

PRESS RELEASE

NOVEMBER 20, 2023

DBRS Morningstar Confirms Concordia University's Credit Ratings at "A," Stable Trends

UNIVERSITIES

DBRS Limited (DBRS Morningstar) confirmed the Issuer Rating and Senior Unsecured Debt rating of Concordia University (Concordia or the University) at "A." All trends are Stable. The credit ratings reflect Concordia's academic profile and the high level of support and oversight in post-secondary education exercised by the Province of Québec (the Province; rated AA (low) with a Stable trend by DBRS Morningstar). The ratings also reflect ongoing budgetary pressures amid an increasingly challenging operating environment and rising debt.

The University's credit profile had been improving prior to the Coronavirus Disease (COVID-19) pandemic. However, the headwinds created by the pandemic linger and have resulted in a broad-based deterioration of Concordia's financial risk profile, driven by an increasingly challenging operating environment, a deteriorating medium-term operating outlook, and rising debt. These factors will erode ratings flexibility, however, DBRS Morningstar believes there is room within the current ratings to absorb anticipated pressures without resulting in a downward rating action.

In 2022–23, Concordia reported a consolidated deficit of \$55.2 million relative to the \$31.3 million shortfall in the prior year. Although Concordia demonstrated spending prudence, expense growth continued to outpace revenues.

For F2024, the University has budgeted an operating deficit of \$19.4 million. Operating budget deficits will likely linger over the medium term. Despite the Province providing some nonrecurring conditional grants, overall funding levels have declined marginally as a result of a declining student population. Provincial funding will remain a key source of revenue, however, the University expects it to form just under 50% of total revenue in 2023–24. Concordia intends to address future deficits through a combination of cost savings, reserve drawdowns, and special funding envelopes to offset operating costs. This year's budget included the creation of a \$4.1 million President's Transformational Fund that seeks to provide the University with the flexibility to support its critical initiatives.

In October 2023, the Province announced that tuition rates for out-of-province students attending English-language universities would double and that clawbacks from international tuition fees would increase. DBRS Morningstar believes these tuition changes may further pressure Concordia's fiscal capacity and enrolment in the medium term, however, they are unlikely to be overly material in the long-term if the University is able to compensate for the negative impact of these measures.

Concordia has indicated that it will access debt for strategic investments and to fund a portion of projected operating deficits over the medium term. This differs from the practice at most other DBRS Morningstar-rated universities where debt financing is used for capital purposes only. Over the medium term, DBRS Morningstar estimates that the University-supported debt per full-time equivalent student could increase to more than \$19,000. However, Concordia has indicated to DBRS Morningstar that its actual capital spending—and University-supported debt financing—will likely be lower than forecast, and it will continue to prioritize long-term operating and financial sustainability.

CREDIT RATING DRIVERS

A negative rating action could result from the combination of a weakened outlook on funding and tuition frameworks, sustained deterioration in operating results, and increased debt levels materially beyond current expectations.

DBRS Morningstar would contemplate a positive rating action if the University were able to demonstrate effective deficit reduction strategies and rebuild expendable resources as calculated by DBRS Morningstar, or if debt growth were meaningfully lower than expected over the medium term.

ENVIRONMENTAL, SOCIAL, GOVERNANCE CONSIDERATIONS

There were no Environmental/Social/Governance factors that had a significant or relevant effect on the credit analysis.

A description of how DBRS Morningstar considers ESG factors within the DBRS Morningstar analytical framework can be found in the DBRS Morningstar Criteria: Approach to Environmental, Social, and Governance Risk Factors in Credit Ratings (July 4, 2023) at <https://www.dbrsmorningstar.com/research/416784>.

Notes:

All figures are in Canadian dollars unless otherwise noted.

DBRS Morningstar applied the following principal methodology:

-- Rating Public Universities (May 17, 2023; <https://www.dbrsmorningstar.com/research/414148>)

The credit rating methodologies used in the analysis of this transaction can be found at: <https://www.dbrsmorningstar.com/about/methodologies>.

A description of how DBRS Morningstar analyzes corporate finance transactions and how the methodologies are collectively applied can be found at: <https://www.dbrsmorningstar.com/research/397223>

The related regulatory disclosures pursuant to the National Instrument 25-101 Designated Rating Organizations are hereby incorporated by reference and can be found by clicking on the link under Related Documents or by contacting us at info@dbrsmorningstar.com.

The credit rating was initiated at the request of the rated entity.

The rated entity or its related entities did participate in the credit rating process for this credit rating action.

DBRS Morningstar had access to the accounts, management, and other relevant internal documents of the rated entity or its related entities in connection with this credit rating action.

This is a solicited credit rating.

The conditions that lead to the assignment of a Negative or Positive trend are generally resolved within a 12-month period. DBRS Morningstar trends and credit ratings are under regular surveillance.

Information regarding DBRS Morningstar credit ratings, including definitions, policies, and methodologies, is available on www.dbrsmorningstar.com or contact us at info@dbrsmorningstar.com.

DBRS Limited

DBRS Tower, 181 University Avenue, Suite 700

Toronto, ON M5H 3M7 Canada

Tel. +1 416 593-5577

Ratings

Concordia University

Date Issued	Debt Rated	Action	Rating	Trend	Attributes
20-Nov-23	Issuer Rating	Confirmed	A	Stb	CA
20-Nov-23	Senior Unsecured Debt	Confirmed	A	Stb	CA

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Contacts

Cheryl Saldanha

Assistant Vice President, Credit Ratings, Public Finance

+1 416 597 7455

cheryl.saldanha@dbrsmorningstar.com

Travis Shaw

Senior Vice President, Credit Ratings - Global Sovereign Ratings

+1 416 597 7582

travis.shaw@dbrsmorningstar.com

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