

ISSUER COMMENT

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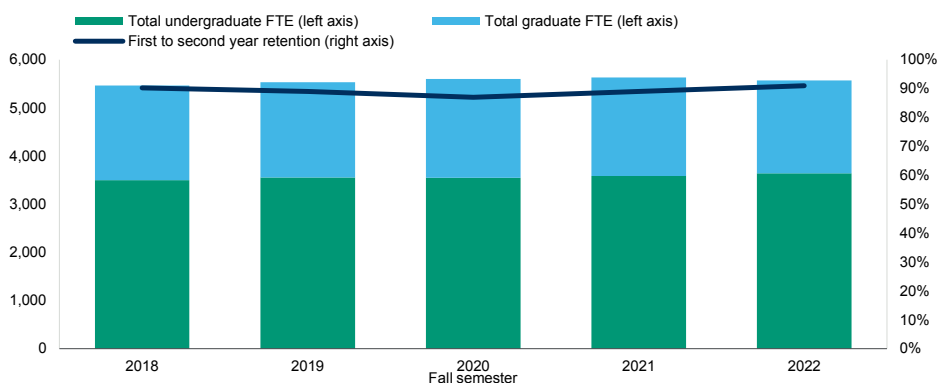
Samford University, AL

Good student demand, operating performance and donor support underpin credit quality

[Samford University's](#) (A3 stable) credit quality incorporates its very good brand as a moderately sized, faith-based private university with diverse academic offerings and solid student demand. Very good fiscal management is supportive of healthy operating performance while sound total wealth, underpinned by good donor support, provides good coverage of operating expenses. Offsetting credit factors include a high reliance on student charges and elevated leverage including a defined benefit pension plan obligation. Samford's ability to sustain net student revenue growth leading to strong EBIDA margins will be an important factor in maintaining its credit quality.

Exhibit 1

Despite some fluctuation in enrollment composition, student demand has remained steady



Source: Moody's Investors Service

Samford's faith-based identity and diversified program mix will continue to support the university's student market prospects. Overall enrollment is generally steady, with some softness in graduate enrollment offset by growing undergraduate enrollment, up 4% in fall 2022 from fall 2018. First to second year retention has remained strong averaging about 89% over the last five years. Although the university expects continued softness in graduate enrollment, it is targeting new growth markets in Texas and Florida. For fall 2023, management reports that first-time, first-year deposits are running about 15% higher than at the same point in fiscal 2022. While pricing power has been relatively steady, with gradual increases in net tuition revenue in recent years, fiscal 2022 saw a decline due to increased discounting driven by a competitive student market with lower-priced public university options.

Operating performance will remain sound underpinned by very good fiscal management including conservative budgeting and a proactive and anticipatory planning posture. For fiscal 2022, the EBIDA margin of 17% was comparable to the A-rated peer median of 16%. Revenue sources continue to be concentrated, with tuition and auxiliaries accounting for 76% of revenue. Based upon preliminary fiscal 2023 financials, operating performance will remain positive though weaker than fiscal 2022. Net student revenue is tracking slightly ahead while salary expense has been about even due to unfilled positions while non-personnel expenses are up significantly driven by inflation.

Despite being lower than peers, Samford's total wealth will continue to provide a solid cushion against operating expenses. For fiscal 2022, total cash and investments to operating expenses was 2x compared to the A-rated median of 2.7x. Samford's strong donor support is reflected by a recent \$100 million gift, which will largely go toward endowed student scholarships. Liquidity, which has historically been lower than peers, declined in fiscal 2022 with monthly days cash on hand decreasing to 331 from 408 due, in part, to the use of \$12.9 million to redeem certain outstanding bonds. As part of its financial strategy, management has articulated a commitment to strengthening the university's cash reserves.

The university's financial leverage relative to both wealth and operations will remain high compared to peers. For fiscal 2022, total cash and investments only covered total adjusted debt of \$330 million by 1.1x compared to the A-rated peer median of 3x, while total debt to EBIDA of 8.9x was higher than the median of 4.8x. The university's debt profile includes a \$47 million defined benefit pension obligation, which declined from \$83 million in 2021. Future capital projects include new student housing, dining, athletic facilities and energy related improvements. The extent of the credit impact of these projects will depend on enrollment trends, operating performance impacts, liquidity and leverage levels.

Exhibit 2

Key Indicators

SAMFORD UNIVERSITY, AL

	2018	2019	2020	2021	2022	Median: A Rated Private Universities
Total FTE Enrollment	5,467	5,534	5,599	5,631	5,570	5,167
Operating Revenue (\$000)	170,178	178,538	173,316	194,106	189,441	203,354
Annual Change in Operating Revenue (%)	-1.4	4.9	-2.9	12.0	-2.4	-3.2
Total Cash & Investments (\$000)	339,078	340,271	319,193	406,590	376,890	560,705
Total Debt (\$000)	245,642	267,451	286,363	276,298	283,175	174,084
Total Cash & Investments to Total Adjusted Debt (x)	1.0	0.8	0.8	1.1	1.1	3.0
Total Cash & Investments to Operating Expenses (x)	2.0	1.9	1.8	2.4	2.0	2.7
Monthly Days Cash on Hand (x)	339	325	391	408	331	474
EBIDA Margin (%)	15.2	15.0	14.3	25.5	16.8	15.6
Total Debt to EBIDA (x)	9.5	10.0	11.5	5.6	8.9	4.8
Annual Debt Service Coverage (x)	1.9	1.9	1.7	3.0	2.1	3.1

Source: Moody's Investors Service

Issuer profile

Samford University is a moderately sized, private not-for-profit Christian university located in Homewood, Alabama, five miles south of Birmingham. The university was established as Howard College in 1841 by the Alabama Baptist State Convention. In 1965, the college achieved university status and was renamed Samford University after a longtime trustee. Today, it offers undergraduate, graduate and professional programs across 10 academic units. For fall 2022, the university had 5,570 total FTE students, about 65% of whom are undergraduate. Fiscal 2022 operating revenue was about \$189 million.

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