



**STEVENS**  
INSTITUTE *of* TECHNOLOGY  
THE INNOVATION UNIVERSITY®

# President's Leadership Council

Strengthening Stevens'  
Finances for the Future

May 9, 2016



# Agenda

- Overview of Financial Profile
- Summary of Financial Strengths
- Summary of Financial Challenges
- Discussion about Financial Opportunities



# Key Financial Facts

Annual Operating Budget	\$215M
Annual Capital Budget	\$15M - \$20M
Endowment Portfolio	\$174M
Endowment Annual Spending Rate	4.6%
Endowment Payout to Operating Budget	\$7M
Enrollment – Undergraduate	2,962 FTE's
Enrollment – Graduate	<u>2,552</u> FTE's
Enrollment – Total	5,514 FTE's
Financial Targets: <ul style="list-style-type: none"><li>• Minimum annual net operating margin goal of 3% - 5%</li><li>• Manage expense growth rate to be at least 1% point lower than the revenue growth rate</li></ul>	
Credit Ratings: <ul style="list-style-type: none"><li>• S&amp;P rating is BBB+ with "positive outlook"</li><li>• Moody's rating is Baa2 with "stable outlook"</li></ul>	



# Financial Highlights

<u>Income Statement Highlights:</u>	<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Forecast</u>
Total Operating Revenues	\$198M	\$220M	\$229M
Total Operating Expenses	<u>\$188M</u>	<u>\$208M</u>	<u>\$215M</u>
Net Operating Margin - \$	\$10M	\$12M	\$14M
Net Operating Margin - %	5.0%	5.5%	6.1%

<u>Balance Statement Highlights:</u>	<u>FY14 Actual</u>	<u>FY15 Actual</u>	<u>FY16 Forecast</u>
Total Assets	<u>\$360M</u>	<u>\$382M</u>	<u>\$401M</u>
Total Liabilities	\$118M	\$118M	\$122M
Total Net Assets	<u>\$242M</u>	<u>\$264M</u>	<u>\$279M</u>
Total Liabilities & Net Assets	<u>\$360M</u>	<u>\$382M</u>	<u>\$401M</u>



# Financial Strengths

- High quality academic programs – niche in STEM
- Strong student demand – applications trending up
- Strong selectivity – undergrad accept rate of 39%
- Healthy annual operating performance results
- Continually strengthening financial discipline
- Successful fundraising results – campaign underway

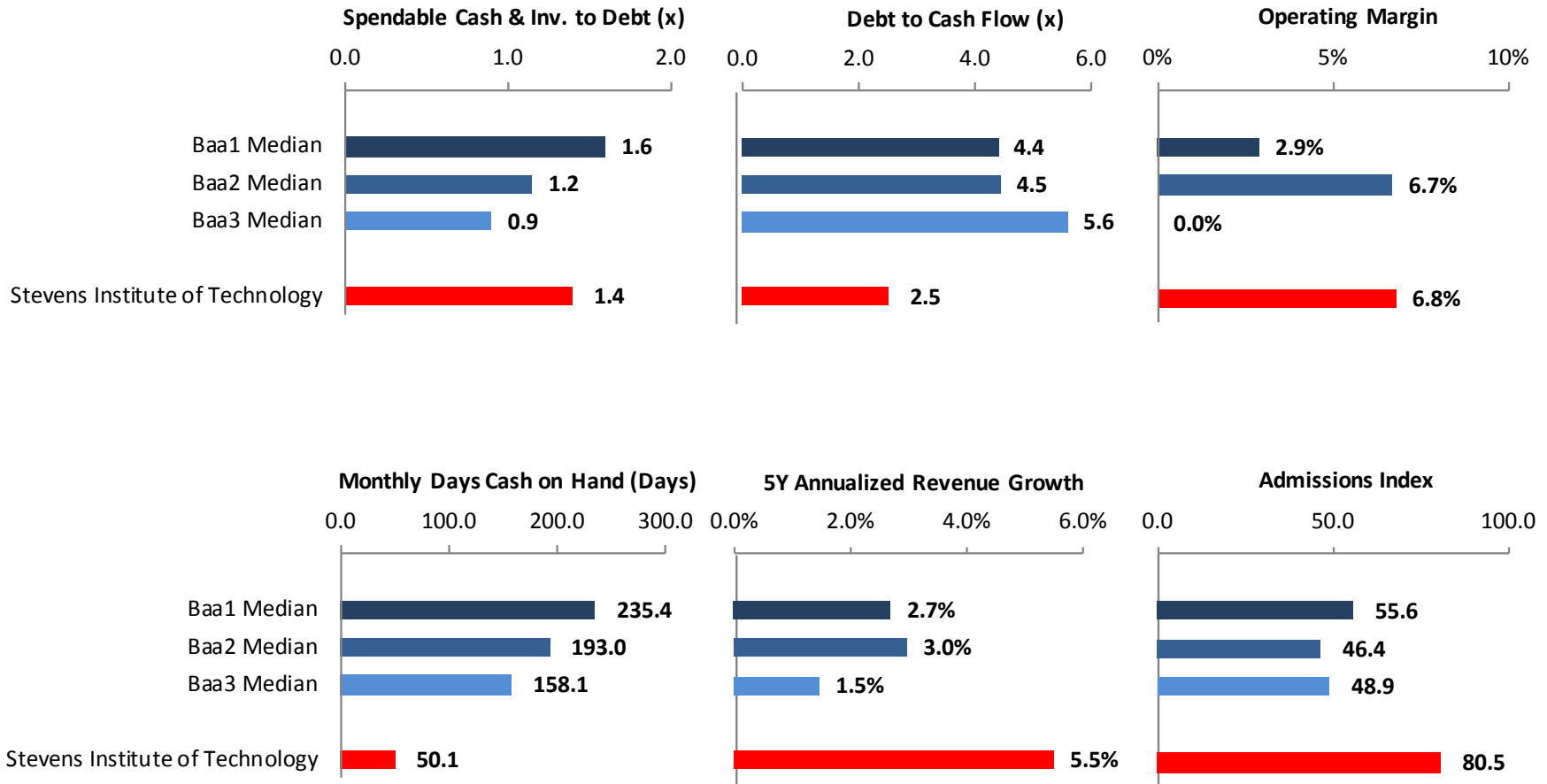


# Financial Challenges

- Heavily tuition dependent (65%)
- High level of tuition discount (48%)
- Underendowed (\$170M vs. \$500M+)
- Liquidity constraints
- Significant facilities & IT capital expenditure needs
- Constrained enrollment growth pending expansion



# Key Financial & Credit Metrics



Source: The Yuba Group and Moody's MFRA database. Values as of FY15. Admissions Index = (100 - Selectivity) + Matriculation.



# Peer Comparison of Financial Metrics

Institution	Moody's	S&P	Total Revenues (\$ millions)	3-Year Average Operating Margin	Total Cash & Investments (\$ millions)	Total Financial Resources Per Student (\$)	Educational Expense per Student (\$)
<b>Stevens Institute of Technology, NJ</b>	<b>Baa2</b>	<b>BBB+</b>	<b>224</b>	<b>5.4%</b>	<b>180</b>	<b>28,159</b>	<b>27,963</b>
Carnegie Mellon University, PA	NR	AA-	1,164	7.0%	2,058	130,297	52,252
Case Western Reserve University, OH	A1	AA-	889	0.5%	2,045	189,458	47,066
Clarkson University, NY	A3	NR	128	0.2%	175	39,721	26,841
Drexel University, PA	A3	AA-	1,025	5.0%	797	33,036	30,463
Illinois Institute of Technology, IL	Baa3	NR	273	-1.4%	249	34,079	24,324
Lehigh University, PA	Aa2	AA-	390	5.5%	1,691	248,180	43,966
Rensselaer Polytechnic Institute, NY	A3	A-	419	-3.8%	697	50,666	38,304
Rochester Institute of Technology, NY	A1	NR	541	4.1%	958	49,720	26,029
Worcester Polytechnic Institute, MA	A1	A+	242	3.5%	487	86,886	33,402

Source: The Yuba Group and Moody's MFRA, except Carnegie Mellon and Case Western, which are calculated from university financial statements. All data as of FY15.





# Financial Opportunities

Ideas for Improvement	Impact on Financial Profile
Expand online education programs (primarily graduate & certificate programs)	<ul style="list-style-type: none"><li>▪ Online business plan currently under development</li><li>▪ Potential for 1,500 – 2,000 students when fully up &amp; running; with annual net profit of approximately \$5M-\$10M</li></ul>
Reduce undergraduate freshman tuition discount rate	<ul style="list-style-type: none"><li>▪ Reduce discount rate from 48% (comparable to the NACUBO national average) closer to the 40% – 45% range</li><li>▪ Note: every 1% reduction in freshman discount = \$450k additional net revenue</li></ul>



# Financial Opportunities

Ideas for Improvement	Impact on Financial Profile
Increase auxiliary revenue	Increase on-campus housing capacity (more profitable) and reduce amount of off-campus housing (less profitable)
Generate revenue from spin-off companies	Expand licensed IP opportunities via the Stevens Venture Center; generate new revenue stream
Improve administrative efficiencies	Continue to invest in systems upgrades (e.g. HCM, Payroll, Student, etc.); improve efficiencies and effectiveness; reduce administrative costs



# Conclusion

- Q&A
- Group Discussion