MOODY'S RATINGS

CREDIT OPINION
18 June 2026

Reed College, OR

Update to credit analysis

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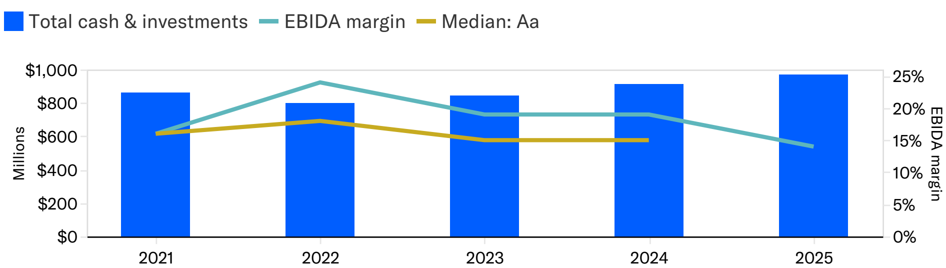
Summary

Reed College's (Aa2 negative) credit profile reflects its strong academic reputation and niche positioning as a highly selective West Coast liberal arts institution. Substantial wealth of $971 million in fiscal 2025 and ample liquidity provide meaningful flexibility to absorb operating volatility and remain key credit drivers. The college's revenue profile benefits from significant endowment support, which stabilizes operations but also introduces exposure to market performance and investment returns. Operating performance will likely weaken as expense growth outpaces revenue growth. Rising net tuition per student signals ongoing pricing power, however, enrollment limits growth in net student charges. Other credit considerations include the college's strong governance and financial management practices, balanced against its high dependence on investment and student-driven revenue.

Exhibit 1
Total wealth drives credit strength while EBIDA margins have compressed



Source: Moody's Ratings

Credit strengths

» Strong and growing cash and investments, with $971 million in fiscal 2025, and solid liquidity with 936 monthly days cash on hand

» Wealth provides ample coverage of debt and expenses, at 7.8x and 7.7x, respectively, in fiscal 2025

» Very good fundraising with three-year average gift revenue of $25,417

Credit challenges

» Increasing competition against a broader pool of universities, as evidence by a fairly low yield of accepted students

» A high cost business model and relatively small scale reduce flexibility to quickly adjust operations

» Debt structure with bullet maturity requires consistent treasury management to maintain credit quality

Rating outlook

The negative outlook acknowledges some softening of operating performance in fiscal 2026 due to rising expenses and lower than anticipated revenues, but also incorporates the potential for sustained deficits through fiscal 2028.

Factors that could lead to an upgrade

» Stronger financial cushion with total cash and investments per student of at least $1 million

» Material strengthening of student demand evidenced by a recovery of enrollment, stronger matriculation yields and moderated tuition discounting

» Greater revenue diversity through improvement in philanthropy with three-year average gifts per student growing to over $30,000

Factors that could lead to a downgrade

» Inability to improve projected operating deficits and maintain an EBIDA margin of at least 12%

» Failure to stabilize enrollment and return to historic levels near 1400 students while improving demand profile, including stabilization of tuition discounting

» Below peer growth in cash and investments and sustained erosion of liquidity

Key indicators

Exhibit 2

REED COLLEGE, OR

	2021	2022	2023	2024	2025	Median: Aa Rated Private Universities
Total FTE Enrollment	1,532	1,506	1,422	1,332	1,253	3,343
Operating Revenue ($000)	111,088	130,000	129,272	134,956	131,850	368,735
Annual Change in Operating Revenue (%)	-3.2	17.0	-0.6	4.4	-2.3	5.4
Total Cash & Investments ($000)	862,077	799,357	842,021	911,226	970,577	2,422,892
Total Adjusted Debt ($000)	97,400	125,000	125,000	125,000	125,000	437,838
Total Cash & Investments to Total Adjusted Debt (x)	8.9	6.4	6.7	7.3	7.8	5.1
Total Cash & Investments to Operating Expenses (x)	8.4	7.4	7.2	7.5	7.7	5.2
Monthly Days Cash on Hand (x)	1,059	820	746	847	936	499
EBIDA Margin (%)	15.5	24.2	19.0	19.2	14.4	14.6
Total Debt to EBIDA (x)	5.7	4.0	5.1	4.8	6.6	5.2
Annual Debt Service Coverage (x)	3.8	5.9	5.0	5.3	3.9	3.5

Source: Moody's Ratings

Profile

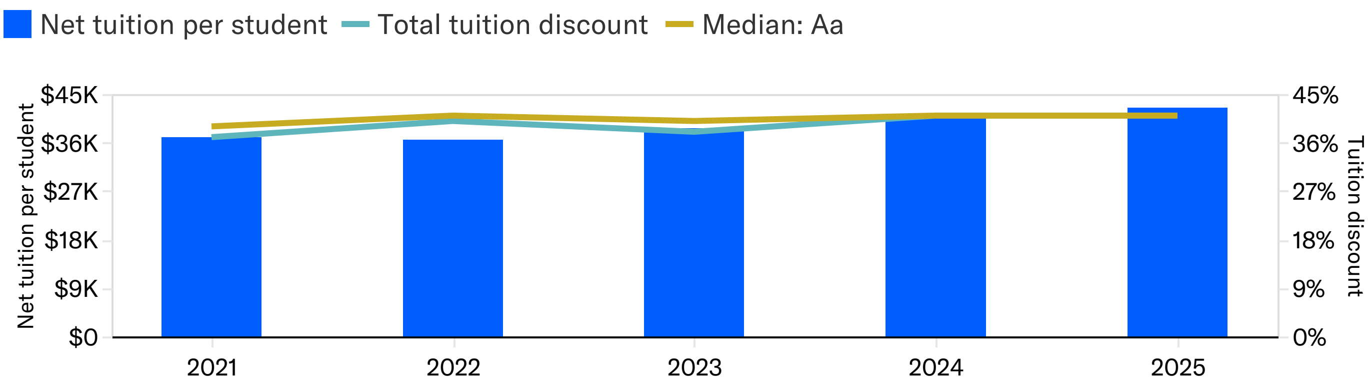
Reed College, also known as The Reed Institute, is a liberal arts college, located in Portland, Oregon, and founded in 1908. For fall 2025, Reed enrolled 1,253 full-time equivalent (FTE) students and in fiscal 2025 recorded $132 million in operating revenue.

Detailed credit considerations

Market position

Reed will continue to benefit from its position as a highly selective liberal arts institution with a strong academic reputation and niche positioning in the West Coast. Enrollment declined to 1,253 FTE in FY2025, marking an 18% decline over the last five years. Management is actively recalibrating scale, while indicating that enrollment will flatten and possibly grow slightly in Fall 2026. Net tuition per student has risen to $42,417 despite intensifying competition and growing tuition discounting. Reed's acceptance rate is competitive with the Aa-rated median, while weaker matriculation rates around 14% are due in part to the college's absence of merit aid and unique academic programming.

Exhibit 3
Tuition discounting remains in line with Aa rated peers



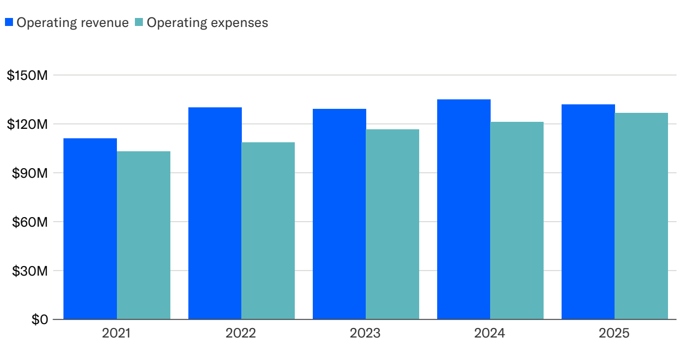
Source: Moody's Ratings

Operating performance

For fiscal 2026, we expect Reed's operating performance to continue to soften with management indicating they anticipate a $7 million operating deficit. On a Moody's adjusted basis, we anticipate close to breakeven results and an EBIDA margin hovering around 14%. Operating performance had weakened in FY2025, as operating revenue declined 2.3% to $131.9 million, while expenses increased 6.3%. Net tuition revenue softened despite higher per-student pricing, reflecting enrollment declines and sustained discounting.

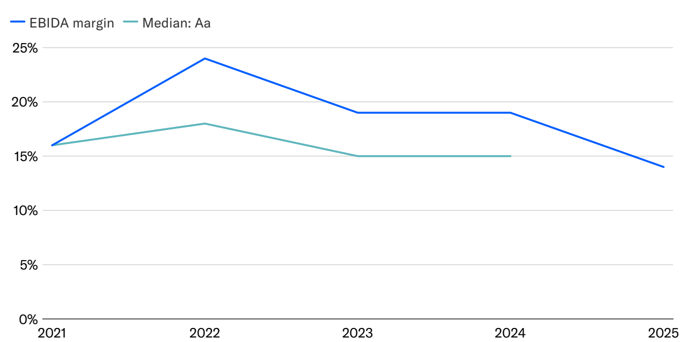
Strong endowment support remains critical, with investment income contributing 33% of revenue, partially offsetting structural pressures from a tuition-dependent business model. Management's multi-year cost actions, including vacancy management and program realignment, alongside a commitment to restoring structurally balanced operations will be key to maintaining its credit profile.

Exhibit 4
Operating expense growth has outpaced operating revenue growth



Source: Moody's Ratings

Exhibit 5
EBIDA margins have declined, but remain above 10%



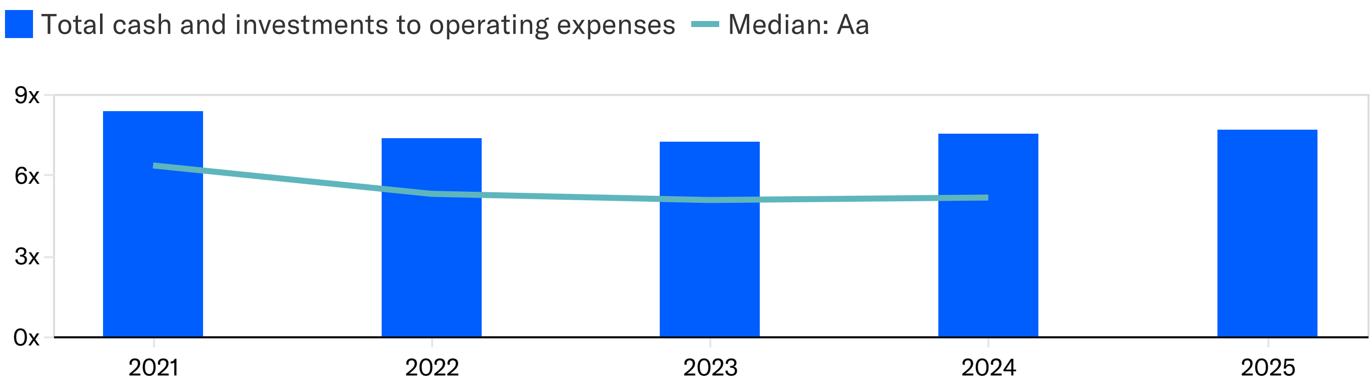
Source: Moody's Ratings

Financial resources and liquidity

Reed's strong relative wealth compared to operations, with substantial and growing investment balances provides significant operating flexibility and remains a key credit driver. Total financial resources reached $971 million in fiscal 2025, supported by strong investment returns, and liquidity remains robust with 936 monthly days cash on hand. Endowment support, while a strength, introduces exposure to market fluctuations, though diversified allocations and a favorable track record of returns help mitigate near-term risks. Increasing fundraising efforts will be additive to the endowment and support its four consecutive years of a 5% spend rate.

Exhibit 6

Total cash and investments to operating expense well exceed peers



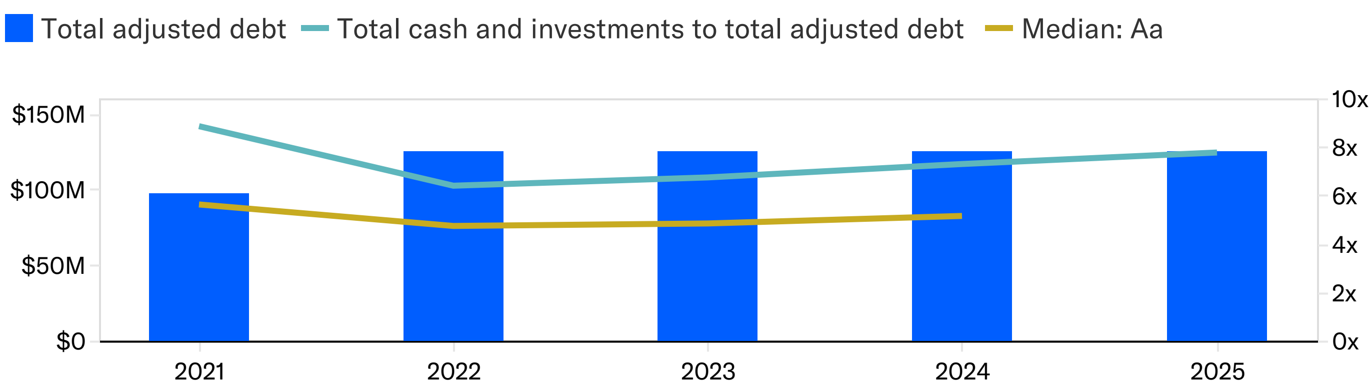
Source: Moody's Ratings

Leverage and coverage

Leverage remains modest and well-managed, though debt service coverage metrics softened in fiscal 2025 alongside weaker operating performance. To manage risk associated with the bullet principal maturity of its Series 2022 bonds, the college has set aside funds in a separate account that they will contribute to over time. Coupled with investment returns, the account is anticipated to fully fund the bullet payment in 2052. The college has no immediate plans for additional debt, relying on internal capital reserves for near term projects and ongoing deferred maintenance.

Exhibit 7

Healthy balance sheet leverage helps mitigate near-term softening of operating performance

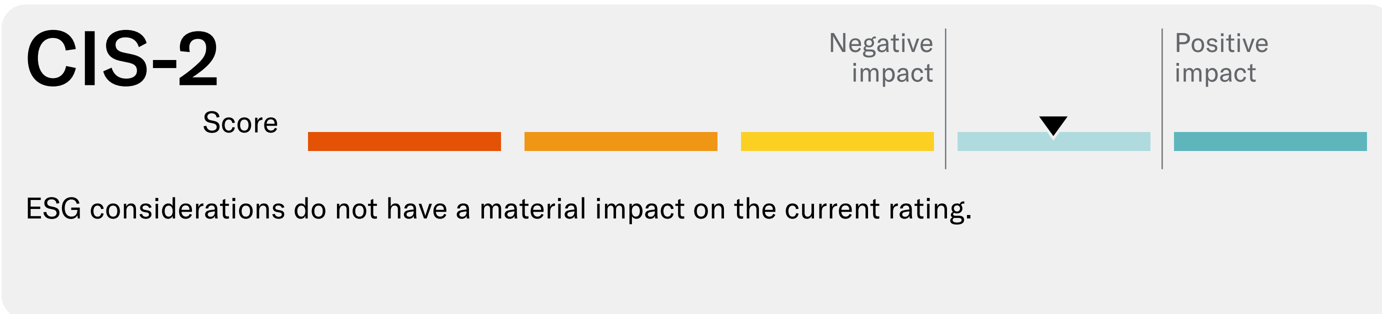


Source: Moody's Ratings

ESG considerations

Reed College, OR's ESG credit impact score is CIS-2

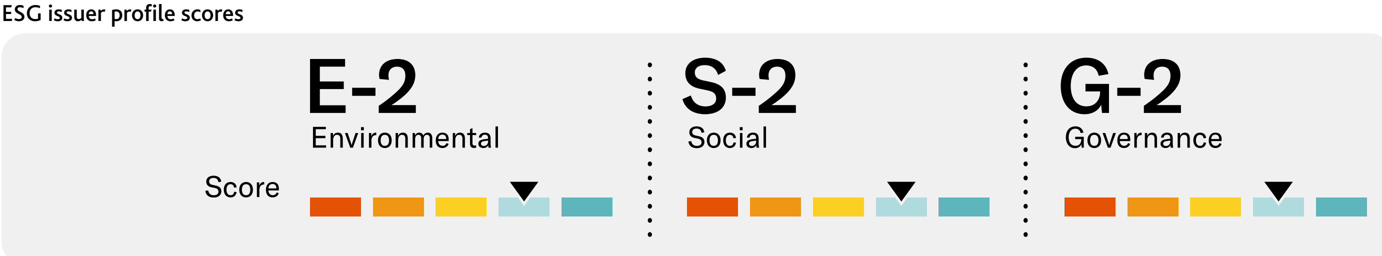
Exhibit 8
ESG credit impact score



Source: Moody's Ratings

Reed College's (**CIS-2**) indicates that ESG considerations are not material to the rating. They are unlikely to affect the issuer's credit fundamentals largely due to considerable wealth and liquidity.

Exhibit 9
ESG issuer profile scores



Source: Moody's Ratings

Environmental

Environmental risks are **E-2** across all categories and in line with exposures of most of the higher education sector. Portland, the site of the main campus does have exposure to wildfire risks, including smoke from the fires that can negatively affect the region's air quality, but this should present manageable disruptions. Reed College continues to implement goals of its comprehensive sustainability plan and is committed to reducing its carbon footprint and working towards carbon neutrality.

Social

Reed's social issuer profile score (**S-2**) reflects its national reputation with favorable student demand contributing to excellent brand and strategic positioning. Consistent within the higher education sector, Reed has a mission aligned with positive social impact through its education and service mission. However, the relatively small operating scale and highly competitive student market pose challenges as Reed is competing against a broader pool of well-resourced colleges. Reed also faces changing consumer preferences and its yield on admitted students has softened. Like many sector peers, human capital risks are derived from the high faculty tenure exposure, which can present labor rigidity constraints.

Governance

Reed's governance issuer profile score (**G-2**) reflects its favorable wealth growth, stewarded by a disciplined and seasoned leadership team. The college operates under a high-cost business model, which, combined with its small scale, limits its flexibility to adjust quickly to market changes. Historically, its conservative budgeting helps offset these challenges, however, multiple years of deficits are expected due to enrollment fluctuations and growing expenses. Like most of the sector, the large composition of the college's board of trustees including alumni and key donors introduces some board structure risks. Favorably, board members have good industry diversity and experience along with a demonstrated ability of effectively fulfilling its broad oversight responsibilities.

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 scorecards 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 policy and strategy on a qualitative basis, as described in the methodology.

Exhibit 10

Reed College, OR

Scorecard Factors and Sub-factors		Value	Score
Factor 1:	**Scale (15%)**		
	Adjusted Operating Revenue (USD Million)	132	A
Factor 2:	**Market Profile (20%)**		
	Brand and Strategic Positioning	Aa	Aa
	Operating Environment	A	A
Factor 3:	**Operating Performance (10%)**		
	EBIDA Margin	14%	A
Factor 4:	**Financial Resources and Liquidity (25%)**		
	Total Cash and Investments (USD Million)	971	Aa
	Total Cash and Investments to Operating Expenses	7.7	Aaa
Factor 5:	**Leverage and coverage (20%)**		
	Total Cash and Investments to Total Adjusted Debt	7.8	Aaa
	Annual Debt Service Coverage	3.9	A
Factor 6:	**Financial Policy and Strategy (10%)**		
	Financial Policy and Strategy	A	A
	Scorecard-Indicated Outcome		Aa3
	Assigned Rating		Aa2

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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