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Company value analysis: Empirical evidence from Western Europe

Анализа вредности компаније на узорку западноевропских земаља

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Abstract: The assessment of the future sustainability of the company is based on the analysis of its value. In order to find the best way to maximize value and improve corporate performance, this paper aims to research factors that determine the value of Western European companies in the time period 2017-2022. The influence of financial determinants such as financial leverage, profitability, size, liquidity, growth, and dividend payout ratio on company value was thoroughly analyzed. The research is based on a sample of 321 companies, creating 1926 observations. To process the data, panel regression analysis is used. Research results presented that leverage and profitability have a positive impact of statistical significance, while company size and liquidity have the opposite impact of statistical significance. Indicating the positive and negative impact of the analyzed indicators on the value of the company creates a basis for the optimal use of available funds, strengthening the competitive position, and meeting the information needs of all internal and external stakeholders.
Keywords: Company value, Indicators, Western Europe
JEL classification: M40

Сажетак: Анализа вредности компаније значајна је за процену њене одрживости у будућности. У циљу проналажења најбољег начина да се максимизира вредност предузећа и унапреди корпоративни учинак, у раду су истражени фактори који одређују вредност западноевропских компанија у временском периоду 2017-2022 година. Детаљно је анализиран утицај финансијских детерминанти као што су финансијски левериџ, профитабилност, величина, ликвидност, раст и коефицијент исплате дивиденде на вредност компаније. Истраживање је засновано на узорку од 321 компаније, стварајући 1926 опсервација. За обраду података коришћена је панел регресиона анализа. Резултати истраживања показали су да левериџ и профитабилност имају статистички значај позитиван утицај, док величина предузећа и ликвидност имају статистички значајан негативан утицај. Проценом позитивног и негативног утицаја анализираних индикатора на вредност предузећа ствара се основа за оптимално коришћење расположивих средстава,

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јачање конкурентске позиције и задовољавање информационих потреба свих интерних и екстерних стејкхолдера.
Кључне речи: вредност компаније, индикатори, Западна Европа
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Introduction

The company value can be an expression of the value of the assets that are owned by the company, and which are essential for its management and the state of the company so that with a good company value, potential investors will have a good opinion about the company (Endri, 2018). There is a correlation between high company value and high shareholder prosperity, so a higher share price leads to a higher company value. Shareholders expect high share value because it brings high profits for them.

Enterprise value would be measured by Tobin's Q, price-earnings ratio (PER), price sales ratio and price-to-book value ratio (PBV). In this paper, the value was measured by the PBV ratio. The value of the Price Book ratio above 1 or higher market value than the company's book value, indicates the company's success from the aspect of creating shareholders' value. On the other hand, a value of the Price Book ratio below 1 indicates an undervaluation of the company. A higher PBV value implies that the market believes in the company's prospects. This value can be also used to evaluate companies with negative earnings values, as well as companies that cannot use earnings ratios (Hasangapon et al., 2021).

Bearing in mind that every company needs to adapt to the digital environment changes (Vuković et al., 2023), the aim of this paper is to research the effect of financial indicators on company value. In that direction, the paper measured the impact of leverage, profitability, firm size, liquidity, growth, and dividend payout ratio on firm value. If the financial indicators do not have satisfactory values, investors will not be interested in investing in the company, which leads to a decrease in its value. By analyzing Western European companies' financial statements in the period 2017-2022, a model of optimal company value will be built in the paper, which will lead to the growth and maximization of the company value, while improving their long-term performance. Firm value has been an interesting research topic of previous and current researchers in international frameworks (Asiri & Hameed (2014); Winarto (2015); Endri (2018), Le Ha & Minh (2018), Natsir & Yusbardini (2019), Husna & Satria (2019), Radja & Artini (2020), Soetjanto & Thamrin (2020); Renaldi et al. (2020); Bahraini et al. (2021)). To our knowledge, no research has been done on the observed sample and in the analyzed period. The research results can serve the management and other employees to improve the financial indicators that affect the growth of the market value of the company. A company's value can also provide information about the financial strength of the company, that is, the access and availability of internal and external sources of funds.

The structure of the paper begins with an Introduction, after which previous research is presented in the Theoretical Background. The analyzed sample and applied methodology are shown in Data and Methodology, after which the results are presented and interpreted in

Results and Discussion. Finally, limitations and future research recommendations are presented in the Conclusion.

1. Theoretical Background

To enhance operational and financial policies related to the distribution of current resources and acquisition of new ones, managers employ financial performance indicators in their strategic decision-making processes (Lehenchuk et al., 2023). In order to provide a comprehensive overview of the company's financial performance and position, financial reporting serves as a vital component of communication with stakeholders (Mladenović et al., 2023). There are many external and internal factors that directly or indirectly influence the value of the company. Chosen financial variables will be presented below based on previous theoretical and empirical studies.

Companies should consider the capital structure when making their financial decisions, impacting the earnings and shareholders' risks. Debt to equity ratio which is used in the paper as a variable for measuring capital structure, indicates the company's sources of financing so that a greater volume of borrowing leads to a greater risk of bankruptcy. A higher indebtedness level also indicates that the company's operations create a greater shareholders risk. Alpi (2020) showed the significant negative effect of leverage measured by debt to equity ratio on firm value. A higher debt to equity ratio affects the company's ability decline, so that it cannot manage equity effectively in order to make a revenue. If company's debt level is too high, it is considered that any additional borrowing would lead to a decrease in the company's value, since there is an understanding by investors that any additional borrowing creates a burden for the company (Winarto, 2015). Suhadak & Nuzula (2014) pointed out that a high indebtedness level means that the company has a low internal financing level, and a low finance investments ability, which, along with high risks of inability to meet obligations, leads to the company's bankruptcy, confirming the significant negative impact of debt to equity on company value. Furthermore, Paminto et al. (2016) stated that debt to equity ratio has a significant negative impact on the value of oil palm plantations in Indonesia, which means that the companies managed a capital structure that overcomes the optimal structure and leads to the maximization of the company's share price.

Starting from the fact that leverage represents debt usage in order to increase investment or project returns, Bahraini et al. (2021) indicated a significant positive impact of debt to equity ratio on firm value which means that liabilities growth policy is a positive signal for the investor that affects the company value. Likewise, Endri (2018) confirmed significant positive relationship between capital structure and firm value. Borrowing leads to an increase in the company's value up to a certain level, after which the increase in borrowing reduces company' value. Research results of Mubyarto (2020) also showed significant positive influence of debt to equity ratio on firm value, emphasizing that additional borrowing that relies on signaling theory provides information that is important for creditor confidence, which positively reflects on company value. Pradika & Dwiati (2021) also showed significant positive impact of debt to equity ratio on company performance and emphasized that the goal of company in the direction of maximizing company value, should rely on the financial management tasks, so that financial decisions affect each other, and also the value of the

company. Soetjanto et al. (2020) showed that there is a positive influence of debt to equity ratio on the value of companies in the industry of consumer goods during 2013-2017 period, noting that the capital structure below optimal level means that each borrowing leads to an increase in the company's value until the balance between the benefits and costs of borrowing is ensured. Rizqia & Sumiati (2013) also showed significant positive influence of debt to equity ratio on company value, determining that leverage is a tool used by the company to reduce the agency problems.

Niar et al. (2018) found a positive insignificant relationship between debt to equity ratio and value of Indonesian manufacturing companies in the time period 2014-2016. Saputri & Bahri (2021) also found a positive insignificant impact on the company's value, which means that it does not influence investors in evaluating the company's performance. The valuation of investors is based on the leverage value, so that a high value of leverage affects the valuation of the company's low value by investors due to the greater volume of borrowing in relation to equity. These results were also confirmed by Sukmawardini & Ardiansari (2018) who stated that debt to equity ratio does not affect value of Indonesian manufacturing companies during the period 2012-2016, explaining that the debt policy is used to make decisions on external financing in order to increase the funds of company from the aspect of meeting operational needs. A positive insignificant influence of debt to equity ratio on company value was also found in research results of Sudiani & Wikusana (2018) stating that the capital structure aims to improve the productivity and performance of the company.

On the other hand, Rasyid (2015) found an insignificant negative impact of debt to equity ratio on firm value and that companies in the consumer goods industry used debt capital to a greater extent than their own capital, which was indicated by the debt increase from year to year. He explained that the capital structure is important from the aspect of realizing the company's goals aimed at maximizing profits and minimizing risks. Khuzaini et al. (2020) confirmed insignificant impact of debt to equity ratio on value of Indonesian companies in the service industry sector during 2013-2015 period.

Relying on previous theoretical and empirical research, we set the following hypothesis:

Hypothesis 1 (H1): There is a positive effect of statistical significance between financial leverage and company value.

High profitability as an expression of good corporate performance affects the positive reaction of investors to the company's value growth (Husna & Satria, 2019). If the company is not able to achieve a satisfactory level of profitability, it will jeopardize the continuity of its business. Profitability has an impact on the company value so that external stakeholders view the company from the perspective of maximizing profits, investments, and company performance which leads to its improvement. Vukoje et al. (2022) state that factors which impact the company's profitability consequently affect its economic sustainability. Tica et al. (2023) researched the repercussions of the Covid-19 pandemic on companies' profitability, emphasizing its potential as a basis for successful operations prediction. Marković & Savović (2022) state that enhancements in profitability can be attained by increasing cost efficiency and optimizing the management of business assets.

By measuring profitability through the return on employed assets, the company's net profit is determined, which is generated based on the contribution of the company's assets (Hasangapon et al., 2021). Analyzing the business of wholesale and retail Indonesian companies in the time period 2016-2019, Hasangapon et al. (2021) found that there is a significant positive impact of return on assets on firm value. Conducting a sector analysis on a sample of all listed firms in Bahrain Bourse in the period from 1995 to 2013, Asiri & Hameed (2014) concluded that ROA is the most important factor in determining the value of the company, and that there is a statistically significant positive relationship between return on assets and firm value. Significant positive influence of ROA on company value was confirmed in research results by Radja & Artini (2020) who stated that higher ROA of companies will provide the company easier business activities financing, as well as research results of Rusnindita (2020) who stated that the high rate of return on the employed funds and in a reasonable period of time will ensure good company's performance prospects. This research result is in accordance with the research conducted by Rasyid (2015) who indicates that the company's profitability is one of the options that serves to precisely determine the extent to which the return rate based on investment activities will be realized.

The research results of Rizqia & Sumiati (2013), Endri (2018), Husna & Satria (2019) and Natsir & Yusbardini (2020) also showed a significant positive relationship between return on assets and firm value. Contrarily, the negative impact of profitability measured by return on assets on firm value was found in research conducted by Aggarwal & Padhan (2017). Finally, Sukmawardini & Ardiansari (2018) and Sondakh (2019) found insignificant effect of ROA on firm value, which may be a consequence of inadequate use of available funds resulting in low net income, and the fact that the company's profit is often not an expression of its size.

Bearing in mind previous mentioned research, we set the following hypothesis:

Hypothesis 2 (H2): There is a positive effect of statistical significance between profitability and company value.

A variable size is measured by total assets, showing that a large value of total assets indicates that the company has a sufficient volume of funds for the realization of operational activities. Atiningsih & Izzaty (2021) showed that there is a significant positive relationship between size and company value, emphasizing that a large company is characterized by good business running stability. This tendency is in accordance with the requirements of the signaling theory which assumes that companies with higher total funds provide a positive signal to investors about the company's business. Furthermore, Natsir et al. (2019) found significant positive impact on company value, determining that total assets serve to assess the size of the company in order to take advantage of potential investment opportunities and market share potential. Management should strive to improve the performance of the company's assets so that the funds contribute to the growth of the company's value. Pradika & Dwiati (2021) confirmed significant positive influence of company size, that reflects the company's success in the operations management process, on value. They indicated that large companies are participants in the capital market, which enables them to sell easily, bearing in mind that capital markets are influenced by the unique conditions of a specific national economy (Marić

& Ignjatijević, 2023). Investors are interested in buying shares of registered companies which affects the higher company's value. Sondakh (2019) also found significant positive influence of size on the company value, mentioning that the company's size has impact on the ease of obtaining external and internal sources of funds. Concluding that the company's size shows the company's development level in business, Rizqia & Sumiati (2013) also confirmed significant positive effect of size on the value of manufacturing companies.

By analyzing the business of Indian hospitality firms during 2001-2015, Aggarwal & Padhan (2017) found a significant positive impact of size on the company's value, explaining that large companies use the advantages of diversification and are protected from unfavorable fluctuations in cash flows. Size is inversely related to the probability of bankruptcy, as it reduces the costs of financial distress. Husna & Satria (2019) also found a significant positive influence of size on company value, stating that the companies with a large volume of assets are in the maturity stage, have good business prospects in a stable period, and indicate the possibility of profitable business compared to companies with a small volume of assets. High assets of the company indicate positive cash flow and good company's prospects in a long period, as well as research results of Radja & Artini (2020).

Bahraini et al. (2021) also found a significant negative influence of the value on the company's size, explaining that the excessive size of the company represents a negative signal for investors because it causes inefficiency in monitoring the management operations and plans, resulting in a decrease in the value of the company. Rusnindita (2020) also found a significant negative impact of size on the company value.

Finally, Hasangapon et al. (2021) found an insignificant relationship between company size and value, stating that investors can be reassured about investing due to the company's size, which will make the company's shares more appealing to investors. The size of the company can affect obtaining external sources of financing, due to the volume of funds that can serve as a guarantee. By analyzing the business of manufacturing Indonesian companies, Winarto (2015) also found that size does not significantly influence the firm value during the period 2005-2010.

Bearing in mind the literature review in the field of company size, we set the following hypothesis:

Hypothesis 3 (H3): There is a positive effect of statistical significance between size and company value.

Liquidity is a key variable of company value and each company strives to achieve an optimal liquidity level which affects corporate financing activities (Le Ha, 2018). With greater liquidity, companies can more easily finance investments and settle their short-term obligations. High liquidity means that the company is in a safe zone and far from bankruptcy risk due to the inability to smoothly settle its obligations. A low level of liquidity represents a negative signal in the company's operations because it makes it difficult to settle obligations and affects the decline or stagnation of the company's activities (Pradika, Dwiati, 2021).

Aggarwal & Padhan (2017) found that liquidity has a significant positive impact on the value of Indian hospitality companies during the period 2001-2015, so financial

institutions should provide funds to ensure uninterrupted operations. Similarly, Sondakh (2019) found that liquidity has a significant positive effect on company value. Greater liquidity indicates a higher level of the company's ability to secure funds for the payment of dividends to shareholders. On the other hand, Kristianti & Foeh (2020) found that liquidity has a significantly negative effect on the value of pharmaceutical companies, as well as Sukmawardini & Ardiansari (2018) who stated that a high liquidity indicates inactive assets that are not used in operational management activities, so a higher value of the current liquidity ratio affects the company value.

Endri (2018) found an insignificant impact of current liquidity on company value, on the grounds that liquidity is a determinant of the company's success, and that meeting cash needs and resources to secure them indicates the company's risky areas. Husna & Satria (2019) also found an insignificant impact of liquidity on company value which means that the investor does not consider the current liquidity ratio when investing funds. Research results of Renaldi et al. (2020) confirmed that liquidity does not affect the company's value. They stated that a decrease in investor interest can lead to a decrease in demand for shares, resulting in a decrease in the market value of the share, as well as the company's value. Soetjanto et al. (2020) also confirmed the insignificant impact of liquidity on company value.

Bearing in mind theoretical background in the field of liquidity, we set the following hypothesis:

Hypothesis 4 (H4): There is a positive effect of statistical significance between liquidity and company value.

The growth of the company affects the growth of value and the company's strengthening, as well as the economic activity growth. Research results of Niar et al. (2018) found a statistically significant positive impact of growth on the company value, mentioning that the rapid growth of companies affects the achievement of positive business results in conditions of competitive changes, significant sales growth, and market expansion. Companies that achieve a high growth rate need a larger volume of funds in the future, especially external financing in order to meet the needs for capital investment and growth financing. The growth of asset value affects the growth of investors' expectations regarding potential investments and expected benefits. Aggarwal & Padhan (2017) confirmed a significant positive impact of growth on the company value. On the other hand, research results of Rasyid (2015) showed a significant negative impact of growth on the value of Indonesian companies in the consumer goods industry during 2009-2013 period. Similarly, research results of Salim & Susilowati (2019) showed that the growth of assets had a significant negative impact on the value of the Indonesian food and beverages companies during the period 2013-2017, so the decline in the growth rate impacted the investor's perception about the value of the company.

Positive but insignificant impact of the growth on the company value was confirmed by Alpi (2020) who stated that companies that achieve high asset growth are able to use resources in the direction of making a profit and ensuring the growth of company's assets which indicates adequate management of the company.

Bearing in mind literature overview about growth, we set the following hypothesis:

Hypothesis 5 (H5): There is a positive effect of statistical significance between growth and company value.

The company relies on its dividend policy to estimate how much of the profits it will distribute to shareholders and how much it will invest. An appropriate dividend policy will ensure the company's investment profit in future, so with a higher volume of distributed dividends and more investment possibilities, the company's value will grow (Atiningsih & Izzaty, 2021). However, the high value of the dividend distributed to shareholders affects the low value of the company's undistributed profit, which affects the company's difficult investment conditions.

According to the Dividend Irrelevance Theory, the dividend policy does not influence the value of the company. On the other hand, The Bird in Hand Theory assumes that a high dividend value affects the growth of the company's value, as stated by Winarto (2015) who found that dividend payout ratio has a statistically significant positive impact on the company value. The obtained results are consistent with the signaling theory, and the payment of dividends is viewed as a positive indicator of the company's earnings, thereby driving share price growth. Similarly, Sudiani & Wikusana (2018) showed that the dividend policy achieved a statistically significant positive impact on the value of Indonesian manufacturing companies during 2013-2016, indicating that shareholders are more likely to distribute profits through dividends rather than capital gains. The growth of the dividend payout ratio will affect the growth of share prices, which affects the company's value growth. Accordingly, Kristianti & Foeh (2020) showed significant positive impact on the value of Indonesian manufacturing companies in pharmaceutical sector during 2013-2017. On the other hand, research results of Sondakh (2019) found a significant negative impact of dividend policy on company value showing that investor confidence is growing as a result of reduced dividend payments. The policy of greater reliance on dividends in relation to capital gains is more popular since dividends are more certain and less risky.

Husna & Satria (2019) found an insignificant impact of dividend payout ratio on the company value mentioning that dividend payout ratio can't be seen as a tool for evaluating value in production companies, but that the dividend policy is important in evaluating the company's finances. Paminto et al. (2016) also found an insignificant positive impact of dividend on the company value stating that the payment of dividends shows the management's ability to manage the company, thereby encouraging shareholders to reinvest in the company. The dividend policy evaluates the company's ability, so that it affects the share price. Renaldi et al. (2020) also found insignificant impact of dividend policy on the company value stating that a higher value of the dividend paid to shareholders indicates a company with better performance, which affects the investor's assessment through share prices. Saputri & Bahri (2021) confirmed an insignificant impact of dividend policy on the company value mentioning that the company's dividend policy is in line with expectations of shareholders because the payment of dividends is linked to the growth of share prices and is a sign that a company is performing well.

Bearing in mind previous research studies about dividend policy, we set the following hypothesis:

Hypothesis 6 (H6): There is a positive effect of statistical significance between dividend payout ratio and company value.

2. Data and Methodology

The basic source of data are financial statements taken from the TP Catalyst database (Bureau Van Dijk, 2023). Based on the available data for the calculation of dependent and independent variables in the time period 2017-2022, the final sample included 321 companies, generating 1926 observations. The sample included very large, large, and medium-sized active companies. Given that these types of companies have good growth prospects, they provide an adequate basis for evaluating optimal company value indicators. Statistical program Stata 13 was used for data processing. Price book value as a measure of company value was observed as a dependent variable, while Debt to Equity ratio, ROA, Company size, Liquidity, Growth and Dividend Payout ratio were observed as independent variables. Table 1 presented dependent and independent variables included in the model.

Table 1: Overview of type, name and calculation method of variables

Variable type	Variable name	Calculation method
Dependent	PBV	(Market value per share/Book value per share)
Independent	Debt to Equity ratio	Total Debt/Equity
	ROA	Net income/Assets
	Company size	Ln Total assets
	Liquidity	Current assets/Current liabilities
	Growth	Total Assets $_t$ - Total Assets $_{(t-1)}$/Total Assets $_{(t-1)}$
	Dividend payout ratio	Total dividends/Net income

Source: Authors' illustration

Empirical analysis consisted of descriptive statistics, correlation matrix, and multiple regression analysis. To test regression model, panel data analysis was applied in the paper. Accordingly, we set the following model:

$$PB_{it} = \beta_{it} + \beta_1 ROA + \beta_2 DER + \beta_3 LIQ + \beta_4 SZ + \beta_5 GROW + \beta_6 DPR + u_{it}$$

i - company (i = 1,2,3..., n), t - year (t = 1,2,3)
PB - P/B value (of the company)
ROA – Profitability
DER- Debt to Equity Ratio (Financial leverage)
LIQ – Liquidity
SZ- Size
GROW- Growth
DPR- Dividend Payout Ratio

3. Results and Discussion

Descriptive statistics results are presented in Table 2.

Table 2: Descriptive statistics

Variable	Obs	Median	Mean	Std. Dev.	Min	Max
PBV	1,926	1.393	2.510	2.944	0.199	43.557
DebttoEquity	1,926	0.654	1.436	9.643	0.000	226.919
ROA	1,926	4.396	6.400	7.938	-35.530	68.206
Firmsize	1,926	13.574	13.696	1.871	7.725	20.667
Currentratio	1,926	1.580	4.021	8.594	0.026	97.508
Growth	1,926	0.049	0.093	0.257	-0.999	2.813
Dividendpayout	1,926	48.400	127.871	761.310	0.331	23656.140

Source: Authors' calculation

In order to reduce the possibility of extreme values influence in the sample, the average values were analyzed based on the median value, not the arithmetic mean value. The median value of PBV is 1.393 which shows the higher market than book value of observed companies. It means that Western European companies have earning capacity and realize future growth and development potentials. The value of PBV ratio varies between 0.199 to 43.557 which means that there are also companies in the sample that create concerns of investors about the future potential for growth. Median value of debt to equity ratio showed that 1 dinar of capital corresponds to 0.654 dinars of debt which is less than the reference value below 1. Measuring the riskiness of investing in a company, this indicator should be as low as possible. Observing the sample of Western European companies, it shows a satisfactory level of company's indebtedness, given that the Western European companies are mostly financed from their own sources of financing. The average company profitability in the sample is 4.40%, which is below the reference value of 10%. The profitability values of Western European companies fluctuate from -35.53 to 68.21 which means that the sample includes unprofitable companies that are unable to fertilize the employed assets, and companies that achieve a high rate of return on the employed assets. The average company size value was 13.574 with no significant value dispersions. The mean value of the current liquidity ratio of 1.58 shows that the observed Western European companies are not, on average, able to cover their short-term liabilities by using available current assets. High value dispersion of current liquidity ratio from 0.026 to 97.508 showed that the sample included highly liquid companies and companies with difficulties in terms of maintaining liquidity in the future. The average value of dividend ratio distributed to net income (DPR) is 48.40 with high value dispersions from 0.331 to 23656.14, which showed that the majority of observed European companies use a large percentage of net income to pay dividends.

Table 3. Results of autocorrelation and heteroscedasticity presence test

Test	Test Statistics Value	p Value
Wooldridge test	F(1,320) = 11.329	0.0009
Breusch-Pagan/Cook-Weisberg test	chi2(1) = 2162.08	0.0000

Source: Authors' calculation

According to obtained results of the Wooldridge test in Table 3, which evaluated the presence of data autocorrelation, there is a statistical significance ($p=0.0009<0.05$), which implies the first-order autocorrelation. Breusch-Pagan/Cook-Weisberg test results in Table 3 that analyze the existence of heteroskedasticity, showed that the p value is below the significant level ($0.0000<0.05$), thus confirming heteroskedasticity.

Table 4 presents the results of the multicollinearity check between independent variables, using variance influence factors (VIF) and 1/VIF (TOL). The VIF parameters for all variables are below 10. TOL coefficient falls below 0.1 which indicates the existence of a high correlation among independent variables.

Table 4. Multicollinearity presence test results

Variable	VIF	1/VIF
Firmsize	1.10	0.909
DebttoEquity	1.06	0.948
ROA	1.04	0.958
Currentratio	1.04	0.960
Growth	1.04	0.964
Dividendpayout	1.00	0.998
Mean VIF	1.05	

Source: Authors' calculation

Stata allowed estimating a panel-corrected standard error (PCSE) model with a correlation structure aimed for the panel data model residuals. This runs a panel data regression with the independent variables and takes into account potential serial correlation and heteroscedasticity.

Table 5. Regression model evaluation

Variable	Coefficient	Standard Error	t	P > |t|	[95% Conf. Interval]	[95% Conf. Interval]
DebttoEquity	0.029	0.007	4.32	0.000	0.016	0 .043
ROA	0.061	0.007	8.90	0.000	0.048	0.075
Firmsize	-0.114	0.031	-3.72	0.000	-0.175	-0.054
Currentratio	-0.024	0.003	-8.45	0.000	-0.030	-0.019
Growth	-0.262	0.172	-1.52	0.129	-0.600	0.076
Dividendpayout	-0.000	0.000	-0.47	0.642	-0.000	0.000
_cons	3.541	0.434	8.15	0.000	2.690	4.393

Source: Authors' calculation

Presented results in Table 5 showed that financial leverage measured by debt to equity ratio has a statistically significant positive impact on the value of Western European companies which confirmed hypothesis 1. Consequently, borrowing on a larger scale by

Western European companies increases their value and is a positive sign for investors since they can expand their operations, provide the necessary funds for operational activities and assume sustainable cash flow in the future. Obtained results are in accordance with the research results of Winarto (2015), Natsir et al. (2019), Renaldi et al. (2020), Rusnindita (2020), and Radja & Artini (2020). Therefore, results showed that profitability measured by return on asset has a statistically significant positive impact on the company value which confirmed hypothesis 2. Bearing in mind that profitability is essential for maintaining company's activities in the long-term, it is obvious that Western European companies strive to ensure a high and stable profitability level. Obtained results are in accordance with Moldigliani and Miller's relevance theory of profitability, which assumes that value of Western European companies is determined by the profitability's level or it is defined by their ability to make profit based on available assets. In Western European companies, management policies aim to increase net income, since high profits indicate company's good future prospects. Obtained results are also in accordance with the research results of Suhadak & Nuzula (2014), Salim & Susilowati (2019) and Atiningsih & Izzaty (2021).

According to presented results, company size has a statistically significant negative impact on the company value, thus rejecting hypothesis 3. It means that Western European companies fail to raise a sufficient volume of funds for business development, and that the size is not an indicator of the financial strength of these companies. Obtained results are also in accordance with research results of Asiri & Hameed (2014) who stated that the smaller the company, the higher its value to investors, or the larger the company, the lower its attractiveness to investors. Furthermore, Liquidity measured by current ratio has a statistically significant negative impact on the company value, so hypothesis 4 is rejected. Large cash amount indicates a lower level of cash circulation, which leads to Western European companies' yield decrease, and consequently to a decrease in their value. The management of Western European companies obviously used funds inefficiently, which meant that the liquidity was above the optimal level and caused a decrease in the value of their companies. Obtained results are in accordance with the research results of Winarto (2015) and Bahraini et al. (2021).

Variable Growth has a negative, but insignificant impact on the company value which means that growth in assets does not affect the investor's attitude about the company's value which is in accordance with the research results of Paminto et al. (2016) and Rusnindita (2020). Likewise, dividend payout ratio also has an insignificant impact on the company value, so that the dividend amount distributed to shareholders does not impact the company's value which is in accordance with research results of Sukmawardini & Ardiansari (2018) and Khuzaini et al. (2020).

Conclusion

Achieving the maximum value for the company relies on relevant information about the company, measurable decisions, and maximum control over the company's operational performance (Pradika & Dwiati, 2021). Measuring the company value in the market through

the share price is an expression of the real financial performance of listed companies (Rachmi & Heykal, 2020).

The aim of this paper is to develop a model of optimal company's value by measuring the influence of independent variables such as leverage, profitability, company size, liquidity, growth, and dividend payout ratio on the value of Western European companies in the time period 2017-2022. The results showed that financial leverage measured by debt to equity ratio has a positive impact of statistical significance on the company value. Increasing borrowing by Western European companies leads to a greater success in achieving their goals and a growing sense of trust in the company, which increases their value. Variable profitability has a positive impact of statistical significance on the value of Western European companies which indicates that high profitability is an expression of good operations of Western companies, which positively affects the perception of investors and the value growth of these companies.

Company size and liquidity had a negative impact of statistical significance on the company value. The size of Western European companies does not provide flexibility to the management in terms of the available assets' usage, nor does it serve to improve business operations. The size of the Western European companies obviously does not represent a positive signal to investors from the aspect of future perspective, which does not affect the growth of their trust, the share price's growth and consequently their value. The higher liquidity of these companies affects the decline in their value, which means that the company liquidity was poorly managed. Western European companies do not achieve optimal liquidity, which implies that they do not properly manage their assets, and therefore investors believe that large inactive assets affect the impossibility of generating additional profits.

Through more detailed insight into the value and improvement of company performance, this paper creates a basis for future research and provides added value for further research in this area. In the future research, the factors of company value related to certain industries or sectors should be analyzed. In addition, it is possible to make a comparison between the value factors of the companies in the Eastern European markets with those of the Western European markets. Besides those mentioned, other financial variables can be considered, as well as non-financial variables. In addition, macroeconomic variables can be considered.

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