MOODY'S
INVESTORS SERVICE

ISSUER COMMENT
5 May 2021

Rate this Research

RATING

Seniormost Rating [1]

A1	Stable

Contacts

Ceridwynne Lake +1.312.706.9970
AVP-Analyst
ceridwynne.lake@moodys.com

Susan E Shaffer +1.212.553.4132
VP-Sr Credit Officer
susan.shaffer@moodys.com

Michael Osborn +1.212.553.7799
VP-Senior Analyst
michael.osborn@moodys.com

CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

Loyola University of Chicago, IL

Annual comment on Loyola

Issuer profile

Loyola University of Chicago is a comprehensive private, not-for-profit university located in Chicago, IL. In fiscal 2020, Loyola generated operating revenue of $632 million and enrolled 15,909 full-time equivalent (FTE) students as of fall 2020.

Credit overview

Loyola University of Chicago's (Loyola; A1 stable) credit quality is supported by a very good regional brand and market position. While Loyola is a niche, Catholic, private university operating within the intensely competitive Chicago (Ba1 negative) market, enrollment has been remarkably steady. Despite a small dip in academic year 2020 driven by pandemic conditions, historic enrollment trends have been robust. A key credit consideration is Loyola's operating revenue concentration in net tuition and auxiliary at 75%. A solid market position, however, has secured solid pricing power, evidenced by growth of net tuition revenue per student. The university also maintains good flexibility with strong operating cash flow margins, very good liquidity, and manageable leverage, though total cash and investments per student is lower than similarly rated peers.

Exhibit 1

Loyola University of Chicago, IL [2]

	2016	2017	2018	2019	2020	Median: A rated private universities
Total FTE Enrollment	15,186	15,446	15,813	16,154	15,909	4,695
Operating Revenue ($000)	581,080	603,988	616,904	635,012	631,702	213,591
Annual Change in Operating Revenue (%)	-0.4	3.9	2.1	2.9	-0.5	3.8
Total Cash and Investments ($000)	797,834	907,160	998,814	1,048,065	1,073,717	427,133
Total Debt ($000)	476,219	440,324	399,182	384,112	368,920	150,817
Spendable Cash and Investments to Total Debt (x)	1.3	1.7	2.1	2.3	2.4	1.9
Spendable Cash and Investments to Operating Expenses (x)	1.2	1.4	1.5	1.5	1.5	1.4
Monthly Days Cash on Hand	403	457	502	521	507	350
Operating Cash Flow Margin (%)	21.9	23.3	22.6	23.1	18.9	14.2
Total Debt to Cash Flow (x)	3.7	3.1	2.9	2.6	3.1	5.1
Annual Debt Service Coverage (x)	2.4	2.7	2.5	5.1	4.2	2.9

Source: Moody's Investors Service

Market profile: Loyola's enrollment has been remarkably steady over multiple years despite a very competitive student market. The small enrollment dip in academic year 2020 was due to pandemic conditions. In addition to robust enrollment, incremental net tuition revenue growth demonstrates good pricing power. Preliminary fall 2021 enrollment trends suggests a return to prior enrollment, with full occupancy or student housing at 75% capacity for continued health and safety precautions. The university notably has a track record of meeting enrollment targets.

» Operating revenue at $632 million in fiscal 2020 gives the school meaningful options to respond to operating volatility and has increased by 9% since fiscal 2016, mainly driven by an 11% increase in tuition and auxiliaries.

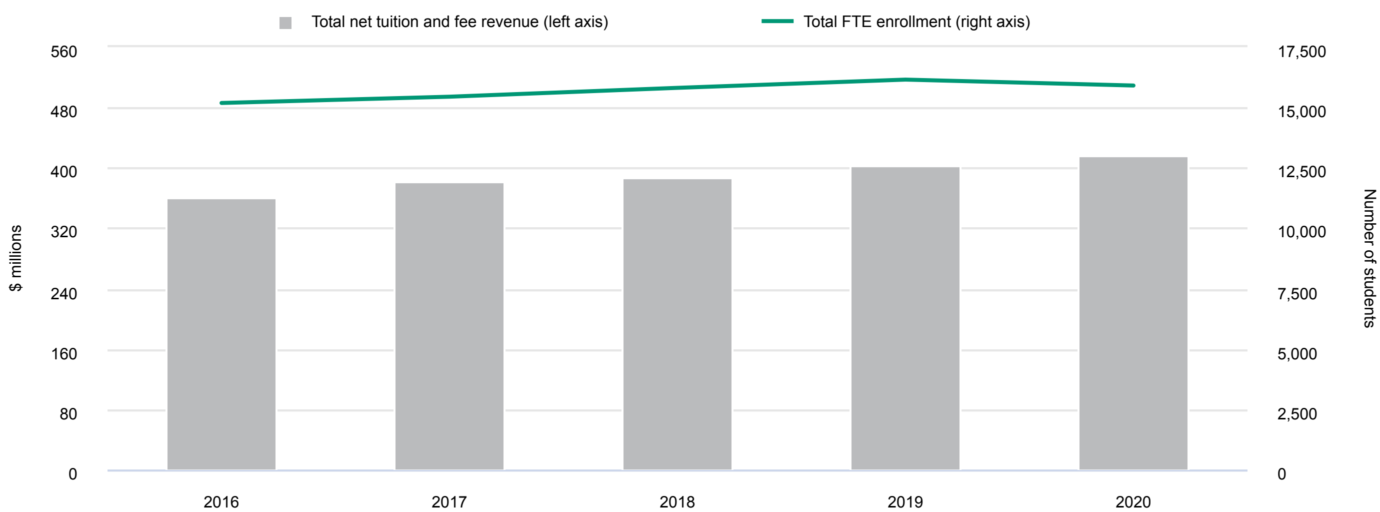
» Loyola has a very good strategic positioning, which reflects the university's actions, with sufficient resources, to adjust to evolving market conditions.

» Enrollment has been stable at 15,909 students in fall 2020 compared with fall 2016, indicative of steady student demand.

» Net tuition per student of $25,828 in fiscal 2020 reflects strong pricing power and has risen by 6% compared with $24,270 in fiscal 2016.

Exhibit 2

Stable enrollment with incremental gains in net tuition revenue demonstrate good pricing power despite an intensely competitive student market



Source: Moody's Investors Service

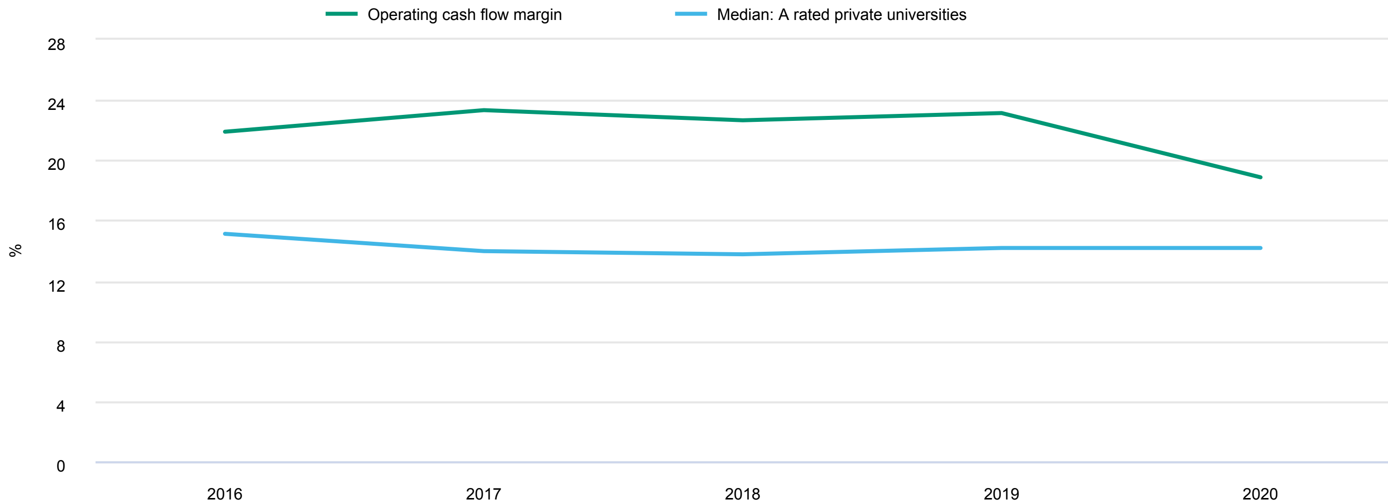
Operating performance: The university will continue to deliver strong operating cash flow margins, consistently near or above 20% despite some narrowing in fiscal 2020 due to the pandemic. The university anticipates fiscal 2021 operating results to be in line with previous years, with an operating cash flow margin between 18% and 20%. Fiscal 2021 performance has benefited from a positive variance in expenses, producing better cost savings than budgeted. Additionally, Loyola is eligible for further federal aid (HEERF) that will benefit both fiscal 2021 and fiscal 2022 operating results.

» The fiscal 2020 operating cash flow margin of 18.9% was mildly narrower than prior years due to the effects of the pandemic but remains stronger than the A-rated private university median of 14.2%.

» Annual debt service coverage of 4.2x in fiscal 2020 demonstrates the university's strong ability to cover debt service from operations.

» Loyola's sources of revenue are concentrated with 75% derived from net tuition and fees, which creates moderate risks for the university if this primary revenue stream is pressured.

Exhibit 3
Operating cash flow margin is greater than the median for A-rated private universities



Source: Moody's Investors Service

Wealth and liquidity: The university's total wealth and liquidity will remain slightly better than peer medians when compared to operations. Total cash and investments per student, however, is lower than similarly rated peers. Growth in total cash and investments has been strong, although the growth incorporates money reserved for debt service payments and other internal funding commitments, including a large bullet maturity in fiscal 2022.

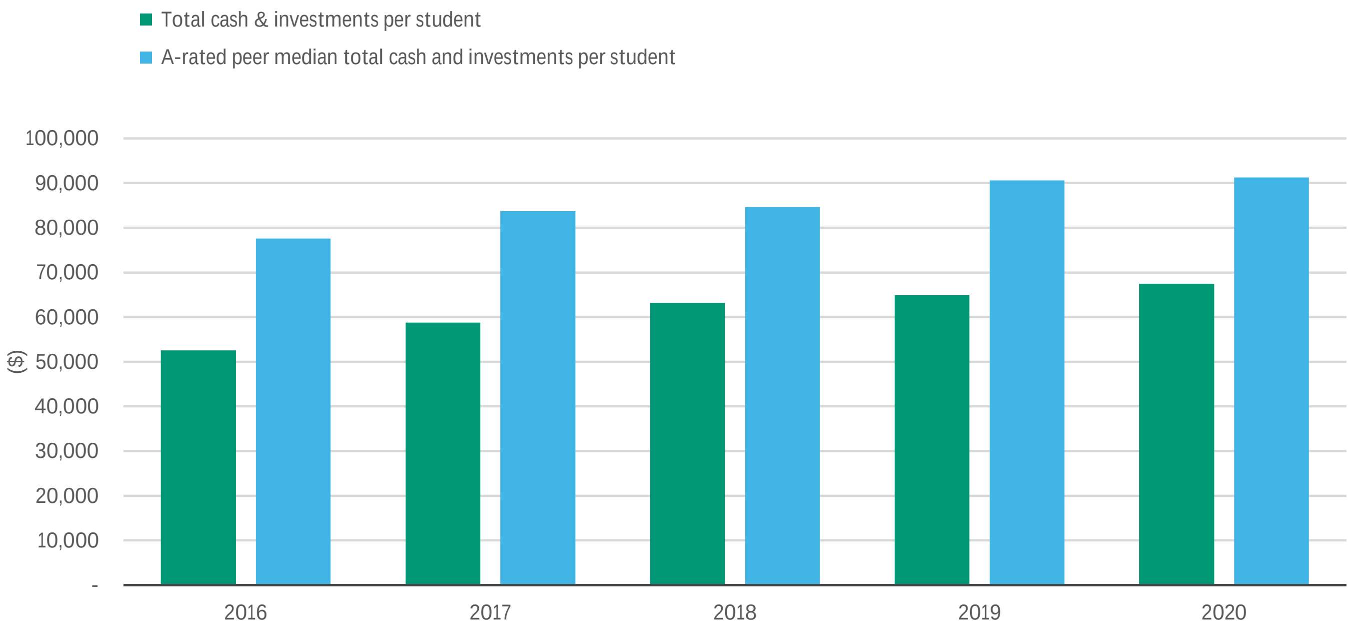
» Total cash and investments have risen significantly by 35% to $1.1 billion in fiscal 2020 compared with $798 million in fiscal 2016.

» Spendable cash and investments to operating expenses of 1.5x in fiscal 2020 highlights the university's solid level of reserves to cushion operating volatility and slightly outperforms the A-rated private university median of 1.4x.

» The university maintains good financial flexibility with high liquidity and had 507 days cash on hand in fiscal 2020, stronger than the peer median of 350 days.

» Total cash and investments per student of $67,491 in fiscal 2020 materially grew 28% compared to fiscal 2016 at $52,537. Despite the growth, Loyola continues to lag behind A-rated private universities that have a median of $91,276 total cash and investments per student.

Exhibit 4
Substantial growth in total cash and investments per student but still below the peer median



Source: Moody's Investors Service

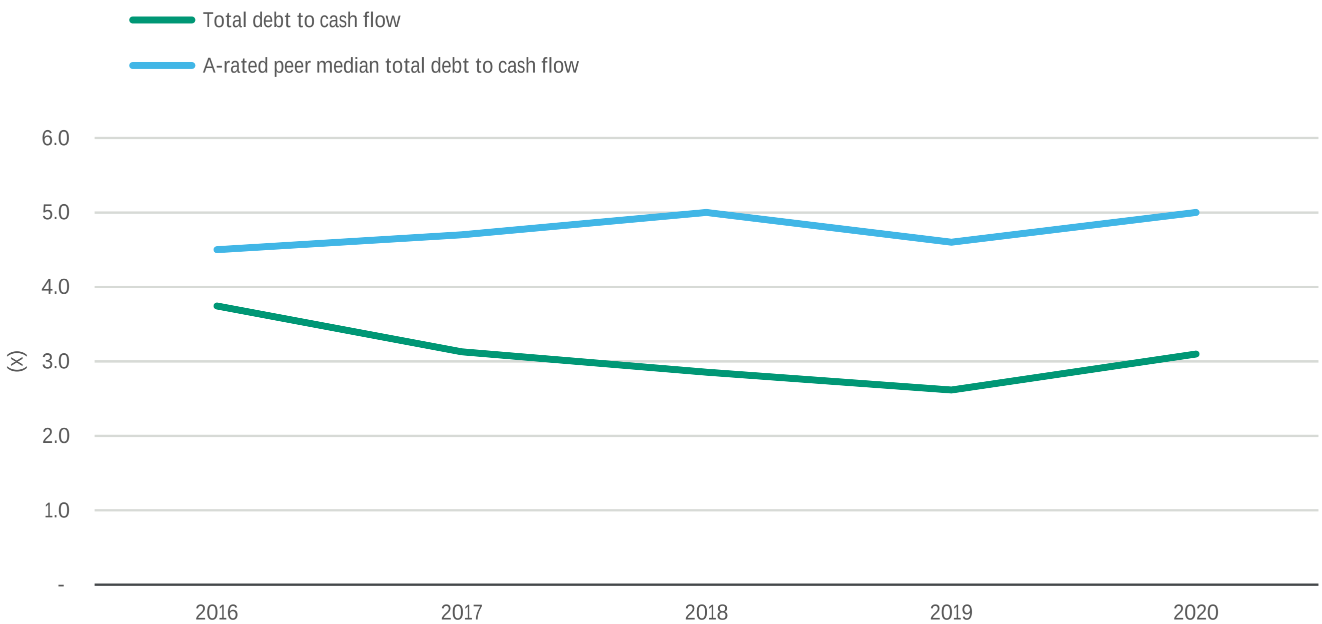
Leverage: Financial leverage will remain low compared to wealth and operations and has decreased over the last five years due to Loyola's conservative debt management. The university's obligation structure is comprised of fixed rate bonds with moderately rapid amortization, with the exception of one obligation that has a large bullet maturity in fiscal 2022. The university maintains an internal fund for the upcoming bullet payment that has sufficient resources for the full principle maturity.

» Spendable cash and investments to total debt is strong at 2.4x in fiscal 2020 and strengthened significantly from 1.3x in fiscal 2016 as a result of strengthening reserves and the university's rapidly amortizing debt structure.

» Debt to cash flow has remained relatively flat at 3.1x in fiscal 2020 and is beneficially lower than the A-rated private university median of 5.1x.

» Loyola's age of plant of 13.3 years in fiscal 2020 signifies facilities that are largely competitive with peers and is comparable with the A-rated private university median.

Exhibit 5
The university debt to cash flow consistently remains below peers



Source: Moody's Investors Service

Sector trends

We have a stable outlook for the US higher education sector as colleges and universities face improved revenue prospects through fiscal 2022. The stable outlook is driven by a combination of factors including the potential for students to return to campus in greater numbers in fall 2021, the funding boost from additional federal support and fiscal stimulus, a steadier outlook for state funding, and strong investment returns. Despite improved prospects overall, the sector still faces significant enrollment uncertainty headed into fall 2021 and increases in revenue from tuition and auxiliaries will vary significantly among institutions and regions. Also, the sector continues to face longer-term demographic changes and shifts in consumer preferences that will continue to constrain revenue growth.

Endnotes

1 The rating referenced in this report is the college's or university's seniormost public rating.

2 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.

REPORT NUMBER 1280894

CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

MOODY'S INVESTORS SERVICE