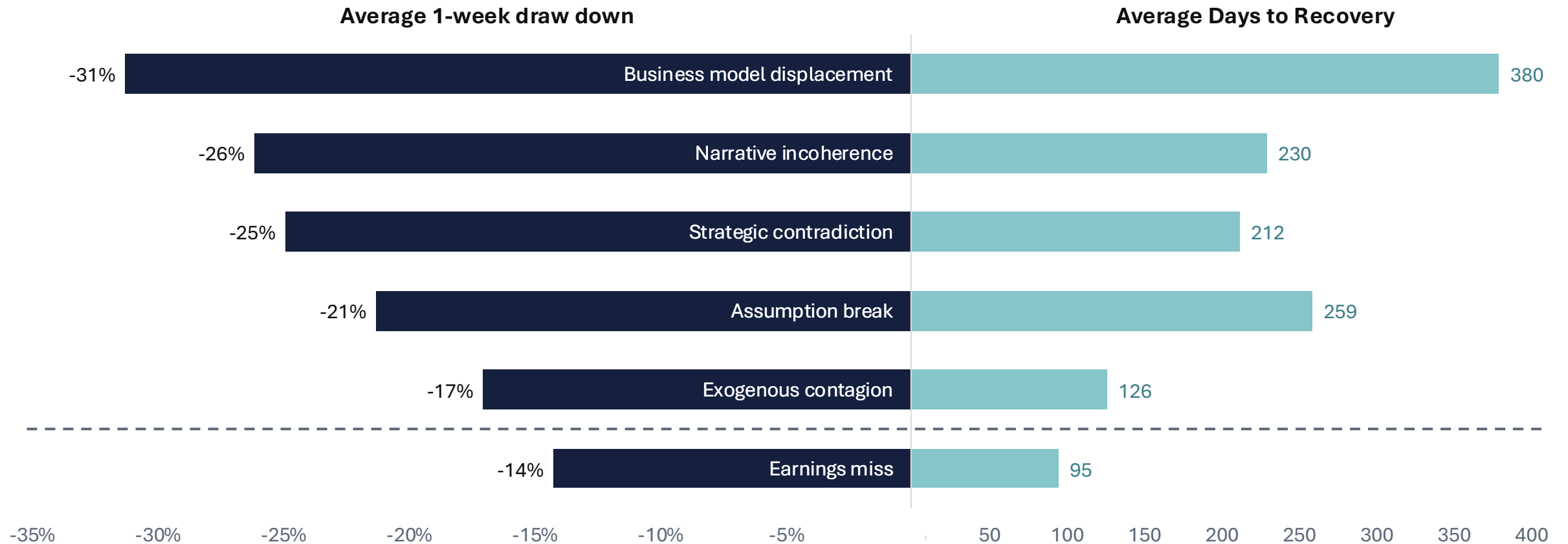
The faster management restores coherence, the less likely a temporary shock becomes a durable rerating.

Valuation Resets Are Increasingly Driven by Story Quakes



AI-era information velocity, macro complexity, and shorter competitive cycles mean investors are rarely surprised by a single quarter's numbers.

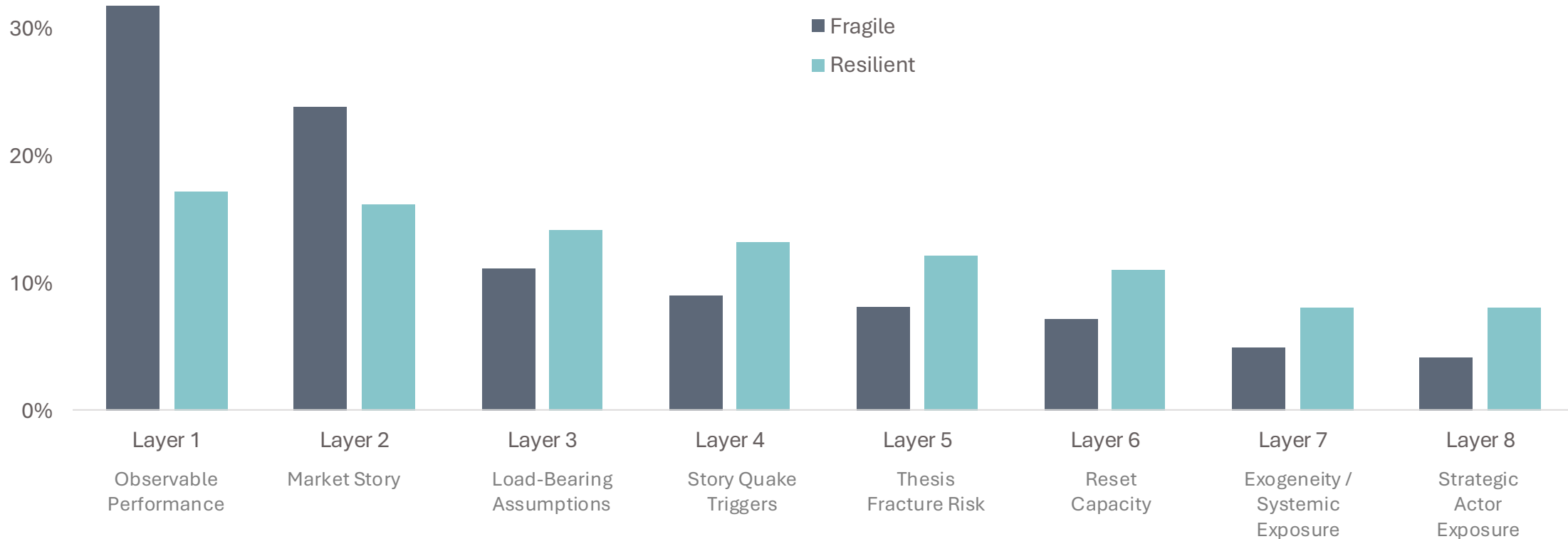
Story Quake Reset Triggers Have More Challenging Outcomes



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

Resilient Companies Communicate More on Strategic Layers 3 - 8

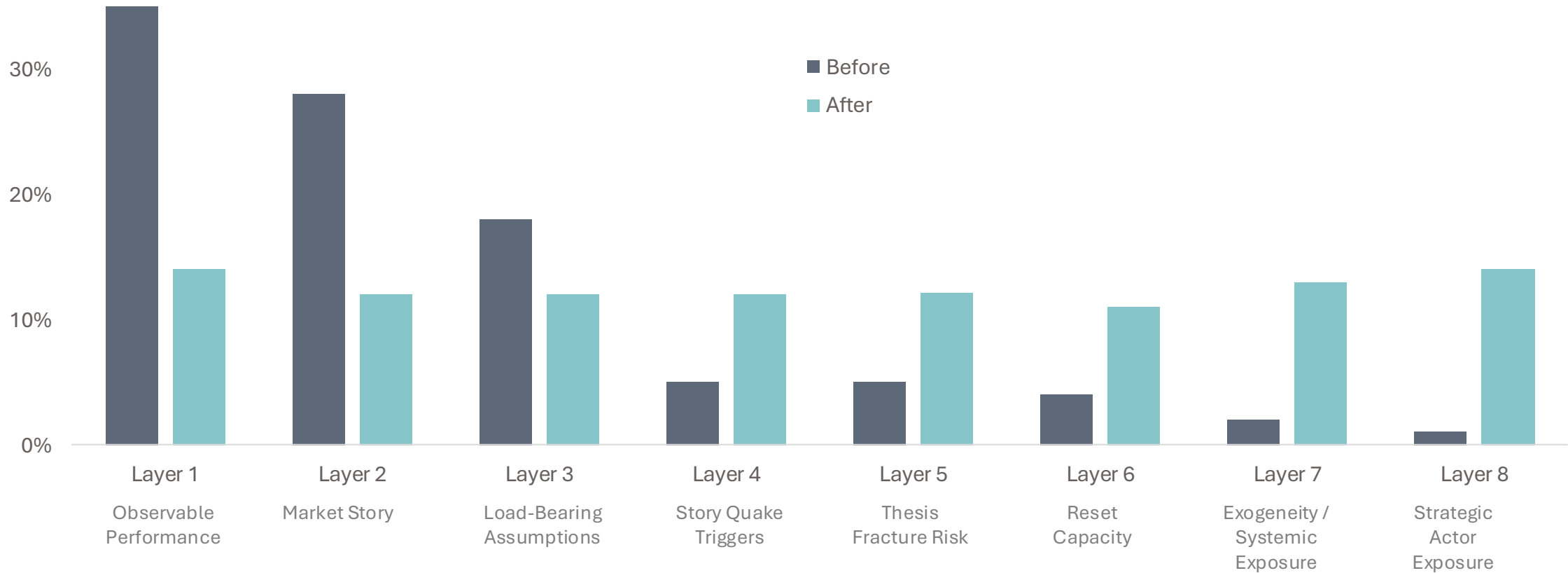
Average Communication Mix by Company Type



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

Companies typically make a hard pivot after a Story Quake

Average Communication Mix by Company Type



Post Quake companies spend more time on Layer 5 - 8



Case Studies

Case Study



Software

Event Window: 2025 – 2026

Trigger Type: Business Model Displacement

Story Quake

Primary Layer Failure: L3: Load-bearing Assumptions

Secondary Layer Failure: L4, L5, L6, L8

What Broke: Durability of subscription growth, pricing power, seat expansion, retention, and AI defensibility

Recovery

Expected Market Reaction: Multiple compression, lower growth duration, lower net-retention assumptions, higher skepticism around terminal growth

Recovery Burden: High unless management proves AI relevance, pricing resilience, usage growth, and reset capacity

Key Diagnostic Question: Is AI expanding the software company's moat, or compressing the economic logic of the model?

Case Study



Healthcare Services

Event Window: 2025 – 2026

Trigger Type: Assumption Break / Thesis Fracture Risk

Story Quake

Primary Layer Failure: L5: Thesis Fracture Risk

Secondary Layer Failure: L3, L4, L6, L7

What Broke: Confidence in medical-cost visibility, reimbursement durability, utilization forecasting, margin stability, and management's ability to predict the economic engine

Recovery

Expected Market Reaction: Guidance reset, credibility discount, valuation multiple compression, peer contagion, longer recovery period

Recovery Burden: Very high if investors believe the issue is structural rather than a temporary utilization or reimbursement cycle

Key Diagnostic Question: Does management still have control and visibility over the drivers of margin and earnings durability?

Case Study



Biopharma

Event Window: 2025 – 2026

Trigger Type: Competitive Displacement, Narrative Incoherence

Story Quake

Primary Layer Failure: L4: Story Quake Triggers

Secondary Layer Failure: L3, L5, L7, L8

What Broke: Confidence in category leadership, durable pricing, access, adherence, supply execution, pipeline depth, or market-share persistence

Recovery

Expected Market Reaction: Premium multiple erosion, reduced terminal-growth expectations, investor rotation toward perceived category winners

Recovery Burden: High unless the sector participant can prove durable demand, defensible share, payer access, pipeline optionality, and execution capacity

Key Diagnostic Question: Is the sector leader still structurally advantaged, or is the market reclassifying the category as more competitive and less durable?

Case Study



Consumer Durables

Event Window: 2025 – 2026

Trigger Type: Exogenous Contagion / Reset Capacity Test

Story Quake

Primary Layer Failure: L7: Exogeneity / Systemic Exposure

Secondary Layer Failure: L4, L5, L6, L8

What Broke: Assumptions around tariff benefit, pricing power, sourcing flexibility, competitive behavior, margin protection, or dividend/capital-return durability

Recovery

Expected Market Reaction: Margin reset, guidance reduction, dividend skepticism, valuation discount for external-policy exposure

Recovery Burden: Medium to high if management can demonstrate sourcing optionality, pricing recovery, cost actions, and flexible capital-allocation

Key Diagnostic Question: Can management convert external volatility into defended economics, or do policy and supply-chain forces now control the valuation frame?

Case Study



Entertainment

Event Window: 2025 – 2026

Trigger Type: Trust / Regulation vs. Growth Thesis

Story Quake

Primary Layer Failure: L6: Reset Capacity

Secondary Layer Failure: L3, L4, L5, L7

What Broke: Confidence that user growth, engagement quality, monetization, trust, safety, privacy, and regulatory tolerance can all scale together

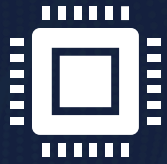
Recovery

Expected Market Reaction: Bookings or revenue reset, engagement-quality discount, lower monetization assumptions, slower multiple recovery

Recovery Burden: High if trust and safety actions appear to impair growth; lower if management proves healthier engagement, durable retention, and stable monetization

Key Diagnostic Question: Can the platform protect trust and regulatory tolerance without weakening the growth engine investors were valuing?

Case Study



Semiconductors

Event Window: 2025 – 2026

Trigger Type: Strategic Actor Exposure / Customer Concentration Shock

Story Quake

Primary Layer Failure: L8: Strategic Actor Exposure

Secondary Layer Failure: L3, L4, L5, L7

What Broke: Confidence that hyperscalers, sovereign buyers, platform owners, export-control regimes, or major customers would continue supporting the same demand trajectory, margin structure, supply access, or ecosystem position

Recovery

Expected Market Reaction: Multiple compression, customer-concentration discount, lower terminal demand confidence, increased geopolitical discount

Recovery Burden: High unless management proves diversified demand, resilient customer commitments, policy navigation, supply-chain control, and relevance

Key Diagnostic Question: Is the company shaping the AI infrastructure ecosystem, or are hyperscalers, sovereign actors, and platform buyers shaping the valuation frame?

Case Study



Payments/ Fintech

Event Window: 2025 – 2026

Trigger Type: Platform / Regulator / Commercial
Counterparty Exposure

Story Quake

Primary Layer Failure: L8: Strategic Actor
Exposure

Secondary Layer Failure: L3, L4, L5, L6, L7

What Broke: Confidence that networks, banks, regulators, large merchants, wallet platforms, app stores, or embedded-finance partners would continue preserving the company's economics, take rate, access, growth algorithm, or competitive position

Recovery

Expected Market Reaction: Take-rate compression, valuation discount for platform dependency, lower growth-duration assumptions, disintermediation

Recovery Burden: Medium to high depending on if management can prove pricing durability, regulatory adaptability, partner diversification, and distribution

Key Diagnostic Question: Does the company control its own economic architecture, or can regulators, platforms, banks, and large merchants reroute the value chain?



Story Quake In Action

The Narrative Volatility Index

Valuation fragility
can be diagnosed
before the reset

Risk Dimensions

Narrative Dependence

How much of the multiple depends on future belief rather than current cash flow?

Assumption Fragility

How many load-bearing assumptions could break?

Shock Exposure

How exposed is the thesis to external disruption?

Narrative Coherence

Do strategy, economics, capital allocation, and evidence tell the same story?

Reset Capacity

Can management re-anchor confidence if pressure emerges?

The Narrative Volatility Index

The output is not a risk score; it is a management agenda

Index Score

1.0 - 1.9

2.0 - 2.9

3.0 - 3.9

4.0 - 5.0

Stable

Sensitive

Elevated

High Volatility

Meaning

Current economics anchor the valuation

Selective fault lines exist

Thesis is vulnerable to reinterpretation

Small shocks can cause durable rerating

Required Posture

Maintain proof

Monitor assumptions

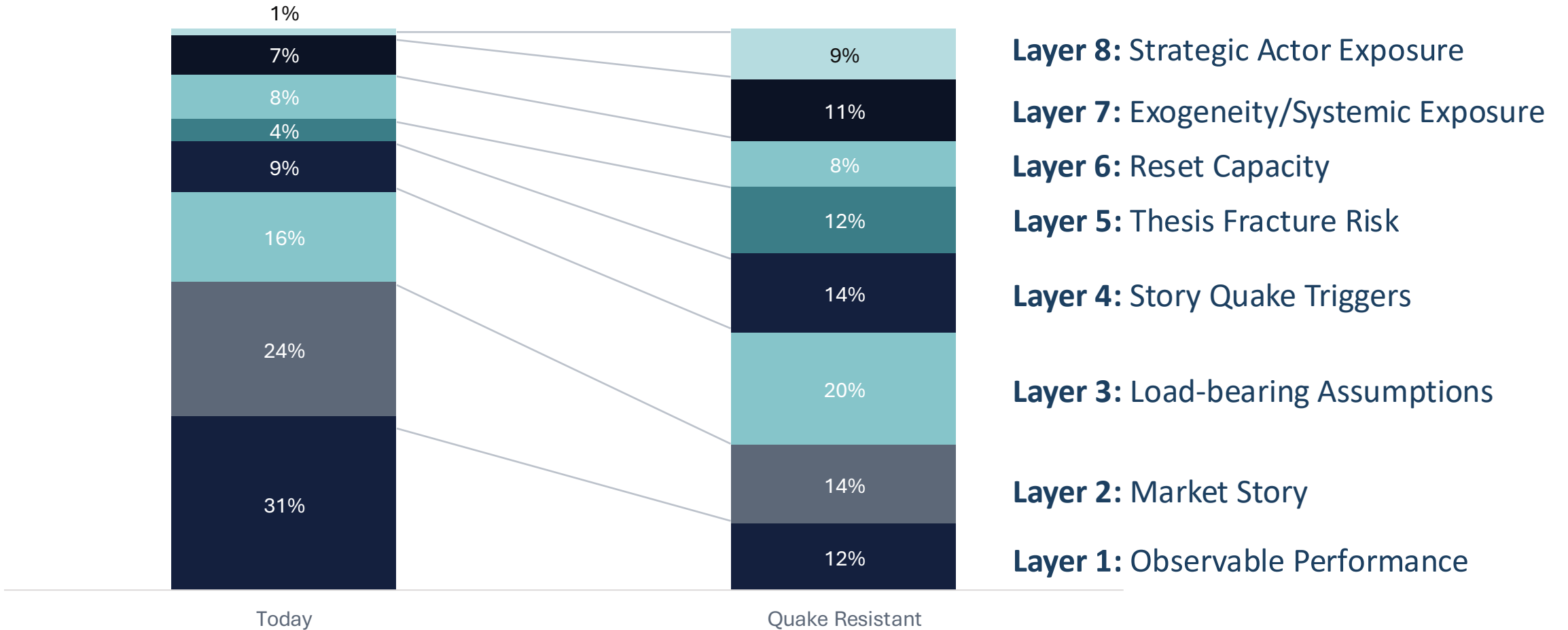
Pre-wire reset plan

Rebuild coherence, now

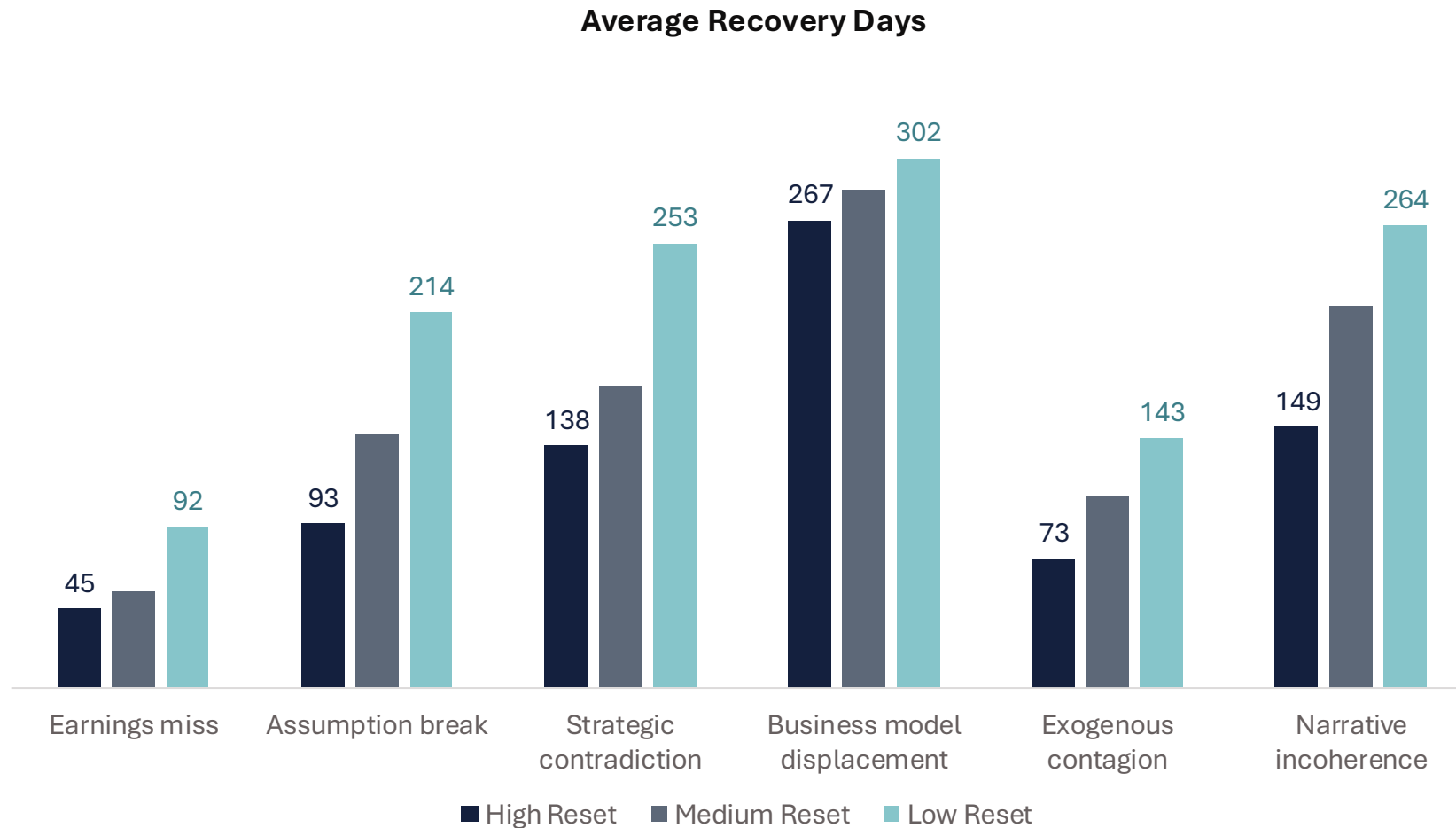


The Solution: Build a Resilient Valuation Architecture

Layers of Communication: Today vs. Quake Resistant

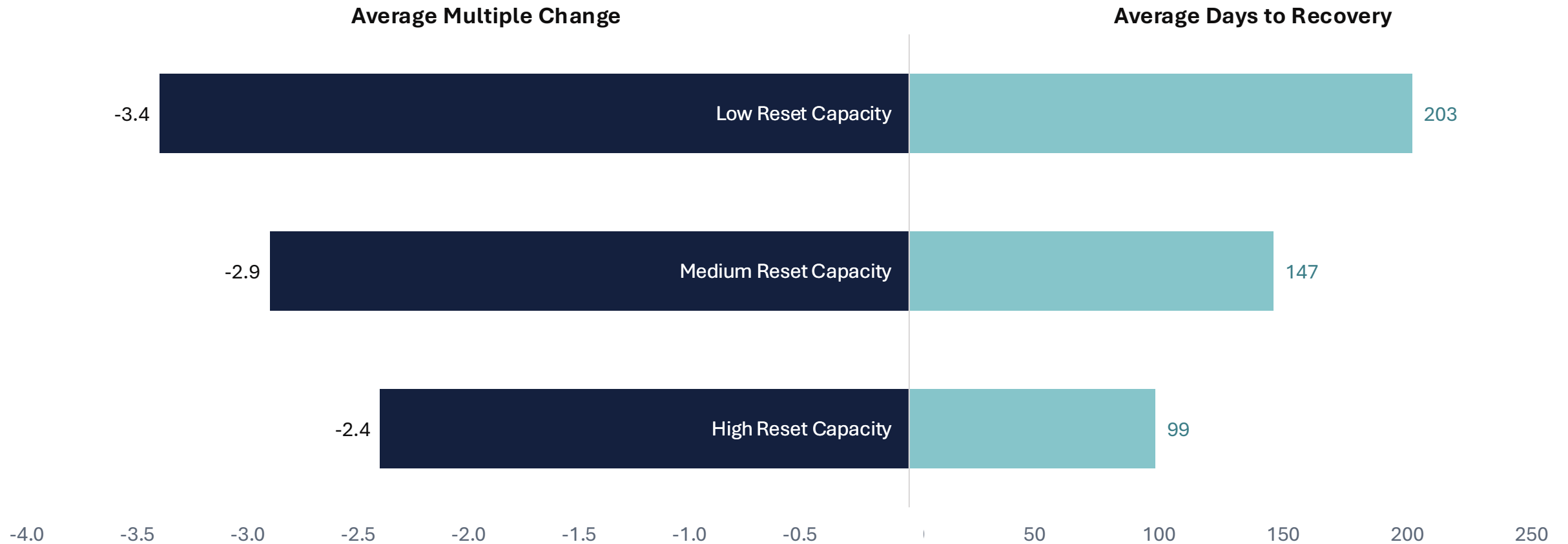


Higher Reset Capacity Shortens Valuation Recovery Time

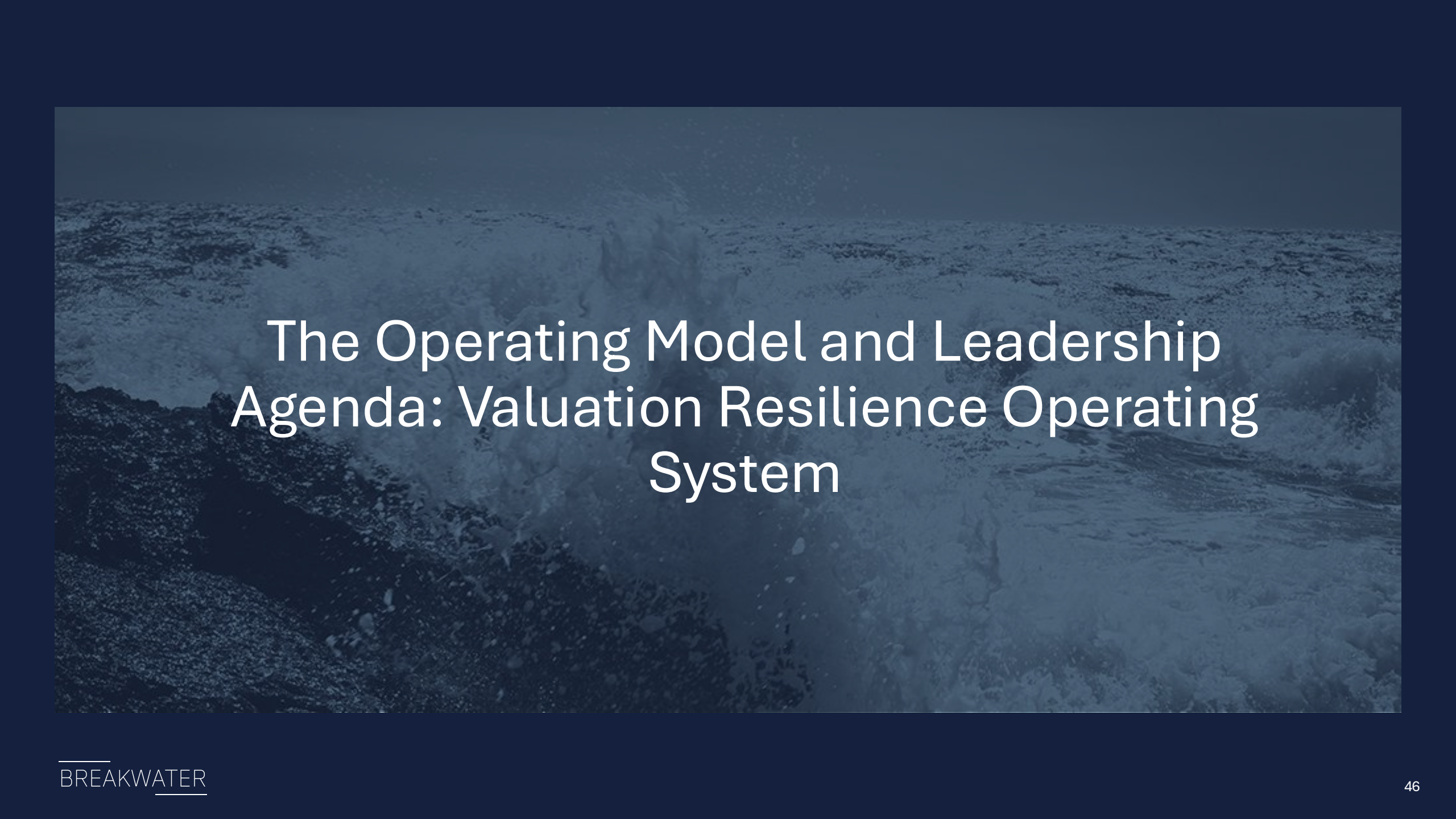


High reset capacity does not erase a Story Quake, but it shortens recovery time materially, especially for contradiction and displacement events.

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.



The Operating Model and Leadership Agenda: Valuation Resilience Operating System

Story Quake Stability

1

Valuation thesis map

Identify what investors must believe for the current multiple to hold

2

Load-bearing assumption register

Name the assumptions carrying the thesis: pricing, margins, growth, capital efficiency, retention, regulation, technology, market structure

3

Story Quake trigger dashboard

Track the indicators that would signal assumption stress

4

Narrative coherence audit

Test whether strategy, economics, KPIs, capital allocation, guidance, executive behavior, and investor messaging reinforce the same logic

5

Reset playbook

Define what management will say and do if the thesis comes under pressure

6

Investor signal architecture

Ensure earnings, investor days, Q&A, website, sell-side engagement, board materials, and crisis responses all reinforce the same value logic

Valuation Resilience Needs to be on the C-Suite and Board Agenda

CEO

Strategic coherence and the credibility of the long-term story

CFO

Translation from strategy to economics, capital allocation, ROIC, FCF, and valuation logic

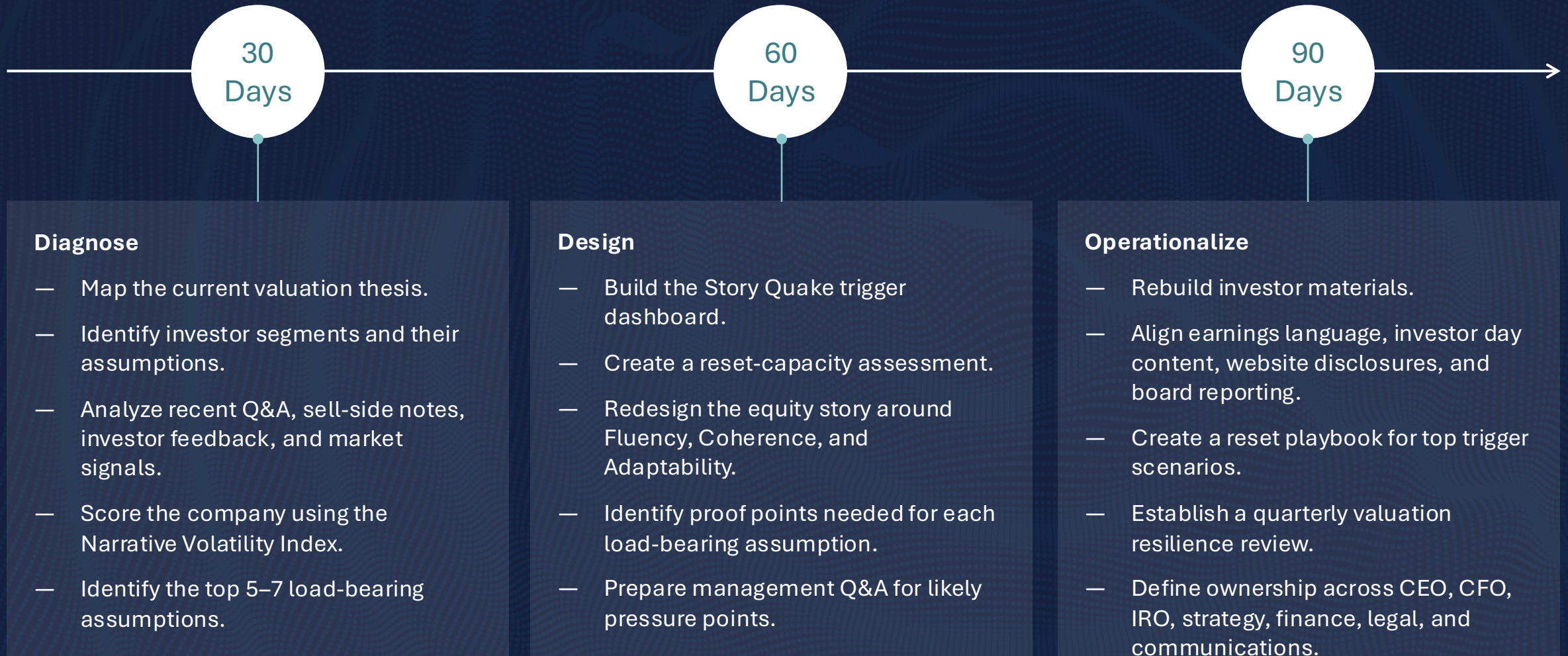
IRO

Investor intelligence, assumption monitoring, signal architecture, and narrative consistency

BOARD

Oversight of valuation risk, strategic resilience, capital discipline, and management credibility

90-Day Action Plan





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

About Breakwater Capital Markets

We have a global mandate.

We bring distinctive judgment and deep market insight to the decisions that shape valuation, command investor confidence, and position companies for enduring leadership.

Our proprietary Valuation Operating System (VOS) transforms how companies build, defend, and accelerate value, integrating market intelligence, compelling equity narratives, and precision investor engagement into a single, powerful engine. The result is sharper perception, stronger confidence, and resilient valuation in an increasingly uncertain and complex global environment.

Trusted by boards, management teams, and investors worldwide, we help leaders anticipate shifts, seize opportunity, create advantage, and excel on the most demanding global stage driving sustained value creation.

Enterprise Strategy & Value-Creation || Leadership, Governance, & Board Effectiveness || Perception & Investor Intelligence || Investor Relations, Capital Markets Days, Financial Communications & Transactions || Individual Owners Investor Strategy & Market Engagement || Investor Relations Program Optimization || Geopolitical, Policy, & Stakeholder Risk || Reputation, Communications, & Crisis Management || Bespoke Solutions

For additional information, please
contact mark@breakwaterstrategy.com

BREAKWATER



CAPITAL MARKETS

BREAKWATER



Appendix

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

BREAKWATER

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 close the valuation narrative is to a permanent change in frame.

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:

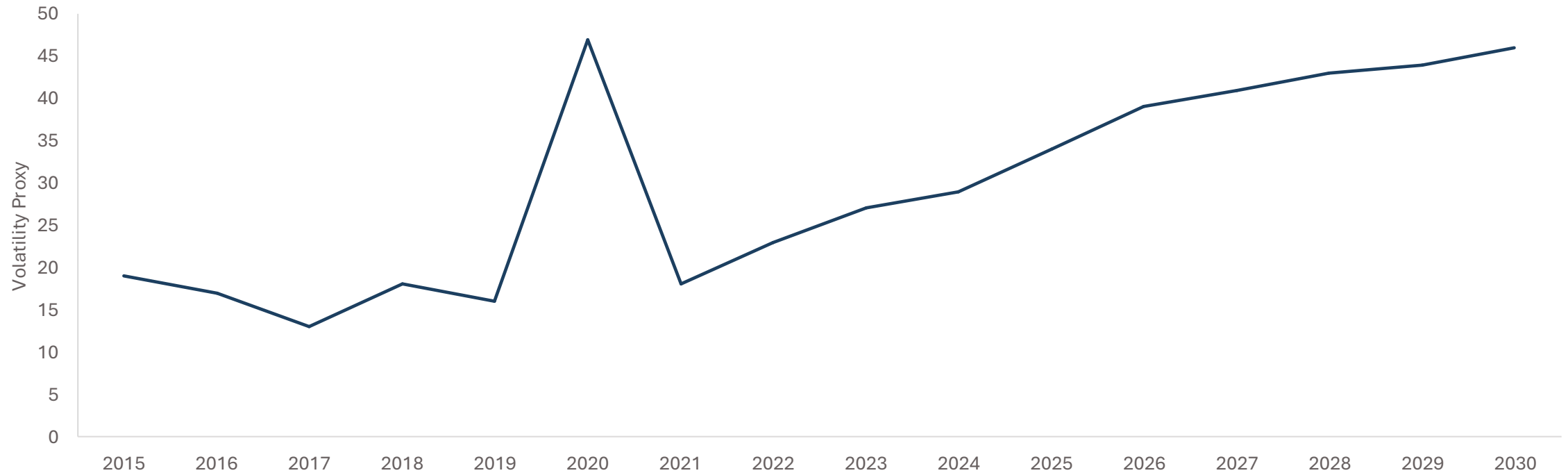
Risk is described generically instead of naming who can move first, how they can alter the thesis, and what management can do.

Share of communication today: 3%

Recommended share: 4%

Volatility Is Moving Structurally Higher But Unevenly

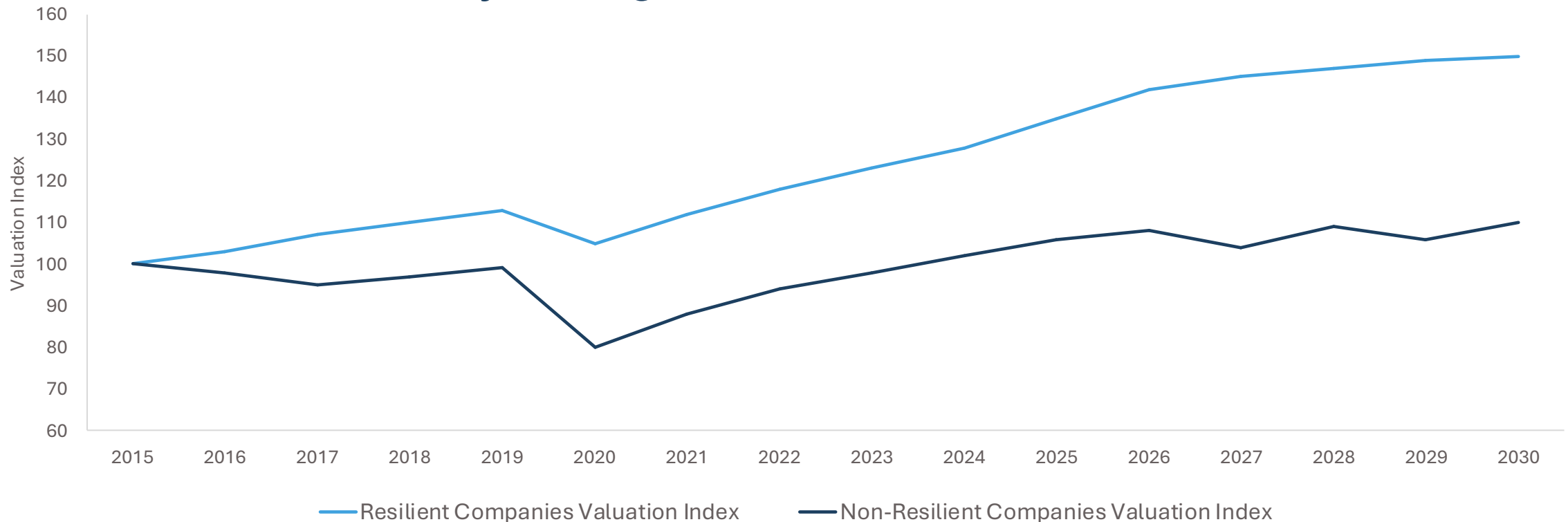
Volatility Proxy



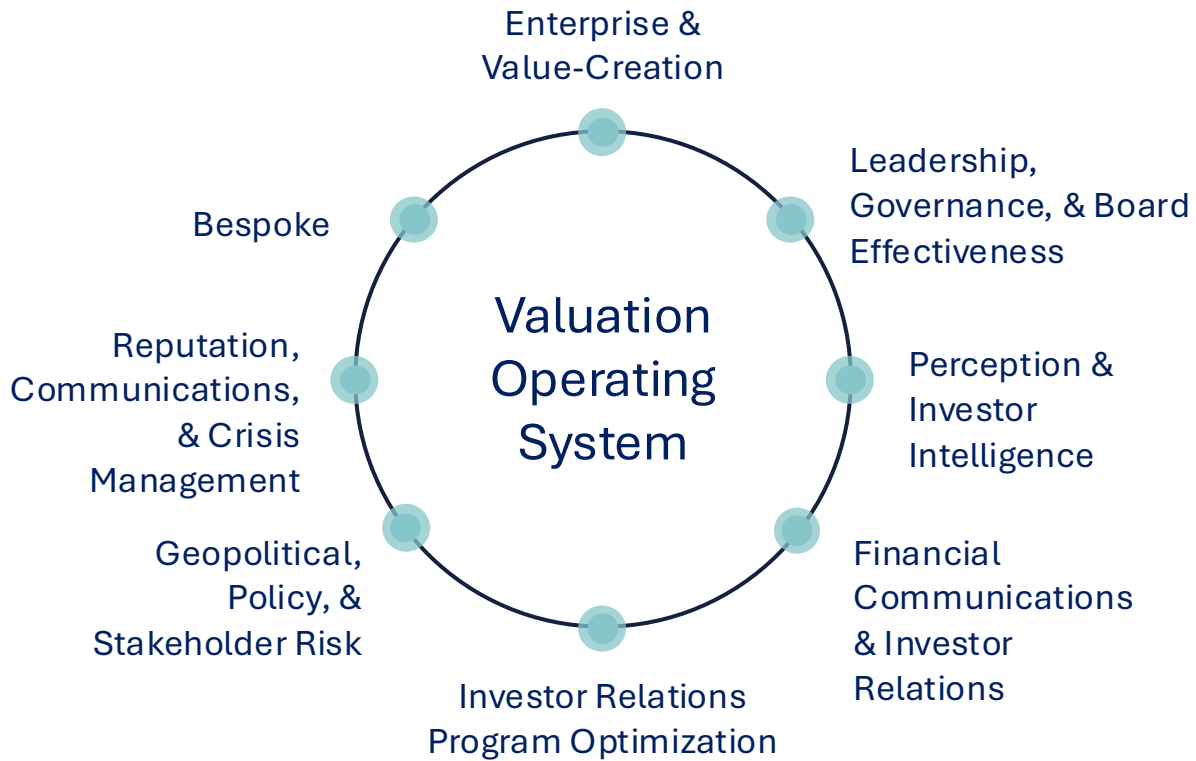
Companies That Demonstrate Valuation Resilience Have An Expanding Valuation Advantage

N – 1,762

Key Changes to Valuation Models



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%