Winners, Losers, and Narratives:
A Behavioral Finance Study of Valuation Before, During and After COVID-19

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Introduction

The COVID-19 pandemic caused a severe disruption to global markets, accelerating digital adoption and dramatically altering investor behavior. Certain companies–especially in tech, e-commerce, and digital services–were rapidly labeled as "COVID winners," while others in the same industries were neglected or punished. These shifts often occurred faster than changes in fundamentals, raising questions about the role of sentiment and behavioral bias in valuation.

Future dissertation will investigate whether such divergences in valuation were justified by financial performance, or whether they reflect deeper behavioral patterns–such as narrative framing, overconfidence, and herd behavior–amplified by crisis conditions. By comparing firms in similar sectors that received significantly different valuation treatment, the study aims to evaluate to what extent market reactions were rational or biased.

The proposed research contributes to behavioral finance literature by using real-world crisis data to explore how valuation is influenced not just by fundamentals, but by investor psychology. It also offers practical insights into valuation reliability during extreme uncertainty, which is of increasing importance for analysts, portfolio managers, and corporate finance professionals.

My motivation to pursue this topic arises from a strong interest in both valuation and behavioral finance, supported by academic background and professional experience. I have worked in financial operations and analysis across multinational firms and completed a master's thesis on cognitive biases in startup valuation. The COVID period presents a unique and highly visible opportunity to extend this research into listed firms, and to produce findings that are both academically relevant and practically actionable.

1. Research Aim and Research Questions

Future dissertation will aim to investigate the extent to which the valuations of COVID-era market winners and losers were driven by financial fundamentals as opposed to behavioral biases. The core interest lies in understanding whether the significant valuation divergences observed during the pandemic–often between companies operating within the same industries–can be explained by rational expectations of performance, or whether they reflect distortions rooted in investor psychology, narrative framing, and crisis-induced sentiment. The main research question guiding this study is:

To what extent were the valuations of COVID - era market winners and losers driven by fundamentals versus behavioral biases?

To address this question, the research will examine how valuation multiples such as price-to-earnings and price-to-sales evolved between 2018 and 2023 among pairs of companies with comparable business models and sectoral positioning. These firms—carefully selected to represent both "winners" and "losers" of the COVID period—will be analyzed in terms of their financial performance as well as their narrative positioning in investor communications and media discourse. A key line of inquiry will assess whether firms that projected stronger narratives of resilience, disruption, or digital transformation received disproportionate valuation premiums relative to peers with similar or even superior fundamentals.

Furthermore, the study will seek to identify the types of behavioral biases that may have contributed to such valuation distortions. These may include narrative bias, extrapolation of short-term trends, overconfidence in specific business models, or herd behavior among investors and analysts. The presence of such biases will be examined through qualitative analysis of earnings calls, CEO statements, and media coverage, triangulated with valuation data and market reactions.

The research will also evaluate the post-pandemic period, particularly in relation to valuation corrections. It will consider whether corrections were symmetrical across firms and whether they were driven by earnings disappointment, strategic failures, or merely a dissipation of sentiment. This retrospective phase will help establish whether the initial valuations reflected durable insights or temporary emotional reactions.

2. Condensed Literature Review

This dissertation aims to contribute to the literature on behavioral finance and valuation theory by investigating the role of investor psychology and narrative dynamics in explaining valuation divergence between comparable firms, particularly during periods of heightened uncertainty.

By combining qualitative and quantitative analysis across multiple matched case studies, the dissertation aims to contribute to the literature on behavioral finance and valuation theory. It will provide empirical insights into how investor psychology interacts with financial expectations during periods of uncertainty and how narrative dynamics can shape market pricing in ways that depart from rational models.

Traditional finance theory assumes that markets are efficient and that asset prices reflect all publicly available information. Under this view, firms are valued through models that forecast future cash flows and discount them according to their risk profile. These methods—such as Discounted Cash Flow (DCF) and relative valuation using market multiples—remain the dominant tools for practitioners and academics alike. As Fernandez (2002) notes, valuation is grounded in the principle that firm value derives from expected future cash flows and their associated risk. Pignataro (2022) likewise presents financial modeling as a structured process through which quantitative assumptions about revenue, margins, and growth are translated into a point estimate of firm value.

However, both authors also acknowledge that valuation models are highly sensitive to assumptions. Fernandez (2002) warns that even small changes in input variables—such as growth rates or discount rates—can dramatically alter a company's theoretical value. This makes valuations particularly vulnerable during periods of uncertainty, when those assumptions become speculative.This argument can further be developed for application during crises; data can be easily manipulated or misinterpreted because the future cash flows are unknown and investor expectations are unstable. In such contexts, the idea of an "objective" valuation becomes questionable.

A deeper critique comes from Polleit (2021), who challenges the core philosophical foundations of modern financial theory. He argues that financial markets are often modeled as mechanistic systems that ignore the role of human intention, emotion, and uncertainty. According to Polleit, prices in real markets are the result of purposeful human action, rather than equilibrium-seeking algorithms. He further suggests that the notion of a "correct" price is flawed because valuation always involves subjective judgment under

uncertainty. This perspective is especially relevant in crisis periods, when investor decisions are not driven solely by financial analysis, but by emotional responses to rapidly evolving circumstances.

Behavioral finance provides a robust framework for understanding how real-world investors deviate from rational models. Drawing on the work of Tversky and Kahneman (1974), this literature identifies systematic errors in judgment that arise when individuals rely on heuristics. For example, the representativeness heuristic leads people to make judgments based on how closely an outcome fits a stereotype, often ignoring statistical probabilities. Similarly, availability bias causes people to assess likelihood based on how easily examples come to mind, rather than on factual data. These biases become especially relevant during crises, when uncertainty is high and investors gravitate toward simplified narratives. Krawczyk and Baxter (2019) further elaborate on how cognitive limitations, as discussed in the context of attention, memory, and knowledge, contribute to these deviations from rationality. Moreover, emotions also shape investment behavior. Krawczyk and Baxter (2019) emphasize that under conditions of stress or cognitive overload, investors rely heavily on affective cues such as confidence, trustworthiness, or social proof. This "affect heuristic" can cause investors to overvalue companies with strong leadership narratives, sleek branding, or perceived alignment with macro trends—even in the absence of strong fundamentals. In addition, social dynamics like herd behavior amplify these effects. When investors observe others making certain decisions—such as buying shares of firms perceived to benefit from pandemic-related economic shifts—they often follow suit without reassessing underlying value drivers.

Bouteska and Regaieg (2020) provide empirical evidence of how overconfidence and loss aversion distort market behavior. Overconfident investors tend to overweight their private information, underestimate risk, and react disproportionately to good news. This leads to inflated valuations for firms that benefit from a compelling growth narrative. Conversely, loss aversion causes investors to react more strongly to the threat of loss than to the opportunity for gain. By projecting arguments of Bouteska and Regaieg, it can be assumed that stocks associated with pandemic-vulnerable industries were punished more harshly than fundamentals would suggest, even when recovery potential remained. These behaviors create persistent valuation anomalies that are not easily explained by traditional models.

The COVID-19 pandemic offers a unique case study of market reactions. Harjoto and Rossi (2023) demonstrate that during the pandemic, sectors such as e-commerce, remote communication, and digital health experienced positive market reactions, as evidenced by positive cumulative abnormal returns.

Yu et al. (2023) examine the role of news credibility in shaping investor behavior in financial markets. They find that the perceived credibility and emotional framing of news content significantly affect market responses. The study also provides evidence that narrative elements in news can influence asset pricing, potentially leading to valuation disparities even among firms with comparable fundamental values.

While the literature provides robust theoretical and empirical insights into behavioral valuation, few studies apply these concepts in a comparative, intra-industry framework. This dissertation addresses that gap by examining how investor sentiment, media narratives, and behavioral heuristics contributed to valuation divergence between matched company pairs—firms with similar business models but different pandemic-era valuations. By focusing on particular cases, the research will analyze whether observed valuation premiums were grounded in fundamentals or driven by cognitive and emotional factors. In

doing so, the study will extend behavioral finance theory and provide a more nuanced understanding of mispricing during systemic crises.

3. Methodology

3.1 Research Design

The future dissertation will adopt a multiple case study methodology combined with a mixed-methods research design. This approach is well-suited to the core objective of the study: understanding why companies with similar business models experienced such different valuation trajectories during the COVID-19 period, and to what extent these divergences were driven by fundamentals versus behavioral biases.

A multiple case study design is appropriate because the research focuses on a small number of firms (four industry pairs), each observed over a five-year period (2018–2023), within their real-world market and media environments. Case studies are particularly useful when the boundaries between the phenomenon being studied (valuation divergence) and its context (COVID-related market uncertainty) are not clearly defined. As Yin (2018) notes, case study research is ideal when the questions involve "how" and "why," and when the researcher cannot manipulate the behavior of those involved. In this case, valuation patterns will be studied retrospectively, based on naturally occurring financial and narrative data.

The study also follows what Gerring (2007) refers to as a most-similar systems design, wherein firms that are broadly similar in business model, size, industry, and pre-COVID performance are selected for comparison. By holding key contextual variables constant across each pair, the research can more precisely isolate the role of behavioral and narrative factors in driving divergent valuation outcomes. As Gerring explains, this design improves causal inference by maximizing background similarity and focusing analysis on the few dimensions that vary meaningfully—such as investor sentiment or narrative exposure. In the context of this dissertation, the most-similar design helps strengthen claims about the influence of bias by reducing the risk that observed differences are simply due to unrelated structural factors.

Using multiple cases rather than a single example increases both the analytical depth and the generalizability of the findings. Each pair of firms represents a self-contained comparative unit. At the same time, analyzing the full set allows for cross-case synthesis. According to Yin (2018), replication logic in multi-case research strengthens the conclusions by allowing the same theoretical patterns to be tested across different settings.

In addition to the case study structure, the dissertation will follow a mixed-methods design, integrating both quantitative and qualitative forms of data. This is necessary given the dual nature of the research problem: the quantitative side addresses valuation and performance data, while the qualitative side explores narrative framing, sentiment, and behavioral interpretation. Creswell and Clark (2018) emphasize that mixed methods are particularly effective when neither qualitative nor quantitative data alone can fully explain a research problem, and when combining them leads to more complete understanding. Financial metrics and valuation trends will be analyzed alongside textual and media content to build a comprehensive view of each firm's investor perception. The qualitative analysis will

provide context for understanding how firms framed their own narratives and how those narratives were received by the market, while the quantitative data will ground these interpretations in concrete valuation behavior. This combination also allows for triangulation, improving the validity and trustworthiness of the research findings (Creswell & Clark, 2018).

Finally, the case-based, mixed-methods approach is consistent with theory-building work in behavioral finance. As Eisenhardt (1989) argues, case studies are especially valuable in theory development when they incorporate both numeric and non-numeric data and follow an iterative analysis process. This dissertation aims not only to explain observed valuation patterns, but also to contribute to theoretical understanding of how investor psychology and narrative framing interact with traditional valuation models during market disruptions.

3.2 Case selection and Definitions

To examine whether valuation divergences during the COVID-19 pandemic were driven by financial fundamentals or behavioral biases, this study will apply a multiple-case comparison involving four industry-based company pairs. Each pair consists of two publicly traded firms operating in the same sector, with comparable business models and revenue scales prior to the COVID-19 crisis. The companies were selected based on the extent to which they diverged in valuation during the period of March 2020 to mid-2021, despite their operational similarities. One company in each pair is classified as a "COVID winner" and the other as a "COVID loser," based on predefined operational criteria.

A COVID winner is defined as a company that experienced a sharp increase in market valuation during the COVID-19 period—as reflected in stock price, P/E or P/S multiples, and market capitalization—accompanied by a surge in media attention, investor sentiment, or public narrative. These companies were often perceived as direct beneficiaries of pandemic-induced behavioral shifts, such as remote work, digitalization, or home-centered consumption. Crucially, the classification of "winner" is based on the presence of valuation expansion and sentiment optimism during the pandemic, not on whether those gains were sustained post-COVID. Some of these firms experienced corrections afterward, but that does not diminish their classification if they were temporarily priced as long-term structural beneficiaries.

A COVID loser, by contrast, is a company in the same or highly similar industry that did not experience a comparable valuation uplift. These firms were either directly impacted by lockdowns, considered non-essential, or lacked a compelling investor narrative. As a result, they saw limited or negative changes in valuation, lost visibility or investor interest, and were not framed by markets as positioned for success in the "new normal." In some cases, these companies demonstrated solid business performance or recovery in later periods, but they did not benefit from a sentiment-driven surge during the crisis itself.

The selection of firm pairs was guided by four criteria:

- Pre-COVID business comparability in terms of product/service offering and target customer segment.
- Public trading status with accessible financial and narrative data (2018–2023).
- Significant divergence in valuation behavior during the pandemic.

- Sufficient coverage in investor and media communications to allow narrative analysis.

The four selected pairs are described below, along with the justification for their inclusion.

Pair 1: Zoom Video Communications, Inc. (Winner) vs. RingCentral, Inc. (Loser)
Zoom and RingCentral both operate in the cloud-based communication software space. Prior to COVID-19, both companies were growing in the enterprise video and telephony market, offering video conferencing, VoIP, and team messaging services. In 2019, Zoom had just completed its IPO, while RingCentral was already an established player. However, during the pandemic, Zoom became the household name for remote work and virtual interaction, achieving extraordinary global brand recognition. Its valuation surged, supported by a widespread narrative that remote work had become permanent. It was featured extensively in global media and investor commentary as the default remote communication platform.

In contrast, RingCentral, despite having mature UCaaS solutions and significant enterprise adoption, did not experience a similar surge in valuation or narrative positioning. It continued to grow modestly but was overshadowed by Zoom in both retail investor and media sentiment. This pair is particularly valuable because both firms offered overlapping functionality, yet only one was framed as the transformative winner of the pandemic era.

Pair 2: Peloton Interactive Inc. (Winner) vs. Planet Fitness Inc. (Loser)

Peloton and Planet Fitness operate within the broader fitness sector but through different models—Peloton through connected home fitness products and subscriptions, Planet Fitness through large-scale budget-friendly gyms. Prior to COVID-19, Peloton had positioned itself as a premium niche product, while Planet Fitness served over 14 million members across physical locations. During the pandemic, Peloton's valuation exploded, driven by a widely accepted narrative that home fitness would replace traditional gyms. Investors and media alike framed Peloton as a lifestyle tech company, placing it in the same conceptual space as Apple or Netflix.

Planet Fitness, meanwhile, was severely affected by lockdowns, facility closures, and a perception that its business model was obsolete in a post-COVID world. Despite maintaining a loyal customer base and recovering membership levels later, it was treated as a near-term loser by investors and received little to no positive media framing during the same period. This contrast—between a firm whose valuation and narrative surged and one whose fundamentals remained stable but whose perception collapsed—makes the pair highly instructive.

Pair 3: Shopify Inc. (Winner) vs. Wix.com Ltd. (Loser)

Both Shopify and Wix offer digital infrastructure for small businesses to operate online. Shopify's focus is e-commerce-first, enabling merchants to build digital storefronts and manage inventory and payments, while Wix provides broader website-building tools that include e-commerce functionality. In 2019, both companies were growing rapidly, with comparable customer bases and business models oriented toward digital self-service.

During the pandemic, Shopify was rapidly elevated by investors as the infrastructure backbone of the "retail revolution." It was widely discussed in the context of permanent retail transformation. Wix also saw business growth, but the investor and media narrative surrounding it remained muted. Despite expanding its e-commerce tools and customer base, Wix did not benefit from the same pandemic-enhanced valuation multiple or transformational branding. This case allows for a direct comparison between two digital enablers—only one of which was treated as essential.

Pair 4: Airbnb, Inc. (Winner) vs. Booking Holdings Inc. (Loser)

Airbnb and Booking are both leaders in the global online accommodation and travel booking space. Prior to COVID-19, Booking had higher revenues, broader geographic reach, and a diversified brand portfolio (Booking.com, Kayak, Priceline). Airbnb, by contrast, focused more narrowly on peer-to-peer vacation rentals and had not yet gone public. Despite massive disruptions to the travel sector, Airbnb's IPO in late 2020 was framed as a triumph, and its valuation soared past $100 billion at its debut. The company was praised for agility, innovation, and alignment with post-pandemic travel preferences (e.g., remote work nomads, longer stays).

Booking Holdings, despite a strong balance sheet and a recovering demand profile, did not benefit from the same investor optimism. It remained underpriced relative to pre-pandemic levels for a longer period and was framed as a "legacy" travel booking company. This pair is valuable because it highlights how investor excitement around innovation and identity (tech platform vs. travel agent) can override traditional valuation logic, even within the same sector.

3.3 Quantitative Component

The quantitative component of this study will examine the relationship between valuation dynamics and financial fundamentals across four matched company pairs between 2018 and 2023. The objective is to assess whether the valuation trajectories of the identified "COVID winners" were supported by underlying performance, or whether they deviated significantly in ways that may reflect behavioral overpricing. Similarly, the analysis will investigate whether "COVID losers" were undervalued relative to their financial resilience. By tracking changes in key valuation ratios and operational performance indicators over time, this component provides a baseline against which the impact of sentiment and narrative bias can be compared.

To achieve this, firm-level financial and market data will be collected for all eight companies in the study. For example:

- Stock price performance (daily and quarterly averages)
- Market capitalization
- Price-to-Earnings (P/E) ratio
- Price-to-Sales (P/S) ratio
- Enterprise Value to EBITDA (EV/EBITDA)
- Revenue growth and absolute revenue

- Net income
- Operating margin
- User or subscriber growth (when applicable)
- R&D and marketing expenditures

These indicators allow for a comprehensive view of both market-based valuation and operational performance. While P/E and P/S ratios capture investor expectations, revenue and profit trends reveal whether these expectations were grounded in performance. For firms such as Zoom, Shopify, and Peloton, which were perceived as "hyper-growth" stocks, special attention will be paid to their valuation multiples during the height of the pandemic, relative to their actual revenue and earnings outcomes in subsequent quarters. Similarly, companies like Planet Fitness, RingCentral, and Booking Holdings—perceived as structurally disadvantaged during COVID—will be evaluated to determine whether their financials were consistent with investor pessimism or whether they were underestimated by the market.

Data will be collected on a quarterly basis from Q1 2018 to Q4 2023 to capture pre-pandemic baselines, pandemic-era surges, and post-pandemic corrections. Time series plots will be constructed for each company, comparing valuation multiples to revenue and earnings figures. Special attention will be paid to inflection points, such as March–June 2020 and post-vaccine announcements in late 2020, as these represent key periods of investor repricing.

All financial data will be obtained from reputable public databases, such as:

- Eikon (Refinitiv), available through the university
- SEC filings and annual reports (10-K, 10-Q)
- Company investor presentations and earnings call transcripts

Descriptive statistics and valuation ratio comparisons will be calculated across pairs to assess divergences. In addition, simple ratio-based analysis will be used to benchmark valuations. While no advanced econometric modeling is planned, basic trend analysis, financial ratio tracking, and comparative tables will be employed to support claims of mispricing or deviation from industry norms.

This structured financial analysis will form the foundation for identifying potential valuation anomalies, which will then be interpreted in conjunction with qualitative data to assess the influence of behavioral factors. The quantitative results will help determine whether perceived winners truly outperformed in financial terms, or whether investor enthusiasm led to inflated expectations and unsustainable valuation multiples.

To avoid over-attributing valuation corrections to behavioral effects, the study will interpret post-COVID valuation shifts with caution. While a decline in valuation may indicate the dissipation of narrative-driven pricing, it may also reflect updated rational expectations due to macroeconomic shifts, sector-wide adjustments, or company-specific strategic developments. For this reason, the analysis will place greatest interpretive weight on the COVID surge window (March 2020 to mid-2021), where behavioral forces were likely strongest due to heightened uncertainty and compressed decision-making. Post-2021 corrections will be contextualized within broader market dynamics and examined alongside evolving financial performance and analyst forecasts to ensure that causal claims are appropriately bounded.

To help isolate the influence of behavioral biases from rational pricing, the analysis will also incorporate analyst forecasts and consensus expectations available at key time points during the study period. These forecasts—particularly for revenue, earnings, and user growth—will be drawn from financial data platforms such as Eikon and will be used as proxies for what investors could have reasonably expected based on available information. By comparing valuation movements with both realized fundamentals and pre-announcement analyst expectations, the study aims to distinguish whether investor behavior was aligned with forecasted fundamentals or exaggerated by narrative sentiment. Cases in which valuation changes correspond closely with forecasted growth will be interpreted as rational pricing. In contrast, instances where narrative framing diverges from both realized performance and analyst expectations may be interpreted as bias-driven mispricing, likely influenced by emotional resonance or investor over extrapolation. To complement the comparison of fundamentals and investor narratives, the analysis will also consider the role of financial analysts as intermediaries of market expectations. Analyst forecasts—especially those related to earnings, revenue, and forward-looking valuation multiples—will be examined to determine whether investor behavior is aligned with consensus professional judgment. These forecasts, sourced from Eikon, will serve as a benchmark for rational expectations in the absence of hindsight bias. However, the study acknowledges that analysts themselves are not immune to behavioral influences. In cases where both investor sentiment and analyst expectations appear excessively optimistic relative to realized performance, the analysis will consider the possibility that analysts may have reinforced bias-driven valuation trends. Thus, analyst data will be treated not as a perfect rational baseline, but as an important comparative lens through which to interpret market behavior.

3.4 Qualitative Component

The qualitative component of the dissertation focuses on identifying and analyzing the behavioral and narrative drivers behind COVID-era valuation divergences. While the quantitative analysis will show what happened in terms of financial metrics and market pricing, the qualitative analysis seeks to explain why certain firms were perceived as winners while others were neglected—despite operating in the same industry. This part of the research is grounded in behavioral finance theory, particularly the concepts of narrative bias, affect heuristic, representativeness, and extrapolation.

The central goal is to uncover how firms framed their own strategic narratives, how those narratives were picked up or ignored by the media, and how investors may have responded emotionally or heuristically rather than analytically. This process will involve systematic content analysis of both company-driven and media-driven communication.

The qualitative analysis will rely on a curated set of textual and visual documents published between January 2019 and December 2023, covering three phases: pre-COVID, COVID surge (2020–mid-2021), and post-COVID correction. For each company, narrative data will be gathered from the following sources:

- Earnings call transcripts
- CEO/shareholder letters from annual and quarterly reports
- Investor day and conference presentations
- IPO filings and pitch decks (where applicable)
- Press releases and product announcements

- Media coverage from major financial outlets
- Analyst commentary and newsletters

This diverse range of sources allows for triangulation between how companies portrayed themselves, how they were covered externally, and how markets may have interpreted these signals.

The qualitative analysis will follow a structured manual content coding process, designed to systematically identify and classify patterns in corporate and media language that reflect narrative strength, emotional tone, and behavioral framing. The goal is to operationalize qualitative features—such as story-driven optimism or "future-proof" branding—in a way that allows comparison with valuation data.

The process begins by selecting a core set of textual data for each company across three phases:

- Pre-COVID (2018–2019)
- COVID boom (March 2020–mid-2021)
- Post-COVID correction (late 2021–2023)

For each firm, 12 to 20 documents will be selected across these phases, including earnings call transcripts, CEO letters, investor presentations, and major media articles. Documents will be imported into Atlas.ti, a qualitative analysis software available at VŠE. This tool will support manual thematic coding and allow for cross-case tracking of sentiment and strategic framing.

A deductive-inductive coding approach will be used. Categories will be drawn from behavioral finance theory (deductive) and refined through close reading of the documents (inductive). The initial codebook will include:

- Crisis opportunity framing (e.g., "adaptable," "resilient," "taking advantage of uncertainty")
- Long-term transformation claims (e.g., "permanent behavioral shift," "future of X," "accelerated adoption")
- Investor signaling language (e.g., "record-breaking," "hypergrowth," "demand exceeds expectations")
- Sentiment tone (e.g., optimistic, uncertain, cautious, defensive — measured through keyword clusters and frequency)
- Strategic positioning (e.g., "category leader," "essential service," "mission-critical")

Codes will be applied manually to highlight frequency and thematic density. The unit of analysis will be sentence or paragraph level, depending on the structure of each document. Each appearance of a narrative theme will be counted, and the total number of coded statements per theme per company will be aggregated.

After coding, each firm will be given a "narrative intensity score" for each time period, based on:

- Total number of narrative-framing statements per document

- Distribution across core themes (transformation, resilience, emotional tone)
- Consistency and repetition across documents and quarters
- Presence of strong future-oriented claims vs. backward-looking reporting

These scores will be normalized (e.g., scale of 0–100 or percent of content dedicated to narrative language) to allow comparative plotting alongside valuation metrics.

The narrative intensity scores will be overlaid on the quantitative timeline for each company (2018–2023), enabling visual and descriptive comparison. For example:

1. **Does the rise in narrative strength precede or coincide with valuation increases?**

2. **Are narrative spikes followed by market corrections?**

3. **Did winners have significantly stronger narrative density than losers during the COVID period?**

By comparing the trajectory of narrative intensity with stock price, P/E ratios, or market cap, the analysis will assess whether investor behavior followed sentiment momentum more than fundamentals.

Cross-case matrices will also be created to identify patterns across company pairs—e.g., did the winner in each industry pair use more optimistic and future-focused language than the loser, even with similar financials?

By matching qualitative narratives with valuation patterns, the dissertation will assess how cognitive and emotional dynamics shaped investor behavior during the COVID period. This analysis will not only explain valuation differences between firms, but also highlight the conditions under which behavioral pricing emerges in crisis contexts.

To clarify how this study interprets valuation divergence through the lens of behavioral finance, it is helpful to consider a simplified, hypothetical example. The aim is to show how the integration of financial data and narrative analysis may lead to an interpretation of behavioral bias—without suggesting that any single factor explains valuation on its own.

Take the case of Zoom and RingCentral, both of which offer cloud-based video communication platforms and served similar enterprise markets prior to the COVID-19 pandemic. Suppose that in a particular quarter—say Q2 2020—both firms reported strong revenue growth and similar operating margins. However, Zoom experienced a dramatic increase in stock price and valuation multiples, while RingCentral's valuation increased modestly.

Simultaneously, qualitative analysis of company communication and media coverage reveals that Zoom used future-oriented, transformative language in earnings calls, and was prominently featured in major business media. RingCentral, by contrast, communicated more cautiously and was largely absent from media-driven investor narratives.

This hypothetical comparison is summarized in Table 1 below. All figures in the table are illustrative only and do not reflect actual company data; they are used solely to demonstrate how the framework functions within the case analysis.

Metric / Factor	Zoom	RingCentral	Interpretation
Revenue Growth (Q2 2020)	1	0.95	Comparable fundamentals
Stock Price Change (Q2–Q4 2020)	3	0.4	Strong divergence in market response
P/S Ratio Increase	From 15 to 40	From 10 to 14	Market valued Zoom significantly higher
Narrative Intensity Score	88 / 100	45 / 100	Zoom had much stronger narrative framing
Media Mentions (FT/Bloomberg)	High volume, positive	Low volume, neutral	Zoom framed as a disruptor, RingCentral ignored
CEO Language (Earnings Calls)	Visionary, future-oriented	Operational, conservative	Clear difference in tone and messaging

Table 1: Example – Narrative vs. Valuation vs. Fundamentals (Zoom vs. RingCentral)

This contrast would be interpreted as a behavioral valuation gap: a situation where investor sentiment—driven by narrative framing and emotional resonance—appears to have influenced pricing more than financial performance alone. In this case, the behavioral finance explanation is strengthened by the alignment between narrative strength and valuation divergence, while fundamentals remain similar.

This framework will be applied consistently across all four case pairs, allowing the dissertation to identify whether similar valuation divergences can be explained by narrative bias, affective framing, or extrapolation from crisis-period momentum.

4. Expected Outcomes

This dissertation is expected to generate insights into the behavioral and financial mechanisms underlying the divergent valuations of firms during and after the COVID-19 pandemic. Through the combination of quantitative and qualitative analysis across four matched company pairs, the study aims to distinguish between valuation patterns that were justified by fundamentals and those that were amplified by sentiment, narrative, or psychological bias.

One key outcome will be a set of comparative profiles that illustrate how different firms—despite similar business models—were treated by markets based on perceived alignment with pandemic-induced shifts. These profiles will document how financial performance, narrative framing, and valuation evolved across the three-phase timeline, with attention to whether behavioral factors such as narrative density, emotional tone, and future-oriented language coincided with investor enthusiasm and valuation surges.

To avoid attributing valuation divergence solely to behavioral bias when other firm-specific factors may be involved, the study will actively control for major strategic actions that could have influenced investor expectations. These include differences in product development, partnerships, distribution strategies, or marketing campaigns. For each case pair, a timeline of key strategic decisions will be created using company press releases, investor presentations, and earnings call transcripts. These events will be plotted alongside valuation and narrative changes to determine whether spikes in valuation correspond more closely to strategic milestones or to shifts in sentiment-driven framing.

In cases where one firm clearly executed a superior marketing or product strategy—such as a high-visibility campaign by Zoom not matched by RingCentral—this will be noted as a potential rational driver of valuation differences. The interpretation of behavioral bias will therefore be applied only when narrative divergence exceeds or occurs independently of material strategic events, or when those events are framed with excessive optimism not justified by performance or analyst expectations.

To guide the interpretation of findings, the dissertation will apply an evaluative framework to define "success" and "non-success" across the case studies:

- A company will be considered a success if it sustained elevated valuation levels above pre-pandemic baselines, maintained consistent or improved financial performance in the post-COVID period, and retained positive investor or media sentiment after the initial crisis period.
- A company will be defined as a non-success if it experienced a severe post-COVID correction in valuation, failed to meet the financial or operational expectations that were priced in during the pandemic, or saw its core narrative weaken, reverse, or collapse as investor sentiment shifted.

The expected outcome is not only to map these trajectories, but also to identify the extent to which valuation was decoupled from fundamentals—and whether that decoupling can be systematically linked to identifiable behavioral patterns. The research will likely show that companies with stronger and more emotionally resonant narratives received valuation premiums that exceeded what fundamentals alone could justify, and that such companies were more likely to experience correction or reputational re-evaluation in the years that followed.

Additionally, the study may offer evidence that some undervalued "COVID losers" demonstrated resilience or recovery potential that was overlooked by the market due to the absence of an emotionally compelling narrative or insufficient alignment with investor sentiment. These asymmetries could reveal limitations in how financial markets process information under stress, particularly in relation to storytelling, bias, and perception.

Overall, the dissertation will produce insights relevant to both theory and practice: it will contribute to behavioral finance by documenting real-world cases of narrative-driven mispricing, and to applied valuation by offering early warning signs of sentiment-based overvaluation during systemic crises.

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