

CREDIT OPINION

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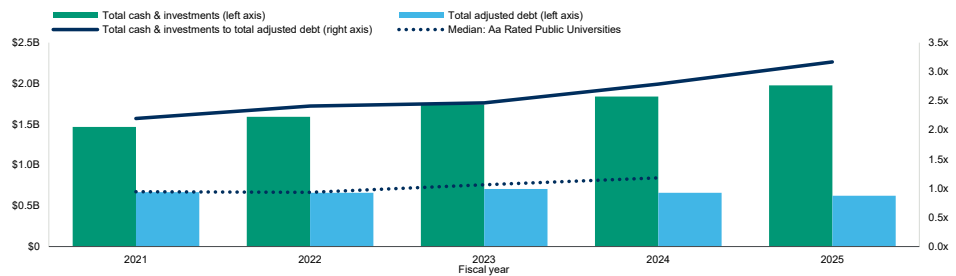
Kansas State University, KS

Update to credit analysis

Summary

[Kansas State University's](#) (K-State; Aa3 stable) credit profile acknowledges its substantial wealth and scale and regionally important role as a public land-grant university with close ties to the [State of Kansas](#) (Aa2 stable). Total cash and investments of nearly \$2 billion provide for a strong coverage of both total adjusted debt and expenses. Growing state appropriations support fiscal stability and enable strategic capital investments in the near term. K-State favorably has a manageable debt burden and minimal pension exposure. However, disciplined financial management will be crucial to support adequate operating performance and debt affordability. In addition to weak operating performance and thin debt service coverage, credit challenges include a highly competitive student market, thinner unrestricted liquidity than peers, and federal policy risks that add operational complexities.

Exhibit 1
Wealth coverage of debt underpins credit quality



Source: Moody's Ratings

Credit strengths

- » Significant financial resources of nearly \$2 billion, providing strong coverage of total adjusted debt and operating expenses at a respective 3.2x and 2.0x
- » Strong regional brand as a comprehensive land-grant university serving 18,720 full-time equivalent students with extensive and expanding research activity
- » Effective university leadership and strong oversight and coordination from a single Board of Regents for the state's public universities
- » Solid state financial support for operations and capital renewal, with state funding accounting for 28% of total operating revenue

Credit challenges

- » Modest liquidity profile relative to peers, with 126 monthly days cash on hand, but adequate due to limited exposure to potential liquidity risks
- » Thin operating performance compared to peers and prior performance, with EBIDA margins around 5% in the past two years
- » Heightened student market challenges, evidenced by the steadily declining yield but rebounding enrollment in fall 2025

Rating outlook

The stable outlook reflects our expectations that the university will attain balanced financial operations, debt service coverage generally at or above 1.5x and over 100 monthly days cash on hand.

Factors that could lead to an upgrade

- » Material and sustained improvement in operating performance and debt affordability
- » Significant improvement in strategic positioning driven by strengthening student demand, philanthropy, and research
- » Outsized growth of nominal wealth and revenue

Factors that could lead to a downgrade

- » Inability to improve operating margins to sustain debt service coverage of at least 1.5x
- » Material decline in unrestricted monthly liquidity relative to expenses
- » Deterioration in state credit quality, leading to a reduction in state financial support

Key indicators

Exhibit 2

KANSAS STATE UNIVERSITY, KS

	2021	2022	2023	2024	2025	Median: Aa Rated Public Universities
Total FTE Enrollment	16,835	16,410	16,493	17,974	18,720	33,009
Operating Revenue (\$000)	768,814	816,753	869,863	907,982	933,626	1,727,445
Annual Change in Operating Revenue (%)	-2.6	6.2	6.5	4.4	2.8	5.9
Total Cash & Investments (\$000)	1,467,032	1,590,316	1,744,106	1,838,390	1,975,789	2,307,630
Total Adjusted Debt (\$000)	667,453	659,260	706,724	659,609	623,502	1,926,648
Total Cash & Investments to Total Adjusted Debt (x)	2.2	2.4	2.5	2.8	3.2	1.2
Total Cash & Investments to Operating Expenses (x)	1.9	2.0	2.0	1.9	2.0	1.3
Monthly Days Cash on Hand (x)	111	120	124	117	126	180
EBIDA Margin (%)	9.8	12.8	11.3	5.2	5.4	10.9
Total Debt to EBIDA (x)	6.4	4.5	5.5	11.1	10.3	4.0
Annual Debt Service Coverage (x)	1.9	3.0	2.9	1.4	1.3	3.3

Peer medians represent fiscal 2024 data.

Source: Moody's Ratings

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody's.com> for the most updated credit rating action information and rating history.

Profile

Kansas State University (K-State) is a comprehensive land-grant university with a \$934 million revenue base that serves 18,720 FTE students as of fiscal 2025. In addition to its main campus in Manhattan, Kansas, the university also has branch campuses in Salina and Olathe. K-State is a member of the Big 12 Conference.

Kansas State University Foundation was organized in 1944 to assist the university in executing its mission. It is primarily responsible for fundraising and management of the long-term investment pool. The foundation is governed by a distinct board of trustees.

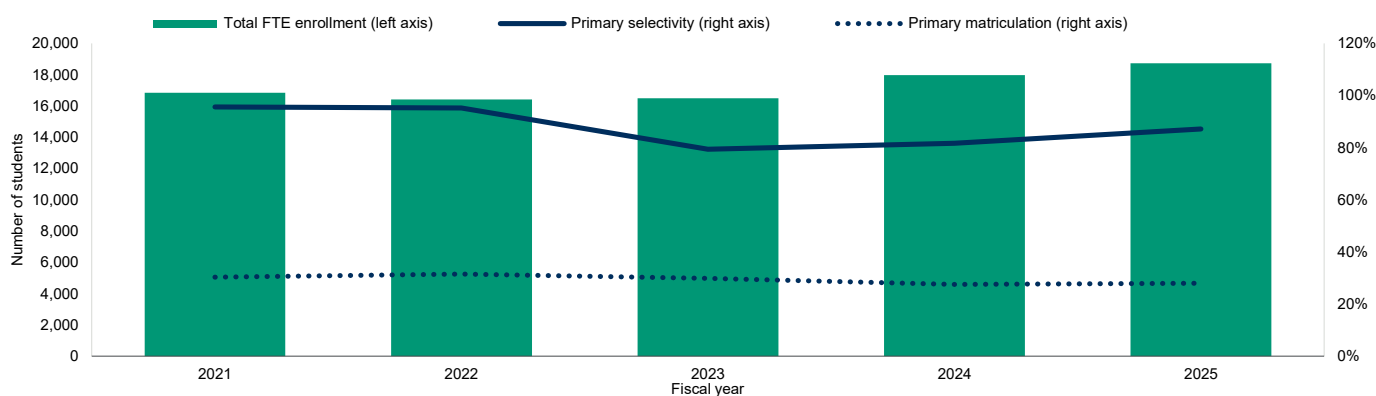
Detailed credit considerations

Market position

Kansas State University's market position remains anchored by its role as Kansas' flagship land-grant institution, supporting strong in-state demand and agricultural research prominence. Fall 2025 enrollment grew 4.5% year-over-year, marking the largest freshman class since fall 2014, though overall FTE of 18,720 reflects a return to pre-pandemic enrollment. International students comprise only 5% of FTE, limiting global diversification and associated market risks. Strategic investments in extension services and veterinary diagnostics will reinforce strategic positioning, but demographic headwinds and limited pricing power will constrain tuition growth. Sustained visibility in agriculture and research will be critical to offset regional competition and policy uncertainty.

Exhibit 3

Enrollment has recovered to pre-pandemic levels, but yield is modestly declining

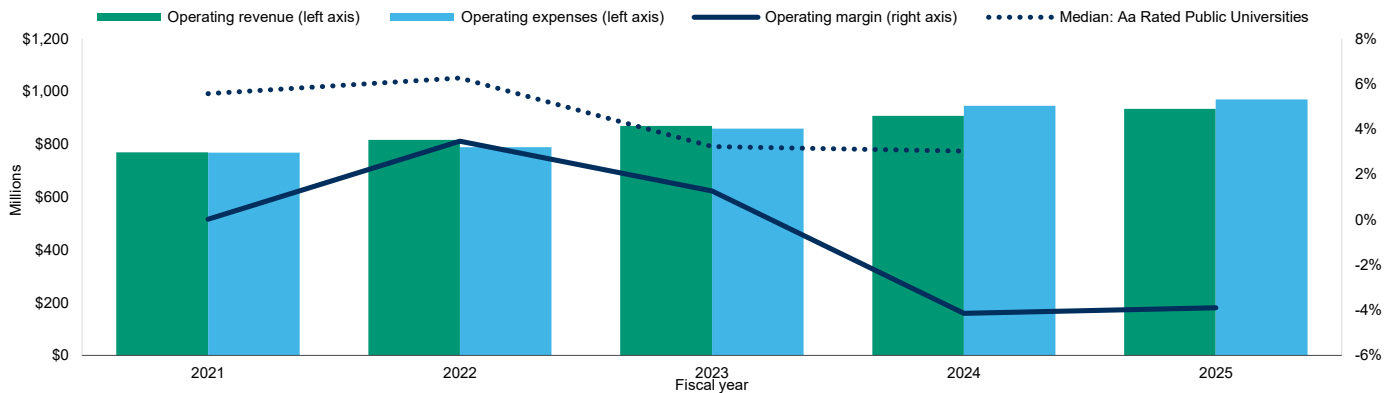


Source: Moody's Ratings

Operating performance

Financial discipline will be critical to modestly improve operating performance and maintain credit quality. Operating performance remained flat in fiscal 2025 from the prior year aided by strong gift revenue of \$122 million and disciplined expense controls. EBIDA margins will remain thin, reflecting structural pressures from rising compensation and modest tuition growth despite a 1.5% COLA and bonus-based merit pay strategy. Federal cuts to indirect cost recovery and limited pricing flexibility will weigh on margins in fiscal 2026, though targeted fundraising and state support for capital projects provide partial relief. Execution of cost containment and revenue diversification will be essential to sustain stability amid sector-wide expense growth outpacing revenue.

Exhibit 4
Operating deficits in the past two years limit financial flexibility



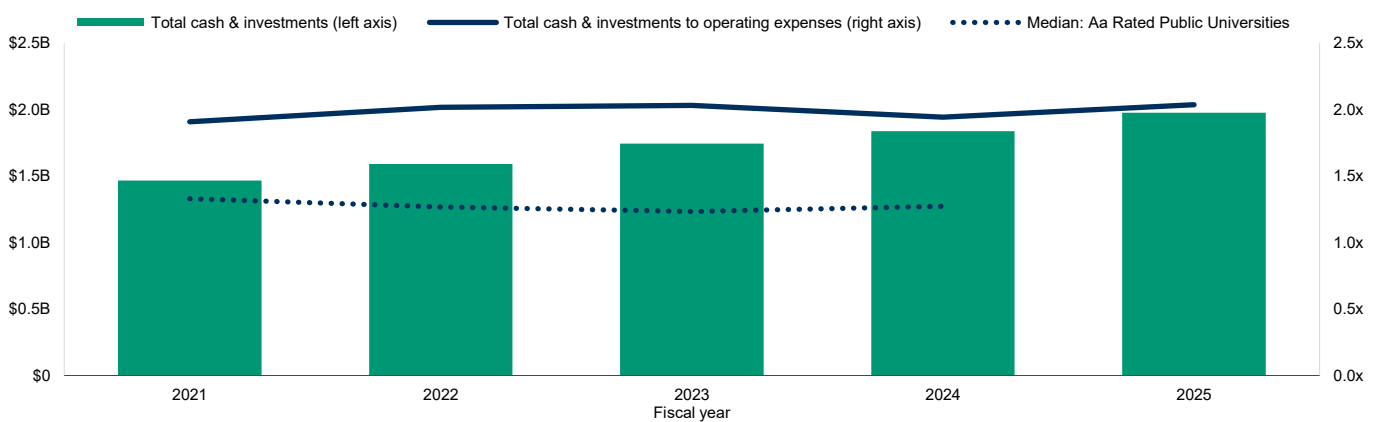
Source: Moody's Ratings

Financial resources and liquidity

K-State's significant financial resources will continue to support some operating cushion. Monthly liquidity strengthened in fiscal 2025 to \$310 million or 126 days cash on hand supported by robust fundraising and restricted federal grants. Liquidity is thinner than peers but remains adequate.

About 80% of total wealth is held at K-State's affiliated foundation, which oversees fundraising and asset management operations in support of the university. Foundation net assets exceeded \$1.6 billion, including a permanently restricted endowment of \$797 million, underscoring long-term resource depth. However, reliance on state-controlled cash flows limits flexibility, and liquidity coverage remains moderate relative to operations and peers. Planned debt issuance for agricultural facility completion could pressure reserves if philanthropy underperforms. Continued growth in donor support and prudent capital planning will be key to preserving financial resilience.

Exhibit 5
Steady wealth coverage to operations consistently leads peers



Source: Moody's Ratings

Leverage and coverage

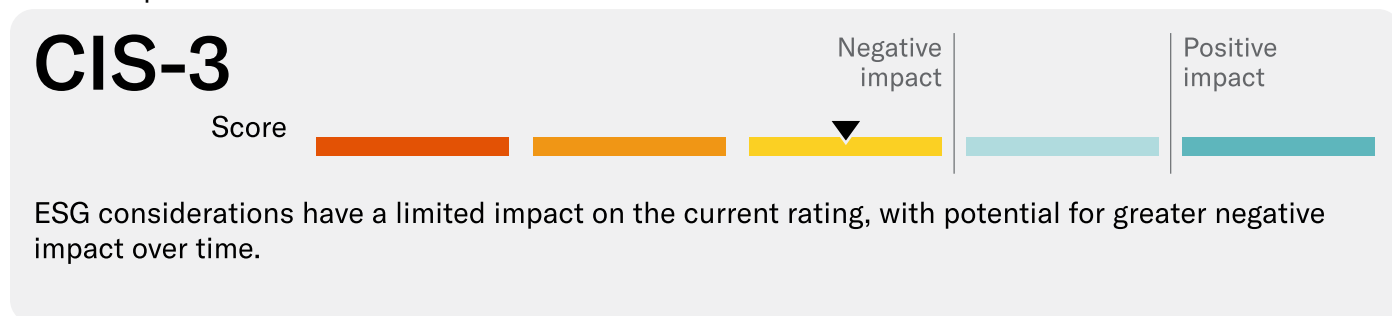
Leverage will remain elevated but manageable, with total adjusted debt of \$624 million and relatively low pension liability exposure. Debt service coverage is adequate, though thin operating cash flow constrains flexibility. Total direct debt includes the revenue bonds of [K-State Athletics](#) (A3 Stable) which is a blended component unit of the university. Upcoming capital needs, including the agricultural research facility and veterinary diagnostic lab projects, pose incremental borrowing risk if fundraising lags. While leadership targets minimal new debt, structural expense pressures and limited operating surpluses heighten sensitivity to execution risk. Maintaining a

conservative debt policy with at least 1.5x debt service coverage and aligning capital plans with pledged gifts will be critical to avoid erosion of credit quality.

ESG considerations

Kansas State University, KS' ESG credit impact score is CIS-3

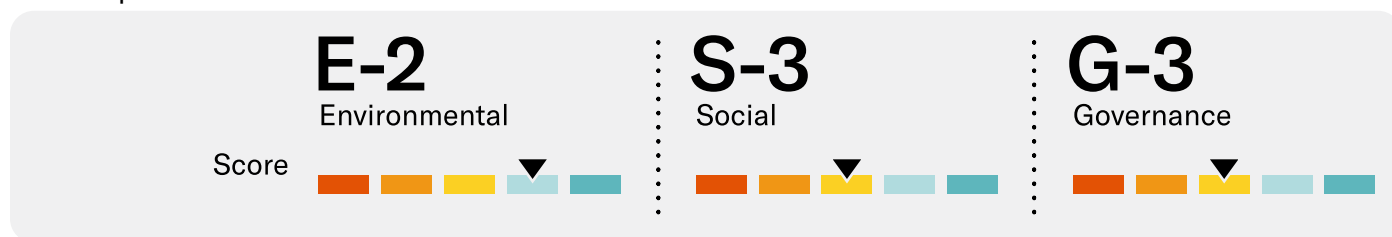
Exhibit 6
ESG credit impact score



Source: Moody's Ratings

Kansas State University's **CIS-3** indicates that ESG considerations have a limited impact on the current credit rating with potential for greater negative impact over time. Its significant wealth and solid state funding partly mitigates social risks.

Exhibit 7
ESG issuer profile scores



Source: Moody's Ratings

Environmental

The **E-2** incorporates the university's moderate exposure to climate risks, including heat and water stress. This could have broader impact on the region, though near-term risks specific to KSU are remote. The university has a dedicated sustainability plan that includes strategies to incorporate environmental principles within many facets of its operations. By 2050, KSU is seeking to reduce carbon emissions from university activities by 80% from a 2005 benchmark, which could provide for longer-term savings.

Social

KSU's **S-3** is primarily driven by its exposure to demographic and human capital risks. Weak regional demographics and a high reliance on students from Kansas and surrounding states will present student demand risk. The university's land-grant status, solid state financial support, and large sponsored research activity positively factor into its customer relations score. Academic programs and research interests are closely aligned to the state's economy, underscoring the regional importance of the university. Human capital risks incorporate the elevated exposure to faculty tenure which introduces labor rigidity, along with the need for specialized faculty and staff, providing for higher labor costs. However, modest exposure to postretirement benefit obligations and collective bargaining tempers human capital risks.

Governance

KSU's **G-3** incorporates its sound financial strategy and long-term planning. Disciplined budget management provides sufficient resources for strategic reinvestments though has modestly strained operating results. Detailed capital planning supports manageable

financial leverage and a relatively low age of plant. Rigorous academic review processes ensure that academic programs remain closely aligned with market demand. Like most public universities, the board selection process introduces political and board structure risks, with each of the nine regents appointed by the state's governor. Favorably, the board has a demonstrated history of effectively fulfilling its broad duties that include program approval, tuition setting, financial oversight, and debt administration.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Rating methodology and scorecard factors

The [Higher Education](#) rating methodology includes a scorecard that summarizes the factors that are generally most important to higher education credit profiles. Because the scorecard is a summary and may not include every consideration in the credit analysis for a specific issuer, a scorecard-indicated outcome may or may not match an assigned rating. We assess brand and strategic positioning, operating environment, and financial strategy on a qualitative basis, as described in the methodology.

Exhibit 8

Kansas State University

Scorecard Factors and Sub-factors	Value	Score
Factor 1: Scale (15%)		
Adjusted Operating Revenue (USD Million)	934	Aa
Factor 2: Market Profile (20%)		
Brand and Strategic Positioning	A	A
Operating Environment	Aa	Aa
Factor 3: Operating Performance (10%)		
EBIDA Margin	5%	Baa
Factor 4: Financial Resources and Liquidity (25%)		
Total Cash and Investments (USD Million)	1,976	Aa
Total Cash and Investments to Operating Expenses	2.0	Aaa
Factor 5: Leverage and coverage (20%)		
Total Cash and Investments to Total Adjusted Debt	3.2	Aaa
Annual Debt Service Coverage	1.3	Baa
Factor 6: Financial Policy and Strategy (10%)		
Financial Policy and Strategy	A	A
Scorecard-Indicated Outcome		Aa3
Assigned Rating		Aa3

Data is based on most recent fiscal year available. Debt may include pro forma data for new debt issued or proposed to be issued after the close of the fiscal year.

For non-US issuers, nominal figures are in US dollars consistent with the Higher Education Methodology.

Source: Moody's Ratings

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