Research Update:

Orenda Education, TX Bond Rating Affirmed At 'BBB-'

December 22, 2025

Overview

- S&P Global Ratings affirmed its 'BBB-' long term rating on Newark Higher Education Finance Corp., Texas' series 2015A, 2017, and 2023 bonds, issued on behalf of Orenda Education, and on the corporation's series 2011Q bonds.
- The outlook is stable.

Rationale

Security

The existing bonds are secured by all revenue derived from Orenda.

Credit highlights

The rating reflects our view of the school's strong enterprise profile and vulnerable financial profile. Orenda's strong enterprise profile reflects its large enrollment base, experienced management team, and 10-year charter renewal term. Its vulnerable financial profile reflects moderating operating margins in fiscal years 2025 and 2026, sufficient liquidity for the rating level, and elevated debt burden. Combined, these factors support an anchor of 'bbb-'.

The rating reflects our view of the following:

- Orenda's enrollment levels are solid, with expectations for continued growth over the outlook period.
- The school has a sustained track record of operating surpluses and sufficient lease-adjusted maximum annual debt service (MADS) coverage.
- The current 10-year charter term runs through 2035. TEA has designated an expedited renewal process for Orenda Charter School, which reflects sound academic, financial, and campus performance.

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- The management team is experienced and is focused on building headcount without significantly deteriorating the financial profile.

Partly offsetting the above strengths, in our opinion, are the following:

- Orenda's pro forma leverage is high, reflected by a high pro forma lease-adjusted MADS burden and high debt per student.
- Liquidity has declined recently due to spend-downs on capital projects.
- There are general expansion risks associated with growth plans, though management has navigated similar expansions in the past.
- There is the risk, as with all charter schools, that the school can be closed for nonperformance of its charter or for financial distress before final maturity of the bonds (2058).

Environmental, social, and governance

We analyzed the school's environmental, social, and governance factors, and consider them neutral in our credit rating analysis.

Outlook

The stable outlook reflects our expectation that Orenda Education will maintain its good demand profile, supported by continued enrollment growth over the outlook period. We expect the school will sustain its financial profile metrics, including cash and coverage, over the next year.

Downside scenario

We could lower the rating if Orenda issues significant additional debt without corresponding growth in resources and operations to support such debt, resulting in coverage and cash expectations that are no longer consistent with the rating. We could also consider a negative rating action if enrollment levels were to weaken materially.

Upside scenario

While a positive rating action is unlikely over the outlook period given the school's elevated debt profile and possible plans for additional debt, we could consider one if Orenda maintains its enrollment profile, builds its unrestricted reserves through healthy operating surpluses, and grows operations materially, and if lease adjusted coverage improves to levels comparable with those of higher-rated peers.

Credit Opinion

Enterprise Profile

Market position

Orenda Education is a network that operates four educational campuses in central Texas. The school serves grades K-12 with fall 2025 full-time-equivalent enrollment coming in at 1,847. While the school planned to open its fifth campus for fall 2026, the opening of the school may be delayed until fall 2027 as plans for the modular building have not been finalized. While the school

originally intended to build a permanent facility for the fifth building, it may use modular buildings permanently as they are more affordable due to rising construction costs in the Georgetown vicinity. While enrollment declined moderately from fall 2024 to fall 2025 due to a teaching staff shortage, overall, we anticipate enrollment growth will continue for the near term. In addition to the fifth campus, the school plans on expanding its virtual online program footprint for the high school students. Orenda historically offered a virtual online program for high school students within the county during the pandemic; however, with the recent change in legislation, Orenda is able to offer the virtual online program for all students in Texas. Additionally, the network is exploring a third-party online education option for grades K-8, which could further increase its enrollment in the near term. Overall, healthy demand is reflected by a sizable waitlist. Most of the waitlisted students are waitlisted for the fifth campus and the K-12 college preparatory school. While there are many school options in the service area, Orenda differentiates itself by offering a smaller school environment, a college preparatory education program and competitive University Interscholastic League programs. Orenda's academic performance is better than that of local peers for the Gateway College Prep School (GCPS) and Gateway Tech High School, while Kingsland and Nolan Creek trail slightly. Both student and teacher retention remain high, with student retention of 88% and teacher retention around 82%.

Orenda Education is authorized by Texas Education Agency. The school has been in operation since 2001 and has had three successful renewals. The latest 10-year charter term extends through June 30, 2035; the school has a positive relationship with the authorizer, and there are no major concerns that could affect the charter renewal.

Management and governance

The network is run by a well-organized and experienced management team along with a four-member, volunteer governing board that provides additional oversight for the district. At this time, the board is in search of a fifth member and expects to have five board members by April 2026. The network has a strategic plan that focuses on opening of its fifth campus, which targets to increase its enrollment by roughly 220 students in its first year and gradually add students thereafter.

Financial Profile

Financial performance

Orenda's operating performance has been consistently positive on a full accrual basis in recent years. Management attributes the surplus in fiscal year 2024 to enrollment growth, a sizable investment return, and proactive budget management. For fiscal 2025, the unaudited year-end result indicates a roughly $1.5 million surplus on a budgetary basis. While the magnitude of operating surpluses has moderated from its peak when the school received Elementary & Secondary School Emergency Relief funds, we believe that the overall operating budget is healthy and structurally balanced. For fiscal 2026, the school adopted a surplus budget, and based on the year-to-date figures, the school anticipates finishing the year with a similar result as fiscal 2025. Considering that the school is still in the planning phase of its fifth campus, there is no budget estimate on the operation of this new campus at this time. Management is committed to operating the fifth campus with at least a balanced operating budget, and the opening of the school will depend on the school's ability to secure a reasonable modular facility.

Liquidity and financial flexibility

As of fiscal 2024, Orenda's liquidity is roughly $12.8 million, or 268 days' cash on hand (DCOH). Based on the projected surplus for fiscal years 2025 and 2026, we anticipate its liquidity will remain healthy. Additionally, there is no plan to draw down its liquidity for the opening of its fifth campus nor for any other projects in the near term. While DCOH remains healthy, Orenda's unrestricted reserves to debt remains relatively low for the rating level at roughly 26%. Considering that the school has no immediate debt plans, we anticipate it will remain at this level for the near term.

Debt burden

As of fiscal 2024, Orenda's outstanding debt is roughly $54.9 million, with MADS of $3.65 million occurring in fiscal 2028, which translates to a elevated MADS debt burden of about 16.5%. Its debt-to-capitalization ratio is 68% with a debt per student of roughly $28,525. While debt per student is elevated, we anticipate this figure will improve over the long term as the school attracts additional students. At this time, the school has no solid debt plans. However, additional debt could be considered over the next few years as Orenda firms up their plan with its leased facilities. The school has no additional contingent liabilities or off-balance-sheet debt.

Orenda Education, Texas--enterprise and financial statistics

	--Fiscal year ended Aug. 31--				
	2026	**2025**	**2024**	**2023**	**2022**
Enrollment					
Total headcount	1,937	1,984	1,923	1,878	1,907
Total waiting list	1,350	1,618	1,505	1,546	1,249
Waiting list as % of enrollment	69.7	81.6	78.3	82.3	65.5
Financial performance					
Accounting standard	FASB	FASB	FASB	FASB	FASB
Total revenues ($000s)	N.A.	N.A.	22,204	21,503	22,209
Total expenses ($000s)	N.A.	N.A.	21,173	19,405	18,375
EBIDA ($000s)	N.A.	N.A.	4,993	5,438	6,889
EBIDA margin (%)	N.M.	N.M.	22.5	25.3	31.0
Excess revenues over expenses ($000s)	N.A.	N.A.	1,031	2,098	3,834
Excess income margin (%)	N.M.	N.M.	4.6	9.8	17.3
Operating lease expense ($000)	N.A.	N.A.	265	225	454
Pension/OPEB adjustments ($000)	N.A.	N.A.	N.A.	N.A.	N.A.
Lease adjusted annual debt service ($000)	N.A.	N.A.	3,278	2,576	2,668
Lease-adjusted annual debt service coverage (x)	N.M.	N.M.	1.60	2.20	2.75
Lease-adjusted annual debt service burden (% total revenues)	N.M.	N.M.	14.8	12.0	12.0
Lease-adjusted MADS ($000s)	N.A.	N.A.	3,651	3,534	3,171
Lease-adjusted MADS coverage (x)	N.M.	N.M.	1.44	1.60	2.32
Lease-adjusted MADS burden (% total revenues)	N.M.	N.M.	16.4	16.4	14.3
Total revenue per student ($)	N.A.	N.A.	11,547	11,450	11,646
Balance sheet metrics					
Unrestricted reserves ($000s)	N.A.	N.A.	14,215	22,191	11,965
Days' cash on hand	N.M.	N.M.	268.0	456.2	258.4
Total long-term debt ($000s)	N.A.	N.A.	54,853	54,767	41,656

Orenda Education, Texas--enterprise and financial statistics

	--Fiscal year ended Aug. 31--				
	2026	**2025**	**2024**	**2023**	**2022**
Unrestricted reserves to debt (%)	N.M.	N.M.	25.9	40.5	28.7
Unrestricted net assets as % of expenses	N.M.	N.M.	133.1	132.6	127.9
Debt to capitalization (%)	N.M.	N.M.	68.0	69.9	65.8
Debt per student ($)	N.A.	N.A.	28,525	29,162	21,844
Pro forma metrics					
Pro forma MADS ($000s)	N.A.	N.A.	N.A.	N.A.	3,534
Pro forma lease-adjusted MADS coverage (x)	N.M.	N.M.	N.M.	N.M.	2.08
Pro forma lease-adjusted MADS burden (% total revenues)	N.M.	N.M.	N.M.	N.A.	15.9
Pro forma unrestricted reserves ($000s)	N.A.	N.A.	N.A.	10,832	11,965
Pro forma days' cash on hand	N.M.	N.M.	N.A.	222.7	258.4
Pro forma long-term debt ($000s)	N.A.	N.A.	54,853	54,767	54,751
Pro forma unrestricted reserves to debt (%)	N.M.	N.M.	N.M.	19.8	21.9
Pro forma debt to capitalization (%)	N.M.	N.M.	68.04	69.93	71.70
Pro forma debt per student ($)	N.A.	N.A.	28,524.7	29,162.4	28,710.5

Operating lease expense--Annual amount paid in facilities/capital lease payments; excludes equipment/nonfacility lease payments and excludes payments related to principal and interest on bonds. Net revenue available for debt service = EBIDA + operating lease expense. Lease-adjusted MADS coverage = (net revenue available for debt service + operating lease expense) / (lease-adjusted MADS). Total expenses include pension and OPEB adjustments. Pension and OPEB adjustments = reconciling adjustments made to financial information to account for differences in GASB 68 and GASB 75. MADS--Maximum annual debt service. N.A.--Not available. N.M.--Not meaningful.

Credit Snapshot

- Organization: Orenda, about 30 miles north of Austin, is an open-enrollment charter school founded in 2001 in Georgetown. The school operates four campuses throughout the state: two in Georgetown (GCPS, offering grades K-12, and Gateway Tech High School, offering grades 9-12), one in Kingsland (offering grades K-12), and one in Belton (Nolan Creek, offering grades K-7).
- Bond covenants: 1.1x debt service coverage and 45 days' DCOH. Coverage of less than 1.1x but more than 1.0x, or first violation of DCOH covenant, requires an independent management consultant call-in. Less than 1x coverage constitutes an event of default. An additional bonds test requires 1.1x pro forma MADS coverage on a historical basis and 1.2x forward pro forma MADS coverage. Orenda is in compliance with all bond covenants.
- Charter authorizer and term: Texas Education Agency. All campuses operate under a single charter, first received in 2000. Renewed three times, most recently in 2025 for a 10-year term through 2035.
- Management type: Orenda manages all operations, curriculum needs, and financial oversight in house.
- State enhancement: The 'AAA' long-term rating on Orenda's series 2015, 2017, and 2023 bonds reflects our view of the school's qualification for the Texas Permanent School Fund Bond Guarantee Program, which provides the security of a permanent fund of assets that could be used to meet debt service on the bonds.
- State per-pupil funding: Per-pupil funding is expected to grow moderately to $6,215 in fiscal year 2026 from $6,160 in fiscal year 2025.

Ratings List	
Ratings Affirmed	
Education	
Orenda Education, TX Charter School Revenues	BBB-/Stable

The ratings appearing below the new issues represent an aggregation of debt issues (ASID) associated with related maturities. The maturities similarly reflect our opinion about the creditworthiness of the U.S. Public Finance obligor's legal pledge for payment of the financial obligation. Nevertheless, these maturities may have different credit ratings than the rating presented next to the ASID depending on whether or not additional legal pledge(s) support the specific maturity's payment obligation, such as credit enhancement, as a result of defeasance, or other factors.

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