MOODY'S RATINGS

CREDIT OPINION
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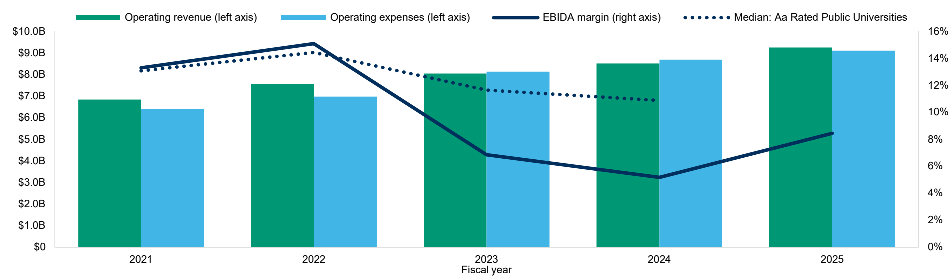
University of Washington, WA

Update to credit analysis

Summary

The University of Washington's (UW) excellent credit quality (Aa1 stable) incorporates the synergies and strengths of its large-scale research, healthcare, and educational operations that support its excellent brand and strategic positioning. As the state's flagship university with a comprehensive array of programs, the university benefits from stellar student demand. A prominent research profile enhanced by its sizable academic medical center bolster UW's market position. Overall wealth levels are considerable and growing, supported by strong fundraising, but lag Aa1-rated peers when measured against the university's growing scale. UW's governance and management are favorable, including integrated planning and very active oversight. The university's primary credit challenge is its thinner operating performance. That performance reflects a combination of its exposure to its healthcare operations and its own expense pressures. These risks are heightened by potential reductions in federal research funding as well as changes to Medicaid and other federal programs. Relatively high leverage, including a large pension liability, is another offsetting credit consideration.

Exhibit 1
Thin operating performance is in part due to exposure to lower margin healthcare operations



Source: Moody's Ratings

Credit strengths

» Sizable scale with a national research profile, strong student demand and major clinical care operations contribute to significant credit strength

» Very strong overall wealth, with $10.1 billion of total cash and investments, enhances financial flexibility

» Consistently robust fundraising, with three year average gifts of $369 million through fiscal 2025, provides funds for academic and capital investment, bolstering excellent strategic position

» Integrated planning and strong fiscal oversight enhance prospects for strengthened operations

Credit challenges

- Ongoing thin operating performance reflecting a combination of weak performance of the healthcare enterprise along with the university's own expense pressures
- Wealth compared to size of operations and monthly liquidity is lower than peers
- Large unfunded pension liability adds to leverage
- Limited tuition pricing flexibility due to state caps on resident undergraduate tuition increases

Rating outlook

The stable outlook incorporates the university's and medical entities' concerted efforts to improve operating performance and to gradually return to more robust margins. In addition, the outlook incorporates the university's sizeable wealth and limited borrowing plans which provides financial flexibility.

Factors that could lead to an upgrade

- Substantial improvement in operating performance with EBIDA margins between 10% to 12% on a sustainable basis
- Strengthening in performance of UW Medicine and related healthcare entities
- Growth in cash and investments to provide more robust coverage of debt and operations

Factors that could lead to a downgrade

- Deterioration in healthcare entities' operating performance
- EBIDA margins sustained below 6% to 8% which is already thinner than peers
- Reductions in total cash and investments relative to operations and debt
- Material debt plans beyond those outlined or reduction in wealth/liquidity relative to debt and expenses
- For the short-term rating, reduction in same day liquidity, increased calls on liquidity, or weakening of debt and treasury management

Key indicators

Exhibit 2

UNIVERSITY OF WASHINGTON, WA

	2021	2022	2023	2024	2025	Median: Aa Rated Public Universities
Total FTE Enrollment	60,359	60,422	60,494	62,054	62,967	33,009
Operating Revenue ($000)	6,835,587	7,555,487	8,041,838	8,504,053	9,242,673	1,727,445
Annual Change in Operating Revenue (%)	6.6	10.5	6.4	5.7	8.7	5.9
Total Cash & Investments ($000)	8,275,094	8,349,287	8,535,846	9,443,739	10,086,898	2,307,630
Total Adjusted Debt ($000)	7,838,041	8,596,919	8,038,576	7,026,434	6,646,338	1,926,648
Total Cash & Investments to Total Adjusted Debt (x)	1.1	1.0	1.1	1.3	1.5	1.2
Total Cash & Investments to Operating Expenses (x)	1.3	1.2	1.1	1.1	1.1	1.3
Monthly Days Cash on Hand (x)	214	197	171	170	178	180
EBIDA Margin (%)	13.3	15.1	6.8	5.2	8.4	10.9
Total Debt to EBIDA (x)	2.6	2.9	6.1	7.3	4.3	4.0
Annual Debt Service Coverage (x)	5.1	5.7	2.5	2.1	3.6	3.3

Source: Moody's Ratings

Profile

Founded in 1861, the University of Washington is the State of Washington's flagship university with fall 2025 full time equivalent students (FTEs) of 62,967 on its campuses in Seattle, Tacoma and Bothell. UW's operations are sizable with $9.2 billion of operating revenue in fiscal 2025. UW is also one of the nation's largest research universities with $1.8 billion of research awards for fiscal 2025.

UW operates UW Medicine, whose service area is broad as the only academic medical center and Level 1 trauma care provider for Washington, Wyoming, Alaska, Montana and Idaho (WWAMI). The university's consolidated operations incorporate the UW Medicine's Select Units operations comprising primarily the 910-bed University of Washington Medical Center (UWMC) and other smaller entities as well as Harborview Medical Center (not consolidated) and Valley Medical Center (discrete component through fiscal 2024). As of December 31, 2026 the affiliation with Valley Medical Center will not be renewed. In fiscal 2022, the Fred Hutchinson Cancer Center (FHCC) (A2/negative) entered into a new comprehensive clinical affiliation with UWMC which now governs all of the adult cancer related clinical activities of both organizations. As a result, the FHCC is now reported as a discrete component unit outside consolidated results.

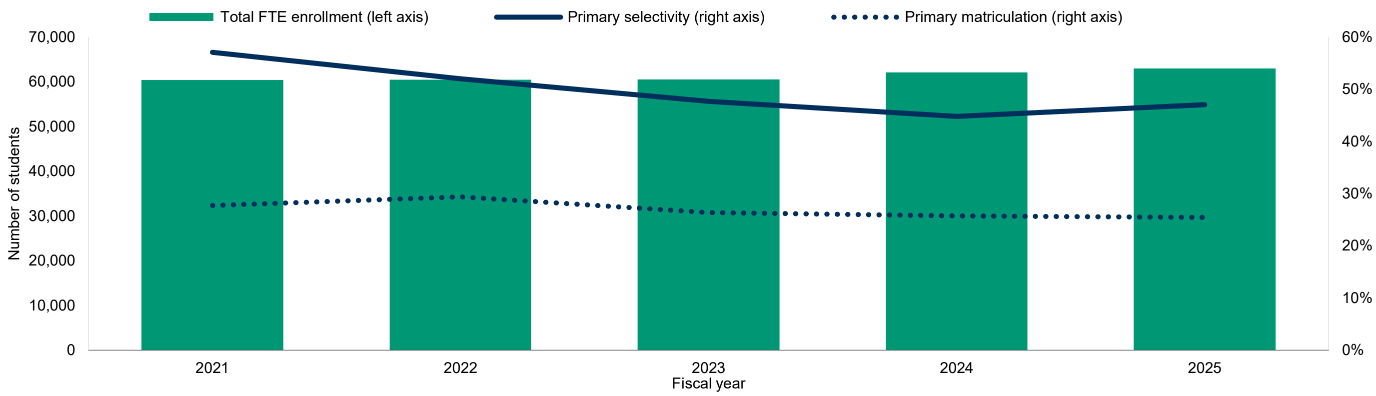
Detailed credit considerations

Market position

The University of Washington's excellent brand and strategic positioning benefits from its leading research enterprise, including from its medical complex, and robust student demand as the state's flagship institution. Research awards totaled $1.8 billion in FY 2025, but federal grant funding faces headwinds, with projected declines in awards in FY 2026 and additional risk from potential changes to indirect cost reimbursements. The university has established contingency measures to address federal funding volatility including reducing overhead costs and focusing on projects that have federal support.

Student demand remains solid, supported by UW's academic reputation and diverse programs, with enrollment growing 1.5% in fall 2025 to 62,967 FTEs. Tuition revenue is driven by STEM fields, though international graduate enrollment exposure persists; efforts are underway to boost non-resident domestic enrollment. Resident undergraduate tuition increased 3.3% in fall 2025, with the state retaining tuition-setting authority.

Exhibit 3
Strong market position attracts students within the state and nationally



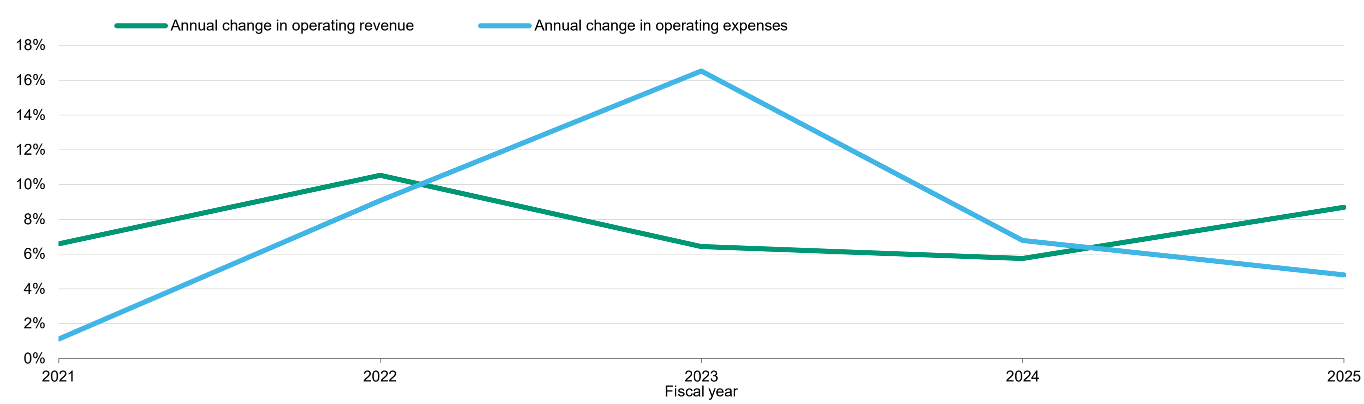
Source: Moody's Ratings

Operating performance

UW's operating performance will remain pressured by rising expenses in university and health care operations. Fiscal 2026 faces headwinds from compensation costs, persistent health care challenges, and lower expected research income. Management offset these pressures with a 5% expenditure reduction, restricted hiring, and centralization initiatives. Fiscal 2025 showed improved operating results, with EBIDA increasing to 8.4% from 5.2% in fiscal 2024, led by strong growth in grants, gifts, and clinical lab sales, resulting in an 8.7% rise in revenues versus a 4.8% increase in expenses. State appropriations, representing about 7% of operating revenues, rose 2.8% in fiscal 2025 but declined by approximately 11% for the 2025–2027 biennium due to statewide budget constraints. The governor's proposed supplemental budget calls for a 3% annual reduction in base appropriations beginning in February 2027.

UW Medicine – Select Units, which contributed $3.3 billion (36% of consolidated fiscal 2025 revenue), continues to weigh on overall operating performance despite recent improvement. Ongoing shifts to outpatient care, longer patient stays, labor pressures, and reliance on one-time revenues, as well as forthcoming changes to Medicaid and other federal policies in the federal budget bill, will challenge health care operations over the medium term. One-time state appropriations from 2023–2025 are unlikely to be renewed, adding further pressure. Excluding one-time items, Select Units' operating cashflow margin improved for a second consecutive year to 5.6% in 2025—a 10-year high—though remains below peers; margins are projected to thin slightly in fiscal 2026.

Exhibit 4
Continued restraint on expenses will be critical to improving operating performance in future years



Source: Moody's Ratings

Financial resources and liquidity

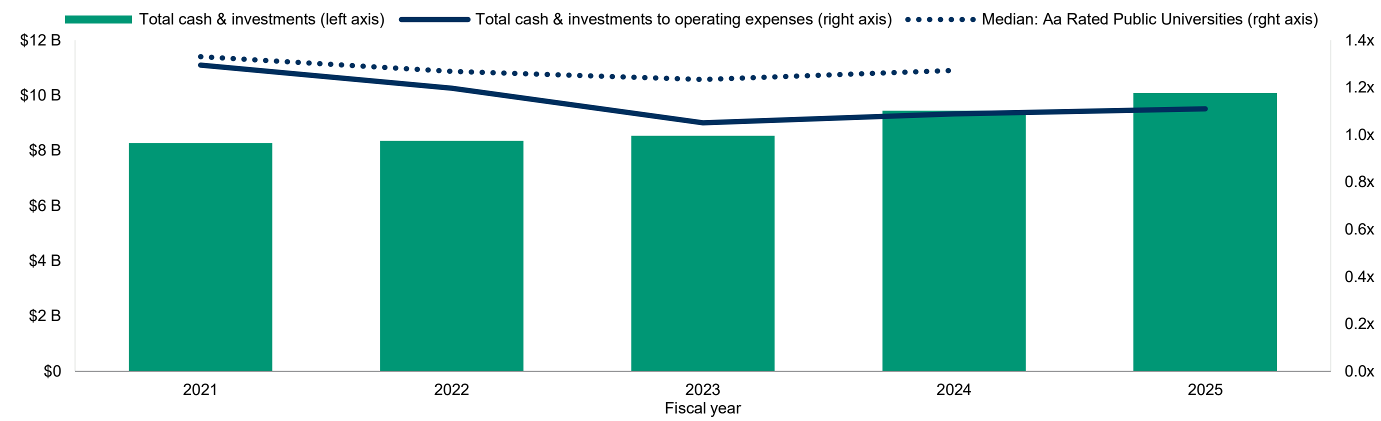
The University of Washington's total cash and investments reached $10.1 billion in fiscal 2025 and are expected to continue measured gains. Strong fundraising, averaging $369 million in gifts over three years as of fiscal 2025, will help boost reserves. The endowment draw, reduced to 4.5% in 2022, will increase slightly to 4.75% in fiscal 2027 to align with peers. However, UW's cushion of total cash and investments to operating expenses of 1.1x remains below the 1.4x average for Aa1-rated public universities. Monthly liquidity is also lower than peers (178 days versus 198 days estimated for peers in fiscal 2025), but remains sufficient for UW's business risks

The university's well diversified investment portfolio -- overseen by University of Washington Investment Management Company including a CIO -- is comprised of the $6.0 billion long term portfolio, (Consolidated Endowment Fund) and its $3.3 billion operating fund investments (Invested Funds) with gains of 12.4% and 6.6% respectively in fiscal 2025.

UW's Commercial Paper program is authorized at $750 million is supported by the university's self-liquidity. At September 30, 2025 UW's $1.7 billion of discounted daily liquidity provides a strong nearly 7x coverage of the maximum $250 million of commercial paper that can mature in one business week. The university's external liquidity consists of one line of credit agreement of $100 million with US Bank National Association through September 30, 2027.

Exhibit 5

Strong growth in sizeable reserves is credit positive but lower than peers when compared to size of operations



Source: Moody's Ratings

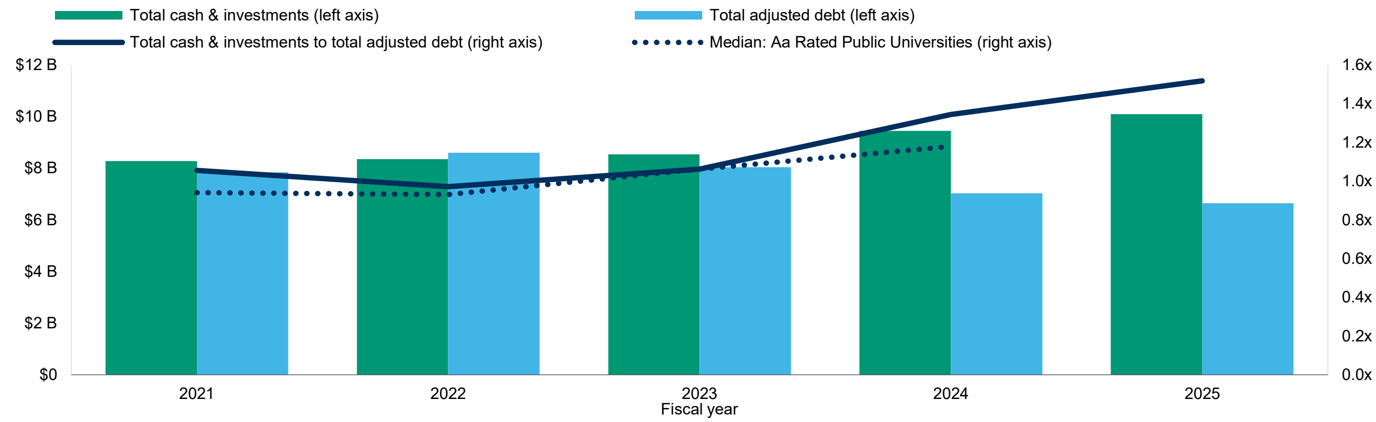
Leverage and coverage

UW's leverage will remain stable over the next several years reflecting a prudent strategy of borrowing roughly in line with amortizing debt. Debt structure benefits from minimal variable rate debt and regular amortization. From 2026 to 2030, management projects moderate borrowing at around $625 million or averaging around $125 million annually, compared to a similar amounts in annual maturities. This is an important credit trend as total cash and investment to total adjusted debt is 1.5x and below the Aa1-rated estimated median of 2.4x in fiscal 2025. In part this reflects large unfunded pension liabilities of $2.5 billion (Moody's adjusted net pension liability (ANPL) at June 30, 2025; average over the prior three years), bringing total adjusted debt to $6.6 billion.

In fiscal 2026, the university plans to issue $85 million to refund a portion of 2015C series with no new money borrowing planned.

Exhibit 6

Good debt management is easing somewhat high leverage



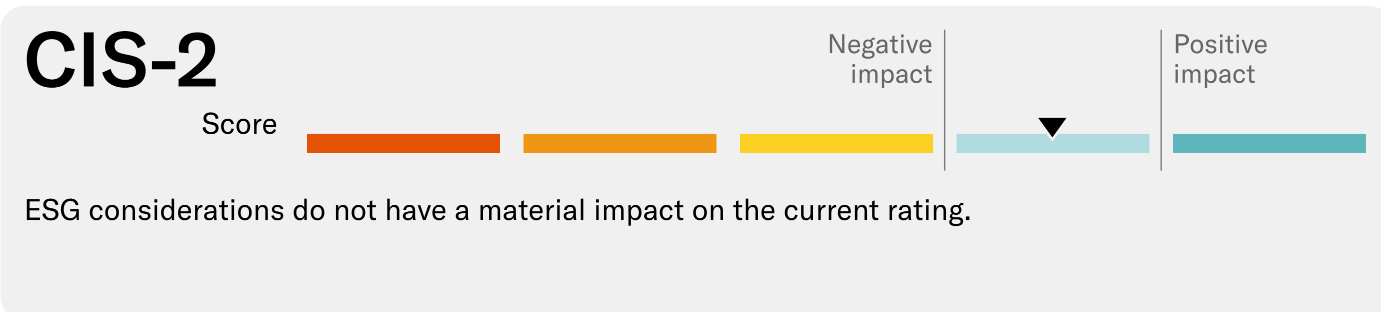
Source: Moody's Ratings

ESG considerations

University of Washington, WA's ESG credit impact score is CIS-2

Exhibit 7

ESG credit impact score

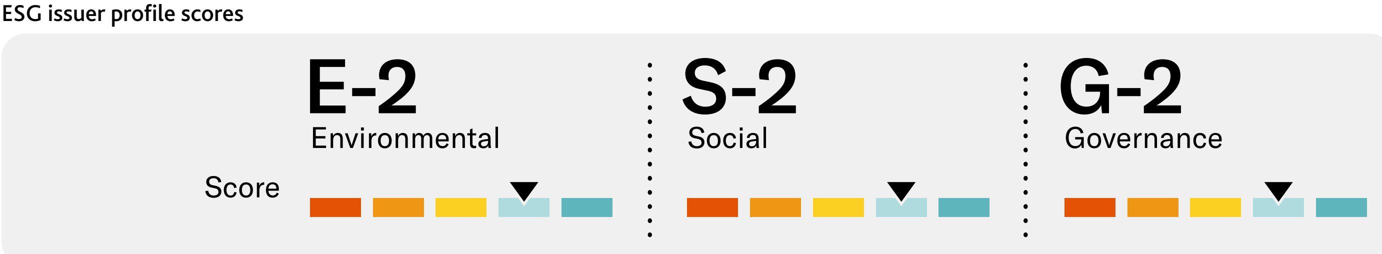


Source: Moody's Ratings

University of Washington's **CIS-2** indicates that ESG considerations are not material to the rating. The score incorporates the university's excellent brand along with strengths in management credibility that are balanced by human capital, board and organizational structure risks. Substantial wealth and state support partially offset the university ESG risk exposures.

Exhibit 8

ESG issuer profile scores



Source: Moody's Ratings

Environmental

Environmental risks are **E-2** across all categories. Seattle, the university's primary location, has some exposure to extreme rainfall. The university adopted its Sustainability Action Plan in 2020 which builds on its Climate Action Plan that was initiated in 2009. The plan sets out specific targets to be achieved over five years addressing energy, transportation, food, waste, academic research, purchasing among others.

Social

University of Washington's social risks are **S-2** with some exposure to human capital risks. Good customer relations with key stakeholders are anchored by the university's flagship status with a sizeable, nationally renowned research enterprises and strong demand for its educational and clinical services. The university's large academic medical center and partnerships with entities within the Seattle research hub enhance its reputation. The university will continue to face competition for students partially mitigated by its flagship status and out of state attendance. The human capital challenges include substantial pension liabilities, unionization and the competitive landscape for nursing and clinical staff.

Governance

The University of Washington's governance risk is **G-2** reflecting the positive impact of management credibility balanced by Board and organizational structure risks. A demonstrated record of highly effective stewardship of a large, operationally complex academic, healthcare and research enterprise reflects management credibility. A highly integrated financial and capital planning framework demonstrates good financial management. The importance of the university's role in the state's economy reinforces the state's relationship although funding is comparatively low. The appointment of the university's 11-member Board of Regents by the governor introduces risk related to potential political considerations influencing policies. The organizational challenges reflect the complex network of healthcare entities with various levels of relationship to the university.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Rating methodology and scorecard factors

The Higher Education rating methodology includes a scorecard that summarizes the factors that are generally most important to higher education credit profiles. Because the scorecard is a summary and may not include every consideration in the credit analysis for a specific issuer, a scorecard-indicated outcome may or may not match an assigned rating. We assess brand and strategic positioning, operating environment, and financial strategy on a qualitative basis, as described in the methodology.

Exhibit 9

University of Washington, WA

Scorecard Factors and Sub-factors		Value	Score
Factor 1:	**Scale (15%)**		
	Adjusted Operating Revenue (USD Million)	9,243	Aaa
Factor 2:	**Market Profile (20%)**		
	Brand and Strategic Positioning	Aa	Aa
	Operating Environment	Aa	Aa
Factor 3:	**Operating Performance (10%)**		
	EBIDA Margin	8%	A
Factor 4:	**Financial Resources and Liquidity (25%)**		
	Total Cash and Investments (USD Million)	10,087	Aaa
	Total Cash and Investments to Operating Expenses	1.1	Aa
Factor 5:	**Leverage and coverage (20%)**		
	Total Cash and Investments to Total Adjusted Debt	1.5	Aa
	Annual Debt Service Coverage	3.6	Aa
Factor 6:	**Financial Policy and Strategy (10%)**		
	Financial Policy and Strategy	Aa	Aa
	Scorecard-Indicated Outcome		Aa2
	Assigned Rating		Aa1

Data is based on most recent fiscal year available. Debt may include pro forma data for new debt issued or proposed to be issued after the close of the fiscal year.

For non-US issuers, nominal figures are in US dollars consistent with the Higher Education Methodology.

Source: Moody's Ratings

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