An Increase in Company Value is Determined by Sales Growth, Capital Structure, and Company Size, with Profitability as a Mediating Variable

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Abstract. This study analyzed the effect of sales growth, capital structure, and company size on Company Value through profitability as a mediating variable (Case Study on Food and Beverage Companies listed on the Indonesia Stock Exchange 2020-2023). This study hypothesizes that sales growth, capital structure, company size, and profitability significantly affect Company Value.
This study used 55 companies as samples, obtained using purposive sampling techniques with certain considerations. Data analysis in this study uses SmartPLS, which includes second-order confirmatory factor analysis, convergent validity, discriminant validity, composite reliability, R^2, Q^2, F^2, and hypothesis testing. The results showed that sales growth has a significant positive effect on profitability. Capital structure does not affect profitability. Company size has a significant positive impact on profitability. Sales growth does not affect Company Value. Capital structure has a significant positive effect on Company Value. Company Size has a significant positive impact on Company Value. Profitability has a significant positive effect on Company Value. Sales growth has a significant positive impact on Company Value through profitability. Capital structure does not affect Company Value through profitability. Company Size has a significant positive effect on Company Value through profitability.

Keywords: Sales Growth, Debt Equity Ratio, LN Size, Return on Asset, Tobins'q

1 Introduction

The increasingly tight business competition faced by modern companies today requires financial managers to obtain maximum profit and increase company value [1]. The Food and Beverage Sector is an important pillar in the Indonesian economy, which makes a significant contribution to the progress of crucial industries and is needed by the community for profitable prospects in the present and future.

According to [3], Company Value is very important for companies because the community has a high valuation of the company's stock price so that it will prosper shareholders. Instability in company value is an important issue that will affect investors' views on the company. The following is a gap phenomenon in this study in Table 1:

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Table 1. Average Sales Growth, DER, Ln Total Asset, ROA, dan Tobin's Q Company Food and Beverage in Bursa Efek Indonesia Tahun 2020-2023

Year	Sales Growth	DER	Ln Total Asset	ROA	Tobin's Q
2020	0,01	1,17	29,83	0,07	0,83
2021	0,24	0,71	29,90	0,12	0,79
2022	0,17	0,93	29,94	0,09	0,85
2023	0,03	0,91	29,99	0,09	0,90

Source: IDX Statistical Data and Financial Statements (processed) www.idx.co.id

2 Theoretical Review

2.1 Signaling Theory

Signal theory is a theory first put forward by Michael Spence (1973) which means actions taken by company management that can provide investors with clues about how management views the company's prospects [1].

2.2 Trade-off Theory

According to [1], the trade-off theory was put forward by Modigliani and Miller (1963) which is a capital structure theory that states that companies exchange tax benefits with debt financing for problems caused by potential bankruptcy.

2.3 Company Value

According to Brigham & Houston (2011), company value is an important indicator that reflects how much wealth shareholders can obtain. The higher the share price, the higher the company value.

2.4 Profitability

Profitability is a ratio that assesses a company's ability to earn profits through all company assets [4]. If profitability continues to increase, it can increase public trust which will then influence the public's decision to invest [5].

2.5 Sales Growth

According to Khasanah dan Ngatno (2019), sales growth is an increase or decrease in the number of sales from year to year or year to year over time [7].

2.6 Capital Structure

Capital structure is the arrangement of a company's long-term financing, indicated by the balance or ratio of the amount of long-term debt to equity [4].

2.7 Company Size

The size of a corporation serves as a criterion for evaluating the extent of a business by employing total assets, overall sales, share prices, and various other metrics as assessment tools [8].

3 Research Methods

This study uses a quantitative approach that focuses on Food and Beverage companies listed on the Indonesia Stock Exchange from 2020 to 2023, which are obtained from financial reports published on the Indonesia Stock Exchange website (www.idx.co.id). The total sample in this study was 55 companies. To analyze the data, the data was processed using SmartPLS 4 software.

4 RESULTS And Discussion

4.1 Measurement Model Analysis Testing (Outer Model)

4.1.1 Convergent Validity Test

The data supporting this discussion is summarized in Table 2.

Table 2. Outer Loading

Variable	Indicator	Loading Factor	Rule of Thumb	Conclusion
Sales Growth	X1.1	0,884	0,700	Valid
	X1.2	0,905	0,700	Valid
	X1.3	0,881	0,700	Valid
	X1.4	0,776	0,700	Valid
Capital Structure	X2.1	0,833	0,700	Valid
	X2.2	0,835	0,700	Valid
	X2.3	0,810	0,700	Valid
	X2.4	0,767	0,700	Valid
Company Size	X2.1	0,770	0,700	Valid
	X2.2	0,862	0,700	Valid
	X2.3	0,890	0,700	Valid
	X2.4	0,901	0,700	Valid
Profitability	Z1.1	0,810	0,700	Valid
	Z1.2	0,835	0,700	Valid
	Z1.3	0,826	0,700	Valid
	Z1.4	0,863	0,700	Valid
Company Value	Y1.1	0,799	0,700	Valid
	Y1.2	0,872	0,700	Valid
	Y1.3	0,834	0,700	Valid
	Y1.4	0,897	0,700	Valid

Based on the results of data analysis variable impact of sales, capital structure, company size, profitability and value of the company has a value of loading factor > 0.7 indicating that all indicators can be used to measure its construction because it meets the validity criteria by regulations and guidelines for use as a research tool.

4.1.2 Discriminant Validity

The data supporting this discussion is summarized in Table 3.

Table 3. Discriminant Validity and HTMT Results

Variable	Discriminant Validity Result	Rule of Thumb	Conclusion	HTMT < 1
Sales Growth (X_1)	0,863	0,700	Valid	Yes
Capital Structure (X_2)	0,812	0,700	Valid	Yes
Company Size (X_3)	0,857	0,700	Valid	Yes
Profitability (Z)	0,834	0,700	Valid	Yes
Company Value (Y)	0,851	0,700	Valid	Yes

Source: Data is processed using SmartPLS 4.0

The test results above show that the outer loading value of all variable indicators has a value of more than 0.7 and the HTMT value is less than 1. This means that all indicators in the research variables are valid and no indicators need to be eliminated.

4.2 Structural Model Analysis Testing (Inner Model)

4.2.1 R Square

The data supporting this discussion is summarized in Table 4.

Table 4. R Square

Variable	**R Square**
Profitability	0,757
Company Value	0,825

Source: Primary Data Processed (2024)

Based on the table above, it can be concluded that the structural model (inner model) in this study is said to be "good".

4.2.4 Hypothesis Test

Here are the results of direct effect testing:

Hypothesis Test 1 in Table 5:

Table 5. Direct Effect on Sales Growth – Profitability

Variable		Original Sample	t - statistics	P value
Sales Growth	Profitability	0,512	4,908	0,000

Source: Primary Data Processed (2024)

Based on Table 5 with the original sample value of 0.512, the P-value value is 0.000 < 0.05 or with a t-statistic of 4.908 > 2.001, then H1 is accepted, which means that sales growth has a positive effect significant to profitability.

Hypothesis Test 2 in Table 6:

Table 6. Direct Effect on Capital Structure - Profitability

Variable		Original Sample	t - statistics	P value
Capital Structure	Profitability	0,133	1,664	0,048

Source: Primary Data Processed (2024)

Based on Table 6 with the original sample value of 0.133, the P-value value is 0.048 < 0.05, or with a t-statistic of 1.664 < 2.001, then H2 is accepted, which means that capital structure has a positive effect on profitability.

Hypothesis Test 3 in Table 7:

Table 7. Direct Effect on Company Size - Profitability

Variable		Original Sample	t - statistics	P value
Company Size	Profitability	0,316	4,525	0,000

Source: Primary Data Processed (2024)

Based on Table 7 with the original sample value of 0.316, the P-value value is 0.000 < 0.05 or with a t-statistic of 4.525 > 2.001, then H3 is accepted, which means that company size has a positive effect significant to profitability.

Hypothesis Test 4 in Table 8.

Table 8. Direct Effect on Sales Growth – Company Value

Variable		Original Sample	t - statistics	P value
Sales Growth	Company Value	0,008	0,078	0,469

Source: Primary Data Processed (2024)

Based on Table 8 with the original sample value of 0.008, the P-value value is 0.469 > 0.05, or with a t-statistic of 0.078 < 2.001, then H4 is rejected, which means that sales growth does not affect company value.

Hypothesis Test 5 in Table 9.

Table 9. Direct Effect on Capital Structure – Company Value

Variable		Original Sample	t - statistics	P value
Capital Structure	Company Value	0,512	4,908	0,000

Source: Primary Data Processed (2024)

Based on Table 9 with the original sample value of 0.512, the P-value value is 0.000 < 0.05 or with a t-statistic of 5.885 > 2.001, then H5 is accepted, which means that capital structure has a positive effect significant to company value.

Hypothesis Test 6 in Table 10

Table 10. Direct Effect on Company Size – Company Value

Variable		Original Sample	t - statistics	P value

Company Size	Company Value	0,160	2,644	0,004

Source: Primary Data Processed (2024)

Based on Table 10 with the original sample value of 0.160, the P-Value value is 0.004 < 0.05 or with a t-statistic of 2.644 > 2.001, then H6 is accepted, which means that company size has a positive effect significant to company value.

Hypothesis Test 7 in Table 11

Table 11. Direct Effect on Profitability – Company Value

Variable		Original Sample	t - statistics	P value
Profitability	Company Value	0,575	4,790	0,000

Source: Primary Data Processed (2024)

Based on Table 11 with the original sample value of 0.575, the P-value value is 0.000 < 0.05 or with a t-statistic of 4.790 > 2.001, then H7 is accepted, which means that profitability has a significant positive effect on company value.

Hypothesis Test 8 in Table 12

Table 12. Indirect Effect on Sales Growth – Company Value

Variable	Original Sample	t - statistics	P value
Sales Growth Profitability Company Value	0,294	4,243	0,000

Source: Primary Data Processed (2024)

Based on Table 12 with the original sample value of 0.294, the P-value value is 0.000 < 0.05 or with a t-statistic of 4,243 > 2.001, then H8 is accepted, which means that sales growth has a positive effect significant to company value through profitability.

Hypothesis Test 9 in Table 13

Table 13. Indirect Effect on Capital Structure – Company Value

Variable	*Original Sample*	*t - statistics*	*P value*
Capital Structure Profitability Company Value	*0,077*	*1,471*	*0,071*

Source: Primary Data Processed (2024)

Based on Table 13 with the original sample value of 0.077, the P-value value is 0.071 > 0.05 or with a t-statistic of 1.471 < 2.001, then H9 is rejected, which means that capital structure does not affect company value through profitability.

Hypothesis Test 10 in Table 14

Table 14. Indirect Effect on Company Size – Company Value

Variable	Original Sample	t - statistics	P value

Company Size Company Value	Profitability	0,182	2,972	0,002

Source: Primary Data Processed (2024)

Based on Table 14 with the original sample value of 0.182, the P-Value of 0.002 < 0.05, or with T-statistics of 2.972 > 2.001, H10 is accepted, which means that the size of the company has a significant positive effect on the value of the company through profitability.

5 Discussion of Research Results

5.1 Effect of sales growth on profitability

Based on the results of the relationship test Sales Growth has a significant and positive effect on Return on Assets. If a company has high sales growth, it means it has a high level of sales every year. High sales growth will have a positive impact on the company's profitability.

5.2 Effect of capital structure on profitability

Based on the test results, the Debt to Equity Ratio relationship has a positive and significant effect on Return on Asset. This research shows that the level of debt used by a company influences the size of the profits obtained by the company.

5.3 Effect of company size on profitability

Based on the test results, the relationship between Ln Size has a significantly positive effect on ROA. The size of a company can influence the profitability level of that company. Larger companies will be relatively stable and able to generate profits.

5.4 Effect of sales growth on company value

Based on the test results, it can be concluded that Sales Growth does not affect Tobin's Q. An increase in sales growth is not always followed by an increase in company profits, stock prices, and company value. This can be caused by various factors, including increased operational costs and high taxes.

5.5 Influence of capital structure on company value

Based on the test results, it shows that the Debt to Equity Ratio has a significant positive effect on Tobin's Q. Companies with good capital levels in the long term will provide substantial benefits to investors. This will impact the increase in the company's value.

5.6 Effect of company size on company value

Based on the test results, it shows that the Ln Size variable significantly and positively affects Tobin's Q. The large size of the company reflects that companies with substantial growth will find it easier to enter the capital market because it will increase investor interest in investing. Thus, it can enhance the company's value.

5.7 Effect of profitability on the value of the company

Based on the test results, it shows that the Return on Asset variable has a significant and positive effect on the direction of Tobin's Q. The greater the Return on

Assets, the greater the level of profit achieved by the company, of course, it will attract investors because a valuable company is a company that is able to generate profits from its assets and manage its investments well. Thus the value of the company will also increase.

5.8 Effect of sales growth on the value of the company with profitability as a variable mediation

The test results show that Return on Assets is able to mediate the effect of Sales Growth on Tobin's Q. The year-on-year increase in sales growth indicates that the company has good prospects for the future. An increase in sales growth will certainly boost the company's profits. This will enhance investor confidence in buying shares because they are considered to provide good returns, thereby increasing profitability and the company's value.

5.9 Effect of capital structure on the value of the company with profitability as a mediating variable

Based on the test results, it shows that Return on Assets is unable to mediate the influence of the Debt to Equity Ratio on Tobin's Q. This condition is where debt that can increase profits will not be able to have a greater impact on the company's value because profitability is unable to mediate the influence of capital structure on the company's value.

5.10 Effect of company size on the value of the company with profitability as a variable mediation

The findings from the assessments indicate that the Return on Assets variable effectively mediates the impact of Ln Size on Tobin's Q. This scenario illustrates how a company's size manifests through the profits realized by the organization. Larger companies certainly have better prospects than smaller companies, because they have access to a wider stock market and, of course, have a positive influence on investors. Investors interested in the company's profits will increase because they show promising business prospects and can drive up stock prices, which will enhance the company's value.

5 Conclusion

Based on the results of research on increasing the value of companies based on sales growth, capital structure, and company size with profitability as a mediation variable case study on food and beverage companies listed on the Indonesia Stock Exchange in 2020-2023, the following conclusions can be drawn isSales growth has a positive and significant effect on profitability. The capital structure has a positive and significant effect on the profitability. The size of the company has a positive and significant effect on its profitability. Sales growth does not affect the value of the company. The capital structure has a positive and significant effect on the value of the company. The size of the company has a positive and significant effect on the value of the company. Profitability has a positive and significant effect on the value of the company. Profitability can be a mediating variable between sales growth and company value. Profitability cannot be a mediating variable between capital structure and company value. Profitability can be a mediating variable between company size and company value.

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