MOODY'S
INVESTORS SERVICE

Rating Action: Moody's Changes Outlook to Stable and Assigns A3 to NYU Hospitals Center's (NY) Ser. 2017A

Global Credit Research - 18 Apr 2017

New York, April 18, 2017 -- Issue: Taxable Bonds, Series 2017A; Rating: A3; Rating Type: Underlying LT; Sale Amount: $600,000,000; Expected Sale Date: 04/24/2017; Rating Description: Revenue: Other;

Summary Rating Rationale

Moody's Investors Service assigns an A3 to NYU Hospitals Center's (NYUHC or the Center) $600 million of Taxable Bonds, Series 2017A. The bonds are expected to be issued as fixed rate securities to mature in 2047. The rating outlook is revised to stable from positive. Concurrently, we are affirming the A3 ratings outstanding on NYUHCs debt. Our action affects approximately $1.8 billion of debt.

The assignment and affirmation of the A3 rating reflects NYUHCs strong brand supported by academic alignment with NYU, solid operating momentum, clear strategic planning, careful fiscal oversight that has translated into successful execution of strategy, and healthy demand garnered by a growing clinical footprint. These strengths are counterbalanced by NYUHCs high debt burden, with particular emphasis on modest balance sheet resources, still significant capital plans, execution risk of several growth strategies simultaneously, and a highly competitive market.

Rating Outlook

The revision of the outlook to stable from positive reflects concurrent risks of executing upon new affiliation strategies and absorbing incremental debt, which challenge NYUHC to meaningfully reduce balance sheet leverage in the near term and constrain the rating. It is our expectation that NYUHC's very strong market profile and growth strategies will continue to translate into cash flow that will adequately support operations, debt service and capital spend. The stable outlook assumes no further affiliations or additional leverage at this time.

Factors that Could Lead to an Upgrade

Growth of unrestricted cash and investments translating to evidence of sustained reduction of leverage

Maintenance of strong operating performance

Smooth absorption of newly affiliated entities

Continued progress in completing campus redevelopment on time and on budget

Factors that Could Lead to a Downgrade

Sustained departure from current operating performance

Notable contraction of balance sheet liquidity

Weakened leverage metrics

Change from current governance structure or deterioration of relationship with NYU

Difficulty integrating new entities leading the system to underperform relative to budget or dilutive acquisition

Legal Security

NYUHC is the sole Member of the Obligated Group under the Master Indenture. Bonds are jointly secured by a pledge of gross receipts and a mortgage of certain health care facilities of NYUHC. NYU Winthrop is not a member of the Obligated Group.

Use of Proceeds

The Series 2017A bond proceeds will be used for general corporate purposes including the repayment of bank lines, refinancing of certain outstanding debt obligations and to coever the cost of issuance.

Obligor Profile

NYUHC is a tertiary care teaching hospital with campuses located in midtown Manhattan and Brooklyn. NYUHC owns three inpatient acute care facilities in Manhattan and Brooklyn: (1) Tisch Hospital, located in Manhattan on the campus shared with NYU School of Medicine; (2) NYU Hospital for Joint Diseases Orthopaedic Institute, an orthopaedic, neurologic and rheumatologic specialty hospital located in Manhattan, which also houses the Rusk Institute of Rehabilitation Medicine; and (3) NYU Lutheran, located in Brooklyn. NYUHC also operates over thirty ambulatory facilities in Manhattan, Brooklyn, Queens and Long Island.

Methodology

The principal methodology used in this rating was Not-For-Profit Healthcare Rating Methodology published in November 2015. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

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