



Goodwill impairment in volatile markets—what changes (and what doesn't)

A thought-leadership perspective on market dislocation, recovery paths, and implications for fair value measurement



Executive summary

Periods of market stress can create a disconnect between headline index levels and the inputs used to estimate reporting unit fair value, increasing the risk of late or poorly supported goodwill impairment conclusions. By comparing equity market drawdowns and recoveries across recent disruption episodes (2008–2009, COVID-19, and 2025 volatility), this paper highlights why volatility, liquidity, and consumer sentiment can change the evidence set available to support market participant assumptions at the measurement date.



Market downturns differ in speed and recovery profile, which can influence how quickly valuation evidence becomes stale and how much judgment is required in calibration.



Even in periods of strong index performance, sector-specific repricing can drive impairment risk and increase scrutiny on assumptions such as discount rates, market multiples, and acquisition premiums.



Robust documentation is important to distinguish short-term volatility from structural repricing when supporting fair value measurements.

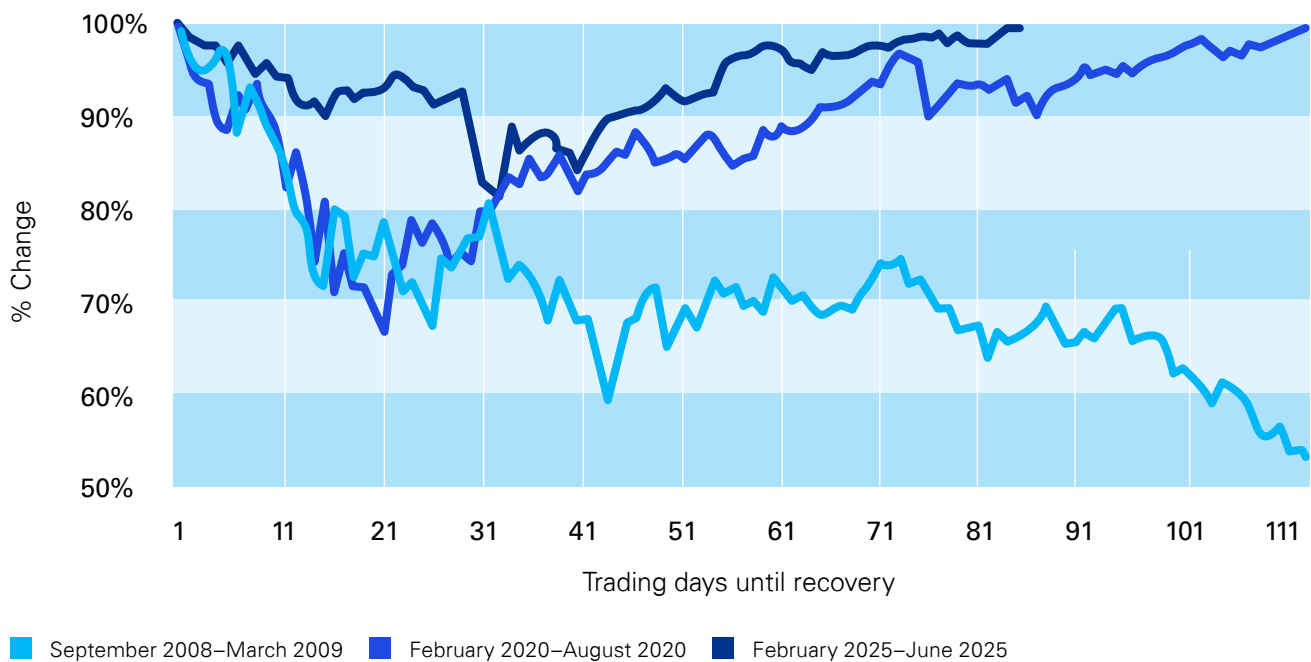


Stock market performance through recent disruptions

Any shock-induced market downturn is different and exhibits distinct characteristics—both in the velocity of the decline and in the time required for the market to stabilize and recover. The comparison below summarizes the S&P 500 performance during three episodes: the 2008–2009 financial crisis, the COVID-19 market disruption beginning in March 2020, and the policy-uncertainty-driven increase in volatility that started in February 2025 and culminated in a sharp drop in stock market values in early April 2025. For each episode, the series is indexed to the start date and shows percent change by trading day until the benchmark recovered to its preshock level (or through a defined observation window).



S&P 500 Index value



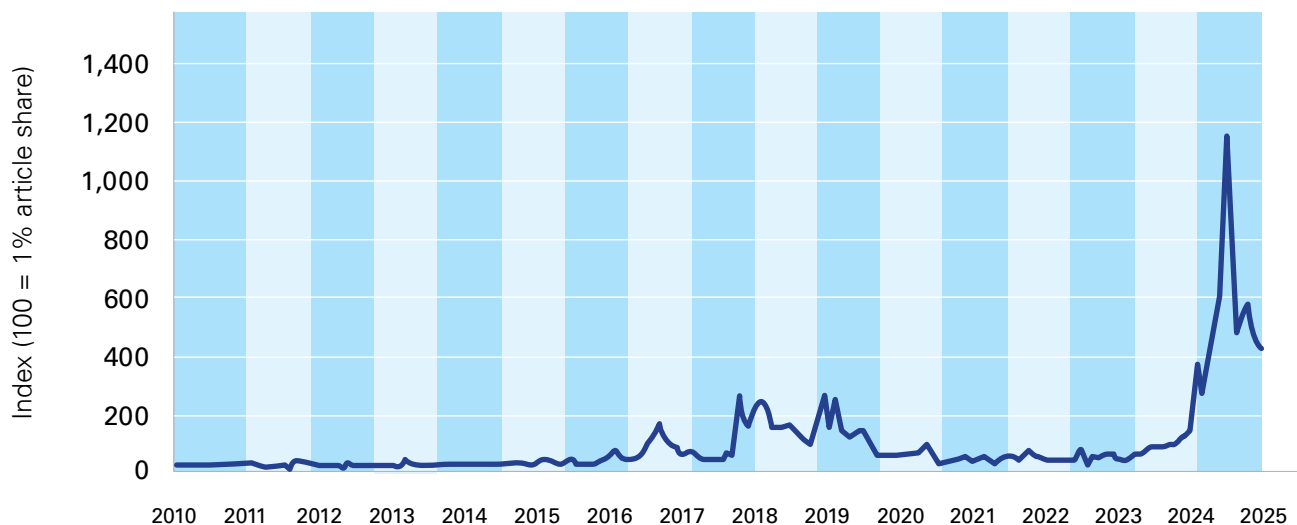
Source: KPMG analysis using publicly available S&P Capital IQ data

The 2008–2009 financial crisis had the largest peak-to-trough decline and the longest recovery period, exceeding one year. Compared with 2008–2009, the COVID-19 episode featured a sharper initial sell-off but a smaller overall decline in percentage terms and a significantly faster recovery. The 2025 episode showed a decline similar in steepness to 2020 with pronounced day-to-day volatility, followed by a relatively quick recovery.

Uncertainty signals: Policy-driven volatility (illustrative)

In 2025, day-to-day market moves reflected heightened sensitivity to policy signals and trade-related uncertainty, underscoring the need to reassess what information market participants would use at the measurement date. This can be highlighted by the substantial rise in the Trade Policy Uncertainty Index¹ as shown below.

Trade Policy Uncertainty Index (monthly)



Source: Trade Policy Uncertainty Index²

Implications for valuation analysis and goodwill impairment

At the onset of a stock market downturn—or when the stock market is strong but elevated uncertainty prevails about the future of the economy, policy, technological evolution, or other external factors—it is often difficult to capture this uncertainty in a valuation analysis. This uncertainty can widen valuation ranges, requiring recalibration of discount rates and market multiples, more rigorous support for market participant assumptions, and robust, contemporaneous documentation that distinguishes short-term swings from structural repricing. Where appropriate, scenario- or probability-weighted cash flows can help capture uncertainty in projections.

When including the effect of the increased uncertainty in cash flows is not feasible, a well-supported adjustment to the discount rate may be warranted. Unless it is possible to show that the subject company is not significantly affected by increased uncertainty, it may not be appropriate to ignore that uncertainty in the valuation analysis. Regardless of how the effect is considered, detailed documentation of assumptions and significant judgments may be required. Developing a sensitivity analysis and ranges of possible outcomes may be useful tools to assess and document the effect.

Recalibration may be required when market evidence (multiples, discount rates, acquisition premiums) shifts quickly or becomes less comparable due to reduced transaction volume.

Valuation ranges often widen in uncertain periods, increasing the importance of sensitivity analyses and transparent support for key judgments.

Where market capitalization is a key reference point, management should be prepared to explain how short-term volatility versus fundamental repricing was assessed.

¹ Dario Caldara, Matteo Iacoviello, Patrick Molligo, Andrea Prestipino, and Andrea Raffo, “The economic effects of trade policy uncertainty,” *Journal of Monetary Economics*, 109, pp.38–59, January 2020.

² <https://www.matteoiacoviello.com/tpu.htm>, accessed November 19, 2025

How to use this series

This thought-leadership paper focuses on market context and why it matters; see the second document of this series, [Goodwill impairment testing—practical valuation FAQs in uncertain markets](#), for a concise valuation FAQ playbook covering market participant acquisition premiums and market cap reconciliations and the final document of the series, [Goodwill impairment—triggering events and process guide](#), for a triggering-events and process quick guide.

Additional resources

- [KPMG Handbook: Accounting for economic disruption](#) (chapters 5 and 6)
- [KPMG Handbook: Impairment of nonfinancial assets](#)
- [Appraisal Foundation: Valuations in Financial Reporting Valuation Advisory 3—The Measurement and Application of Market Participant Acquisition Premiums](#)
- [AICPA: Accounting and Valuation Guide—Testing Goodwill for Impairment](#)

Contact us

For more information, contact the authors or your local KPMG advisor.

Marina Arias
Managing Director
KPMG LLP
Valuation & Business Modeling Services
T: 703-343-2629
E: marinaarias@kpmg.com

Frederik Bort
Managing Director
KPMG LLP
Department of Professional Practice
T: 212-954-2980
E: frederikbort@kpmg.com

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