

**CREDIT OPINION**

6 November 2024



**Contacts**

Meredith Moore +1.212.553.4850  
VP-Senior Analyst  
meredith.moore@moodys.com

Melissa Nicandri +1.212.553.3890  
Analyst  
melissa.nicandri@moodys.com

Emily Raimes +1.212.553.7203  
Associate Managing Director  
emily.raimes@moodys.com

» Contacts continued on last page

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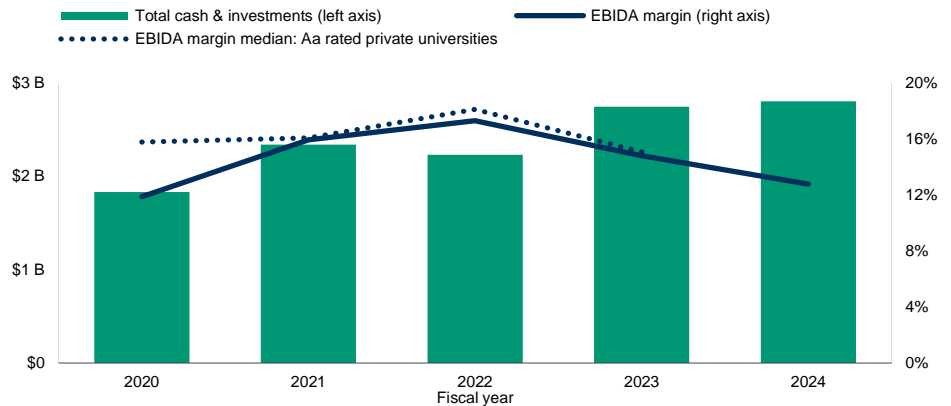
# Case Western Reserve University, OH

## Update to credit analysis

### Summary

[Case Western Reserve University, OH's](#) (Aa3/stable) ("CWRU") excellent brand and strategic position incorporates its student market strength and prominent research enterprise. Additionally, significant partnerships provide for opportunities to continue to grow enrollment, research and fundraising capabilities. A focus on cost containment initiatives and first year student growth will continue to drive low to mid-teen EBIDA margins. Total cash and investments are substantial at \$2.8 billion in fiscal 2024, with longer-term growth prospects supported by solid donor support, retained cash flow, and good investment stewardship. While debt increased significantly over the last couple years, there are no material plans for additional borrowing, supporting a gradual reduction in financial leverage over time.

Exhibit 1  
**Continued growth of total cash and investments provides stability as CWRU works to build EBIDA margins**



Source: Moody's Ratings

## Credit strengths

- » Considerable wealth with over \$2.8 billion in total cash and investments in fiscal 2024
- » Excellent strategic positioning, bolstered by strategic partnerships, supporting a strong student market and solid research enterprise
- » Sizable and diverse scope of operations with a large research profile and total operating revenue of about \$1.2 billion
- » Strong philanthropic support with three-year average gift revenue of \$135 million

## Credit challenges

- » Moderately elevated financial leverage relative to peers resulting from a recent period of significant borrowing
- » Highly competitive student market and significant competition for federal research funding, which are the university's two key revenue streams
- » A large portion of CWRU's total cash and investments are permanently restricted, somewhat limiting financial flexibility
- » Strategic plan to boost research funding elevates operating risks given new debt and historically slimmer margins for research

## Rating outlook

The stable outlook reflects continued low to mid-double digit EBIDA margins with debt service coverage of over 2x. With no planned material incremental debt leverage metrics will continue to improve over time.

## Factors that could lead to an upgrade

- » Material and sustained improvements in leverage metrics in line with Aa2 rated peers
- » Improvement of EBIDA margins in the high-double digits on a sustained basis
- » Further improvement in brand and strategic positioning, reflected in student demand, research, and philanthropy

## Factors that could lead to a downgrade

- » Material increase in debt that further weakens adjusted debt to total cash and investment below 2.5x
- » Sustained move to below 10% EBIDA margins
- » Adverse changes to the strategic partnerships with the Cleveland Clinic and/or University Hospitals Health System

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody's.com> for the most updated credit rating action information and rating history.

## Key indicators

Exhibit 2

CASE WESTERN RESERVE UNIVERSITY, OH

	2020	2021	2022	2023	2024	Median: Aa Rated Private Universities
Total FTE Enrollment	10,891	11,233	11,491	11,517	11,790	3,193
Operating Revenue (\$000)	942,776	933,695	1,006,537	1,099,539	1,130,964	316,485
Annual Change in Operating Revenue (%)	1.8	-1.0	7.8	9.2	2.9	5.0
Total Cash & Investments (\$000)	1,831,838	2,340,508	2,229,264	2,744,714	2,803,912	2,236,421
Total Adjusted Debt (\$000)	701,367	603,426	898,613	983,221	974,383	450,948
Total Cash & Investments to Total Adjusted Debt (x)	2.6	3.9	2.5	2.8	2.9	4.7
Total Cash & Investments to Operating Expenses (x)	2.0	2.7	2.4	2.6	2.6	5.2
Monthly Days Cash on Hand (x)	179	231	383	376	NA	450
EBIDA Margin (%)	11.9	15.9	17.3	14.8	12.8	15.1
Total Debt to EBIDA (x)	4.6	3.1	4.6	5.6	6.5	5.2
Annual Debt Service Coverage (x)	3.1	4.2	4.7	3.4	3.0	3.8

Source: Moody's Ratings

## Profile

Case Western Reserve University is the largest comprehensive private research university in Ohio, with sizable operations of nearly \$1.2Bn and enrollment of over 11,790 FTE students. The university is located in University Circle, a 550-acre concentration of more than 50 educational, medical, cultural, religious, and social service institutions at the eastern edge of Cleveland.

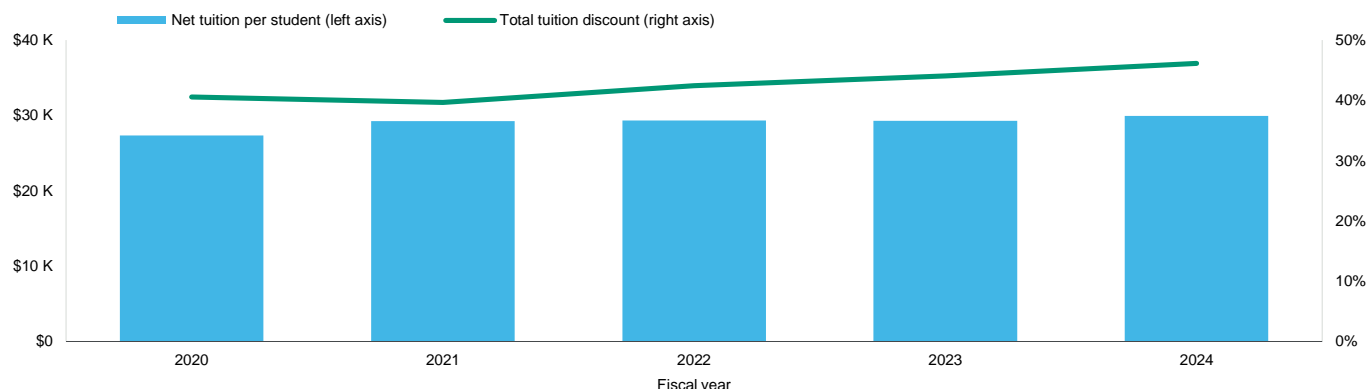
## Detailed credit considerations

### Market position

Case Western Reserve University (CWRU) is poised to continue its excellent strategic position, significantly bolstered by its strong strategic partnerships with leading medical institutions, including the Cleveland Clinic and University Hospitals. These partnerships have been further strengthened by the 2019 opening of the Health Education Campus with the Cleveland Clinic and a newly resigned 10-year affiliation agreement with University Hospitals. The Health Education Campus stands as a state-of-the-art medical teaching facility, equipped with cutting-edge technology and offering one-of-a-kind programs, positioning it as a leader in medical education.

The university's expectations for continued long-term full-time equivalent (FTE) student growth are underpinned by its prominent STEM and healthcare programs, which significantly enhance its research and academic profile on a national scale. Moreover, the anticipated opening of the science and engineering building in 2026 is expected to further support near-term student growth, underscoring the university's commitment to maintaining its status as a leading institution in science and engineering education.

Exhibit 3  
**Good enrollment and pricing management strategy supports steady gains in net tuition per student**

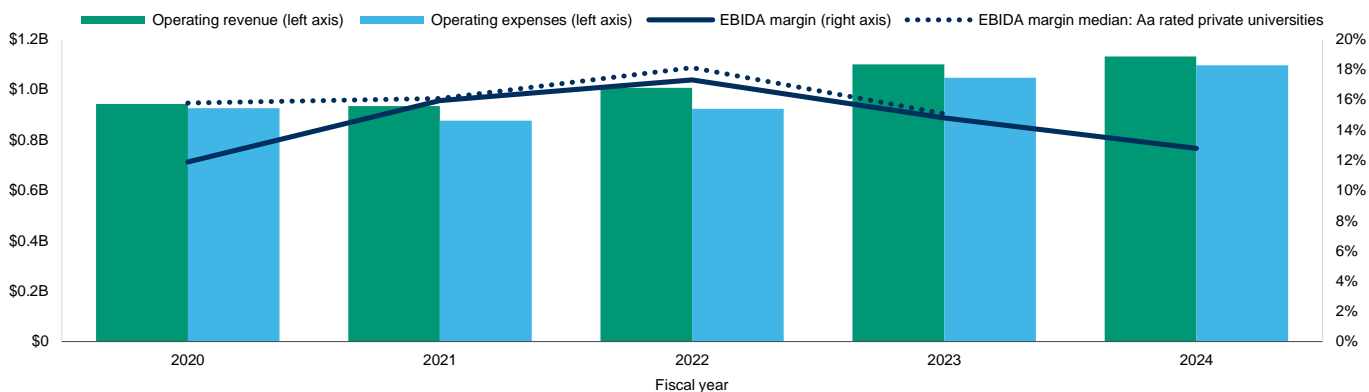


Source: Moody's Ratings

### Operating performance

Maintenance of EBIDA margins will be primarily driven by continued year-over-year FTE growth along with good expense management. These factors, along with strong revenue diversity, will support the general stability of EBIDA margins in the low to mid-teens. The university's large scope of operations, with total operating revenue at just under \$1.2 billion, contributes to economies of scale. With significant scale and healthy operating performance, CWRU will maintain good debt affordability from operations. The longer history of closely aligning revenue and expense growth reflects strong budgetary discipline, which is a key factor supporting our expectations of stability in operating performance.

Exhibit 4  
**Given cost containment efforts revenues will continue to outperform expense growth**



Source: Moody's Ratings

### Financial resources and liquidity

Strong philanthropy will remain a key driver in supporting long-term financial reserve accumulation. In fiscal 2024, total cash and investments reached \$2.8 billion, marking a nearly 70% growth over the span of a decade. This significant growth in total cash and investments over the past ten years can be attributed to robust fundraising efforts, efficient cash flow generation, and investment returns. Three-year average gift revenue of \$134 million in fiscal 2024 reflects the university's continued ability to attract donor support.

The presence of a large research enterprise will continue to limit the financial reserve cushion relation to operating expenses. However, despite a significant portion of the university's total cash and investments subject to donor restriction, the university's liquidity profile will remain healthy. Potential liquidity risks will remain manageable given the university's healthy operating performance and predominantly fixed rate debt.

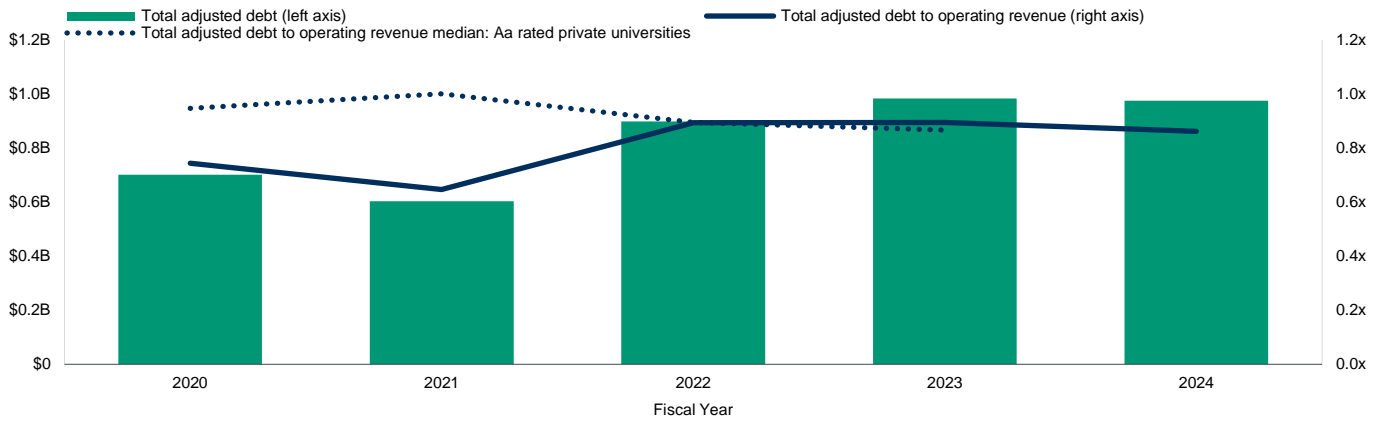
**Leverage and Coverage**

Debt capacity will continue to remain limited driven by recent large financings over the past several years. However, the current outstanding debt is rapidly amortizing at about \$20 million of principal pay down annually over the next several years. Current in flight projects including the \$300 million interdisciplinary science and engineering building is partially funded through historical borrowings. Additionally, with previous borrowings the university created an internal central bank to be used for future capital and strategic projects.

Near term projects include the Moll Mental Health Project, Biology Teaching Labs, Adelbert Gym Renovation and the renovation of the Department of Pathology, some of which could be funded through central bank dollars. Management has a capital budget of \$247 million in fiscal 2025 that will be funded through historical bond proceeds, the central bank, fundraising and cash. While the university does not have immediate debt plans it is still reviewing potential refunding plans for the mandatory tender on the 2019C bonds and bridge financing for the interdisciplinary science and engineering building.

Exhibit 5

**Following 2022 debt issuance, adjusted debt metrics weakened however remain in line with medians**



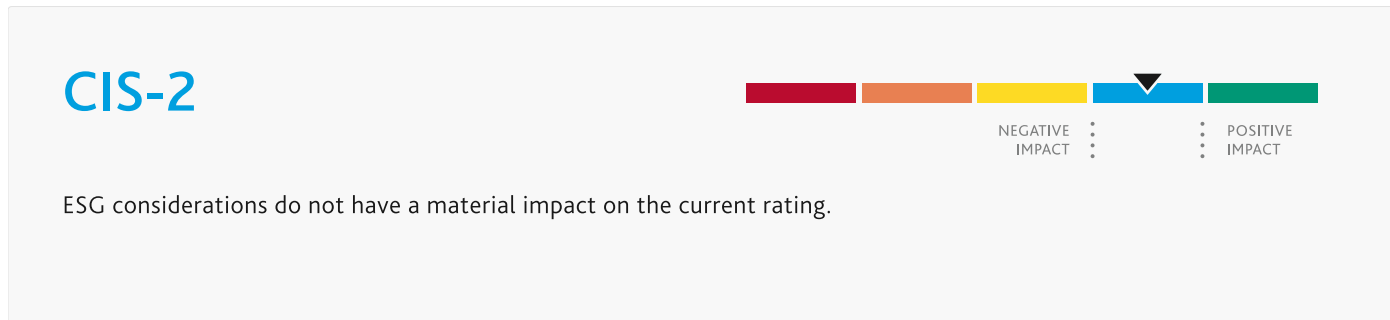
Source: Moody's Ratings

## ESG considerations

### Case Western Reserve University, OH's ESG credit impact score is CIS-2

Exhibit 6

#### ESG credit impact score

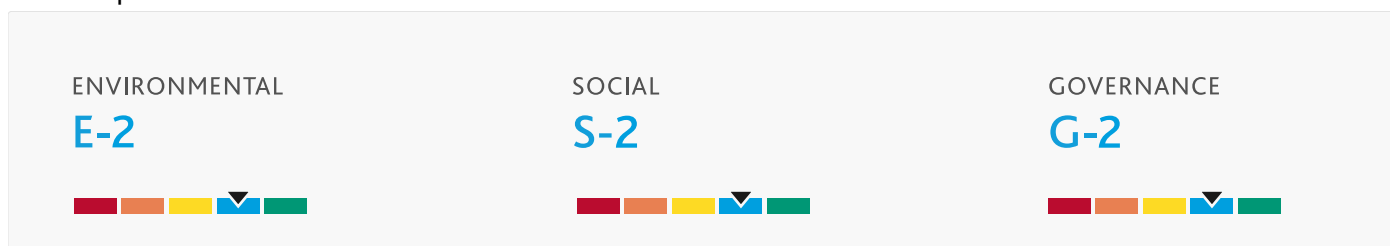


Source: Moody's Ratings

Case Western Reserve University's **CIS-2** indicates that ESG considerations are not material to the rating. Substantial financial resources, strong donor engagement, and solid brand recognition partially mitigates the university's ESG risk exposures.

Exhibit 7

#### ESG issuer profile scores



Source: Moody's Ratings

### Environmental

CWRU's **E-2** reflects the university's location in Cleveland, OH exposing it to some modest physical climate risks, but other environmental risks are low.

### Social

CWRU's **S-2** reflects national and international brand recognition, attracting students to its wide variety of undergraduate and graduate programs. This is somewhat offset by its location in the demographically challenged Midwest region. Customer relations risks are better than a majority of the sector, given positive outcomes of graduating students and strong donor engagement. Human capital risks include faculty tenure as well as collective bargaining agreements, similar to other credits across the sector.

### Governance

CWRU's **G-2** reflects a history of solid financial management and strategy, evidenced by multiple years of operating surpluses. Capable debt and treasury management offset some debt structure risk, though additional complexity could eventually erode both management credibility and financial strategy scores. Board structure risks are moderately negative, like for the majority of sector, given the large size of the board and number of alumni on it. Favorably, the board has a history of strong oversight over the university.

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 8

### Case Western Reserve University, OH

Scorecard Factors and Sub-factors	Value	Score
<b>Factor 1: Scale (15%)</b>		
Adjusted Operating Revenue (USD Million)	1,131	Aa
<b>Factor 2: Market Profile (20%)</b>		
Brand and Strategic Positioning	Aa	Aa
Operating Environment	Aa	Aa
<b>Factor 3: Operating Performance (10%)</b>		
EBIDA Margin	13%	A
<b>Factor 4: Financial Resources and Liquidity (25%)</b>		
Total Cash and Investments (USD Million)	2,804	Aa
Total Cash and Investments to Operating Expenses	2.6	A
<b>Factor 5: Leverage and coverage (20%)</b>		
Total Cash and Investments to Total Adjusted Debt	2.9	A
Annual Debt Service Coverage	3.0	A
<b>Factor 6: Financial Policy and Strategy (10%)</b>		
Financial Policy and Strategy	A	A
Scorecard-Indicated Outcome		A1
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 Ratings

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## Contacts

Meredith Moore  
VP-Senior Analyst  
meredith.moore@moodys.com

+1.212.553.4850

Melissa Nicandri  
Analyst  
melissa.nicandri@moodys.com

+1.212.553.3890

Emily Raimes  
Associate Managing  
Director  
emily.raimes@moodys.com

+1.212.553.7203

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