MOODY'S RATINGS

CREDIT OPINION
19 December 2025

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Grand Canyon University, AZ

Update to credit analysis following change in outlook to stable

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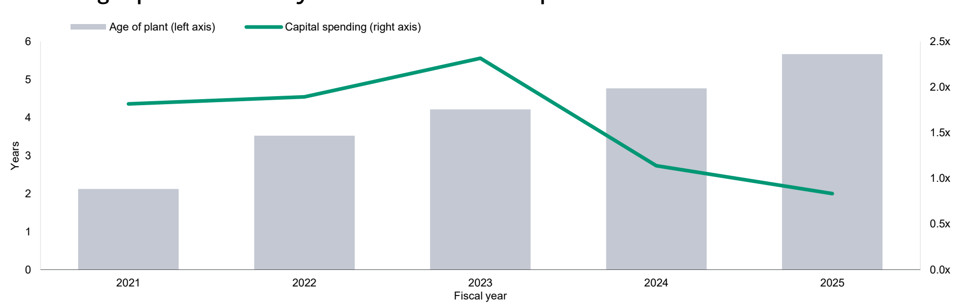
Summary

Grand Canyon University's (Ba1 stable) credit profile reflects its strong market reach and affordability strategy, underpinned by sustained enrollment growth and a scalable online platform. Its ability to hold on campus tuition flat for nearly two decades reinforces competitive positioning and broad access, while program expansion in workforce fields supports relevance in a shifting demographic landscape. Operating discipline and predictable margins provide stability, though reliance on student charges and a long-term services agreement with Grand Canyon Education constrain flexibility. Liquidity has improved following refinancing and slower capital spending, yet wealth remains modest relative to peers, leaving the university exposed to external shocks. High leverage and concentrated revenue sources will continue to weigh on resilience. Other credit considerations include diminishing regulatory risk after favorable rulings and management's commitment to tempering capital outlays, which should support covenant compliance and incremental liquidity gains.

Exhibit 1

Slowdown in pace of capital spending and favorable age of plant should support measured gains in working capital for several years even as interest expense has increased



Source: Moody's Ratings

Credit strengths

» Substantial scale with 2025 operating revenue of $1.6 billion aided by market responsiveness and sustained record of enrollment growth

» Favorable operating discipline with EBIDA margin of 10.4% in fiscal 2025

» Low average of age plant at 5.7 years with recent capital investment and market value of campus greater than book value of net property and equipment

Credit challenges

» High financial leverage with 2025 debt service at 7.9% of operating expenses

» Limited financial resources relative to both expenses and total debt

» Durable Master Services Agreement with Grand Canyon Education consumes 60% of student revenue in exchange for services

» Complexity of organizational structure, including governance and leadership overlap with for-profit service provider GCE

Rating outlook

The stable outlook incorporates expectations that the university will maintain healthy headroom over its 55 Days Cash on Hand and Debt Service Coverage Ratio financial covenants. Even as leadership slows the pace of campus capital investment, gains in unrestricted liquidity will be measured by GCU's growing scale of operations and debt service.

Factors that could lead to an upgrade

» Marked gains in unrestricted liquidity and total cash and investments with total cash and investments to operating expenses moving to above 0.5x

» Ongoing enrollment and revenue growth

» Moderation in financial leverage with limited reliance on bank debt

Factors that could lead to a downgrade

» Decline in operating performance including reduction in debt service coverage to below 1.3x

» Decline in enrollment or increased regulatory scrutiny

» Reduction in unrestricted liquidity especially if combined with weaker debt service coverage

» Substantial increase in total debt especially if accompanied by collateralization of cash and investments

Key indicators

Exhibit 2

GRAND CANYON UNIVERSITY, AZ

	2021	2022	2023	2024	2025
Total FTE Enrollment	48,951	49,435	52,490	54,712	58,670
Operating Revenue ($000)	1,288,816	1,333,270	1,373,786	1,507,148	1,621,501
Annual Change in Operating Revenue (%)	5.4	3.4	3.0	9.7	7.6
Total Cash & Investments ($000)	407,438	395,730	385,953	392,383	434,763
Total Adjusted Debt ($000)	1,160,764	1,278,319	1,326,413	1,297,394	1,276,793
Total Cash & Investments to Total Adjusted Debt (x)	0.4	0.3	0.3	0.3	0.3
Total Cash & Investments to Operating Expenses (x)	0.3	0.3	0.3	0.3	0.3
Monthly Days Cash on Hand (x)	126	115	73	75	93
EBIDA Margin (%)	12.9	10.3	10.2	10.2	10.4
Total Debt to EBIDA (x)	7.0	9.3	9.5	8.5	7.6
Annual Debt Service Coverage (x)	2.9	2.5	1.3	1.3	1.3

Source: Moody's Ratings

Profile

Grand Canyon University is a large, Christian university based in Phoenix, Arizona. Founded in 1949, the university has had nonprofit status for the majority of its years, but was reorganized as a for-profit university between 2004 and 2018. As of Fall 2025 the university enrolled roughly 125,000 headcount students across on campus, online and hybrid modes. Operating revenue was $1.6 billion in fiscal 2025 with 97% reliance on tuition and auxiliary revenue. The university has made substantial investments in student life including intercollegiate athletics. The university is a Division I member of the Mountain West Conference.

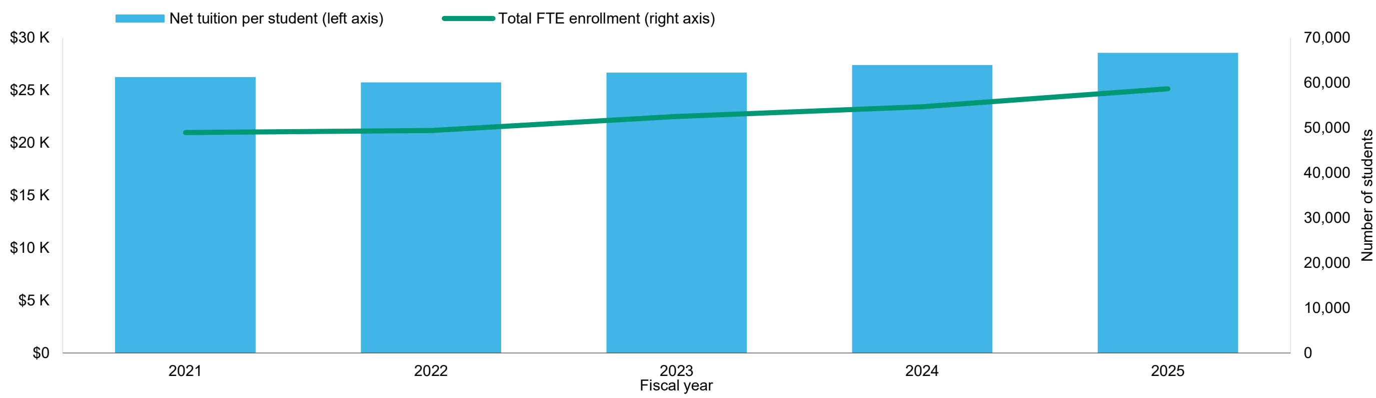
Detailed credit considerations

Market Profile

Grand Canyon University's market position will remain supportive of credit quality, anchored by its scale and affordability strategy. Enrollment reached 132,486 headcount students in Fall 2025, including nearly 108,000 online learners, reflecting continued success in leveraging national demand for flexible programs. The university's pricing discipline—17 years without a tuition increase for traditional campus students—supports access and competitive positioning relative to private peers. Strategic initiatives, such as workforce-aligned programs and partnerships with healthcare systems, enhance relevance amid demographic headwinds. While regulatory scrutiny persists throughout the sector, recent favorable US Department of Education decisions and dismissal of federal actions reduce near-term uncertainty.

Exhibit 3

Ongoing gains in ground and online students support growth in net tuition revenue



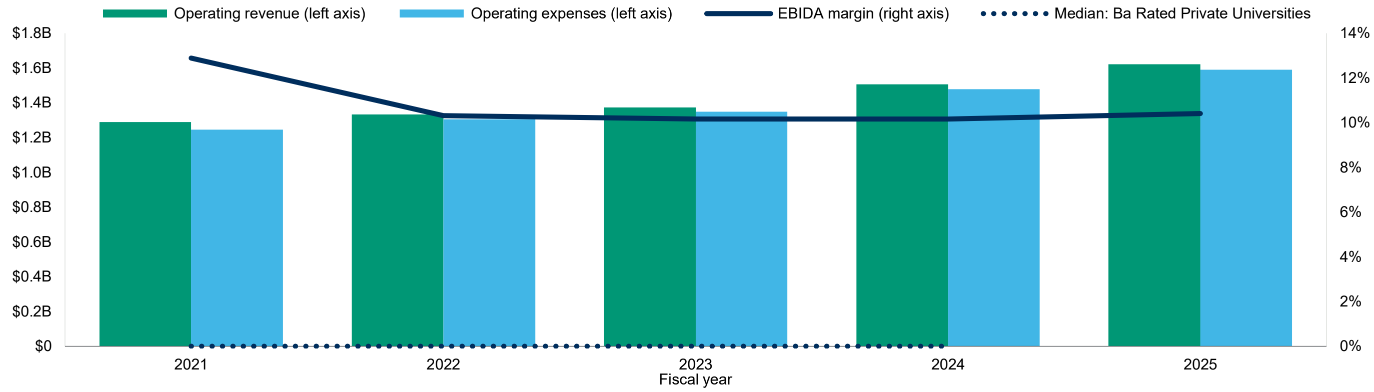
Sources: Grand Canyon University and Moody's Ratings

Operating performance

Operating performance should remain sound even as the revenue share arrangement limits the upside of enrollment growth. Prospects are supported by revenue growth of 7.4% in FY 2025 and EBIDA margins near 10%, consistent with historical levels. Net revenues of $1.6 billion reflect scalable online delivery and disciplined cost management, though compensation expenses are projected to rise modestly in fiscal 2026. Heavy reliance on student charges—over 90% of revenue—limits diversification, and the durable Master Services Agreement with Grand Canyon Education constrains net operating flexibility. Nonetheless, strong enrollment trends and stable pricing underpin expectations for continued positive operating cash flow, critical to funding capital needs and maintaining covenant compliance.

Exhibit 4

While operating margins are narrow, EBIDA margins have been quite stable following the pandemic



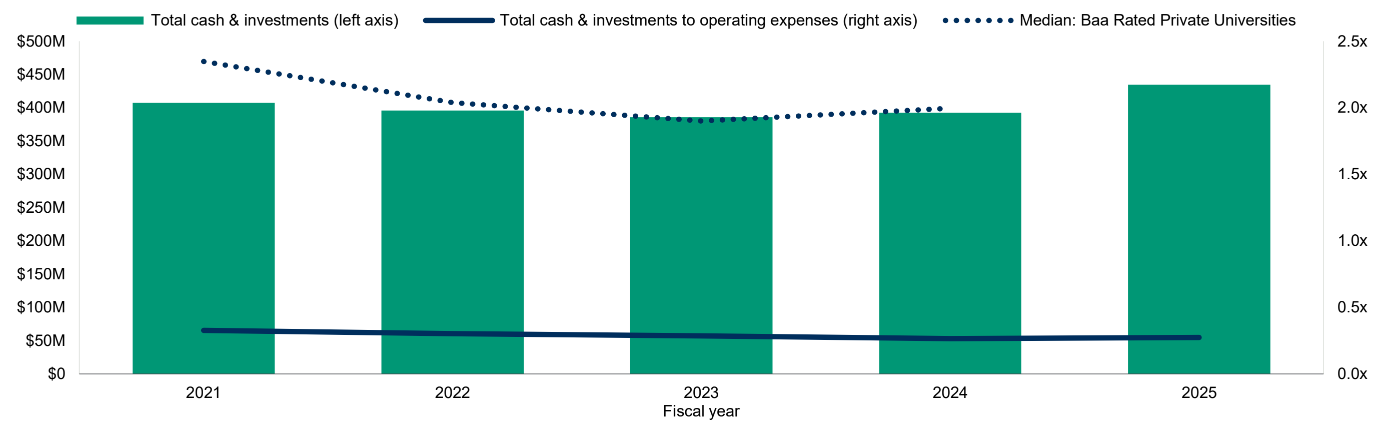
Source: Moody's Ratings

Financial Resources and Liquidity

Liquidity has shown measured gains, with total cash and investments rising to approximately $435 million and monthly liquidity nearing $389 million at June 30, 2025. Days cash on hand strengthened relative to prior years. However, wealth remains modest compared to peers, a structural constraint given limited donor support and ongoing capital needs. Management's commitment to slower capital spending—projected at around $30 million annually over the near term—should help some gains relative to expenses.

Exhibit 5

While total cash & investments has demonstrated gains, relative to operating expenses it remains well below the median of Baa peers



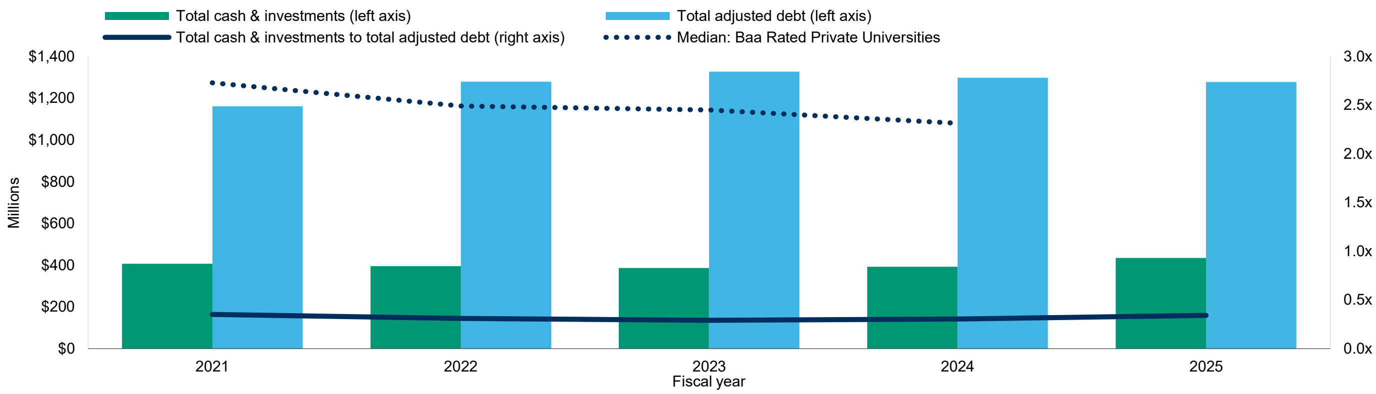
Source: Moody's Ratings

Leverage and Coverage

Financial leverage is high and will continue to weigh on flexibility. Total adjusted debt stood at $1.28 billion in FY2025, or roughly eight times EBIDA, with cash and investments covering debt by 0.3x. While the 2024 refinancing extended maturities and reduced near-term bullet risk, interest expense increased, and the structure introduced market access risk ahead of 2029 and other maturities. Debt service coverage improved to 1.3x but remains thin relative to sector norms, underscoring the need for sustained operating strength. Management's decision to slow capital spending and avoid new borrowing supports stability, though leverage will remain a defining credit constraint.

Exhibit 6

Gradual amortization and gains in total cash & investments may support reduction in financial leverage over time as distance to Baa median will persist



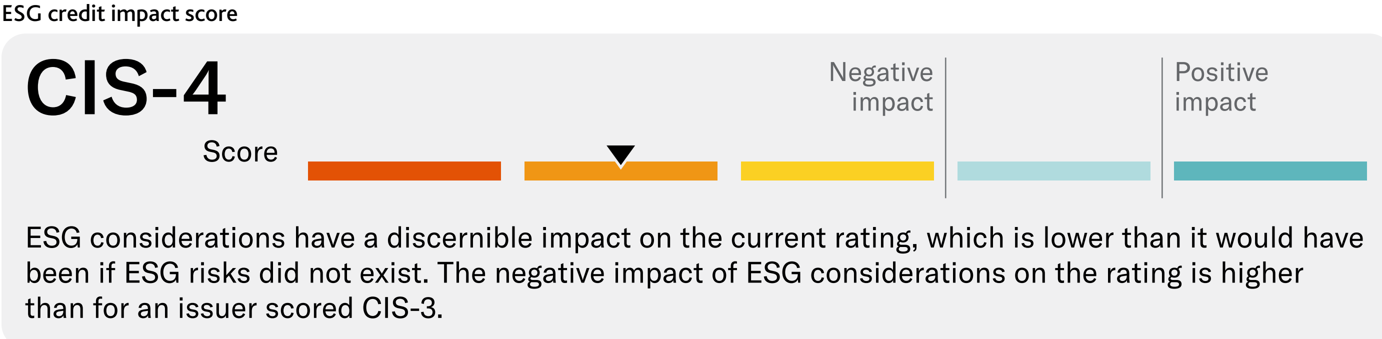
Source: Moody's Ratings

ESG considerations

Grand Canyon University, AZ's ESG credit impact score is CIS-4

Exhibit 7

ESG credit impact score

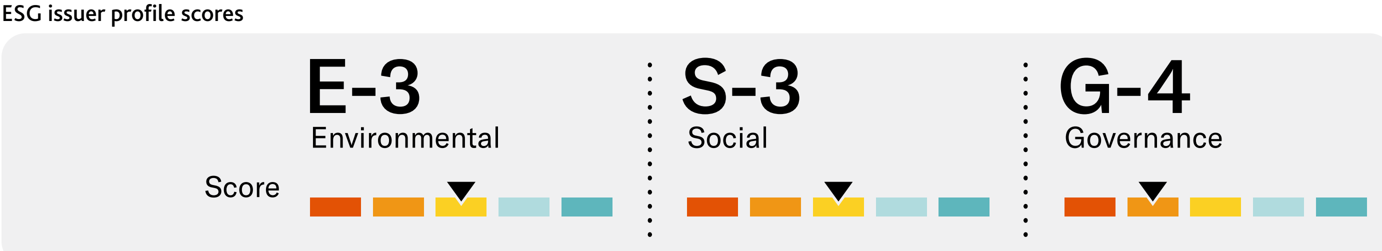


Source: Moody's Ratings

Grand Canyon University's (**CIS-4**) indicates the rating is lower than it would have been if ESG risk exposures did not exist. While the relationship between GCU and Grand Canyon Education (GCE) including elements codified in the Master Services Agreement (MSA) has demonstrated itself as high functioning, the longer term nature of the MSA and various exit payment provisions constrains credit quality. While the university's record of effective recruitment and enrollment management combined with financial discipline partially mitigate a portion of the ESG risks, the university remains exposed to shifts in federal regulatory oversight and requirements.

Exhibit 8

ESG issuer profile scores



Source: Moody's Ratings

Environmental

Grand Canyon's exposure to environmental risks (**E-3**) incorporates physical climate risks. The primary drivers of potential heat stress and water stress for the primary Phoenix campus inform the score. A geographically distributed online customer base partially mitigates that exposure. GCU also benefits from both the state and local government's long history of successfully managing its water resources and consumption. Management's commitments to sustainability also partially offset the exposures and include energy efficient design elements in its recent capital expansion and rooftop rainwater collection for irrigation.

Social

Grand Canyon's **S-3** is primarily driven by its exposure to customer relations, demographic, and human capital risks. While the university will benefit from Arizona's growth, other key markets face increasing competition and declines in the number of high school graduates along with shifts in consumer preferences. Customer relations are aided by very strong demand for the university's various nursing degree programs with favorable outcomes including high median earnings for graduates. Increasing competitiveness for online degree programs does add to social risks. With regard to human capital risks, the university benefits from workforce flexibility with a very high proportion of part time faculty which offers some risk protection relative to the expense constraints of its revenue share agreement. As a formerly private, for-profit university with ongoing ties to its prior owner, GCU will continue to attract regulatory scrutiny.

Governance

Grand Canyon's **G-4** incorporates organizational structure elements adding to credit risks. The university is fairly young in its current incarnation with a track record of successful implementation of enrollment management strategies and scalable growth supporting management credibility. Structural considerations include that GCU's president is also the CEO and board chair of GCE. While the interests are aligned and codified, potential conflicts of interests exist between a publicly traded for profit service provider and a non-profit university. The university aims to mitigate the related risks through the mechanism of Master Services Agreement Committee with four senior management leaders from GCE and four senior management leaders from GCU. The GCU board also has an MSA sub-committee to manage elements of the relationship. The organizational structure and the effectiveness of managing potential conflicts of interest will continue to inform our credit opinion.

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

Grand Canyon University, AZ

Scorecard Factors and Sub-factors		Value	Score
Factor 1:	**Scale (15%)**		
	Adjusted Operating Revenue (USD Million)	1,622	Aa
Factor 2:	**Market Profile (20%)**		
	Brand and Strategic Positioning	Ba	Ba
	Operating Environment	Ba	Ba
Factor 3:	**Operating Performance (10%)**		
	EBIDA Margin	10%	A
Factor 4:	**Financial Resources and Liquidity (25%)**		
	Total Cash and Investments (USD Million)	435	A
	Total Cash and Investments to Operating Expenses	0.3	B
Factor 5:	**Leverage and coverage (20%)**		
	Total Cash and Investments to Total Adjusted Debt	0.3	B
	Annual Debt Service Coverage	1.3	Baa
Factor 6:	**Financial Policy and Strategy (10%)**		
	Financial Policy and Strategy	Ba	Ba
	Scorecard-Indicated Outcome		Baa3
	Assigned Rating		Ba1

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: Fiscal 2025 values

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