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The stable outlook reflects our view that the university will maintain exceptional levels of wealth and liquidity, manageable debt levels, and continued strong fundraising capacity, which provide a significant buffer against potential enrolment and funding pressures. The stable outlook further reflects our expectation that the university will continue to navigate the pandemic environment with minimal enduring impacts on its credit profile.

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The rating could be upgraded following a sustained period of strong positive operating performance and increasing enrolment numbers, in conjunction with a material increase in endowment and liquidity levels in line with Aaa-rated global peers.

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A sustained decline in enrolment demand, including from international students, leading to weaker financial performance and operating deficits, would lead to downward rating pressure. A material decline in liquidity and investment re, l f materialsoriodatinn if she uundid s

U of T has also been highly effective in its fundraising activities. Following its successful Boundless fundraising campaign that ended in 2018, the university launched a new campaign ('Defy Gravity') with a financial goal to generate CAD4 billion in donations over 10 years. In both 2021 and 2022, the university exceeded CAD400 million in annual fundraising amounts, and we expect that it will be able to maintain a competitive advantage in attracting donations relative to peers. The university receives significant donations and gifts for research and capital projects, including a recent CAD25 million gift for its Scarborough Academy of Medicine and Integrated Health. These gifts evidence the university's ability to capitalize on its brand name and profile and to generate sizeable philanthropic interest and donations despite competition for fundraising dollars both domestically and internationally.

U of T's credit profile also benefits from low levels of leverage. The university issued its latest debenture in 2011 and we do not anticipate new debt issues over the next 2-3 years. U of T's practice in recent years has been to finance capital projects from non-debt sources, including funding its capital plan from a combination of departments' operating reserves, provincial and federal funding, and donations. We expect that the university could issue a modest amount of new debt related to its capital infrastructure and energy retrofit programs. Debt affordability, as measured by annual debt service coverage, stood at 15.7x at April 30, 2022, a level that exceeds the peer median.

Very strong governance and management underpin reputation

The success of U of T in maintaining a strong balance sheet and balancing its core operational financial results while meeting academic goals, is underpinned by very strong governance and management through the development and execution of multi-year frameworks for academic and financial planning. The board and senior leadership continue to ensure and monitor that sound policies and practices are in place.

U of T's strong governance is evident in its planning and response to the coronavirus pandemic. This included a swift and successful conversion of in-person classes early on during the pandemic to online courses, and scenario analysis of potential operating outcomes. The university also puts strong emphasis on a decentralized style of governance and decision making. Each faculty is responsible for developing its own budget and for adhering to self-imposed revenue and expense targets. This allows the faculties to be more entrepreneurial in areas where they see greater demand and by extension generate positive operating results. At the same time, the university itself still maintains control over collective bargaining, which takes a certain amount of expenditure control out of the hands of individual faculties.

The University of Toronto Asset Management Corporation (UTAM), a non-share capital corporation whose members are appointed by the university, manages the investment assets of the university's Long-Term Capital Appreciation Pool (which includes assets of the endowment fund) and the Expendable Funds Investment Pool (including short- to medium-term funds). UTAM has also committed to sustainable initiatives to achieve net zero carbon emissions associated with the endowment portfolio by no later than 2050.

Global brand recognition and research strength supports consistent enrolment growth, but high share of international students creates revenue concentration

U of T is Canada's largest post-secondary institution located in the Province of Ontario across three campuses in downtown Toronto, Mississauga and Scarborough. U of T is Canada's preeminent research university and consistently places as the top ranked Canadian school and one of the top 20-25 global schools in international rankings, underpinning its international brand.

Along with its affiliations, including several hospitals, the university also continues to be the leader among Canadian universities in securing federal government research funding from the three granting councils and from other federal programs. U of T's research strength is also evident in the number of prestigious research chairs, including "Canada Research Chairs" and "Canada 150 Research Chairs" at the university.

U of T's excellent market profile and global recognition has contributed to the university's ability to attract consistently high global demand and increase enrolment and revenue numbers even in the face of provincial funding and enrolment constraints. The number of total full-time equivalent (FTE) students has grown consistently each year to 85,747 in 2021-22, up more than 8% over the last five years. The rise in enrolment and contribution to revenue growth has been supported by a faster growth in international students than domestic students, and international students now represent around a 28% total FTE students.

The reliance on international students continues to expose U of T to manageable pressures from the adverse impact of the coronavirus pandemic on international enrolment given continued, although easing, global travel restrictions, and to global trade and political

Sizeable pension expenses and contingencies

U of T's financial profile remains pressured by sizeable annual pension expenses representing around 4-5% of total expenses. For



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