***ABSTRACT***

(Joshua Marcell Ekaputra / 20150363/2019 / *Effect of Profitability and Free Cash Flow on Firm Value Mediated by Dividend Policy in Manufacturing Sector in the 2015-2017 Period Listed on the Indonesia Stock Exchange* / Dr. Ir. Abdullah Rakhman)

*Firm value has a very important role in maximizing shareholders if there is an increase in stock prices. Increasing the company's share price will improve the welfare of shareholders. Firm value is important for investors because firm value is an indicator for the market in measuring the company as a whole. In this study, the authors found a different research relationship between profitability and firm value, free cash flow and firm value, profitability and dividend policy, free cash flow and dividend policy, dividend policy and firm value, and dividend policy relationships that mediate profitability and free cash flow towards firm value.*

*The theory used to support this thesis research is the theory of Agency Theory, Signaling Theory, Agency Cost Theory, Firm Value, Profitability, Free Cash Flow, and Dividend Policy. In addition, the results of previous studies on the relationship of profitability with firm value, the relationship of free cash flow with firm value, the relationship of dividend policy with firm value, and the ability of dividend policy to mediate profitability and free cash flow towards firm value.*

*The method used in this study is Explanatory which aims to explain the relationship between variablesand Econometrics of panel data with the WarpPLS software tool. The variables used are return on assets as an indicator of profitability, free cash flow ratio as an indicator of free cash flow, dividend payout ratio as an indicator of dividend policy, and price to book value as an indicator of firm value. The object of this research is manufacturing companies listed on the Indonesia Stock Exchange in the period 2015-2017 with 60 companies as samples. The analysis technique used in this study is pooling test, Chow Test, data analysis test, and inner model.*

*Based on the research conducted, some research results were obtained. The finding of a significant positive relationship in the free cash flow relationship with dividend policy, the relationship of dividend policy with firm value, a positive but not significant relationship in the relationship of profitability with firm value and free cash flow in firm value, found no positive relationship to the relationship between profitability and dividend policy. Besides that, it was also found that dividend policy as a mediating variable proved to be able to strengthen the free cash flow relationship with firm value, and could not strengthen the relationship of profitability with firm value.*

*The conclusion of this study is that profitability has a positive effect on firm value in 2015 and 2016 whereas no effect in 2017free cash flow has a positive effect on firm value in 2015 and 2017 while not influencing in 2016, dividend policy has a significant positive effect on firm value, free cash flow has a positive effect on dividend policy, profitability does not affect dividend policy, and dividend policy can mediate free cash flow and firm value, dividend policy cannot mediate profitability and firm value.*

*Keywords: Profitability, Free Cash Flow, Dividend Policy, and Firm Value.*