

CREDIT OPINION

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Send Your Feedback

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Ohio State University (The), OH

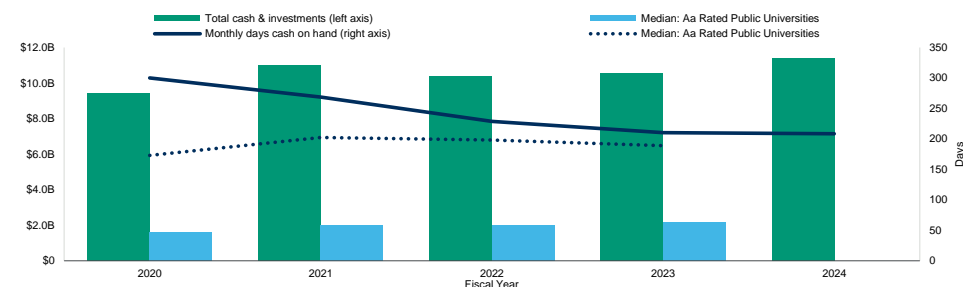
Update to credit analysis

Summary

The [Ohio State University's](#) (OSU; Aa1 stable) excellent credit quality continues to incorporate its highly important role as [Ohio's](#) (Aaa stable) flagship land-grant university. Further, favorable student and clinical demand, growing research activity, and reliable state funding support prospects for sustaining steady revenue growth. Prudent fiscal management will continue to generate solid EBIDA margins in the low-to mid-teen range. Retained surpluses, prudent investment stewardship, and solid philanthropy will drive longer-term gains to the university's already substantial \$11.4 billion of total cash and investments. Direct exposure to the continued challenges of the healthcare industry will provide some credit risk. Furthermore, elevated levels of adjusted debt and various enterprise risks related to administering a large, complex university will continue to pose some challenges.

Exhibit 1

Substantial wealth and liquidity support good financial flexibility



Source: Moody's Ratings

Credit strengths

- » Excellent brand and strategic positioning as a large flagship land-grant university serving about 61,000 full-time equivalent students
- » Substantial total cash and investments at \$11.4 billion providing for a solid cushion relative to operating expenses at 1.2x
- » Strong financial management contributing to consistently favorable EBIDA margins in the low mid-teen range
- » Expansive scope of operations and excellent revenue diversity, supporting significant economies of scale and operating durability

Credit challenges

- » Elevated adjusted debt relative to both wealth and scale, largely driven by a large unfunded net pension liability

- » Significant competition for students and tuition pricing limitations, constraining net tuition revenue growth
- » Exposure to various enterprise risks related to managing a large, operationally complex institution with diverse business lines and stakeholders

Rating outlook

The stable outlook reflects continued strong revenue growth, sound operating performance, and strong liquidity. It also incorporates a measured approach to debt issuance translating to maintenance of manageable financial leverage.

Factors that could lead to an upgrade

- » Increased cushion of total cash and investments relative to both adjusted debt and operating expenses to above 3x and 2x, respectively, in conjunction with a sustained improvement in operating performance
- » Strengthening in both brand and strategic positioning and operating environment to be more in-line with Aaa-rated peers

Factors that could lead to a downgrade

- » Sustained move to below 10% EBIDA margins driven by a significant decline in profitability at the health system
- » Material increase in financial leverage or move in debt to EBIDA to above 5.5x

Key indicators

Exhibit 2

OHIO STATE UNIVERSITY, OH

| | 2020 | 2021 | 2022 | 2023 | 2024 | Median: Aa Rated Public Universities |
|---|------------|------------|------------|------------|------------|--------------------------------------|
| Total FTE Enrollment | 61,762 | 61,737 | 60,033 | 59,694 | 61,061 | 31,582 |
| Operating Revenue (\$000) | 7,417,768 | 7,859,608 | 8,727,180 | 9,543,882 | 10,184,001 | 1,560,341 |
| Annual Change in Operating Revenue (%) | 2.5 | 6.0 | 11.0 | 9.4 | 6.7 | 4.9 |
| Total Cash & Investments (\$000) | 9,407,084 | 11,020,432 | 10,373,249 | 10,580,347 | 11,408,741 | 2,146,033 |
| Total Adjusted Debt (\$000) | 15,017,915 | 16,340,886 | 17,565,910 | 16,697,706 | 15,227,954 | 1,760,397 |
| Total Cash & Investments to Total Adjusted Debt (x) | 0.6 | 0.7 | 0.6 | 0.6 | 0.7 | 1.1 |
| Total Cash & Investments to Operating Expenses (x) | 1.3 | 1.5 | 1.3 | 1.2 | 1.2 | 1.2 |
| Monthly Days Cash on Hand (x) | 300 | 269 | 229 | 210 | 208 | 189 |
| EBIDA Margin (%) | 12.1 | 12.6 | 14.6 | 14.1 | 11.5 | 11.7 |
| Total Debt to EBIDA (x) | 3.5 | 3.2 | 3.1 | 2.9 | 3.5 | 4.4 |
| Annual Debt Service Coverage (x) | 4.9 | 5.0 | 5.2 | 5.2 | 4.3 | 3.2 |

Source: Moody's Ratings

Profile

The Ohio State University is the flagship, land-grant university for the State of Ohio with total operating revenue of over \$10 billion. Originally founded in 1870, the consolidated entity consists of substantial academic, research, athletic, and healthcare enterprises. Across its main flagship campus in Columbus and four regional campuses, the university serves about 61,000 full-time equivalent students within its diverse mix of undergraduate, graduate, and professional degree programs. In addition to its educational enterprise, the university owns and operates The Ohio State University Wexner Medical Center, which is comprised of seven hospitals and a network of clinical ambulatory sites. The health system provides a broad range of clinical services ranging from primary to quaternary specialized care.

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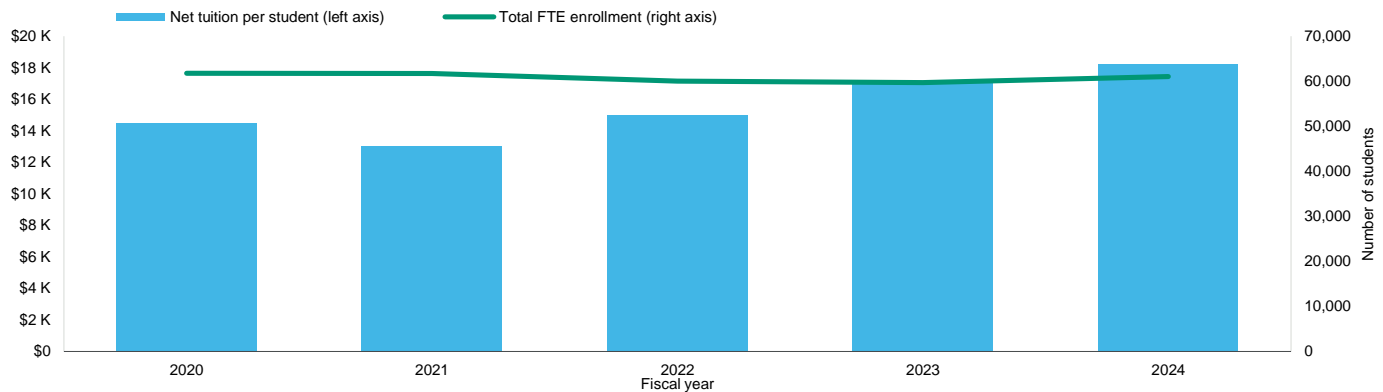
Detailed credit considerations

Market profile

OSU's strong academic and clinical reputation, sizeable research and athletic enterprises, and solid donor support will continue to support significant brand strength and modest enrollment growth. Despite the increasingly competitive higher education landscape, the university will continue to meet enrollment management objectives. Continued strategic investments in programs, facilities, faculty, financial aid, and other initiatives will help sustain market strength. The university's strong market reputation will continue to drive favorable fundraising support with the current campaign set at \$4.5 billion. Further, continued investments in research infrastructure, staff, and partnerships will continue to enhance the university's market profile.

Exhibit 3

Net tuition per student continues to grow with relative stability of enrollment



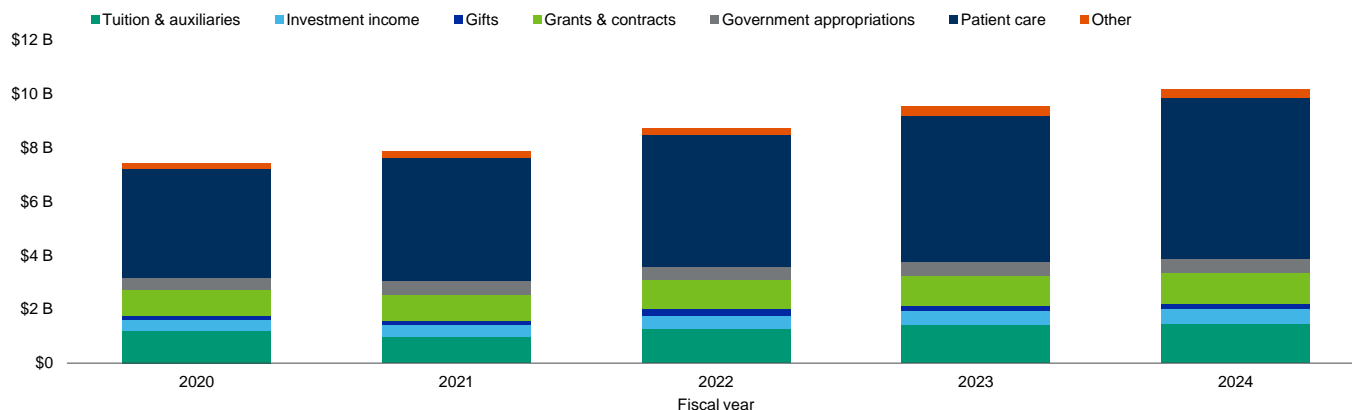
Source: Moody's Ratings

Operating performance

Disciplined financial management will support the continuation of strong operating results. Management's detailed approach to budgeting, forecasting, and benchmarking will contribute to the maintenance of double-digit EBIDA margins for the foreseeable future. The stability of operating results will be further supported by the university's good revenue growth outlook, substantial economies of scale, and excellent revenue diversity. State funding, which accounts for just 5% of total operating revenue, will continue to be favorable.

The profitability of the health system will continue to heavily impact consolidated financial results. Nearly 60% of the university's \$10.2 billion of total operating revenue is derived from patient care, which includes 42% inpatient revenue and 58% outpatient revenue. The health system's favorable reputation, diversity of clinical services, and strategic expansion support prospects for sustaining longer-term revenue growth. Expansion efforts include the new \$1.9 billion inpatient hospital tower, which is slated to open in spring 2026 and will add significant clinical capacity and further strengthen the health system's already strong brand.

Exhibit 4

Good revenue diversity and substantial scale support significant brand strength

Source: Moody's Ratings

Financial resources and liquidity

Substantial wealth and liquidity will continue to underpin credit strength. Total cash and investments of \$11.4 billion in fiscal 2024 provided a 1.2x cushion relative to operating expenses, which is in line with similarly rated peers. Unrestricted monthly liquidity of \$5.3 billion translated to an ample 209 days cash on hand. Retained cash flow, philanthropy, and investment returns will each remain key channels for financial reserve growth.

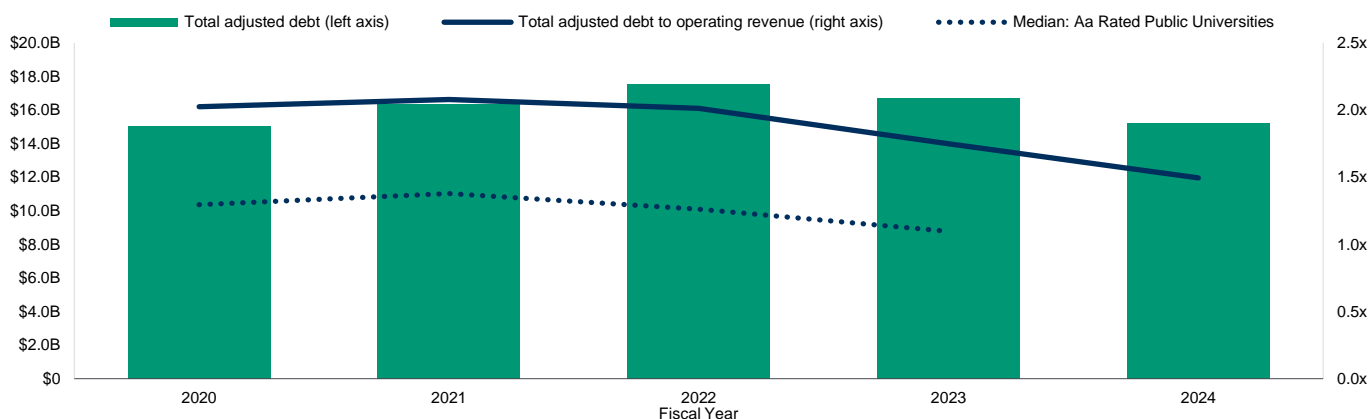
The long-term investment pool (LTIP) is managed by an in-house office of investments under general oversight of the Board of Trustees. Investments within the LTIP are diversified across asset classes and historical returns have been in-line with sector peers. The investment policy provides for a 4.5% spend rate of the five-year moving average of the market value of the LTIP.

Leverage and coverage

While the university continues to undertake significant capital investment, financial leverage will remain manageable given its significant wealth and scale. Total cash and investments cover direct debt by a strong 2.8x, though coverage of total adjusted debt was a more moderate 0.8x. In addition to bonded debt and leases, total adjusted debt also includes the sizeable unfunded net pension liability and debt-like obligations related to the parking and energy concessions.

The university's fiscal 2025 five-year capital plan includes a total of nearly \$2 billion in spending, though the majority of this spending relates to prior commitments for projects currently under construction. The funding for this plan will consist of diverse sources, including cash flow, reserves, philanthropy, state capital appropriations, and debt.

Exhibit 5

Financial leverage remains manageable, even on an adjusted debt basis

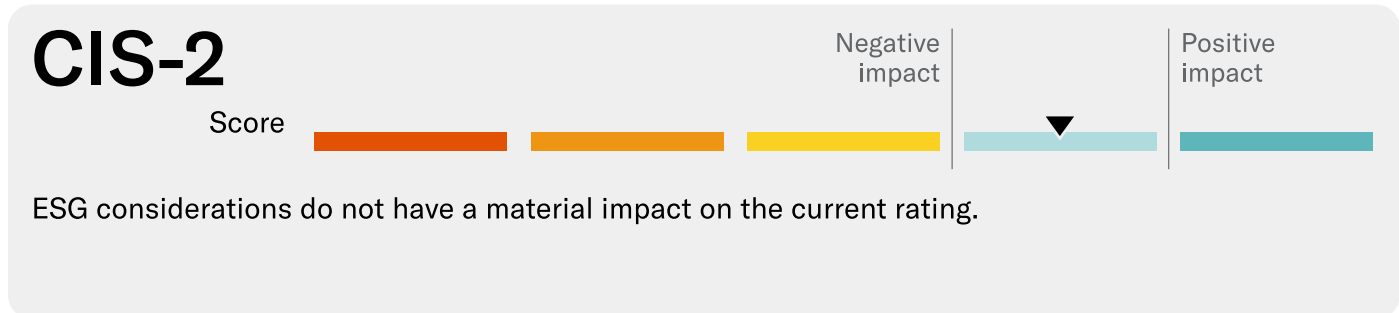
Source: Moody's Ratings

ESG considerations

Ohio State University (The), OH's ESG credit impact score is CIS-2

Exhibit 6

ESG credit impact score

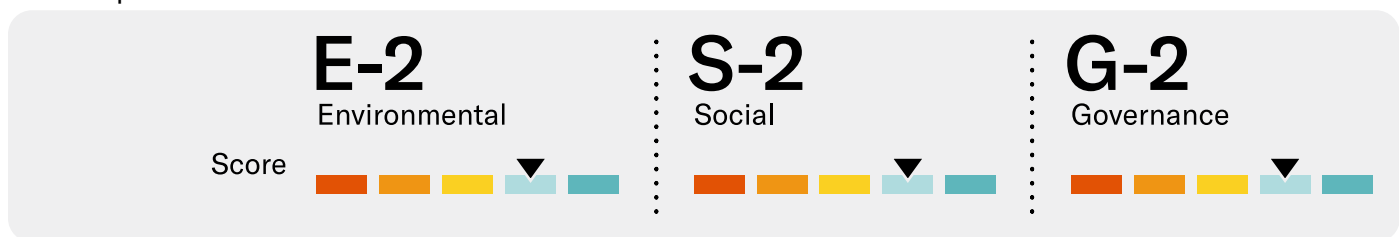


Source: Moody's Ratings

The Ohio State University's **CIS-2** indicates that ESG considerations are not material to the rating. The university's excellent brand strength, strong institutional leadership, and sound liquidity largely mitigate its exposure to ESG risks.

Exhibit 7

ESG issuer profile scores



Source: Moody's Ratings

Environmental

The university's **E-2** incorporates its manageable exposure to climate risks that primarily include heat and water stress. A comprehensive sustainability plan includes clearly articulated strategies to reduce waste, conserve water, locally source food, and bolster sustainability-focused research, teaching, and outreach. The university is making steady progress towards its goal of achieving carbon neutrality by 2050 by using a combination of strategies.

Social

Ohio State's **S-2** incorporates the strength of its brand as a flagship and land-grant institution with excellent revenue diversity and substantial wealth and scale. Strong demand for educational and clinical services, favorable donor support, solid state funding, and expansive sponsored research activity positively factor into the customer relations framework and mitigates exposure to regional demographic risks. Human capital risks include the need for specialized faculty and staff, providing for higher labor costs, along with exposure to faculty tenure and several collective bargaining agreements which introduce labor rigidity. With patient care revenue as the largest individual revenue source of the consolidated enterprise, the competitive landscape for nursing and clinical staff also factors into human capital considerations. The credit risk introduced by the ongoing exposure to litigation related to sexual abuse claims from decades ago is largely mitigated by the university's substantial wealth and liquidity.

Governance

OSU's **G-2** incorporates its disciplined budget and treasury management, predictable and favorable operating results, and excellent liquidity. The demonstrated record of effective stewardship of the large, operationally complex organization with substantial academic, healthcare, athletic, and research enterprises reflects good management credibility. Detailed capital planning and debt capacity analysis contributes to strong strategic positioning and maintenance of manageable direct leverage. Public universities typically have some board

structure and governance risks given their lack of full independence from the state. All of the voting board members are appointed by the state's governor. Favorably, individual board members have diverse backgrounds and areas of expertise as well as a track record of effective advocacy on behalf of the university to advance its institutional priorities.

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 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 8

The Ohio State University

| Scorecard Factors and Sub-factors | Value | Score |
|--|--------|-------|
| Factor 1: Scale (15%) | | |
| Adjusted Operating Revenue (USD Million) | 10,184 | Aaa |
| Factor 2: Market Profile (20%) | | |
| Brand and Strategic Positioning | Aa | Aa |
| Operating Environment | Aa | Aa |
| Factor 3: Operating Performance (10%) | | |
| EBIDA Margin | 12% | A |
| Factor 4: Financial Resources and Liquidity (25%) | | |
| Total Cash and Investments (USD Million) | 11,409 | Aaa |
| Total Cash and Investments to Operating Expenses | 1.2 | Aa |
| Factor 5: Leverage and coverage (20%) | | |
| Total Cash and Investments to Total Adjusted Debt | 0.7 | A |
| Annual Debt Service Coverage | 4.3 | Aaa |
| Factor 6: Financial Policy and Strategy (10%) | | |
| Financial Policy and Strategy | Aa | Aa |
| Scorecard-Indicated Outcome | | Aa2 |
| Assigned Rating | | Aa1 |

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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