

ISSUER COMMENT

3 June 2022



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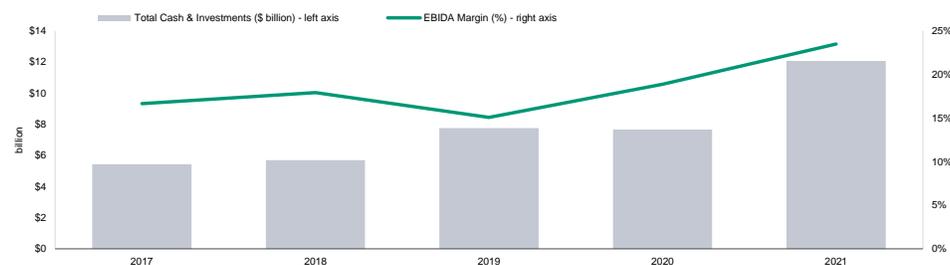
Vanderbilt University, TN

Excellent student demand and growing wealth

[Vanderbilt University's](#) (Aa1 stable) significant wealth, strong student demand, ongoing donor support, and sponsored research prowess continue to support excellent strategic positioning. Total cash and investments reached \$12 billion at the end of fiscal 2021, including over \$3.8 billion of unrestricted monthly liquidity, providing it with significant flexibility. These financial reserves partially mitigate some ongoing health care performance and business risks associated with the still relatively new post reorganization relationship with [Vanderbilt University Medical Center](#) (A3 negative). Competition with reputational peers who generally have even greater total wealth and higher total gift revenue tempers credit strength.

Exhibit 1

Credit quality boosted by total cash and investments which reached \$12 billion in fiscal 2021 combined with strong operating discipline



Source: Moody's Investors Service

Vanderbilt's diverse academic programs and solid reputation will continue to translate into excellent student demand. Freshman applications for fall 2021 continued a growth pattern as the university admitted just 71% of its applicants and yielded 48.3% of admits. Demand for graduate and professional programs that comprise around 45% of enrollment remains strong and contributes to net tuition revenue strength. The university's commitment to socioeconomic diversity including a no-loan initiative translates into substantial tuition discounting which came in at 44% in fiscal 2021. The university's sizeable research enterprise remains stable, with significant exposure to federal funding. Research expenses totaled \$241 million in fiscal 2021, not including the research activities of VUMC.

Vanderbilt's operating performance will remain strong with prospects buoyed by sound financial planning and prudent endowment spending. The university generated an EBIDA margin of 24% in fiscal 2021. In fiscal 2021 the largest revenue source was tuition and auxiliaries at 30% of operating revenue. The university's operating health will remain tethered to the fiscal health of the separate VUMC. The affiliation agreement between the university and the new not-for-profit includes various flows of funds and exchanges. On a

combined basis these revenue sources comprised 19% of the university fiscal 2020 revenue base.

Vanderbilt's practice of spending less than 5% of trailing average of endowment value translates into stronger operating performance and supports growth of the endowment's inflation-adjusted spending power over time. With a solid track record of donor support, the university will continue to fund incremental program investments made possible through philanthropy. Total gift revenue was \$103 million in fiscal 2021.

As of March 31, 2022, Vanderbilt had \$759 million of discounted daily liquidity. On that same date the university had \$50 million of commercial paper outstanding under its total \$300 million CP program. Strong treasury management and reporting discipline also informs our credit opinion.

With limited future borrowing plans and well funded capital plan, Vanderbilt's financial leverage will remain relatively low. Total cash and investments cover total adjusted debt by 15x. In 2021 the university entered into a 65-year term ground lease with Balfour Beatty-Axium to construct a mixed use facility primarily aimed at graduate student housing on Vanderbilt owned land. Management reports that construction is on time. Our total adjusted debt in fiscal 2021 includes an associated proxy for the project's leverage of approximately \$107 million.

Exhibit 2

Vanderbilt University, TN ¹

	2017	2018	2019	2020	2021	Median: Aa rated private universities
Total FTE Enrollment	12,052	12,184	12,412	12,718	12,998	3,483
Adjusted Operating Revenue (\$000)	1,329,667	1,346,616	1,371,745	1,455,125	1,545,725	258,066
Annual Change in Operating Revenue (%)	5.6	1.3	1.9	6.1	6.2	-0.9
Total Cash and Investments (\$000)	5,431,077	5,701,750	7,752,454	7,662,772	12,076,928	2,340,508
Total Adjusted Debt (\$000)	425,280	419,872	596,490	608,742	804,366	361,063
Total Cash and Investments to Total Adjusted Debt (x)	13	14	13	13	15	5.7
Total Cash and Investments to Operating Expenses (x)	4.5	4.7	6.1	5.9	9.2	6.4
Monthly Days Cash on Hand	620	585	843	732	1,176	572
EBIDA Margin (%)	16.7	17.9	15.1	18.9	23.5	15.9
Total Debt to Cash Flow (x)	1.7	1.5	2.6	2.0	1.7	5.7
Annual Debt Service Coverage (x)	13	13	8.3	13	13	3.4

Source: Moody's Investors Service

Issuer profile

Vanderbilt University is a private research university located in Nashville, Tennessee. Operating revenue increased 6% in fiscal 2021 to \$1.5 billion. Total full-time equivalent (FTE) enrollment for the university's comprehensive array of undergraduate, graduate, and professional programs stood at 12,998 in fall 2021. Undergraduate students comprised 54% of the university's total FTE enrollment.

Endnotes

¹ Definitions of the metrics in the Key Indicators table are available in the appendices of our most recently published Higher Education medians reports, [public university](#) and [private university](#). The appendices also provide additional metrics broken out by sector and rating category. We use data from a variety of sources to calculate the medians, some of which have differing reporting schedules. Median data for prior years published in this report may not match last year's publication because of data refinement and changes in the sample sets used, as well as rating changes, initial ratings, and rating withdrawals. Median data represents the most recent published median data, which in some cases could be from the prior fiscal year.

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