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Revenue to Roe Transmission: The Mediating Role of EBIT and Cash Flow in the Seafood Industry

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Abstract: This study establishes a systematic analytical framework to explore the financial value transmission mechanism within listed seafood enterprises in Vietnam. By integrating the Resource-Based View, the Cash Conversion Cycle Theory, and Signaling Theory, the research constructs a structural path model to examine the sequential linkages from input resources to Return on Equity (ROE). A structural equation modeling approach was employed to clarify the roles of key mediating variables, including Earnings Before Interest and Taxes (EBIT) and Operating Cash Flow (OCF). The empirical results indicate that Revenue (REV) serves as the primary driver, significantly boosting operating profit (beta = 0.802, $p < 0.01$). Notably, the study establishes the full mediating role of EBIT in converting sales into cash flow, while OCF acts as the essential "link" that ensures accounting profits are crystallized into actual shareholder value through the ROE index. A pivotal and industry-specific finding of this research is the assertion of the paramount position of cash flow within the value chain: Operating cash flow is the most critical factor, surpassing indicators of scale or book profits. While firm size exerts negative pressure on liquidity (beta = -0.186), the capacity for actual cash generation serves as the ultimate proof of earnings quality and the final destination of all operational activities. Based on these findings, the study proposes strategic managerial implications, emphasizing a shift from pure scale growth to optimizing internal conversion efficiency. Enterprises should prioritize managing cash flow as a vital "lifeblood" to maintain sustainable financial health and send reliable signals to the investment market.

Keywords: *Seafood industry; revenue; EBIT; operating cash flow (OCF); ROE*

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INTRODUCTION

In the context of a volatile global business environment and intensifying competition, financial performance remains the core metric reflecting a firm's success and survival (Jensen, 1986). For business entities, generating profit is not merely an operational goal but also a cornerstone for sustainable development and resilience against market shocks. Within the system of financial indicators, Revenue serves as the starting point determining scale, while Operating Profit and Operating Cash Flow act as critical intermediary links that transform resources into outcomes. Ultimately, a firm's

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success from the shareholders' perspective is measured by Return on Equity (ROE), which is an indicator reflecting the capacity to create actual value added (Mukadar, Wawo, & Utu, 2021).

With a long coastline and abundant natural resources, Vietnam has developed the seafood industry into a spearhead economic sector, contributing significantly to total export turnover and providing employment for millions of workers. Notably, in 2024, seafood export turnover reached an impressive milestone of over 10 billion USD, representing a 12% growth compared to 2023 (LE BAO, LONG, VAN TAC, & LE NGUYEN, 2025). However, the 2019 to 2024 period also witnessed unprecedented challenges due to the COVID-19 pandemic and global supply chain disruptions. These factors exerted significant pressure on transportation costs and market demand, making it difficult for enterprises to maintain cash flow and business efficiency.

Although prior studies have explored various factors influencing profitability, most have focused on isolated direct relationships with aggregate indicators such as ROA or ROE (Nguyen & Nguyen, 2020). The lack of research simultaneously examining the sequential transmission structure from operating profit to cash flow and finally to equity performance has created a significant scholarly gap. Particularly, the decoupling between accounting profit and net cash flow is a latent risk in the seafood industry, which is characterized by high capital intensity and strong dependence on payment cycles. Furthermore, the role of firm size in cash flow management remains a subject of debate. Some argue that large scale provides cost advantages (Niresh & Thirunavukkarasu, 2014), while others warn of structural inertia and liquidity pressures (Tricker, 2009).

This study aims to decode this transmission mechanism by employing a structural equation model on a panel data-set of listed seafood companies in Vietnam from 2019 to 2024. The primary objective is to investigate the impacts of Revenue and Firm Size on Operating Profit, Cash Flow, and ultimately ROE through a sequential impact model. This approach not only contributes to financial theory by providing empirical evidence from a key economic sector but also proposes practical managerial implications. The findings will assist managers in optimizing the financial value chain from driving revenue and controlling operating profits to effective cash flow management in order to achieve a sustainable competitive advantage in a challenging market.

LITERATURE REVIEW

Theoretical Framework

The study establishes a systematic analytical framework to explore the internal transmission mechanisms of financial value within the firm. The integration of classical theories creates a multidimensional perspective that considers not only static resources but also dynamic factors from cash flows and market signals. This approach enables the research to transcend isolated viewpoints and instead decode the pathway of value crystallization for shareholders through three primary theoretical pillars.

Resource-Based View: The Resource-Based View (RBV), originally developed by Wernerfelt (1984) and further consolidated by Barney (1991), serves as an essential foundation for explaining performance variations among firms. According to the RBV, a firm is perceived as a bundle of tangible and intangible resources. If these resources satisfy the VRIO criteria (Value, Rarity, Inimitability, and Organization), the firm can establish a sustained competitive advantage.

In the context of this research, asset size and revenue generation capacity represent the resource strength of the enterprise. Large asset resources allow seafood firms to exploit economies of scale, reduce marginal costs, and strengthen their bargaining power in the market (Barney, 1991). Consequently, the RBV provides a basis to expect that the possession of asset resources and market dominance through revenue will serve as direct precursors to driving operating profit.

Cash Conversion Cycle Theory: The relationship between accounting profit and actual cash flow is clearly explained through the Cash Conversion Cycle Theory. This theory focuses on the efficiency of working capital management and the liquidity of the business entity (Gitman, 1974). Accordingly, a firm may record high profits on its income statement, but if the collection cycle is slow or inventory is stagnant, net operating cash flow will face a deficit.

For the seafood industry, which is characterized by high working capital intensity and dependence on harvesting and processing cycles, the conversion from profit to cash flow is a vital link.Baños-Caballero, García-Teruel, and Martínez-Solano (2014) argue that the effective management of cash cycle components optimizes operating cash flow. This theory explains why large asset scales may sometimes have an inverse impact on OCF if the firm fails to maintain control over receivables and inventory. It also affirms the mediating role of OCF in connecting business results with final financial performance.

Signaling Theory Signaling theory, initiated by Spence (1978) and widely applied in finance by Ross (1977), assumes the existence of information asymmetry between corporate managers and external investors. To mitigate this asymmetry, firms must transmit "signals" regarding their quality and future prospects.

In this study, net operating cash flow is regarded as a signal with higher reliability than accounting profit, as the latter can be influenced by accounting accruals and techniques. Positive and stable cash flow sends a favorable signal about the firm's capacity for dividend payments and reinvestment (Miller & Rock, 1985). Therefore, an increase in OCF strengthens the confidence of equity holders and the market, which is subsequently reflected positively in the return on equity performance.

Definitions of Research Variables:

Revenue (REV): Revenue is the total value of economic benefits obtained by an enterprise during an accounting period. It arises from ordinary production and business activities and contributes to an increase in equity. In this study, revenue is regarded as an indicator reflecting market scale and serves as the primary resource for generating various levels of profit and cash flow within the firm.

Earnings Before Interest and Taxes (EBIT): EBIT, also known as operating profit, is a metric that measures the core operational efficiency of an enterprise by excluding the effects of capital structure (interest expenses) and tax obligations (Adiloglu & Vuran, 2017). EBIT reflects the entity's ability to generate profit from its existing assets, allowing investors to evaluate operational management capacity without interference from financial decisions (Kagan, 2020).

Operating Cash Flow (OCF): OCF is the actual amount of cash generated or consumed by the primary revenue-generating activities of the business, excluding investing and financing activities (Atieh, 2014). Unlike accounting profit, OCF reflects actual liquidity and financial autonomy, ensuring the entity's ability to maintain operations and settle short-term obligations (Sayari & Mugan, 2017).

Firm Size (FS or LnTS): Firm size is a structural variable representing the magnitude of an entity in relation to the market and its competitors. In financial research, size is commonly measured by the Natural Logarithm of Total Assets (LnTS). The use of the natural logarithm helps mitigate skewed distributions and controls for heteroskedasticity in econometric models. Furthermore, it reduces data volatility and reflects the firm's access to resources, economies of scale, and the complexity of its administrative apparatus (Indrawan & Damayanthi, 2020).

Return on Equity (ROE): ROE is a financial ratio that measures profitability relative to each unit of capital invested by shareholders. It is the ultimate measure reflecting the efficiency of the management board in utilizing resources to create value added for owners. Additionally, ROE serves as a critical basis for decisions regarding reinvestment or dividend distribution (Mukadar et al., 2021).

Literature Review and Hypothesis Development

Corporate financial performance is a multidimensional conceptual construct influenced by the complex interaction between scale, capital structure, and cash flow management capacity. Regarding the factor of firm size, current research findings still present conflicting perspectives. Specifically, Abeyrathna and Priyadarshana (2019) indicated that firm size has an insignificant impact on profitability indicators and net profit in the manufacturing sector. Conversely, the study by Arifaj, Berisha, Morina, and Avdyli (2023) confirmed the existence of a link between size and financial performance, thereby emphasizing the multifaceted impact of scale on operational outcomes. However, in the model of Arifaj et al. (2023), operating cash flow did not show a statistically significant effect on asset performance, even though Ahmad et al. (2024) asserted that OCF has a stronger influence on return on assets than on return on equity. In general, cash flow is still regarded as a critical factor with a direct consequential relationship with the financial performance of an entity (Dahham, 2023).

Furthermore, profitability indicators serve as key information sources that help managers and investors identify fluctuations in profit margins under competitive pressure (Hutagalung & Siagian, 2022).Enterprises possessing long-term competitive advantages often maintain high and stable profit margins, allowing them to set prices far exceeding production costs, whereas entities lacking such advantages often must cut selling prices to survive. Regarding forecasting ability, both earnings before interest and taxes and net profit are important indicators for estimating future cash flows (Aullawati & Suwarno, 2023). In particular, these profit indicators also provide essential data related to value distribution policies for investors (Hutagalung & Siagian, 2022).

In financial structure management, analyzing the correlation between leverage and profitability helps managers determine optimal debt levels to balance economic benefits and potential risks (Abubakar & Ibrahim Halilu, 2025). Besides capital structure factors such as financial leverage, which Oktaviani, Satriansyah, and Widianingrum (2024) proved to have a positive impact on corporate value, intrinsic capacity through cash flow management and operational efficiency still plays a pivotal role in maintaining competitive advantage. In terms of cash flow, global empirical evidence consistently reinforces the existence of a positive relationship between net cash flow from operations (NCFO) and financial performance, thereby confirming the sustainability of earnings. In emerging markets, the position of NCFO becomes even more prominent, with studies confirming a positive and statistically significant relationship between this indicator and operational results (Akpan, Effiong, Odudoh, & Edemeka, 2025),(Chepkoech & Miroga, 2025). Notably, the research by (Hamid, Dian Oktarini, & Wahjoedi, 2023) showed that core operating profit has a significant impact on cash flow, while aggregate income indicators were not statistically significant due to being prone to noise from non-cash and transitory items. Although scale is considered a factor creating strategic resilience for seafood enterprises, the empirical results of revealed a paradox: larger asset scales create negative pressure on net cash flow, reflecting a trade-off between market position and liquidity efficiency.

Based on the theoretical and empirical foundations mentioned above, this study establishes specific hypotheses to clarify the value transformation mechanism in the specific context of the Vietnamese seafood industry as follows:

Impact of Revenue on Earnings Before Interest and Taxes: Revenue is the prerequisite factor reflecting the operational scale and market position of an enterprise. According to the income statement structure, revenue is the input resource for forming various levels of profit. EBIT, or operating profit, reflects the efficiency of core business activities after deducting cost of goods sold and administrative expenses but before considering financial structure and taxes (Jayathilaka, 2020). Effective revenue management helps firms optimize fixed costs, thereby creating a positive impact on operating profit.

$H1$: Revenue has a positive impact on Earnings Before Interest and Taxes.

The link between EBIT and Operating Cash Flow: While profit is recognized according to accrual principles, OCF reflects the actual cash flow entering the enterprise from core activities (Atieh, 2014). However, operating profit remains the fundamental resource generating cash. An enterprise with good operational efficiency is often accompanied by the ability to generate strong cash flow, which helps maintain liquidity and financial health (Sayari & Mugan, 2017). EBIT acts as a "catalyst" ensuring the quality of operating cash flow.

$H2$: Earnings Before Interest and Taxes have a positive impact on Operating Cash Flow.

Impact of Firm Size on Cash Flow: Firm size (commonly measured by the Logarithm of total assets, LnTS) brings cost advantages but also poses management challenges. According to the theory of structural inertia (Tricker, 2009), excessively large organizations often face high administrative costs and complex decision-making processes. In the seafood industry, large enterprises often have high proportions of inventory and accounts receivable, which can create adverse pressure, reducing immediate cash flow from operations.

$H3$: Firm Size has a negative impact on Operating Cash Flow.

The role of Cash Flow for Return on Equity: ROE is the most important measure of the efficiency of shareholder capital utilization. Unlike accounting profit, stable OCF provides the actual resources for the firm to reinvest, pay dividends, and minimize borrowing costs (Jensen, 1986). A strong operating cash flow proves solid financial capacity, thereby helping to enhance the sustainable rate of return for owners (Mukadar et al., 2021).

$H4$: Operating Cash Flow has a positive impact on Return on Equity.

Direct impact of Revenue on Operating Cash Flow: In addition to generating profit, revenue is also expected to be the direct source of cash inflows for the enterprise. Theoretically, increasing the scale of revenue means increasing cash flows from sales and services, helping to cover operating expenses and create a positive net cash flow. However, in the actual business environment, this relationship may be distorted by credit sales policies or inventory management. Testing this direct impact helps clarify whether revenue is immediately converted into cash.

$H5$: Revenue has a positive impact on Operating Cash Flow.

Indirect impact mechanisms: In addition to direct impacts, financial performance is also formed through transmission mechanisms. The transformation from revenue results to capital efficiency does not occur instantaneously but through important intermediary links. Based on empirical results and the logic of the financial value chain, the study focuses on testing the most statistically significant mediating roles:

The mediating role of EBIT: Revenue does not directly create cash but must go through the process of controlling operating costs (EBIT) to form cash flow.

H6a: EBIT plays a mediating role in the relationship from REV to OCF.

The mediating role of OCF: Operating profit only truly brings value to shareholders (ROE) when it is realized in the form of actual cash flow for reinvestment or dividend payments.

H6b: OCF plays a mediating role in the relationship from EBIT to ROE.

Proposed Research Model: Based on the integration of the aforementioned theoretical foundations, the study establishes a structural model including 05 hypotheses on direct impacts and 02 hypotheses on indirect impact mechanisms. Specifically, the model assumes a forward transmission chain from input resources (REV) through the intermediate stages of operational efficiency (EBIT) and cash generation capacity (OCF) before reaching the final goal of shareholder value (ROE). Notably, the research includes an opposing hypothesis (H3) to test the negative impact of firm size on cash flow, reflecting the risks of asset intensity in the seafood industry. The summary of the relationships and expected impact directions is detailed in Table 1.

Table 1 *SUMMARY OF RESEARCH HYPOTHESES*

Hypothesis	Relationship	Expected Impact	Theoretical Basis
H1	REV EBIT	Positive (+)	RBV
H2	EBIT OCF	Positive (+)	CCC
H3	FS OCF	Negative (-)	Structural Inertia
H4	OCF ROE	Positive (+)	Signaling Theory
H5	REV OCF	Positive (+)	RBV
H6a	REV EBIT OCF	Indirect (+)	Financial Value Chain
H6b	EBIT OCF ROE	Indirect (+)	Financial Value Chain

METHODOLOGY

The study employs a quantitative research methodology with the primary analytical technique being Partial Least Squares Structural Equation Modeling (PLS-SEM). This method is considered optimal for testing theoretical models with multi-layered structures and complex mediating relationships, particularly with small to medium sample sizes (Hair, Hult, Ringle, & Sarstedt, 2021).

Research Data

Data were extracted from the audited financial statements of 29 seafood enterprises listed on the Vietnamese stock market during the 2020 to 2024 period. After removing observations with missing information, the final research sample reached 143 observations in the form of unbalanced panel data. This sample size ensures testing power according to the "10 times" rule (Barclay, Higgins, & Thompson, 1995) and satisfies the conditions for industry representation within the context of an emerging market.

PLS-SEM Data Analysis Method

The study utilizes the PLS-SEM method to test hypotheses on panel data, focusing on predictive objectives and handling complex structural relationships. The analytical process is conducted through two systematic steps. First, the measurement model is evaluated to establish data validity. Since the variables were collected directly from financial statement data, the study treats them as single-item constructs. Internal consistency reliability is verified via the Composite Reliability (CR) coefficient (CR 0.7); convergent validity is confirmed through the Average Variance Extracted (AVE) index (AVE 0.5); and discriminant validity is ensured using the Heterotrait-Monotrait (HTMT) criterion (HTMT < 0.90) (Henseler et al., 2015).

Multicollinearity is controlled using the Variance Inflation Factor (VIF), with a required threshold of < 5.0. The study employs the Bootstrapping technique with 5,000 resamples to determine the statistical significance of path coefficients through T-statistics and p-values. Concurrently, the explanatory power and impact levels of the model are comprehensively assessed based on the coefficient of determination R2 and the effect size index f2 (Cohen, 1988)

RESULTS/FINDINGS

Descriptive Statistical Analysis

Table 2 presents the descriptive statistics to summarize the fundamental characteristics of the research dataset. With a sample of 143 observations from listed seafood enterprises, these statistical indicators reflect a clear differentiation in revenue scale and financial structure. They also demonstrate the stability of the data after normalization through natural logarithms. The values for skewness and kurtosis provide a preliminary overview of the distribution of variables prior to conducting in-depth structural model testing.

Table 2 *DESCRIPTIVE STATISTICS (UNIT: MILLION VND)*

Variable	Mean	Median	Min	Max	Std. Dev.	Skewness
EBIT	222,726	73,784	-26,418	2,420,039	357,811	3.025
LnTS	13.97	14.10	9.18	16.32	1.43	-0.752
OCF	130,356	34,044	-602,012	2,073,015	338,360	2.624
REV	2,805,449	1,255,365	14,940	13,230,800	3,018,283	1.247
ROE	0.100	0.090	-0.345	0.694	0.107	1.208

Source: Data analysis results (2025)

Firm Size and Revenue Generation Capacity

The statistics reveal a powerful differentiation in business scale among the enterprises in the research sample. The revenue variable (REV) reached an average value of 2,805.45 billion VND; however, the standard deviation is very high (3,018.28 billion VND). The gap between the maximum and minimum values is nearly 900 times, which reflects an inconsistency in market exploitation capacity. This indicates that the Vietnamese seafood industry is experiencing a concentration of market power among a few leading enterprises, creating entry barriers or significant competitive pressure for smaller units.

To control for heteroskedasticity and the skewness of scale data, the asset size variable was normalized using natural logarithms (LnTS). The results show that the average value of LnTS is 13.97 with a low standard deviation (1.43), which proves the stability of the data after transformation. The skewness index reached -0.752, implying a distribution with a slight leftward lean. This shows that although most enterprises converge in the medium and large scale groups, there is still a small number of units with significantly modest asset sizes compared to the general average.

Earnings Before Interest and Taxes

The EBIT indicator has a high positive skewness (3.025), proving that the total profit of the entire sample is dominated by a small group of superior enterprises. The paradox lies in the fact that although average revenue is very large, the median profit level is only 73.78 billion VND. This suggests that the operating profit margins of most enterprises in the industry remain quite thin and are vulnerable to cost fluctuations.

Net Operating Cash Flow

The minimum value of OCF is deeply negative (-602.01 billion VND). The decoupling between EBIT and OCF serves as a warning signal regarding earnings quality. For seafood enterprises, a negative cash flow while being profitable is often related to prolonged inventory cycles or loosened credit sales policies to maintain sales volume in a competitive context.

Return on Equity Performance

In contrast to the variables of absolute value, the ROE index demonstrates higher stability with an average of 10% and a median approaching 9%. The low standard deviation (0.107) shows that the return on equity of the enterprises in the sample is highly concentrated around the expected value. Although negative values were recorded in some observations (minimum of -34.5%), the distribution of ROE is generally less affected by extreme values than REV or EBIT. This provides a relatively uniform measure of the capital utilization efficiency of the enterprises under study.

Assessment of the Measurement Model

The assessment results for the measurement model reached an optimal level. Due to the use of single-item constructs, the reliability indicators achieved absolute values. The application of single-item variables based on audited financial statement data eliminates the measurement errors commonly found in survey-based data, ensuring maximum objectivity for the model.

Discriminant Validity

Discriminant validity was assessed simultaneously through the Fornell-Larcker criterion and the HTMT ratio. The results in Table 3 indicate that the model perfectly meets the requirements for distinguishing between measured constructs.

Table 3 *DISCRIMINANT VALIDITY TEST RESULTS*

Variable	EBIT	FS	OCF	REV	ROE
EBIT	1.000				
FS (LnTS)	0.628	1.000			
OCF	0.669	0.377	1.000		
REV	0.802	0.762	0.584	1.000	
ROE	0.366	0.153	0.250	0.251	1.000

Note: Diagonal values are the square root of AVE; off-diagonal values are the correlation coefficients between variables (Fornell-Larcker) and also represent the HTMT index.

Source: Data analysis results (2025)

Based on the results in Table 3, the discriminant validity of the model is firmly established through two complementary criteria. First, according to the Fornell-Larcker criterion, the square root of the average variance extracted for each variable reached an absolute value (1.000), which is higher than all correlation coefficients between them. Concurrently, the HTMT index for all pairs of variables remained below the control threshold of 0.90, with the highest value recorded at 0.802 between REV and EBIT.

The fulfillment of both conditions confirms that the constructs in the model are entirely distinct in terms of connotation and that no measurement overlap occurs. This serves as a critical foundation ensuring data validity, providing a reliable premise for the subsequent structural model analysis and hypothesis testing.

Multicollinearity

To evaluate multicollinearity within the structural model, the Variance Inflation Factor (Inner VIF) was calculated for the relationships between independent variables. Empirical results show that all VIF values ranged from 1.000 to 4.043, which is below the common threshold of 5.0 (Hair et al., 2021). The fact that all VIF coefficients remained at safe levels confirms that no serious multicollinearity occurs among the predictor variables, ensuring the accuracy and reliability of the path coefficient estimates in the subsequent hypothesis testing stages.

Hypothesis Testing and Indirect Effects

The structural model testing results through the Bootstrapping technique are summarized in Table 4, including both direct and indirect effects between constructs in the model.

Table 4 *RESULTS OF PATH COEFFICIENTS AND IMPACT RELATIONSHIPS*

	Path Relationship	O	M	STDEV	T-Stat.	P-Values
	Direct Effects					
H1	REV EBIT	0,802	0,805	0,034	23,424	0,000***
H2	EBIT OCF	0,573	0,564	0,178	3,217	0,001***
H4	OCF ROE	0,250	0,254	0,086	2,922	0,003***
H3	FS OCF	-0,186	-0,184	0,079	2,355	0,019**
H5	REV OCF	0,266	0,264	0,198	1,342	0,180
	Indirect Effects					
H6a	REV EBIT OCF	0,459	0,456	0,149	3,075	0,002***
H6b	EBIT OCF ROE	0,143	0,147	0,072	1,987	0,047**

(*Note: *** $p < 0,01$; ** $p < 0,05$; * $p < 0,10$)*

Source: Data analysis results (2025)

The analysis results indicate that the financial value chain in the seafood industry operates through a sequential transmission mechanism. Regarding direct effects, REV strongly drives EBIT (beta = 0.802, $p < 0.01$), which in turn creates a prerequisite for increasing OCF (beta = 0.573, $p < 0.01$), ultimately crystallizing into ROE performance (beta = 0.250, $p < 0.01$). Conversely, asset size exerts negative pressure on cash flow (beta = -0.186, $p < 0.05$). Notably, hypothesis H5 regarding the direct impact of REV on OCF was rejected ($p = 0.180$), suggesting that there is no instantaneous transformation from sales volume into cash.

Regarding indirect effects, the mediating roles of EBIT and OCF represent the core highlights of the model. EBIT serves as a full mediator in the relationship from REV to OCF (beta = 0.459, $p < 0.01$), confirming that cost management capacity is the mandatory link to transform revenue into cash. Concurrently, OCF mediates the relationship between EBIT and ROE (beta = 0.143, $p < 0.05$), proving that profit only truly creates shareholder value when liquidity is ensured. Overall, the model confirms that a firm's profitability depends on the internal transformation efficiency of the value chain rather than the advantages of asset scale.

The estimation results of the PLS-SEM structural model after running the Bootstrap algorithm are presented. The values on the paths are the path coefficients (beta), T-statistics, and P-values, respectively, as shown in Figure 1.

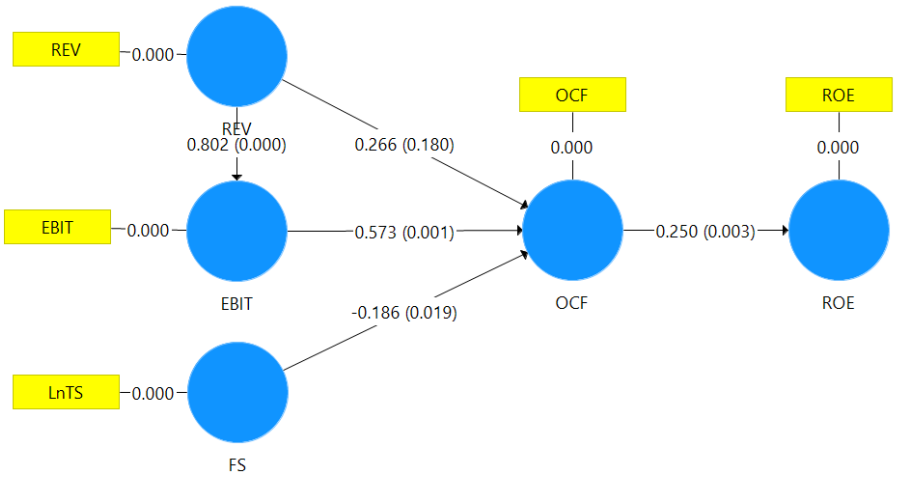

Figure 1 *Structural model results and the financial value transmission chain*
Source: Data analysis results (2025)

Assessment of Explanatory Power and Effect Size

To evaluate the quality of the structural model, the study analyzed the coefficient of determination (R2) and the effect size index (f2). The empirical results are summarized in Table 5.

Table 5 *ASSESSMENT OF R2 AND F2 COEFFICIENTS*

Dependent Variable	R2	Adjusted R2	Independent Variable	f2
EBIT	0.643	0.640	REV	1.801
OCF	0.469	0.457	EBIT	0.220
			REV	0.033
			FS	0.027
ROE	0.063	0.056	OCF	0.067

Source: Data analysis results (2025)

The results in Table 5 indicate that the explanatory power of the model varies significantly across different dependent variables. The adjusted R2 for ROE reached only 0.056. While this figure is low, in empirical financial research using panel data, it accurately reflects the reality that ROE is heavily influenced by macroeconomic factors such as exchange rates and interest rates as well as leverage structures, which are not part of the operational transmission chain in this model. However, the f2 level of REV on EBIT (1.801) is exceptionally large, demonstrating that revenue remains the primary engine driving the entire financial system of the enterprise. For OCF, the model achieved a moderate level of explanatory power with an adjusted R2 of 0.457. Among the contributing factors, EBIT demonstrated the most significant contribution with an f2 of 0.220, representing a medium effect, while REV and FS contributed only modestly to explaining the variance in cash flow with f2 values of 0.033 and 0.027, respectively.

Finally, the ROE variable recorded a relatively low adjusted R2 value of 0.056. This implies that although OCF is statistically significant in driving return on equity performance, it only explains approximately 5.6% of the variation in ROE. This result reflects the fact that corporate profitability is also affected by many exogenous factors and other financial management characteristics lying outside the scope of the current model. Overall, the model achieved its highest reliability in predicting direct business performance indicators such as EBIT and OCF.

DISCUSSION/ANALYSIS

The results of the structural model testing provide a comprehensive view of the financial value chain operations within the seafood industry, tracing the path from input resources to the ultimate value for shareholders.

Transformation from Resources to Profit and Cash Flow

The research findings strongly support the Resource-Based View through the relationship from REV to EBIT (H1). With a path coefficient of beta = 0.802, revenue acts as a prerequisite resource for creating competitive advantages in terms of profitability. This aligns with the perspective of Barney (1991), suggesting that market dominance allows enterprises to optimize fixed costs and enhance operational efficiency. Specifically, this result reinforces that firms possessing long-term competitive advantages often maintain high and stable profit margins due to their ability to set prices far exceeding production costs.

However, the relationship between revenue and cash flow is more complex than expected. The rejection of hypothesis H5 (REV to OCF, p = 0.180) while H6a (EBIT Mediation) is highly significant represents a critical finding. This demonstrates that in the seafood industry, revenue growth does not necessarily imply an immediate increase in cash flow.

According to Cash Conversion Cycle Theory, revenue can only be transformed into actual cash through the "filter" of cost management and operating efficiency (EBIT). EBIT serves as a full mediator, confirming that cash generation capacity does not stem from pure sales volume but rather from the quality of operating efficiency. This finding is consistent with the observations of Hamid et al. (2023), who argued that core operating profit is the decisive factor affecting actual cash flow..

The Scale Paradox and Liquidity Pressure

A notable finding is the inverse impact of Firm Size on Cash Flow in hypothesis H3 (beta = -0.186, $p < 0.05$). This result accurately reflects the current reality of large seafood enterprises in Vietnam. As asset scale increases, firms often face structural inertia and rising administrative costs (Tricker, 2009). This empirical result also clarifies the conflicting perspectives in the study by Abeyrathna and Priyadarshana (2019) regarding the fact that scale does

not always yield positive financial results. Furthermore, large enterprises often expand by increasing raw material stockpiles or loosening trade credit policies to capture market share. This leads to a situation of high "paper profits" while actual cash flows are deficient due to capital being tied up in inventory and accounts receivable. The study indicates that the swelling of scale, if not accompanied by a corresponding capital turnover rate, will transform large enterprises into entities with unsustainable financial structures under liquidity pressure. The research by Arifaj et al. (2023) also previously highlighted this complexity, noting that operating cash flow is sometimes inconsistent with the growth rate of asset scale. This empirical evidence warns that expanding asset scale without an optimal working capital management strategy can pose serious liquidity risks.

From Cash Flow to Shareholder Value

The relationship from OCF to ROE (H4) and the mediating role of OCF (H6b) reinforce Signaling Theory. With a path coefficient of beta = 0.250, operating cash flow is a stronger signal than accounting profit in affirming the financial health and profitability of the firm. This is entirely consistent with the assertion by Ahmad, Salih, and Sangawi (2024) that operating cash flow (OCF) has a more powerful influence on profitability indicators than pure profit metrics. Positive and stable cash flow provides the internal resources for firms to reinvest and pay dividends without relying on external debt (Jensen, 1986).

AsHutagalung and Siagian (2022) emphasized, these indicators provide the most essential data regarding value distribution policies for investors. These results show that shareholders and investors in the seafood industry highly value the "cash-in-hand" capability of an enterprise. The acceptance of hypothesis H6b confirms that EBIT only becomes truly meaningful and drives equity value when it is realized in the form of actual cash flow (Cash realization). This result is also consistent with the latest empirical evidence in the Vietnamese seafood industry for the 2019 to 2024 period, where operating cash flow was confirmed as an important predictor for earnings sustainability.

However, the study also recorded an adjusted coefficient of determination (R2) for ROE at 5.6%. Although operating cash flow is statistically significant, this figure suggests that ROE is also heavily influenced by other managerial and exogenous factors not included in the model. In the specific context of the seafood industry, equity efficiency is also governed by debt structure (financial leverage) and dividend policies. This result provides a complementary perspective to the analysis by Abubakar and Ibrahim Halilu (2025) regarding the optimization of financial structures to balance benefits and risks. While financial leverage can drive corporate value as recorded by Oktaviani et al. (2024), this study proves that the capacity to generate cash flow from core operations is the sustainable foundation for realizing those economic benefits. Using high levels of debt to finance current assets may amplify ROE in the short term but carries significant financial risk. Therefore, a low R2 does not diminish the value of the model; on the contrary, it emphasizes that OCF is the most core and stable foundation to guarantee the actual increase in shareholder value, separate from accounting techniques or fluctuations from debt.

Summary of the Financial Value Chain

Overall, the study has established a logical pathway: Revenue leads to Operating Profit, which leads to Actual Cash Flow, which leads to Return on Equity. This result reinforces empirical evidence from Akpan et al. (2025) regarding the positive link between net cash flow and financial performance in emerging markets. The decoupling of the direct impact from revenue to cash flow and the negative impact of scale on cash flow are significant academic highlights. It indicates that internal transformation efficiency is far more important than superficial scale. For seafood industry managers, the core message is the need to focus on shortening the cash cycle and enhancing earnings quality to ensure sustainable cash flow, which is the only way to optimize value for shareholders. As Dahham (2023) asserted, cash flow is the critical factor with a direct consequential relationship with the sustainable financial performance of the entity.

In particular, the most significant finding of this study is the establishment of cash flow as an empirical measure of profit quality. While revenue and profit can be influenced by accrual accounting principles, cash flow is the "bloodline" that determines the survival and real value creation capacity of seafood enterprises. The empirical results confirm that cash flow is not just an outcome of operations but also the most important factor, acting as the final guarantee for all profit commitments to shareholders. Notably, when compared with other industry studies in the 2019 to 2024 period, establishing the relationship between profit and cash flow through the PLS-SEM model has shown a consistent picture of the "information content" of cash flow. Current cash generation capacity not only predicts future profits but also serves as a metric reflecting the reliability of accounting figures in the context of emerging markets.

MANAGERIAL IMPLICATIONS

Based on the empirical findings regarding the value transmission mechanism, the study proposes several core managerial implications aimed at optimizing financial health and shareholder value for enterprises in the seafood industry.

Shifting Mindset from Scale Growth to Transformation Efficiency

The rejection of hypothesis H5 and the confirmation of the negative impact of scale on cash flow (H3) serve as a warning regarding aggressive expansion strategies. Managers must recognize that high revenue does not guarantee healthy cash flow. Instead of racing for pure sales targets, enterprises should focus on operating profit margins and the ability to convert revenue into cash. Tight control over the components of the cash conversion cycle, including shortening inventory duration and accelerating debt collection, must be viewed as a top priority to avoid a liquidity crisis amidst positive accounting profits.

Strengthening the EBIT Hub through Strategic Cost Management

Since EBIT acts as a full mediator connecting revenue to cash flow, any efforts to increase sales will be futile if the operational apparatus is inefficient. Seafood enterprises should adopt advanced cost management models, such as Activity-Based Costing (ABC), to accurately identify cost bottlenecks within the value chain from harvesting to processing. Particularly in the context of volatile raw material prices and logistics costs, optimizing the utilization efficiency of existing assets rather than investing in new fixed assets will help maintain a stable EBIT, providing a solid foundation for operating cash flow.

Enhancing Earnings Quality and Financial Signaling

From the perspective of signaling theory, OCF is the most vivid evidence of financial capacity. The strong impact of OCF on ROE suggests that the market and shareholders are particularly concerned with the realization of profit into cash. The management board should establish a balanced financial KPI system in which the Operating Cash Flow to Operating Profit (OCF/EBIT) ratio is strictly monitored. A high and stable ratio transmits a positive signal regarding the capacity for sustainable reinvestment and dividend payments. This, in turn, allows the enterprise to access capital at a lower cost, creating a positive value spiral for equity.

Controlling Scale Risks and Capital Intensity Pressures

Given the negative impact coefficient of firm size on OCF, large seafood enterprises must be especially cautious of the scale trap. It is necessary to implement measures to restructure asset portfolios and liquidate inefficient assets to streamline the balance sheet. Applying digital transformation to supply chain management (Digital Supply Chain) is an urgent solution to reduce safety stock levels and optimize cash flow. Large enterprises need to transition from a capital-intensive stance to lean management to maintain liquidity in a highly volatile commodity sector.

Managerial Conclusion: Managers must internalize the philosophy that revenue is vanity and profit is sanity, but cash is reality. Prioritizing the optimization of operating cash flow must be placed above pure scale growth objectives. Only when profit is realized in the form of actual cash (Cash realization) will an enterprise possess sufficient internal resources to maintain a competitive advantage and ensure sustainable benefits for its owners.

CONCLUSION

The study has successfully decoded the internal financial value transmission mechanism within seafood enterprises through a structural path model. The results indicate a logical and systematic chain of impacts: Revenue acts as the primary resource driving EBIT, which subsequently creates the prerequisite for forming OCF and ultimately crystallizing into ROE. The most significant highlight of the research is the establishment of the full mediating roles of EBIT and OCF. This confirms that in an industry characterized by high working capital intensity and significant risk like the seafood sector, superficial values of sales or asset scale are not the deciding factors for shareholder value. Instead, cost management capacity and the ability to realize profit as cash are the vital links. Furthermore, the study points out the “scale paradox”, where a pure increase in assets can exert inverse pressure on liquidity, necessitating a more flexible and substantive management mindset.

LIMITATIONS AND STUDY FORWARD

Despite achieving statistically and practically significant results, the study still contains certain limitations.

First, regarding the data scope: the research has focused only on enterprises listed on the stock market where financial reporting transparency is high. Therefore, the results may not fully reflect the general picture of the entire seafood industry, particularly for small and medium-sized enterprises or unlisted firms.

Second, regarding variables: the current model primarily focuses on internal financial indicators. Exogenous factors that strongly impact the seafood industry, such as exchange rate fluctuations, tariff barriers (anti-dumping), or non-financial variables like supply chain management capacity, have not been integrated into the testing model.

Third, regarding the time dimension: the research data may be influenced by specific economic cycles or market shocks, which limits the generalisability of the results under more stable economic conditions.

Based on the aforementioned limitations, future research can expand in the following directions. First, expanding the multivariate model: integrating moderating variables such as ownership structure, financial leverage, or macroeconomic factors to test the robustness of the value transmission chain in different contexts. Second, comparative analysis: conducting comparative studies between the seafood industry and other export-oriented agricultural sectors to clarify the specific characteristics of the cash cycle and profit-generating mechanisms. Third, qualitative approaches: utilizing in-depth interviews or case studies at representative enterprises to decode detailed working capital management strategies that financial indicators may not fully reflect. Finally, lag effect analysis: examining the impact of variables over time to evaluate how long it takes for current period revenue and profit to fully transform into ROE value in subsequent periods.

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