

CREDIT OPINION

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Wichita State University, KS

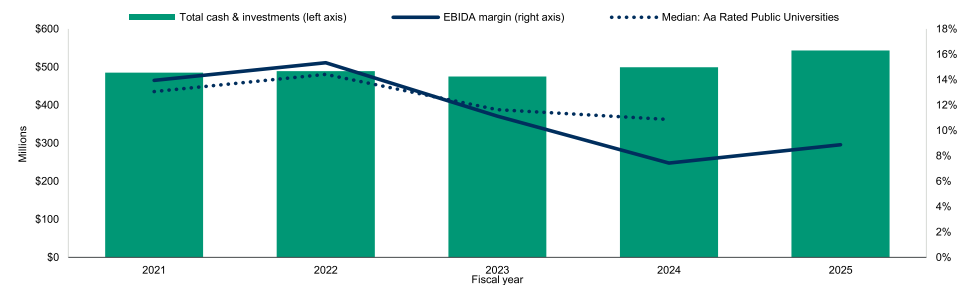
Update to credit analysis following change in outlook to stable

Summary

[Wichita State University's](#) (Aa3 stable) credit quality is supported by its strengthening regional reputation, substantial and growing research, and strong connections with the [State of Kansas](#) (Aa2 stable). Additionally, WSU's unique emphasis on applied learning, affordable tuition, and diverse range of academic programs contribute to strong student demand. The university's leverage profile, including the proposed Series 2026 transaction, will remain solid within the rating category. Offsetting factors include a rapidly rising expense base attributed to a tripling of research expenses in the past five years, competitive student market pressures, and inflationary pressures that have contributed to softer operating performance. While WSU remains a key research partner for the federal government and for industry, high research start-up costs constrain liquidity which is significantly below peers.

Exhibit 1

EBIDA margins expected to recover after a period of softness



Source: Moody's Ratings

Credit strengths

- » Excellent brand and strategic positioning as an affordably priced public university with favorable student demand, substantial research activity, and a distinctive applied learning focus
- » Strong revenue diversity boosted by expanding research activity and commercialization revenue adds durability to the operating model
- » Good financial oversight and planning supporting generally historical stable operations

Credit challenges

- » Very thin unrestricted monthly liquidity with 34 monthly days cash on hand at fiscal 2025 year end
- » Moderate scale and nominal wealth relative to peer medians, with total operating revenue and cash and investments at a respective of \$681 million and \$543 million
- » Elevated competitive and challenging regional demographics providing for student market risks

Rating outlook

The stable outlook reflects expected improvement in monthly days cash on hand as research revenues increase following a period of upfront expense outlays. Strong student demand, effective expense management and normalizing research activity support expected improvement in operating performance.

Factors that could lead to an upgrade

- » Marked improvement in total wealth and unrestricted liquidity relative to expenses
- » Enhancement in brand and strategic positioning reflected in strengthening student demand and philanthropy
- » Material and consistent strengthening in EBIDA margins above 15%

Factors that could lead to a downgrade

- » Inability to continue strengthening monthly days cash on hand
- » Material weakening in leverage profile
- » Prolonged weaker EBIDA margins below 10%

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.

Key indicators

Exhibit 2

WICHITA STATE UNIVERSITY, KS

	2021	2022	2023	2024	2025	Median: Aa Rated Public Universities
Total FTE Enrollment	12,955	13,200	13,148	12,902	13,165	33,009
Operating Revenue (\$000)	444,744	501,180	575,026	601,265	680,755	1,727,445
Annual Change in Operating Revenue (%)	19.1	12.7	14.7	4.6	13.2	5.9
Total Cash & Investments (\$000)	485,047	488,957	474,744	499,348	543,102	2,307,630
Total Adjusted Debt (\$000)	273,129	279,117	275,785	257,654	242,319	1,926,648
Total Cash & Investments to Total Adjusted Debt (x)	1.8	1.8	1.7	1.9	2.2	1.2
Total Cash & Investments to Operating Expenses (x)	1.2	1.1	0.9	0.8	0.8	1.3
Monthly Days Cash on Hand (x)	71	77	47	33	34	180
EBIDA Margin (%)	13.9	15.3	11.1	7.4	8.9	10.9
Total Debt to EBIDA (x)	3.0	2.9	3.5	4.9	3.5	4.0
Annual Debt Service Coverage (x)	6.1	8.8	5.4	3.8	6.1	3.3

Source: Moody's Ratings

Profile

Wichita State University is a large public research university located in Kansas' most populous city. Originally established in 1895, WSU is today a part of the state system of higher education under the control and supervision of the Kansas Board of Regents. WSU has a large research enterprise and offers a comprehensive menu of undergraduate, graduate and certificate programs. In fall 2025, it served over 13,165 full-time equivalent students and in fiscal 2025, generated total operating revenue of \$681 million.

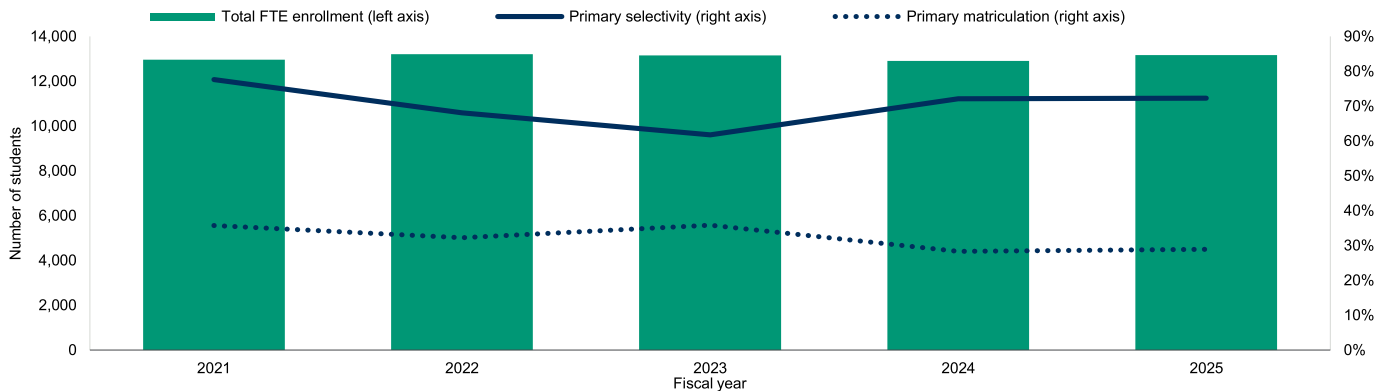
Detailed credit considerations

Market Position

A solid regional reputation, affordable pricing, and a differentiated applied learning business model are expected to support student demand despite competitive market pressures and challenging regional demographics. WSU's expanding corporate partnerships and growing research enterprises further strengthen enrollment efforts, alongside disciplined enrollment management and the introduction of new high-demand programs. These factors contributed to the university exceeding its 17,000 headcount enrollment target for 2025 a year earlier than planned.

A build out of research infrastructure, staff and partnerships continues to yield positive results. The university's National Institute for Aviation Research (NIAR) has been the primary driver behind its success in attracting research funding and expanding commercial activity through its various services. With a deep expertise in the aviation and aerospace industries, the university will remain one of the larger recipients of private sector and federal government funding for engineering research and development.

Exhibit 3
WSU's favorable market position will result in continued enrollment stability

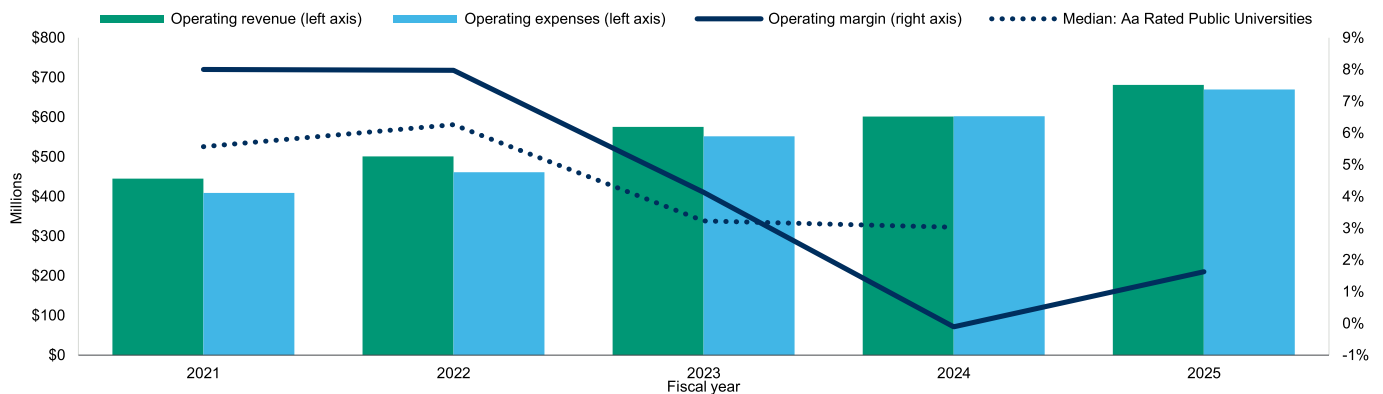


Source: Moody's Ratings

Operating performance

Sound budget management is expected to support stable operations. Management has proactively budgeted for an approximate 7% revenue offset in fiscal 2027, reflecting anticipated international student enrollment declines, moderating state support, and inflationary cost pressures. EBIDA margins are expected to improve into the low double-digits as research revenues normalize and are more closely aligned with corresponding research expenses in the operating budget. Research expenses have increased approximately 140% over the past four years, materially expanding the cost structure and contributing to a 64% increase in the overall expense base. Growth of the research enterprise has enhanced scale and revenue diversity but has constrained EBIDA growth through sustained expense pressure. State operating revenue currently represents 17% of total operating revenue. This share is expected to decline modestly in both nominal terms and as a share of total operating revenue as research activities and net tuition and fees continue to grow.

Exhibit 4
Rapidly increasing research activity has driven growth in operating scale



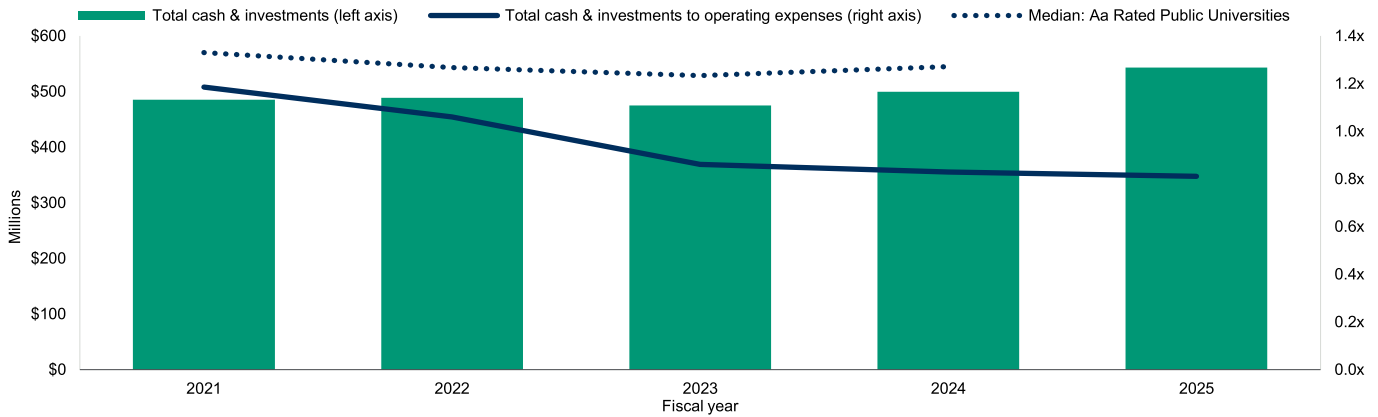
Source: Moody's Ratings

Financial resources and liquidity

Monthly liquidity will remain extremely thin compared to peers. Unrestricted liquidity of \$58.9 million translated to 34 days cash on hand in fiscal 2025, compared to a peer median of 167. The thin liquidity is driven by the rapidly expanding research enterprise, in which revenues lag expense outlays. Management reports progress on the normalization of research revenues due to the HAMR facility coming on line. Consequently, unrestricted liquidity is expected to reach at least 53 days cash on hand in fiscal 2026 and 63 days by fiscal 2027. Further optimization of receivables associated with the improved administration of federal grants and contracts is also expected to support incremental gains in liquidity.

Risks associated with a modest liquidity profile are somewhat mitigated by management's good oversight of financial and treasury operations, a diverse research portfolio including federal and industry awards, financial assistance from the State of Kansas, an all fixed-rate debt structure, and relatively stable operations. Total nominal wealth, while moderate relative to peer medians, will continue to provide for strong coverage of operations. Future gains will be supported by a mix of retained cash flow, investment returns, and philanthropy. Like many public universities, WSU's long-term endowment is overseen by its affiliated supporting foundation. The endowment distribution rate is established on an annual basis by the foundation's board, with the maximum draw under the investment policy in line with industry standards.

Exhibit 5
Total wealth provides ample coverage of expenses although coverage lags peers



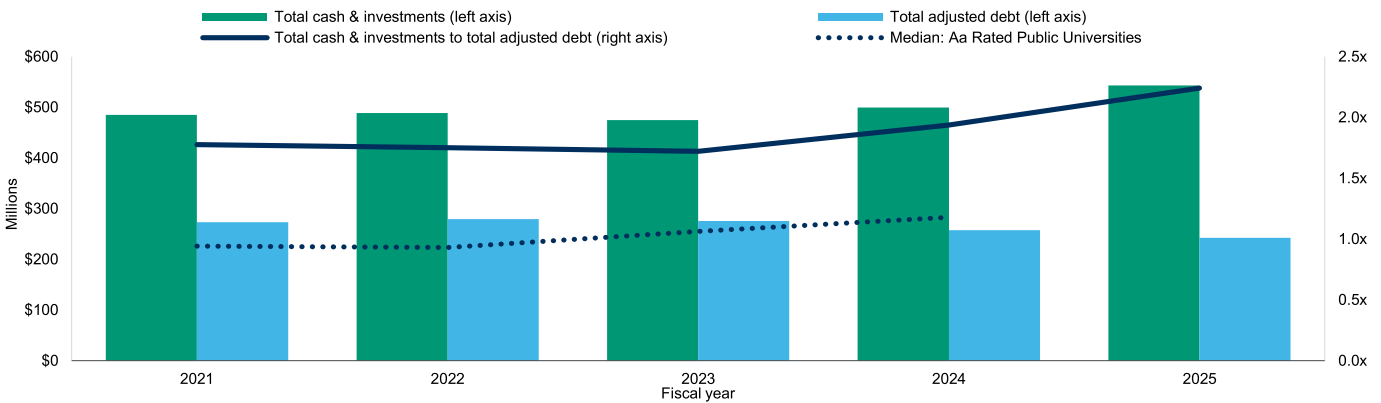
Source: Moody's Ratings

Leverage and Coverage

The university will maintain manageable direct and adjusted debt leverage. Even with a proposed Series 2026 bonds, total cash and investments to total direct (2.6x) and adjusted debt (2.2x) will remain favorable to medians. Additionally, good debt affordability is reflected by total debt to EBIDA at just 3.5x in fiscal 2025.

A low age of plant of 9 years reflects a commitment to regular capital investment. In addition to diverse funding sources to facilitate investment in its own infrastructure such as state support for the Biomedical Campus, the university benefits from additional private sector investment. The series 2026 bonds will partly fund the University Stadium project.

Exhibit 6
WSU's very manageable leverage profile will remain favorable compared to peers



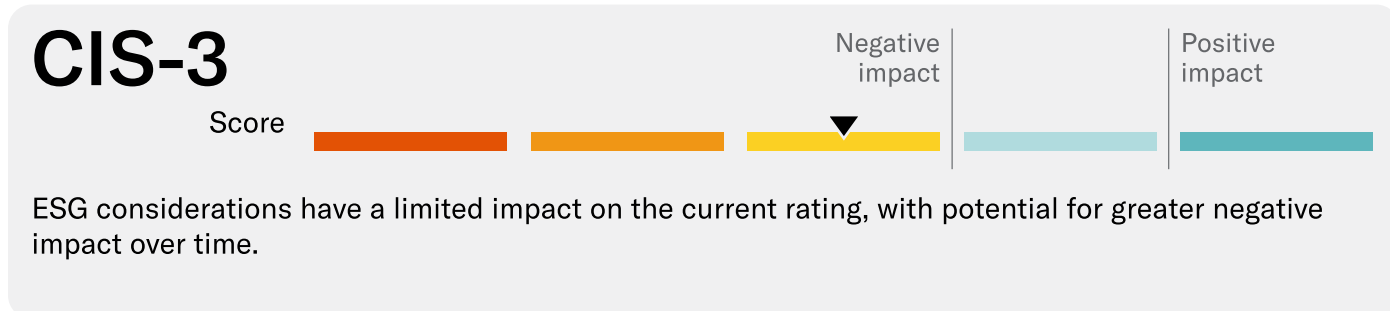
Source: Moody's Ratings

ESG considerations

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

Exhibit 7

ESG credit impact score

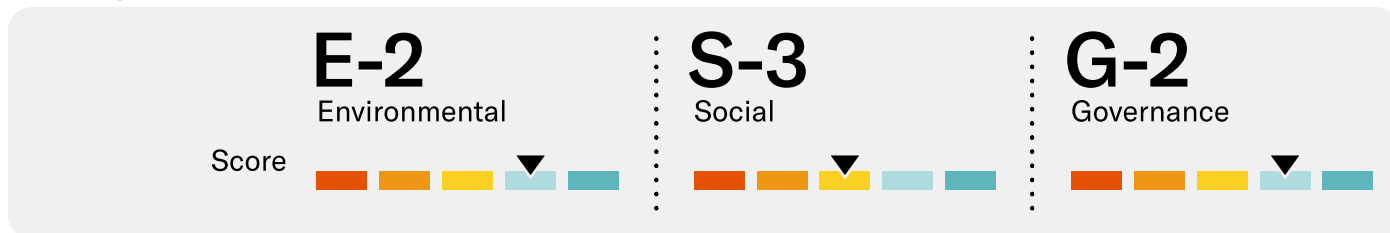


Source: Moody's Ratings

Wichita State University's credit impact score (**CIS-3**) reflects ESG attributes that have a limited impact on the rating at this point, but a greater potential for future negative impact over time. Its **CIS-3** reflects exposure to social risks, partly mitigated by favorable governance.

Exhibit 8

ESG issuer profile scores



Source: Moody's Ratings

Environmental

Environmental risks (**E-2**) reflect the university's south-central Kansas location, which provides for moderate exposure to climate risks, including heat and water stress. This could have broader impact on the region, though near-term risks specific to WSU are more limited. While sections of Wichita have experienced floods historically, the campus is not located in a high-risk area. Sustainability initiatives are embedded throughout campus operations, including specific goals to reduce energy and water consumption, and minimize the campus' carbon footprint.

Social

WSU's social risk exposure (**S-3**) is primarily driven by unfavorable demographic trends and human capital risks. Solid regional brand strength, aided by the market differentiation provided through its applied learning focus, has largely mitigated the demographic risks to this point. Similar to other research institutions, faculty tenure exposure is elevated (roughly one third of faculty positions) however, the majority of positions within research operations are contingent on the availability of funding thus mitigating some of its human capital exposure risk. However, modest exposure to postretirement benefit obligations and collective bargaining tempers human capital risks. Good customer relations are reflected in the demonstrated ability to respond to shifting consumer preferences, coupled with its solid state financial support and rapidly growing sponsored research enterprise. Further, a niche institutional expertise in aerospace design and manufacturing supports growing commercialization revenue from private industry customers.

Governance

WSU's governance risk (**G-2**) reflects good management credibility evidenced in the university's success in advancing institutional objectives while concurrently preserving its solid financial position. Sound budget oversight is demonstrated in the ability to manage

rapidly growing research activity and new partnerships, while maintaining stable operations and liquidity. Effective financial strategy is evidenced in the conservatively structured debt portfolio and disciplined use of bonds to fund capital needs, which supports manageable debt leverage and a healthy age of plant. 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 Moody's.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 9

Wichita State University, KS

Scorecard Factors and Sub-factors	Value	Score
Factor 1: Scale (15%)		
Adjusted Operating Revenue (USD Million)	681	Aa
Factor 2: Market Profile (20%)		
Brand and Strategic Positioning	Aa	Aa
Operating Environment	A	A
Factor 3: Operating Performance (10%)		
EBIDA Margin	9%	A
Factor 4: Financial Resources and Liquidity (25%)		
Total Cash and Investments (USD Million)	543	Aa
Total Cash and Investments to Operating Expenses	0.8	Aa
Factor 5: Leverage and coverage (20%)		
Total Cash and Investments to Total Adjusted Debt	2.2	Aa
Annual Debt Service Coverage	6.1	Aaa
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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