

ISSUER COMMENT

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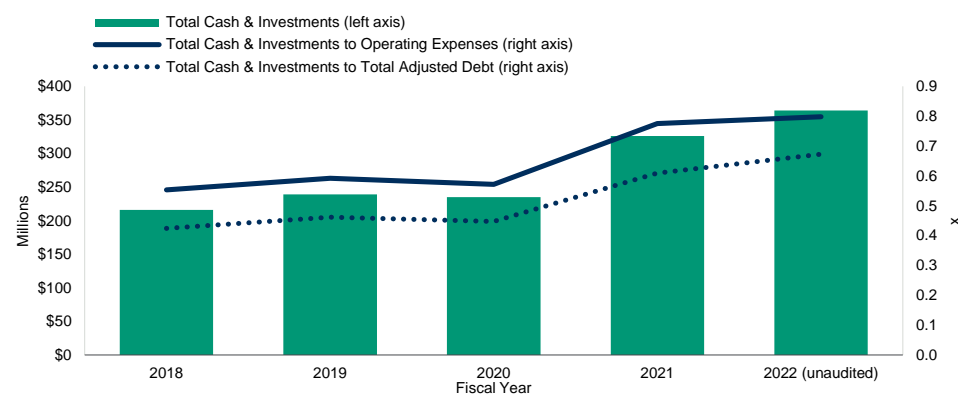
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New Jersey Institute of Technology, NJ

Favorable student demand and growing wealth support stable credit quality

[New Jersey Institute of Technology's](#) (NJIT; A1 stable) credit profile reflects its very good brand and strategic positioning as a public university dedicated to science, technology, engineering, and mathematics education. NJIT's credit quality is aided by its good scale, strong student demand and growing enrollment, sizable and increasing wealth, and diverse mix of revenue sources; including growing support from the [State of New Jersey](#) (A2 Positive). Challenges for the university include mixed operating results and a relatively high debt burden. While total cash and investment growth will continue, NJIT's elevated financial leverage means annual debt service coverage will remain weaker than peers.

Exhibit 1

Growing wealth provides cushion for operating expenses and debt


Source: Moody's Investors Service

NJIT's brand and strategic positioning will remain strong, supported by favorable demand for its undergraduate and graduate technology and engineering programs. Enrollment held steady throughout the pandemic, and increased from 10,278 full-time equivalent (FTE) students in fall 2021 to 10,898 in fall 2022 largely due to increasing graduate enrollment. NJIT is predominantly reliant on students from New Jersey and surrounding Northeast and Mid-Atlantic states, but its in-demand programs and track record of serving a diverse student population will provide for continued brand strength even as weak regional demographics make the student market more competitive. International students make up a substantial share of NJIT's population, representing 20% of total enrollment in fall 2022. The university stands to benefit as international demand recovers following the easing of global travel restrictions related to the COVID-19 pandemic.

Improving operating results will continue to be a key priority. NJIT has produced mixed results in recent fiscal years, with a three-year average operating margin of -2.6%. These margins should improve as new financial leadership adjusts the university's fiscal approach, including budgeting for reserves starting in fiscal 2023. Rising enrollment contributed to net tuition per student increasing by 6.4% in fiscal 2022 (unaudited), a trend which will continue in the coming fiscal years as the university plans for growth in existing programs, opens new undergraduate and graduate programs in artificial intelligence and data science and expands its online Bachelors and Masters offerings.

Revenue diversity will remain healthy, with research funding and state support set to improve. Based on unaudited results, tuition and auxiliaries represented 45% of total revenue in fiscal 2022, followed by government appropriations at 28%, grants and contracts at 19% and investment income at 3%. NJIT has grown its academic research award amounts by \$11 million annually over the last three fiscal years, and expects continued expansion of its research enterprise. The university will benefit from New Jersey's improving fiscal position, with appropriations for operations increasing in fiscal 2022 and an expected increase in fiscal 2023. Philanthropy remains limited, however, with gifts representing about 1% of revenues over the last three fiscal years, below peers of similar credit quality.

Wealth will continue to grow as the university executes on strategic plans. Total cash and investments increased substantially over the last three fiscal years, from \$235 million at the end of fiscal 2020 to \$363 million at the end of fiscal 2022 (unaudited). Wealth was recently boosted by a \$73 million sale of a university-owned gene manufacturing company in 2022, providing a significant one-time cash gain that will support future strategic investments, though the exact use of these proceeds is yet to be determined and will be subject to approval by the boards of NJIT and the New Jersey Innovation Institute. NJIT's liquidity remains good, with 156 monthly days cash on hand in fiscal 2022, but below the A-median of 191.

Moderately high leverage will continue due to an elevated debt burden, with total debt at \$412 million. This will remain manageable due to capable management and no new debt plans. NJIT also continues to have sizable pension obligations through its participation in New Jersey's defined benefit pension plans. Annual debt service coverage was a thinner 1.5x in fiscal 2022 (unaudited), but the university's wealth provides a good cushion to total adjusted debt of 0.6x and operating expenses of 0.8x.

Exhibit 2

NEW JERSEY INSTITUTE OF TECHNOLOGY, NJ

	2018	2019	2020	2021	2022	Median: A Rated Public Universities
Total FTE Enrollment	10,149	10,438	10,220	10,278	10,898	9,275
Operating Revenue (\$000)	396,663	402,262	393,573	423,237	440,415	232,885
Annual Change in Operating Revenue (%)	5.5	1.4	-2.2	7.5	4.1	3.2
Total Cash & Investments (\$000)	215,994	238,834	235,375	325,758	363,547	240,898
Total Debt (\$000)	335,909	331,188	331,565	414,486	412,182	132,722
Total Cash & Investments to Total Adjusted Debt (x)	0.4	0.5	0.4	0.5	0.6	0.6
Total Cash & Investments to Operating Expenses (x)	0.6	0.6	0.6	0.8	0.8	1.1
Monthly Days Cash on Hand (x)	122	136	128	177	156	191
EBIDA Margin (%)	12.5	12.2	8.2	12.7	8.1	15.4
Total Debt to EBIDA (x)	6.8	6.8	10.3	7.7	11.6	3.9
Annual Debt Service Coverage (x)	2.7	2.5	1.8	2.6	1.5	3.2

Fiscal year 2022 amounts are based on preliminary, unaudited financial statements.

Source: Moody's Investors Service

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Issuer profile

New Jersey Institute of Technology is a public research university in Newark, New Jersey that offers undergraduate and graduate degrees in science, technology, engineering and mathematics. In fiscal year 2022, the university recorded \$440 million in operating revenue and for fall 2022, enrolled 10,898 full time equivalent (FTE) students.

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