

# University of Toronto Ratings Affirmed At 'AA+'; Outlook Is Stable

December 16, 2025

## Overview

- Although we expect that federal policies restricting the number of international students in Canada will have a relatively mild effect on the University of Toronto (UofT)'s overall enrollment, the revenue impact from even a modest loss of this cohort will pressure the university's operating margins in the next few years.
- Despite this, we believe that UofT will maintain a leading market position and very high levels of cash and investments, providing it a buffer against moderate revenue volatility.
- Therefore, S&P Global Ratings affirmed its 'AA+' long-term issuer credit and senior unsecured debt ratings on UofT.
- The stable outlook reflects our view that the university will maintain its exceptional liquidity position and moderate debt burden as it adapts its operations to a changing student mix.

## Rating Action

On Dec. 16, 2025, S&P Global Ratings affirmed its 'AA+' long-term issuer credit and senior unsecured debt ratings on the University of Toronto, in the Province of Ontario.

## Outlook

The stable outlook reflects our expectation that UofT will maintain its excellent market position and manage its expenditures to sustain modest operating surpluses and very high liquidity in the next several years.

## Downside scenario

We could lower the ratings in the next two years if shifting enrollment patterns resulted in revenue shortfalls that, in the absence of adequate management response, resulted in a materially weaker financial risk profile. A strengthening of our assessment of the link between UofT and the province would cause us to equalize the ratings with those on Ontario.

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## Upside scenario

We could raise the ratings in the next two years if UofT's operating margins recover to historical levels greater than 5% of operating expenses and the provincial government materially increased its funding to public universities and relaxed its restrictions on tuition increases, resulting in greater financial flexibility and metrics in line with those of 'AAA' rated peers.

## Rationale

The rating reflects our 'aa+' stand-alone credit profile on UofT, which is based on our combined assessment of the university's extremely strong enterprise profile and very strong financial profile. The rating also reflects our opinion of a moderately high likelihood that the Ontario government could provide extraordinary support in the event of financial distress.

We expect that federal policies limiting the number of international students coming to Canada will affect UofT's enrollment mix in the next several years, albeit to a lesser extent than for many domestic peers with similar proportions of international enrollment, given UofT's exceptional market position. This in turn will pressure the university's financial performance, although we also expect management will take prudent actions to prevent sustained operating deficits. At the same time, we believe that UofT will maintain extremely high liquidity, bolstering its credit profile and helping to absorb revenue shortfalls.

### The university's excellent market position will help to offset expected shifts in enrollment mix

We expect that international enrollment in the next several years will fall short of previous expectations. However, we believe that UofT will maintain its extremely strong enterprise profile, given its leading market position as a flagship institution with a strong international reputation and good student demand characteristics, helping to mitigate medium-term enrollment volatility.

In its most recent budget, the Canadian federal government significantly lowered the number of international student permits it expects to issue in 2026-2028 as part of a broader plan to reduce the inflow of temporary residents to what it considers more sustainable levels. At the same time, the government is re-introducing an exemption for international graduate students. Taken together with stricter controls and compliance for institutions and other changes to postgraduate work permit eligibility, the overall number of international students coming to Canada is set to drop materially in the next several years.

UofT's fall 2025 full-time equivalent (FTE) enrollment shows a modest 1.1% increase, although this is slightly below planned growth. Of note, most of that growth was in domestic undergraduates, for which the university receives little additional grant funding, while graduate enrollment was down marginally. International enrollment was down about 4.6% year over year and we expect growth in this segment will be very constrained in the next several years.

UofT is Canada's largest university, with more than 92,000 FTE students across three campuses in the Toronto area, and is the nation's most prominent research institution. For many years, it has been the highest-ranked Canadian university in several international surveys, including 21st in the 2026 Times Higher Education World University Rankings. This has helped maintain a geographically diversified student body, with about 45% of FTEs coming from outside Ontario and 28% being international students.

Supporting our view of UofT's enterprise profile is our assessment of the higher education sector's low industry risk characterized by high barriers to entry and typically countercyclical

nature, which tends to withstand economic downturns better than other sectors. UofT's credit profile also benefits from excellent economic fundamentals in Toronto, the largest city in Canada, and Ontario, which has high GDP per capita in line with the national level of about US\$54,800 for 2025.

In our view, UofT's management expertise and governance practices are very strong and in line with those of other highly rated Canadian universities. Academic and operational priorities are guided by the university's strategic plan and strategic mandate agreement with the province. These inform the detailed annual budget and long-range operating and capital plans. UofT tracks and reports on sector-standard financial metrics and has formal policies for endowment, liquidity and investments, debt, and reserves that help to adequately mitigate risks.

### **Weak international enrollment will pressure UofT's operating margins but exceptional liquidity continues to underpin its financial profile**

We expect that the university's ability to expand international enrollment will remain challenging in the next several years, which in turn will lower overall revenue growth. At the same time, ongoing inflationary expense pressures will continue to weigh on UofT's operating margins in the next several years, which we forecast will average about 1% of operating expenses in fiscal years 2024-2028. Our forecast also incorporates our expectation that the university's management team will take steps to adjust operations to maintain a positive operating margin.

Similar to that of Canadian peers, the university's limited flexibility to increase student-generated revenue somewhat offsets UofT's strong financial performance. This is primarily because Ontario monitors and guides domestic tuition rates, which have been frozen since the 2019-2020 academic year, and enrollment expansion through operating grants, which we do not expect will increase materially in real terms in the near term.

In our view, UofT's substantial liquidity will remain a key credit strength and bulwark against revenue volatility. At fiscal year-end 2025, the university held C\$8.8 billion in total cash and investments, although almost 45% of this is held in endowed funds. Total cash and investments have risen steadily over many years and we expect they will remain sufficient to cover more than 200% of adjusted operating expenses in the next two years despite operating cost pressures and ongoing infrastructure investments.

The university also has the largest endowment of any Canadian university, with a market value of C\$3.9 billion at fiscal year-end 2025, up from C\$3.6 billion the previous year. It has superior fundraising capabilities and has raised more than half of its ambitious C\$4 billion campaign target.

UofT has what we view as a moderate and manageable debt burden, supported by its very strong liquidity, with total cash and investments that we expect will remain above 10x debt outstanding in the next several years. This provides a significant safeguard against any reasonable medium-term stress scenario, boosting our view of the university's credit profile. At fiscal year-end 2025, total gross debt outstanding was C\$734 million, and we estimate that UofT's maximum annual debt service in the next few years will remain below 2.0% of adjusted operating expenses, which is lower than the median for peers in the 'AA' rating category.

As part of its C\$138 million Project LEAP, the university expects to draw down two credit facilities totaling C\$113 million by the end of fiscal 2027 to finance a host of projects and equipment aimed at reducing its annual carbon emissions. In fiscal 2025, it borrowed C\$25 million from these facilities while the rest of its debt consists of five series of fixed-rate, 30- and 40-year bullet debentures maturing from 2031-2051. The high proportion of nonamortizing debentures exposes

the university to some refinancing risk at maturity and makes its debt structure more aggressive than that of peers with amortizing debt. However, this risk is largely offset by the self-imposed sinking fund that UofT has established to repay these obligations, with assets totaling C\$717 million at fiscal year-end 2025, exceeding the amount owing.

We believe that the demand for student housing has the potential to drive external borrowing at many universities in Canada. In our view, UofT's strong debt metrics could accommodate a moderate amount of additional borrowing without materially impairing its credit profile.

UofT's exposure to pension-related risks are limited by its participation in the jointly sponsored multiemployer University Pension Plan Ontario (UPP) given the risk-shared nature of the plan. UofT entered the UPP with a strong financial position on July 1, 2021, and does not recognize any share of the plan's surplus or deficit on its balance sheet. The university does still maintain a small supplemental pension arrangement with an outstanding obligation of C\$142 million along with C\$783 million of postemployment benefit obligations that it funds on a pay-as-you-go basis. Neither of these liabilities are anticipated to have a material impact on its finances.

### **Government-related entity analysis: A moderately high likelihood of extraordinary provincial government support**

We believe there is a moderately high likelihood that the Government of Ontario would provide extraordinary support to UofT in the event of financial distress. This view reflects our assessment of the university's important role in the province, given that postsecondary education is one of Ontario's priorities in both expenditure and mandate (after health care and school boards), and that there are no viable private alternatives. It also reflects our assessment of UofT's role as Canada's largest university in enrollment and research capacity. The province's regulatory oversight, program approval rights, and domestic tuition regulation over UofT suggest a strong link to it. Also supporting our assessment of the link are the significant operating grants received from the province, accounting for about 17% of the university's adjusted operating reported revenue in fiscal 2025, and the province's appointment of some board members.

As we rate UofT two notches above Ontario, our assessment of the likelihood of extraordinary support from the province is neutral to the rating. The two-notch differential between our rating on the university and that on the province reflects our view that there is a measurable likelihood that UofT's substantial financial resources would be sufficient to meet ongoing operational and debt service requirements should the government default and temporarily suspend payments to the university. In addition, the differential reflects UofT's status as an autonomous legal entity with ownership of its assets and our view that the university operates independently of the Ontario government. We consider the risk of extraordinary negative government intervention low, given UofT's operational independence, important public policy role, and the government's largely hands-off approach to the sector.

## **Key Statistics**

## University of Toronto--Key statistics

(Mil. C\$)	--Fiscal year ended April 30--					Medians for 'AA' category rated public colleges & universities*
	2022	2023	2024	2025	2026bc	2024
<b>Enterprise profile</b>						
Full-time equivalent enrollment (FTE; no.)	85,747.4	86,297.0	88,652.0	91,245.0	92,247.6	37,533.0
Annual FTE change	1.1	0.6	2.7	2.9	1.1	MNR
Undergraduates as a % of total FTE enrollment	76.3	76.2	77.0	77.2	77.6	80.3
Undergraduate selectivity rate (%)	76.8	78.4	77.2	76.8	77.5	74.5
Retention rate (%)	91.1	91.4	92.7	92.5	N.A.	86.1
Graduation rates (six years) (%)	77.1	78.5	80.1	80.1	N.A.	71.0
<b>Financial profile</b>						
Adjusted operating revenue	3,806.0	4,025.0	4,220.0	4,371.0	4,475.7	MNR
Adjusted operating expense	3,415.0	3,696.0	4,101.0	4,339.0	4,443.6	MNR
Net adjusted operating margin (%)†	11.4	8.9	2.9	0.7	0.7	1.5
Student dependence (%)	55.7	54.8	54.3	54.4	53.8	36.0
Government operating grant dependence (%)	18.9	17.9	17.2	17.3	17.8	19.1
Endowment and investment income dependence (%)	2.1	7.8	12.0	13.5	13.2	MNR
Cash and investments	7,456.0	7,706.0	8,378.0	8,812.0	9,230.6	2,961.0
Cash & investments to adjusted operating expenses (%)	218.3	208.5	204.3	203.1	207.7	123.4
Outstanding debt	709	709	709	734	773	1,013
Cash & investments to debt (%)	1,051.6	1,086.9	1,181.7	1,200.5	1,194.1	323.7
Maximum annual debt service/total operating expense (%)	1.8	1.7	1.5	1.7	2.0	3.7

bc--Base case reflects S&P Global Ratings' expectations of the most likely scenario. \*For 'AA' rated U.S. public colleges and universities. U.S. median figures are in U.S. dollars. N.A.--Not available. †As % of adjusted operating expense. MNR--Median not reported.

## Rating Component Scores

## University of Toronto--Ratings score snapshot

Industry risk	2
Economic fundamentals	1
Market position	1
Management and governance	2
Enterprise risk profile	1
Financial performance	4
Financial resources	1
Debt and contingent liabilities	1
Financial risk profile	2
Stand-alone credit profile	aa+

University of Toronto--Ratings score snapshot

Issuer credit rating AA+

S&P Global Ratings bases its ratings on global not for profit education providers on the seven main rating factors listed in the table above. S&P Global Ratings' "Global Not-For-Profit Education Providers," published on April 24, 2023, summarizes how the seven factors are combined to derive each global not for profit education provider's stand-alone credit profile and issuer credit rating.

Related Criteria

- [Criteria | Governments | General: Global Not-For-Profit Education Providers](#), April 24, 2023
- [General Criteria: Environmental, Social, And Governance Principles In Credit Ratings](#), Oct. 10, 2021
- [General Criteria: Rating Government-Related Entities: Methodology And Assumptions](#), March 25, 2015
- [General Criteria: Methodology: Industry Risk](#), Nov. 19, 2013
- [General Criteria: Principles Of Credit Ratings](#), Feb. 16, 2011

Related Research

- [Public Not-For-Profit Higher Education In Australia, Canada, And The U.K. 2026 Outlook: Pressures Mount Amid Policy Changes](#), Dec. 8, 2025
- [U.S. Not-For-Profit Higher Education 2026 Outlook: Lower Expectations For Higher Education](#), Dec. 2, 2025

Ratings List

Ratings List	
Ratings Affirmed	
University of Toronto	
Issuer Credit Rating	AA+/Stable/--
Senior Unsecured	AA+

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