New York, May 30, 2019 -- Moody's Investors Service has assigned an A1 rating to American University, DC's $410,000 Taxable Bonds, Series 2019. Concurrently, we affirm A1 ratings on approximately $449 million of outstanding rated debt. The outlook is stable.

RATINGS RATIONALE
American University's A1 rating reflects the university's market position as an established research university in an attractive urban location with ongoing robust student demand. Revenue growth is healthy, and operating performance remains solid despite some softening in fiscal 2018 ending April 30, resulting from higher than budgeted financial aid and some weaker residential hall occupancy. However, management continues to show the ability to adapt operations to enrollment shifts and, based on preliminary information, twelve-month performance through April 30, 2019, is in line with historic operating margins. Limited revenue diversity, with 79% of revenue derived from student charges, underscores the need for continued effective enrollment management.

Cash and investment growth is strong, up 25% over the past five years and largely generated by the university's solid operating performance. While absolute wealth is good at over $1.1 billion of total cash and investments, spendable cash and investment coverage of operating expenses and debt is weak relative to peers given the university's large operating scale. Unrestricted liquidity provides an excellent 592 monthly days cash on hand. Thoughtful strategic and financial planning help to offset the impact of elevated financial leverage and the university's high reliance on student charges. American's pro forma debt profile is expected to consist of all taxable fixed rate debt and no outstanding swaps following the issuance of the Series 2019 bonds. Although the new issuance increases debt, the complexity and risk associated with American's existing debt portfolio, which includes approximately 40% variable rate debt, privately placed debt and notes, swaps, collateral postings and covenants, is significantly reduced.

RATING OUTLOOK
The stable outlook reflects expectations of continued strong student demand, maintenance of flexible reserves and ongoing healthy operating performance.

FACTORS THAT COULD LEAD TO AN UPGRADE
- Exceptional growth in financial reserves
- Increased philanthropic support leading to enhanced revenue diversification

FACTORS THAT COULD LEAD TO A DOWNGRADE
- Softening of student demand
- Decline in operating performance leading to material reduction in flexible reserves
- Significant additional borrowing beyond current plans, which include eliminating swaps

LEGAL SECURITY
Debt is an unsecured general obligation of the university.

USE OF PROCEEDS
Proceeds will be used to refinance the Series 1999 Bonds, Series 2003 Bonds, Series 2006 Bonds and Series 2008 Bonds and certain loans, to terminate existing swap agreements, and to pay costs of issuance.
PROFILE

American University is a private non-sectarian research institution situated in a residential area of northwest Washington, DC. The university enrolled over 13,000 students in fall 2018 across a comprehensive array of undergraduate, graduate, and professional programs including law, business, public affairs and international service.

METHODOLOGY

The principal methodology used in these ratings was Higher Education published in May 2019. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Please see www.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the ratings tab on the issuer/entity page on www.moodys.com for additional regulatory disclosures for each credit rating.

Susan Shaffer
Lead Analyst
Higher Education
Moody's Investors Service, Inc.
7 World Trade Center
250 Greenwich Street
New York 10007
US
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

Diane Viacava
Additional Contact
Higher Education
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

Releasing Office:
Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
U.S.A
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653
agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY’S.

To the extent permitted by law, MOODY’S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY’S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY CREDIT RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY’S IN ANY FORM OR MANNER WHATSOEVER.

Moody’s Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody’s Corporation (“MCO”), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody’s Investors Service, Inc. have, prior to assignment of any rating, agreed to pay to Moody’s Investors Service, Inc. for ratings opinions and services rendered by it fees ranging from $1,000 to approximately $2,700,000. MCO and MIS also maintain policies and procedures to address the independence of MIS’s ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moodys.com under the heading “Investor Relations — Corporate Governance — Director and Shareholder Affiliation Policy.”

Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY’S affiliate, Moody’s Investors Service Pty Limited ABN 61 003 399 657 AFSL 336969 and/or Moody’s Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to “wholesale clients” within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY’S that you are, or are accessing the document as a representative of, a “wholesale client” and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to “retail clients” within the meaning of section 761G of the Corporations Act 2001. MOODY’S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors.

Additional terms for Japan only: Moody’s Japan K.K. (“MJKK”) is a wholly-owned credit rating agency subsidiary of Moody’s Group Japan G.K., which is wholly-owned by Moody’s Overseas Holdings Inc., a wholly-owned subsidiary of MCO. Moody’s SF Japan K.K. (“MSFJ”) is a wholly-owned credit rating agency subsidiary of MJKK. MSFJ is not a Nationally Recognized Statistical Rating Organization (“NRSRO”). Therefore, credit ratings assigned by MSFJ are Non-NRSRO Credit Ratings. Non-NRSRO Credit Ratings are assigned by an entity that is not a NRSRO and, consequently, the rated obligation will not qualify for certain types of treatment under U.S. laws. MJKK and MSFJ are credit rating agencies registered with the Japan Financial Services Agency and their registration numbers are FSA Commissioner (Ratings) No. 2 and 3 respectively.

MJKK or MSFJ (as applicable) hereby disclose that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MJKK or MSFJ (as applicable) have, prior to assignment of any rating, agreed to pay to MJKK or MSFJ (as applicable) for ratings opinions and services rendered by it fees ranging from JPY125,000 to approximately JPY250,000,000.

MJKK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.