International Journal of Financial, Administrative, and Economic Sciences (IJFAES)
Vol. (4), No. (3)

IJFAES
March 2025

المجلة الدولية للعلوم المالية والإدارية والاقتصادية

الإصدار (4)، العدد (3)

Measuring the relationship between free cash flow and the value of the facility: An applied study on Almarai Saudi Arabia

Hiba Gaaffar Hassan Hbib
Assistant Professor, Department of Administrative and Financial Sciences, Accounting Program, University College of Rania, Taif University, Kingdom of Saudi Arabia
hibagafar2233@gmail.com

Ahmed Hussain Ahmed Mohamed Ali
Assistant Professor, Department of Administrative and Financial Sciences, Accounting Program, University College of Rania, Taif University, Kingdom of Saudi Arabia
ahmedabumer@gmail.com

Mohanad Gaafar Hassan Habib
Associate Professor, Department of Economics and Finance, Finance Program, College of Business Administration, Taif University, Kingdom of Saudi Arabia
mohanadhabib35@gmail.com

Abstract

The study aims to show the impact of free cash flows on the value of the facility in Almarai, with recommendations that contribute to improving cash management and enhancing the value of the facility. The results of the statistical analysis showed that it was not possible to formulate an accurate model due to the absence of statistical significance in both models, which indicates the need to take into account additional factors, such as operating profits and financial structure, to explain the value of the facility more comprehensively. Accordingly, the study recommends expanding the scope of the research to include additional variables, such as operating profits and

debt ratios, to enhance the accuracy of the models used and achieve a deeper understanding of the factors affecting the value of the facility.

Keywords: Free Cash Flow, Value of the Facility, Measurement, Almarai Saudi Arabia.

1. Methodological Framework

1.1. Introduction:

Free cash flow is an important financial indicator that reflects an entity's ability to generate cash after excluding capital expenditures. It is a key element in financing expansions, debt repayment, and dividend distribution. It also shows the efficiency of the company in managing its financial resources. Therefore, it is a critical factor in evaluating financial performance and the sustainability of growth.

On the other hand, the value of the entity reflects its investment attractiveness based on its financial performance and investors' expectations. This value is influenced by factors such as earnings, capital structure, and risk level. It is also used as a key metric to judge a company's strength in the market. Therefore, it is an important indicator for making investment decisions.

This study seeks to measure the relationship between free cash flow and the value of the facility through an applied study on Almarai. Financial data will be analyzed to see how free cash flow affects the company's market value. The results will also help clarify the role of financial management in enhancing the value of the facility. This contributes to providing strategic insights to investors and decision makers.

1.2. Problem of the Study:

Free cash flow is an important financial indicator that reflects the facility's ability to achieve liquidity after covering its expenses, which may affect its market value. However, the nature of this relationship remains unclear, especially in companies operating in the food sector. The problem of the study can be summarized in the main question: To what extent does free cash flow affect the value of the facility in Almarai?

1.3. Objectives of the Study:

This study aims to analyze the impact of free cash flow on the value of the facility in Almarai and provide recommendations that support the improvement of cash management to enhance the value of the facility.

- Analyze the level of free cash flow in Almarai during the study period.
- Determine the relationship between free cash flow and the value of the entity and the extent of its impact on market value.
- Provide financial recommendations based on the results to enhance the value of the entity through effective cash flow management.

1.4. Importance of the Study:

The importance of the study is divided into:

- Scientific importance: This study contributes to enriching the financial literature on the relationship between free cash flow and the value of the establishment, especially in the food sector in the Kingdom of Saudi Arabia. It also provides a theoretical and analytical framework that researchers can draw upon for future studies on measuring financial performance and the impact of cash liquidity on market value. In addition, it helps to clarify the accuracy of the financial models used to assess the impact of cash flows on the value of companies.
- Practical relevance: This study provides valuable information for financial analysts and investors to make decisions based on the relationship between free

cash flows and Almarai's market value. It also helps financial departments in companies to improve cash flow management strategies to enhance the value of the facility. Moreover, financial market decision-makers can leverage the results in developing policies that support the stability of listed companies and increase their investment attractiveness.

1.5. Hypotheses of the Study:

Based on the problematic and objectives of the study, this study seeks to test the impact of free cash flow on the value of the facility, by formulating the following hypotheses:

- There is a statistically significant relationship between free cash flows and the value of the facility on the Tobin's Q scale in Almarai.
- There is a statistically significant relationship between free cash flows and the value of the establishment according to the market approach through the profitability multiplier in Almarai.

1.6. Sources of Study Information:

The study relied on two main sources of data collection. In the theoretical framework, I drew on academic books and references, scholarly journals, and theses, in addition to researching the Internet, with the aim of building the knowledge base of the study. As for the applied framework, it relied on analyzing the financial statements of Almarai to test the impact of free cash flow on the value of the facility based on the actual data.

1.7. Limits of the Study:

This study deals with measuring the relationship between free cash flow and the value of the facility, as its spatial limits focus on Almarai Company in the Kingdom of Saudi Arabia, within the time period from2015 to 2022. Human limits include

https://doi.org/10.59992/IJFAES.2025.v4n3p6 E-ISSN 2977-1498

finance and accounts staff, while objective limits focus on analyzing the impact of free cash flow on the value of the facility.

1.8. Procedural Definitions:

- Measuring the relationship: In this study, it is intended to determine the level of correlation and impact between free cash flow and the value of the entity, through the use of statistical methods and analysis of Almarai's financial statements.
- Free Cash Flow: Procedurally defined as the cash surplus remaining after deducting operating and investment expenses from the Company's total cash flows, calculated using Almarai's financial statements during the period from 2018 to 2022.
- Establishment value: In this study, it is measured at the market value of Almarai, which includes the total value of equity and debts, and reflects the extent to which free cash flow affects the company's performance and investment value.

2. Literature Review

2.1. Concept of Cash Flows:

Cash is the food that enables the company to carry out its functions and stay alive (Al-Midani, 2015: 231). The statement of cash flows is an essential part of the financial statements that are prepared in accordance with generally accepted accounting principles (Mushaqiq and Tuwayrat, 2021: 145). The list is concerned with recording cash receipts and payments and classifying them according to operational, investment, and financing activities during a specific period of time (Al-Qadi and Hamdan, 2012: 387). This list is one of the basic financial statements that must be prepared by the entity (Shnouf, 2012: 167). The statement of cash flows is characterized by providing accurate details about the sources and uses of cash, as

International Journal of Financial, Administrative and Economic Sciences, London Vol (4), No (3), 2025
https://doi.org/10.59992/IJFAES.2025.v4n3p6 E-ISSN 2977-1498

well as explanations regarding the entity's cash balances and assets that are quickly convertible into cash (Habib, 2021: 12). It also provides unique information that other financial statements do not provide, as it represents the link between the income statement and the statement of financial position, and shows whether cash has increased or decreased from year to year (Habib, 2020: 58). It is also considered a statement containing all the company's outgoing and incoming cash flows (Othman, 2021: 93) and is an important indicator of the degree of liquidity enjoyed by the entity, which helps users of the financial statements, investors, lenders and others, to make informed decisions (Habib, 2017: 130). The list shows the cash changes that have occurred in the facility, whether by increase or decrease, with an explanation of the reasons for these changes (Habib, 2017: 228). Cash flows have been defined as the net flow of cash inputs and outputs minus taxes, net investments and the change in working capital need (Price, 2023: 892). It is also defined as inflows and outflows of cash and cash equivalents (Al-Sayed Ahmed, 2008: 28). The analysis of cash flows is of great importance in the business world (Matar,2016: 157) , and the estimation of cash flows is one of the most important and difficult steps in evaluating investment projects (Abdullah and Al-Sahlawi , 2019: 218), where cash flow is the lifeblood of the company (Al-Mazari, 2021:87).

From the above, the researcher believes that the statement of cash flows represents an essential part of the financial statements, as it clarifies the sources and uses of cash, and helps in evaluating the cash liquidity of the entity by classifying the flows according to the operating, investment, and financing activities. It is also an important tool for users of financial statements to rationalize their decisions by analyzing cash changes and their causes.

2.2. The Concept of Free Cash Flows:

The concept of free cash flows refers to the available cash generated by the company's operations after covering all new investments (Al-Tamimi and Al-Qaisi, 2012: 276). Free cash flows represent the amount of remaining cash that can be distributed to shareholders and debt holders after the company invests in the necessary fixed assets and working capital necessary for the continuity of operating activities (Salman and Ali, 2024: 623). Free cash flows are essential to the success and sustainability of an entity's operations, and are an effective financial management tool to measure an entity's ability to generate the cash needed to meet its obligations (Alwan, 2015: 52). It has also been defined as the amount of cash that an establishment can achieve over a specific period of time (Qasim and Jameel, 2009: 67). In addition, it can be defined as cash flows that exceed those required to fund all projects with a positive NPV when discounted at the relevant cost of capital (Saeed and Mazloum, 2022: 236). From the above, the researcher believes that the concept of free cash flows is one of the most important financial indicators that reflect the efficiency of the management of the facility in generating cash and investing it in a sustainable way. This concept refers to an entity's ability to achieve a cash surplus after meeting operational and investment obligations, which enhances its financial flexibility and sustainability. It is also an effective measurement tool to support management decisions and determine the extent to which the entity is able to bring added value to shareholders.

2.3. The Importance of Free Cash Flow:

The importance of free cash flow is highlighted by the following elements (Qishta, 2011: p. 76):

- Free Cash Flow and Credit Efficiency: Free cash flow is an important indicator for assessing a company's credit efficiency and level of liquidity, which attracts the interest of financial analysts.
- Free Cash Flow and Stock Pricing: Used as a key methodology in stock valuation and pricing, which helps determine fair market value.

https://doi.org/10.59992/IJFAES.2025.v4n3p6 E-ISSN 2977-1498

- Free cash flow and dividend policy: It plays a pivotal role in dividend decisions, as these decisions affect the value of future shares.
- Free cash flow and company value: Free cash flow represents the cash available for distribution to investors, making it a critical factor in determining the value of a company.
- Free cash flow and agency conflict: Free cash flow is related to agency conflict issues, as the level of free cash flow is a key factor in managing these issues between parties with different interests.

From the above, the researcher believes that free cash flow plays a pivotal role in enhancing the financial and strategic performance of companies, as it contributes to assessing credit efficiency, supporting stock pricing, and guiding dividend policies sustainably. Free cash flow is also a key factor in determining a company's value and managing agency conflict issues, making it a vital tool for financial and management decision making.

2.4. Types of Free Cash Flow:

Free cash flows are classified into two main types:

- Free cash flow available to the company: It means the net cash flow resulting from operating activities after paying all expenses necessary for the management and operation of the company, which is the cash available for distribution to shareholders (Salem and Khasharma, 2007: 360).
- Free cash flow available for ownership: refers to the net cash flow resulting from operating operations, which can be distributed to shareholders after paying all capital expenditures and working capital requirements necessary to maintain the current production capacity of the facility, and is also used to finance investment expansions (Sabri andAbdul Rahman, 2020: p. 39).

From the above, the researcher believes that the classification of free cash flows available to the company and available for ownership contributes to clarifying the various uses of cash, whether to meet the requirements of operation and maintain productive efficiency or to support investment expansion and maximize the value of the facility.

2.5. Value of the Establishment:

The value of the establishment refers to investors' perception of how successful the company is, as this perception is related to stock prices. Maximizing the value of the establishment is the primary objective of its management, as it has a direct role in achieving and enhancing the wealth of owners, and it is a basic principle guiding the activities of companies (Rumaili, 2016: 336). The value of the establishment differs from its price, as the value is based on objective evaluation, while the price represents the amount paid that may increase or decrease from the real value (Al-Sayed et al., 2020: 920). Accounting thought has witnessed a fundamental shift in its focus, from seeking to amplify profits to working to maximize the value of the enterprise, which led to increased interest in this concept and its impact on management decisions and policies, as well as on decisions taken by external parties interested in determining the real value of the enterprise (Ibrahim, 2012: p. 64; Mutawa, 2009: p. 212). This approach contributes to improving the performance of the facility, thus enhancing its long-term value (Abdel Fattah, 2011: 25).

The researcher believes that the value of the facility is an essential indicator of its success, as its maximization reflects the achievement of the objectives of owners and management together. Also, the differentiation between value and price contributes to more accurate and objective investment and management decisions.

2.6. Previous Studies:

The researcher reviews a number of previous studies related to the subject of the study, as Ahmed's study (2023) aimed to test the impact of free cash flows on the performance of companies listed on the Egyptian stock exchange. The study concluded that there is no relationship between free cash flows and the rate of return on equity in Egyptian joint stock companies, and recommended the need to raise the level of awareness of market participants about the activities of companies and their financing. Muizani (2017) highlighted the issue of effective management of large funds through Sharia compliance and the impact of free cash flow allocation on investment decisions, found that companies with large surpluses face challenges in effectively managing these resources, and recommended that Sharia-compliant companies are less likely to overinvest or misuse cash flows. In the same context, the study of Saeed and Mazloum (2022) dealt with the analysis of free cash flows and their role in improving the performance of companies, as the results showed that Iraqi companies listed on the Iraq Stock Exchange do not pay sufficient attention to this type of flows, and the study recommended increasing focus and awareness of the concept of free cash flows. On the other hand, Al-Adly's study (2021) dealt with analyzing the costs and patterns of the ownership structure in the Egyptian environment, and concluded that there is a moral inverse relationship between family ownership and government ownership on the one hand and the market value of the share on the other. The study recommended the need to enhance interest in the ownership structure by the Egyptian Capital Market Authority. With regard to the impact of free cash flows on financial performance, a study by Baio (2020) showed that there is no significant impact of these flows on financial performance according to three main measures: earnings per share, return on assets, and return on equity. It recommended the need to focus on other factors that affect financial performance. On the level of organizational innovation, the study of Al-

Laithi (2022) dealt with the impact of the organizational innovation strategy on maximizing the value of the enterprise, as it found that there is a positive moral impact of this strategy when mediating accounting disclosure, and recommended the development of a framework to measure the impact of organizational innovation on enterprises. As for Al-Nuaimi's study (2019), it focused on the impact of production technology on the performance of facilities, and the results showed a significant impact of production technology, represented by the degree of operational leverage and profitability of the facility, and recommended the need to improve the technology used in production processes. On the other hand, the study of Al-Janfawi et al. (2022) assumed the extent to which companies listed on the Kuwaiti stock market comply with the requirements of full disclosure, and concluded that there are no statistically significant differences between the opinions of participants on the determinants of the value of the entity, and the study recommended the issuance of standards to regulate the disclosure of non-financial information. Finally, the study of Al-Momani and Al-Qadi (2015) dealt with the impact of market product policies such as profit margin and asset turnover on the value of the company. The results showed a statistically significant positive relationship between these policies and the value of the company. The study recommended the need to adopt effective financial strategies. In another study by Al-Nuaimi (2018), it reviewed the relationship between the activity of enterprises and their market value, as the study stressed the importance of market value and its role in enhancing economic activity, and recommended government measures to encourage the establishment of joint stock companies and enhance the activity of the Iraq Stock Exchange.

2.7. Commentary on Previous Studies:

Research gap: Previous studies indicate a diversity of concerns about the impact of free cash flows on corporate performance, but they showed variation in results and a weak focus on emerging markets and non-financial performance. Nor has it sufficiently explored the interplay between free cash flows and other factors such as regulatory innovation or technology. The research gap stands out in the study of these interactions, the role of intermediate and modified variables, and their impact on financial and non-financial performance in diverse economic environments.

3. Applied Study

3.1. Methodology:

To achieve the objectives of the study and test its hypotheses, the study relied on a set of integrated research approaches to ensure the accuracy of the analysis and the reliability of the results. The historical approach was used to review previous relevant studies, contributing to the construction of the theoretical framework of the study. The deductive approach was also relied on to identify the axes of the study and formulate its hypotheses according to the theoretical foundations and financial concepts. At the applied level, the quantitative analysis approach using the linear regression method was adopted, with the aim of predicting the impact of free cash flows on the value of the facility. This included tests of the quality of the prediction, such as the coefficient of determination and the correlation coefficient, as well as two tests (T, F) to measure the significance of the regression coefficients. The inductive approach was also employed to draw conclusions from Almarai's actual financial statements. Finally, the study relied on the analytical approach by studying the accounting policies of the study sample, which helps to explain the relationship between free cash flow and the value of the facility more accurately and comprehensively.

3.2. Study Sample:

The study sample included the financial statements for the period from 2015 to 2022, as they were selected according to the standard of availability of approved

https://doi.org/10.59992/IJFAES.2025.v4n3p6 E-ISSN 2977-1498

financial statements and reports, enabling quantitative analysis and testing of the relationship between free cash flows and the value of the facility accurately and objectively.

3.3. Proposed Model Assumptions:

The proposed model, which assumes that there is an effect of free cash flow on the value of the entity, is based on a set of basic assumptions, which are as follows:

- The quantitative variables that make up the model are not fixed, as they may vary according to the nature of the activity of the facility and the sector to which it belongs.
- The time period covered by the model is sufficiently extended, allowing financial trends and their indications to be accurately tracked.
- The data is analyzed by examining the general trend of activity during the application period, and extrapolating the results to present them in a descriptive report that reflects the relationship between the variables.
- The model is an analytical tool to represent the relationship between free cash flows and an entity's value, contributing to an understanding of the impact of available cash on market value.
- The model is based on a quantitative analysis that can be used to predict how free cash flow will affect the value of the entity in the future.
- The quantitative measures in the model are based on financial indicators that reflect the overall direction of the financial activity of the business enterprises, which helps in interpreting and analyzing the performance of the company.

3.4. Objectives of the Proposed Model:

The proposed model, which assumes an impact of free cash flow on the value of the entity, aims to achieve the following objectives:

- Enhancing the ability of decision makers to benefit from the results of the model in analyzing the relationship between free cash flows and the value of the entity.
- Provide management with analytical tools and tools that help accurately measure and interpret the impact of free cash flows on the value of the entity.
- Verify the extent to which the financial statements and reports comply with accounting standards in the preparation of the financial statements.
- Ensure that financial statements and reports are free from accounting errors that may affect the accuracy of financial analysis.
- Build analytical models based on clear statistical relationships between financial statement data and financial reports.
- Improving the ability of financial statements and reports to more accurately illustrate the relationship between free cash flows and the value of the entity.
- Raise the efficiency and reliability of accounting information contained in financial statements and reports to support financial decision-making.

3.5. Characteristics of the Proposed Model:

The proposed model, which assumes an effect of free cash flow on the value of the entity, is based on a set of characteristics that make it effective and applicable, namely:

- Simplicity and ease of understanding: The model is clear in its components and easy to understand by users of financial statements and reports and decision makers, which facilitates the process of interpreting its results.
- Comprehensiveness: It takes into account all the variables affecting its performance and results, which enhances the accuracy of the analysis and provides the possibility of its widespread application.

- Flexibility: Adaptable to future changes and developments in economic and environmental conditions that may affect financial business decisions.
- Cost-effective: It is characterized by the low cost of its application so that it remains within acceptable limits, while ensuring a benefit that exceeds the costs of its use, making it economical and practical.

3.6. The general Structure of the Proposed Model:

Table No. (1) Shows the financial statements and reports used in the application of the proposed model, which aims to measure the relationship between free cash flows and the value of the facility in Almarai using the Tobin's Q scale and the market approach through the profitability multiplier:

Table No. (1): Financial statements and reports of the free cash flow relationship and the value of the establishment: Almarai Company – (Source: Prepared by researchers, based on the financial statements and reports of Almarai Company, 2025)

Year	The independent variable	Dependent variable	
	Free Cash Flows	Tobin's Q scale	According to the market approach through the profitability multiplier
2015	523	1.5700	1864396.0000
2016	-506.00	2.0500	2157141.0000
2017	1304	2.2200	2202208.0000
2018	1332	2.0400	2077720.0000
2019	2601	2.0300	1922469.0000
2020	2830	2.2000	2027858.0000
2021	3101	2.0100	1667850.0000
2022	1842	1.6300	1848929.0000

- Procedures for applying the proposed model: To implement the model and analyze the relationship between variables, a set of methodological procedures was followed to ensure the accuracy of the analysis and the reliability of the results. Initially, a separate statistical model was prepared for each of the study hypotheses with the aim of achieving greater accuracy in analysis and testing the

https://doi.org/10.59992/IJFAES.2025.v4n3p6 E-ISSN 2977-1498

hypothesis independently. Subsequently, Almarai's financial statements and reports were entered into the Eviews program to perform quantitative analysis according to a precise statistical methodology. Finally, the data were analyzed using a simple linear regression model, in which the relationship between free cash flows and the value of the entity was measured, which helps to explain the impact of cash flows on the financial performance of the company during the study period.

- Statistical methods used in the operation of the applied study data of the proposed model:

The data were analyzed using Microsoft Excel and Eviews to conduct statistical analyses, where a set of methods was adopted to ensure the accuracy of the results, where simple linear regression (SLR) was used to study the relationship between free cash flows and the value of the facility, by interpreting the change in the dependent variable as a result of the change in the independent variable. To measure the strength and direction of this relationship, the Pearson correlation coefficient was relied upon, while the R-Squared determination coefficient and the Adjusted R-Squared coefficient were used to determine the extent to which the independent variable accounts for changes in the dependent variable. A test (T) was also conducted to verify the significance of the relationship between the two variables, and a test (F) to judge the significance of the model and measure its statistical suitability, in addition to analyzing the level of significance (Prob.) To assess the accuracy and generalizability of the results. The model was tested by measuring the relationship between free cash flows and the value of the facility using Tobin's Q scale, which helps determine the extent to which cash flows affected Almarai's financial performance during the study period.

First: The relationship between free cash flows and the value of the establishment according to the Tobin's Q scale: Table No. (2) presents an analysis of the relationship between the independent variable (free cash flows) and the dependent variable (the value of the establishment according to the Tobin's Q scale), with the aim of testing the first hypothesis, which states that (there is a statistically significant relationship between free cash flows and the value of the establishment on the Tobin's Q scale)

Table No. (2): The relationship between free cash flows and the value of the facility on the scale of Tobin's Q: Almarai Company (Source: Preparedby researchers, based on the financial statements and reports of Almarai Company, 2025, according to the Eviews program)

Variable	Coefficient	Std. Error	t-Statistic	PROB
C	1.893	155	155	155
X1	4.639E-5	.000	.000	.000
R-squared	0.056*	Adjusted R-Squared		-102%
F-Statistic	0.355	Prob(F-Statistic)		573

It is clear to the researchers from the above table data that: The analysis of the data extracted from the above table shows that the coefficient of determination (R-Squared) was 0.056, which indicates that the independent variable (free cash flows) explains only 5.6% of the changes in the dependent variable (the value of the facility according to the Tobin's Q scale), reflecting the weak explanatory power of the model. It is also noted that the constant rate (C) of change of the dependent variable was 1.893, while the standard error coefficient for this rate was 0.155, and the value (t-Statistic) of 0.155 at the error level of 0.0098, which is a value greater than the approved level (0.05), indicating that there is no statistical significance. In addition, the coefficient of the independent variable was 4.639E-5 with a standard error coefficient estimated at 0.000, and when testing the statistical significance using (t-Statistic), the value was 0.1550 at an error level of 0.155, which is also higher than (0.05), which confirms that there is no statistical significance. Moreover, the F-Statistic value of the model was 0.355 with an error coefficient of 0.573, which exceeds 0.05, which means that the model as a whole does not have statistical significance. Based on these results, it is not possible to formulate a model that reflects the impact of free cash flows on the establishment value of the studied sample members.

Second: The relationship between the independent variable (free cash flows) and the dependent variable (thevalue of the enterprise according to the market approach through the profitability multiplier): In order to test the second hypothesis, which assumes a statistically significant relationship between free cash flows and the value of the enterprise according to this approach. The analysis aims to measure the extent to which free cash flows affect an entity's valuation in the market, by using a profitability multiplier as an indicator to determine this relationship.

Table No. (2) The relationship between free cash flows and the value of the establishment according to the profitability multiplier: Almarai Company (Source: Preparedby researchers, based on the financial statements and reports of Almarai Company, 2025, according to the Eviews program)

Variable	Coefficient	Std. Error	t-Statistic	PROB
C	2100032.208	99133.369	21.184	.000
X1	-79.196	49.732	1 592	.162
R-squared	297	Adjusted R-Squared		.180
F-Statistic	2.536	Prob(F-Statistic)		162.

It is clear to the researchers from the above table data that: The table data shows that the coefficient of determination(R-Squared) was 0.297, which indicates that the independent variable (free cash flows) explains 29.7% of the changes in the dependent variable (the value of the establishment according to the profit multiplier). However, the statistical analysis indicates that there is no statistically significant relationship between the two variables, as the constant rate of change of the dependent variable was (C = 1.893), with a standard error of 0.155, and the value of t-Statistic = 0.155 was at an error level of 0.0098, which is greater than 0.05, indicating the lack of significance of the relationship. Also, the value of the coefficient of the independent variable (4.639E-5), with a standard error of 0.000, and the value of t-Statistic = 0.1550 at an error level of 0.155, which is also greater than 0.05, which means that there is no statistical significance. As for testing the significance of the model as a whole, the value of F-Statistic = 2.536, at an error level of 0.1620, which is also higher than 0.05, which indicates the non-significance of the model as a whole, and therefore the model cannot be formulated for the sample members because the required statistical significance is not achieved.

4. Conclusion

Based on theoretical and applied analysis, the researchers came up with a set of findings that illustrate the relationship between free cash flows and the value of the facility, resulting in a number of recommendations that contribute to improving the accuracy of the financial models used.

4.1. Results:

By analyzing the data and testing the hypotheses, a set of results was reached that reflect the nature of the relationship between free cash flows and the value of the facility.

- Weakness of the explanatory power of the model as free cash flows explain only 5.6% of the changes in the value of the facility according to the Tobin's Q scale.
- Lack of significance of the statistical relationship between free cash flows and the value of the establishment according to tests (t) and (F).
- A relative improvement in the interpretation of the profitability multiplier, as the coefficient of determination rose to 29.7%, but the relationship is still not significant.
- The inability to formulate an accurate model due to the absence of statistical significance in both models.

- The need to consider additional factors such as operating profit and financial structure to better explain the value of the entity.

4.1. Recommendations:

Based on the findings from the statistical analysis, the researchers present a set of recommendations aimed at enhancing the understanding of the relationship between free cash flows and establishment value and improving the financial performance of companies.

- Extend the scope of the study to include other variables such as operating profits and debt ratios.
- Use advanced statistical models such as multiple regression and dynamic models.
- Conduct sector-wide analysis to understand the relationship between free cash flows and entity value in different contexts.
- Analyze the time impact of studying the relationship across extended periods more accurately.

Resources and References

First: Books:

1. Al-Qadi, H., & Humaidan, M. (2013). Accounting theory and Damascus: Damascus University.
2. Schnoff, S. (2012). Modern Financial Analysis in Accordance with International Financial Reporting Standards (IFRS) Jordan: Dar Zahran Publishing and Distribution.
3. Othman, M. A. M. (2021). Simple in explaining the basics of corporate finance. Kingdom of Saudi Arabia: Al-Mutanabbi Library.
4. Matar, M. (2016). Financial and credit analysis – scientific methods, tools and uses. Jordan: Wael House for Printing, Publishing and Distribution.

5. Field, M. A. A. (2015). Finance management in companies. Kingdom of Saudi Arabia: Obeikan Library.
6. Abdullah, A. M. A., Al-Sahlawi, K.P. p. (2019). financial management. Kingdom of Saudi Arabia: Sarawat Press.
7. Al Mazari, A. A. (2021). Contemporary Financial Management. Jordan: Dar Al Masirah for Printing, Publishing and Distribution.

Second: Theses:

1. Abdelfattah, R. H. M. (2011). Analyzing the relationship between investing in information technology and maximizing the value of the facility (Master Thesis). Faculty of Commerce, Cairo University, Egypt.
2. Ibrahim, A. F. (2012). The relationship between intellectual capital and the value of the establishment – an applied study (unpublished doctoral thesis). Faculty of Commerce, Al-Azhar University, Egypt.
3. Cream, A. S. (2020). Interpreting the Relationship between Free Cash Flows and the Financing Structure: An Applied Study on Companies Listed on the Palestine Exchange (Master Thesis). Al-Azhar University Gaza, Palestine
4. Mr. Ahmed, A. N. S. (2008). The relative importance of financial ratios derived from the statement of cash flows in evaluating liquidity and profit quality from the point of view of credit analysts at Jordanian commercial banks and securities analysts at the Amman Stock Exchange (Master Thesis). Faculty of Administrative and Financial Sciences, Middle East University, Jordan.
5. Alwan, M. M. (2015). Using Liquidity Ratios and Cash Flow Metrics to Predict Future Profitability: An Applied Study on the Palestinian Communications Group (Master Thesis). Faculty of Administrative and Financial Sciences, Middle East University, Jordan.

Third: Scientific Periodicals:

1. Rumaili, S. M. R. (2016). The impact of the level of disclosure of social responsibility on the value of the company: an applied study on companies listed on the Egyptian Stock Exchange. Journal of Accounting Thought, 20(4), 330–374.

2. Mr. A.M.A. et al. (2020). The Impact of Disclosure of Social Responsibility on the Value of the Establishment: An Applied Study. Journal of Contemporary Business Studies, 9, 910–962.
3. Mutawa, M. A. (2009). The role of corporate governance in regulating enterprise value: an applied study. Journal of Knowledge Horizons for Business Studies, 11 (3), 119–235.
4. Salem, A. R. H., and Khasharma, H. A. (2007). Information Content of Free Cash Flow: An Applied Study on Jordanian Public Shareholding Industrial Companies. Journal of Management Science Studies, 13 (2), 129–149.
5. Sabri, S. Y., and Abdul Rahman, N. E. (2020). The impact of cash flows on the financial performance of companies: An analytical study on the Saudi telecommunications sector. Journal of Economic, Administrative and Legal Sciences, 4 (13), 44–66.
6. Al-Tamimi, A.F.M. E., Alqaisi, A.F. A. (2012). Measuring the relationship between free cash flow and the cost of capital and their impact on the added market value: An applied study on a sample of industrial companies listed on the Amman Stock Exchange. Egyptian Journal of Commercial Studies, 36(3), 269–292.
7. Price, N. (2023). Assessment of Economic Institutions: Balancing Free Cash Flows and Economic Value Added. Journal of Economic and Administrative Research, 17(1), 889–908.
8. Al-Janfawi, G. K., et al. (2022). The Impact of Integrated Disclosure Determinants on Maximizing the Value of the Establishment to Rationalize Investor Decisions and Achieve Sustainable Development in the Kuwaiti Stock Market: An Applied Study. Scientific Journal of Financial and Administrative Studies and Research, 13 (2), 1308–1342.
9. Mashkak, Al-Hussein, and Tuwairat, Rabih. (2021). The impact of measuring and analyzing cash flows on financial decision-making in the economic institution according to SCF and the international standard IAS07: A case study of the dry grain and pulses cooperative of the Wilayat of Messila. Journal of Research in Finance and Accounting, 6 (1), 143–156.
10. Habib, M. J. H. (2021). The Effectiveness of Financial Statement Analysis in Accuracy of Decision Making for Investment and Credit Purposes in Sudanese Banks: An Applied Study. Journal of Financial and Accounting Studies, 12 (1), 7–18.

11. Habib, M. J. H. (2020). Methods of financial analysis and its role in raising the efficiency of the financial performance of Sudanese public institutions: an applied study. Journal of Economic Alternative, 7 (2), 54–67.

12. Habib, M. J. H. (2020). The Role of Accounting Information in Evaluating Financing Grant Operations in Sudanese Banks: A Field Study. Journal of Research in Finance and Accounting, 5 (2), 124–139.

13. Habib, M. J. H. Ibrahim, E. M. A. (2017). The role of financial analysis of published accounting information in rationalizing investment decisions in the Khartoum Stock Exchange: a field study. Journal of Administrative and Economic Sciences, West Kordofan University, Issue 2, 217–253.

14. Salman, Z. M., and Sabah, A. Kh. (2024). The Impact of Free Cash Flow Indicators on Enhancing Investment Decisions: An Analytical Study of a Sample of Companies Listed on the Iraq Stock Exchange. Journal of Sustainable Studies, 6 (1), 614–634.

15. Al-Nuaimi, A. T. Z. (2018). The nature of the activity and the market value of the facility: A comparative study in the Iraq market and the Amman Stock Exchange. * Al-Ma 'moun College Journal, Issue 31, 1–27.

16. Al-Nuaimi, A. G., et al. (2019). The impact of production technology used in the market value of the facility: A field study at the Amman Stock Exchange. Journal of the North European Academy of the Court, No. 5, 47–76.

17. Momani, G. F., and Judge, E. A. (2015). The Impact of the Financial Analysis of the Establishment's Policies and Activities on the Market Value of the Establishment: An Analytical Study on Industrial Companies Listed on the Amman Stock Exchange. Journal of King Abdulaziz University of Economics and Management, 29 (1), 67–92.

18. Ahmed, E. A. M. (2023). The Impact of Free Cash Flows on the Performance of Egyptian Joint Stock Companies: An Empirical Study. Journal of Business Research, 45 (4), 14–38.

19. Said, P. F., and Mazloum, S. E. (2022). Free cash flow and its impact on the market value of business establishments: an applied study of a sample of industrial companies. Entrepreneurship Journal of Business and Finance, 3(1), 233–245.

20. Al-Adly, M. A. (2021). Agency Costs of Free Cash Flows and Their Relation to Ownership Structure Patterns and Weighted Cost of Shareholder Wealth Enhancement Capital Structure: An Applied Study. Journal of Accounting and Auditing of the Union of Arab Universities, No. 3, 59–133.

21. Baiyu, M. M., et al. (2020). The impact of free cash flow on the financial performance of companies. Journal of Academic Research – Applied Sciences, Issue 16, 36–45.

22. Al-Laithi, A. E. S., et al. (2022). The impact of the innovation strategy on maximizing the value of the enterprise in light of e-growth. Journal of Financial and Business Research, 23(3), 219–239.

23. Muizani, M. (2017). Free Cash Flow, Agency Cost and Dividend Policy of Sharia-Compliant and Non-Sharia-Compliant Firms. International Journal of Economics and Management, 11(2), 255–370.