Research Update:

Villanova University, PA Revenue Bond Rating Affirmed At 'AA-'; Outlook Stable

June 13, 2025

Primary contact

Stephanie Wang
Harrisburg
1-212-438-3841
stephanie.wang
@spglobal.com

Secondary contact

Sean M Wiley
Chicago
1-312-233-7050
sean.wiley
@spglobal.com

Overview

- S&P Global Ratings affirmed its 'AA-' long-term rating on Delaware County Authority's and Pennsylvania Economic Development Financing Authority's (PEDFA) various revenue bonds, issued for Villanova University.
- S&P Global Ratings also affirmed its 'AA-' issuer credit rating (ICR). The ICR reflects the obligor's general creditworthiness and is not specific to a given debt issue as it does not consider the security and other credit and legal characteristics of a given debt issue.
- The outlook is stable.

Rationale

Security

All bonds are secured by a general obligation of the university under a loan agreement. At the end of fiscal 2024, Villanova had approximately $401.8 million of debt outstanding, consisting of $387.4 million in bonds and $14.4 million in operating leases. We view the leases as manageable. The series 2025A forward refunding bonds were delivered and refinanced a portion of the series 2015 bonds. Maximum annual debt service (MADS) for the debt only is $27.3 million and will occur in 2029. It declines to $23.2 million in 2033 where it will remain steady before dropping to $14.0 million in fiscal 2047. There are financial covenants associated with series 2015, and 2016 bonds of which the university has been in compliance.

Credit highlights

On March 29, 2025, Villanova University and Rosemont College entered into a merger agreement. Rosemont is a private, Catholic liberal arts institution located less than one mile from Villanova's main campus, serving about 500 undergraduate students and 350 graduate and professional students in fall 2024. The transition process will be multiyear, starting in 2027, with Rosemont continuing to operate as a separate entity and offering its students the opportunity to graduate with Rosemont degrees by 2028. Following the transition, Rosemont will become “Villanova University, Rosemont Campus.” The agreement has been approved by the governing boards of Villanova and Rosemont, although the merger and completion still remain subject to certain governmental, accreditor, and canonical approvals. We understand that Villanova will be providing operating support to Rosemont through the transition period and will likely be paying off Rosemont’s approximately $35 million of debt, similar to what occurred with Cabrini University. No additional debt is imminent although there could be some temporary draws on a line of credit during the transition with Rosemont. Ultimately, the merging of Rosemont and Cabrini into Villanova allows the university to increase enrollment and academic offerings with already built campuses in good condition. Through the transition period, with prudent and detailed planning, management still expects to generate full accrual surpluses, which we view positively, albeit likely lower than the normal 4% operating margin target.

We assessed Villanova's enterprise risk profile as very strong with healthy demand metrics with solid selectivity and matriculation, and good student quality. We assessed the university's financial risk profile as strong, with a history of healthy operating surpluses, solid financial resources, and moderate maximum annual debt service (MADS) burden. Combined, these credit factors lead to an anchor of 'a+'. We apply a one notch uplift from the anchor due to a history of solid operating surpluses and demand metrics such as selectivity and matriculation along with student quality metrics that are more consistent with higher rated peers, leading to a final rating of 'AA-'.

The rating reflects our view of the university's following strengths:

- Solid enrollment and demand metrics comparable with those of similarly rated peers;
- History of positive full accrual operating results, which we expect will continue even with the build-out of the Cabrini campus and Rosemon transition; and
- Conservative debt profile with all fixed rate debt and moderate MADS burden of 3.7% (inclusive of bond and lease payments), lower than rating category medians.

The rating also reflects our opinion of Villanova's following weaknesses:

- Limited revenue diversity, with 80.4% of gross revenues in fiscal 2024 coming from student-generated revenues (tuition, fees, and auxiliaries);
- Lower cash and investments to debt of 361.8% relative to similarly rated peers, although we expect growth in cash and investments with ongoing fundraising; and
- Inherent risks associated with expansion over the next few years as Villanova launches the Cabrini site and absorbs Rosemont.

Villanova is an independent, coeducational institution in Radnor Township, about 14 miles west of Philadelphia. The university was founded in 1842 by the Augustinian Order of the Roman Catholic Church, and offers a comprehensive array of undergraduate, graduate, and professional degrees, including law, business, engineering, and nursing.

Environmental, social, and governance

We analyzed Villanova's environmental, social, and governance credit factors pertaining to the university’s market position, management and governance, and financial performance and found them to be neutral in our credit rating analysis.

Outlook

The stable outlook reflects the university's stable and experienced management, healthy operating margins, sufficient financial resources, and solid enrollment and demand profile. We expect that Villanova will open the Cabrini site in fall 2026.

Downside scenario

We could consider a negative rating action if financial resource ratios declined or if operations weakened significantly. We would also view a weakening of the demand profile or additional debt issuance without proportionate growth in resources as a negative credit factor.

Upside scenario

We could consider a positive rating action if financial resources and operating margins increase and are consistent with 'AA' rating category medians and those of higher-rated peers even as the university issues additional debt and the Cabrini campus is brought online. We would view positively an improvement to demand metrics.

Credit Opinion

Enterprise Risk Profile--Very Strong

Market position and demand

Full-time equivalents (FTEs) remained relatively flat in fall 2024 at 9,476, with stable undergraduate FTEs and a good rebound in graduate FTEs, increasing by 2.7% from the previous year. Management notes that it has moved programming for graduate and certificate programs back in-house, which might have contributed to the rebound. Management also notes an emphasis on research and potential growth in the PhD programs over time. Undergraduate enrollment remains the largest component of overall enrollment at about 74% of total FTEs. Villanova also benefits from geographic diversity, with only 32.6% of students coming from Pennsylvania. Management intends to open the Cabrini campus in fall 2026 and is planning on adding 250 undergraduate FTEs per year over four years for a total increase of 1000 FTEs by 2029.

Applications have grown steadily over the past few years. In fall 2025, the university had the highest number of applications in its history, with more than 26,300 applications, over 10% higher than fall 2024. Selectivity and matriculation remain healthy at 26.2% and 27.6%, respectively, in fall 2024. The retention rate and graduation rate are stable at 95.2% and 91.7%, respectively, consistent with those of similarly rated peers. The Cabrini campus will allow the university to meet the growing demand although management will need to remain diligent in ensuring that student quality remains high. The university operates in a highly competitive environment, so it is likely that Villanova will focus on expanding high demand programs such as nursing, business, science and engineering at the Cabrini campus. We believe that expansion risk exists, but it is somewhat offset by the strong demand and careful planning of management.

The university launched the public phase of its comprehensive campaign in fall 2024 with a goal of $1.25 billion. To date, $783 million has been raised, of which $475 million consists of cash and pledge payments. Villanova's last campaign ended on May 31, 2018, and raised $760 million, $160 million above its initial $600 million goal. We expect the university will be able to achieve its fundraising goals.

Management and governance

The management team has been quite stable, which we view as a strength. The president and the finance team have been in place for more than 15 years. A new athletic director and chief information officer joined in January 2025 and September 2024, respectively. The active 32-member board of trustees governing the university has been stable with normal rotations.

The university continues to operate under its 10-year strategic plan that focuses on maximizing the impact of the Augustinian tradition, fostering a diverse and equitable community, building a more connected community, creating dynamic opportunities for research and scholarship, advancing innovative teaching and learning, and propelling students on a path for lifelong success. Careful planning is underway for the expansion at the Cabrini campus as well as the transition with Rosemont. We consider Villanova's financial management policies and practices to be conservative and demonstrate best practices, including budgeting surpluses on a full-accrual basis with contingencies and producing multiyear projections.

Financial Risk Profile--Strong

Financial performance

Villanova's financial profile remains solid, with an operating margin of 3.22% in fiscal 2024 or net income of $24.8 million. Net tuition revenue, the largest driver of total revenue, continued to increase as enrollment remained steady and tuition rose by 4.7%. Growth in auxiliary revenue along with an increase in gifts helped offset some of the increases in financial aid, raises for staff and faculty, and general inflation. Management is budgeting for closer-to-breakeven results in fiscal 2025 due in part to costs in operationalizing Cabrini and the Rosemont transition. Expenses related to Cabrini and Rosemont will be ongoing, but with the launch of the first class at Cabrini in fall 2026, tuition and auxiliary revenues should begin to offset expenses. As noted, we expect that full-accrual operating surpluses will continue and view them as credit strength.

The university is highly dependent on student-generated fees; tuition, fees, and auxiliary revenue generated 80.4% of fiscal 2024 adjusted revenue. Tuition (including room and board) was in line with that of peer institutions. The tuition discount rate was 31.9% in fiscal 2024, which remains lower than that of some peers. We expect net tuition revenue will continue to rise.

Financial resources

At fiscal 2024 year-end, cash and investments remained healthy at $1.45 billion, equal to 188.5% of operating expenses and 361.8% of debt. Cash and investments to debt is slightly lower than similarly rated peers because of the additional debt issued in fiscal 2024, although we believe that the successful fundraising should continue to spur growth in resources.

As of March 31, 2025, the endowment had a market value of approximately $1.4 billion, up slightly from the previous year. A small internal endowment team manages the portfolio. The portfolio itself is diverse, with 37% in public equities (domestic and global), 28% in private investments, 32% in diversifying assets (hedge funds and private credit), and 4% in bonds and cash. It is sufficiently liquid given its conservative debt profile, with 2% available on a daily basis, 19% on a monthly basis, and 40% on an annual basis. The endowment spending policy remains 5%, based on a three-year rolling-average market value, which we believe is sustainable. The maximum unfunded commitment for the private investment portfolio is about 20% of the total endowment value, which we view as manageable given its conservative debt profile.

Villanova University, Pennsylvania--enterprise and financial statistics

	--Fiscal year ended May 31--					Medians for 'AA' category rated private colleges & universities
	2025	2024	2023	2022	2021	2023
Enrollment and demand						
Full-time-equivalent enrollment	9,476	9,408	9,545	9,737	9,761	7,994
Undergraduates as a % of total enrollment	74.4	74.8	73.2	70.8	70.6	70.5
First-year acceptance rate (%)	26.2	24.4	23.4	25.2	30.6	14.4
First-year matriculation rate (%)	27.6	30.3	31.8	28.7	25.0	38.4
First-year retention rate (%)	95.2	95.1	96.1	95.9	96.1	95.0
Six-year graduation rate (%)	91.7	92.4	90.6	91.3	92.0	91.1
Financial performance						
Adjusted operating revenue ($000s)	N.A.	795,760	740,102	693,572	639,933	MNR
Adjusted operating expense ($000s)	N.A.	770,970	721,037	661,052	610,248	MNR
Net operating margin (%)	N.A.	3.2	2.6	4.9	4.9	2.4
Change in unrestricted net assets ($000s)	N.A.	89,799	11,446	29,047	139,194	MNR
Tuition discount (%)	N.A.	31.9	31.7	31.4	30.9	39.3
Student dependence (%)	N.A.	80.4	82.5	83.2	86.1	60.8
Health care operations dependence (%)	N.A.	N.A.	N.A.	N.A.	N.A.	MNR
Research dependence (%)	N.A.	1.9	1.8	1.5	1.5	3.3
Financial resources						
Endowment market value ($000s)	N.A.	1,313,033	1,194,916	1,165,526	1,122,560	2,219,768
Cash and investments ($000s)	N.A.	1,453,513	1,380,708	1,442,060	1,361,230	2,821,640
Cash and investments to operations (%)	N.A.	188.5	191.5	218.1	223.1	373.7
Cash and investments to debt (%)	N.A.	361.8	680.9	657.3	579.3	472.3
Cash and investments to pro forma debt (%)	N.A.	N.A.	N.A.	N.A.	N.A.	MNR
Debt						
Outstanding debt ($000s)	N.A.	401,761	202,766	219,381	234,969	612,704
Proposed debt ($000s)	N.A.	N.A.	N.A.	N.A.	N.A.	MNR
Total pro forma debt ($000s)	N.A.	N.A.	N.A.	N.A.	N.A.	MNR
Current MADS burden (%)	N.A.	3.7	3.6	3.8	4.3	4.9
Pro forma MADS burden (%)	N.A.	N.A.	N.A.	N.A.	N.A.	MNR
Average age of plant (years)	N.A.	13.0	13.0	12.7	12.1	14.7

Total adjusted operating revenue = unrestricted revenue less realized and unrealized gains/losses and financial aid. Total adjusted operating expense = unrestricted expense plus financial aid expense. Net operating margin = 100*(net adjusted operating income/adjusted operating expense). Student dependence = 100*(gross tuition revenue + auxiliary revenue) / adjusted operating revenue. Current MADS burden = 100*(maximum annual debt service expense/adjusted operating expenses). Cash and investments = cash + short-term and long-term investments. Average age of plant = accumulated

Villanova University, Pennsylvania--enterprise and financial statistics

	--Fiscal year ended May 31--					Medians for 'AA' category rated private colleges & universities
	2025	2024	2023	2022	2021	2023
Enrollment and demand						

depreciation/depreciation and amortization expense. N.A.--Not available. MNR--Median not reported. MADS--Maximum annual debt service.

Ratings List	
Ratings Affirmed	
Education	
Villanova Univ, PA General Obligation	AA-/Stable

The ratings appearing below the new issues represent an aggregation of debt issues (ASID) associated with related maturities. The maturities similarly reflect our opinion about the creditworthiness of the U.S. Public Finance obligor's legal pledge for payment of the financial obligation. Nevertheless, these maturities may have different credit ratings than the rating presented next to the ASID depending on whether or not additional legal pledge(s) support the specific maturity's payment obligation, such as credit enhancement, as a result of defeasance, or other factors.

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 thereforebe readin conjunction with such criteria. Please see Ratings Criteria at https://disclosure.spglobal.com/ratings/en/regulatory/ratings-criteria for further information. A description of each of S&P Global Ratings' rating categoriesis containedin "S&P Global Ratings Definitions" at https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/504352. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings referenced herein canbe foundon S&P Global Ratings' public website at www.spglobal.com/ratings.