CREDIT OPINION
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The George Washington University, DC

Update to credit analysis following downgrade

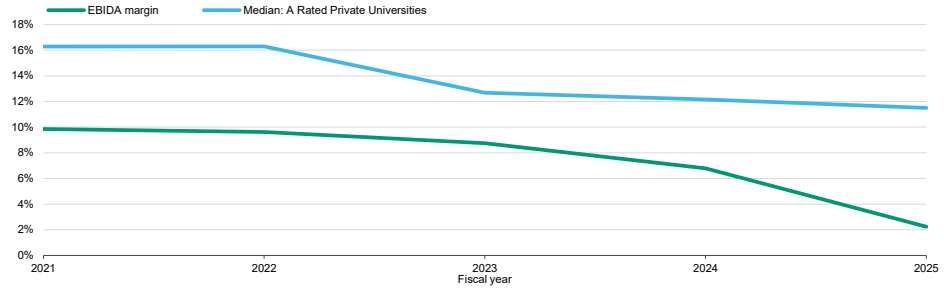
Summary

The George Washington University's (GW, A2 stable) credit quality reflects its very good brand and strategic positioning as a large, comprehensive urban university with a $1.9 billion scope of operations, leveraging its location in the District of Columbia (Aa1 stable). Generally favorable pricing power for its various programs continues to support prospects for net tuition and auxiliary revenue even as the competitive landscape impacts some graduate programs. Wealth is sizable at $3.0 billion in cash and investments at June 30, 2025, and a real estate sale late in fiscal year 2026 will add to that total.

Credit challenges include high leverage with total debt to revenue of 1.3x in fiscal 2025 as well as prospects for somewhat softer operating performance. The history of uneven operating performance at the its medical faculty practice plan drove increased use of operating lines of credit over the recent past. While the faculty plan transition agreement transfers almost all of the practice plan activity to its clinical partner, the university will fund transition expenses over the next five years and the School of Medicine and Health Sciences will continue to compete with other academic medical centers including those with greater resources. The evolving federal landscape for higher education and sponsored research also introduces additional near-term risks.

Exhibit 1

GW's EBIDA margins weakened relative to A-rated peers as faculty practice plan transition should support measured recovery



Source: Moody's Ratings

Credit strengths

» Very good brand and strategic positioning as a large, comprehensive urban university, with a $1.9 billion scope of operations, leveraging its location in the District of Columbia

» Relatively stable enrollment of over 20,000 students, with strong graduate and professional schools, and growing net tuition per student

» Sizable total wealth, with cash and investments of $3.0 billion at June 30, 2025 and benefitting from market gains in fiscal 2026 as well as $423 million in proceeds from the Virginia campus sale

Credit challenges

» Prior underperformance of the Medical Faculty Associates (MFA) practice plan while transitioning to partner will require support over next five years

» While MFA transition should support moderation of operating performance, results will likely remain under peer medians for some time

» Very high financial leverage with fiscal 2025 cash and investments to total adjusted debt of 1.3x, and long-dated debt structure

» Investments hold a significant concentration in illiquid real estate assets, contributing to modest liquidity relative to peers and elevating exposure to commercial market volatility

Rating outlook

The stable outlook reflects our expectation that operating performance has begun to stabilize after the weak 2.2% EBIDA margin in fiscal year 2025 as clinical services transfer to a nonprofit subsidiary of Universal Health Services. The stable outlook also acknowledges gains in liquidity from the real estate sale and generally consistent student demand.

Factors that could lead to an upgrade

» Significant growth of cash and investments to cover debt and operating expenses by 2x, respectively

» Sustained and material improvement in EBIDA and donor support

Factors that could lead to a downgrade

» Sustained move to EBIDA margins below 10%

» Material decline in total cash and investments or monthly liquidity

» Decline in market value of real estate assets and/or adverse reductions in ground lease payments

» Increase in debt relative to total cash and investments or inability to sustainably move toward debt to EBIDA below 8x

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.moodys.com for the most updated credit rating action information and rating history.

Key indicators

Exhibit 2

	2021	2022	2023	2024	2025	Median: A Rated Private Universities
Total FTE Enrollment	22,211	21,768	21,757	21,973	21,603	5,168
Operating Revenue ($000)	1,606,522	1,683,481	1,716,587	1,814,599	1,859,078	279,568
Annual Change in Operating Revenue (%)	-4.6	4.8	2.0	5.7	2.5	4.5
Total Cash & Investments ($000)	3,153,022	2,826,463	2,840,638	2,880,236	3,049,425	653,377
Total Adjusted Debt ($000)	2,213,864	2,108,492	2,083,203	2,226,807	2,381,025	184,098
Total Cash & Investments to Total Adjusted Debt (x)	1.4	1.3	1.4	1.3	1.3	3.2
Total Cash & Investments to Operating Expenses (x)	2.0	1.7	1.6	1.5	1.5	2.3
Monthly Days Cash on Hand (x)	313	214	195	177	165	397
EBIDA Margin (%)	9.9	9.6	8.7	6.8	2.2	12.2
Total Debt to EBIDA (x)	13.4	13.0	13.9	18.1	57.2	6.2
Annual Debt Service Coverage (x)	1.8	1.8	1.5	1.2	0.4	2.8

Source: Moody's Ratings

Profile

The George Washington University (GW) is a large, comprehensive, urban university, with its principal location in the Foggy Bottom neighborhood of Washington DC. Academic programs are offered through 10 schools and colleges for undergraduate, graduate and professional degrees. In fiscal 2025, GW recorded $1.9 billion in operating revenue and for fall 2025, enrolled over 21,000 full-time equivalent (FTE) students.

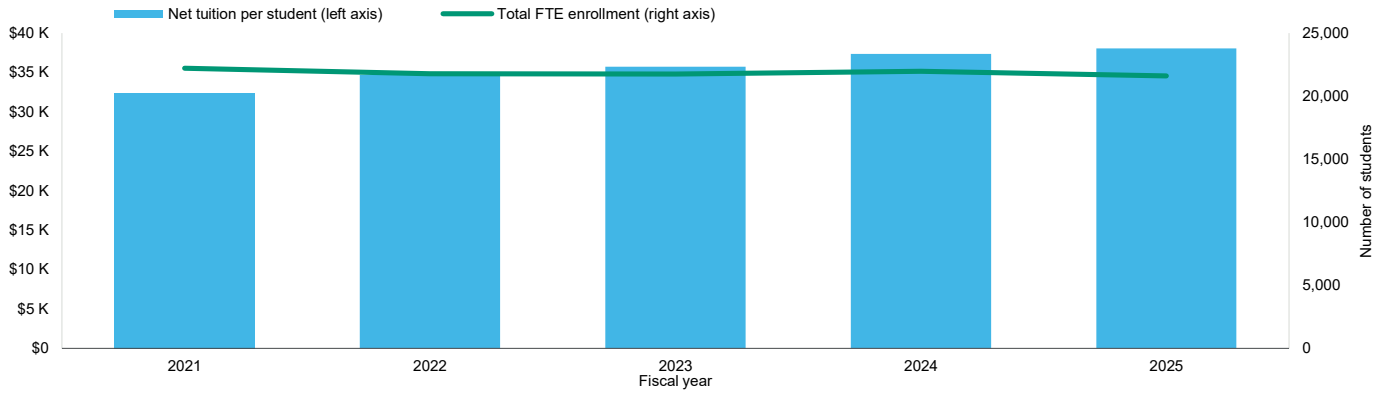
Detailed credit considerations

Market profile

GW's well-established market position as a large, comprehensive, urban university leveraging its location in the nation's capital will continue to support sound student demand. Favorably, GW has a broad, diversified mix of undergraduate, graduate and professional curricula across its multiple schools and colleges, with policy and STEM curriculum and including the School of Medicine and Health Sciences (SMHS) and GW Law. The student body is also well diversified, with undergraduates comprising around half of fall 2025 enrollment, providing some insulation from heightened student demand competition domestically and abroad. Preliminary fall 2025 expectations call for steady enrollment. Geopolitical risk exposure resides in its relatively high but consistent 15% international student composition.

Exhibit 3

Very good brand and effective enrollment management underpin credit quality



Source: Moody's Ratings

The university has a moderate research enterprise encompassing multiple disciplines with research expenses of $247 million in fiscal 2025. As a relatively new member of the Association of American Universities (AAU), GW continues to plan for research growth despite the evolving federal funding environment.

Operating performance

Persistent weak operating performance of the Medical Faculty Associates (MFA) practice plan has negatively impacted GW's consolidated margins. The executed transition agreement should help resolve that underperformance. MFA's losses had totaled over $450 million since 2022 as clinical volume did not recover following the pandemic. The university will provide up to $230 million to support the transition and absorb prior loans to MFA over the next five years. This support will soften the university's operating performance for several years. Management's preliminary guidance for fiscal 2027 shows some prospects for improvement in EBIDA margin moving closer to but remaining below the 12% peer median. Given the university's high financial leverage, operating performance improvement remains key to credit quality.

By moving most Medical Faculty Associates physicians and staff into Capital Medical Group, a new physician-led nonprofit subsidiary of Universal Health Services, Inc. (Baa3 stable), the arrangement should improve operating predictability and lessen the likelihood that clinical practice losses will pressure university margins. Importantly, the agreement maintains continuity for teaching, research and graduate medical education, with physicians retaining GW School of Medicine and Health Sciences faculty appointments and George Washington University remaining the sponsoring and accrediting institution for GME programs. GW's academic medical platform will still rely on Universal Health Services to support clinical-service growth across GW Hospital, Cedar Hill Regional Medical Center and affiliated outpatient locations.

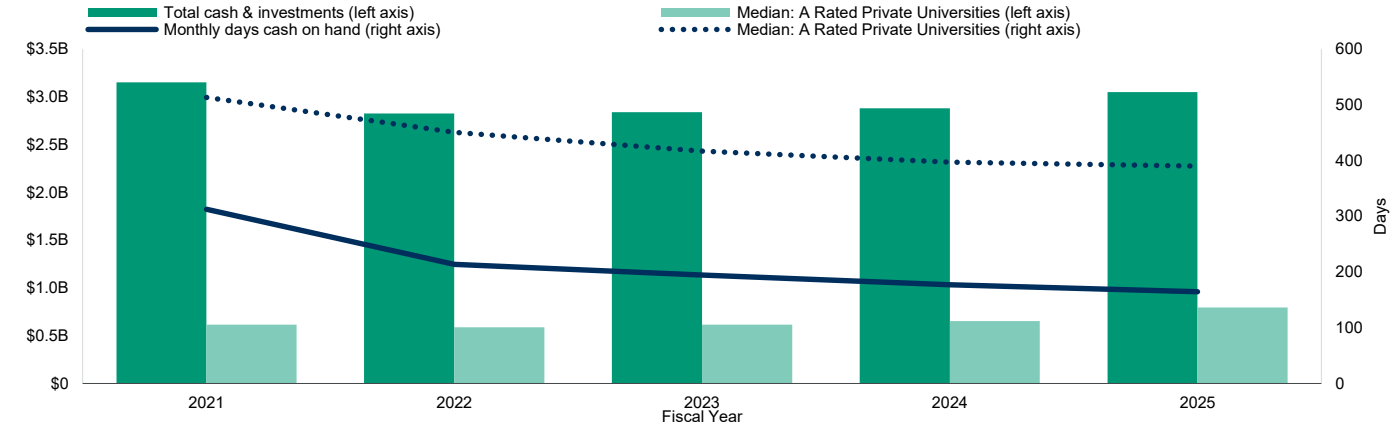
The university's revenue diversity, with rising net tuition revenue and solid gift support, provides longer term operating stability. GW's largest source of revenue, student charges (53% of fiscal 2025 revenue), will increase as a portion as faculty practice plan activity transitions to the partner. Investment income comprised 8% of fiscal 2025 operating revenue and will also increase. Very good donor support, with average fiscal 2023-25 gifts of $69 million, will contribute to growing wealth, as well as for operating and capital investments.

Wealth and liquidity

Though the university's wealth is sizable at $3.0 billion in fiscal 2025, the cushion relative to operating expenses of 1.5x is low compared to peers. The sale of the Virginia Science and Technology Campus during fiscal 2026 supported gains in total wealth, with the majority of the $423 million in proceeds invested in the long term pool.

Exhibit 4

While GW has strong total wealth that supports its credit quality, its monthly liquidity relative to expenses has lagged peers



Source: Moody's Ratings

Weaker operating performance and underperforming real estate assets over the five prior years ending in fiscal 2025, led to underperformance in total cash and investments relative to most peers. Total cash and investments declined 3.5% over the fiscal 2021-25 period. Unrestricted liquidity remains modest relative to peers. The fiscal 2025 monthly liquidity of $862 million translates to

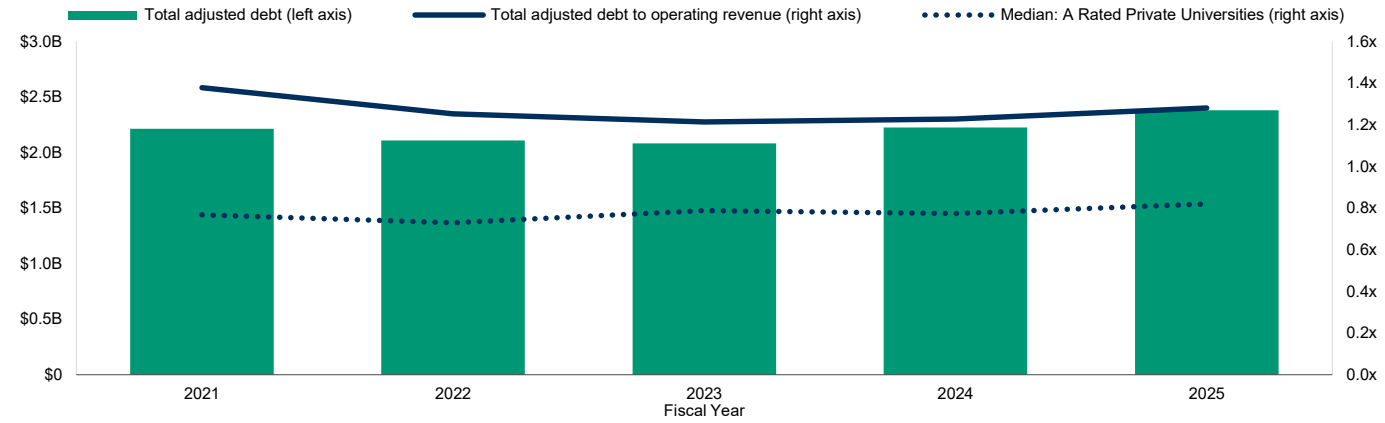
165 monthly days cash on hand but should improve over time with the proceeds from the real estate sale and reduction in recurring expenses through the MFA transition. A significant 38% of GW's wealth is tied to real estate assets that are booked at annually appraised market value. The broader pool had an 11.7% return in fiscal 2025. Through June 30, 2025, GW had underperformed peers in five year return on total cash and investments with a -3% return as compared to a typical return during that period of around 25%. While GW will benefit from outsized single year growth in fiscal 2026 with the real estate sale, the relative underperformance for five years will remain.

Leverage and coverage

GW's relatively high leverage should remain manageable with recovery of EBIDA and debt service coverage. Total adjusted debt of $2.4 billion is virtually all taxable debt with bullet maturities. The bullet structure means debt will remain elevated and that debt service coverage should be viewed in light of its interest only nature. Fiscal 2025 total cash and investments to total adjusted debt of 1.3x and total adjusted debt to operating revenue of 1.3x are weaker than peer median. GW continues to invest in capital facilities with an average age of plant at 14 years.

Exhibit 5

GW's debt to revenue relative to peers demonstrates its high leverage



Source: Moody's Ratings