

University Of Alabama Birmingham Bond Ratings Raised To 'AA' On Very Strong Financial And Enterprise Profiles

Primary Credit Analyst:

Ken Rodgers, New York (1) 212-438-2087; ken.rodgers@spglobal.com

Secondary Contact:

Stephanie Wang, New York (1) 212-438-3841; stephanie.wang@spglobal.com

NEW YORK (S&P Global Ratings) May 17, 2016--S&P Global Ratings raised its rating on various series of general revenue bonds issued by The Board of Trustees of the University of Alabama and University of Alabama at Birmingham (UAB), on behalf of UAB, to 'AA' from 'AA-'. The outlook is stable.

"The upgrade reflects our view of UAB's very strong enterprise and financial profile leading to an initial indicative and final stand-alone credit profile rating of 'aa' and bond issue rating of 'AA'," said S&P Global Ratings analyst Ken Rodgers.

UAB's very strong enterprise profile is characterized by its role as one of the state's major comprehensive research universities with a focus on health sciences and engineering. UAB's generally stable, though occasionally cyclical, enrollment and favorable student quality and retention also shape our view of its enterprise profile. UAB is part of the University of Alabama System. Oversight from the system combined with UAB's generally stable management team leads us to conclude the university has healthy governance and management. UAB's very strong enterprise profile also reflects robust economic fundamentals associated with Alabama—a state that has maintained S&P Global Ratings' second-highest rating for over forty years. UAB's very strong financial profile reflects our view of its sound financial management policies and financial performance with recurring positive operating margins recorded on a full accrual basis, ample available resources, and a low debt burden.

The stable outlook reflects our belief that UAB will experience enrollment and patient utilization growth over the next two years, in addition to continued very strong financial performance. We also expect governance and management to remain sound. UAB's financial resources are anticipated to strengthen further, thereby offsetting some of the risks associated with health care operations and research funding levels.

Although a lower rating is, in our view, unlikely over the outlook period, should an unexpected more difficult business environment lead to declines in student or patient demand or operating deficits, or if additional debt issuance beyond current expectations occurs without a commensurate increase in financial resources, we might lower the rating.

We could raise the the rating on UAB if enrollment increases dramatically, financial performance remains very strong, financial resource ratios strengthen significantly relative to annual operating expenses, or if debt burden remains low.

UAB is a comprehensive public university in downtown Birmingham, Alabama's largest city. It is one of three campuses in the University of Alabama system, along with the University of Alabama, established in Tuscaloosa in 1831, and the University of Alabama in Huntsville, created in 1966. UAB was established as a separate campus of the university system, also in 1966.

RELATED CRITERIA AND RESEARCH

Related Criteria

- USPF Criteria: Contingent Liquidity Risks, March 5, 2012
- General Criteria: Methodology: Not-For-Profit Public And Private Colleges And Universities, Jan. 6, 2016
- USPF Criteria: Assigning Issue Credit Ratings Of Operating Entities, May 20, 2015
- Criteria: Use of CreditWatch And Outlooks, Sept. 14, 2009

Related Research

Alternative Financing: Disclosure Is Critical To Credit Analysis In Public Finance, Feb. 18, 2014

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com and at www.spcapitaliq.com. All ratings affected by this rating action can be found on the S&P Global Ratings

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