S&P Global
Ratings

Xavier University, OH Bond Rating Outlook Revised To Negative On Projected Operating Deficit, Recent Enrollment Decline

05-May-2020 17:57 EDT   View Analyst Contact Information

SAN FRANCISCO (S&P Global Ratings) May 5, 2020--S&P Global Ratings revised its outlook to negative from stable and affirmed its 'A-' long-term rating on the Ohio Higher Educational Facility Commission's outstanding bonds, issued for Xavier University (Xavier). We expect to withdraw the ratings per Xavier University's request.

"The negative outlook revision reflects our view of the moderate operating deficit projected for fiscal 2020 as well as the enrollment decline, although it was driven by a planned smaller incoming freshman class due to housing capacity constraints, and the weakened demand metrics in fall 2019," said S&P Global Ratings credit analyst Ying Huang. "It also reflects our view that over the outlook period, the COVID-19 pandemic and the associated macroeconomic impacts could continue to pressure Xavier's demand trend and operating performance."

Depending on the duration and magnitude of the COVID-19 pandemic, we believe Xavier's balance sheet, which is currently sufficient for the rating category, has the potential to weaken over time.

In response to the recent outbreak of COVID-19, Xavier transitioned to online classes as of March 16, 2020, through the end of the spring semester, and campus housing closed on March 17. As a result, students are being encouraged to go home, and the university credited the unused portion of room and board costs, which is estimated to have a net negative impact of about $6.4 million on Xavier's operating performance. Management has indicated that at this time it is not refunding tuition and fees because the academic program is proceeding. While the full financial impact cannot be determined at this point in time, management does expect modest unplanned expenses, but also some expense savings that will offset those. Overall, the university forecasts to end fiscal 2020 with a modest full-accrual operating deficit.

International students make up less than 2% of total enrollment; hence we expect the impact from international enrollment to be modest. While we recognize that these are unprecedented times, we acknowledge that Xavier has taken prudent measures to address the situation. We believe Xavier has ample liquidity to cover any short-term disruptions, with approximately $161 million unrestricted monthly liquidity as of March 31, 2020, and a $10 million line of credit. In addition, the university is expecting about $3.1 million in funds from the CARES Act, half of which are to provide grants to students for unexpected costs and the balance is for use by the university as needed. We believe the university has adequately adopted contingency measures to help combat the spread of COVID-19, and we will continue to monitor the rapidly evolving situation.

In our view, higher education entities face elevated social risk due to the uncertainty on the duration of the COVID-19 pandemic, and unknown impact on fall 2020 enrollment levels and mode of instruction. We view the risks posed by COVID-19 to public health and safety as a social risk under our environmental, social, and governance factors. Despite the elevated social risk, we believe Xavier University's environment and governance risk are in line with our view of the sector as a whole.

Xavier University had $195.8 million in debt outstanding as of June 30, 2019.

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

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