Resilience and Asset Pricing in COVID-19 Disaster

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February 12, 2024

Abstract

The COVID-19 pandemic potentially affected stock prices in two, not mutually exclusive ways: discount rates and cash flows. This paper concentrates on the second and analyzes it through the lens of an asset pricing model with a special case of EZ preferences, by quantifying the amplification effect of the firm's financial resilience to the COVID-19. The model-based equity premium is increasing in the probability of disaster. Results suggest the significant amplification of workplace resilience by financial resilience. This paper shows how workplace resilience and financial resilience interacted and significantly affected the asset prices. Specifically, the dividend growth of low-resilience firms is significantly more responsive to workplace flexibility and suffers more severely than that of high-resilience firms.

Keywords: financial resilience, workplace resilience, dynamic functional principal components, Markov-Switching, COVID-19 disaster, equity premium.

JEL classification: C23, C24, C38, G11, G12, Q51, Q54.

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†Warm thanks to Marco Pagano, Josef Zechner, Antonio Acconcia, Daniele Massacci, Lorenzo Pandolfi, Giovanni Walter Puopolo, and participants at the International Risk Management Conference (IRMC2023), the Research Symposium on Finance and Economics (Krea University, RSFE2023), 64[a] Riunione Scientifica Annuale of the Societa Italiana di Economia (SIE-RSA2023), the 45th Eurasia Business and Economics Society Conference (EBES2023), seminars at the University of Padova (dSEA), the University of Naples Federico II (DiSES) and the Centre for Studies in Economics and Finance (CSEF). Especial gratitude to the UNINA for providing data and research facilities; and to WU-VGSF for the visiting opportunity in 2021 and for providing I/B/E/S forecasts data from Refinitiv-Eikon (Thomson Reuters).

1 Introduction

COVID-19 has profoundly affected the economy and induced tremendous uncertainty in financial markets. Governments adopted different kinds of social distancing policies to control the pandemic spread, especially in the first wave and the fever period of COVID (February to April 2020). These social distancing rules and lockdowns effectively influenced the working environment and firms' performance (among all Koren and Peto, 2020). Fast-growing literature asserts that firms with less labor constraint in the lockdown-restricted situation featured better performance (Bretscher et al., 2020), as firms with more flexibility in their workforce are expected to be less financially vulnerable in such situations since they are less likely to face additional costs due to lockdowns and social distancing rules. Koren and Peto (2020) propose different dimensions of firms' workplace flexibility that were important in explaining asset price fluctuations in response to the COVID-19 shock (Pagano et al., 2023).

On the other hand, the impact of corporate financials is quite confusing during the COVID outbreak. Firms started raising capital just because of cash dry-up fears or to be capable enough to overcome difficulties during the first wave. Meanwhile, the provided credit, especially in small firms could affect capital structure and increase the leverage. Consequently, firms' financial characteristics such as capital structure and liquidity also played an important role in firms' performance and were considerably influenced by a wide range of policies adopted in response to COVID-19 from corporate policies to public policies, including bank loan guarantees and additional mitigation packages e.g. the Paycheck Protection Program, PPP loans (Fahlenbrach et al., 2021; Pagano and Zechner, 2022). This suggests that these characteristics may have also contributed to amplifying the degree of corporate resilience and as a result, the response of asset prices (Daadmehr, 2024).

In theory, COVID-19 can affect stock prices through two not mutually independent channels: discount rates and cash flows. As opposed to Pagano et al. (2023) who focus mainly on the impact of the increase in perceived risk on expected excess returns (first channel), this paper concentrates on the second channel and quantify the expected cash flows to show how the impact of COVID-19 on corporate resilience can transmit from cash flows to expected returns. The characterization of resilience heterogeneity in expected future cash flow sheds light on how this paper bridges a gap and links the real part of the economy, where exogenous COVID-19 triggered, to financial market. Back to the story of COVID, industries saw huge business disruption due to social distancing and lockdowns as a consequence of pathological pandemic disaster that affected the cost of production and especially the output of firms with less flexibility in their workplace. In such a turmoil market, conservative investors care mostly about the price of an output of such firms as risky assets which is exactly the expected future cash flows.

This paper proposes a new asset pricing model with COVID-19 disaster embedding workplace resilience and financial resilience to investigate and track the effect of firms' characteristics on asset pricing implications. The novelty of this paper is directly related to how it quantifies the consequences of exogenous COVID-19 crisis on dividend stream that affects asset prices depending on these two kinds of firms' resilience. It empirically proves the necessity of financial resilience and introduces the main elements to adopt appropriate corporate policies in pandemic-like crisis.

As evidence, Figure 1 shows the evolution of analysts' expectation of future cash flows for high- and low-resilience[1] firms in the spirit of Koren and Peto (2020) in the first panel; and separately for high- and low-levered firms in the second panel. From the analysts' point of view, low-resilience firms experienced lower expected cash flows[2] than high-resilience firms. The first panel suggests that aggregate expectations reflects more the earnings expectation of low-resilience firms, especially before and during the fever period of COVID-19. The second panel of Figure 1 provides evidence about the importance of firms' leverage on the evolution

[1] Term "resilience" without mentioning its type, refers to workplace intuition of resilience.

[2] This paper considers analysts' earnings expectation as a proxy for future cash flows, following Daadmehr (2024), Landier and Thesmar (2020).

of expected earnings. This panel exhibits that not only earnings expectations declined more for high-levered firms but also this decline for high-levered firms was persistent and associated with higher oscillations in the following fiscal years. This is consistent with much previous evidence that firms with less strong balance sheet experienced greater difficulties during and after the fever period of COVID-19, such as Pettenuzzo et al. (2022) who show how leverage and cash-holdings are related to the performance of firms, especially those with less profitability and lower revenue growth.

Moreover, the evidence in Figure 2 emphasizes two prominent impacts of firms' financial status: i) Among low-levered firms, those with more flexible workforce not only have less reduction in earnings expectations on average but also see less severe fluctuations in the following months after the onset (first panel). ii) Higher leverage appears to weaken the benefit of high workplace flexibility. The second panel, compared to the first one, suggests that high leverage reduces earnings expectation surplus of high workplace resilience and makes fluctuations more severe. These two pieces of evidence highlight that firms' financial characteristics can potentially magnify the impact of their workplace resilience on expected cash flows.

Some recent papers shed light on the amplification impact of corporate financials on asset prices in the COVID-19 period (Ramelli and Wagner, 2020; Glossner et al., 2022 and Daadmehr, 2024) and find significant resilience-heterogeneity in expected returns by introducing a new "composite-financial resilience" index containing both workplace flexibility and "financial-based resilience" (Daadmehr, 2024). This paper analyzes the asset price implications of the COVID-19 crisis and of its impact on the real part of the economy especially on the labor workforce, and on firms' production costs, in the context of a model with: i) a fictitious representative investor with Epstein-Zin preferences who prefers early

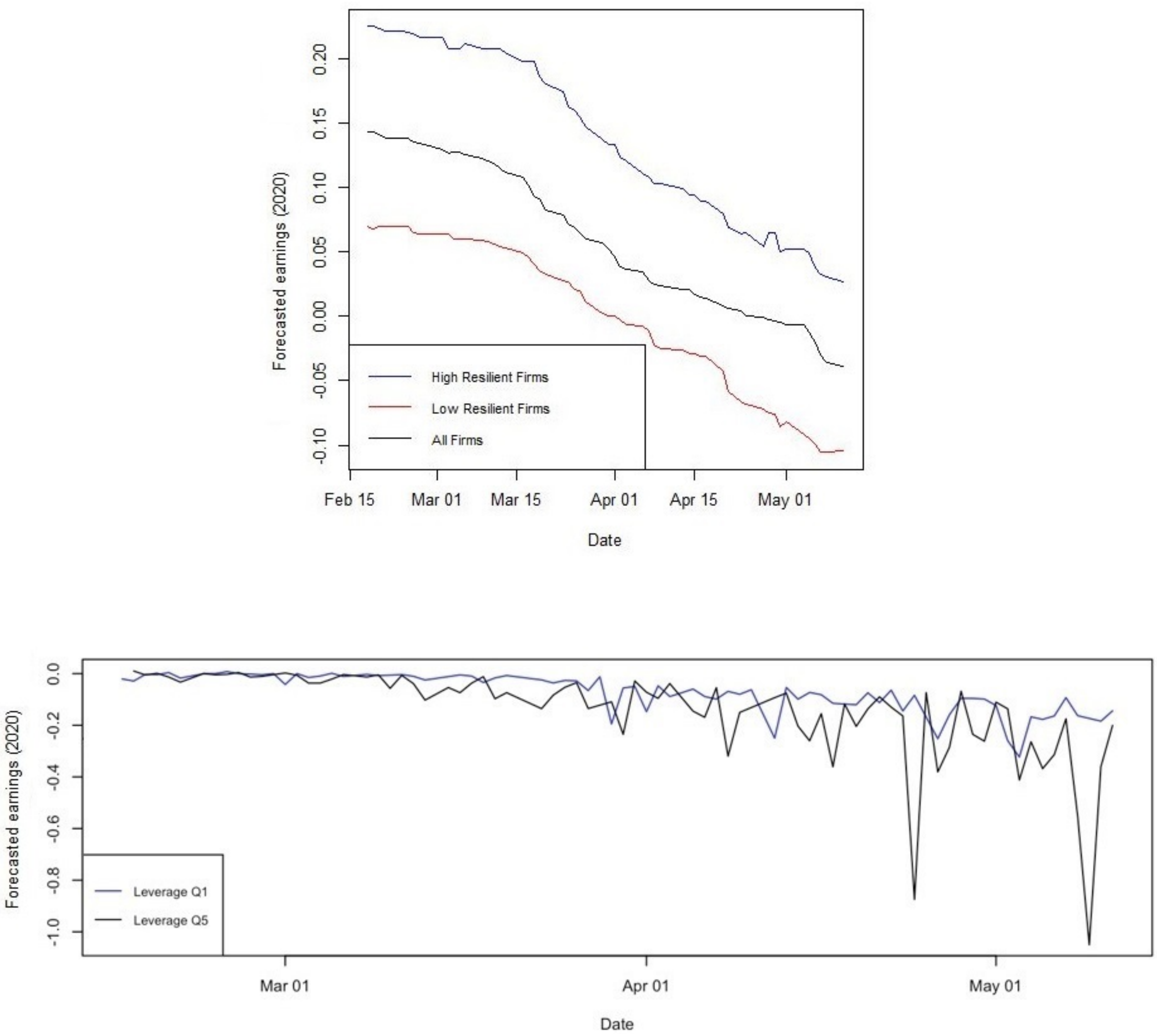

Figure 1: **The evolution of expected future cash flows in the fever period of COVID-19 (effect of workplace resilience and leverage):** First panel shows the standardized earnings expectation $(Ex_tEPS_{i,2020} - EPS_{i,2019})/EPS_{i,2019}$ of high- and low-resilience firms, in the sense of workplace flexibility, for current fiscal year of 2020. $Ex_tEPS_{i,2020}$ stands for earnings expectation of firm i at time t (similar to Landier and Thesmar, 2020; Daadmehr, 2024; Koren and Peto, 2020). The second panel shows the standardized earnings expectations of firms with different levels of leverage. Firms with higher leverage than the 80th percentile are assumed high-levered (Q5) and firms with the lower than 20th percentile are the low-levered ones (Q1). Data source: Compustat/CRSP merged, WRDS for fundamentals, and Refinitiv-Eikon (Thomson Reuters) I/B/E/S forecasts for daily consensus analysts' earnings.

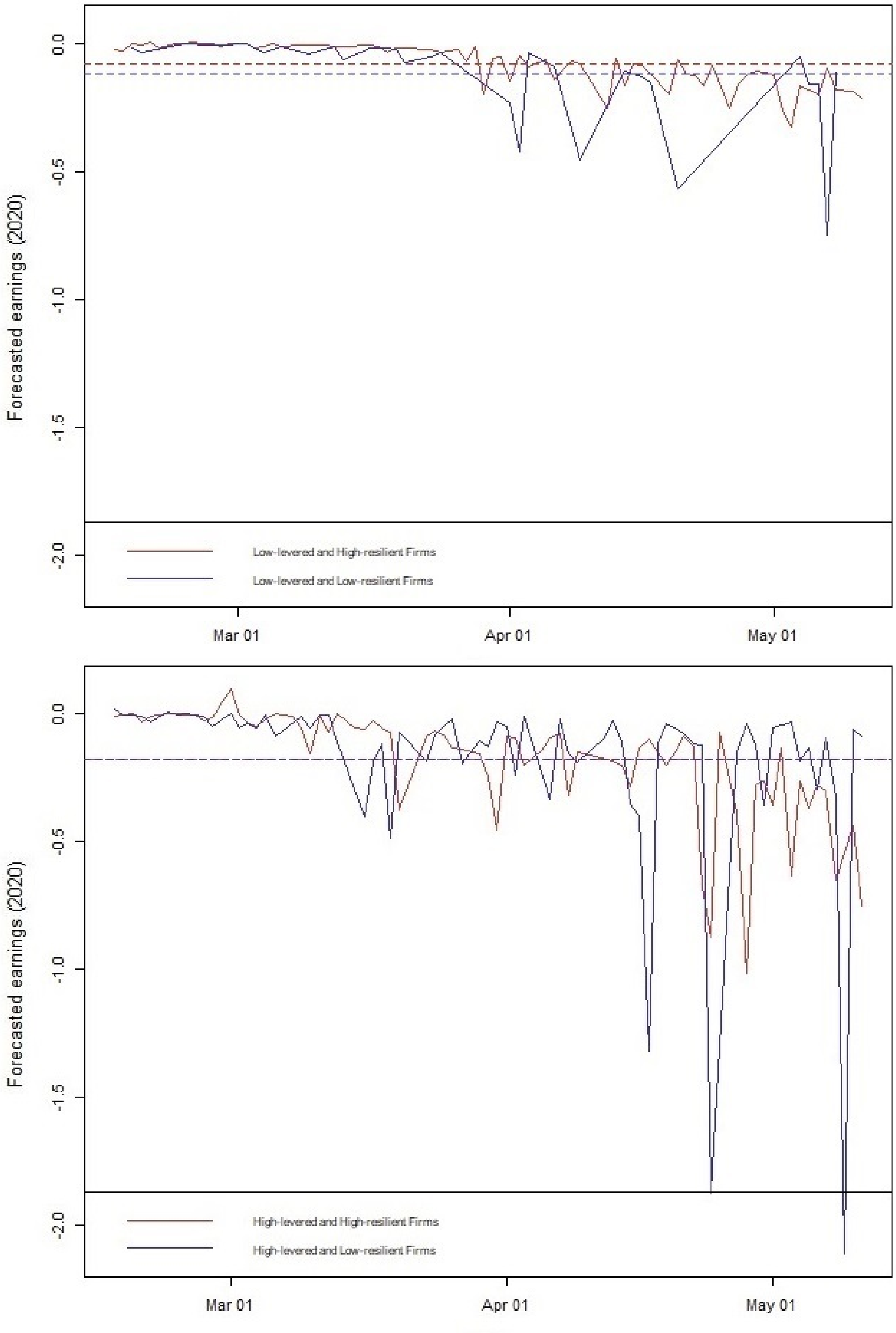

Figure 2: **The evolution of expected future cash flows in the fever period of COVID-19 (amplification effect):** Both panels show the standardized earnings expectation, $(Ex_tEPS_{i,2020} - EPS_{i,2019})/EPS_{i,2019}$ for four groups of firms during the fever period. $Ex_tEPS_{i,2020}$ stands for earnings expectation of firm i at time t for the current fiscal year of 2020. Firms with higher leverage than the 80th percentile are assumed high-levered and firms with lower than the 20th percentile are the low-levered ones. The categorization of firms into high- and low-resilience firms in the sense of workplace flexibility, is based on Koren and Peto (2020) and follows Daadmehr (2024). Data source: Compustat/CRSP merged, WRDS for fundamentals, and Refinitiv-Eikon (Thomson Reuters) I/B/E/S forecasts for daily consensus analysts' earnings.

resolution of uncertainty in disasters[3]. ii) an exogenous dividend stream sensitive to the consequences of COVID-19 disaster and to its contractionary effects on the real economy. This study considers the cross-sectional time-varying impact of COVID-19 on the dividend stream as the interaction of two components: cross-sectional firm-level impact of workplace resilience and time-varying impact of aggregate economic contraction, namely macroeconomic sensitivity to COVID-19. The novel proposed exogenous dividend stream provides an opportunity to compare the impact of firms' financial status and workplace resilience. Specifically, it shows that the dividend growth of low-resilience firms is significantly more sensitive to workplace resilience and suffers more severely than that of high-resilience firms. Then, this paper establishes the resilience heterogeneity in the equity premium and *characterize* it in a closed form.

Meanwhile, it is noteworthy to clarify and disentangle the main drivers of variation. Gourio (2012), Gabaix (2012), and Wachter (2013) declare the time-varying probability of disaster that generates covariation in equity premium. Ghaderi et al. (2022) develop the literature and consider the gradually unfolding disasters. They explain that investors are not aware of the true state of the economy and introduce a Bayesian learning framework showing that updating investors' beliefs captures the effect of slowly unfolding disasters, as prices truly react to the consumption decline. They show that updating agent's belief accords with the true state of the economy. This paper captures the effect of disaster and macroeconomic sensitivity to COVID-19 using the Markov-switching approach. As opposed to Wachter and Zhu (2019) who use the jump Poisson process to capture low and high intensity of disaster, define disaster states and apply Markov-switching simulation to investigate the effect of learning in asset pricing of rare disasters, this study considers disaster states as the bad time of the economy and estimates the probability of disaster, states and durations based on monthly GDP in order to control for macro-time impact of COVID-19. The empirical

[3]This type of preferences could better capture the investors' preference in an uncertain situation like COVID-19. The results of the calibration exercise approve such consideration.

analysis on this part shows that dividend growth was sensitive to the COVID-19 disaster, with a conditional probability of 2 percent, in line with Barro (2006) who calibrates the disaster probability. This novel evidence allows to "technically" consider COVID-19 as a disaster and start to provide a definition for COVID disaster state using Poisson distribution (Daadmehr, 2023), which enables to investigate the impact of such pathological disaster evolution in asset pricing in future research.

Furthermore, Gabaix (2012) introduces a time-varying rare disaster framework. He considers a deterministic aggregate consumption growth in the absence of disaster, however, consumption growth is magnified by a positive macroeconomic recovery rate when a disaster occurs. He presents an asset-specific dividend process magnified by a positive rate of surviving in a disaster period. The definition of time-varying "resilience" is an increasing function of asset-specific surviving rate. In the framework he proposed, resilience is a linearity-generating process that sees shock uncorrelated with disaster occurrence. Since the definition of resilience highly depends on the type of disaster, as opposed to Gabaix (2012) this paper considers cross-sectional workplace resilience due to the natural feature of the COVID-19 pandemic and its effect on the workforce and firm's costs through social distancing rules and lockdowns (in the spirit of Koren and Peto, 2020). This study considers workplace resilience, affecting the dividend stream cross-sectionally. Results demonstrate the heterogeneous effect of workplace resilience showing that the dividend growth for high-resilience firms is less responsive to workplace resilience than that of low-resilience firms, in the sense that a one percent improvement in workplace flexibility of low-resilience firms increases dividend growth of these firms much more than in the case of high-resilience firms.

As an additional novelty, this paper introduces one more source of time-variation namely, "financial resilience", to capture the variation of firms' corporate financials. This cross-sectional and time-varying source can potentially amplify the overall effect of the exogenous COVID-19 consequences, consistent with the evidence that better financed firms before and during the COVID-19, can better overcome the side effects of the lockdown and related

COVID-mitigation restrictions (Fahlenbrach et al., 2021; Daadmehr, 2024). The striking feature of the model is to obtain the significant effect of this kind of resilience on dividend growth. This paper employs Dynamic Functional Principal Component Analysis (DFPCA) to quantify financial resilience footprints.

In line with Daadmehr (2024), this paper shows that the effect of financial resilience captured by firms' financial ratios significantly amplifies the impact of workplace resilience and aggregate economic contraction due to COVID-19. Meanwhile, the estimated dividend growth highlights that the heterogeneous effect of workplace resilience is dominant although the impact of firms' financial resilience is statistically significant which proves the necessity of "financial resilience" characterization. The novel application of DFPCA enables to distinguish not only the main time-varying elements of financial resilience but also those create significant cross-sectional variation. Finally, this paper empirically proves that valuation, liquidity, and solvency ratios have key roles in financial resilience and the corresponding amplification of workplace resilience as well as all tractable formulas of asset pricing implications. The results of this part shed light on possible corporate policies. The new proposed asset pricing model, containing all this elements, characterizes the heterogeneous equity premium, which is increasing in disaster probability, and clarifies on the impact of resilience on the asset pricing implications in such pandemic disaster.

The paper is structured as follows. Section 2 presents the model of the economy and the assumptions about the firm-level exogenous dividend stream. The solution of the model appears in Section 3, where the closed form of resilience-heterogeneous equity premium is presented. The results on both the effect of COVID-19 macroeconomic contraction and the estimated dividend stream are included in Section 4. The paper proposes the main ingredients of financial resilience components in Section 5 and then concludes.

2 Model and Data

2.1 The economy

The COVID-19 pandemic caused huge business disruption due to social distancing rules and lock downs that almost all governments imposed. Specifically, firms in some industries e.g. tourism were affected even much more because they were not really flexible in their workforce or they could not run tasks in the hybrid mode, simply because such tasks needed more human interaction or face-to-face communication with higher physical presence. All these increased the cost of production and affected the output of such low (workplace) resilient firms. This situation created a sort of additional uncertainty in the market, which is quite important from asset pricing perspective. For a representative consumer (investor), who may prefer early resolution of uncertainty in such chaotic situation, it is important to know what happened to the price of an equity claim to the output of these firms.

Following Mehra and Prescott (1985) and Barro (2006), this paper considers recursive preferences of Epstein and Zin (1989) and Weil (1989) for representative-consumer Lucas' fruit-tree model of asset pricing with exogenous stochastic dividend stream[4]. Based on Campbell (1993) with total wealth at the beginning of t+1, $W_{t+1} = W_t - C_t$ as an intertemporal budget constraint and $M_{t+1} = \beta^{*\theta}(\frac{C_{t+1}}{C_t})^{\frac{-\theta}{\psi}}$ as the stochastic discount factor with time discount β^*; in partial equilibrium, the standard Euler equation is:

$$1 = E_t[\beta^{*\theta}(\frac{C_{t+1}}{C_t})^{\frac{-\theta}{\psi}} R_{i,t+1}]. \tag{1}$$

2.2 Exogenous dividend stream

To clarify how resilience plays a role in the model, based on the evidence presented in Figure 2 and in line with evidence on the amplification effect (Daadmehr, 2024), this paper

[4]Implicitly, it assumes C_t is equal to production (all output is consumed at each time) and the risky asset pays $D_t = C_t$, which is a claim to aggregate consumption in each period t.

defines the multiplicative form for the dividend level: $D_{i,t+1} = D_{it}exp(FR_{it})(\hat{\eta}_t^s)^\alpha \varphi_i^\delta$, where $COVID_{it} := (\hat{\eta}_t^s)^\alpha \varphi_i^\delta$ captures the consequences of COVID-19 disaster through not only the time-varying aggregate economic contraction, $(\hat{\eta}_t^s)^\alpha$ but also the cross-sectional impact of this disaster on firms' production, called workplace resilience, φ_i^δ; Moreover, FR_{it} refers to financial resilience, which is a linear combination of some functions of firm's corporate financials. These terms are defined in the following sections. The exogenous dividend growth for firm i at time t is:

$$\Delta ln(D_{it}) = FR_{it} + ln(COVID_{it}) + \varepsilon_{it}. \tag{2}$$

Aside from ε_{it} which is normally distributed error term with mean zero and variance σ_ε^2, in this paper, the impact of exogenous COVID-19 disaster is multiplicative in the level although it is additive in the growth rate, i.e. $ln(COVID_{it}) = \alpha ln(\hat{\eta}_t^s) + \delta ln(\varphi_i)$. This implies that the effect of this crisis on the stock price can be multiplicative, while that on returns may not be so. In what follows, full interpretation of the special feature of each element is presented.

2.2.1 Macro time-effect of COVID-19

The first part of $ln(COVID_{it})$ is defined as an overall time-effect of exogenous COVID-19, $ln(\hat{\eta}_t^s)$, that controls common effect for the consequences of economic contraction and the recession on all firms[5]. q_t is the evolution of monthly GDP that equals to q_t^D in disaster states and q_t^{ND} in non-disaster states. p_t is the probability of disaster that obtains its estimated value using the Markov-Switching (MS) approach.

$$q_t = \begin{cases} q_t^{ND} & 1 - p_t : No - Disaster.state \\ q_t^D & p_t : Disaster.state \end{cases}$$

ΔlnD_{it} indirectly depends on state of the economy S_t, through $\hat{\eta}_t^s$, fitted values of MS process,

[5]This part explains macroeconomic sensitivity to COVID-19 and the main effect of this crisis that leads to a recession.

q_t, representing the macroeconomic sensitivity to COVID-19, with the following transition probabilities:

$$p(i|j) = P(S_{t+1} = i|S_t = j) \qquad\qquad for\;\; i, j = 0, ..., s-1,$$

where $\sum_{i=0}^{s-1} p(i|j) = 1$.

Section 4 proposes the most appropriate regime-switching specification and estimates a two-regime MS-AR(1). This paper uses normalized seasonally adjusted monthly GDP in US[6] from 1960 to 2022 to estimate the fitted values, $\hat{\eta}_t^s$, and the probability of disaster states. Additional tests and statistical verification are included in the appendix, Figure 11, Table 5, and Table 6.

2.2.2 Cross-sectional effect of COVID-19

The second part of the $ln(COVID_{it})$ is the cross-sectional consequences of COVID-19, $ln(\varphi_i)$, which refers to workplace firms' characteristics that determine the exposure of firms' dividend growth to this pandemic disaster. Koren and Peto (2020) show that this depends on a trade-off between the communication cost of firms and the benefits from the division of labor. They propose a measure for businesses, called "affected share", including different aspects of workplace flexibility that represent customer-facing characteristics, degree of teamwork-intensiveness, and businesses need for workforce physical presence. Consequently, due to the nature of the COVID-19 pandemic that affects human interactions, this proxy reveals to what extent social distancing rules affect production costs.

$\delta ln(\varphi_i)$ captures the heterogeneous effect of workplace flexibility of firm i, where φ_i is defined as workplace resilience and takes values of (100 - "affected share"), a transformation of the proposed "affected share" by Koren and Peto (2020) for US firms at 3-digit NAICS sectors.

[6] Federal Reserve Bank of St. Louis, Economic Research Division.

2.2.3 Financial resilience: Dynamic functional principal components

Another part is associated with an amplification of the dividend growth originating from corporate financials. To capture the most important firm's financial characteristics implying "financial resilience" and the variation of firms' financial status, this paper employs Dynamic Functional Principal Component Analysis, DFPCA (Hormann et al., 2015) to analyze and find the most important elements of the firm's financial resilience.

At the firm level, X_{it} is defined as a $[T \times d]$ matrix of d time series of the firm's financial ratios. The m-th dynamic functional principal component is defined as:

$$PC_{it,m} = \sum_{k \in Z} \phi'_{i,mk} X_{i,t-k}, \tag{3}$$

where $\phi'_{i,mk}$ is the corresponding filter sequence (among all Brillinger, 2001). m varies from one to a maximum value of M representing the number of principal components, which can explain the major variation originating from all financial ratios of firm i.

To obtain these dynamic functional principal components for each firm i, first the empirical spectral density of X_{it} is computed. The estimator $\hat{\mathcal{F}}^{X_i}(\omega)$ is the estimated spectral density evaluated at the k-th frequency[7]:

$$\hat{\mathcal{F}}^{X_i}(\omega) = \sum_{|h| \le q} (1 - |k| / q) \hat{C}^{X_i}(h) exp(-ih\omega),$$

where $\hat{C}^{X_i}(h) = \frac{1}{T} \sum_{t=1}^{T-h} (X_{i,t+h} - \hat{\mu}^{X_i})(X_{it} - \hat{\mu}^{X_i})'$ and $\hat{\mu}^{X_i} = \frac{1}{T} \sum_{t=1}^{T} X_{it}$ and the filter sequence, ϕ_i in Equation (3), is the Fourier coefficients of the dynamic eigenvector $\varphi_{il}(\omega)$ of the spectral density $\hat{\mathcal{F}}^{X_i}(\omega)$, that is:

$$\phi_{i,lk} := \frac{1}{2\pi} \int_{-\pi}^{\pi} \varphi_{il}(\omega) exp(-ik\omega) d\omega,$$

[7]To compute empirical spectral density, this paper considers Bartlett kernel (e.g. Brockwell and Davis, 1991).

for $|k| \leq q$, $k \in Z$ and $1 \leq l \leq d$. Then, the firm's financial resilience, FR_{it} in Equation (2), is defined as a linear combination of the first M dynamic functional principal components, $PC_{it,m}$ in Equation (3):

$$FR_{it} = \sum_{m=1}^{M} \beta_m \sum_{k \in Z} \phi'_{i,mk} X_{i,t-k}. \tag{4}$$

This paper considers all monthly financial ratios of U.S. firms from 2013 - 2022, available at the WRDS database, belonging to all categories: Capitalization, efficiency, profitability, liquidity, solvency, valuation, and financial soundness. Table 9 in the appendix provides detailed definitions.

2.2.4 Dividend growth

To sum up this section and to obtain the price of equity claim, the dividend growth is proposed by replacing Equation 4 in Equation 2[8], as the following:

$$\Delta ln(D_{it}) = \sum_{m=1}^{M} \beta_m \sum_{k \in Z} \phi'_{i,mk} X_{i,t-k} + \alpha ln(\hat{\eta}_t^s) + \delta ln(\varphi_i) + \varepsilon_{it}. \tag{5}$$

In order to estimate dividend growth and establish the resilience-heterogeneity as well as to obtain calibrated parameters in the model-based equity premium (solution of the model in the following section), this paper estimates $\beta_m, (m = 1, ..., M)$ and α as fixed effects and δ as a heterogeneous effect. Table 8 in the appendix provides guidance on statistical model selection, especially containing the results of the Hausman test to verify the existence of the heterogeneous effect. To mention the importance of $\delta ln(\varphi_i)$ that captures the overall impact of workplace flexibility across firms, it is noteworthy to highlight that this term is actually an interaction between the statistical model[9] and the workplace resilience as

[8]It is important to mention the impact of generated regressor on asymptotic variance.
[9]The statistical model is Equation 5.

a variable with heterogeneous impact on dividend growth. Empirical results, in Section 4, clarify the key role of the heterogeneous effect of workplace resilience by estimating the δ using the Restricted Maximum Likelihood method, REML. More statistical details are beyond the scope of this paper. For a theoretical interpretation of mixed-effect specifications, this paper directly refers to Baayen et al. (2008), Henderson (1982), and Gelman (2005). This study uses Computstat/CRSP merged for monthly fundamentals and financial ratios available at WRDS, for US firms from 2013 to 2022.

In the next section, the solution of the model and asset pricing implications for the COVID-19 disaster is presented based on estimating Equation 5 as the dividend stream.

3 Solution of the model

Given the exogenous dividend stream in Equation (5), $D_{i,t+1}$ and the assumed distribution for error term (Section 2.2), the price-to-dividend ratio is[10]:

$$log(P_{it}/D_{it}) = \theta log\beta^* + (1-\frac{\theta}{\psi})\sum_{m=1}^{M}\beta_m\sum_{k\in Z}\phi'_{i,mk}X_{i,t-k} + \frac{1}{2}(1-\frac{\theta}{\psi})^2\sigma_\varepsilon^2 + log(1-p_t)$$
$$+ log[E[(\hat{\eta}_t^{ND})^{\alpha(1-\frac{\theta}{\psi})}\varphi_i^{(1-\frac{\theta}{\psi})\delta}]] + \frac{p_t}{1-p_t}(\frac{E[(\hat{\eta}_t^{D})^{\alpha(1-\frac{\theta}{\psi})}\varphi_i^{(1-\frac{\theta}{\psi})\delta}]}{E[(\hat{\eta}_t^{ND})^{\alpha(1-\frac{\theta}{\psi})}\varphi_i^{(1-\frac{\theta}{\psi})\delta}]})$$

The expected return E_tR_{it} can be defined as $\frac{E_t(D_{i,t+1})}{P_{it}}$ and computed as:

$$logE_tR_{it} = -\theta log\beta^* + \frac{\theta}{\psi}\sum_{m=1}^{M}\beta_m\sum_{k\in Z}\phi'_{i,mk}X_{i,t-k} + \frac{1}{2}(1-(1-\frac{\theta}{\psi})^2)\sigma_\varepsilon^2$$
$$+ log[\frac{E[(\hat{\eta}_t^{ND})^{\alpha}\varphi_i^{\delta}]}{E[(\hat{\eta}_t^{ND})^{\alpha(1-\frac{\theta}{\psi})}\varphi_i^{(1-\frac{\theta}{\psi})\delta}]}] + \frac{p_t}{1-p_t}((\frac{E[(\hat{\eta}_t^{D})^{\alpha}\varphi_i^{\delta}]}{E[(\hat{\eta}_t^{ND})^{\alpha}\varphi_i^{\delta}]}) - (\frac{E[(\hat{\eta}_t^{D})^{\alpha(1-\frac{\theta}{\psi})}\varphi_i^{(1-\frac{\theta}{\psi})\delta}]}{E[(\hat{\eta}_t^{ND})^{\alpha(1-\frac{\theta}{\psi})}\varphi_i^{(1-\frac{\theta}{\psi})\delta}]}))$$

[10]Implicitly, this paper assumes asymptotic expected return where the arbitrary period length tends to zero, similar to Barro (2006).

Moreover, the return on risk-free assets is:

$$log(R_{it}^{f}) = -\theta log\beta^{*} + \frac{\theta}{\psi}\sum_{m=1}^{M}\beta_m\sum_{k\in Z}\phi_{i,mk}^{'}X_{i,t-k} - \frac{1}{2}(\frac{\theta}{\psi})^2\sigma_{\varepsilon}^2 - log(1-p_t)$$
$$- log[E[(\hat{\eta}_t^{ND})^{-\frac{\alpha\theta}{\psi}}\varphi_i^{(-\frac{\theta}{\psi})\delta}]] - \frac{p_t}{1-p_t}(\frac{E[(\hat{\eta}_t^{D})^{-\frac{\alpha\theta}{\psi}}\varphi_i^{(-\frac{\theta}{\psi})\delta}]}{E[(\hat{\eta}_t^{ND})^{-\frac{\alpha\theta}{\psi}}\varphi_i^{(-\frac{\theta}{\psi})\delta}]})$$

Then the equity premium is given by:

$$\begin{aligned} logE_tR_{it} - log(R_{it}^{f}) = & \frac{\theta}{\psi}\sigma_{\varepsilon}^2 + log(1-p_t) + log[E[(\hat{\eta}_t^{ND})^{-\frac{\alpha\theta}{\psi}}\varphi_i^{(-\frac{\theta}{\psi})\delta}]] \\ & + log[\frac{E[(\hat{\eta}_t^{ND})^{\alpha}\varphi_i^{\delta}]}{E[(\hat{\eta}_t^{ND})^{\alpha(1-\frac{\theta}{\psi})}\varphi_i^{(1-\frac{\theta}{\psi})\delta}]}] + \frac{p_t}{1-p_t}[(\frac{E[(\hat{\eta}_t^{D})^{\alpha}\varphi_i^{\delta}]}{E[(\hat{\eta}_t^{ND})^{\alpha}\varphi_i^{\delta}]}) \\ & - (\frac{E[(\hat{\eta}_t^{D})^{\alpha(1-\frac{\theta}{\psi})}\varphi_i^{(1-\frac{\theta}{\psi})\delta}]}{E[(\hat{\eta}_t^{ND})^{\alpha(1-\frac{\theta}{\psi})}\varphi_i^{(1-\frac{\theta}{\psi})\delta}]}) + (\frac{E[(\hat{\eta}_t^{D})^{-\frac{\alpha\theta}{\psi}}\varphi_i^{(-\frac{\theta}{\psi})\delta}]}{E[(\hat{\eta}_t^{ND})^{-\frac{\alpha\theta}{\psi}}\varphi_i^{(-\frac{\theta}{\psi})\delta}]})] \end{aligned} \tag{6}$$

Using the estimated disaster probability over 2013 - 2022 by MS-AR(1) in Section 4.1 and the estimated exogenous dividend growth in Section 4.2, it is possible to do a calibration exercise based on the following model-based Sharpe ratio:

$$S_{it} = \frac{\sigma_t[M_{t+1}]}{E_t[M_{t+1}]} = \frac{(exp\{ln[exp\{B\}-1] + 2\theta ln(\beta^{*}) - 2(\frac{\theta}{\psi})(A) + B\})^{1/2}}{exp\{\theta ln(\beta^{*}) - (\frac{\theta}{\psi})(A) + \frac{1}{2}B\}}$$

where,

$$A = \sum_{m=1}^{M}\beta_m\sum_{k\in Z}\phi_{i,mk}^{'}X_{i,t-k} + \alpha ln(\hat{\eta}_t^{s}) + ln(\varphi_i)E(\delta)$$

$$B = (\frac{\theta}{\psi})^2((ln(\varphi_i))^2\sigma_{\delta}^2 + \sigma_{\varepsilon}^2).$$

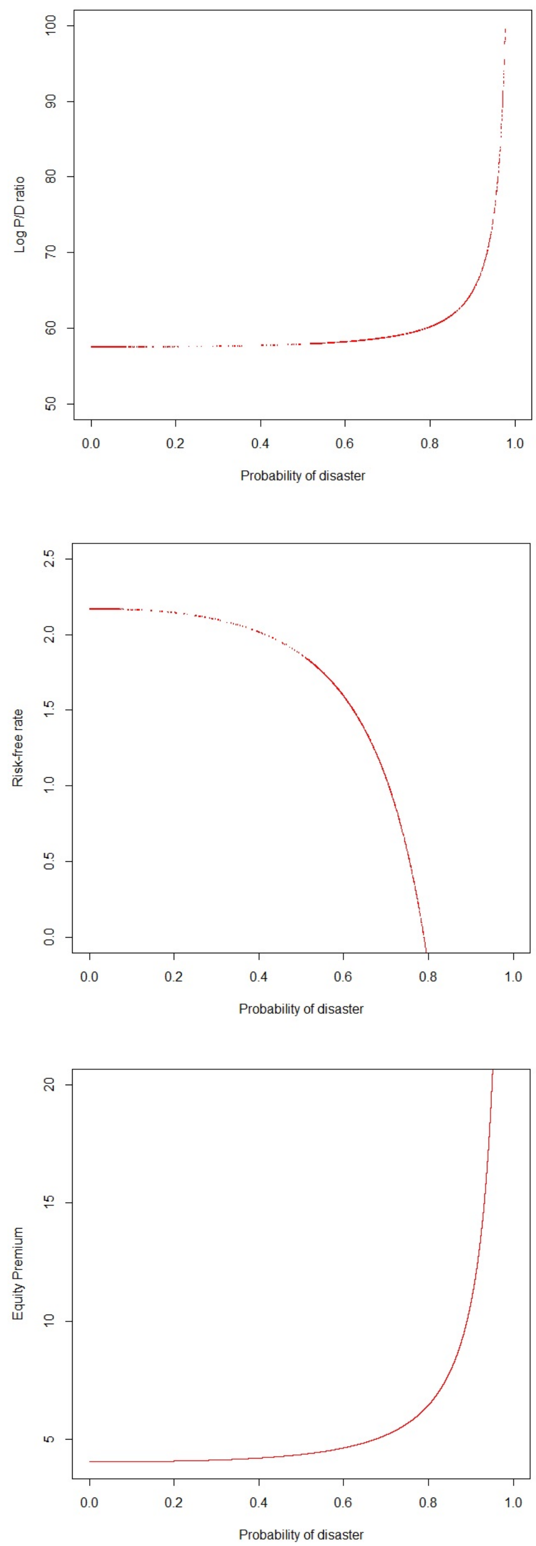

Figure 3: **Price-to-dividend ratio, risk-free rate, and equity premium:** This figure plots the log P/D ratio, log risk-free rate $logR_{it}^f$, and equity premium $logE_tR_{it} - logR_{it}^f$ as a function of probability of disaster. The log P/D ratio, log risk-free rate, and equity premium are computed based on estimated parameters α, δ, $\beta_1, ..., \beta_M$ (Section 4) and calibrated γ, ψ and σ_ε. Data source: Compustat/CRSP merged and financial ratios, WRDS.

The time discount factor β^* is 0.999, consistent with many papers (among all Wachter, 2013). This study obtained $\gamma = 0.999$ and Elasticity of Intertemporal Substitution (EIS), $\psi = 1.013$. Calibrated relative risk aversion and EIS implies that investors became more conservative in the COVID-19 situation, in the sense that the representative investor preferred early resolution of uncertainty since $\gamma > 1/\psi$ (Bansal et al., 2012)[11]. Moreover, the calibration suggests the reasonable value of 7.3 for σ_ε, in line with the fact that not only uncertainty but also even very small possibility of disaster makes the dividend growth have a heavier tail distribution. This highlights the impact of a "rare" disaster in line with Weitzman (2005) and reveals the impact of COVID-19 as a rare event on the distribution of dividend growth.

Based on all estimated and calibrated parameters, Figure 3 plots the model-based asset pricing implications (the tractable formulas) as a function of disaster probability spanned on [0,1]. It shows the price-to-dividend ratio and the risk-free rate as increasing and decreasing functions of disaster probability, respectively. In periods with a higher probability of disaster, a decline in dividends happens with a higher pace than price reduction since the price is assumed to be discounted future dividend stream covering some "no-disaster" states. The first panel illustrates that when the possibility of disaster is higher than 0.85, dividends plunge to zero and the price-to-dividend ratio becomes strictly increasing at the highest pace.

In case of the possibility of disaster, there is an interest in buying more risk-free assets, its price goes up, and the risk-free rate decreases. The second panel shows that the model-based risk-free rate is decreasing in the probability of disaster. Clearly, in case of very high disaster probability, there is no interest in the risky asset, so that the equity premium increases as compensation to cover the additional risk. The third panel shows that the model-based equity premium is an increasing function of the disaster probability. Moreover, in line with Barro (2006), the equity premium is a decreasing function of risk aversion, γ.

[11] In standard literature, EZ parameters, γ and ψ, are interpreted as risk aversion and elasticity of intertemporal substitution, respectively. But this interpretation may not be strictly satisfied when γ differs from the reciprocal ψ (Garcia et al.,2006 and Hansen et al.,2007).

4 Results

This section presents an estimated exogenous dividend stream for model-based asset pricing implications. The first part (4.1) clarifies COVID-19 being a rare disaster and provides the estimation of the macro time-effect of COVID-19 (η_t^s) from 2013 to 2022, the time period over which exogenous dividend stream is estimated. The second step (4.2) quantifies the impact of financial resilience components. It also estimates the fixed-effects α and β_ms coefficients of macro economic contraction, $\hat{\eta}_t^s$ and financial resilience components, $PC_{it,m}$, respectively, and δ as heterogeneous effect of workplace resilience, $ln(\varphi_i)$, in dividend growth using the Restricted Maximum Likelihood method, REML, over 2013 - 2022.

4.1 Macroeconomic sensitivity to COVID-19 disaster

In the proposed approach, the first step to characterize the effect of COVID-19 on dividend growth is to estimate the macro economic contraction due to COVID-19, as explained in Section 2.2.1. Figure 4 shows the fitted two-regime Markov-Switching (MS) model for the monthly GDP of the United States from 1960 to 2022 and specifies the disaster regimes. This figure provides an opportunity to empirically prove that this pandemic was a disaster with significant macroeconomic consequences and exhibits the COVID-19 pandemic period as a disaster regime. Furthermore, according to Table 1, the estimated macro time-effect of COVID-19, $\hat{\eta}_t^s$ is:

$$\hat{\eta}_t^s = \begin{cases} 100.69 + 0.97q_{t-1} & 1 - p_t : Non - Disaster.state \\ 100.69 + 1.03q_{t-1} & p_t : Disaster.state \end{cases}$$

with the estimated transition probabilities in Table 2. Significant switching AR(1) coefficients in Table 1 is a sign of severe economic contraction in disaster states, specifically the estimated

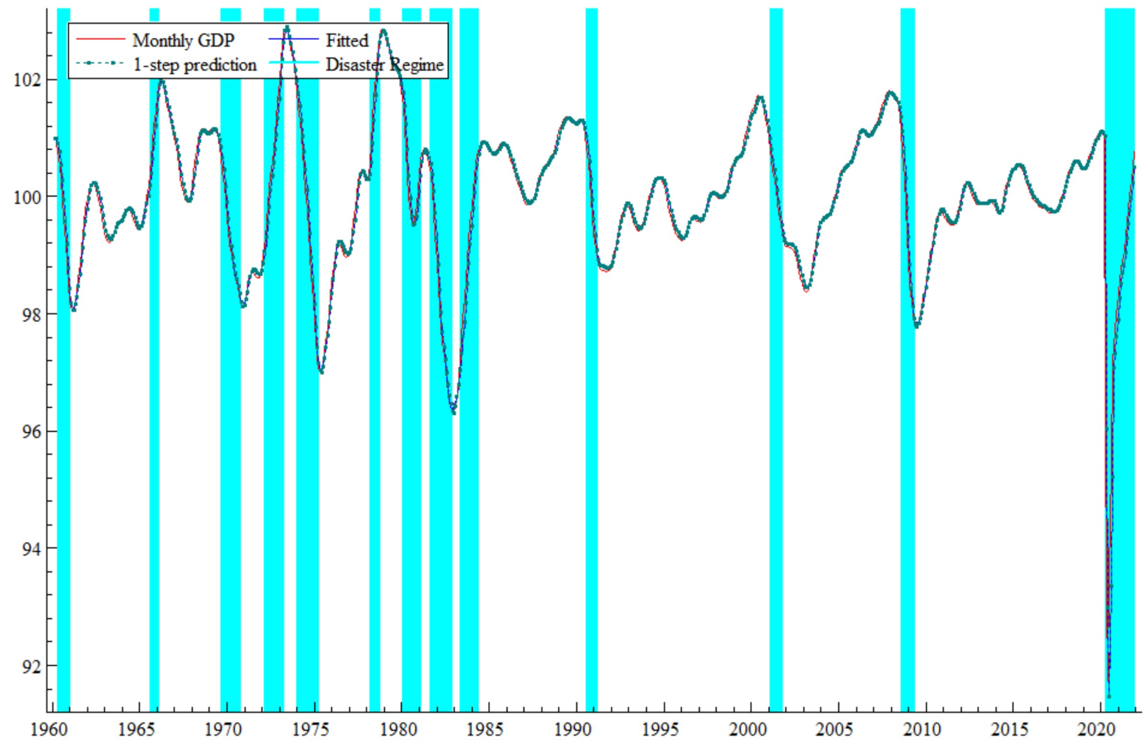

Figure 4: **Monthly GDP, fitted MS-AR(1) and the one-step prediction from 1960 to 2022:** The blue columns show the disaster regimes (states and the duration). Data source: Normalised seasonally adjusted GDP, Federal Reserve Bank of St. Louis, Economic Research Division.

coefficient in disaster states (1.03) shows that such macro time-effect is not mean-reverting in disasters.

The LRT statistic provided in Table 1 empirically proves the significance of nonlinear two-regime MS-AR(1). The evidence on optimally choosing the number of regimes is provided in Table 5 and Table 6 in the appendix.

Table 1: **Estimated parameters of MS-AR(1):** This table presents the maximum likelihood estimation of the two-regime Markov-Switching AR(1) and the conditional probability of disaster. It provides the Likelihood Ratio Test to examine linear vs. nonlinear two-regime MS-AR(1). Significant codes: 0 '***', 0.001 '**'.

Nonlinear Markov-Switching	Coefficients (StDev)	t-value
Intercept	100.69 (0.013)	592.00***
AR-1 (Disaster state)	1.03 (0.01)	65.40***
AR-1 (Non-Disaster state)	0.97 (0.003)	172.00***
p(Disaster|Disaster)	0.91 (0.02)	63.20***
p(Disaster|Non-Disaster)	0.02 (0.005)	4.51***
log-likelihood statistics	431.80	
LRT statistics	1102.7**	

Table 2: **Estimated transition matrix:** This table shows the conditional probability of disaster states estimated by two-regime MS-AR(1).

Transition probability	Disaster state at time t	Non-Disaster state at time t
Disaster state at time t+1	0.91	0.02
Non-Disaster state at time t+1	0.08	0.97

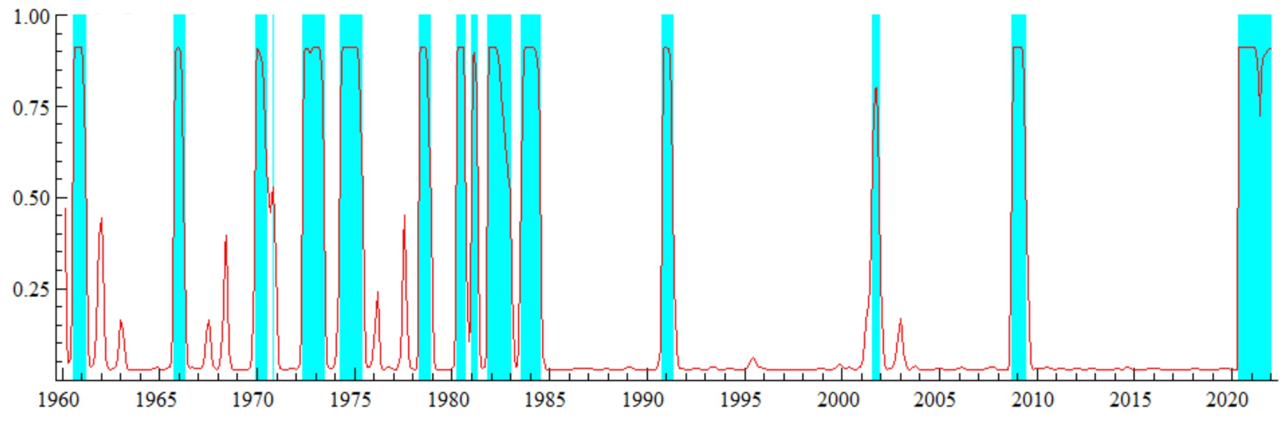

Figure 5: **Evolution of estimated probability of disaster based on MS-AR(1), from 1960 to 2022:** The blue columns show the disaster regimes (states and the duration).

Figure 5 shows the evolution of disaster probability, p_t. As it can be seen clearly and in line with Figure 1, the probability of disaster rose to around 0.9 in the fever period of

COVID-19, followed by a reduction due to the impact of the good news about vaccines. Even though the probability of a disaster state at time t conditional on the non-disaster state for the previous month, is 2 percent which is in line with the calibrated static disaster probability of 1.7 percent proposed by Barro (2006), the economy will remain in disaster regime due to low transition probability of 8 percent. Table 2 shows that switching from disaster states to no-disaster ones happens with a probability of 0.08.

In addition to Figure 4, which graphically shows the goodness of fit, Table 7 (in the appendix) re-verifies these results and contains not only the estimated disaster states s_t and the regimes' duration but also the evidence from Fed reports. It compares the estimated disaster regimes with the corresponding actual events. The estimation of disaster regimes accords with the historical information in Burger (1969), Supel (1978), and Hoxworth et al. (1983).

Moreover, the estimated distribution for macroeconomic sensitivity η_t^s (Figure 11 in the appendix) provides another form of verification on the number of regime switches. This figure compares the bimodal distribution with the corresponding normal distribution.

4.2 Justification for dividend stream and asset pricing moments

To interpret the impact of corporate financials and to investigate whether and to what extent the financial status of firms amplifies the consequences of COVID-19 on asset prices, this paper starts with around 70 financial ratios of 5833 U.S. firms over 2013−2022 at monthly frequency and employs Dynamic Functional Principal Component Analysis (DFPCA) to capture the impact of firm's financial status, as explained in Section 2.2.3.

By computing the filter sequences and dynamic principal components, it is possible to provide the scree plot and decide on the number of components required to cover most of the variation originated from all corporate financials that possibly affected dividend growth. Figure 6 shows the portion of variance explained by each dynamic functional PC for all

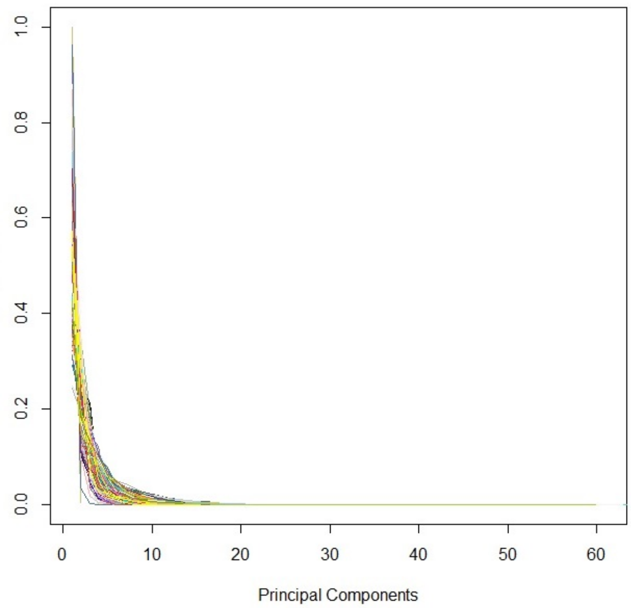

Figure 6: **Scree plot of Dynamic Functional Principal Component Analysis (DFPCA) of financial ratios:** This figure shows the portion of variance explained by each component (eigenvalues). The sample contains around 5833 US firms. Data source: Firm-level financial ratios, WRDS.

firms, separately in one diagram. It suggests that the first five components explain the most variation (over 90 percent) induced by financial ratios for almost all firms.

Based on Equation 5 and the first five dynamic principal components (PCs)[12], the results of estimated dividend growth are summarized in Table 3. This table presents the quantified effect of workplace resilience and the impact of the firm's financial resilience as the elasticity of dividend growth to these two intuition of resilience.

It can be seen clearly that workplace resilience has significantly a positive average heterogeneous effect of 10.36 on dividend growth for a sample of all industries. For individual industries, the corresponding coefficient of workplace resilience in the specification of dividend growth varies on average from 2 to 14, respectively in "Mining, Utility and Construction" and "Information, Finance, Management, and Remediation Services". The key result on the averaged heterogeneous effect of workplace resilience can be seen in Figure 7. Based on workplace resilience, firms are categorized into two, three, and four groups. In each case, the

[12] In case of interest, the results based on the first ten principal components can be provided.

Table 3: **Dividend growth estimation:** This table provides estimation for coefficients of financial resilience components and the impact of COVID-19 including macro time-effect of COVID ($ln\hat{\eta}_t^s$) and workplace resilience (Equation 5). It presents fixed effects ($\beta_1, ..., \beta_5$) of first five cross-sectional time-varying dynamic functional PCs ($PC_1, ..., PC_5$) and the heterogeneous effect (δ) of workplace resilience $ln(\varphi_i)$, by REML estimating method. The industry sector codes from "2" to "6" belong to "Mining, Utility and Construction", "Manufacturing", "Trade, Transportation and Warehousing", "Information, Finance, Management, and Remediation Services", "Educational, Health Care and Social Assistance", respectively. Each column shows the result of estimation separately for each industry. The numbers in parentheses are standard deviations of corresponding estimated coefficients. Significant codes: 0 '***' 0.001 '**' 0.01 '*' 0.05 '.'.

Dependent variable: Dividend growth

	All industries	Industry sector (NAICS code)				
		2	3	4	5	6
PC_1	0.0007** (0.0002)	0.0027 (0.0014)	0.0041*** (0.0003)	-0.0026** (0.0008)	-0.0029*** (0.0005)	0.0113*** (0.0025)
PC_2	-0.0029* (0.0004)	0.0066** (0.0021)	-0.0045*** (0.0005)	0.0052*** (0.0011)	-0.0022*** (0.0006)	-0.0082* (0.0032)
PC_3	-0.0025* (0.0005)	0.0010 (0.0028)	-0.0013 (0.0007)	0.0025 (0.0015)	-0.0050*** (0.0008)	0.0132** (0.0042)
PC_4	-0.000007*** (0.0022)	-0.0092* (0.0037)	-0.0014 (0.0008)	-0.0029 (0.0020)	0.0030** (0.0011)	0.0026 (0.0058)
PC_5	0.00001 (0.0008)	-0.0060 (0.0045)	0.0002 (0.0011)	0.0055* (0.0025)	-0.00007 (0.0013)	0.0310*** (0.0069)
$ln\hat{\eta}_t^s$	-2.3149*** (0.0889)	-0.7308 (0.4882)	-1.8041*** (0.1191)	-2.4705*** (0.2832)	-3.2298*** (0.1399)	-3.2044** (0.0085)
Average of workplace resilience (heterogeneous effect)	10.3690*** (0.4622)	2.6394*** (0.5561)	8.0623*** (0.4327)	11.2225*** (0.5193)	14.5646*** (0.3182)	14.0970*** (0.6553)
F-statistics	127.48***	4.013*	79.816***	19.303***	105.565***	11.4737***

first and last groups are considered as low- and high-resilience firms, respectively. This figure exhibits that the averaged heterogeneous effect of workplace resilience for low-resilience firms is higher than the one for high-resilience firms (the red line is below the blue line in Figure 7), meaning that the elasticity of dividend growth with respect to workplace flexibility, $\hat{\delta}$ for firms with a very low degree of workplace resilience is much higher than the one for very high-resilience firms. On the other hand, it can be seen clearly in Figure 7 that the greater is the difference in workplace resilience of firms (an increase in number of groups, equivalently), the greater is the difference in the averaged heterogeneous effect or the corresponding elasticity (an increase in vertical distance between the red point and the blue one); And as a result, for the same amount of an increase in workplace flexibility there is a greater change in dividend growth of low-resilience firms based on Equation 5. Daadmehr (2023) theoretically proves the similar statement for expected returns and shows an increase in COVID intensity increases the expected return of low-resilience firms much more than that of high-resilience firms.

To sum up, Figure 7 suggests that in low-resilience firms, a one percent improvement in workforce flexibility increases the dividend growth much more than in the case of high-resilience firms, since the averaged heterogeneous coefficient for low-resilience firms is much higher. Table 4 statistically tests these differences in heterogeneous effect for these two groups of firms or equivalently, it implicitly examines the significant differences in elasticity of dividend growth to workplace resilience between high and low workplace-flexible firms. The summary statistics and empirical results on the heterogeneous effect of workplace resilience are provided in Table 4. This table empirically proves that in any case of number of groups (K), the heterogeneous effect of workplace resilience of high workplace-resilient firms is "significantly" different from that of the low workplace-resilient ones. Consequently, there are significant discrepancies in dividend growth of high- and low-resilience firms created by the heterogeneous effect of workplace resilience. In other words, this technically indicates that the dividend growth for low-resilience firms is significantly more sensitive to workplace resilience than that of high-resilience firms.

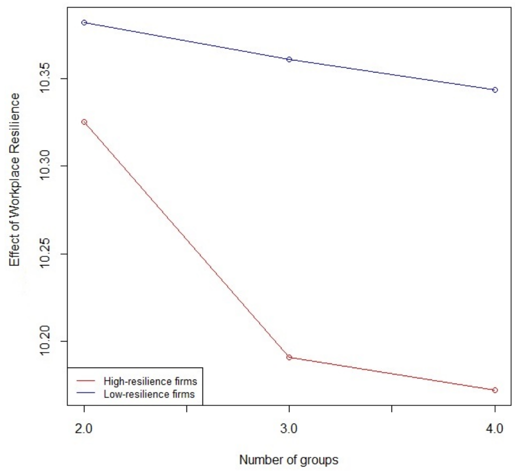

Figure 7: **The average heterogeneous effect of workplace resilience:** This figure exhibits how the difference in workplace resilience of high- and low-resilience firms changes averaged heterogeneous effect of workplace resilience, by sorting and equally splitting firms into K groups based on their workplace resilience.

Table 4: **Summary statistics of heterogeneous effect of workplace resilience:** This table provides the summary statistics on the heterogeneous effect of workplace resilience for high-resilience and low-resilience firms, including the results of group comparisons. Firms are sorted based on workplace resilience and splitted into K groups. The first group and the last one are low and high workplace-resilient firms, respectively. It compares the heterogeneous effect of two groups of firms using the nonparametric Wilcoxon test. The heterogeneous effect of high-resilience firms is significantly different from the low-resilience ones. Significant codes: 0 '***', 0.001 '**'.

K	Workplace Resilience	Minimum	1^{st} Qu.	Median	Mean	3^{rd} Qu.	Maximum	Group Comparison test P-Values
2	High	9.88	10.21	10.29	10.33	10.52	10.52	0.00***
	Low	9.35	9.16	10.41	10.38	10.69	10.51	
3	High	10.05	10.05	10.22	10.19	10.22	10.33	0.00***
	Low	9.35	10.15	10.41	10.36	10.72	11.41	
4	High	10.05	10.05	10.21	10.17	10.22	10.29	0.00***
	Low	9.35	10.16	10.44	10.34	10.72	11.41	

Table 3 emphasizes the importance of the macroeconomic COVID-sensitivity that implies a significant reduction in dividend growth not only at the level of "All industries" but also within each industry, except "Mining, Utility and Construction". The estimated coefficient of $ln(\hat{\eta}_t^s)$ is statistically significant, showing that all sectors are significantly sensitive to the recession caused by COVID-19, except "Mining, Utility and Construction". In this sector, the reason for the lack of statistical significance of $\hat{\alpha}$ is related to the low amount of estimated averaged heterogeneous effect of workplace resilience of 2.6. Firms in this sector have a much lower averaged heterogeneous effect of workplace resilience with respect to its average amount plotted in Figure 7 (the red line is below the blue line in Figure 7 and the average amount of 2.6 for this industry is much smaller than the average in the case of all industry in Figure 7). Accordingly, this suggests that firms in this industry are more workplace-resilient, on average. Hence in this industry, social distancing restrictions are not disturbing as much as it is in other sectors.

Table 3 also shows the results of elements of financial resilience. The significance of dynamic functional principal components of financial ratios not only suggests the significant effect of firms' financial status on dividend growth but also proves the significant amplification of workplace resilience by corporate financials[13], $G_{it} = f(FR_{it})g_{it}$, in Section 2. This table reveals that financial resilience, especially the first two principal components, containing most variations originating from financial ratios, directly affect dividend growth and makes its resilience more heterogeneous. Then, overall resilience heterogeneity is not just from the workforce flexibility perspective but based on what firms financially experienced before and during the COVID-19 outbreak. On the top of all these, since the averaged heterogeneous effect of workplace resilience is greater than the estimated coefficients of financial resilience elements (PCs), dividend growth is more elastic to workplace resilience. Equivalently, the role of workplace flexibility is more prominent in explaining the resilience heterogeneity in

[13] In line with the intuition of financial-based resilience and its role in composite-financial resilience index in Daadmehr (2024).

dividend growth.

Moreover, the empirical results in this section show "to what extent" cash flows can be resilience heterogeneous and the solution of the proposed model in Section 3, sheds light on "how" such significant resilience-heterogeneity, specifically the heterogeneous effect of workplace flexibility and the amplification effect by financial resilience, can be transferred to the expected returns as well as all asset pricing implications. The calibrated exercise compares model-based asset pricing moments with the corresponding values from historical data. The model-based equity premium (5.269) is close to the average equity premium from data (5.147). The result holds for the risk-free rate (1.137 vs. 1.006 from historical data). The model-based standard deviation of the log risk-free rate (2.531) is in line with the corresponding amount presented by Ghaderi et al. (2022) using historical data from 1950 to 2019[14].

5 Major elements of financial resilience

Section 4 explained the significant role of the financial resilience of assets in the amplification of the dominant heterogeneous effect of workplace resilience in exogenous dividend growth as well as asset pricing implications (Section 3). The key application of dynamic functional principal component analysis determined the first five major PCs as components of financial resilience, FR_{it}, at the firm level over time, including the COVID-19 era. This section clarifies which financial ratios mostly drive fluctuations in firms' financial resilience components.

Figure 8 exhibits weights of financial ratios for each of $PC_1, ..., PC_5$. It provides the opportunity to compare the relative importance of financial ratios in determining the firm's resilience. This figure reveals major ratios with over 90 percent average weight (the black

[14] All values are reported in percentage terms.

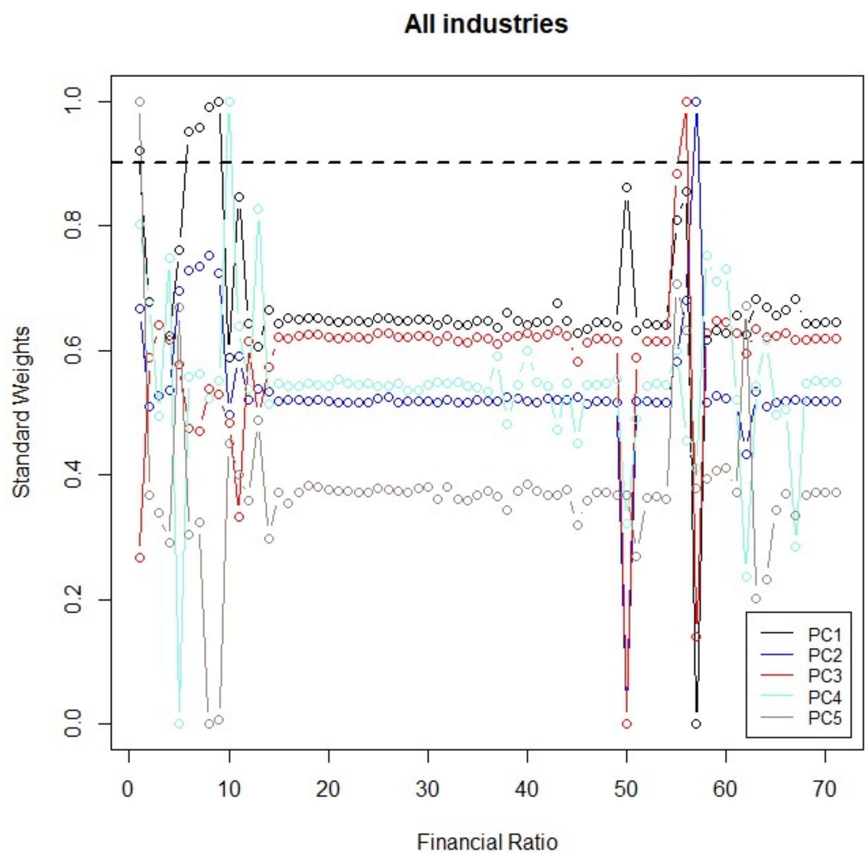

Figure 8: **Overall weights of financial ratios (average of filter sequences, ϕ, for first five PCs):** This figure shows the standardized weights of all financial ratios obtained by DFPCA. The sample contains firms in all industries. The black dash line is the threshold of 90 percent for weights. Data source: Firm-level financial ratios, WRDS.

dash line) in the specification of at least one of the first five principal components, $PC_{it,m} = \sum_{k\in Z} \phi'_{i,mk} X_{i,t-k}$, for $m = 1, ..., 5$. It determines Shillers Cyclically Adjusted P/E Ratio, Price/Operating Earnings (Basic), Price/Operating Earnings (Diluted), P/E (Diluted, Excl. EI), P/E (Diluted, Incl. EI) and Price/Sales (valuation ratios); Cash Conversion Cycle (liquidity ratio); and Interest Coverage Ratio (solvency ratio) as main elements of dynamic functional PCs and the financial resilience as well.

Daadmehr (2024) explains to what extent valuation and liquidity ratios are significantly correlated with the proposed financial-based resilience index and emphasizes the necessity of workplace flexibility to define a novel "Composite-Financial Resilience Index". The machine-based (DFPCA) choice of valuation ratios is in line with Glossner et al. (2022) who emphasize the important amplification role of institutional investors in valuation and the severe price decline in COVID-19. Furthermore, having liquidity ratio as one of the important ratios determined by DFPCA is consistent with Pagano and Zechner (2022) who mention the significant change in liquidity levels of listed U.S. firms, from before the emergence of the pandemic to after the onset.

The choice of Interest Coverage Ratio is in line with Palomino et al. (2019) who interpret the countercyclicality and its negative relation with economic activity. In what follows, there is an interpretation of the relation between these ratios, workplace resilience, and firms' vulnerability and riskiness.

5.1 Valuation Ratios

By definition, valuation ratios are appropriate to measure the relationship between market value and some stream of fundamentals. Figure 9 shows time-variation in different kinds of valuation ratios with higher than 90 percent weight (averaged ϕ in Equation 2) in elements of firms' financial resilience ($PC_1, ..., PC_5$) after the onset of COVID pandemic, diagnosed by Dynamic Functional PCA (DFPCA). The first panel shows a similar trend in almost all of these ratios, especially different kinds of price-to-earning ratios that are commonly used, good financial metrics to get a better understanding of the overall picture, and accessible to a wide range of investors. In this paper, DFPCA technically proved its significant impact on the firm's financial resilience (Section 4).

This figure compares the descriptive behavior of these valuation ratios, separately for high- and low-resilience firms, in the sense of workplace flexibility. It can be seen clearly from the second panel that these ratios have a homogeneous trend for high-resilience firms. This homogeneity is less clear in the case of low-resilience firms. To make a better comparison between the valuation ratios of high- and low-resilience firms, one ratio is selected as a representative. The DFPCA determines "Shillers Cyclically Adjusted P/E Ratio" as an effective main element of either PC_1 or PC_5 with a weight of more than 90 percent (Figure 8). In particular, dynamic functional PCA implicitly mentions the inflated P/E due to low or even negative earnings during economic downturns like COVID-19 and refers to the cyclicality of earnings over these periods. It highlights the importance of cyclically adjusting of P/E and selects "Shillers Cyclically Adjusted P/E Ratio" as the most promising valuation ratio among different definitions of P/E ratio.

The first panel of Figure 10 shows that the adjusted P/E ratio for low-resilience firms is higher than that of the high-resilience ones during the COVID-19 outbreak, except for a short time at almost the end of the fever period in the first wave of this pandemic. The flip point in the fever period is consistent with Pagano et al. (2023).

Generally, firms with higher P/E ratios are considered riskier since they have higher growth expectations[15], making them more vulnerable. So, stocks with lower P/E ratios may be perceived as less risky, but it is not sufficient enough to assess the overall firm's financial status and health. Figure 10 (first panel) explains that riskier firms with higher adjusted P/E ratio are low-resilience in their workforce, in line with Daadmehr (2024) who empirically proves that low-resilience firms are riskier and investors expect more returns on these stocks.

[15] The P/E ratio can present insights into investors' expectations for a firm's future growth prospects. A high P/E ratio implies that investors anticipate strong earnings growth in the future.

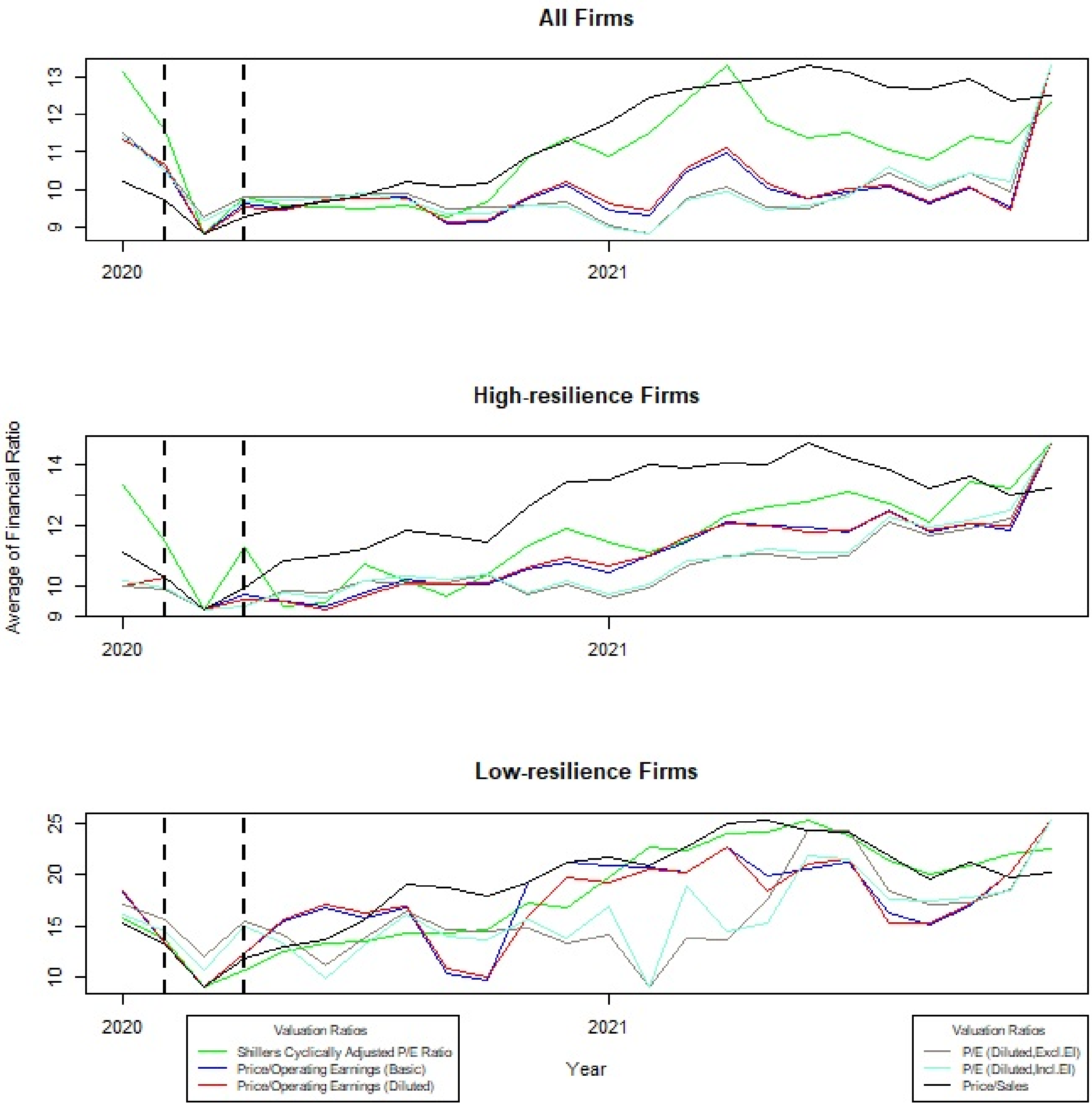

Figure 9: **Valuation ratios:** This figure shows the time series of major valuation ratios determined by Dynamic Functional Principal Component Analysis. The categorization of firms into high- and low-resilience groups, in the sense of workplace flexibility, follows Koren and Peto (2020) and Daadmehr (2024). Vertical black dash lines refer to the fever period of the COVID-19 pandemic, from February to April 2020. Data source: Firm-level financial ratios, WRDS.

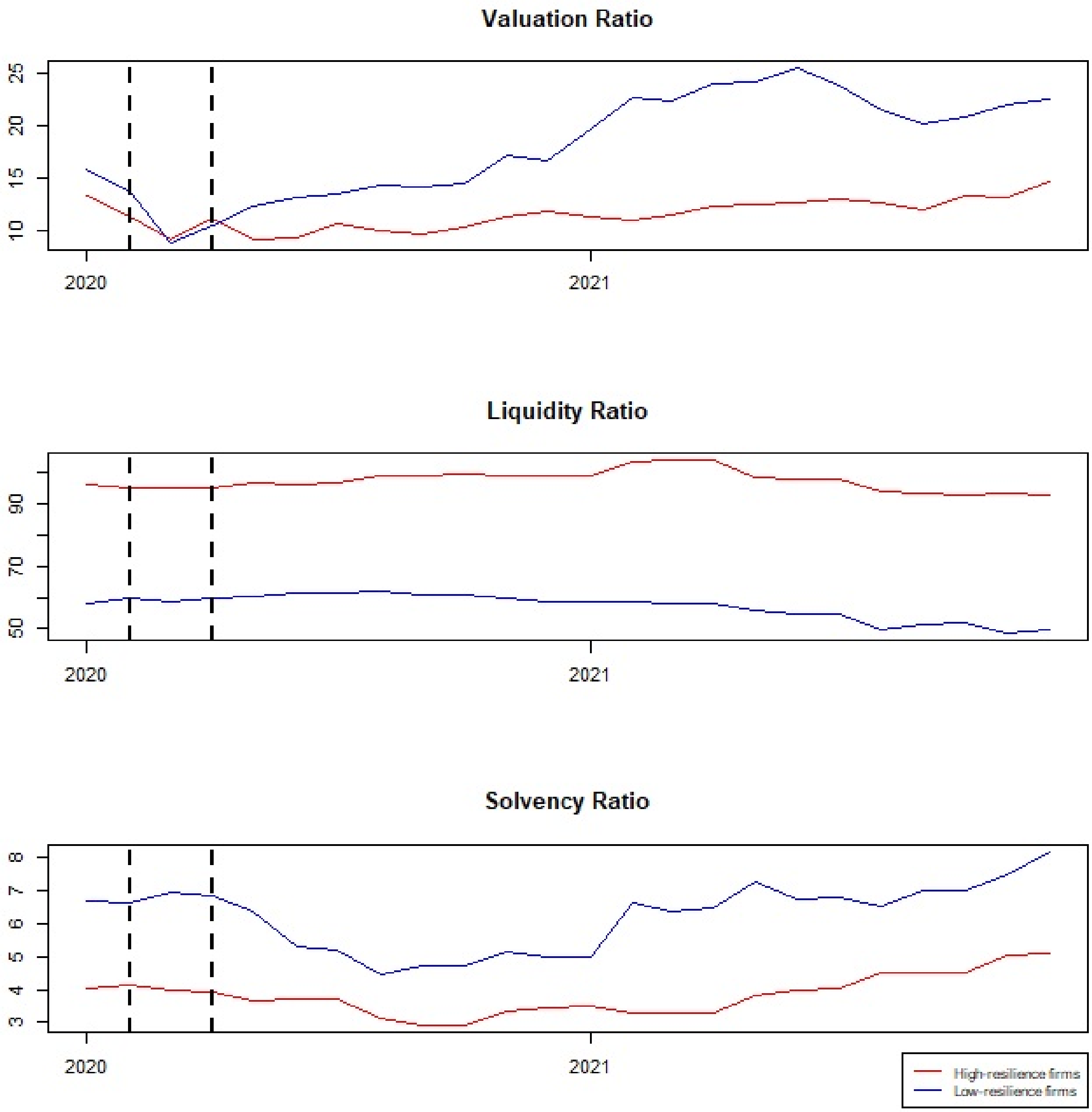

Figure 10: **Representative financial ratios:** This figure shows the time series of Shillers Cyclically Adjusted P/E (valuation ratio), Cash Conversion Cycle (liquidity ratio), and Interest Coverage Ratio (solvency ratio) as major elements determined by DFPCA. The categorization of firms into high- and low-resilience groups, in the sense of workplace flexibility, follows Koren and Peto (2020) and Daadmehr (2024). Vertical black dash lines refer to the fever period of the COVID-19 pandemic, from February to April 2020. Data source: Firm-level financial ratios, WRDS.

Firms can control the level of P/E ratio through different kinds of policies. Many papers investigate the impact of dividend policy on the price-to-earnings ratio. Among all, Jitmaneeroj (2017) discusses how these policies and the P/E ratio have a negative and positive association depending on the firm's profitability.

In spite of the sticky preferences to dividend policy, many papers explain the existence of determinants that affect firms' decisions on this kind of policy. One growing strand of the literature suggests that dividend policy can be influenced by ownership structure and affect firms' performance. Lopes and Narciso (2020) examine the ability of earnings management practices to predict the dividend policy and suggest ownership concentration as a main driver of this relationship. Furthermore, the association between insider ownership and financial performance affects the firm's P/E ratio. Houmes and Chira (2015) explain that high insider ownership makes the board ineffective and perpetuates weak performance with lower P/E, showing that managers are not capable enough to create value and firms are riskier in this sense and investors require higher return.

On another front, accounting and investment policies can jointly affect the P/E ratio. Staehle and Lampenius (2013) compare firms with different accounting and investment policies and combine a model with overlapping capacity investments (among all, Rogerson, 2008).

However, this ratio itself cannot be a representative of corporate financials such as the level of the firm's debt or cash flow. This emphasizes the necessity of quantifying the financial resilience, FR_{it}, as an overall indicator of corporate financials and refers to its important role in not only exogenous dividend growth but also in asset pricing implications. This directly highlights the novel application of dynamic functional PCA as a new definition for financial resilience.

5.2 Liquidity Ratio

Another important element with over 90 percent weight in dynamic functional PCs (PC_2

according to Figure 8) is "Cash Conversion Cycle (CCC)" which can be an indicator of liquidity risk, operational efficiency, and overall financial status. This indicator represents the number of days needed to convert resources to cash. The fewer days it takes, the better it is for the business. The second panel of Figure 10 exhibits that not surprisingly, there is almost no fluctuation in this kind of liquidity ratio in the case of either high-resilience or low-resilience firms in the sense of workplace flexibility. However, this panel reveals a huge cross-sectional difference between these two groups of firms in the number of days it takes to convert the cash spending on inventory back into cash by selling its product. This refers to the novel application of dynamic functional PCA that can simultaneously capture not only time variation but also cross-sectional heterogeneity in corporate financials.

Holding physical inventories is not a big issue for high workplace-resilient firms who are capable enough to run distance-working plans and consequently, no matter to what extent conversion takes time. As it is expected, for high workplace-resilient firms the period of conversion is longer since the cash cycle is not a significant consideration for such firms (second panel of Figure 10). On the other hand, low workplace-resilient firms are riskier in the presence of COVID-related lockdown periods (Daadmehr, 2024) and they face more workplace disruption since it is not possible to conduct different tasks in hybrid mode. Therefore, low workplace-resilient firms put more effort on cash cycle reduction by improving performance in Days Payable Outstanding (DPO), Days Sales Outstanding (DSO), and Days Inventory Outstanding (DIO)[16].

Since the Cash Conversion Cycle depends on industry type, management, and many other factors, it is not an appropriate representative of firms' performance and should be considered with other performance criteria. This is exactly what this paper cares about. The financial resilience, FR_{it}, part of exogenous dividend growth provides a hybrid quantification of firms' financial status.

[16]The standard definition of cash conversion cycle = DIO + DSO - DPO. Increasing DPO, decreasing DSO, or decreasing DIO results in quicker conversion.

5.3 Solvency Ratio

A firm's dividend policy can be also affected by solvency ratios due to debt covenants and related restrictions from the lenders' side (DeAngelo and DeAngelo, 1990; Ali et al., 2017). This financial ratio helps to determine the short-term financial health of a firm and it is used by investors and lenders to determine the riskiness of lending money to the firm[17]. Another major element with over 90 percent impact on firms' financial resilience components is "Interest Coverage Ratio (ICR)" which plays a main role in cross-sectional and time variation in dynamic functional PC_3 (Figure 8). The third panel of Figure 10 reveals a decrease in ICR level starting from April 2020. A declining ICR represents that firms may not be capable enough to meet their debt obligations in the future and become riskier.

In COVID-time, low-resilience firms are riskier since they are not workplace flexible enough under new social distancing rules. These industries saw business disruptions and became even more financially vulnerable in the COVID era (Koren and Peto, 2020; Pagano et al., 2023; Daadmehr, 2024). After April 2020, the ICR decline for low workplace-resilient firms is steeper with respect to the one for high workplace-resilient ones, showing that low workplace-resilient firms had more difficulties to meet their debt obligations.

Palomino et al. (2019) use DealScan information and a predictive regression of the relevant ICR threshold at the firm level and show that there is a large cross-industry variation in ICR in different industries. They propose a vulnerability index based on ICR which signals a deterioration of corporate financial conditions, and any increase in the index is associated with a decrease in future economic activity. This index displays a very strong countercyclical pattern since the 1970s, with particularly high levels in the late 1980s and during the Great Recession.

As it is explained, the low workplace-resilient firms are riskier (Daadmehr, 2024) due to

[17] The ideal ratio may vary by industry.

the impact of COVID-19 on the real part of the economy. Risky industries with limited access to external debt financing (e.g. Computer Equipment or Chemicals) require even higher ICRs to be considered creditworthy and financially stable. The third panel of Figure 10 exhibits the persistent higher ICR for low workplace-resilient firms which are riskier during all periods of the COVID-19 outbreak (Daadmehr, 2024) and suggests that such workplace riskiness can be amplified by the impact of ICR.

The results in Section 4 empirically prove such significant amplifications in exogenous dividend growth. The novel asset pricing model and the solution in Section 3, reveal how such significant amplification affects expected returns.

The vital role of all these three kinds of financial ratios strictly emphasizes the necessity of a setup showing how the financial status of firms interacts with workplace resilience and plays an asset pricing role in the time of COVID-19. The novel application of dynamic functional principal component analysis highlights the major and significant role of these valuation, liquidity, and solvency ratios (among all others) in the snapshot of firms' financial status as well as asset pricing implications (Sections 3 and 4.2).

6 Conclusion

In this paper, the key aspect of the empirical results is twofold. First, it prepares an opportunity to assert and prove that COVID-19 not only is a health crisis but also can be considered as a disaster with significant macroeconomic consequences. Findings from the Markov-Switching approach establish the significant economic contraction during COVID-19. The most important result is related to estimating the probability of disaster that has a direct impact on model-based equity premium (Equation 6). Moreover, the results suggest a conditional disaster probability of 2 percent, in line with Barro (2006). The estimated macroeconomic sensitivity to the COVID-19 disaster shows a negative impact on dividend growth.

Second, this study answers the ambiguity of the amplification effect of financial resilience on asset prices mentioned by Daadmehr (2024), by quantifying this kind of resilience and taking into account the firm's financial status. The methodology in this part clearly reveals how the amplification effect of corporate financials has a significant impact on the dividend stream. In order to understand to what extent such amplification affects the asset pricing implications, the paper estimates dividend growth and calibrates preference parameters based on a novel extension of Barro (2006) including the workplace resilience (Koren and Peto, 2020) and financial resilience components. The estimated dividend growth highlights that the effect of workplace resilience is dominant although the impact of firms' financial resilience is statistically significant.

Empirical results on the heterogeneous effect of workplace resilience assert that not only this kind of resilience has a direct positive relation with dividend growth but also the dividend growth for high-resilience firms has less sensitivity to workplace resilience as opposed to low-resilience firms. More importantly, the low amount of averaged heterogeneous effect in some industries can be a sign of a high degree of workplace resilience as well as insensitivity to aggregate time-varying economic contraction of the COVID-19 disaster.

The novel application of dynamic functional principal component analysis decomposes the impact of financial resilience and reveals the major and significant role of the valuation, liquidity, and solvency ratios in not only the amplification of the COVID effect, especially the impact of workplace resilience but also exogenous dividend growth as well as equity premium in a tractable formula. The results emphasize the necessity of financial resilience components (dynamic functional PCs) as a novel definition that could capture time-varying and cross-sectional variation in all corporate financials.

This paper also presents the asset pricing implications of the COVID-19 disaster. The tractable formulas reveal how equity premium can be characterized by different cross-sectional and time-varying sources of variation, specifically, the model shows that the equity premium is an increasing function of disaster probability. The exercise on calibration, especially on the standard deviation of dividend growth explained the impact of COVID-19 as a rare disaster on the distribution of dividend growth that accords with Weitzman (2005).

The asset pricing model developed in this paper can be applicable in any pandemic-like disaster when workplace sustainability drives investors' beliefs and plays a key role in pricing mechanisms. This evidence sheds light on future research ideas to propose an asset pricing model with rare events including not only the COVID-19 disaster but also previous crises from WW1 to the Russia-Ukraine war. This agenda needs a longer discussion on how different kinds of disasters with different economic consequences can be considered under the broader setup of the asset pricing model. This paper leaves this for future work.

7 Appendix

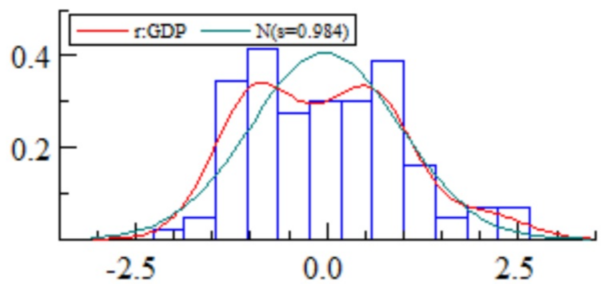

Figure 11: **Estimated distribution of macroeconomic contraction η_t^s:** This figure compares the empirical distribution of macro time-effect of COVID-19 with the corresponding normal distribution.

Table 5: **Tests of Markov-Switching non-linearity:** This table compares the linear model with the Markov-Switching model with the different number of regimes, using the Likelihood Ratio Test. In all cases, the null hypothesis (linear model) is rejected at the level of 0.001.

Model comparison	Lin vs. MS(2)	Lin vs. MS(3)	Lin vs. MS(4)	Lin vs. MS(5)	Lin vs. MS(6)
LR-Test	1102.7	1413.4	1710.0	1790.3	1813.5

Table 6: **Test for number of regimes in Markov-Switching:** This table compares the non-linear Markov-Switching model with different numbers of regimes with the base model of two-regime Markov-Switching, using the Likelihood Ratio Test and Bayes factor.

Number of regimes (i)	i=2	i=3	i=4	i=5	i=6
Bayes factor (B_{2i})	1	1.28	1.55	1.63	1.64

Table 7: **Verification of disaster regimes:** This table compares the estimated disaster regimes by MS-AR(1) with the real events. The first two columns are obtained based on the estimated Markov-Switching process and the information in the last column is obtained from Burger (1969), Supel (1978), and Hoxworth et al. (1983).

Estimated disaster regimes	Estimated duration	Reported by NBER/Fed or related publications
1960-05 to 1961-01	9	GDP was -2.1% in Q2 in 1960, rose by 2.0% in Q3, was down by 5.0% in Q4.
1965-08 to 1966-02	7	August 1965, the month of the so-called Credit Crunch in the financial markets, corporations and Federal Government agencies.
1969-09 to 1970-10	14	Economy contracted by 1.9% in Q4, and by 0.6% in Q1 1970, rose by 0.6% in Q2 and 3.7% in Q3, fell by 4.2% in Q4.
1972-03 to 1973-04	14	OPEC oil embargo leads to quadrupling oil prices: instituting wage-price controls.
1974-01 to 1975-04	16	OPEC oil embargo leads to quadrupling oil prices: Stagflation started in 1973 Q4, continued to 1975 Q1.
1978-03 to 1978-10	8	Due to unemployment trended down slightly by the end of the decade, inflation continued to rise, reaching 11 percent in June 1979 (Federal Reserve Bank of St. Louis).
1980-02 to 1981-02	13	Double whammy of two recession: Oil shock of 1978-79 (Iranian oil embargo).
1981-09 to 1982-11	15	Raising interest rates to combat inflation by Fed.
1983-05 to 1984-05	13	Large federal budget deficit put upward pressure on interest rates.
1990-08 to 1991-03	8	Saving and loan crisis, higher interest rates and Iraq's invasion of Kuwait, July 1990 to March 1991.
2001-02 to 2001-10	9	Boom and subsequent bust in dot-com businesses, March to November 2001.
2008-08 to 2009-05	10	The great recession (subprime mortgage crisis, a global bank credit crisis), lasted in 2009.
2020-04 to 2021-12	21	COVID-19 pandemic crisis, the skyrocketing of unemployment rate.

Table 8: **Some model checking for panel analysis:** The industry sector codes from "2" to "6" belong to "Mining, Utility and Construction", "Manufacturing", "Trade, Transportation and Warehousing", "Information, Finance, Management, and Remediation Services", "Educational, Health Care and Social Assistance", respectively.

Sector NAICS code	Sectors	Panel effect	Cross-sectional dependence	heterogeneous effect	Serrial correlation
2	Mining, Utility and Construction	+	+	+	+
3	Manufacturing	+	+	+	+
4	Trade, Transportation and Warehousing	+	+	+	+
5	Information, Finance, Insurance, Real State Rental, Scientific Services, Management and Remediation Services	+	+	+	+
6	Educational, Health Care and Social Assistance	+	+	+	+

Table 9: **Financial ratios and categorization:** Data source: Financial ratios, WRDS database (To be continued).

Financial Ratio	Variable Name	Category	Formula
Capitalization Ratio	capital_ratio	Capitalization	Total Long-term Debt as a fraction of the sum of Total Long-term Debt, Common/Ordinary Equity and Preferred Stock
Common Equity/Invested Capital	equity_invcap	Capitalization	Common Equity as a fraction of Invested Capital
Long-term Debt/Invested Capital	debt_invcap	Capitalization	Long-term Debt as a fraction of Invested Capital
Total Debt/Invested Capital	totdebt_invcap	Capitalization	Total Debt (Long-term and Current) as a fraction of Invested Capital
Asset Turnover	at_turn	Efficiency	Sales as a fraction of the average Total Assets based on the most recent two periods
Inventory Turnover	inv_turn	Efficiency	COGS as a fraction of the average Inventories based on the most recent two periods
Payables Turnover	pay_turn	Efficiency	COGS and change in Inventories as a fraction of the average of Accounts Payable based on the most recent two periods
Receivables Turnover	rect_turn	Efficiency	Sales as a fraction of the average of Accounts Receivables based on the most recent two periods
Sales/Stockholders Equity	sale_equity	Efficiency	Sales per dollar of total Stockholders' Equity
Sales/Invested Capital	sale_invcap	Efficiency	Sales per dollar of Invested Capital
Sales/Working Capital	sale_nwc	Efficiency	Sales per dollar of Working Capital, defined as difference between Current Assets and Current Liabilities
Inventory/Current Assets	invt_act	Financial Soundness	Inventories as a fraction of Current Assets
Receivables/Current Assets	rect_act	Financial Soundness	Accounts Receivables as a fraction of Current Assets
Free Cash Flow/Operating Cash Flow	fcf_ocf	Financial Soundness	Free Cash Flow as a fraction of Operating Cash Flow, where Free Cash Flow is defined as the difference between Operating Cash Flow and Capital Expenditures
Operating CF/Current Liabilities	ocf_lct	Financial Soundness	Operating Cash Flow as a fraction of Current Liabilities
Cash Flow/Total Debt	cash_debt	Financial Soundness	Operating Cash Flow as a fraction of Total Debt
Cash Balance/Total Liabilities	cash_lt	Financial Soundness	Cash Balance as a fraction of Total Liabilities
Cash Flow Margin	cfm	Financial Soundness	Income before Extraordinary Items and Depreciation as a fraction of Sales
Short-Term Debt/Total Debt	short_debt	Financial Soundness	Short-term Debt as a fraction of Total Debt
Profit Before Depreciation/Current Liabilities	profit_lct	Financial Soundness	Operating Income before D&A as a fraction of Current Liabilities
Current Liabilities/Total Liabilities	curr_debt	Financial Soundness	Current Liabilities as a fraction of Total Liabilities
Total Debt/EBITDA	debt_ebitda	Financial Soundness	Gross Debt as a fraction of EBITDA
Long-term Debt/Book Equity	dltt_be	Financial Soundness	Long-term Debt to Book Equity
Interest/Average Long-term Debt	int_debt	Financial Soundness	Interest as a fraction of average Long-term debt based on most recent two periods
Interest/Average Total Debt	int_totdebt	Financial Soundness	Interest as a fraction of average Total Debt based on most recent two periods
Long-term Debt/Total Liabilities	lt_debt	Financial Soundness	Long-term Debt as a fraction of Total Liabilities
Total Liabilities/Total Tangible Assets	lt_ppent	Financial Soundness	Total Liabilities to Total Tangible Assets
Cash Conversion Cycle (Days)	cash_conversion	Liquidity	Inventories per daily COGS plus Account Receivables per daily Sales minus Account Payables per daily COGS
Cash Ratio	cash_ratio	Liquidity	Cash and Short-term Investments as a fraction of Current Liabilities
Current Ratio	curr_ratio	Liquidity	Current Assets as a fraction of Current Liabilities
Quick Ratio (Acid Test)	quick_ratio	Liquidity	Quick Ratio: Current Assets net of Inventories as a fraction of Current Liabilities
Accruals/Average Assets	Accrual	Other	Accruals as a fraction of average Total Assets based on most recent two periods
Research and Development/Sales	RD_SALE	Other	R&D expenses as a fraction of Sales
Avertising Expenses/Sales	adv_sale	Other	Advertising Expenses as a fraction of Sales
Labor Expenses/Sales	staff_sale	Other	Labor Expenses as a fraction of Sales
Effective Tax Rate	efftax	Profitability	Income Tax as a fraction of Pretax Income
Gross Profit/Total Assets	GProf	Profitability	Gross Profitability as a fraction of Total Assets
After-tax Return on Average Common Equity	aftret_eq	Profitability	Net Income as a fraction of average of Common Equity based on most recent two periods
After-tax Return on Total Stockholders' Equity	aftret_equity	Profitability	Net Income as a fraction of average of Total Shareholders' Equity based on most recent two periods

Table 9: **Financial ratios and categorization:** Data source: Financial ratios, WRDS database.

Financial Ratio	Variable Name	Category	Formula
After-tax Return on Invested Capital	aftret_invcapx	Profitability	Net Income plus Interest Expenses as a fraction of Invested Capital
Gross Profit Margin	gpm	Profitability	Gross Profit as a fraction of Sales
Net Profit Margin	npm	Profitability	Net Income as a fraction of Sales
Operating Profit Margin After Depreciation	opmad	Profitability	Operating Income After Depreciation as a fraction of Sales
Operating Profit Margin Before Depreciation	opmbd	Profitability	Operating Income Before Depreciation as a fraction of Sales
Pre-tax Return on Total Earning Assets	pretret_earnat	Profitability	Operating Income After Depreciation as a fraction of average Total Earnings Assets (TEA) based on most recent two periods, where TEA is defined as the sum of Property Plant and Equipment and Current Assets
Pre-tax return on Net Operating Assets	pretret_noa	Profitability	Operating Income After Depreciation as a fraction of average Net Operating Assets (NOA) based on most recent two periods, where NOA is defined as the sum of Property Plant and Equipment and Current Assets minus Current Liabilities
Pre-tax Profit Margin	ptpm	Profitability	Pretax Income as a fraction of Sales
Return on Assets	roa	Profitability	Operating Income Before Depreciation as a fraction of average Total Assets based on most recent two periods
Return on Capital Employed	roce	Profitability	Earnings Before Interest and Taxes as a fraction of average Capital Employed based on most recent two periods, where Capital Employed is the sum of Debt in Long-term and Current Liabilities and Common/Ordinary Equity
Return on Equity	roe	Profitability	Net Income as a fraction of average Book Equity based on most recent two periods, where Book Equity is defined as the sum of Total Parent Stockholders' Equity and Deferred Taxes and Investment Tax Credit
Total Debt/Equity	de_ratio	Solvency	Total Liabilities to Shareholders' Equity (common and preferred)
Total Debt/Total Assets	debt_assets	Solvency	Total Debt as a fraction of Total Assets
Total Debt/Total Assets	debt_at	Solvency	Total Liabilities as a fraction of Total Assets
Total Debt/Capital	debt_capital	Solvency	Total Debt as a fraction of Total Capital, where Total Debt is defined as the sum of Accounts Payable and Total Debt in Current and Long-term Liabilities, and Total Capital is defined as the sum of Total Debt and Total Equity (common and preferred)
After-tax Interest Coverage	intcov	Solvency	Multiple of After-tax Income to Interest and Related Expenses
Interest Coverage Ratio	intcov_ratio	Solvency	Multiple of Earnings Before Interest and Taxes to Interest and Related Expenses
Dividend Payout Ratio	dpr	Valuation	Dividends as a fraction of Income Before Extra. Items
Forward P/E to 1-year Growth (PEG) ratio	PEG_1yrforward	Valuation	Price-to-Earnings, excl. Extraordinary Items (diluted) to 1-Year EPS Growth rate
Forward P/E to Long-term Growth (PEG) ratio	PEG_ltgforward	Valuation	Price-to-Earnings, excl. Extraordinary Items (diluted) to Long-term EPS Growth rate
Trailing P/E to Growth (PEG) ratio	PEG_trailing	Valuation	Price-to-Earnings, excl. Extraordinary Items (diluted) to 3-Year past EPS Growth
Book/Market	bm	Valuation	Book Value of Equity as a fraction of Market Value of Equity
Shillers Cyclically Adjusted P/E Ratio	capei	Valuation	Multiple of Market Value of Equity to 5-year moving average of Net Income
Dividend Yield	divyield	Valuation	Indicated Dividend Rate as a fraction of Price
Enterprise Value Multiple	evm	Valuation	Multiple of Enterprise Value to EBITDA
Price/Cash flow	pcf	Valuation	Multiple of Market Value of Equity to Net Cash Flow from Operating Activities
P/E (Diluted, Excl. EI)	pe_exi	Valuation	Price-to-Earnings, excl. Extraordinary Items (diluted)
P/E (Diluted, Incl. EI)	pe_inc	Valuation	Price-to-Earnings, incl. Extraordinary Items (diluted)
Price/Operating Earnings (Basic, Excl. EI)	pe_op_basic	Valuation	Price to Operating EPS, excl. Extraordinary Items (Basic)
Price/Operating Earnings (Diluted, Excl. EI)	pe_op_dil	Valuation	Price to Operating EPS, excl. Extraordinary Items (Diluted)
Price/Sales	ps	Valuation	Multiple of Market Value of Equity to Sales
Price/Book	ptb	Valuation	Multiple of Market Value of Equity to Book Value of Equity

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