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- » Modest coverage of wealth relative to operations compared to peer competitors, with total cash and investments covering operating expenses by 2.5x
- » Limited revenue diversity as reflected by a high 77% reliance on net tuition and auxiliary revenue

Rating outlook

The stable outlook reflects Moody's expectations of continued strong student demand, steady operating performance, and sound liquidity. It also reflects expectations of maintenance of about 3x debt service coverage and a gradual reduction in total debt outstanding following absorption of the Series 2024 bonds

Factors that could lead to an upgrade

- » Significantly stronger coverage of total cash and investments relative to total adjusted debt and operating expenses, currently at a respective 3.3x (pro forma) and 2.5x
- » Substantial growth in nominal financial reserves and operating revenue in conjunction with materially stronger operating performance

Factors that could lead to a downgrade

- » Inability to gradually reduce debt levels relative to the \$419 million of pro forma debt upon issuance of the Series 2024 bonds
- » Sustained downturn in operating performance, leading to a move below 3x debt service coverage
- » Erosion in brand and strategic positioning, reflected by weakening in student demand, pricing power, and philanthropy

Key indicators

11/17/2023

VILLANOVA UNIVERSITY, PA

	2019	2020	2021	2022	2023	2023 pro forma	Median: Aa Rated Private Universities
Total FTE Enrollment	9,472	9,573	9,511	9,273	9,253	9,253	3,198
Operating Revenue (\$000)	493,740	497,099	502,615	552,870	585,237	585,237	302,852
Annual Change in Operating Revenue (%)	3.9	0.7	1.1	10.0	5.9	5.9	14.9
Total Cash & Investments (\$000)	938,639	1,039,345	1,356,783	1,437,615	1,376,574	1,376,574	2,151,779
Total Adjusted Debt (\$000)	255,861	303,163	234,969	219,381	202,766	419,336	456,395
Total Cash & Investments to Total Adjusted Debt (x)	3.7	3.4	5.8	6.6	6.8	3.3	4.7
Total Cash & Investments to Operating Expenses (x)	2.1	2.3	2.9	2.8	2.5	2.5	5.3
Monthly Days Cash on Hand (x)	447	384	362	400	289	289	478
EBIDA Margin (%)	16.7	16.3	17.5	16.6	12.5	12.5	18.0
Total Debt to EBIDA (x)	3.0	3.6	2.5	2.4	2.8	5.7	4.8
Annual Debt Service Coverage (x)	5.3	3.9	3.7	4.0	3.3	3.3	4.2

Source: Moody's Investors Service

Profile

Villanova University was founded in 1842 by the Augustinian Order of the Roman Catholic Church and is located 14 miles west of

Detailed credit considerations

Market profile

Strong student demand will continue to support Villanova's excellent brand and strategic positioning. Despite elevated market

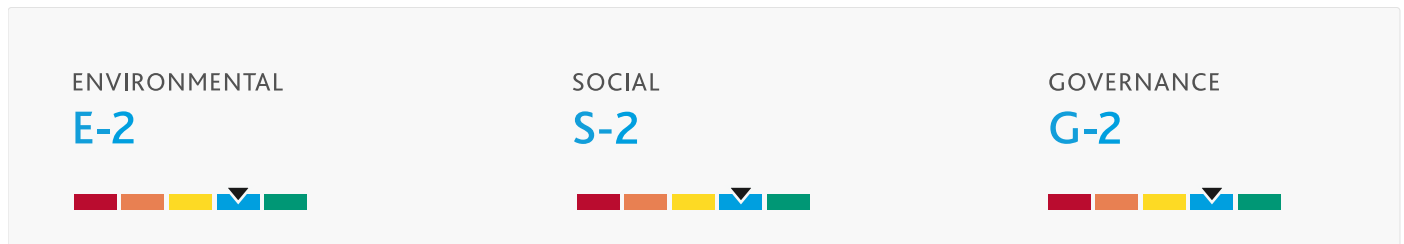
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principal amortization. With no pension exposure, the university's debt consists mainly of revenue bonds. Consistent capital spending above depreciation provides for an age of plant at below 13 years, which is well below peer medians. The new money par totaling \$217 million will be used to finance the costs associated with the new library, the purchase of the Cabrini campus, and other capital related projects.

Figure 1: University of Illinois System Debt Service Coverage Ratios (2010-2014)



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Source: Moody's Investors Service

Environmental

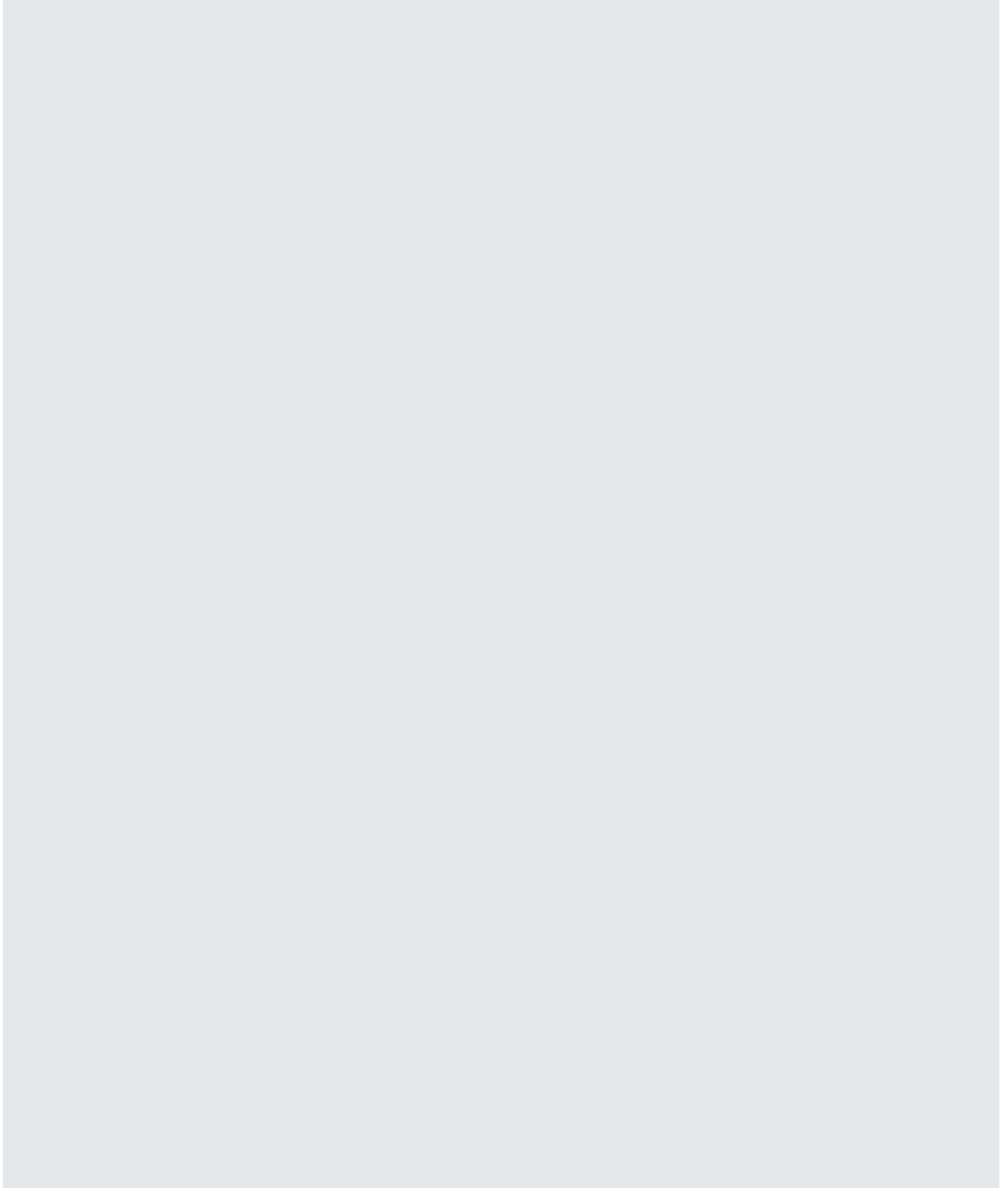
The E-2 incorporates the moderate exposure to environmental risks that include tropical storms, water stress, and heat stress. The implementation of various climate resiliency strategies limit the likelihood of material operational disruption or budgetary impact. The university's ten-year sustainability plan includes actionable measures to conserve water, reduce waste, and transition energy generation as part of a goal of achieving carbon neutrality by 2050. The individual goals set forth in the plan include baseline scores that help ensure accountability and measure progress.

Social

The university's S-2 incorporates its strong national reputation and favorable student demand. Its brand strength, good program diversity, and sound enrollment management practices will continue to mitigate the demographic risks introduced by the elevated reliance on students from the Mid-Atlantic and northeast markets. While the university is largely dependent on net student revenue, its excellent graduation rates, sound donor support and strong postgraduate earnings relative to student debt largely offset the exposure to customer relations risks. Like many sector peers, human capital risks are derived from the high faculty tenure exposure, which provides for labor rigidity. Favorably, the university's demonstrated ability to consistently exercise pricing power and grow net student revenue limits the impact of human capital challenges.

Governance

The university's G-2 reflects its track record of favorable operating results and robust wealth accumulation. Disciplined budgeting practices will continue to provide for strong cash flow to support strategic reinvestment and financial reserve growth. The successful execution of various brand strengthening initiatives, including large scale capital investment, demonstrates good management.



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