

ASA International Conference 2025 - Volatility Adjustments Recap

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I recently attended the ASA International Conference in San Juan, Puerto Rico, where valuation professionals and thought leaders gathered to share insights shaping the future of business valuation. Volatility, a critical assumption in certain valuation analyses and often difficult to estimate accurately, was a key topic of discussion. Among the technical sessions, “Volatility Adjustments – One Size Doesn’t Fit All” presented by two experienced practitioners, examined how company-specific factors such as size, age, and industry affect volatility, a key input in valuations involving options, contingent considerations, and discounts for lack of marketability.

This topic is already a recognized concept within valuation practice, but the session provided new empirical data and perspectives on its practical application. Using data from over 1,600 public companies across 11 industries, the presenters analyzed whether volatility adjustment techniques produce more accurate estimates than unadjusted peer-based measures. The findings confirmed an inverse relationship between company size and volatility, with differences of roughly 50–60% between the smallest and largest deciles in sectors like information technology and healthcare, while utilities and financials showed minimal variation. A similar trend was observed with company age. Newer firms exhibited greater volatility, particularly in healthcare and technology, while older firms in energy, utilities, and real estate were more stable. The study also highlighted distinct patterns across industries.

When comparing estimation approaches such as percentile, decile, and ratio-based adjustments, the analysis found no statistically significant improvement in predictive accuracy over using median volatility from a well-constructed peer set. Stock price levels and splits also had no meaningful effect, suggesting that per-share price magnitude is not a reliable measure of risk.

Overall, the presentation offered a data-driven and insightful perspective on the ongoing discussion of volatility estimation within valuation. The study’s results supported the reliability in median peer-based methods while recognizing that adjustment techniques may still be appropriate depending on data availability, industry dynamics, and valuation purpose. The session emphasized the importance of applying professional judgment grounded in both quantitative support and contextual understanding. Empire recognizes that such considerations are integral within the valuation practice, and our professionals consistently combine rigorous analysis, thoughtful peer selection, and a balanced assessment of all relevant factors to develop well-supported and credible valuation conclusions.

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Veronica is a manager for the Transaction Advisory Services practice at Empire. Ms. Fonseca joined Empire in February 2019. She provides financial valuation analyses for public and private companies across various industries. Engagement experience includes purchase price allocations, goodwill impairment, intangible asset valuations, contingent consideration, stock compensation, and controlling and minority interest valuations for financial reporting and tax and corporate planning purposes.

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