S&P Global
Ratings

Research

University of Toronto

October 22, 2026

This report does not constitute a rating action.

Credit Highlights

Overview

Enterprise profile	Financial profile
--Federal policies have limited the inflow of international students to Canada, affecting the market perception of Canada's postsecondary sector.	--Weaker international student enrollment will contribute to compressed operating margins in the next few years.
--Despite this, we believe that the University of Toronto (UofT) will maintain its strong international reputation and leading market position.	--UofT's credit profile is supported by very high liquidity and the largest university endowment in Canada.
--The economic and demographic fundamentals of the Greater Toronto Area remain very strong and help to sustain domestic demand.	--We believe the university will continue to finance most of its capital plan with internal resources, with limited recourse to external debt.

S&P Global Ratings' long-term issuer credit rating on the University of Toronto is 'AA+'. The rating reflects UofT's 'aa+' stand-alone credit profile, 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 would provide extraordinary support in the event of financial distress. While we expect UofT will maintain a leading market position and exceptional liquidity, its operating margins will remain under pressure due to compressed enrollment growth and rising compensation costs. Despite revenue volatility stemming from federal policies limiting international student inflows, UofT's very large endowment and high cash reserves provide a significant buffer against financial distress.

Outlook

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

Downside scenario

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We could lower the ratings in the next two years if revenue pressures stemming from weaker international enrollment, coupled with an insufficient management response to contain spending growth, 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.

Upside scenario

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

Rationale

UofT’s excellent market position will help it weather lower international student inflows to Canada

Beginning in 2024, the federal government implemented significant changes to the international student program as part of larger policy efforts to manage overall population growth and ease pressures on housing and public services. The net result has been a significant decrease in the number of higher-fee paying international students into Canada that is expected to continue for the next several years. However, we believe that UofT will maintain its extremely strong enterprise profile, given its leading market position as a flagship institution with extensive research activity, a strong international reputation, and robust student demand characteristics, helping to mitigate medium-term enrollment volatility.

UofT is Canada's largest university, with more than 92,200 full-time equivalent (FTE) students across three campuses in the Toronto area, and is among the nation's most prominent research institutions. 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 its student body remain geographically diversified, with about 45% of FTEs coming from outside Ontario and 28% being international students.

Final fall 2026 enrollment numbers are not yet available, but the university recalibrated its intake plans in response to shifts in market dynamics and expects FTE enrollment to be flat from a year ago and to rise a modest 1% in the subsequent two years. Of note, most of the expected increase will be at the graduate level as the inflow of international students to Canada remains constrained by federal student permit limits and there is limited additional provincial grant funding available for domestic undergraduates. However, the province boosted core funding to the postsecondary sector in its last budget and is planning to fund additional seats in targeted programs across Ontario universities over the next several years, which could provide a modest boost to enrollment beyond current expectations.

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-term enrollment, 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, in our view, help to adequately mitigate risks.

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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$58,700 in 2026.

UofT's operating margins will remain compressed, but its exceptional liquidity continues to buttress its financial profile

We expect that slow enrollment growth in the next few years will contribute to weaker operating margins, averaging less than 1% of operating expenses in fiscal years 2025-2029. Compensation costs account for almost two-thirds of operating expenses and continue to exert significant pressure on the university's margins. To counter this and inflationary impacts on other costs, the university is embarking on a multiyear project to review and enhance its administrative systems and processes and is continuing its efforts to leverage its large real estate portfolio to help generate alternate sources of revenue.

Similar to that of Canadian peers, the university's flexibility to increase student-generated revenue is what we consider somewhat limited because the provincial government monitors and guides domestic tuition rates and enrollment expansion through operating grants. While these have been very restrictive in the recent years, in early 2026, the Ontario government announced that it was lifting its seven-year freeze on domestic undergraduate tuition and will allow up to 2% increases a year for three years beginning this year before switching to a lagged inflation-based annual increase. Although generally positive for the sector, these measures do not offset many years of government-controlled revenue lagging inflationary pressure on operating and capital expenses that have eroded UofT's operating margins in recent years.

We expect that UofT's exceptional liquidity position will remain a key credit strength, helping the university navigate periods of revenue volatility. At fiscal year-end 2026, the university held C$9.4 billion in total cash and investments, although about 48% 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$4.5 billion at fiscal year-end 2026, up from C$3.9 billion the previous year. It has demonstrated superior fundraising capabilities and has raised more than half of its ambitious C$4 billion target for its current campaign.

UofT's high liquidity levels also mitigate the need for external borrowing to fund capital projects, allowing the university to maintain what we view as a moderate and manageable debt burden. We expect total cash and investments will remain above 10x debt outstanding in the next several years, also boosting our view of the university's credit profile. At fiscal year-end 2026, total gross debt outstanding was C$777 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.

In our view, UofT's strong debt metrics could accommodate a moderate amount of additional borrowing without significantly impairing its credit profile. However, we do not anticipate material additional borrowing in the next two years beyond the full drawdown from two credit facilities totaling C$113 million related to Project LEAP, a host of projects and equipment aimed at reducing its annual carbon emissions. At the end of fiscal 2026, borrowing under these facilities totaled C$68 million while the rest of the debt consisted of five series of fixed-rate, 30- and 40-

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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$718 million at fiscal year-end 2026, exceeding the amount owing.

UofT's exposure to pension-related risks is 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 have a small supplemental pension arrangement with outstanding obligations of C$147 million along with C$806 million of postemployment benefit obligations that it funds on a pay-as-you-go basis. In our view, neither of these liabilities is likely to have a material impact on the university's finances.

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 because postsecondary education is a significant priority for the province in both expenditure and mandate and there are no viable private alternatives, given UofT's scale and scope 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 17.5% of the university's adjusted operating reported revenue in fiscal 2026, 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

	--Fiscal year ended April 30--					Medians for 'AA' category rated public colleges & universities*
(Mil. C$)	2023	2024	2025	2026	2027bc	2025
Enterprise profile						
Full-time equivalent enrollment (FTE; no.)	86,297	88,652	91,245	92,251	92,226	36,254
Annual FTE change	0.6	2.7	2.9	1.1	(0.0)	MNR

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University of Toronto--Key statistics

	--Fiscal year ended April 30--					Medians for 'AA' category rated public colleges & universities*
(Mil. C$)	**2023**	**2024**	**2025**	**2026**	**2027bc**	**2025**
Undergraduates as a % of total FTE enrollment	76.2	77.0	77.2	77.6	77.3	80.9
Undergraduate selectivity rate (%)	78.4	77.2	76.8	72.5	75.5	77.6
Retention rate (%)	91.4	92.7	92.5	92.5	N.A.	86.3
Graduation rates (six years) (%)	78.5	80.1	80.1	80.3	N.A.	71.2
Financial profile						
Adjusted operating revenue	4,025	4,220	4,371	4,501	4,587	MNR
Adjusted operating expense	3,696	4,101	4,339	4,494	4,580	MNR
Net adjusted operating margin (%)†	8.9	2.9	0.7	0.2	0.2	1.6
Student dependence (%)	54.8	54.3	54.4	52.7	51.4	35.8
Government operating grant dependence (%)	17.9	17.2	17.3	17.5	17.5	18.6
Endowment and investment income dependence (%)	7.8	12.0	13.5	12.4	10.8	MNR
Cash and investments	7,706	8,378	8,812	9,373	9,931	3,256
Cash & investments to adjusted operating expenses (%)	208.5	204.3	203.1	208.6	216.8	126.3
Outstanding debt	709	709	734	777	804	1,490
Cash & investments to debt (%)	1,086.9	1,181.7	1,200.5	1,206.3	1,235.2	326.1
Maximum annual debt service/total operating expense (%)	1.7	1.5	1.4	1.4	1.3	3.6

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+
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

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University of Toronto--Ratings score snapshot

derive each global not for profit education provider's stand-alone credit profile and issuer credit rating.

Related Criteria

- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- 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
- Criteria | Governments | General: Global Not-For-Profit Education Providers, April 24, 2023
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- S&P Global Ratings Definitions, Oct. 12, 2026
- Canada Outlook Q4 2026: Trade Uncertainty Limits Economic Growth, Sept. 23, 2026
- 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 Detail (as of October 22, 2026)*

University of Toronto	
Issuer Credit Rating	AA+/Stable/--
Senior Unsecured	AA+
Issuer Credit Ratings History	
08-Mar-2016	AA+/Stable/--
22-Mar-2013	AA/Stable/--
17-Mar-2011	AA/Negative/--

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

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