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Factors Affecting Company Value with Financial Distress as an Intervening Variable

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Abstract: *The food and beverage subsector on the Indonesia Stock Exchange faces rising raw material costs, weakening purchasing power, and exchange rate fluctuations that may trigger financial distress and reduce company value. Previous studies show inconsistent results on the relationship between company value and financial distress. Based on signalling theory, this study analyzes the effect of profitability, firm size, and sales growth on company value, with financial distress as an intervening variable. Using secondary panel data for 2020–2024 and purposive sampling, the study obtained 209 observations after removing extreme outliers. Company value was measured by Tobin's Q and financial distress by the Altman Z-Score, analyzed through panel data regression and path analysis using EViews 13. Profitability positively and significantly affects financial distress, while firm size and sales growth do not. None of the three variables directly affects company value, but financial distress does, positively and significantly. Financial distress mediates the effect of profitability on company value, but not of firm size or sales growth. Management should maintain profitability to avoid financial distress and sustain company value.*

INTRODUCTION

On the Indonesia Stock Exchange (IDX), companies in the food and beverage subsector are among the main pillars of the consumer non-cyclical sector because their products are basic necessities so that demand for them is relatively stable compared to other sectors. Because of this characteristic, investors are attracted to the food and beverage subsector even in the midst of economic uncertainty. However, this does not necessarily protect this sector from operational challenges, such as rising raw material costs, a decrease in people's purchasing power after the pandemic, and exchange rate fluctuations that affect raw material import prices. These pressures have the potential to reduce the company's financial performance to the point of financial distress, which is a condition when the company experiences financial difficulties before falling into bankruptcy. In this era of globalization, many competitions in the business world are growing rapidly. Companies will be eliminated from the business world when the company is unable to

compete and cannot survive (Hasanah et al., 2023).

These cost pressures are not just potential, but have been reflected in the real condition of food and beverage business owners in Indonesia. In 2020, Indonesia experienced the Covid-19 pandemic. The Indonesian government quickly made policies such as Large-Scale Social Restrictions (PSBB) and the Implementation of Community Activity Restrictions (PPKM) to stop the spread of the virus. The existence of these policies has caused business owners to suffer considerable losses, such as in the food and beverage subsector. Then Eko Listiyanto, Economist of the Institute for Development of Economics and Finance (INDEF), revealed that the number of food and beverage businesses that fell in early 2023 could not be separated from the weakening of people's purchasing power, where private consumption growth in 2022 was recorded at only 4,93 percent, lower than national economic growth which reached 5,3 percent, even though under normal conditions the two indicators should ideally grow equally. This condition forces business actors to restrain the increase in selling prices even though the price of raw materials has continued to increase since the previous year, so that pressure on profit margins becomes increasingly difficult to avoid (Listiyanto, in Tirto.id, 2023). Therefore, the risk of financial distress in this subsector needs to be watched out for both business actors and investors.

Concerns about the risk of financial distress are closely related to the company's efforts to maintain the company's value, which is one of the company's long-term goals in improving the welfare of shareholders. Company value is the value that investors must spend to buy shares of a company if the company's shares are sold. The higher the value of a company, the higher the stock price will increase and the more prosperous the shareholders or investors will be (Junaedi Andreas Sihombing et al., 2024) . The value of the company gives shareholders an idea of the good and bad of a company being managed; the more effective and efficient the management manages the company, the higher the value of the company that can be achieved, so that theoretically companies that are at risk of experiencing financial distress will be rated lower by investors.

Variables that also have an important role in explaining financial conditions are profitability, firm size, and sales growth. Each of these captures a different dimension of a company’s performance and stability. Together, they help explain why some companies remain financially healthy while others experience distress.

Profitability is the ability of a company to generate profit relative to its sales, total asstes, and equity. A higher level of profitability signals that management uses the company’s resources efficiently, which in turn increases the company’s value, while lower profitability has the opposite effect (Maulina & Murtadha, 2019) . For this reason, profitability is widely used by investors and creditors as a key indicator when assessing a company’s financial condition.

Firm size is one of the main criteria for classifying companies into large and small groups, and it is commonly measured by indicators such as total assets (Nafisah et al., 2023) . Larger company generally have greater access to funding, more diversified operations, and stronger bargaining power, so their financial position tends to be more stable (Heliani & Elisah, 2022). Consequently, the size of a company can be seen as a reflection of its capacity to withstand financial pressure.

Sales growth is used by many parties to see the future prospects of the company, such as company owners, investors, creditors, and others. The higher the sales growth, the better the company implements its operations and strategies to meet the needs and competitiveness of the company so that it can increase profits, and when the *company's* profits increase, the level of profit that investors want has been achieved (Neezmadevi et al., 2023).

In previous research, the relationship between company value and financial distress has not been fully consistent. Nafisah et al. (2023) and Asmi et al. (2024) positioned company value as an intervening variable that bridges the influence of profitability, firm size, and sales growth on financial distress. However, the findings of both show that company value is influenced by financial distress and not the other way around, so that the position of company value as a mediator is less empirically supported.

Based on these problems, this study changes the structure of the model by positioning financial distress as an intervening variable and company value as a dependent variable. Profitability, firm size, and sales growth were tested for their effect on financial distress, then financial distress was tested for their effect on company value.

This arrangement is based on signalling theory, which explains that a company's financial condition, including the risk of experiencing financial distress, is a signal that investors read in assessing the company's prospects, so that the signal is reflected in the company's value in the capital market. In addition, this study updated the observation period to 2020-2024 to reflect the economic recovery conditions after the Covid-19 pandemic and cost pressures such as rising raw material prices that cause a weakening of people's purchasing power, energy, and distribution costs, as well as high global inflation, which has an impact on declining net profit margins.

LITERATURE REVIEW

Signalling Theory

Ross's (1977) signal theory provides an explanation of why a company provides certain information to an outside party (third party). This theory is based on the idea that an insider or company management has more complete information about the state of the company than a third party. Signal theory is that two parties, both individuals and organizations, have access to the information. In this theory, the sender sends what information and in what way to the recipient (Sysilia Tri Hapsari & Nera Marinda Machdar, 2023) . Understanding the company's financial statements is easier for readers and users (external parties to make a decision) in the form of an analysis of financial ratios (Latukau et al., 2024).

Company Value

The value of the company as seen through the stock price indicator in the market will show good investment opportunities. The existence of these opportunities can give a positive signal to investors about the prosperity that investors will obtain and the company's prospects in the future so that it can increase the value of the company (Aryani & Saputra, 2024). Company value is generally proxied by the Tobin's Q ratio with the following formula:

$$Tobin's\ Q = \frac{Total\ Market\ Value + Total\ Book\ Value\ of\ Liabilities}{Total\ Book\ Value\ of\ Assets}$$

Profitability

The profitability of a company indicates the ability of a company to generate profits over a certain period (Nafisah et al., 2023). Return on Total Assets (ROA) indicates the ability of the capital invested in the overall asset to generate profits for all investors. The formula for ROA is as follows:

$$ROA = \frac{Net\ Income}{Total\ Assets}\ x\ 100\%$$

Firm Size

Firm size is something that can determine the value of the size or size of a company

through the limits of the assets a company owns (Nafisah et al., 2023). An indicator of firm size with the natural logarithm (Ln) of total assets.

$$Firm\ Size = Ln\ (Total\ Assets)$$

Sales Growth

Sales growth is the ability of a company to increase sales of the products it produces, by increasing the frequency of sales (Neezmadevi et al., 2023). The formula for sales growth is as follows:

$$Sales\ Growth\ Rate = \left(\frac{Current\ Period\ Sales - Previous\ Period\ Sales}{Previous\ Period\ Sales}\right) x\ 100\%$$

Financial Distress

Financial distress is an early warning for companies in facing a problem (Heliani & Elisah, 2022). Companies that suffer financial distress are usually due to having large debts compared to available assets or capital. The indicator used in financial distress is using the Altman Z-Score (1968) model (Rashid et al., 2023) , because the Z-Score model is used to detect financial difficulties (Nur Sulistiyowati & Rohani Devinaya, 2021). The following is the formula of the Altman Z-Score model:

Z = {(1,2×a) + (1,4×b) + (3,3×c) + (0,6×d) + (1,0×e)}

Description:
Z = Overall indicator
a = Working Capital / Total Asset
b = Retained Earnings / Total Asset
c = Earnings Before Interest and Taxes / Total Asset
d = Book Value of Equity / Book Value of Debt
e = Total Sales / Total Asset

The relationship between these theories is then formulated into the form of a research paradigm which can be seen in the following figure:

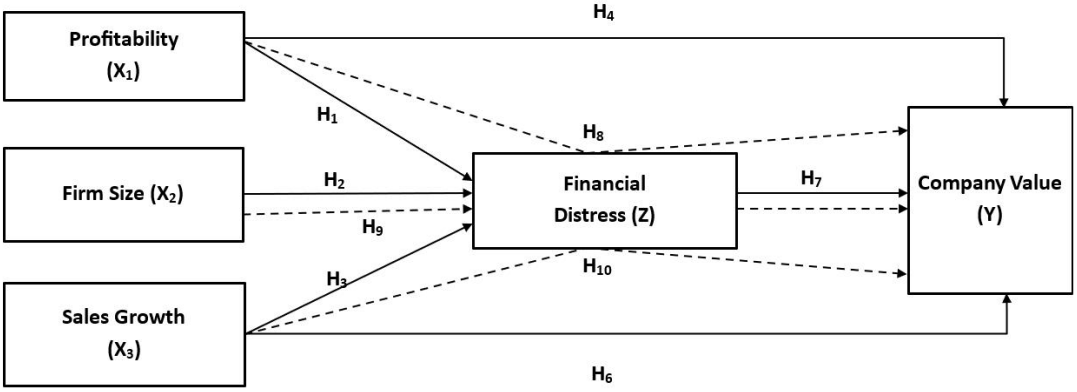


Figure 1. Research Framework

METHOD

This study uses a quantitative approach and research data in the form of a panel. The data obtained in this study is secondary data derived from the annual report obtained through the Indonesia Stock Exchange (IDX) website for the period 2020-2024. The population in this study

includes all companies in the food and beverage subsector. Through the purposive sampling method with the criteria of completeness of publication of audited annual financial statements and continuity of stock listing, an initial sample of 52 companies was obtained with an observation range for 5 consecutive years, thus forming 260 initial observations (52 companies x 5 years) and the data was processed using Eviews13.

This study uses a path analysis consisting of two panel regression equations:

$$\textbf{Model I: } FD = \alpha + a_1ROA + a_2SIZE + a_3SG + e$$

$$\textbf{Model II: } CV = \alpha + c_1ROA + c_2SIZE + c_3SG + bFD + e$$

Direct influence was tested through the value of the probability coefficient in each model. Indirect influence was tested by the Sobel test. The coefficient of line a is the coefficient of an independent variable to financial distress (Model I), and the coefficient of line b is the coefficient of financial distress to the value of the company (Model II). The magnitude of the indirect influence is a × b, with a standard error:

$$SE(ab) = \sqrt{(b^2.SEa^2 + a^2.SEb^2)}$$

and test statistics:

$$z = (a \times b) / SE(ab)$$

RESULTS AND DISCUSSION

The main cause of the failure of the Jarque-Bera normality test in the company's financial data is the existence of extreme outliers (influential outliers) which thickens the tail of the residual distribution (leptocurtosis). Therefore, this study conducted an objective and mathematical diagnostic evaluation of outliers using a combination of Studentized Residuals and Cook's Distance (Blatná, 2006) with the following criteria:

1. Studentized Residuals (t_i): Measures the residual deviation of observations that have been normalized by standard error estimation. Absolute values $|t_i| > 2.5$ are categorized as moderate outliers, and $|t_i| > 3.0$ are categorized as extreme outliers.
2. Cook's Distance (D_i): Measures the simultaneous effect of residual and leverage on the stability of regression coefficient vectors. Referring to Bollen & Jackman (1990), the critical threshold for panel data is $D_i > 4/N$, where for N = 260 the threshold is $D_i > 4/260 \approx 0.0154$.

Thus, 51 extreme outlier observations were obtained that were methodologically proven to be able to stabilize the data distribution without sacrificing industry representation (sample retention rate reached 80.4%). Through this measurable outlier data elimination procedure, the final sample of N = 209 observations succeeded in meeting the classical assumption of residual normality purely (Jarque-Bera $p > 0.05$).

Descriptive Statistical Analysis

Descriptive statistics provide an overview of the distribution profile of research data. This analysis presents information in the form of lowest, highest, mean, median, and standard deviation values of each variable studied during the study period. A summary of the results of the descriptive statistical analysis test is presented in table 1.

Table 1. Descriptive Statistical

	Mean	Median	Maximum	Minimum	Std. Deviation
ROA	0,0368	0,0405	0,2250	-0,1531	0,0775
Size	29,0725	29,0494	32,4074	25,3419	1,6353
Sales Growth	0,1079	0,0653	1,0051	-0,4350	0,2810

Financial Distress	3,5929	2,2313	18,7906	-1,7880	4,1393
Company Value	1,3343	1,1005	3,4534	0,5976	0,6136

Source: Secondary data processed by researchers 2026

Based on table 1, the ROA variable has an average value of 0,0368 (3,68%) with a standard deviation of 0,0775. The firm size averaged 29,0725 with a standard deviation of 1,6353, indicating the stability of the asset scale. Sales growth recorded an average expansion of 10,79% per year. Financial distress, it has an average value of 3,5929 (above the safe zone threshold of > 2,99). Meanwhile, the company's value recorded an average value of 1,3343 with a maximum controlled value of 3,4534.

Panel Data Regression Model Selection Test

Test Chow

Test chow is the type of test used to determine Common Effect Model (CEM) or Fixed Effect Model (FEM).

Table 2. Chow Test

Effects Test	Statistic	d.f.	Prob.
Cross-section Chi-square (Model I)	735,621308	48	0,0000
Cross-section Chi-square (Model II)	371,523663	48	0,0000

Source: Secondary data processed by researchers 2026

Based on table 2, the probability value cross-section chi-square is 0,0000 where the value is smaller than 0,05, so it can be concluded that Fixed Effect Model (FEM) selected for models I and II.

Hausman Test

Hausman test is a type of test used to determine a Random Effect Model (REM) or Fixed Effect Model (FEM).

Table 3. Hausman Test

Test Summary	Chi-Sq.Statistic	Chi-Sq.d.f	Prob.
Cross-section random (Model I)	31,130233	3	0,0000
Cross-section random (Model II)	3,246985	4	0,5174

Source: Secondary data processed by researchers 2026

Based on table 3, the random cross-section probability value of 0,0000 is smaller than 0,05, so it can be concluded that the Fixed Effect Model (FEM) was chosen for model I. As for model II, the random cross-section probability value of 0,5174 is bigger than 0,05, so it can be concluded that the Random Effect Model (REM) was chosen for model II.

Uji Lagrange Multiplier (LM)

The LM test is a type of test used to determine Random Effect Model (REM) or Common Effect Model (CEM).

Table 4. LM Test

	Cross-section	Time	Both
Breusch-Pagan	157, 7786	0,864709	158,6433
	(0,0000)	(0,3524)	(0,0000)

Source: Secondary data processed by researchers 2026

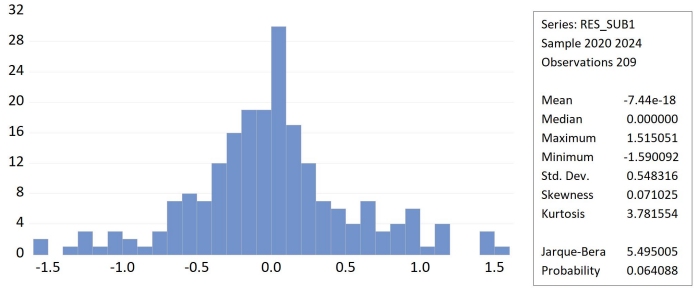
Based on table 4, the probability value of the Breusch-Pagan Cross-Section of 0,0000 is smaller than 0,05, so it can be concluded that the Random Effect Model (REM) was selected for model II.

Classic Assumption Test

Normality Test

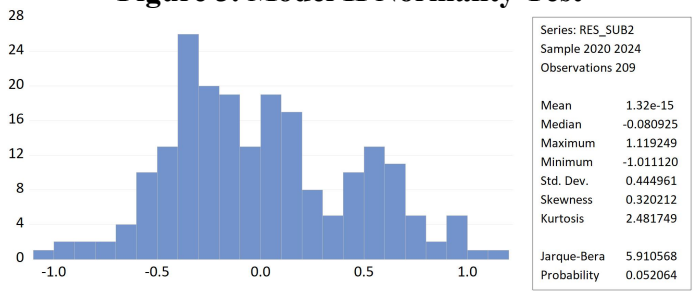
The residual normality test was carried out using Jarque-Bera statistics (JB Test). The test results are presented in figure 2 (Model I) and figure 3 (Model II).

Figure 2. Model I Normality Test



From the result of the model I regression test, the probability value obtained was 0,064088 > 0,05, meaning that the data in this study was distributed normally.

Figure 3. Model II Normality Test



From the result of the model II regression test, the probability value obtained was 0,052064 > 0,05, meaning that the data in this study was distributed normally.

Multicollinearity Test

Multicollinearity evaluation is carried out by examining the value Variance Inflation Factor (Centered VIF) and Tolerance.

Table 5. Model I Multicollinearity Test

Variable	Coefficient Variance	Centered VIF	Tolerance
ROA	9,1787	1,1121	0,8992
Size	0,0206	1,1109	0,9002
SG	0,6463	1,0302	0,9707

Source: Secondary data processed by researchers 2026

Table 5 shows whole value Centered VIF is below the threshold of 10,00 (1,0302 to 1,1121) and Tolerance > 0,10, proving that model I is free of multicollinearity.

Table 6. Model II Multicollinearity Test

Variable	Coefficient Variance	Centered VIF	Tolerance
ROA	0,2970	1,8367	0,5445
Size	0,0005	1,2857	0,7778
SG	0,0127	1,0305	0,9704
FD	0,0001	1,6873	0,5927

Source: Secondary data processed by researchers 2026

Table 6 shows whole value Centered VIF is below the threshold of 10,00 (1,0305 to 1,8367) and Tolerance > 0,10, proving that model II is free of multicollinearity.

Heteroscedasticity Test (Glejser Test)

The heteroscedasticity test was carried out through the Glejser Test by regressing the residual absolute value (| RES_SUB1|) to an independent variable.

Table 7. Model I Heteroscedasticity Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2,9662	0,4532	6,5449	0,0000
ROA	0,9039	0,3319	2,7238	0,0070
Size	-0,0893	0,0157	-5,6841	0,0000
SG	-0,0581	0,0881	-0,6593	0,5105

Source: Secondary data processed by researchers 2026

Based on table 7, The significance value of ROA and firm size are 0,0070 < 0,05 and 0,0000 < 0,05. This indicates the presence of heteroscedasticity symptoms, which will be robustly handled in the final model estimate.

Table 8. Model II Heteroscedasticity Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1,0380	0,3397	3,0554	0,0025
ROA	0,5550	0,2928	1,8956	0,0594
Size	-0,0251	0,0116	-2,1641	0,0316
SG	0,0518	0,0605	0,8561	0,3929
FD	0,0089	0,0053	1,7000	0,0907

Source: Secondary data processed by researchers 2026

Based on table 8, The significance value of the firm size is 0,0316 < 0,05. This indicates the presence of heteroscedasticity symptoms, which will be handled robustly in the final model estimate.

Autocorrelation Test

The autocorrelation test was performed through a Durbin-Watson statistical evaluation (DW stat).

Table 9. Model I Autocorrelation Test

Estimation Model	DW Stat	DW Criteria
OLS	0,2847	du = 1,7802
FEM	1,8254	1,7802 to 2,2198

Source: Secondary data processed by researchers 2026

Table 9 shows that in the selected best model, namely FEM, the value Durbin-Watson increased rapidly to 1,8254 (being between du and 4-du and very close to the ideal value of 2,00). This proves that FEM is free from autocorrelation problems.

Table 10. Model II Autocorrelation Test

Estimation Model	DW Stat	DW Criteria
OLS	0,3148	du = 1,7802
REM	1,2415	du = 1,7802

Source: Secondary data processed by researchers 2026

Table 10 shows an increase in the Durbin-Watson value in the REM model to 1,2415 compared to OLS (0,3148), but still requires robust standard error handling.

Handling Classic Assumption Violations Using Robust Standard Errors

To correct the symptoms of heteroscedasticity and time correlation without manipulating the company's real data, the final estimation of both equations is executed by activating the Robust Standard Errors (White Cross-Section / White Period Robust Covariance). This procedure guarantees a BLUE coefficient estimator and a partial hypothesis test (t-test) generated is valid.

Regression Analysis

The best estimation model for Model I is the Fixed Effect Model (FEM) with White Robust Standard Errors correction, and for Model II it is estimated using the Random Effect Model (REM / EGLS Panel) with White Robust Covariance correction according to the results of the Hausman Test.

T test

Table 11. Model I t Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	9,525644	4,288149	2,221388	0,0905
ROA	12,20932	1,659410	7,357625	0,0018
Size	-0,219905	0,145932	-1,506901	0,2063
SG	0,105707	0,154529	0,684064	0,5315

Source: Secondary data processed by researchers 2026

Based on table 11, the regression equation for model I is obtained as follows:

FD = 9,5256 + 12,2093 ROA - 0,2199 SIZE + 0,1057 SG + e

Partially, it can be seen that profitability (ROA) has a positive and very significant effect on financial distress (t = 7,3576, p = 0,0018 < 0,01). The higher Altman Z score reflects the health of solvency and away from the risk of bankruptcy. Firm size had no significant effect on financial distress (t = -1,5069, p = 0,2063 > 0,05), and sales growth also had no significant effect (t = 0,6841, p = 0,5315 > 0,05).

Table 12. Model II t Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2,563200	1,172159	2,186735	0,0940
ROA	-0,742783	0,352551	-2,106883	0,1029
Size	-0,052532	0,039523	-1,329133	0,2545
SG	0,030961	0,086558	0,357691	0,7387
FD	0,103416	0,013445	7,691735	0,0015

Source: Secondary data processed by researchers 2026

Based on table 12, the regression equation for model II is obtained as follows:

CV = 2,5632 - 0,7428 ROA - 0,0525 SIZE + 0,0310 SG + 0,1034 FD + e

Partially, financial distress had a positive and very significant effect on the company's value (t = 7,6917, p = 0,0015 < 0,01). Firm size (t = -1,3291, p = 0,2545) and sales growth (t = 0,3577, p = 0,7387) did not have a significant effect on the company's value. Crucially, the direct

influence of profitability (ROA) on the company's value was shown to be insignificant at a significance level of 5% (t = -2,1069, p = 0,1029 > 0,05), which is a strong indicator of full mediation (full mediation).

R^2 Test

Table 13. R^2 Test

	R-Squared	R-Square Adjusted
Z Financial Distress	0,982453	0,976753
Y Company Value	0,266077	0,251687

Source: Secondary data processed by researchers 2026

Value Adjusted R-Squared by 0,9768 proves that 97,68% variation financial distress can be explained simultaneously by the variables of profitability, firm size, and sales growth. While the remaining 2,32% is not explained in this study.

Value Adjusted R-Squared of 0,2517 proves that 25,17% of the variation in business value can be explained simultaneously by the variables of profitability, firm size, sales growth, and financial distress. While the remaining 74,83% is not explained in this study.

Path Analysis

Hypothesis testing on the path analysis was carried out by paying attention to P-values. Path analysis is used using correlation, regression, and path so that it can be known to arrive at variables intervening. The hypothesis is declared acceptable if the value P-values < 0,05, so the influence is significant.

Table 14. Path Coefficients

	t-Statistic	Prob.	Conclusion
X_1 Profitability -> Z Financial Distress	7,357625	0,0018	H_1 accepted
X_2 Firm Size -> Z Financial Distress	-1,506901	0,2063	H_2 rejected
X_3 Sales Growth -> Z Financial Distress	0,684064	0,5315	H_3 rejected
X_1 Profitability -> Y Company Value	-2,106883	0,1029	H_4 rejected
X_2 Firm Size -> Y Company Value	-1,329133	0,2545	H_5 rejected
X_3 Sales Growth -> Y Company Value	0,357691	0,7387	H_6 rejected
Z Financial Distress -> Y Company Value	7,691735	0,0015	H_7 accepted

Source: Secondary data processed by researchers 2026

Table 15. Path Coefficients Indirect Effects

	a x b	SE	Z-Statistic	P-values	Conclusion
X1 Profitability -> Z Financial Distress -> Y Company Value	1,2626	0,2375	5,32	0,0000	H8 accepted
X2 Firm Size -> Z Financial Distress -> Y Company Value	-0,0227	0,0154	-1,48	0,1392	H9 rejected
X3 Sales Growth -> Z Financial Distress -> Y Company Value	0,0109	0,0160	0,68	0,4956	H10 rejected

Source: Secondary data processed by researchers 2026

Discussion

The Effect of Profitability on Financial Distress

Profitability has a positive and very significant effect on the Altman Z-Score score (t = 7,3576; p = 0,0018 < 0,01), so H_1 is accepted. In the Altman Z-Score model, the higher the score reflects the better financial health condition and the farther away from bankruptcy. Company capabilities food and beverage reporting net profit, increasing and retained earnings, which directly increases the working capital and solvency ratio. This findings is consistent with Asmi et al. (2024) that also found that profitability has a positive influence on financial distress.

The Effect of Firm Size on Financial Distress

The size of the company has no significant effect on financial distress (t = -1,5069; p = 0,2063 > 0,05), so H_2 is rejected. This indicates that the scale of the company's assets food and beverage it is not necessarily a guarantee of protection against the risk of financial stress if asset turnover and operational efficiency are not optimally maintained. This finding is consistent with Nafisah et al. (2023), finding that the size of the company partially has no influence on the financial distress.

The Effect of Sales Growth on Financial Distress

Sales growth has no significant effect on financial distress (t = 0,6841, p = 0,5315 > 0,05), so H_3 is rejected. Surge in sales in the food and beverage subsector often accompanied by an increase in working capital embedded in receivables and inventory. This finding is consistent with Asmi et al. (2024) that also found that sales growth does not affect financial distress.

The Effect of Profitability on Company Value

Profitability did not have a significant direct effect on the company's value at the level of 5% (t = -2,1069; p = 0,1029 > 0,05), so H_4 is rejected. This phenomenon indicates that accounting profits are not necessarily valued by the capital market before they strengthen the company's capital structure and solvency. This finding is consistent with Nur Utami & Widati (2022), that there is no effect of profitability on the value of the company.

The Effect of Firm Size on Company Value

The size of the company had no significant effect on the value of the company (t = -1,3291; p = 0,2545 > 0,05), so H_5 is rejected. This shows that investors in the food and beverage subsector it does not solely assess the company based on the size of its total assets, but rather focuses on the fundamental efficiency and health of the company's financial structure. This finding is consistent with Nafisah et al. (2023) , finding that the size of the company has no influence on the company's value.

The Effect of Sales Growth on Company Value

Sales growth had no significant effect on the company's value (t = 0,3577; p = 0,7387 > 0,05), so H_6 is rejected. Volatile sales growth in the industry food and beverage post-pandemic has not been responded to as a long-term signal determining a company's valuation. This finding is consistent with Asmi et al. (2024), that also found that sales growth does not affect the value of the company.

The Effect of Financial Distress on Company Value

Financial distress proved to have a positive and very significant effect on the company's value (t = 7,6917; p = 0,0015 < 0,01), so H_7 was accepted. The reduced risk of bankruptcy (high Altman Z score) lowered the risk premium demanded by investors, thus encouraging the appreciation of the stock price and the Tobin's Q ratio. Financial distress caused by the occurrence of capital loss thereby reducing financial performance which has an impact on decreasing the value of the company. This finding is consistent with Maulina & Murtadha (2019), that also found that financial distress has a significant effect on the company's value.

The Effect of Profitability on Company Value with Financial Distress as an Intervening Variable

Financial distress is proven to mediate the relationship between profitability and company value (H_8 accepted, z = 5,32; p = 0,0000 < 0,05). This suggests that the presence of profitability can affect financial distress so that it has an impact on the value of the company. If the profitability ratio decreases, the company's condition is in a condition of financial difficulties or financial distress. This finding is consistent with Latukau et al. (2024) , that also found that financial distress able to mediate the relationship between profitability and company value.

The Effect of Firm Size on Company Value with Financial Distress as an Intervening Variable

Financial distress was not shown to mediate the relationship between firm size and company value (H_9 rejected, z = -1,48; p = 0,1392 > 0,05). These results are consistent with the direct line findings: firm size has no significant effect on financial distress (p = 0,2063), so that a mediation chain is not formed. In the framework signalling theory, the amount of total assets is not a sufficiently informative signal for investors regarding the risk of bankruptcy, so it is not transmitted to the value of the company through financial distress.

The Effect of Sales Growth on Company Value with Financial Distress as an Intervening Variable

Financial distress has not been proven to mediate the relationship between sales growth and company value (H_{10} rejected, z = 0,68; p = 0,4956 > 0,05). Sales growth has no significant effect on financial distress (p = 0,5315) or on company value (p = 0,7387), so there is no path of influence that can be transmitted. The increase in sales in the food and beverage industry is often accompanied by an increase in receivables and inventories so that it does not necessarily strengthen solvency, while post-pandemic sales fluctuations have not been read by investors as a long-term signal. This result is consistent with Neezmadevi et al. (2023) , that financial distress cannot mediate the influence of sales growth on company value.

CONCLUSION

The results show that profitability has a positive and significant effect on financial distress, measured by the Altman Z-Score, meaning that more profitable companies are further from the risk of bankruptcy. Firm size and sales growth have no significant effect on financial distress. None of the three independent variables directly affects company value, while financial distress has a positive and significant effect on it. This indicates that investors respond more to a company's financial health than to its profitability, asset scale, or sales expansion in isolation.

The mediation tests show that financial distress mediates the effect of profitability on company value. Because profitability has no significant direct effect on company value, the mediation is full: profitability raises company value only by strengthening the company's financial condition. Financial distress does not mediate the effect of firm size or sales growth on company value, because neither variable significantly affects financial distress in the first place. These findings support signalling theory, which holds that investors read a company's financial condition as a signal of its prospects. They also support the model proposed here, which places financial distress as the mediator and company value as the dependent variable.

This study has several limitations. It covers only the food and beverage subsector for 2020-2024, so the results cannot be generalized to other sectors or periods. A total of 51 extreme outliers were removed (from 260 to 209 observations), and heteroscedasticity and autocorrelation were handled only through robust standard errors, so the findings apply to the filtered data. The model also uses only three independent variables and a single proxy for each construct (Tobin's

Q and the Altman Z-Score). The Adjusted R^2 of 25.17% in Model II shows that most of the variation in company value is explained by factors outside the model. Future researchers are advised to extend the sample to other sectors and longer periods, add variables such as leverage, liquidity, corporate governance, and macroeconomic conditions, and use alternative proxies such as PBV or the Ohlson and Zmijewski models. They should also test robustness with and without outliers, or use structural equation modelling.

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