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Research Article

The Power of Interest Coverage and Free Cash Flow in Enhancing Firm Value

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Abstract
This research aims to analyze the effects of the interest coverage ratio and free cash flow on the value of PT Indofood CBP Sukses Makmur Tbk. The data are analyzed using multiple linear regression on secondary data in SPSS 16, sourced from the financial reports of PT Indofood CBP Sukses Makmur Tbk for the period 2017–2024. The results of the F-test indicate that both the interest coverage ratio and free cash flow have a significant effect on the firm's value. The t-test results indicate that the Interest Coverage Ratio (ICR) has a significant negative effect on the firm's value. In contrast, Free Cash Flow (FCF) has a significant positive effect. The findings of this study provide important implications for firm management and investors. For management, the results emphasize the need to balance debt repayment capacity with investment in growth-oriented projects to avoid negative market perceptions and sustain long-term firm value. For investors, the findings highlight that Free Cash Flow serves as a strong signal of financial flexibility and growth potential, providing a key indicator for investment decisions in capital-intensive industries such as food and beverages.

Keywords: Company Value, Interest Coverage Ratio (ICR), Free Cash Flow (FCF)

JEL Classification: G32, G30, M41

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1. Introduction

The increasingly competitive global economy requires firms to maintain strong financial performance to thrive in a dynamic market. A primary challenge confronting businesses today is creating sustainable value for shareholders. Company value is often perceived as a reflection of management's success in effectively utilizing resources and making sound strategic decisions. In Indonesia's food and beverage sector, rapid growth is driven by a population that has surpassed 271 million, generating significant demand for food products (Linda & Rahman, 2021; Santosa, 2020). This scenario presents both opportunities and challenges for firms striving to maintain profitability while enhancing their appeal to investors.

Evaluating firm value is essential not only for management but also for investors and other stakeholders. Company value is typically assessed using market ratios, one of which is the Price-to-Book Value (PBV) ratio, reflecting the market's perception of the firm's future prospects (Septianda & Canggih, 2023). However, variations in firm value are often shaped by internal factors such as capital structure, interest payment capacity, and cash flow generated from operating activities. Consequently, gaining a comprehensive understanding of the financial factors that drive firm value growth is vital for effective financial management (Santosa et al., 2022).

One fundamental indicator of concern is the Interest Coverage Ratio (ICR). This ratio measures a firm's ability to meet interest obligations on debt using pre-tax operating profit (Kasmir, 2016). Companies with a high ICR are considered financially stable and less likely to default, thereby sending a positive signal to investors (Ji, 2019). However, several studies have found inconsistent results regarding the relationship between ICR and firm value. For example, research by Putra and Dewi (2020) shows that ICR can significantly influence firm value, whereas other studies find the relationship to run in the opposite direction. This inconsistent result opens the door to further research to understand the role of ICR in specific industry contexts (Santosa et al., 2020).

Furthermore, another important variable is Free Cash Flow (FCF). FCF represents the cash available after a firm meets operational obligations and capital expenditures. High free cash flow is considered a positive indicator because it demonstrates a firm's financial flexibility to expand, pay dividends, and repay debt (Waly et al., 2021). Previous research confirms that FCF significantly influences firm value, as shown by studies by Rezki (2021). However, not all firms can optimize FCF to create value, as in some cases, cash flow is used for management purposes that are not aligned with shareholder interests (agency conflict). This finding raises questions about whether FCF can consistently increase firm value across industries (Ahlannisa et al., 2024).

Although numerous studies have examined ICR and FCF, there are still research gaps that need to be addressed. First, most previous studies examine the effect of only one variable, without considering the combined effect of both on firm value (Saputri & Santoso, 2023; Vinka et al., 2024). Second, inconsistent research results, particularly regarding the effect of ICR, indicate the need for further studies with longer time horizons and more specific research objectives. Third, previous research has limited its ability to examine this variable in food and beverage firms, despite the sector's unique characteristics related to working capital requirements and operational cash management. Therefore, this study selected PT Indofood CBP Sukses Makmur Tbk as its target, as the firm is a major player in the Indonesian food and beverage industry.

Based on this background, this study examines the effects of the Interest Coverage Ratio (ICR) and Free Cash Flow (FCF) on firm value, as measured by Price to Book Value (PBV), for PT Indofood CBP Sukses Makmur Tbk for the 2017–2024 period. The research questions are as follows: (1) Does the Interest Coverage Ratio (ICR) affect firm value? (2) Does Free Cash Flow (FCF) affect firm value? (3) Do both simultaneously affect firm value? This research is expected to provide a deeper understanding of the role of financial ratios and cash flow in creating firm value.

The benefits of this research are threefold. First, this research contributes to enriching the literature on financial management, particularly regarding the relationship between ICR, FCF, and firm value. Second, this research can serve as a reference for firm management in managing capital structure and cash flow to increase firm value. Third, the results of this research are helpful to investors as considerations in making investment decisions, as ICR and FCF are important signals of a firm's financial health (Signaling Theory).

The uniqueness of this research lies in its focus on the food and beverage sector in Indonesia and its relatively long observation period, 2017–2024. This period encompasses normal conditions before the pandemic, the COVID-19 pandemic, and the recovery period afterward. Therefore, the results are expected to provide a more comprehensive picture of the dynamic influence of ICR and FCF on firm value. Thus, this research not only bridges the existing research gap but also provides a practical contribution to the development of future corporate financial strategies.

Although numerous studies have examined the influence of financial ratios on firm value, uncertainty remains about the extent to which the Interest Coverage Ratio (ICR) and Free Cash Flow (FCF) jointly determine firm value in the Indonesian food and beverage sector. Most previous studies tend to examine these variables separately, without considering their interaction in the dynamic period encompassing the periods before, during, and after the COVID-19 pandemic. Therefore, this study offers a novel analysis of these two key financial variables for one large firm, PT Indofood CBP Sukses Makmur Tbk, over the period 2017–2024, thereby providing a more comprehensive picture of how solvency stability and cash flow flexibility influence firm value in a volatile economic environment.

2. Literature Review and Hypothesis

Literature Review

Company Value

Company value represents investors' perceptions of a firm's overall performance, sustainability, and future profitability (Cahyono & Nursanita, 2024). Firm value is determined by the present value of all anticipated future cash flows, which are discounted at an appropriate cost of capital. Likewise, Brigham and Houston (2019) highlight that a higher firm value reflects greater managerial success in maximizing shareholder wealth. Firm value is often assessed using market-based ratios, such as the Price-to-Book Value (PBV), which compares a firm's market capitalization with its book value.

From a strategic financial standpoint, firm value can be influenced by both internal and external factors. Internal factors include profitability, solvency, leverage, and liquidity, while external factors encompass macroeconomic conditions and investor sentiment (Naceur & Goaied, 2002). In the context of Indonesia, research by Linda and Rahman (2021) and Sukmahayati and Suwaidi (2021) indicates that firm value in the food and beverage sector tends to fluctuate in response to changes in debt structure and operational cash flow. This finding underscores that firm value should not be viewed as a static metric, but rather as a dynamic reflection of financial policy, managerial decisions, and market expectations (Islamiyati & Faruqi, 2023).

Interest Coverage Ratio (ICR)

The Interest Coverage Ratio (ICR) serves as a measure of a firm’s ability to meet its interest obligations using earnings before interest and taxes (EBIT). A high ICR indicates that a firm is financially sound, possesses strong earning power, and faces a lower risk of default (Kasmir, 2016). According to Ji (2019), ICR is not only a solvency indicator but also a measure of earnings quality and relevance in assessing firm value. Putra and Dewi (2020) revealed that ICR positively influences investor perception because it reflects effective debt management and operational strength. From a global perspective, Al-Najjar and Hussainey (2011) demonstrated that firms with a high ICR tend to attract more investor confidence due to their reduced risk of financial distress. Similarly, Naceur and Goaied (2002) found that solvency ratios, including ICR, play a pivotal role in shaping firm value by affecting perceptions of stability and creditworthiness. Conversely, Sarpta et al. (2024) discovered that an excessively high ICR might indicate overly conservative debt management, potentially signaling a lack of aggressive investment. This finding aligns with Sukmahayati and Suwaidi (2021), who argued that maintaining an optimal rather than excessively high ICR is more beneficial for balancing risk and return. Thus, the literature suggests that ICR’s relationship with firm value is context-dependent, influenced by industry characteristics, market maturity, and management strategy.

Free Cash Flow (FCF)

Free Cash Flow (FCF) is one of the most crucial indicators of a firm’s financial health and managerial efficiency. It represents the residual cash available after covering operational expenses and capital investments. Jensen (1986) proposed that FCF has dual implications: when managed prudently, it can enhance firm value through reinvestment and dividend distribution; however, if misused, it may lead to agency conflicts where managers pursue self-serving projects. Empirical findings largely support the positive role of FCF in enhancing firm value. Rezki (2021) and Waly et al. (2021) confirmed that FCF has a significant positive effect on firm value in Indonesian firms,

particularly when supported by good corporate governance. Wang (2010) and Gill and Mathur (2011) similarly found that FCF contributes to higher firm valuation by providing financing flexibility, reducing reliance on external capital, and strengthening investor confidence. From a local perspective, Utami and Widyastuti (2020) demonstrated that FCF significantly increases firm value when moderated by dividend policy, as dividend distribution signals financial stability and transparency to investors. Anggraeni and Fitri (2022) found that FCF, in conjunction with leverage, plays a key role in determining firm value within the manufacturing sector, highlighting that cash flow management directly influences investors' valuation decisions. However, Septianda and Canggih (2023) noted that the impact of FCF may weaken when external corporate events such as mergers or acquisitions dominate market perceptions. These findings imply that FCF's influence on firm value depends on how efficiently management allocates excess funds and how the market perceives these actions.

Hypothesis

The Effect of Interest Coverage Ratio (ICR) on Firm Value

The Interest Coverage Ratio (ICR) is a key solvency indicator that measures a firm's ability to fulfill its interest obligations using operating income. A high ICR indicates that a firm generates sufficient earnings to cover its debt commitments, signaling lower default risk and greater financial stability (Kasmir, 2016). From a theoretical perspective, this aligns with Signaling Theory, which posits that financial ratios serve as credible signals to investors about a firm's financial strength and stability. When investors perceive a firm as capable of meeting its financial obligations, their confidence increases, which in turn can raise the firm's market valuation (Brigham & Houston, 2019). Empirically, prior studies provide mixed evidence regarding the influence of ICR on firm value. Ji (2019) found that ICR enhances the value relevance of reported earnings, suggesting that firms with higher ICRs tend to experience stronger investor trust. Similarly, Al-Najjar and Hussainey (2011) demonstrated that firms with higher interest coverage ratios are valued more favorably in the capital market because such ratios indicate efficient capital structure management and stable profitability. Putra and Dewi (2020) also found a positive and significant relationship between ICR and firm value in Indonesian manufacturing firms, arguing that the ability to service debt obligations reassures investors of lower financial risk. However, not all studies support this positive relationship. Sarpta et al. (2024) and Sukmahayati & Suwaidi (2021) found that excessively high ICR values may signal under-leveraging or inefficient debt use, potentially reducing growth prospects and, consequently, firm value. This inconsistency suggests that while ICR generally contributes positively to firm value, its effect depends on the firm's optimal capital structure and market perception.

H1: Interest Coverage Ratio (ICR) has a significant effect on firm value.

The Effect of Free Cash Flow (FCF) on Firm Value

Free Cash Flow (FCF) represents the net cash available to shareholders after accounting for capital expenditures and operational costs. According to Jensen's (1986) Agency Theory, FCF has dual implications: when managed prudently, it enhances firm value through reinvestment, dividend distribution, or debt reduction; however, when misused, it can lead to managerial opportunism and inefficiencies. FCF is thus considered both an indicator of financial flexibility and a potential source of agency conflict. Empirical research generally supports a positive relationship between FCF and firm value. Wang (2010) found that firms with high FCF demonstrate superior performance and market valuation, driven by lower financing costs and greater strategic flexibility. Gill and Mathur (2011) reinforced this by showing that adequate FCF allows firms to manage leverage efficiently and signal financial stability to investors. In Indonesia, Rezki (2021) and Utami & Widyastuti (2020) revealed that FCF significantly increases firm value, particularly when accompanied by transparent dividend policies that mitigate agency conflicts. Waly et al. (2021) also confirmed that FCF positively influences firm value when moderated by corporate governance mechanisms. On the contrary, Silka Pratiska (2014) and Septianda & Canggih (2023) found that FCF does not always translate into higher firm value when managerial decisions prioritize internal reserves over shareholder interests, such as excessive reinvestment or inefficient expansion. Despite these variations, most studies conclude that strong and well-managed FCF remains one of the most important determinants of firm value, as it enhances liquidity, reduces external financing

dependency, and strengthens investor confidence.
H2: Free Cash Flow (FCF) has a positive and significant effect on firm value.

The Simultaneous Effect of Interest Coverage Ratio (ICR) and Free Cash Flow (FCF) on Firm Value
The combined influence of solvency (ICR) and liquidity (FCF) indicators provides a more comprehensive view of a firm's financial stability and growth potential. According to Signaling Theory and Trade-off Theory, investors evaluate a firm not only based on its ability to meet obligations (ICR) but also on its capacity to generate and manage cash flow (FCF). Firms that achieve both strong solvency and abundant free cash tend to project a balanced financial structure that supports sustainable growth and reduces financial risk. Empirical evidence strongly supports this combined relationship. Waly, Sasongko, and Achyani (2021) found that ICR and FCF jointly have a significant effect on firm value, emphasizing the importance of maintaining both financial health and cash availability. Rosdiana and Yuaniko (2025), in their study of PT Indofood CBP Sukses Makmur Tbk, revealed that the simultaneous influence of ICR and FCF explains more than 50% of the variance in firm value, suggesting that firms with sound interest coverage and cash flow management achieve higher investor valuation. Anggraeni and Fitri (2022) also confirmed that the interaction of FCF with leverage and solvency ratios plays a pivotal role in determining firm value in Indonesian capital markets.

Internationally, Naceur and Goaied (2002) found that integrating capital structure and cash flow performance strengthens market valuation by reducing uncertainty in earnings projections. The convergence of these findings implies that firm value is best understood through a holistic view combining solvency and liquidity perspectives, as they jointly reflect managerial effectiveness in balancing financial risk and growth opportunities.
H3: Interest Coverage Ratio (ICR) and Free Cash Flow (FCF) simultaneously have a significant effect on firm value.

Conceptual Framework
Based on prior literature, both the Interest Coverage Ratio (ICR) and Free Cash Flow (FCF) are crucial indicators of a firm's financial performance and sustainability. The ICR reflects a firm's ability to fulfill debt obligations, thereby indicating financial soundness and reduced default risk. Meanwhile, FCF demonstrates the firm's capacity to generate surplus funds for reinvestment, dividend payments, or debt reduction. Theoretically, these two financial indicators are interconnected: firms that maintain an optimal balance between solvency and liquidity tend to exhibit stronger long-term valuation. Consequently, this research proposes that both ICR and FCF either individually or jointly significantly influence firm value.

Figure 1. Conceptual Framework

3. Data and Method

The research used an associative approach, which naturally describes the independent variable's function in relation to the dependent variable. This study claims three variables: the independent variable (Interest Coverage Ratio), Free Cash Flow, and the dependent variable (Performance Value). This study not only examines the compatibility of the independent variables with the dependent variables but also assesses their contribution to them.

The author also used business financial performance statistics from the firm's quarterly reports as a source of information. The purpose of this study is to collect theoretical data in comparison with existing research data. The data used includes financial and non-financial information available from the financial statements, quarterly reports, and other official publications released by the Indonesian Stock Exchange (IDX) for the period 2017 to 2024. In this study, the authors used data from the Indonesian Stock Exchange (BEI), a data provider, as a valid source.

The study used a quantitative method by analyzing the financial performance of PT. Indofood CBP Sukses Makmur Tbk, listed on the Indonesia Stock Exchange, for the period 2017-2024. The following analysis reveals the effect of the Interest Coverage Ratio and Free Cash Flow on the firm's value at PT. Indofood CBP Sukses Makmur Tbk. This study used SPSS to test the data. The classical assumption test is a prerequisite for multiple regression analysis. Before testing the hypotheses proposed in this study, classical assumption tests were conducted, including tests for normality, multicollinearity, and autocorrelation.

4. Results

Normality Test Results

The normality test assesses whether the dependent and independent variables, or both, in the regression model follow a normal distribution. In this study, the normality test used was the Kolmogorov-Smirnov test.

Table 1. Normality Test Results

		Unstandardized Residual
N		32
Normal Parameters	Mean	.0000000
	Std. Deviation	.09232096
Most Extreme Differences	Absolute	.072
	Positive	.072
	Negative	.-072
Kolmogorov-Smirnov Z		.408
Asymp. Sig (2tailed)		.996

Source: processed data, 2025

The normality test results in the figure above show a p-value of 0.996, indicating a p-value> 0.05. This result indicates that the regression model with Firm Value is normally distributed, as determined by the Kolmogorov-Smirnov test.

Multicollinearity Test

The multicollinearity test was conducted to assess whether the independent variables in the regression model are correlated. If a correlation is found, multicollinearity is present. Good research requires that multicollinearity be absent. Multicollinearity can be detected using tolerance values and the Variance Inflation Factor (VIF) as benchmarks.

Table 2. Multicollinearity Test Results

Model		Collinearity Statistic	
		Tolerance	VIF
1	ICR	1.000	1.000
	FCR	1.000	1.000

Source: processed data, 2025

The figure above shows that all tolerance values for the ICR and FCF are greater than 0.10, and the VIF is less than 10. This result indicates that the regression model does not experience multicollinearity.

Autocorrelation Test

The autocorrelation test determines whether there is a correlation between the disturbance error in period t and the error in period t-1 in a linear regression model.

Table 3. Durbin Watson Test Results

Model	R	R Square	Adjusted R Square	Std. Error of The Estimate	Durbin-Watson
1	.770[a]	.593	.565	.09545	1.965

Source: processed data, 2025

The results of the Table comparison are dU = 1.5736 and 4-dU = 2.4264. This result indicates that the Dw value in the autocorrelation test is between the du and 4-dU values (dU < DW < 4-dU or 1.5736 < 1.965 < 2.4264). Therefore, the regression model does not exhibit autocorrelation.

Multiple Linear Regression Analysis

In this study, a simple linear regression test was conducted to determine the partial and simultaneous effects of the independent variables on the dependent variable, with the following results:

Table 4. Results of Multiple Linear Regression Analysis: The Effect of Interest Coverage Ratio and Free Cash Flow on Firm Value (PBV)

Model		Unstandardized Coefficients		Standardized Coefficients		Sig.
		B	Std. Error	Beta	t	
1	(Constant)	1.265	.191		6.635	.000
	ICR	-.304	.016	-.257	-.2.168	.038
	FCF	.202	.033	.728	3.142	.000

Source: processed data, 2025

Coefficient of Determination (R-Square) and Correlation Test

The determination (R-Square) test was conducted to determine the contribution of the Interest Coverage Ratio (ICR) and Free Cash Flow (FCF) to Firm Value (PBV). The results of the coefficient of determination (R-Square) test are as follows:

Table 5. Results of the Coefficient of Determination Test: The Effect of Interest Coverage Ratio and Free Cash Flow on Firm Value (PBV)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,770[a]	,593	,565	,09545

Source: processed data, 2025

The Table shows the coefficient of determination, 0.593, indicating the percentage of the independent variables' influence on the dependent variable. In other words, 59.3% is expressed as a percentage, and the remaining 40.7% is influenced by other factors not examined by the researcher. Furthermore, the Adjusted R Square of 0.565 indicates that the independent variables together account for 56.5% of the variance in the dependent variable. A multiple correlation test was conducted to determine the relationships among the Interest Coverage Ratio (ICR), Free

Cash Flow (FCF), and Firm Value (PBV). The Table also shows a correlation coefficient of 0.77, indicating a strong relationship.

T-Test Results

The T-test was conducted to determine the partial significance of the Interest Coverage Ratio and Free Cash Flow on Firm Value (PBV). The Interest Coverage Ratio and Free Cash Flow are considered significant if the probability value is less than the significance level of 0.05. The T-Test is as follows:

Table 6. T-Test Results: The Effect of Interest Coverage Ratio and Free Cash Flow on Firm Value (PBV)

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	1.265	.191		6.635	.000
	ICR	-.304	.016	-.257	-.2.168	.038
	FCF	.202	.033	.728	3.142	.000

Source: processed data, 2025

Based on the partial test results (t-test), the Interest Coverage Ratio (ICR) variable has a significance value of 0.038, which is less than the 0.05 level of significance, with a calculated t-value of -2.168, which is greater than ±1.699. Therefore, it can be concluded that ICR has a significant negative effect on firm value (PBV). Meanwhile, the Free Cash Flow (FCF) variable has a significant value of 0.000, which is also less than 0.05, with a calculated t-value of 6.142, which is greater than 1.699. Therefore, it can be concluded that FCF has a significant positive effect on firm value (PBV).

5. Discussion

The Effect of Interest Coverage Ratio on Firm Value

The findings indicate that the Interest Coverage Ratio (ICR) has a significant negative effect on firm value. This suggests that while a higher ICR reflects a firm's ability to fulfill its interest obligations, investors may interpret it as a signal that management prioritizes debt repayment over pursuing growth opportunities, ultimately leading to diminished market perceptions of future profitability. This observation aligns with the conclusions drawn by Sarpta et al. (2024), Putra and Dewi (2020), and Ji (2019), who argue that ICR plays a significant role in investor evaluations of financial strength. However, conflicting studies, such as those by Sukmahayati and Suwaidi (2021), Kasmir (2016), and Waly, Sasongko, and Achyani (2021), suggest that a higher ICR typically enhances firm value, as it indicates financial health. These discrepancies underscore that the impact of ICR is heavily influenced by the industrial context and investor expectations regarding debt management interpretation.

The Effect of Free Cash Flow on Firm Value

The results show that Free Cash Flow (FCF) has a positive and significant effect on firm value. High FCF provides financial flexibility for dividends, debt reduction, and reinvestment, thereby strengthening investor confidence and increasing the firm's valuation. This is consistent with Zurriah (2021), Permata et al. (2018), and Delima and Linawati (2023), who stressed that FCF is a strong determinant of firm value. However, other research found different results. Septianda and Canggih (2023) showed that FCF is not always associated with higher firm value when external factors such as mergers dominate. Similarly, Silka Pratiska (2014) and Bailey (1989) argue that FCF may not affect firm value if reinvestment or dividend policies do not align with shareholder expectations. These findings indicate that while FCF is a critical driver of firm value, its impact depends on how management allocates and signals its use.

The Simultaneous Effect of Interest Coverage Ratio and Free Cash Flow on Firm Value
Simultaneous testing shows that ICR and FCF jointly have a significant effect on firm value, suggesting that solvency and cash flow capacity together send strong signals to the market about a firm's financial health. When combined, they reflect both the ability to meet obligations and to generate surplus funds, thereby reinforcing investor confidence. This finding aligns with those of Sarpta et al. (2024), Zurriah (2021), and Waly et al. (2021), who confirmed that debt management and cash flow together strengthen firm valuation. On the other hand, Copeland (2010), and Septianda and Canggih (2023) emphasize that external market conditions, investment decisions, and corporate actions often have a more substantial influence on firm value than financial ratios alone. Thus, while ICR and FCF are important, they should be interpreted in conjunction with broader strategic and market considerations.

6. Conclusion

Based on the data analysis and discussions in this study, we can draw the following conclusions: (1) The Interest Coverage Ratio (ICR) and Free Cash Flow (FCF) significantly influence firm value (PBV) when considered simultaneously. This finding reinforces the notion that a well-balanced approach to financial ratio management, cash flow, and dividend policy can positively shape market perceptions of a firm's performance and future prospects. (2) On a partial basis, the ICR negatively influences firm value, suggesting that a firm's capacity to meet interest obligations does not necessarily enhance its value if perceived as limiting long-term growth opportunities. (3) In contrast, the FCF has a significant positive impact on firm value, as a higher free cash flow enables the firm to finance investments, pay dividends, and reduce debt, thereby increasing its appeal to investors.

These insights carry important implications for corporate management, particularly in balancing debt policy with effective cash flow management strategies. Management should exercise caution when increasing the ICR; while this ratio reflects the firm's ability to cover interest payments, the market might view it as a signal of a less aggressive approach toward expansion. Thus, debt management strategies must be accompanied by clear communication to investors regarding the firm's growth trajectory. Additionally, prioritizing the strengthening of FCF is essential, whether through operational cost efficiency, optimization of capital expenditures, or effective management of productive investments. By maintaining a healthy FCF, firms can not only enhance their value but also bolster investor confidence, contributing to sustainable long-term growth.

Recommendation

For management, it is advisable to strike a balance between debt management and investment strategies, ensuring that the Interest Coverage Ratio remains robust while still allowing for growth opportunities. Investors should regard Free Cash Flow as a crucial indicator of financial flexibility when making investment decisions. Regulators and policymakers are encouraged to promote transparency in financial reporting to enhance market confidence. Future researchers are urged to broaden the sample across various industries and incorporate additional financial variables, such as dividend policy and leverage, to provide a more comprehensive understanding of the determinants of firm value.

Limitations and avenues for future research

This study is limited to a single firm, PT Indofood CBP Sukses Makmur Tbk, and uses secondary financial data from 2017 to 2024, which limits the generalizability of the findings. Regression analysis may not fully capture dynamic external factors that affect firm value. Future research should expand the sample across industries, extend observation periods, and explore additional variables, such as dividend policy, leverage, and macroeconomic indicators.

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