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Financial Drivers of Corporate Market Valuation: Evidence from Global Publicly Listed Companies

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ABSTRACT

Market Value of a firm is a key measure of a company's health, investor optimism, and prospects in international financial markets. It is essential to know the financial determinants of market value. This study examines the influence of sales, profit, and assets on corporate market value among globally listed companies and explores country-level differences in valuation patterns. A quantitative, cross-sectional research design was employed using secondary financial data from 2,000 publicly listed corporations across 57 countries. The analysis used descriptive statistics, Pearson correlation analysis, multiple linear regression, and country-level comparative analysis. The findings revealed that profit showed the strongest positive association with market value and emerged as the most influential predictor in the regression model. Sales also had a positive and statistically significant effect, although its explanatory strength was weaker than profit. Assets showed a weak correlation with market value and a negative coefficient in the regression model, indicating that larger asset bases do not necessarily translate into higher market valuation. The model explained approximately 69.6% of the variation in market value. The findings suggest that profitability remains the most important financial driver of corporate valuation, while efficient resource utilization and earnings quality play a critical role in shaping investor perceptions and market performance.

KEYWORDS: Corporate market valuation, profitability, sales, financial market, global corporations

1. Introduction

The corporate market value is an important factor that indicates the financial power and competitiveness of the company and the ability of a firm to grow in the globalized world. The market value of a corporation reflects the expectation of its future growth in terms of profitability, income, and other aspects related to competitiveness and the overall strategic positioning of the firm. In modern corporate finance, the emphasis on the shareholder value creation and sustained investor confidence becomes increasingly relevant because of the globalization of business and the emergence of multinationals. Thus, the need for researching financial determinants of firm valuation is obvious in today's conditions of globalization (Vernimmen et al., 2022). Globalization brings about changes in assessing financial indicators of corporate performance because firms operate in different economic and competitive conditions, which influence the performance of these organizations negatively and positively. As a result, sales, profitability, and assets become some of the main financial indicators of firm value and growth. Most investors make their investment decisions depending on their expectations regarding corporate growth, profitability, and opportunities for long-term development (Hillier et al., 2023).

Recently, various organizational and governance perspectives have become popular in financial literature. For instance, according to the ESG perspective, there is evidence that environmental, social, and governance performance may positively influence the market value of corporations, especially those applying inclusive governance principles (Nekhili et al., 2021). Likewise, the informational environment around a firm also matters as far as financial markets and stock prices are concerned, since information plays a crucial role in investor decisions, especially in emerging markets (Takamatsu & Lopes Fávero, 2019). This implies that there are other factors besides those measured using conventional financial statements that determine the value of firms, such as investor perception and organizational competencies.

It is widely accepted in the field of corporate finance that profitability is among the most important factors that influence the value of an organization. High levels of profitability indicate high efficiency, high earnings potential, and high growth opportunities. Earlier research demonstrates that profitability positively influences market values of corporations and helps increase shareholders' wealth (Jonnius & Marsudi, 2021). There is also evidence that a higher market value can be achieved through better profitability, liquidity, and financial soundness (Markonah et al., 2020). Other research conducted in the framework of studying corporate growth dynamics shows

that sales growth affects the market value of corporations, and profitability may act as the mediator between them (Putri & Rahyuda, 2020).

In turn, market value may also be affected by investor expectations concerning future corporate performance. Such investor sentiment may reinforce the effect of return comovement and influence the patterns of firm valuations among firms and different industries (Chen et al., 2019). Another factor that should be considered in the process of firm valuation in today's global business context is the reliance of firms on resources. According to resource dependence theory, companies that can successfully manage strategic resources and external dependencies can create better market positioning (Jiang et al., 2023). It means that the combination of financial and organizational factors plays an important role in determining the market value of corporations.

Besides, it is also necessary to consider the fact that there are multiple factors affecting the market value rather than a single financial determinant of it. Previous research indicates that profitability, financial leverage, and corporate growth together determine firm value differences (Wahyuni & Gani, 2022). Also, corporate social responsibility and good governance can moderate the impact of firm performance on its valuation during periods of financial instability (Hannah et al., 2021). In a cross-country perspective, the variations in corporate valuation can be explained by the differences in profitability and growth opportunities across countries (Lee & Sun, 2021). Competitive dominance between firms and countries is constantly changing as many countries become economically developed and participate actively in international economic relations (Jean et al., 2023).

Despite considerable progress made in researching financial determinants of the market value of corporations, some limitations are still evident. Most studies focus on one particular country, industry, or financial indicator of interest, limiting the generalizability of their results. Besides, many researchers have inconsistencies regarding the impact of sales and asset structure on corporate market value, particularly among corporations working internationally. In terms of comparative analysis, there is scarce comparative evidence based on large international samples of public corporations. Moreover, there are few studies that have examined the effect of sales, profit, and assets on firm value simultaneously. Therefore, addressing these issues is necessary.

Against this background, the current study aims to investigate the influence of sales, profit, and assets on corporate market value as well as differences in country-specific valuation patterns. To do so, an international sample of corporations will be analyzed.

2. Methodology

2.1 Research Design

This research was conducted through a quantitative research design where a cross-sectional approach was applied to establish the factors that influence the market value of companies listed in the global rankings. Secondary financial information was used to assess the relationship between the sales, profits, assets, and market value. Quantitative research was deemed suitable as it helps measure the relationship between various financial factors objectively and statistically.

2.2 Data Source

Data were collected using a secondary data set provided by Rodriguez-Contreras (2023). The secondary data included financial information regarding the top 2000 firms ranked by Forbes based on their performance in the year 2022. The data set comprised financial information about publicly held corporations from different nations, including the sales, profits, assets, and market value of each firm. The use of the secondary data set was appropriate for the current research.

2.3 Sample and Variables

The sample size finally comprised 2,000 firms in 57 different countries. The research had one dependent variable and three independent variables. In the current study, market value was taken to be the dependent variable while sales, profits, and assets were explanatory variables. Information pertaining to the country was also used for the purpose of cross-national comparison. The operational definition of variables is explained in Table 1.

Table 1. Description of Study Variables

Variable	Type	Description
Market Value	Dependent Variable	Market capitalization of firms
Sales	Independent Variable	Total corporate sales revenue
Profit	Independent Variable	Net corporate profit
Assets	Independent Variable	Total assets held by firms
Country	Control/Classification Variable	Country of company origin

2.4 Data Processing

Data cleaning and preparation took place before the analysis stage. Numbers expressed in trillions and billions of US dollars were standardized into a numeric format. Inconsistencies within the numbers were analyzed for consistency in order to increase the accuracy of the analyses being conducted. After data cleaning, the next step was data preparation.

2.5 Analytical Techniques

Descriptive statistics, Pearson correlation, and multiple linear regression analysis were used in order to conduct the research by establishing the linkages between the studied variables. The distributional features of the variables were established through descriptive statistics analysis, whereas correlation was used to determine whether any linkages exist between pairs of variables. Multiple linear regression analysis was utilized in assessing the effect of sales, profit, and assets on the market value of the firm. The regression analysis equation can be described as:

$$MV = \beta_0 + \beta_1(SALES) + \beta_2(PROFIT) + \beta_3(ASSETS) + \varepsilon$$

Where:

- MV= Market Value
- β_0= Constant term
- $\beta_1, \beta_2, \beta_3$= Regression coefficients
- ε= Error term

In addition, country-level comparative analysis techniques were used to support the interpretation of the findings.

3. Results

3.1 Descriptive Statistics of Financial Variables

Descriptive statistics for the studied variables have been provided in Table 2 below. As can be seen from the results, there is a considerable disparity between the largest firms of the world in respect of sales, profitability, number of assets, and market value. On average, the total revenues of the surveyed firms amounted to USD 23.88 billion, while the average profit was USD 2.50 billion. The average market value of the firms was equal to USD 38.24 billion.

It has also been found that standard deviations for all variables under consideration were quite high. This especially refers to the values for assets and market value. The maximum market value amounted to USD 2,640.32 billion, while the minimum market value was just USD 0.14 billion.

Table 2. Descriptive Statistics of Financial Variables

Variable	N	Mean	Std. Deviation	Minimum	Q1	Median	Q3	Maximum
Sales	2000	23.876	40.944	0.000	5.608	12.170	23.725	572.750
Profit	2000	2.502	6.159	-12.050	0.590	1.055	2.270	105.360
Assets	2000	116.848	363.706	0.166	14.788	31.920	77.447	5518.510
Market Value	2000	38.243	117.207	0.144	7.325	16.625	34.710	2640.320

3.2 Correlation Analysis

Correlation analysis was performed between sales, profit, assets, and market value using Pearson correlation analysis. According to Table 3, the highest positive correlation coefficient was observed between profit and market value (r = 0.797). This result implies that companies with high levels of profitability usually obtain higher market values. Moreover, there is a relatively high positive correlation coefficient between sales and market value (r = 0.540). This implies that the sales operation affects the market value of the company directly.

Conversely, assets have the least positive correlation coefficient with the market value (r = 0.146). This shows that an increase in the assets of the companies leads to a decrease in the market value. Finally, there is a positive correlation coefficient between sales and profit (r = 0.645).

Table 3. Pearson Correlation Matrix

Variable	Sales	Profit	Assets	Market Value
Sales	1.000	0.645	0.336	0.540
Profit	0.645	1.000	0.455	0.797
Assets	0.336	0.455	1.000	0.146
Market Value	0.540	0.797	0.146	1.000

To offer more information on the relationships among the variables, a correlation map has been included in Fig. 1. As can be seen from the graph, there is a high correlation between profit and market value than the relationship between assets and business value..

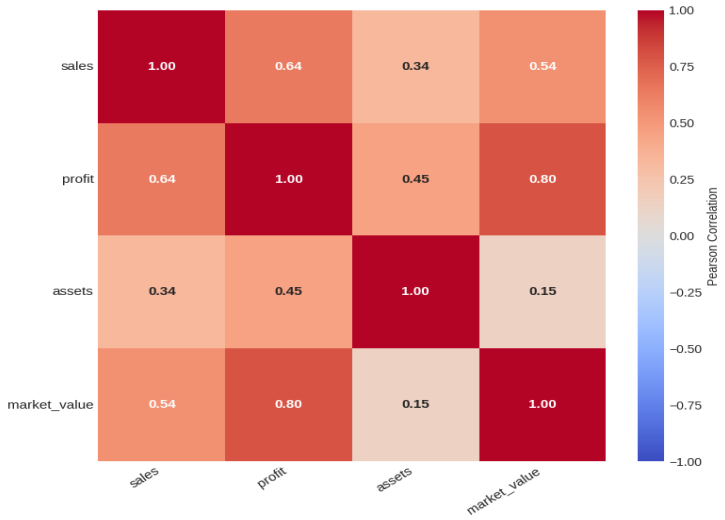

Figure 1. Correlation Heatmap of Financial Variables

3.3 Regression Analysis

Multiple linear regression analysis was employed to evaluate the effect of sales, profit, and assets on market value. The results obtained from multiple linear regression analysis are presented in Table 4. The result of multiple linear regression analysis indicates statistical significance ($F = 1521.912$, $p < 0.001$). Also, the coefficient of determination ($R^2 = 0.696$) indicates that about 69.6% of the variation in market value can be explained by the independent variables.

The independent variable, Profit, had a higher impact on market value compared to the other independent variables ($\beta = 16.743$, $p < 0.001$). This suggests that profitability has a significant impact on valuing firms. Sales had a positive impact on market value ($\beta = 0.187$, $p < 0.001$); however, Assets had a negative impact on market value ($\beta = -0.089$, $p < 0.001$).

Table 4. Multiple Linear Regression Results

Variable	Coefficient	Std. Error	t-statistic	p-value
Constant	2.2742	1.6857	1.3491	0.1775
Sales	0.1867	0.0463	4.0304	0.0001
Profit	16.7431	0.3257	51.4101	0.0000
Assets	-0.0889	0.0045	-19.8558	0.0000

Profit and market value correlation is graphically represented in Figure 2. The scatter graph indicates the existence of a definite positive relationship; as the profits increase in a firm, so does the market value of such a firm.

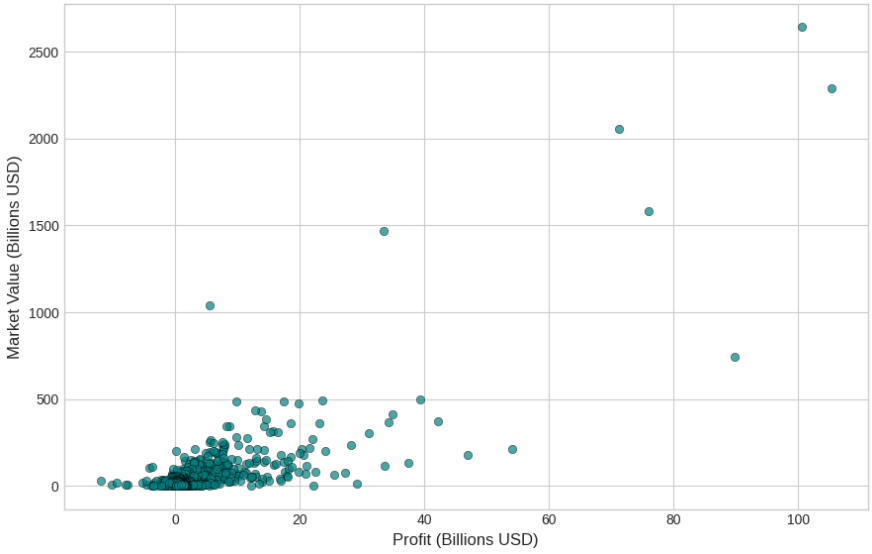

Figure 2. Relationship Between Profit and Market Value

Figure 3 shows the relationship between sales and market value. Although the relationship is positive, it is evident that the data points exhibit much more variation than the relationship between profit and market value.

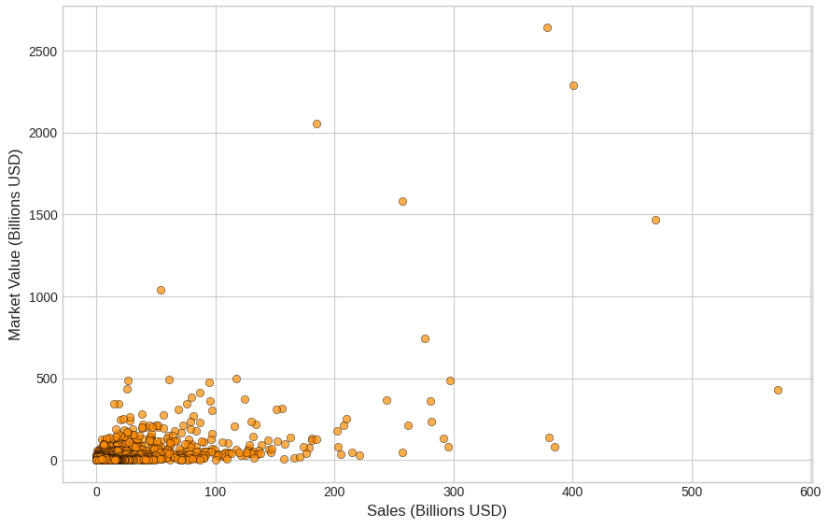

Figure 3. Relationship Between Sales and Market Value

3.4 Country-Level Comparative Analysis

Analysis carried out country-by-country has brought to light some differences in the sample countries with regard to average market value. This is illustrated in Figure 4 below where a graph depicting the top ten countries arranged according to average market value has been plotted. Saudi Arabia leads in terms of average market value followed by the USA and Uruguay.

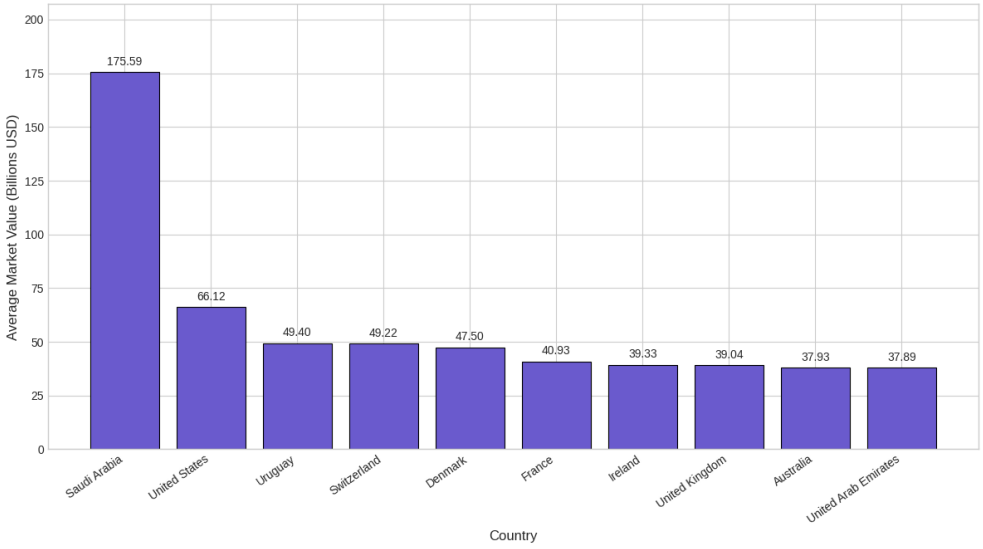

Figure 4. Top 10 Countries by Average Market Value

Economies which are classified as developed nations, including the United States, Switzerland, France, and the United Kingdom, continue to maintain their supremacy in corporate valuation globally. Nevertheless, the factor responsible for the position of Saudi Arabia as the leading nation can be attributed to the extremely high market value of the Saudi Arabian Oil Company (Saudi Aramco).

4. Discussion

Empirical findings confirmed the hypothesis regarding the role of profit as the most important financial criterion affecting the market value of corporations around the world. Correlation analysis showed the existence of the relationship between the variables under study, while the results of regression analysis showed the importance of the variable of profit for determining the market value. In practical terms, the results mean that what is particularly attractive in corporations from the financial perspective is their profitability and earnings. The significance of the coefficient

of profit also means that the importance of profitability surpasses that of firm scale as a market valuation determinant.

Additionally, sales were found to have a significant effect on market value, although the magnitude of impact was lower compared to profit. These results imply that earning sales helps in firm valuation; however, sales cannot serve as an exclusive criterion for measuring firm valuation. In particular, sales can be very high in a certain corporation, but its valuation might not be high due to the absence of strong profitability and earnings performance. Thus, sales were found to serve as a proxy for market reach, but profitability is still more important for market value.

Finally, a weak positive correlation between market value and assets was found; however, assets exhibited a negative and statistically significant relationship with market value. This finding indicates that being an asset-intensive organization does not guarantee higher market valuation, provided that both sales and profit are taken into account at the same time. One way to explain this finding consists of stating that asset-intensive corporations are undervalued if the usage of assets to achieve profitability is not efficient enough. Conversely, organisations with light asset structure and with intangible capabilities, technological benefits, or a scalable business model can receive higher valuations despite low asset levels.

The significant influence of profit on market value corresponds to the available evidence proving the important impact of financial factors on market capitalization of firms (Pavone, 2019). The significant influence of profit aligns with the findings indicating close relations between profitability factors and the maximization of both market value and intrinsic value, especially in cases of earnings strength as a sign of corporate financial strength (Al-Ali & Al-Shabeeb, 2024). The positive impact of profit on corporate valuation also confirms the findings proving that emerging market firms' enterprise valuation involves the contribution of profitability together with growth, firm size, and capital structure (Dang et al., 2019). Likewise, the positive and weaker effect of sales corresponds to the findings according to which sales growth can increase firm value, although the effectiveness of sales influence depends on financial factors such as profitability, leverage, and firm size (Santioso, 2025).

The significant negative regression coefficient for assets can be considered important evidence refuting the traditionally accepted idea about the necessity of firm size for better market valuations. The contemporary approach to market valuation involves the recognition of intangible assets rather than tangible assets as a factor influencing market value (Dancaková et al., 2022). This finding can

also be explained by available evidence indicating that intangible assets affect financial performance and financial policy, as well as market valuation, in the context of globalization (Qureshi & Siddiqui, 2020). Also, the current findings correspond to the existing research devoted to the growing role of control over knowledge and intellectual property in value creation and management of multinational corporations (Durand & Milberg, 2020). Finally, the observed country-specific differences can be viewed as compatible with the idea that multinationals are engaged in global politics, economics, and trade, which influences their position on global markets (Ballor & Yildirim, 2020).

For practitioners, managers, and policymakers, the discussed findings may be useful as guidelines regarding corporate strategy and market analysis. The results prove that the key focus of corporate managers should be placed on improving profitability and financial performance since market valuation responds to these changes more effectively compared to the expansion of assets or revenue. For investors, the results mean that market valuation should not be measured in terms of asset size and revenue. In addition, the significance of profit as a determinant of market value implies that this factor must be paid particular attention by investors when evaluating the market attractiveness of corporations. As far as policymakers are concerned, the discussed country-level differences indicate the importance of creating appropriate institutional, economic, and legislative frameworks for growing internationally valuable corporations.

There are a few limitations of the present research that should be mentioned. First, the cross-sectional data were analyzed for one year without considering temporal dynamics and changes in market valuation throughout several years. Second, the study was limited to a few financial variables (sales, profit, assets) as independent variables without considering other factors that may influence market value, such as leverage, corporate governance, ESG performance, etc. Moreover, the sample consisted exclusively of large corporations listed on stock exchanges; therefore, these results may not be generalized to private companies. Future research may consider additional financial variables as well as the usage of panel data sets for several years to reveal the robustness of current findings. Moreover, the comparative analysis of multinationals and other organizations may be conducted to assess the role of firm type as a determinant of market value.

5. Conclusion

The results showed profitability to be the most significant financial indicator in market valuations, with sales being positively impactful, yet less explanatory in relation. In conclusion, global investors value a company's ability to earn more than the amount of revenue it earns. As important as assets can be in the assessment of corporate size, they do not lead to a higher market value when sales and profits are factored in. Thus, it seems like the efficiency of assets in production and value-creation through non-asset means might be more important than just asset size for corporate valuation. Overall, the study contributes to knowledge in corporate finance and international business in terms of understanding that market valuation of firms worldwide depends more on performance than on scale. At the same time, country-level analysis revealed that corporate valuation depends not only on the corporation but also on market and other institutional factors. The implications for management are clear, as profitability, margins, and proper use of capital are emphasized. For the investor, the results mean that he should evaluate not only sales growth and asset sizes but also financial fundamentals.

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