Rating Report
Concordia University

DBRS Morningstar
December 11, 2023

Contents

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Credit Ratings

Debt	Credit Rating	Credit Rating Action	Trend
Issuer Rating	A	Confirmed	Stable
Senior Unsecured Debt	A	Confirmed	Stable

Credit Rating Update

On November 20, 2023, 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 (Québec or 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 claw backs 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 (FTE) 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.

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.

Financial Information

	For the year ended March 31				
	2023	**2022**	**2021**	**2020**	**2019**
Operating result (adjusted, CAD millions)	(55.2)	(31.3)	(21.0)	(31.3)	(19.8)
Surplus-to-revenue (five-year average) (%)	-4.6	-3.5	-3.2	-3.7	-4.0
Debt per FTE (CAD)	17,762	15,353	13,875	13,837	13,009
Interest coverage ratio (times)	1.2	2.3	2.8	1.9	2.6
Expendable resources to debt (%)	0.8	6.9	6.4	3.9	5.6

Issuer Description

Concordia is one of three English-language universities in Québec. Located in Montréal, the University offers more than 580 programs at both the undergraduate and graduate levels to almost 30,000 FTEs at its downtown campus (Sir George Williams) and west-end campus (Loyola).

Credit Rating Considerations

Strengths

1. Academic profile

The University ranks well in domestic and international surveys despite its relatively short history as a comprehensive public university. For example, the University ranked in the 501–600 category in the 2024 Times Higher Education World University Rankings. Concordia has a highly ranked business school and a strong reputation in communication and media studies as well as in some of its social sciences and engineering programs. The University has invested heavily in capital, which has given it a fresh and modern feel and provided researchers with state-of-the-art facilities. Concordia’s growing profile has enabled it to raise admissions requirements and student quality.

2. Responsive financial management

The University has faced significant financial challenges in past years because of provincial funding reductions. Concordia was responsive, implementing several significant measures to limit the deterioration in operating results. In recent years, the University changed its accounting policy to consolidate financial statements for its significant controlled entities, in particular the Concordia University Foundation (the Foundation), to improve transparency and financial reporting practices. In addition, the University implemented a comprehensive budget model to reflect changing priorities led by an increasingly challenging operating environment.

3. Provincial support for education

Québec’s social attitudes and politics tend to focus more on social democracy than other Canadian provinces, which leads to broad public and political support for universally accessible education, healthcare, and other social programs. The Province makes post-secondary education widely available by providing greater subsidization of post-secondary costs than other provinces. At Concordia, for instance, government grants have typically accounted for between 50% and 60% of revenue in recent years, while tuition accounts for about 30% to 35% of revenue. In other provinces, the ratio tends to be more balanced. The recent changes in tuition fees may lead to a more balanced mix in the future.

4. Location in downtown Montréal

Concordia is one of two English-language universities in downtown Montréal. The bilingual city is one of Canada’s major urban centres, providing it with a large local catchment area of potential full-time and part-time students and an attractive destination for out-of-province and international students. The University draws a relatively larger share of its student population from outside Québec than most other universities in the Province.

Challenges

1. Limited control of revenue

Canadian universities have limited control over their main revenue sources—tuition fees and government grants. Universities in Québec rely heavily on provincial funding, and the Province sets limits on tuition fee increases. In the absence of substantial new funding, the University forecasts consecutive operating deficits through the medium term driven by operating pressures led by the pandemic. This has been further exacerbated by the Province's recent decision to double tuition fees for out-of-province students, which will harm Concordia's price competitiveness and likely lead to declines in enrolment in the near to medium term.

2. Significant debt burden

DBRS Morningstar categorizes university debt in Québec as either university supported or provincially supported. University-supported debt is issued by the university in its own name and serviced by its general revenues (e.g., tuition fees, operating grants, etc.), whereas provincially supported debt is issued in the university's name and funded by dedicated provincial capital grants. Concordia's university-supported debt totalled $528.7 million in 2022–23, equivalent to $17,762 per FTE, which is higher than average for DBRS Morningstar-rated universities. Although Concordia's most recent forecast indicates that the debt burden will rise materially over the medium term, the University has indicated to DBRS Morningstar that actual debt growth should be lower than projections (which represent maximum thresholds for acceptable debt levels as agreed upon by the board).

3. Limited balance sheet flexibility
Concordia has a relatively weaker balance sheet than many DBRS Morningstar-rated universities in Canada, partly reflecting Québec's more constrained operating environment, consecutive deficits, and prior funding reductions. The University also maintains a sinking fund for long-term debt repayment ($87.5 million as at F2023) and a 10-year sinking fund for equipment/IT-related financing ($56.9 million) that is included in DBRS Morningstar's measure of expendable resources. As of April 30, 2023, DBRS Morningstar estimated Concordia's expendable resources to be 0.8% of university-supported debt.

4. No provincial guarantee on subsidized debt
Provincially supported debt is issued in the University's name and does not benefit from an explicit provincial guarantee. As the University now receives upfront reimbursements for capital projects, this short-term debt (despite being on the University's balance sheet) represents the portion that will be serviced by the Province. The medium-term debt forecast presented in this report incorporates this shift from longer-term borrowing toward short-term loans.

Operating Performance

2022–23 Results

In 2022–23, Concordia reported a consolidated deficit of $55.2 million relative to the $31.3 million shortfall in the prior year. Total revenue increased 6.8% from the prior year across all revenue sources and was primarily driven by increased investment income, ancillary services and rental properties, and services to the community, students, and other income. Demographics remain a challenge for universities in Québec. At Concordia, enrolment dropped for a second consecutive year, by 1.9% in F2023 with a decline of 2.7% in the previous year. Both unfavourable demographic trends and competition from the labour market have affected the number of students from Québec, while demand from outside Québec and Canada has remained positive.

Government grants contribute the majority of the University's revenues. In recent years, provincial funding has increased as a result of targeted provincial measures to reinvest in post-secondary education and nonrecurring supports to offset some operating pressures from the pandemic.

Total expenses grew 9.8% from the previous year as spending increased across most categories, especially amortization of intangible capital assets, interest expense, ancillary services and rental properties, research, and employee future benefits. As of April 30, 2023, net assets were in a deficit of $2.1 million versus $71.7 million in the prior year.

2023–24 Budget and Operating Outlook

Concordia's budget model integrates operating, capital, and cash budgets to allow for more comprehensive financial planning and the optimal use of resources across budgets. The framework aims to focus long-term financial sustainability, improved governance and transparency, and a more cohesive university-wide strategy for long-term capital investments.

The University formally presented a four-year integrated financing program in June 2020 that attempts to align the University's liquidity requirements with planned capital investments until 2024–25. Under this approach, Concordia will prioritize its operating needs ahead of capital investments. DBRS Morningstar will continue to monitor this transition and ongoing compliance with stated financial sustainability goals amid a challenging operating environment.

This framework includes strategic debt-to-FTE as a key indicator that will be used to assess and maintain longer-term sustainability and comprises two buckets:

1. **Active:** This bucket will govern the resources required to implement Concordia's research and academic strategies over a planning horizon of four years. The University has set an internal active net debt-to-FTE limit of $12,000 (or $360 million), including new debt issuances (university-supported)/lines of credit to offset operating deficits. As of April 30, 2023, Concordia's reported net debt-to-FTE ratio was close to $6,603 (F2022: $5,964). The board requires the University to closely monitor this ratio and present an action plan if Concordia anticipates noncompliance.
2. **Strategic:** This bucket will govern the resources needed to secure development capacity in line with the University's longer-term strategy. The internal limit on strategic net debt-to-FTE is set at $3,000 (or $90 million). As of April 30, 2023, strategic net debt-to-FTE was $2,507 (F2022: $2,484).

For F2024, the University has budgeted an operating deficit of $19.4 million. This base budget includes new investments in salary adjustments/indexation, technology/cybersecurity, and strategic investments (research expansion, instruction, faculty, sustainability, etc.). Concordia plans to use $9.4 million of accumulated reserves to reduce this deficit. Moreover, the University intends to implement other mitigating initiatives including streamlining its employee base, pursuing special funding envelopes to offset operating costs, using accumulated reserves to support certain initiatives, and exploring other sources of revenues.

The 2023–24 budget aims to maintain a long-term sustainable financial framework while also supporting numerous transformational projects. This year's budget included the creation of a $4.1 million President's Transformational Fund, which seeks to provide the University with flexibility to support its critical initiatives. Accordingly, the 2023–24 budget now anticipates a return to balanced budget in 2028–29 versus the 2022–23 budget, which anticipated a surplus position in 2025–26.

Given the University's projected deficit for F2024, it will be expected to present a long-term recovery plan to the Ministère de l'Enseignement supérieur by December 2023. DBRS Morningstar notes that Concordia was in a similar position between 2015 and 2020 and was able to adhere to its recovery plan.

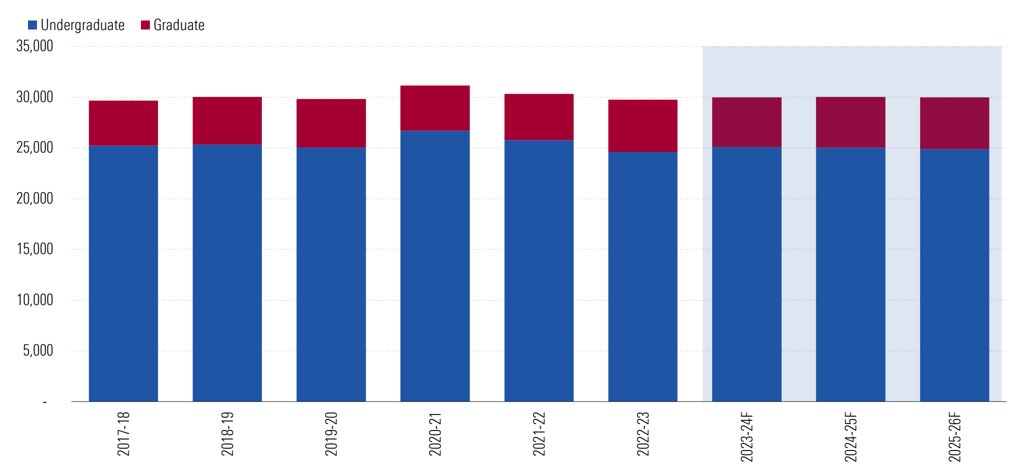
In October 2023, the Province announced changes to tuition rates for out-of-province and international students, which will take effect during 2024–25 and will not affect existing students who complete their studies within the next five years. The changes will not apply to students pursuing a thesis-based masters degree or to PhD candidates.

Tuition rates for out-of-province students will double from a minimum of almost $9,000 per year to $17,000 per year, which is significantly higher than other provinces. For example, out-of-province students in Ontario pay between $8,000 to $12,500 on average. Students from France and Belgium, who pay the out-of-province rate, will not be affected by this change. The minimum rate for international students will now stand at $20,000 per year. Universities will be able to charge an additional amount without a ceiling. The new rates are composed of a base amount (corresponding to tuition fees) and a lump sum amount (which will be recovered by the Province). The amount to be recovered by the Province from international tuition is expected to increase substantially.

DBRS Morningstar believes these tuition changes may further pressure Concordia's fiscal capacity in the medium term as they will eliminate any cost competitiveness the University had, thereby reducing enrolment; however, it is unlikely to be overly material in the long term. The University estimates that out-of-province enrolments (which currently form about 9% of FTE) could decline by 65% to 90% beginning in fall 2024. While international students may not experience as drastic an increase in tuition, increased provincial claw backs will likely create some additional revenue pressures for affected universities. The University estimates a potential loss of $15.5 million in revenue in 2024–25 and approximately $62 million in 2027–28 (9% to 10% of the budget) when the measures apply to all students.

DBRS Morningstar notes that, as of December 11, 2023, Québec's English universities (including Concordia) have submitted a new tuition model to the Province for consideration, which would see varying tuition increases for different disciplines in order for the universities to maintain some competitive advantage.

Exhibit 1 Enrolment (FTEs)



F = Forecast.
Sources: Concordia and DBRS Morningstar.

Capital

The University prepares an annual four-year rolling capital budget. The four-year plan allocates funds to projects based on the University's priorities, provincial/federal capital support, and the availability/affordability of financing. Concordia's Capital Asset Management and Financing Policy is intended to ensure that the University balances its infrastructure requirements with financial considerations.

Concordia's investment in capital projects was nearly halved, with capital investments totalling $47.8 million in 2022–23 as a result of two real estate acquisitions that had been capitalized in the prior year. The University continues to invest in ongoing enhancements to Concordia's IT systems, facilities upgrades, the renovation of the Henry F. Hall Building (Hall Building; likely to continue until the end of 2025), and various deferred maintenance needs.

The 2022–23 to 2025–26 Capital Plan identified approximately $466.7 million in capital projects over the four-year period, a decrease from $471.4 million in the prior iteration (2021–22 to 2024–25). The University will seek to prioritize operational investments while limiting new capital allocations over the near to medium term. Roughly 72% of the planned capital costs will be funded through provincial and federal subsidies and grants and private donations; approximately 15% of the total capital allocation is to be funded through sinking funds. The University has reduced its capital investment allocations by $4.7 million between 2022–23 and 2025–26 as a result of constraints in its fiscal capacity and will largely focus on deferred maintenance over the medium term. The impact of the recent tuition changes will likely bring about project pauses and create a higher level of uncertainty for future projects.

Among Québec universities, Concordia has an average amount of deferred maintenance. The most recent facility audit resulted in an estimated facility condition index (FCI) of approximately 17.0%, which is comparable with the Québec average of 20.0%. Concordia has invested heavily in infrastructure in recent years, providing students and researchers with modern facilities. The University owns two older buildings that account for approximately 40.0% of its deferred maintenance:

- **Grey Nuns Building (Grey Nuns):** A national historic site that now serves as student housing (601 beds) and study space. The large complex was previously the Grey Nuns Motherhouse and was built in the 1860s and 1870s.
- **Hall Building:** The large concrete academic building accounts for about 18% of the University's square footage. The building was constructed in the 1960s and is now more than 50 years old.

The University plans to continue investing in deferred maintenance with significant allocations to both the Grey Nuns and the Hall Building, which should help to reduce the FCI over the coming years.

Debt and Liquidity

DBRS Morningstar categorizes university debt in Québec as either university-supported or provincially supported. University-supported debt is issued by a university in its own name and serviced by its general revenues (e.g., tuition fees, operating grants, etc.), whereas provincially supported debt is issued in the university's name funded by provincial capital grants to the university. The latter is not explicitly guaranteed by the Province. Nevertheless, DBRS Morningstar views this debt as a provincial obligation because the Province dictates its issuance and services the debt through dedicated grants.

The university transfers to the trustee all right, title, and interest related to the debt-servicing grants. Concordia is subject to a provincially imposed debt limit of $1.0 billion (total debt excluding that borrowed in the form of loans or promissory notes) and the University implemented revised thresholds for acceptable levels of net debt per FTE.

As at April 30, 2023, Concordia's university-supported debt burden was $528.7 million (or $17,762 per FTE). For $265.8 million in debentures maturing between 2039 and 2059, the University is required by law to maintain a sinking fund. As at April 30, 2023, the sinking fund for long-term debt repayment was valued at roughly $87.5 million. Because the sinking fund is not held by a trustee that can guarantee the integrity of the funds until maturity, DBRS Morningstar does not net the value of the sinking fund from the amount of university-supported debt for the purpose of ratio calculations. The sinking funds are, however, included in DBRS Morningstar's measure of expendable resources.

- **Property-related debt:** The University established a sinking fund to repay $275 million in university-supported debentures and all other property-related investment debt. The fund had $87.5 million in assets at April 30, 2023, and Concordia estimates contributions of $1.5 million to the fund annually.
- **Equipment, infrastructure, and IT platforms debt:** The University has a sinking fund to repay debt related to shorter-duration assets, which had $56.9 million in assets at April 30, 2023. Concordia expects to contribute $7.5 million annually to the fund.

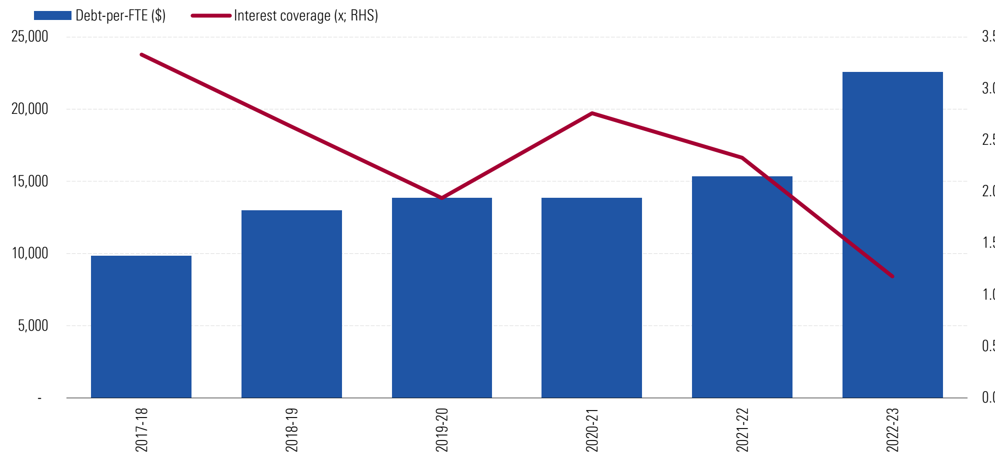
University-supported debt interest expense remained less than 3.0% of total expense, and the interest coverage ratio was 1.2 times (x) in F2023.

The Foundation holds Concordia's debt retirement fund (sinking fund) and endowment fund. Starting in 2022–23, the Foundation implemented a new investment program, Cash Management Optimizer (CMO), that aims to create additional fiscal capacity for the following:

- Donations received in the form of externally restricted endowments made to the University. The endowment makes annual payments to the University at a payout rate of 3.5% to support its operations.
- Capital investments and allocation by way of sinking funds set aside to repay the $275 million university-supported bond issuance set to mature between 2039 and 2059.
- Group insurance plans, unfunded future employee benefit obligations, and pension liabilities.

Concordia has one of the weaker balance sheets among DBRS Morningstar-rated universities. The CMO investment program seeks to expand investment opportunities and increase fiscal capacity/flexibility for the University in future years. DBRS Morningstar assesses balance sheet flexibility by calculating expendable resources, a subset of net assets that includes unrestricted net assets, most internally restricted net assets, and internally restricted endowments. As at April 30, 2023, DBRS Morningstar estimated Concordia's expendable resources to be $4.3 million, or 0.8% of university-supported debt. Expendable resources have remained weak in recent years as the University used reserves to offset deficits.

Exhibit 2 Debt per FTE and Interest Coverage (x)



Sources: Concordia and DBRS Morningstar.

Employee Future Benefits

The University conducts triennial actuarial valuations for funding purposes (i.e., determination of contribution rates, special payments, etc.).

The University is required to make special payments to eliminate any going-concern deficits. Under the prior pension reform legislation, Concordia is fully responsible for pre-2016 going-concern deficits (excluding amortization payments that will be offset by the reserve) and is responsible for 55% of the going-concern deficits in the subsequent period. Universities in Québec are not required to make special payments to address solvency deficits.

Concordia’s most recent valuation as at December 31, 2022, indicated an unfunded liability of $67.1 million compared with $100.3 million as of December 31, 2019. This translated to an annual amortization payment of $9.5 million in 2023 (2020: $10.5 million) and an estimated annual payment of $6.0 million thereafter. Funded status on a going-concern basis has improved in recent years with favourable investment results and was 95.1% as at December 31, 2022. The University's next actuarial valuation is scheduled for December 31, 2025.

The University also provides its employees with other postretirement benefits (e.g., life and health insurance). These benefits are paid on a pay-as-you-go basis, and Concordia is not required to set aside funds against the liability. As at April 30, 2023, the University’s liability for these plans totalled $124.0 million. Over the longer term, these liabilities pose a challenge for the sector as the cost of future health benefits is expected to rise with improving longevity and inflation. At present, Concordia is responsible for 85% of the cost of the other postemployment benefits.

Outlook

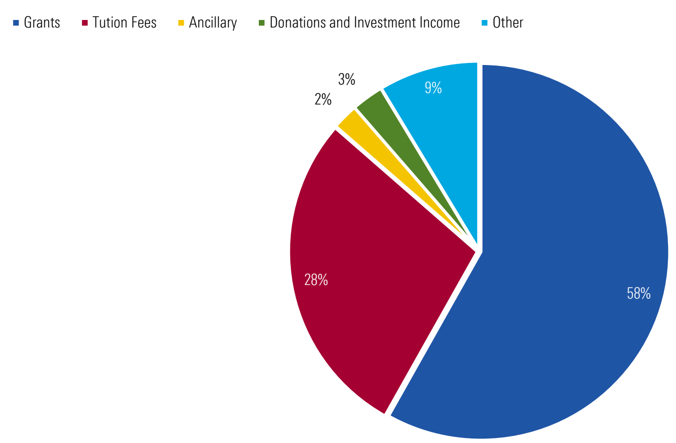
Concordia has indicated that it will access debt for strategic investments and to fund a portion of projected operating deficits over the medium term, with university-supported debt-to-FTE (as calculated by DBRS Morningstar) more than $19,000. The University has indicated to DBRS Morningstar that actual debt growth will likely be slower than projected as Concordia seeks to fund any major projects through provincial funding, donations, and alternative financing arrangements.

University Funding in Québec

Québec universities generally have three major revenue sources for their core teaching and research activities: (1) government grants, (2) tuition fees, and (3) donations and investment income. For Concordia, these accounted for 89% of total revenue in 2022–23.

Provincial government funding remains one of the primary sources of revenue for universities across the country, although its relative importance remains under pressure because of strained finances and competing priorities in most provinces.

Exhibit 3 Total Revenue Breakdown (2022–23)



Sources: Concordia and DBRS Morningstar.

Government Funding (Provincial and Federal; 58%)

Government funding includes operating, research, and capital grants. Operating grants are the largest source of revenue and are exclusively provided by provincial governments. In Québec, operating grant funding is allocated through three principal funding envelopes:

1. **Teaching:** Allocated across universities in proportion to enrolment at each institution with students weighted based on the relative cost of the program in which they are enrolled. Concordia's 2023–24 budget assumes a teaching grant of $192 million.
2. **Support for teaching and research:** Funding for general administration costs, library operations, and computer and audio-visual equipment. It is composed of a fixed amount and a variable

component based on enrolment (head count). In 2023–24, the University foresees a support grant of $66 million.

3. **Maintenance (land and buildings):** Provided largely based on the floor space that is recognized for funding purposes. Concordia anticipates a $40 million maintenance grant in 2023–24.

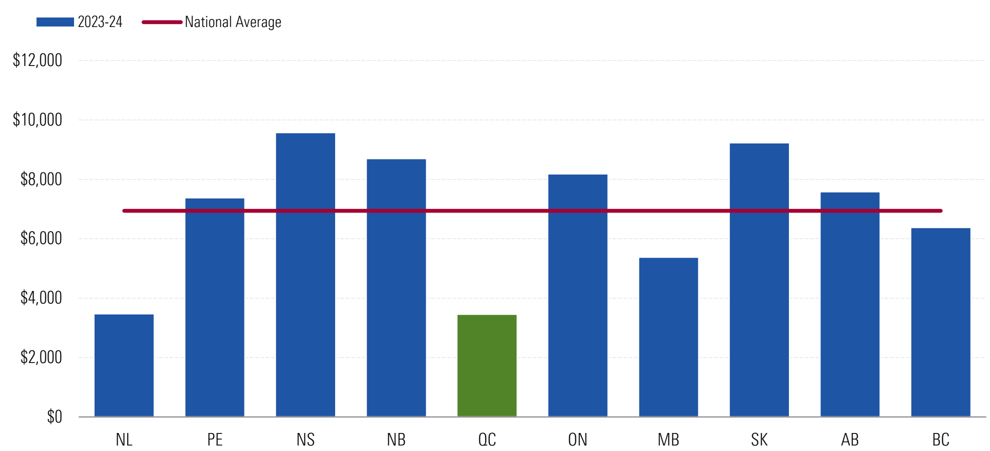
The Province is currently reviewing the university funding formula; however, Concordia anticipates that government grants will form less than 50% of total revenues in 2023–24 as a result of reduced student population, increasing use of specific grants by the Province, and levels of international students.

The federal government typically provides 65% to 75% of all public research funding. Capital grants are largely provided by provinces but take an unusual form in Québec. Rather than providing cash transfers as in other provinces, most capital grants are funded by debt issued by the Province in the university's name. The Province then provides the university with restricted grants to service that debt.

Tuition (28%)
Tuition fees have historically been low in Québec, which reflects past policy decisions by the Province that limited increases. The current approach to fee increases has been in place since 2012. The Province has a formula-driven approach and the system continues to provide universities with modest flexibility to raise tuition fees to offset some of the inflationary pressures.

1. **Residents of Québec:** Annual tuition fee increases for regulated programs can be increased by an amount equivalent to growth in a provincially defined indexation factor (similar to household disposable income).
2. **Residents from other Canadian provinces, France, and Belgium:** Annual tuition fee increases for regulated programs can be increased by an amount equivalent to growth in average tuition fees elsewhere in Canada as estimated by the Province. For 2023–24, the provincial government announced that tuition fees will not increase by more than 3%.
3. **International students:** The Province deregulated tuition fees for international students in programs other than research-based masters and doctoral programs, and for students coming from France and Belgium.

Exhibit 4 Average Provincial Undergraduate Tuition Fees (CAD)



Source: Statistics Canada.

Donations and Investment Income (3%)

Unrestricted donations and investment income recognized on the statement of operations represent a modest proportion of the University's revenue. Concordia launched a major fundraising campaign in November 2017 (The Campaign for Concordia: Next-Gen Now), seeking to raise $250 million. The University has raised more than 95% of the campaign target.

In 2022–23, unrestricted donations received by the University were flat from the prior year at $11.5 million and $3.8 million ($2.0 million in 2021–22) in endowment contributions. As at April 30, 2023, the endowment's market value was $142.5 million. Concordia has among the smallest endowments of DBRS Morningstar-rated universities.

Environmental, Social, and Governance (ESG) Credit Risk Considerations

Environmental

There were no environmental factors that had a relevant or significant effect on the credit analysis. For more details about which environmental factors could have an effect on the credit analysis, please refer to the following checklist.

Social

There were no social factors that had a relevant or significant effect on the credit analysis. For more details about which social factors could have an effect on the credit analysis, please refer to the following checklist.

Governance

There were no governance factors that had a relevant or significant effect on the credit analysis. For more details about which governance factors could have an effect on the credit analysis, please refer to the following checklist.

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* at https://www.dbrsmorningstar.com/research/416784/dbrs-morningstar-criteria-approach-to-environmental-social-and-governance-risk-factors-in-credit-ratings.

Concordia University
ESG Checklist

ESG Factor		ESG Credit Consideration Applicable to the Credit Analysis: Y/N		Extent of the Effect on the ESG Factor on the Credit Analysis: Relevant (R) or Significant (S)*
Environmental		**Overall:**	N	N
	Emissions, Effluents, and Waste	Do we consider that the costs or risks for the issuer or its clients result, or could result, in changes to an issuerÆs financial, operational, and/or reputational standing?	N	N
	Carbon and GHG Costs	Does the issuer face increased regulatory pressure relating to the carbon impact of its or its clients' operations resulting in additional costs and/or will such costs increase over time affecting the long-term credit profile?	N	N
	Resource and Energy Management	Does the scarcity of sourcing key resources hinder the production or operations of the issuer, resulting in lower productivity and therefore revenues?	N	N
	Land Impact and Biodiversity	Is there a financial risk to the issuer for failing to effectively manage land conversion, rehabilitation, land impact, or biodiversity activities?	N	N
	Climate and Weather Risks	In the near term, will climate change and adverse weather events potentially disrupt issuer or client operations, causing a negative financial impact? In the long term, will the issuer's or client's business activities and infrastructure be materially affected financially under key IPCC climate scenarios up to a 2°C rise in temperature by 2050?	N	N
Social		**Overall:**	N	N
	Social Impact of Products and Services	Do we consider that the social impact of the issuer's products and services could pose a financial or regulatory risk to the issuer?	N	N
	Human Capital and Human Rights	Is the issuer exposed to staffing risks, such as the scarcity of skilled labour, uncompetitive wages, or frequent labour relations conflicts, that could result in a material financial or operational impact?	N	N
		Do violations of rights create a potential liability that can negatively affect the issue's financial wellbeing or reputation?	N	N
		Human Capital and Human Rights	N	N
	Product Governance	Does failure in delivering quality products and services cause damage to customers and expose the issuer to financial and legal liability?	N	N
	Data Privacy and Security	Has misuse or negligence in maintaining private client or stakeholder data resulted, or could it result, in financial penalties or client attrition to the issuer?	N	N
	Occupational Health and Safety	Would the failure to address workplace hazards have a negative financial impact on the issuer?	N	N
	Community Relations	Does engagement, or lack of engagement, with local communities pose a financial or reputational risk to the issuer?	N	N
	Access to Basic Services	Does a failure to provide or protect with respect to essential products or services have the potential to result in any significant negative financial impact on the issuer?	N	N
Governance		**Overall:**	N	N
	Bribery, Corruption, and Political Risks	Do alleged or actual illicit payments pose a financial or reputational risk to the issuer?	N	N
		Are there any political risks that could impact the issuer's financial position or its reputation?	N	N
		Bribery, Corruption, and Political Risks	N	N
	Business Ethics	Do general professional ethics pose a financial or reputational risk to the issuer?	N	N
	Corporate / Transaction Governance	Does the issuer's corporate structure limit appropriate board and audit independence?	N	N
		Have there been significant governance failures that could negatively affect the issuer's financial wellbeing or reputation?	N	N
		Corporate / Transaction Governance	N	N
		Consolidated ESG Criteria Output:	N	N

* A Relevant Effect means that the impact of the applicable ESG risk factor has not changed the rating or rating trend on the issuer.
A Significant Effect means that the impact of the applicable ESG risk factor has changed the rating or trend on the issuer.

Statement of Operations (Adjusted)

(CAD thousands)	For the year ended April 30				
	2023	**2022**	**2021**	**2020**	**2019**
Revenues					
Tuition fees	210,345	199,109	185,280	175,750	162,178
Grants	432,538	415,005	387,419	375,377	365,019
Services to the community, students, and other income	64,175	58,586	51,976	59,345	62,123
Ancillary services and rental properties	16,497	10,159	4,366	20,791	23,457
Investment income	8,853	2,052	27,750	1,780	8,652
Donations	11,467	11,467	6,898	8,327	9,296
Total revenues	**743,875**	**696,378**	**663,689**	**641,370**	**630,725**
Expenses					
Academic services and support	336,493	312,097	295,599	289,700	281,152
Research	90,639	75,585	75,509	71,682	73,803
Institutional services and support	142,527	129,996	105,427	104,413	99,670
Services to the community, students, and other expense	36,153	33,154	27,681	33,381	29,975
Endowed and restricted projects	24,946	26,014	25,480	17,552	15,322
Employee future benefits	51,000	44,927	51,962	50,271	48,988
Ancillary services and rental properties	11,851	9,359	7,484	17,375	16,165
Capital maintenance projects	13,424	19,648	18,032	11,284	10,506
Interest expense	33,512	22,723	27,196	29,202	26,660
Amortization of tangible capital assets	49,310	48,999	46,755	44,147	44,141
Amortization of intangible capital assets	9,180	5,216	3,610	3,651	4,133
Total expenses	**799,035**	**727,718**	**684,735**	**672,658**	**650,515**
Operating surplus (deficit), as reported	**(55,160)**	**(31,340)**	**(21,046)**	**(31,288)**	**(19,790)**
Nonrecurring revenue/(expenditures)[1]	-	-	-	-	-
Adjusted surplus (deficit)	**(55,160)**	**(31,340)**	**(21,046)**	**(31,288)**	**(19,790)**

1 2017–18 loss excludes a nonrecurring expense of $13.6 million for the voluntary retirement program.

Statement of Financial Position (Adjusted)

(CAD thousands)	As at April 30				
Assets	**2023**	**2022**	**2021**	**2020**	**2019**
Cash and cash equivalents	45,641	10,766	21,490	19,582	60,843
Grants and accounts receivable	148,152	129,400	134,600	145,726	160,706
Prepaid expenses and other assets	13,572	9,773	6,972	8,601	9,628
Amount receivable from MEES[1]	405,362	51,436	64,757	67,044	69,785
Investments	367,641	347,088	325,473	269,889	236,307
Tangible capital assets	941,488	943,803	916,559	877,944	852,656
Intangible capital assets	60,677	69,005	56,256	41,496	23,026
Other assets	715	715	715	503	465
Total assets	**1,983,248**	**1,561,986**	**1,526,822**	**1,430,785**	**1,413,416**
Liabilities and Net Assets					
Liabilities					
Payables and other current liabilities	148,492	143,264	138,192	114,093	113,123
Unearned revenue	36,314	43,285	33,054	22,482	27,320
Bank loans	204,117	187,646	137,662	132,513	133,400
Long-term debt	732,072	684,385	694,913	681,861	633,694
Deferred contributions	700,661	293,071	273,237	241,375	237,096
Employee future benefit liability	163,661	138,597	131,906	179,351	190,305
Total liabilities	**1,985,317**	**1,490,248**	**1,408,964**	**1,371,675**	**1,334,938**
Net Assets					
Unrestricted	(176,143)	(124,164)	(120,251)	(112,640)	(113,656)
Employee future benefits	(163,661)	(138,597)	(131,906)	(179,351)	(190,305)
Internally restricted	180,495	156,164	147,869	128,640	135,729
Invested in capital assets	14,710	39,267	77,154	105,890	125,228
Endowments	142,530	139,068	144,992	116,571	121,482
Consolidation adjustement[2]	-	-	-	-	-
Total net assets	(2,069)	71,738	117,858	59,110	78,478
Total liabilities and net assets	**1,983,248**	**1,561,986**	**1,526,822**	**1,430,785**	**1,413,416**

1 MEES = Québec Ministry of Education and Higher Education.

2 Effective F2019, the University changed its accounting policy to consolidate financial statements for its significant controlled entities, in particular the Foundation. Prior to this accounting change, DBRS Morningstar adjusted Concordia's financial statements to consolidate the Foundation's activities and holdings.

Calculation of Free Cash Flow (Adjusted)

(CAD thousands)	For the year ended April 30				
	2023	**2022**	**2021**	**2020**	**2019**
Operating balance before fund transfers	(55,160)	(31,340)	(21,046)	(31,288)	(19,790)
Amortization	58,490	54,215	50,365	47,798	48,274
Other noncash adjustments	45,104	14,745	17,025	11,182	26,859
Cash flow from operations	**3,330**	**22,875**	**29,319**	**16,510**	**28,484**
Change in working capital	(19,551)	28,698	31,376	(25,313)	9,506
Operating cash flow after working capital	**(16,221)**	**51,573**	**60,695**	**(8,803)**	**37,990**
Capital expenditures	(47,847)	(94,208)	(103,739)	(91,556)	(92,555)
Free cash flow	**(64,068)**	**(42,635)**	**(43,044)**	**(100,359)**	**(54,565)**

Summary Statistics (Adjusted)

	For the year ended April 30				
	2023	2022	2021	2020	2019
Total enrolment (raw FTEs)[1]	**29,768**	**30,337**	**31,164**	**29,822**	**30,034**
Undergraduate (%)	83	83	86	84	84
Graduate (%)	17	17	14	16	16
Annual change (%)	-1.9	-2.7	4.5	-0.7	1.2
Enrolment (head count)					
Domestic (%)	75.5	78.7	78.7	78.2	79.4
International (%)	24.5	21.3	21.3	21.8	20.6
Total staff (FTEs)[2]	**n.a.**	**n.a.**	**3,961**	**3,791**	**3,606**
Academic staff (%)	n.a.	n.a.	41	41	42
Operating Results					
Surplus (deficit; CAD thousands)	(55,160)	(31,340)	(21,046)	(31,288)	(19,790)
- As % of revenue	-7.4	-4.5	-3.2	-4.9	-3.1
- As % of revenue (five-year rolling average)	-4.6	-3.5	-3.2	-3.7	-4.0
Revenue Mix					
Government funding (%)	58	60	58	59	58
Tuition (%)	28	29	28	27	26
Ancillary (%)	2	1	1	3	4
Donations and investment income (%)	3	2	5	2	3
Other (%)	9	8	8	9	10
Debt and Liquidity					
Total debt (CAD millions)	936	872	833	814	767
Debt serviced by Province (CAD millions)	407	406	400	402	376
Debt serviced by University (CAD millions)	528.7	465.8	432	413	391
- Per FTE student (CAD)	17,762	15,353	13,875	13,837	13,009
Estimated university-supported interest charges (CAD millions)	18.7	17.2	16.6	17.6	17.5
Interest charges supported by University/total exp. (%)	2	2	2	3	3
Interest coverage ratio (x)[3]	1.2	2.3	2.8	1.9	2.6
Expendable resources (CAD millions)	4.4	32.0	27.6	16.0	22.1
As a share of long-term debt serviced by the University (%)	0.8	6.9	6.4	3.9	5.6
Endowments					
Total market value (CAD millions)	143	139	145	117	121
Per FTE student (CAD)	4,788	4,584	4,653	3,909	4,045

1 Excludes continuing education.

2 Staff and academic staff exclude auxiliary students and part-time faculty for continuing education. A part-time FTE faculty is based on a load of four courses of three credits.

3 Defined as surplus before interest, amortization, and fund transfers divided by interest charges supported by the University.

Credit Rating History

Issuer	Debt	Current	2022	2021	2020	2019	2018
Concordia University	Issuer Rating	A	A	A	A	A	A
Concordia University	Senior Unsecured Debt	A	A	A	A	A	A

Related Research

- *Canadian Universities Grappling With Diverse Post-Pandemic Challenges*, November 13, 2023.
- *Are Political Tensions Between Canada and India a Cause for Concern for Canadian Public Universities?*, October 17, 2023.
- *Free Tuition for Ontario's Indigenous University Students: Balancing Cost Concerns and Reconciliation*, September 29, 2023.
- *Rating Public Universities*, May 17, 2023.
- *Gender Diversity in Canadian Public Universities*, March 8, 2023.
- *First Look: University Applications in Ontario for Fall 2023*, January 24, 2023.
- *Are Public Universities in Ontario Financially Sustainable?*, December 21, 2022.

Previous Report

- Concordia University: Rating Report, January 27, 2023.

Notes:
All figures are in Canadian dollars unless otherwise noted.

For the definition of Issuer Rating, please refer to Rating Definitions under Rating Policy on www.dbrsmorningstar.com.

Generally, Issuer Ratings apply to all senior unsecured obligations of an applicable issuer, except when an issuer has a significant or unique level of secured debt.

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