Financial Characteristics that Determine the Value of Firms Ranked Highest for Executive Compensation in a Period of Economic Recession

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ABSTRACT
This study provides a financial analysis of those firms that during the recent period of economic recession and financial market turmoil beginning in December 2007 and continuing to June 2009 either maintained or increased the total compensation packages for their chief executive officers and other executives in their firms. Specifically, this analysis will test for significant differences in the financial variables that determine value for those firms that awarded the highest total compensation packages during this period, and firms ranked lowest in executive compensation during the same period. A unique financial profile is established consisting of variables that measure the value of the firm. As in previous studies of this nature, Multiple Discriminant Analysis is used.

JEL Classification: G3
Key Words: Financial Variables, Financial Crisis, Executive Compensation

INTRODUCTION
It would be an understatement to say that executive compensation has been of great interest to the business community, academicians, and investors for a long period of time and particularly since the recession and financial market turmoil that started in December 2007 and lasted until June 2009. It is reasonable to expect that executive compensation across most companies would diminish in such periods. There were however, firms that actually increased the total compensation packages of executives during the aforesaid recessionary period. This creates interesting questions regarding the financial characteristics of those firms that increased or maintained high levels of executive compensation during that period. This study is simply an investigation into the nature of the financial variables that make up the financial profiles, and determine the value of such firms.

There have been many studies on executive compensation. For examples studies have examined executive pay in relation to the structure of the board of directors (Core, Holttiausen, and Larcker (1999), size of firm (Kostiuk, 1990; Murphy, 1999), supply and demand of executives (Datta and Guthrie, 1994), and the level of corporate performance (Sharma and Fok, 1995). However, with the exception of Roberts (1956) study on whether high-paying firms weathered the 1949 recession better than other companies, most prior studies ignore the macroeconomic background, and particularly the subject of the financial profiles of firms that award the highest total compensation packages to their executives, and whether or not the financial variables that determine the value of the firm are in any way associated with those high compensation packages.

BACKGROUND
On November 26, 2008, then President-Elect Obama while introducing his new team of economic advisors said, “We are on the precipice of the greatest financial crisis since the great depression of the 1930’s.” A few days later, the Business Cycles Datiing Committee of the National Bureau of Economic Research (NBER) announced that the United States was not only in a recession, but that it had started a
year earlier in December 2007 (NBER December 1, 2008). The liquidity problems began in the real estate markets. The lack of regulation in what was referred to as the practice of “subprime lending” allowed institutions to lend money on real estate to customers that simply could not maintain the monthly payments. So much has been written about the 2008-2009 recession, it would be more than redundant to address the causes, consequences, and depth of the recession here. Suffice it to say the recession lasted 18 months, and that made it the longest of any recession since World War II. Previously the longest postwar recessions were those of 1973-75 and 1981-82, both of which lasted 16 months (NBER September 20, 2010).

It was against this economic background that some firms reported increases of high compensation packages or the maintenance of very high compensation packages for chief executive officers and other officers in their firms, while most firms were experiencing declines in revenue and growth, and indeed many of those firms actually reduced the size of compensation packages. This has caused considerable controversy (Walsh, 2009; Core and Guay, 2010) because it seems that it would be very difficult for firms to justify those unusually high compensation packages during this period of economic downturn. Despite the interest in the economic phenomena surrounding the recession and turmoil in the financial markets, there have been no empirical studies of the financial characteristics of those firms whose executives enjoyed the highest compensation during a period when some giant firms were actually receiving “financial bailouts,” and the expression “too big to allow to fail” was heard for the first time.

The purpose of this study is to establish a financial profile of those firms identified as rewarding their executives with the highest total compensation packages across industries during this period. Specifically, the analysis will test for significant differences in financial profiles of those said high compensating firms and firms that offered the lowest total compensation packages during the same period. More specifically, the financial profiles include financial variables that measure return on investment, risk, and finally how those variables may be perceived by investors at the margin (those willing and able to buy). It is the action of these investors in buying and selling that determine the value of the firm.

A basic tenet of this study is that those investors trade-off their perceptions of risk with their perceptions of return to establish price and thus, the value of the firm (Brigham and Ehrhardt, 2005, Van Horne, 2001). If a unique financial profile is established for those firms that awarded the highest total compensation packages to their executives during an economic recession and financial market turmoil, and that profile can be validated without bias, it is suggested that it may be used to predict firms that would behave in the same manner in future economic downturns. This raises questions and may have implications for investors, investment counselors, financial managers, and indeed, the entire market, and business community.

METHODOLOGY

The issues to be resolved are first, classification or prediction, and then evaluation of the accuracy of that classification. More specifically, can firms be assigned, on the basis of selected financial variables, to one of two groups: (1) firms that rewarded their executives with the highest total compensation packages in the above-described economic recession and hereinafter referred to as the highest total compensation in recession (HCR) firms, or (2) firms that remunerated their executives with the lowest total compensation packages during this period? Those firms are hereinafter referred to as (LCR) firms. Multiple discriminant analysis (MDA) provides a procedure for assigning firms to predetermined groupings based on variables or attributes whose values may depend on the group to which the firm actually belongs.

If the purpose of the study were simply to establish a financial profile of each group of firms, simple ratios would be adequate. However, as early as 1968, in a seminal paper on the use of MDA in finance, Altman showed that sets of variables used in multivariate analysis were better descriptors of the firms, and had more predictive power than individual variables used in univariate tests.

The use of MDA in the social sciences for the purpose of classification is well known. MDA is appropriate when the dependent variable is nominally or ordinally measured and the predictive variables...
are metrically measured. In addition to its use in the Altman study to predict corporate bankruptcy, other early studies used MDA to predict financially distressed property-liability insurance firms (Trieschmann and Pinches, 1973), growth (Payne and Daghestani, 2007), and the failure of small businesses (Edmister, 1982). This study also employs nominally measured dependent variables and metrically measured predictive variables. The nominally measured dependent variables are the group of HCR firms and the group of LCF firms. The computer program used to perform the analysis is SPSS 17.0 Discriminant Analysis (SPSS Inc., 2009).

Since the objective of the analysis is to determine the discriminating capabilities of the entire set of variables without regard to the impact of individual variables, all variables were entered into the model simultaneously. This method is appropriate since the purpose of the study is not to identify the predictive power of any one variable, but instead the predictive power of the entire set of independent variables (Hair et al, 1992, 99).

SELECTION OF SAMPLE AND INDEPENDENT VARIABLES

All explanatory variables for the two groups of firms used in the analysis were gathered from Value Line Ratings and Reports during the aforementioned period. The sample selected for this study consists of two groups of 80 firms, the HCR group and the LCR group. The data for compensation for the executives in these groups were identified by salary.com (2010). To clarify, the firms were identified as HCR or LCR by salary.com, and the data for those firms were gathered from Value Line. The salary.com site provides CEO compensation data obtained from proxy statements filed with the U.S. Securities and Exchange Commission (SEC) for the latest fiscal years.

In periods of economic recession and financial turmoil all industries will not experience the same effects whether they are adverse or beneficial. It follows that for an unbiased study the effects of industry must be held constant. This was accomplished by matching the firms in the HCR group with firms from the same industry in the LCF group. For example, from the Auto Parts Industry Borg-Warner is in the HCR group and Dana Corporation is in the LCF group. From the Restaurant Industry Ruby Tuesday is in the HCR and Buffalo Wild Wings is in the LCF group. From the Medical Supplies Industry, Cardinal Health is in the HCR group, and Boston Scientific is in the LCF group. Vulcan Materials is in the HCR group from the Building Materials Industry, and Granite Construction is in the LCF group. In this manner each firm identified by salary.com, as awarding the highest compensation packages to their executives during this period was matched with a randomly chosen firm, from the same industry. Thus, the matching method of randomly choosing, and matching firms from the same industries eliminates any bias due to differences in industry listings.

Previous studies using this and other statistical methods have chosen explanatory variables by various methods and logical arguments. In this study the group of explanatory variables chosen for analysis includes two measures of return on investment, two measures of risk, and finally, two measures of the value of the firm as perceived by investors at the margin. An evaluation of the following variables is needed to accomplish the purpose of this study:

X1 – Return to total capital. Return to total capital is used here as the measure of return on investment. It includes a return to creditors as well as owners, and recognizes that value or the firm is affected by the cost of debt. A measure of return to equity could be used, but it would ignore the cost of debt and the fact that debt as well as equity finances assets.

X2 – Price Growth Persistence. The persistence of growth in the value of common stocks has long been of interest to investors, investment counselors, financial managers, and academicians. In addition, the persistence rather than the magnitude of growth has become of primary importance to the selection of securities by both institutional investors, and inside traders (Meisheri 2006, Damodaran 2002, and Payne 2004). The Value Line proprietary measure of price growth persistence rewards a firm for the
consistency with which it outperforms the broader universe of equity offerings over an extended period of time.\footnote{Price Growth Persistence. This is a measure of the relative consistency of stock price growth. Using each year of the past 10 (or fewer if 10 are not available), a count is made of the number of subsequent years in which the relative price of the stock was higher than it was in the base period. The sum of these counts is the basis for the index. The Growth Persistence index ranges from 100 (highest) to 5 (lowest). Scores of 50 and 55 are average (Value Line, 2008).}

It is used here as a measure of long term return on investment.

X3 - Sharpe’s beta coefficients contain the effects of both operating and financial risk (operating and financial leverage). In measuring total risk, it will be informative to separate the two types of risk. The separation is accomplished by “unlevering” published betas, and using the unlevered beta as a measure of operating risk, and the debt to total capital ratio as the measure of financial risk, or financial leverage (Van Horne, 2001, Hamada, 1972).

X4 - The long term debt to total capital ratio is used here as the measure of financial risk (financial leverage). It may be logical to conclude that the HCR firms would have less of both types of risk than the LCF firms, and thus have the confidence to award those high compensation packages. However, this may not be the case given the unusual economic background. The relationships are simply not known, and thus, there are no a priori expectations.

X5 - The ratio of market value to book value is used here as a measure of how the market perceives the value of the firm. This ratio has been shown to be of great significance in the identification of takeover targets (Payne & Heron 1985). There is no published evidence on how this measure of value is related to the executive compensation. However, it should be mentioned that studies by Fama and French (1992), and Palazzo (2009) found a negative correlation between market capitalization (a factor in determining executive compensation) and the book to market ratio. However, those authors inverted the market value to book value ratio, and thus had they used the market value to book value ratio the correlation would have been positive. Again, there are no a priori expectations as to which group of firms that this variable will be associated.

X6 - The ratio of market price to earnings (P/E) has been used for years as a rough measure of how the market values a firm. Indeed, the P/E multiple, and dividend yield are the only ratios reported every day on the financial pages of newspapers, and it has been argued that in efficient markets the multiple reflects the intrinsic value of the stocks, (Scripto, 1998, Payne and Tyler 2002). More recently, the price earnings growth ratio (PEG) has grown in popularity. The price earnings growth multiple adjusts the P/E ratio for potential growth, and it is suggested that the price earnings multiple (P/E) used without the adjustment for growth has a high potential for undervaluing a company. Damodaran, (2002) writes that the PEG ratio is a better measure of a company’s potential future value, and was developed to address the shortcomings of the P/E multiple. He further writes that many analysts have abandoned the P/E ratio, not because of any perceived shortcomings, but simply because they desire more information about a stock's potential. Thus, the use of the PEG ratio is used here as a measure of a company’s potential long term value to investors. The PEG ratio has been in use for some time, still it is relatively new as compared to the price-earnings ratio, the market value to book value ratio, or Tobin’s Q, and thus, there are no studies that expressly address any relationship between the PEG ratio and high levels of total compensation for executives in an economic recession. Accordingly, there can be no apriori expectations as to which group high PEG ratios may be associated.

In sum, there are six explanatory variables in the multiple discriminant model.

\footnote{As a group, each of the Value Line ratings have historically outperformed the next lowest rated group (the one hundreds have outperformed the nineties, which outperformed the eighties, etc.). Value Line results have outperformed the DOW by 15 to 1 over the last 35-years. (Investor Home, 1999). The impressive performance of the rating system, and apparent defiance of the efficient market hypothesis, have led many to refer to it as part of the “Value Line Anomaly,” or the “Value Line Enigma.” http://www.valueline.com/sup_glosss.html http://www.investorhome.com/anomvl.htm}
They are as follows:

- **X1** - Return to Total Capital
- **X2** - The Value Line Rating For Price Growth Persistence
- **X3** - Hamada’s Unlevered Beta (Operating Risk)
- **X4** - The Long Term Debt to Total Capital Ratio (Financial Risk)
- **X5** - The Ratio of Market Value to Book Value
- **X6** - The Price Earnings Growth Ratio

The explanatory variable profile contains basic measures of common financial variables. They were chosen, as in any experimental design, because of their consistency with theory, adequacy in measurement, the extent to which they have been used in previous studies, and their availability from a reputable source.

**TESTS AND RESULTS**

The discriminant function used has the form:

\[ Z_j = V_1 X_{1j} + V_2 X_{2j} + \ldots + V_n X_{nj} \]  

(1)

where:

- \( X_{ij} \) is the firm’s value for the ith independent variable.
- \( V_i \) is the discriminant coefficient for the firm’s jth variable.
- \( Z_j \) is the jth individual’s discriminant score.

The function derived from the data in this study and substituted in equation 1 is:

\[ Z_j = -2.982 + .269X_1 - .002X_2 + 4.919X_3 + .147X_4 - .020X_5 - .0001X_6 \]  

(2)

Classification of firms is relatively simple. The values of the six variables for each firm are substituted into equation (2). Thus, each firm in both groups receives a Z score. If a firm’s Z score is greater than a critical value, the firm is classified in group one (HCR). Conversely, a Z score less than the critical value will place the firm in group two (LCF). Since the two groups are heterogeneous, the expectation is that HCR firms will fall into one group and the LCF firms will fall into the other.

Interpretation of the results of discriminant analysis is usually accomplished by addressing four basic questions:

1. Is there a significant difference between the mean vectors of explanatory variables for the two groups of firms?
2. How well did the discriminant function perform?
3. How well did the independent variables perform?
4. Will this function discriminate as well on any random sample of firms as it did on the original sample?

To answer the first question, SPSS provides a Wilk’s Lambda – Chi Square transformation (Cooper and Shindler 2001, 581). The calculated value of Chi-Square is 33.2. That exceeds the critical value of Chi-Square of 12.59 at the five percent level of significance, with 6 degrees of freedom. The null hypothesis that there is no significant difference between the financial profiles of the two groups is therefore rejected, and the first conclusion drawn from the analysis is that the two groups have significantly different financial characteristics. This result was of course, expected since one group of
firms was rewarding their executives with the highest compensation packages in the Value Line database, and the other group was chosen randomly. The discriminant function thus has the power to separate the two groups. However, this does not mean that it will in fact separate them. The ultimate value of a discriminant model depends on the results obtained. That is, the percentage of firms that are classified correctly must be statistically significant to eliminate the possibility that they were classified correctly by chance.

To answer the second question a test of proportions is needed. Of the 80 firms in the HCR group, 59 were classified correctly. Of the 80 firms in the LCF group, 59 were also classified correctly. That is, 118 firms or 73.8 percent were classified correctly. The results are shown in Table 1.

Of course, 73.8 percent seems significant, but formal research requires the proof of a formal statistical test. To test whether or not a 73.8 percent correct classification rate is statistically significant, the Press’s Q test is appropriate (Hair et al, 1992, 106).

Press’s Q is a Chi-square random variable:

\[ \text{Press’s } Q = \frac{[N-(n \times k)]^2}{N(k-1)} \]  

where:

- \( N \) = Total sample size
- \( n \) = Number of cases correctly classified
- \( k \) = Number of groups

In this case:

\[ \text{Press’s } Q = \frac{[160-(118 \times 2)]^2}{160(2-1)} = 36.10 > \chi^2_{0.05} 3.84 \text{ with one d. f.} \]  

The null hypothesis that the percentage classified correctly is not significantly different from what would be classified correctly by chance is rejected. The evidence suggests that the discriminant function performed very well in separating the two groups. Again, given the disparity of the two groups, it is not surprising that the function classified 73.8 percent correct.

The arithmetic signs of the adjusted coefficients in Table 2 are important to answer question number three. A positive sign indicates that the greater a firm’s value for the variable, the more likely it will be in group one, the HCR group. On the other hand, a negative sign for an adjusted coefficient (referred to by SPSS as structure correlation coefficients) signifies that the greater a firm’s value for that variable, the more likely it will be classified in group two, the LCF group. Thus, according to Table 2, the greater the following variables: the measure of operating leverage, the market value to book value ratio, the return to total capital, and the measure of financial leverage, the more likely the firm would report high total compensation packages for their executives in a period of economic recession and financial turmoil. Conversely, the greater the values for the price-earnings-growth ratio, and Value Line’s measure of price growth persistence the less likely the firm would be to award their executives high total compensation packages in a recession.

The relative contribution of each variable to the total discriminating power of the function is indicated by the discriminant loadings, or as referred to by SPSS as structure correlations, and given by the SPSS structure matrix. The loadings measure the simple correlation between each independent variable and the Z scores calculated by the discriminant function. The value of each loading will lie between +1 and -1. The closer the absolute value of the loading to 1, the stronger the relationship between the discriminating variable and the discriminant function (Sharma, 1996). These discriminant loadings (structure correlation coefficients) are given in the output of the SPSS 17.01 program, and shown here with their ranking in Table 2.

Table 2 reveals that the Hamada’s Unlevered Beta (our measure of operating leverage) made the greatest contribution to the overall discriminating function. It is followed respectively by The Price Earnings Growth (PEG) Ratio, The Value Line measure of Growth Persistence, The ratio of Market Value
to Book Value, Return to Total Capital and finally, The Long Term Debt to Total Capital Ratio, our measure of financial leverage. Some multicollinearity may exist between the variables, since price growth persistence, return to total capital, and both measures of leverage could be reflected in the numerator of the price earnings ratio. Hair, et al (1992) wrote that this consideration becomes critical in stepwise analysis and may be the factor determining whether a variable should be entered into a model. However, when all variables are entered into the model simultaneously, the discriminatory power of the model is a function of the variables evaluated as a set and multicollinearity becomes less important. Further, the adjusted coefficients in Table 2 are canonical correlation coefficients and are unaffected by multicollinearity as would be canonical discriminant function coefficients (Sharma 1996).

VALIDATION OF THE MODEL

Before any general conclusions can be drawn, a determination must be made on whether the model will yield valid results for any group of randomly drawn firms. The procedure used here for validation is referred to as the Lachenbruch or, more informally, the “jackknife” method. In this method, the discriminant function is fitted to repeatedly drawn samples of the original sample. The procedure estimates \((k – 1)\) samples, and eliminates one case at a time from the original sample of \(“k”\) cases (Hair et al, 1992, 98).

The expectation is that the proportion of firms classified correctly by the jackknife method would be less than that in the original sample due to the systematic bias associated with sampling errors. The major issue is whether the proportion classified correctly by the validation test differs significantly from the 73.8 percent classified correctly in the original test. That is, is the difference in the two proportions classified correctly by the two tests due to bias, and if so is that bias significant? The jackknife validation resulted in the correct classification of 70.0 percent of the firms. Since there are only two samples for analysis the binomial test is appropriate:

\[
t = \frac{r - np}{\sqrt{npq}}
\]  

(5)

Where:
- \(t\) is the calculated \(t\) statistic
- \(r\) is the number of cases classified correctly in the validation test.
- \(n\) is the sample size.
- \(p\) is the probability of a firm being classified correctly in the original test.
- \(q\) is the probability that a firm would be misclassified in the original test.

In this case:

\[
112 - \frac{160(.738)}{[160(.738) (.262)]^{1/2}} = - 1.09 \text{ is less than } t_{0.05} 1.645. \]  

(6)

Thus, the null hypothesis that there is no significant difference between the proportion of firms classified correctly in the original test and the proportion classified correctly in the validation test cannot be rejected. Therefore, it can be concluded that while there may be some bias in the original analysis, it is not significant. The procedure will classify new firms as well as it did in the original analysis.

In addition to the validation procedure, researchers usually address the question of the equality of matrices. One of the assumptions in using MDA is that the variance-covariance matrices of the two groups are equal. The SPSS program tests for equality of matrices by means of Box’s M statistic. In this study Box’s M transformed to the more familiar F statistic of 21.35 resulted in a zero level of significance. Thus, the null hypothesis that the two matrices are equal cannot be rejected, and the midpoint value between the two group means can be defined as the critical \(Z\) value.
SUMMARY AND CONCLUSIONS

The purpose of this study was to establish a financial profile of measures that determine value for firms identified by salary.com as having remunerated their executive officers with the highest compensation packages in the Value Line database in a period of recession and financial turmoil, and to determine whether the financial profiles of those firms are significantly different from firms selected at random. The results of the statistical analysis indicated first, that there was a significant difference in the financial profiles of the two groups of firms. The fact that the discriminant function separated two heterogeneous groups, and classified a significant proportion correctly is no surprise. In fact, the two groups of firms were so diverse in their executive compensation packages during that time period that it would certainly have been a surprise if the discriminant function had not been so efficient.

All conclusions in this study, as in any study, simply follow the results of the statistical analysis. Table 2, reveals that the greater the following variables: the measure of operating leverage, the market value to book value ratio, the return to total capital, and the measure of financial leverage, the more likely the firm would report high total compensation packages for their executives in a period of economic recession and financial turmoil. Conversely, the greater the values for the price-earnings-growth ratio, and Value Line’s measure of price growth persistence the less likely the firm would be to award their executives high total compensation packages in a recession.

The explanatory variables measured return, risk, and the perception of investors at the margin concerning the future earnings of the firm. Two of the results may have been expected, three, had no apriori expectations, and, one was a mild surprise. Explanations as to why the variables are associated with one group or the other are beyond the scope of this study. However, a few comments on the findings may be in order.

The variables ranked one and five in their contributions to the discriminating function were the measure of operating leverage, and return to total capital, and they were positively associated with the HCR firms. These results seem logical. To the extent that compensation packages contain fixed costs they would contribute to the level of operating leverage. (However, it would be difficult to separate the fixed and variable portion of the all the compensation packages and derive a reliable average). The fixed portion of the compensation packages is however, consistent with the finding that the HCR firms have higher level of operating leverage. Return to Total Capital was also associated with HCR firms. The existence of high compensation packages would not possible, at least in the long run, for firms reporting low returns. Moreover, to the extent that some that some of the compensation may have been a partial function of returns, it is not unreasonable that both high returns total capital and high levels of operating leverage would be expected to be associated with HCR firms.

There were no apriori expectations about The Long Term Debt to Total Capital ratio (our measure of financial leverage), the Earnings Growth ratio, a measure of how investors at the margin perceive the future prospects of a company, and the Market Value to Book Value ratio, also a measure of how those investors perceive the prospects of the firm. Given the dearth of studies on the subject of compensation packages and variables that determine the value of the firm, there was simply nothing concrete on which to base apriori expectations.

The study resulted in one mild surprise. The Value Line measure of price growth persistence was not a characteristic of the HCR firms. It would seem that the better measures of price growth persistence would have been associated with the HCR firms. Price growth persistence is an historical measure. This result would lead one to believe that high compensation is a function of poor records of price growth persistence, but that cannot be concluded from the results of this study. No explanation of this phenomenon can be offered here, and that result may indeed defy logic. However, that finding as well as the other conclusions reached in the study are rich in content for needed further research.

This study has resulted in a contribution toward the construction of a theory that describes the financial characteristics of firms that awarded the highest packages of total compensation to their executives in a period of economic recession and financial market turmoil. It is further suggested that since the model was validated without bias, it can be used to predict firms that may again increase total compensation packages such a period. In order to make a more complete contribution to the theory, the
aforementioned further research is needed. The construction of a complete theory would aid managers, investors, academicians, and investment counselors by providing greater of knowledge on which to base financial decisions.

Table 1: HCR - LCF Classification

<table>
<thead>
<tr>
<th>Actual Results</th>
<th>HCR</th>
<th>LCF</th>
</tr>
</thead>
<tbody>
<tr>
<td>HCR</td>
<td>59</td>
<td>11</td>
</tr>
<tr>
<td>LCF</td>
<td>23</td>
<td>59</td>
</tr>
</tbody>
</table>

Table 2: Relative Contribution Of The Variables

<table>
<thead>
<tr>
<th>Discriminant Variables</th>
<th>Coefficient</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>X3 - Hamada’s Unlevered Beta (Operating Leverage)</td>
<td>0.909</td>
<td>1</td>
</tr>
<tr>
<td>X6 - The Price Earnings Growth Ratio</td>
<td>-0.164</td>
<td>2</td>
</tr>
<tr>
<td>X2 - The Value Line Rating For Price Growth Persistence</td>
<td>-0.124</td>
<td>3</td>
</tr>
<tr>
<td>X5 - The Ratio of Market Value to Book Value</td>
<td>0.108</td>
<td>4</td>
</tr>
<tr>
<td>X1 - Return to Total Capital</td>
<td>0.081</td>
<td>5</td>
</tr>
<tr>
<td>X4 - Long Term Debt to Total Capital (Financial Leverage)</td>
<td>-0.076</td>
<td>6</td>
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REFERENCES


