

ABSTRACT

As the third-highest economic growth province in Indonesia, West Java requires adequate infrastructure, especially an international airport. West Java government took the initiative to propose the construction of an international airport, named BIJB Kertajati. PT Bandarudara Internasional Jawa Barat, which is a provincially-owned corporation, was established as a special purpose vehicle assigned with the task of planning, funding, building, and managing airports and aerocity areas. To carry out the assignments, PT BIJB requires capital to be able to execute its operational activities. This study aimed to determine the optimal capital structure composition that could increase the company's value. This study calculated the company's highest value with two different approaches, namely the Modigliani and Miller approach and the Ehrhardt and Bringham approach with the Weighted Average Cost of Capital (WACC) method and the calculation of financial distress. The results showed that by using the Modigliani and Miller approach as well as Ehrhart and Bringham, the optimal capital structure for PT Bandarudara Internasional Jawa Barat was 57% debt and 43% equity. In this capital structure, the company's value was at the highest which were Rp 4.309.630.959.361 using the Modigliani and Miller approach (WACC 11.58%) and Rp 5.273.123.080.886 using the Ehrhardt and Bringham approach (WACC 12.92%). Where at this level of debt value there is no cost of financial distress.

Key words: *capital structure, company's value, WACC, financial distress, Modigliani dan Miller, Ehrhardt and Bringham.*