ASA 2026 Spring Fair Value Conference Highlights

Business Valuation Update

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The American Society of Appraisers (ASA) recently hosted its 2026 Spring Fair Value Conference. The event brought together leading valuation experts to explore the latest developments and practical applications in valuation. Here are highlights from the discussions.

AI in valuation. Panelists emphasized the rapid evolution and potential of artificial intelligence in valuation. Today, firms primarily use AI to boost efficiency, leverage research capabilities, document scanning, and perform mathematical checks. However, AI still requires significant development before it can prepare reliable valuation calculations, and, even then, it will need to be subject to significant review and oversight by the valuation specialist to identify hallucinations and errors in the results. Transparency is critical; clients should know how AI is used and how their data are managed.

The use of AI will likely lead to fewer entry-level positions at both valuation and accounting firms, but could also reduce turnover, as junior staff can do more meaningful, less tedious work. Firms are also rethinking the use of offshore resources. Critical thinking, skepticism, and professional judgment at all levels will be critical for assessing the appropriateness of inputs and the reasonableness of results.

'Cheap Stock' guide. The AICPA's Financial Reporting Executive Committee recently released a complete working draft of its *Valuation of Privately-Held-Company Equity Securities Issued as Compensation Accounting and Valuation Guide*, commonly referred to as the "Cheap Stock" guide.[1] These updates represent the collective feedback of major accounting firms, valuation specialists, and industry stakeholders and reflect the evolution of financial markets and best valuation practices since the 2013 update.

Key changes in valuation inputs:

- *Volatility and term.* Specialists are encouraged to consider using higher volatility and longer terms for liquidity (often tied to the remaining life of a PE/VC fund) to avoid overestimating downside protection.
- *Implied yields.* Valuation specialists should now assess the implied credit spread on preferred liquidation preference. If the spread is too low compared to market debt yields or too high compared to the overall return on equity, the OPM results may be flawed, leading to an understated common stock value.
- *Discount for lack of marketability (DLOM).* The "differential put" approach has been removed, and the "protective put" is de-emphasized. The Finnerty and Asian protective put (Ghaidarov) methods are now the most generally accepted.

Core methodology shifts:

- *De-emphasis of the pari passu method.* Formerly used to simplify senior-preferred transactions, this method is no longer recommended because it fails to accurately model contractual terms or provide a clear path for updating values at later dates.
- *Rise of the hybrid method.* There is an increased focus on combining the common stock equivalent (CSE) scenario with the traditional option pricing model (OPM). This better reflects venture capital "pre/post-money" logic and captures extreme upside/downside outcomes.
- *Introduction of debt-like preferred plus upside (DLPPU).* This method is highlighted for its ability to value liquidation preferences as stand-alone debt instruments, ensuring credit spreads align with a company's actual risk profile.
- *Secondary transactions and market evidence.* A major theme of the draft guide is the increased weight placed on secondary market activity. The guide provides new flowcharts and checklists to help auditors and specialists determine the appropriate weighting based on participant type and information transparency.

Adjustments to OPM for VC investments. Valuing venture capital is inherently challenging due to market opacity, structural complexity, and uncertain exits. In this session, presenters discussed their comprehensive research study of over 2,000 U.S. VC deals to identify why the traditional OPM often fails to reflect market reality and suggested practical alternatives to improve results. The study highlighted that using generic inputs for volatility and term can skew valuation results and fail to reflect investor return expectations. For example, a 50% assumed volatility often implies a liquidation preference yield (LPY) of less than 10%, significantly below the more than 20% to 30% returns VC investors expect. This disconnect underscores the importance of calibrating OPM inputs to market-based evidence rather than relying on generic assumptions.

To improve audit-ready, decision-useful valuations using the OPM, consider shifting from generic inputs to internal calibration for the last preferred round. Some examples include:

- *Solve for yield (LPY optimization).* Work backward by adjusting the model's volatility until the implied investor yield matches realistic market benchmarks;
- *The 'with/without' approach.* Evaluate the value of extra rights, such as participating features, by comparing them to a default contract to help isolate the true cost of risk protections; and
- *Incorporate hybrid data.* Increase robustness by blending OPM results with secondary-market pricing and IPO-probability scenarios rather than relying on a single formula.

Empathy and value creation. This session examined a large-scale private equity initiative implementing broad-based employee ownership across dozens of portfolio companies. Beyond shared equity, the program integrated financial literacy training and intentional culture-building to empower staff to feel, think, and act like owners.

While these aligned incentives drove enterprise value, performance was not uniform and showed no correlation to industry, size, or geography. Instead, the most significant differentiator was leadership. Companies led by highly empathic executives consistently outperformed peers with similar employee ownership programs. These organizations experienced lower turnover and higher employee engagement. Because empathy is a developable skill, targeted leadership workshops have become a strategic lever for improving sales productivity, profitability, and safety while drastically reducing attrition.

Enterprise value. The concept of enterprise value (EV) is prevalent in most valuation assignments, including goodwill impairment testing, purchase price allocations, stock-based compensation, and tax valuations. All approaches to value (income, market, cost) rely on correct calculations for both EV and operating value.

The formula is simple, but it is not always straightforward. The EV bridge is a valuation framework used to transition between the value of a company's core operations and the total value available to its equity holders (see Exhibit 1). It ensures that all assets and claims on a business are accounted for, preventing common errors like double counting or missing hidden value.

Exhibit 1. The Enterprise Value Bridge

Exhibit 2. Critical Adjustments and Common Errors

	Fix
Using book value for claims	Remeasure every nonequity claim to fair value as of the valuation date.
Double counting leases	Only finance leases enter the bridge; operating leases stay in EBITDA via rent.
Missing nonoperating assets	Walk every line of the balance to identify assets not driving the capitalized EBITDA.
Mishandling noncontrolling interests (NCI)	Ensure the bridge treatment matches the consolidation of the underlying financial metric.
Unadjusted public comps	Strip nonoperating value from guideline public company (GPC) EVs before computing multiples.

The standard EV bridge is not a "one-size-fits-all" tool. Specific industries, such as banks, REITs, and oil and gas, require alternative frameworks.

Conclusion. The topics discussed at the ASA 2026 Spring Fair Value Conference highlight the increasing complexity of fair value measurement, particularly as valuation professionals navigate emerging technologies, evolving capital structures, and heightened scrutiny around assumptions and methodologies.

Across topics ranging from AI adoption and stock compensation guidance to venture capital modeling, employee ownership, and enterprise value, a common theme emerged: Valuation quality increasingly depends on the ability to apply sound technical frameworks and grounding assumptions in market evidence and real-world economics. As methodologies continue to evolve, valuation professionals will need to pair analytical rigor with adaptability, transparency, and professional judgment to produce credible, decision-useful conclusions.

Adam Smith, ASA, ABV, *has an extensive background that includes helping shape valuation standards and practices at the national and international levels, with contributions to organizations such as the Financial Accounting Standards Board (FASB) and the International Valuation Standards Council (IVSC).* **Anthony Pumphrey, CFA, ASA,** *has nearly two decades of experience in valuation engagements for public and private companies in support of business combinations (ASC 805), impairment testing (ASC 350 and 360), stock-based compensation (ASC 718, IRC 409A), reorganizations (ASC 852), and the valuation of other claims within simple and complex capital structures (ASC 820).* **Sean Woodward** *specializes in business enterprise valuations, purchase price allocations (ASC 805), impairment analyses (ASC 350), intellectual property valuations, contingent consideration valuations, and the valuation of equity (IRC 409A and ASC 718) for financial and tax reporting purposes. All three individuals are with Valuation Research Corp.*