

## CREDIT OPINION

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## Syracuse University, NY

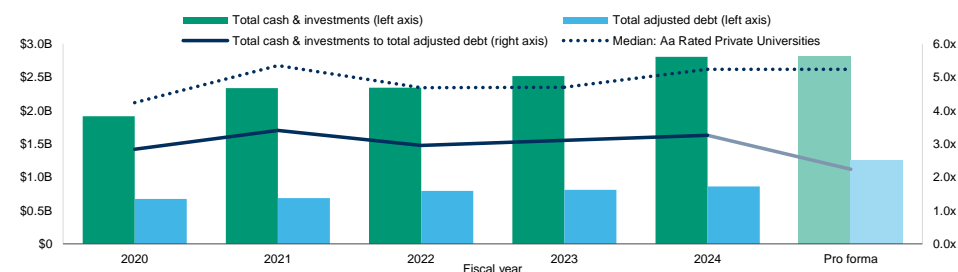
### Update to credit analysis

#### Summary

[Syracuse University's](#) (Aa3 stable) credit quality is supported by the university's strong market position and pricing power, translating into robust net tuition revenue growth and highlighting its excellent brand and strategic positioning. Sound financial management along with steady revenue growth contributes to positive operating performance. The total cash and investments rose to \$2.8 billion in fiscal 2024, increasing by 47% over the last five years improving the already strong financial flexibility. These strengths are counterbalanced by a 56% increase in leverage with some associated execution risk given the size of the housing and facility construction projects. In addition, Syracuse faces very high competition for students and research and limited revenue diversity. Wealth and donor support compared to its size of operations is comparatively low.

Exhibit 1

#### Leverage increases with planning borrowing



Pro forma data reflect the addition bond issuance of \$392 million; fiscal 2024 and pro forma medians are estimated

Source: Moody's Ratings

#### Credit strengths

- » Large operating scale of \$1.4 billion in revenues and strong and growing overall wealth of \$2.8 billion support excellent strategic positioning
- » Comprehensive program offerings, with a large and diversified enrollment base and solid growth in net tuition per student averaging nearly 3% annually over the past five years
- » Consistently sound operating margins averaging over 7% over the three years through fiscal 2024 and solid EBIDA margin of nearly 15% in fiscal 2024

#### Credit challenges

- » Limited revenue diversity with 70% reliance on student charges in fiscal 2024
- » Intensely competitive student market for academically strong students, evidenced by a soft yield of 19% in fiscal 2024

- » More moderate coverage of total cash and investments to operating expenses, at 2.2x, relative to peer medians

### Rating outlook

The stable outlook reflects the university's continued sound student demand and consistent healthy EBIDA margins, allowing for investment in capital and other initiatives while providing strong coverage of debt service. It also incorporates minimal additional borrowing beyond current plans given increased and elevated financial leverage. And it also reflects sound management of any construction risk related to new capital investments.

### Factors that could lead to an upgrade

- » Substantial and sustained growth of financial reserves on an absolute basis and relative to operating expenses
- » Enhancement of revenue diversity given the 70% reliance on student charges

### Factors that could lead to a downgrade

- » Significant deterioration in operating performance with a sustained move to below 10% EBIDA margins and narrowing of debt service coverage
- » Material decline in liquidity
- » Additional material debt beyond current borrowing plans without corresponding growth in reserves and EBIDA margins

### Key indicators

Exhibit 2

#### Syracuse University, NY

	2020	2021	2022	2023	2024	Pro forma	Median: Aa Rated Private Universities
Total FTE Enrollment	19,214	19,621	21,104	21,209	21,083	21,083	3,193
Operating Revenue (\$000)	1,100,468	1,018,707	1,176,221	1,277,007	1,355,884	1,355,884	316,485
Annual Change in Operating Revenue (%)	-1.7	-7.4	15.5	8.6	6.2	6.2	5.0
Total Cash & Investments (\$000)	1,913,828	2,335,013	2,342,437	2,515,481	2,804,536	2,804,536	2,236,421
Total Adjusted Debt (\$000)	675,004	686,506	794,092	809,711	861,732	1,253,557	450,948
Total Cash & Investments to Total Adjusted Debt (x)	2.8	3.4	2.9	3.1	3.3	2.2	4.7
Total Cash & Investments to Operating Expenses (x)	1.8	2.4	2.1	2.1	2.2	2.2	5.2
Monthly Days Cash on Hand (x)	365	403	373	384	430	430	450
EBIDA Margin (%)	13.7	14.9	16.8	17.6	14.7	14.7	15.1
Total Debt to EBIDA (x)	4.5	4.5	3.4	3.0	3.5	5.5	5.2
Annual Debt Service Coverage (x)	2.7	5.2	6.7	6.8	6.4	6.4	3.8

Source: Moody's Ratings

### 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 adds to the university's credit strength, with over 400 degree programs. Fall 2024 enrollment was 21,083 full-time equivalent students and revenues were \$1.4 billion in fiscal 2024.

### Detailed credit considerations

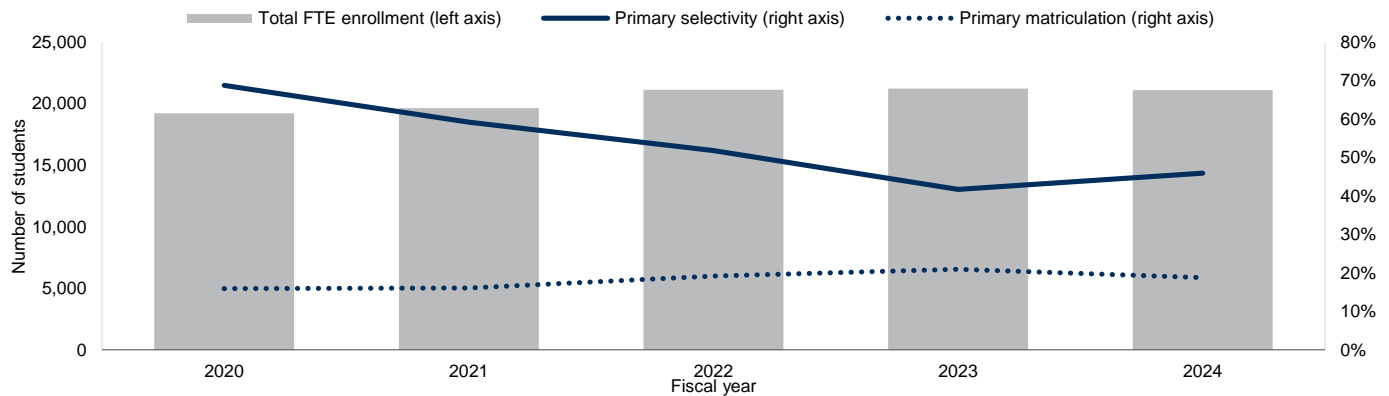
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### Market profile

Syracuse will continue to benefit from solid student market demand and a large student population diversified across a wide array of undergraduate, graduate and professional programs, including schools of law, business, and engineering. Undergraduate students make up 73% of the full-time equivalent (FTE) enrollment. Enrollment has stabilized in recent years, with growth of 2.5% since fall 2018, but declined 0.6% in fall 2024. Ongoing substantial investments in engineering and STEM programs will help strengthen demand in a very competitive market. Syracuse's brand and strategic positioning is evident in the rising number of applications and the university's ability to sustain growth in net tuition revenue and enrollment while raising the total cost of attendance.

Exhibit 3

#### Solid student market with improving selectivity in a highly competitive market



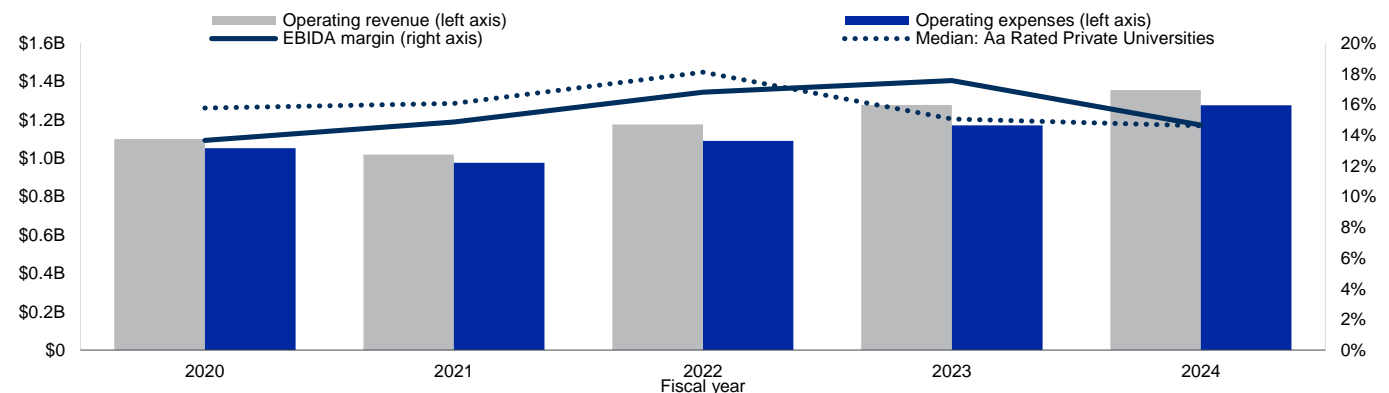
Source: Moody's Ratings

### Operating performance

Syracuse's strong financial management and conservative budgeting along with favorable growth in net tuition revenue will support continued strong surplus results, important given the rise in debt service over the next several years. In fiscal 2025, results are expected to be in line with recent years' trends which showed strong average operating margins of over 7% over the three years through fiscal 2024 and an EBIDA margin of 14.7% in fiscal 2024. Solid debt service coverage of nearly 6.5x in fiscal 2024 supports credit quality. With added debt this strong debt service coverage could ease in the absence of stronger margins. High reliance on student charges and expense pressures will remain challenges to the operating performance. Revenue diversity is limited and the university aims to strengthen its research competitiveness. Research is less exposed to potential federal policy changes to NIH grants given moderate levels of research, no medical school and greater sourcing from other federal agencies and private sponsors.

Exhibit 4

#### Strong operating performance will continue with sound management



Fiscal 2024 median is estimated

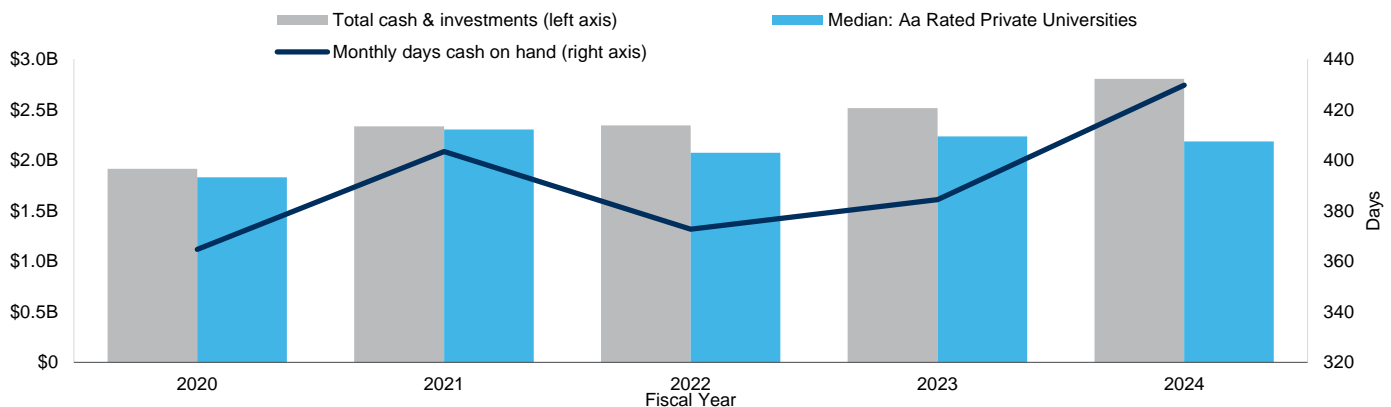
Source: Moody's Ratings

### Financial resources and liquidity

Syracuse's significant wealth will continue to grow through gift revenue, retention of operating surpluses, and long-term healthy investment performance. Total cash and investments totaled nearly \$2.8 billion in fiscal 2024, rising by 47% over the past five years. Some draws on equity in support of capital projects will slightly dampen growth over the next few years. When compared to size of operations at 2.2x, this cushion is comparatively low compared to the estimated 4.6x median of Aa3-rated peers, but sufficient given the solid operating performance. Fundraising somewhat lags peers with \$5,505 per student compared to \$11,911 of Aa3 rated private universities. The university exceeded its target campaign of \$1.5 billion collecting \$1.6 billion by December 2024. Syracuse's monthly liquidity remains healthy, with nearly 430 days cash on hand in fiscal 2024, somewhat above the median of 407 days of Aa3-rated peers.

Exhibit 5

#### Strong growth in cash and investments and sound monthly liquidity



Fiscal 2024 median is estimated

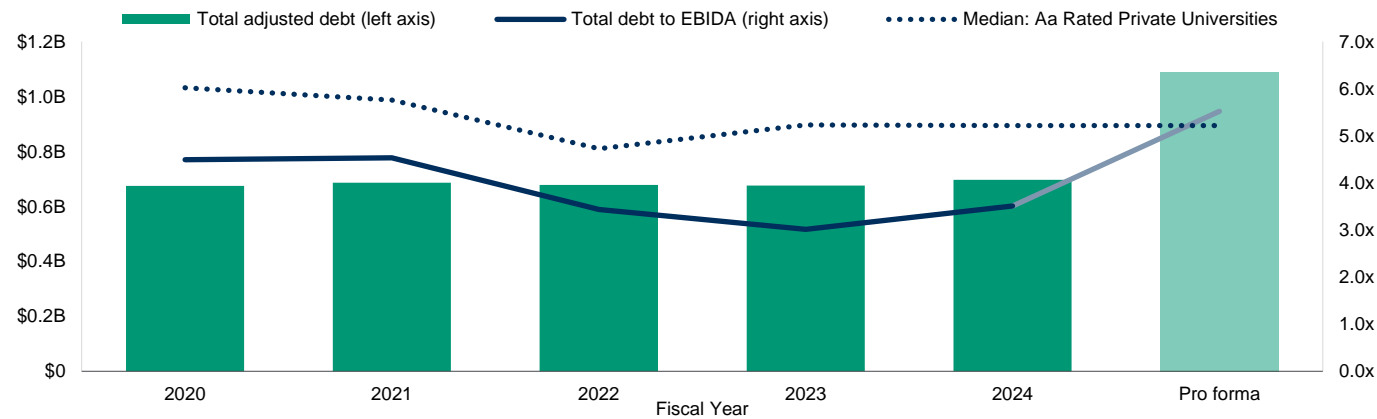
Source: Moody's Ratings

### Leverage and coverage

The university's leverage will rise significantly in fiscal 2025 by 56% with the issuance of nearly \$400 million for new student residences and a renovated engineering and computer science building. As a result, total cash and investments to proforma total adjusted debt will decline to 2.2x from 3.3x and below peers of 4.0x. Debt affordability will be a weaker 5.5x EBIDA and up from 3.5x, although remains in line with Aa3-rated peers. At the same time, the bulk of borrowing will be for student residences that are projected by the university to be self-supporting mitigating any claim they would have on budget resources. Also some budget relief from increased debt service will be provided by delayed principal, initiating in 2028, and three years of capitalized interest. The all fixed rate nature of the debt provides budget predictability. 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.

Syracuse University has upgraded its steam plant through a transfer of operations to a third-party provider. The university signed a concession agreement with Enwave Energy Corporation.

Exhibit 6  
Significant rise in leverage limits financial flexibility

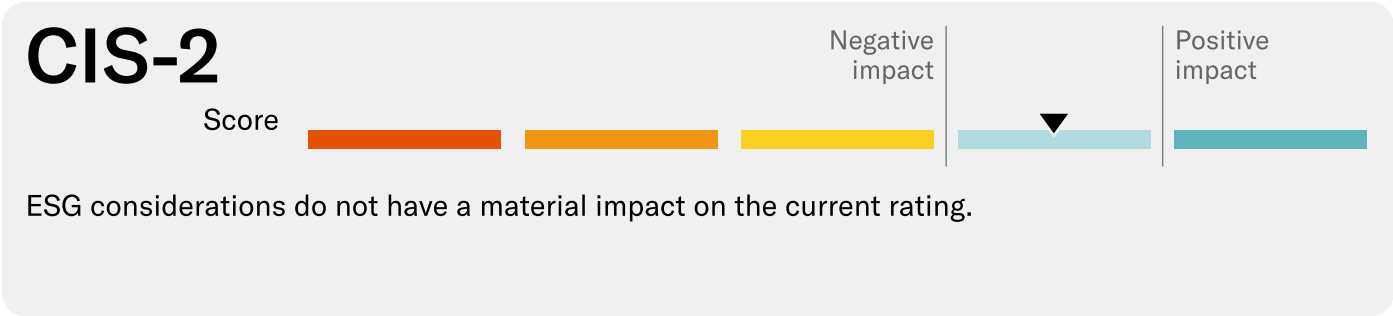


Pro forma data reflect the addition of nearly \$400 million of bonds; fiscal 2024 and pro forma medians are estimated  
Source: Moody's Ratings

ESG considerations

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

Exhibit 7  
ESG credit impact score



Source: Moody's Ratings

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 8  
ESG issuer profile scores



Source: Moody's Ratings

### 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.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

## Rating methodology and scorecard factors

The [Higher Education rating 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, operating environment, and financial strategy on a qualitative basis, as described in the methodology.

Exhibit 9

### Syracuse University

Scorecard Factors and Sub-factors	Value	Score
<b>Factor 1: Scale (15%)</b>		
Adjusted Operating Revenue (USD Million)	1,356	Aa
<b>Factor 2: Market Profile (20%)</b>		
Brand and Strategic Positioning	Aa	Aa
Operating Environment	A	A
<b>Factor 3: Operating Performance (10%)</b>		
EBIDA Margin	15%	A
<b>Factor 4: Financial Resources and Liquidity (25%)</b>		
Total Cash and Investments (USD Million)	2,805	Aa
Total Cash and Investments to Operating Expenses	2.2	A
<b>Factor 5: Leverage and coverage (20%)</b>		
Total Cash and Investments to Total Adjusted Debt	2.2	A
Annual Debt Service Coverage	6.4	Aaa
<b>Factor 6: Financial Policy and Strategy (10%)</b>		
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.

Source: Moody's Ratings

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