

CREDIT OPINION

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Syracuse University, NY

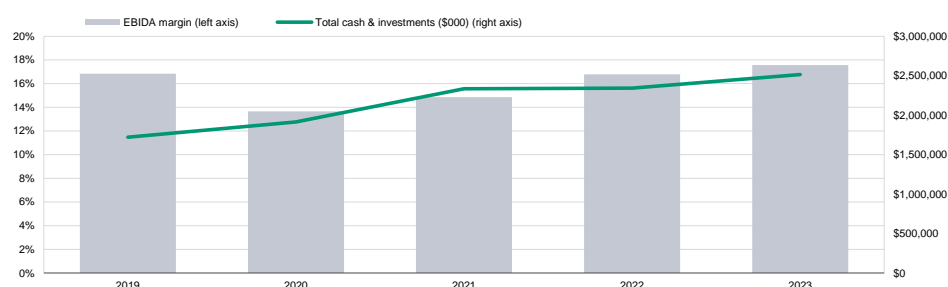
Update to credit analysis

Summary

[Syracuse University's](#) (Aa3/stable) excellent credit quality reflects the university's strong market position and pricing power translating into robust net tuition revenue growth highlighting its excellent brand and strategic positioning. Sound financial management along with steady revenue growth contributes to consistently positive operating performance. Total cash and investments are substantial at \$2.5 billion, growing by 46% over the last five years improving the already strong financial flexibility. These strengths are counterbalanced by very high competition for students and research, and limited revenue diversity. Somewhat higher leverage is also a credit challenge.

Exhibit 1

Consistently strong EBIDA margins contribute to growing cash and investments



Source: Moody's Investors Service

Credit strengths

- » Large scale of operations with \$1.3 billion in revenues and strong and growing overall wealth with total cash and investments of \$2.5 billion support excellent strategic positioning
- » Comprehensive program offerings, with a large and diversified enrollment base and solid growth of net tuition per student averaging nearly 4% annually over the past 5 years
- » Consistently strong and improving operating margins averaging nearly 7% over the three years through fiscal 2023 and solid EBIDA margin of nearly 18% in fiscal 2023

Credit challenges

- » Limited revenue diversity with 71% reliance on student charges in fiscal 2023
- » Intensely competitive student market for academically strong students, evidenced by a soft yield in the low 20% range
- » More moderate coverage of total cash and investments to operating expenses, at 2.1x, relative to peer medians

Rating outlook

The stable outlook reflects Moody's expectation that the university will maintain strong student demand and continue to generate sound EBIDA margins to enable it to invest in capital and other initiatives. It also incorporates the expectation that any material increase in debt would be offset by growth in reserves.

Factors that could lead to an upgrade

- » Substantial and sustained growth of financial reserves on an absolute basis and relative to operating expenses which at 2.1x is currently lower than peers at the same rating level
- » Enhancement of revenue diversity given the 71% reliance on student charges

Factors that could lead to a downgrade

- » Material decline in liquidity
- » Significant deterioration of operating performance, with a sustained move to below 10% EBIDA margins

Key indicators

Exhibit 2

Syracuse University, NY

	2019	2020	2021	2022	2023	Median: Aa Rated Private Universities
Total FTE Enrollment	20,619	19,215	19,621	21,103	21,210	5,320
Operating Revenue (\$000)	1,119,144	1,100,468	1,018,707	1,176,221	1,277,007	239,809
Annual Change in Operating Revenue (%)	6.9	-1.7	-7.4	15.5	8.6	10.7
Total Cash & Investments (\$000)	1,721,291	1,913,828	2,335,013	2,342,437	2,515,481	529,788
Total Adjusted Debt (\$000)	427,460	675,004	686,506	794,092	809,711	194,248
Total Cash & Investments to Total Adjusted Debt (x)	4.0	2.8	3.4	2.9	3.1	2.9
Total Cash & Investments to Operating Expenses (x)	1.7	1.8	2.4	2.1	2.1	2.4
Monthly Days Cash on Hand (x)	380	365	403	373	384	417
EBIDA Margin (%)	16.8	13.7	14.9	16.8	17.6	16.2
Total Debt to EBIDA (x)	2.3	4.5	4.5	3.4	3.0	4.9
Annual Debt Service Coverage (x)	7.8	2.7	5.2	6.7	6.8	3.3

Source: Moody's Investors Service

Profile

Established in 1870, Syracuse University is a private urban comprehensive research university located in Central New York. The university is comprised of thirteen schools and colleges offering undergraduate through doctorate degree programs. Program diversity

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adds to the university's credit strength, with over 400 degree programs. Fall 2023 enrollment was 21,210 full-time equivalent students and revenues were \$1.3 billion in fiscal 2023.

Detailed credit considerations

Market profile

Syracuse University has sound student demand and a large student body diversified across a wide array of undergraduate, graduate and professional programs, including schools of law, business, and engineering. Full-time equivalent (FTE) enrollment has grown solidly over the past several years with a 0.5% increase in fall 2023 following a large 7.6% rise in fall 2022. Syracuse's student market has steadily strengthened over time, as the university has invested heavily in faculty and academic programs as well as facilities in an urban setting. This is reflected in an increase in the number of applications, improved selectivity (41.7% in fall 2023 which was down from 51.8% in fall 2022) and widened student draw with a growing proportion of freshman applicants from outside the state. A highly competitive student market is evidenced by a freshmen matriculation ratio (percent of accepted freshmen who enroll) hovering between 16-23% in recent years. However, the university has leveraged its strong market position and increased its tuition significantly in recent years.

Operating performance

Syracuse's strong management and history of prudent budget assumptions, along with favorable growth in net tuition revenue will support continued strong surpluses. In fiscal 2024, results are expected to be in line with recent years' trends with strong average operating margins of nearly 7% over the three years through fiscal 2023 and an EBIDA margin of 17.6% in fiscal 2023 providing strong 6.8x debt service coverage. Revenue diversity is limited and the university aims to strengthen its research competitiveness. Sponsored research remains a relatively small component of operations but it grew in fiscal 2023 to \$78 million.

Financial resources and liquidity

Syracuse's significant and growing wealth has been accumulated through strong gift revenue, retention of operating surpluses, and long-term healthy investment performance. Total cash and investments totaled nearly \$2.5 billion in fiscal 2023, rising by 46% over the past five years. When compared to size of operations at 2.1x, this cushion is comparatively low compared to the estimated 4.7x median of Aa3-rated peers, but sufficient given the solid operating performance. Syracuse's monthly liquidity remains healthy, with nearly 384 days cash on hand in fiscal 2023, somewhat below the median of 453 days of Aa3-rated peers.

Leverage and coverage

The university's debt burden will remain manageable relative to its healthy operating performance, with total debt just under 3x EBIDA. Given our expectations of continued favorable EBIDA margins and gift revenue and no near term additional borrowing plans by the university, Moody's expects the debt burden to remain manageable. The all fixed rate nature of the debt is favorable.

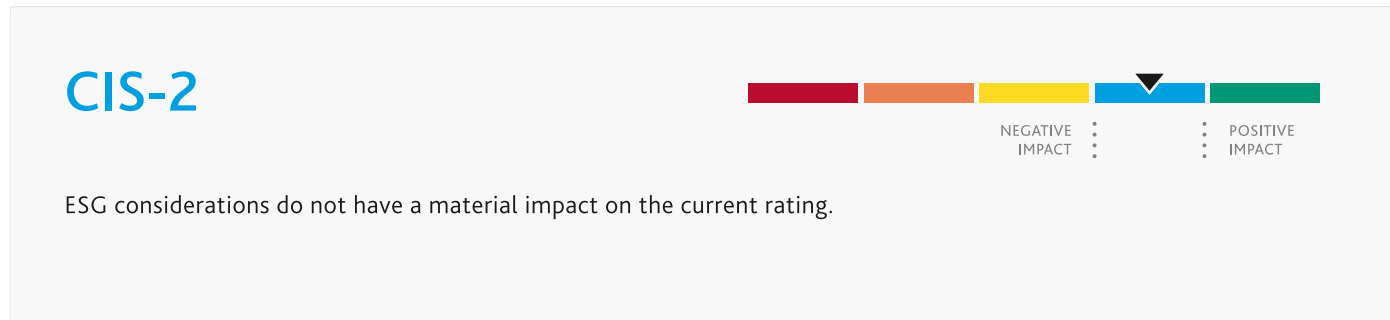
Syracuse University is in the process of upgrading its steam plant through a transfer of operations to a third-party provider. The university signed a concession agreement with CenTrio (formerly Enwave Energy Corporation). The concession is incorporated into the adjusted debt metric.

ESG considerations

Syracuse University, NY's ESG credit impact score is CIS-2

Exhibit 3

ESG credit impact score

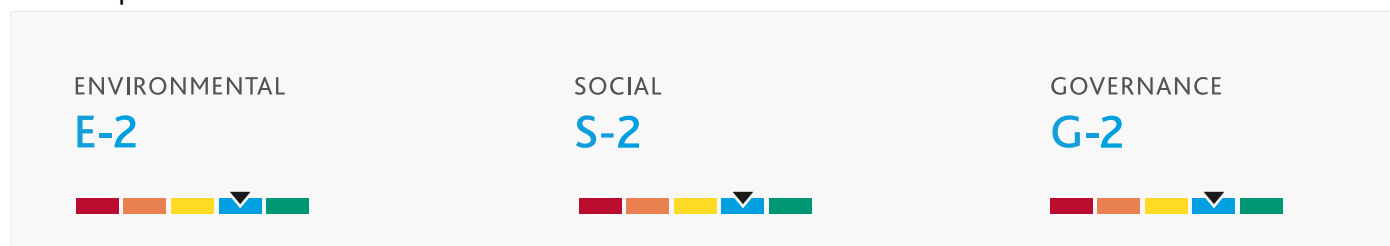


Source: Moody's Investors Service

Syracuse University's **CIS-2** indicates that ESG risks are not material to the rating. The university's ESG risk exposures are partially mitigated by its sizeable wealth and prudent financial management.

Exhibit 4

ESG issuer profile scores



Source: Moody's Investors Service

Environmental

Syracuse University's environmental risks are **E-2** across all categories and in line with most of the higher education sector. The university's location in upstate New York exposes it to manageable physical climate risks. University programs include course offerings and research on climate change and sustainability contributing to advancement in environmental issues.

Social

Syracuse University's **S-2** social risk incorporates demographic and human capital challenges. The university's exposure to the demographically challenged northeast region with its location in upstate New York is mitigated by its national and international brand recognition, attracting students to a wide variety of undergraduate and graduate programs. Good customer relations with key stakeholders is reflected by the strong student demand and growing donor support. Human capital risks like for most of the sector, reflect the relatively high percentage of tenured and tenure track faculty as well as collective bargaining agreements.

Governance

Syracuse University's **G-2** governance risks reflect effective fiscal oversight and planning evidenced by multiple years of consistent and growing surplus operations. Disciplined budgeting practices will continue to provide for strong cash flow to support strategic reinvestment and financial reserve growth mitigating somewhat higher leverage and ongoing capital needs. Management's achievement of a growing national and global brand through careful strategic investments underpins its strong track record. Like most of the sector, the large composition of the board including alumni and key donors introduces board structure risks. Favorably, the board members have good industry diversity and experience along with a demonstrated ability of effectively fulfilling its broad oversight responsibilities.

Rating methodology and scorecard factors

The principal methodology used in this rating was [Higher Education Methodology](#) published in August 2021. The Higher Education Methodology includes a scorecard that summarizes the factors that are generally most important to higher education credit profiles. Because the scorecard is a summary and may not include every consideration in the credit analysis for a specific issuer, a scorecard indicated outcome may or may not match an assigned rating. We assess brand and strategic positioning, financial policy and strategy, and operating environment on a qualitative basis.

Exhibit 5

Syracuse University

Scorecard Factors and Sub-factors	Value	Score
Factor 1: Scale (15%)		
Adjusted Operating Revenue (USD Million)	1,277	Aa
Factor 2: Market Profile (20%)		
Brand and Strategic Positioning	Aa	Aa
Operating Environment	A	A
Factor 3: Operating Performance (10%)		
EBIDA Margin	18%	Aa
Factor 4: Financial Resources and Liquidity (25%)		
Total Cash and Investments (USD Million)	2,515	Aa
Total Cash and Investments to Operating Expenses	2.1	A
Factor 5: Leverage and coverage (20%)		
Total Cash and Investments to Total Adjusted Debt	3.1	Aa
Annual Debt Service Coverage	6.8	Aaa
Factor 6: Financial Policy and Strategy (10%)		
Financial Policy and Strategy	Aa	Aa
Scorecard-Indicated Outcome		Aa3
Assigned Rating		Aa3

Data is based on most recent fiscal year available. Debt may include pro forma data for new debt issued or proposed to be issued after the close of the fiscal year.

For non-US issuers, nominal figures are in US dollars consistent with the Higher Education Methodology.

Source: Moody's Investors Service

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