

# MOODY'S

## INVESTORS SERVICE

### Rating Action: **Moody's affirms Rollins College's (FL) A2; outlook stable**

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25 Apr 2018

New York, April 25, 2018 -- Moody's Investors Service has affirmed its A2 ratings on Rollins College's \$55 million of outstanding rated debt. The outlook is stable.

#### RATINGS RATIONALE

Rollins College will continue to demonstrate healthy revenue growth supported by diversified revenue sources and solid philanthropic support, contributing to its very good strategic positioning. Though the college operates in a highly competitive student market for traditional undergraduates, it benefits from broader programmatic offerings and scale as well as lower reliance on student-driven revenue relative to typical liberal arts colleges. Strengthened operating cash flow and a conservative debt structure partially mitigate a moderately high and growing debt burden relative to revenues as the college makes strategic investments that will further enhance its attractive campus. Credit challenges include comparatively thin liquidity, high financial leverage and lagging financial resource growth relative to peers.

#### RATING OUTLOOK

The stable outlook reflects expectations of continued improved operating performance with operating cash flow margins in the 14% to 16% range, supporting relatively high debt service as a proportion of expenses. The outlook also incorporates expectations of a modestly strengthened pace of financial resource growth from retained operating cash flow and gifts.

#### FACTORS THAT COULD LEAD TO AN UPGRADE

- Above peer growth of spendable financial reserves with significant increase in unrestricted monthly liquidity
- Sustained improvement to operating cash flow and stronger debt service coverage

#### FACTORS THAT COULD LEAD TO A DOWNGRADE

- Inability to maintain improved operating performance and debt service coverage at or above current levels
- Weakened liquidity or failure to maintain financial resource growth in line with competitive peers
- Significant additional borrowing given already comparatively high leverage levels

#### LEGAL SECURITY

All bonds are a general obligation of the college.

#### USE OF PROCEEDS

Not applicable.

#### PROFILE

Rollins College is a private comprehensive liberal arts college established in 1885 and enrolling over 3,000 full-time equivalent students in fall 2017. The college is located in Winter Park, Florida, approximately five miles northeast of Orlando. Rollins is primarily a traditional undergraduate institution but also offers bachelors and masters evening degree programs designed for working adults and a graduate business school.

#### METHODOLOGY

The principal methodology used in this rating was Higher Education published in December 2017. Please see the Rating Methodologies page on [www.moody's.com](http://www.moody's.com) for a copy of this methodology.

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