***ABSTRACT***

*Aldo Pangestu / 25150272 / 2019 / The Effect of Capital Structure on Firm Value with Profitability as Moderation Variable in Manufacturing Companies Listed in Indonesia Stock Exchange in the Period of 2014-2018 /Advisor: Drs. Sugeng Riyadi, M.M.*

*One of the company's goals is to maximize the value of the company in order to prosper shareholders. Company value reflects the company's performance which can influence investor perceptions of the company. Factors that can affect the value of the company are capital structure and profitability of the company. Therefore, management must be careful in making decisions because every financial decision can affect the value of the company and will affect the achievement of company goals.*

*Theories that support the relationship of capital structure and firm value in this study are pecking order theory and trade-off theory. The theory that explains the relationship between profitability and firm value is a signaling theory in which management gives signals to investors regarding management's views on the company's prospects for the future.*

*This study uses observation of secondary data obtained from the audited financial statements of manufacturing companies listed on the Indonesia Stock Exchange in 2014-2018. The variables used in this study are capital structure which is proxied by Debt to Equity Ratio (DER) as an independent variable, profitability is proxied by Return on Equity (ROE) as a moderating variable, and company value is proxied by Price to Book Value (PBV) as the dependent variable. Based on the purposive sampling method, the samples obtained were 71 companies so 355 observational data were obtained. The analysis technique used is multiple regression analysis with data pooling test, classic assumption test, F test, and t test.*

*The results showed that this study had passed the classic assumption test and data pooling test. Based on the F test obtained sig. of 0,000. From the t test results obtained sig. capital structure variable of 0,000 <0.05 and variable interaction of capital structure and profitability with a sig value of 0,000 <0.05. The coefficient of determination (R2) is 0.687 or 68.7%.*

*Based on research conducted, the author conclude that capital structure is proven to have a negative effect on firm value and profitability is proven to be able to moderate the effect of capital structure on firm value.*

***Keywords****: Capital Structure, Profitability, Firm Value.*