MOODY'S
INVESTORS SERVICE

Rating Action: Moody's revises New York Institute of Technology's (NY) outlook to stable; affirms Baa2

Global Credit Research - 05 Dec 2017

New York, December 05, 2017 -- Summary Rating Rationale

Moody's Investors Service has revised the outlook from negative to stable on New York Institute of Technology (NY) (NYIT) reflecting the refinement around timing and scope of capital and additional debt plans over the near term. Concurrently, Moody's has affirmed the Baa2 rating on the Revenue Bonds, Series 2016A.

The Baa2 rating is supported by NYIT's operating scale ($266 million revenue in fiscal 2016), consistently positive operating performance, diversified programs, and location in New York, enabling the Institute to attract a significant cadre of international students.

These factors are counterbalanced by stiff competition, high operating reliance on student charges, comparatively moderate reserves, and significant lease obligations materially adding to the university's total adjusted debt profile.

Rating Outlook

The stable outlook incorporates our expectations of no modest increase in financial leverage over the near term combined with maintenance of cash flow margins above 10% and growth of spendable cash and investments.

Factors that Could Lead to an Upgrade

- Material growth in flexible reserves

- Sustained further strengthening of student market profile given high reliance on student charges

Factors that Could Lead to a Downgrade

- Decline in liquidity or weakening of operating performance given already comparatively thin reserve levels

- Significant additional debt since the university's total adjusted debt, inclusive of leases, is already moderately high

Legal Security

Payments are a general obligation of NYIT with a security interest in Gross Revenues, which represents substantially all unrestricted funds of the institute. The series 2016 A bonds are further secured by a mortgage of most properties on the Old Westbury campus. The Series 2016A bonds do not have a debt service reserve fund. The Central Islip campus is not included in the mortgage pledge. The Indenture also contains financial covenants including a minimum Debt Service Coverage Ratio, Unrestricted Net Assets Ratio, Expendable Financial Resources to Long-Term Debt, and additional bonds tests. NYIT was in compliance with all financial covenants based on fiscal 2017 audited financials. NYIT is required to maintain a minimum Debt Service Coverage Ratio of 1.2 times (Fiscal 2017 2.9 times).

Obligor Profile

NYIT is a private university with programs focused on medicine, architecture, engineering, and computer graphics. It has three campuses in New York as well, it has campuses in: Abu Dhabi, United Arab Emirates; Nanjing, Beijing, China; and Vancouver, Canada. The institute enrolls over 8,000 FTE students and generated over $260 million of revenue.

Methodology

The principal methodology used in this rating was Global Higher Education published in November 2015.

Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

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