

University of Western Ontario

February 19, 2026

This report does not constitute a rating action.

Credit Highlights

Overview

Enterprise profile	Financial profile
--University of Western Ontario's robust local demand and market position underpin the university's strong enterprise risk profile.	--We expect Western to sustain very strong operating performance over the next two years despite limited financial flexibility and higher operating costs.
--Prudent management is addressing enrollment constraints resulting from the federal government's cap on international students including with strategic measures to manage domestic enrollment.	-- Western's debt burden will remain moderate while maximum annual debt service (MADS) will continue to decrease.
--The economic and demographic fundamentals of the Province of Ontario remain very strong and help sustain domestic demand.	--We expect that extremely strong financial resources compared with those of peers will continue to boost the university's financial risk profile.

S&P Global Ratings' long-term issuer credit rating on the University of Western Ontario is 'AA+'. The rating reflects Western's 'aa+' stand-alone credit profile (SACP), which is based on our combined assessment of the university's very strong enterprise and financial profiles. Western has faced financial pressures from years of the province's freeze on tuition for domestic students. The province's recent announcement of increased operating grants and more funded spaces for the sector, as well as an end to the tuition freeze, will be positive for the university's revenues in the coming years, in our view, but we have not incorporated this into our base case and will monitor as more details emerge. Western also continues to struggle with the federal cap on new international students, and rising expenses, particularly for wages and benefits. However, it benefits from strong domestic demand and prudent management, which has enabled the university to build an exceptional level of cash and investments. We expect these financial resources to remain well above 6x debt outstanding, supporting a solid financial profile in the next several years and providing a substantial buffer to manage any near-term volatility. 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.

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Outlook

The stable outlook reflects our view that, in the next two years, Western will hold a strong market position supported by domestic demand. This will help the university post operating margins of more than 5% of operating expenditure on average while maintaining high cash and investments and a moderate debt burden.

Downside scenario

We could take a negative rating action, in the next two years, if Western experiences a drop in domestic demand that dampens operating performance and its debt burden increases such that cash and investments are no longer sufficient to cover more than 6x debt outstanding.

Upside scenario

Although we view it as unlikely in the next two years, we could raise the rating if Western strengthened its market position. In addition, if the provincial government materially increases its funding to public universities and relaxes its restrictions on tuition hikes, resulting in greater financial flexibility, and if Western's debt service decreases in line with that of 'AAA' rated peers, this could support an upgrade. In this scenario, we would expect our assessment of the university's role and link to the province to remain unchanged.

Rationale

Strong domestic demand and prudent management bolster the university's enterprise risk profile

We believe that Western has a solid market position based on strong domestic student demand and quality characteristics. In our assessment, the higher education sector has low industry risk, characterized by its high barriers to entry and typically countercyclical nature, which tends to withstand economic downturns better than other sectors. In addition, the university benefits from excellent economic fundamentals in its main service area, Ontario, the most populous province in Canada, with high GDP per capita, estimated at almost US\$55,300 in 2026.

In 2024, the Canadian government implemented a cap on new international undergraduate study permits, which contributed to a drop in Western's international enrollment. As a result, we expect Western's total full-time equivalent (FTE) enrollment to remain flat over the next two years, following several years of stable growth. This moderate trajectory also reflects a deliberate management decision to preserve academic quality and ensure financial responsibility.

Western continues to demonstrate strong domestic demand, with rising in-province interest, as reflected in its steady application levels and the high number of applicants identifying it as their first-choice university.

For fall 2025, total FTE enrollment decreased by 0.5%, reaching 40,847. Graduate student numbers fell by 3%, while undergraduate numbers remained flat. We expect domestic demand will remain stable while international enrollment will likely struggle to recover in the next few years.

In our view, student quality remains strong, as evidenced by the university's historically stable retention rate and selectivity rate (offers to applications), which have averaged 93% and 64%,

respectively, over the past three years. We expect selectivity to strengthen slightly but remain above 50%; overall, we anticipate both indicators will remain very strong.

Founded in 1878 and located in London, Ont., Western is a research-intensive, doctoral university with 12 faculties and schools, including medicine and dentistry, law, engineering, and business. It is a founding member of the U15, Canada's most distinguished research universities. Western also has affiliations with four research institutes, two teaching hospitals, and two university colleges (Huron and King's). Brescia College has fully integrated into Western.

In our view, Western demonstrates sound management and governance practices consistent with those of other rated Canadian universities. We consider the university to have prudent policies, procedures, and risk management capabilities. Senior administration's operational effectiveness is reflected in a track record of strong operating margins and investment policies that support a stable credit profile. We also believe that management has been prudent in its approach to enrollment planning and cost management, particularly given the constraints in the postsecondary sector. Western operates under an annually approved operating and capital budget, supported by multiyear projections that guide financial planning and decision-making.

A moderate debt level and extremely strong financial resources enhance Western's financial risk profile

We consider Western's financial risk profile to be very strong and resilient, supported by disciplined financial practices. Although international student enrollment has fallen at Canadian universities, Western is less exposed to this risk given its lower reliance on international students than peers. Wages and salaries remain the main pressure, representing 62% of Western's 2026 projected operating expenditures.

In February 2026, Ontario announced a new postsecondary funding framework that will allocate an additional C\$6.4 billion over four years, bringing annual operating funding to C\$7 billion beginning in fall 2026. The province will also end its freeze on domestic tuition and allow annual increases of up to 2% for the next three years. Although this announcement represents a positive development for the sector, we have not incorporated any changes into our projections for Western, as it is unclear at this point how the new funding will be allocated at the institution level. Despite this change, the tuition framework remains a constraint on the university's flexibility to raise student-generated revenues, in our view.

We expect revenue growth to remain steady while operating expenditures continue to increase. As a result, we expect operating margins as a percentage of operating expenditures will narrow over the next two years, averaging 9% during fiscal years 2024–2028.

In our view, Western has very strong liquidity, supported by above-average cash and investment performance that provides a buffer against volatility in operating performance as well as an offset against debt financing for its capital plan. We estimate that at fiscal year-end 2026, total cash and investments will amount to C\$3.5 billion and will be sufficient to cover approximately 2.2x operating expenses. In 2025, 29% of these assets were held in externally restricted endowments. Western has the eighth-largest endowment among Canadian universities. The endowment market value rose to C\$1.4 billion at the end of fiscal 2025 from C\$1.3 billion in the previous year.

Western faces significant capital requirements, and we expect it will proceed with planned projects to meet these needs. Key projects include construction of a new engineering building, a new undergraduate residence, a new interdisciplinary research building, and several campuswide sustainability initiatives. These projects are financed through the proceeds of previously issued

debentures, reserves, donations, and grants. They could lead to some depletion of financial resources beyond our base-case scenario.

Total debt in 2025 consisted of two 40-year fixed-rate bullet debentures, amounting to C\$288.7 million (maturing in 2047 and 2057), and C\$13.5 million in 15-year amortizing banker's acceptances sourced from a C\$100 million nonrevolving facility maturing in fiscal 2027. We believe the refinancing risks associated with the bullet debentures are partially mitigated by the time until maturity and the voluntary sinking fund, which exceeded C\$52 million as of fiscal 2025 year-end.

We project total debt to be approximately C\$295 million by 2026. Based on this, debt metrics indicate that the ratio of total cash and investments to total debt will be more than 12x, which is extremely strong and better than that of peers. We incorporate this ratio as a positive adjustment.

According to its capital plan, the university won't issue additional external debt over the next two years. However, Western remains open to issuing new debt if internal resources are insufficient or if external financing becomes a more cost-effective option. Should the university proceed with new borrowing, it would likely occur around 2030; however, given the uncertainty regarding the potential amount and terms, we have not incorporated this into our projections. We estimate that MADS will represent approximately 2.1% of adjusted expenses by fiscal year-end 2026.

Western has a defined-contribution pension plan for active employees, effectively transferring investment risks away from the institution. This compares with certain institutions that might encounter obligations for special solvency payments to address pension plan deficits. Most of Western's postemployment liabilities relate to unfunded nonpension benefits, such as medical and dental. As of fiscal year-end 2025, these liabilities totaled C\$452.9 million.

We have not identified any additional contingent liabilities that could materially affect our assessment of Western's credit profile.

Moderately high likelihood of extraordinary provincial government support

The ratings reflect Western's SACP and our belief that there is a moderately high likelihood that the government of Ontario would provide extraordinary support to Western in the event of financial distress. The impact of this potential support on the ratings is neutral. This reflects our assessment of the university's important role in the province, given that postsecondary education is one of Ontario's priorities in both spending and mandate (after health care and school boards).

Moreover, our assessment of Western's important role recognizes the absence of viable private alternatives. The university's substantial size, distinguished reputation, and robust research capabilities make it difficult to replace. The province's oversight, program-approval rights, and tuition regulation over Western suggest a strong link to the government. Also supporting this view is that the province provides substantial operating grants, which account for a five-year average of 18% of the university's total revenue; in addition, it appoints four of 28 board members.

We rate Western two notches above Ontario. The differential reflects our view that there is a measurable likelihood that the university's financial resources would be sufficient to sustain ongoing operational and debt service obligations in the event of a government default or temporary suspension of payments. In addition, the differential reflects our belief that Western operates independently of the Ontario government as an autonomous legal entity with ownership of its assets. We consider the risk of extraordinary negative government intervention low, given

University of Western Ontario

the university's operational independence, important public policy role, and the government's largely noninterventionist stance on the sector.

We expect that Western will hold higher cash and investments than those of peers, of more than 10x its debt outstanding, over the next two years. We also expect the university will maintain a very strong market position, supported by its superior domestic reputation, evidenced by its stable enrollment levels in line with its strategy, which will help to mitigate challenges related to reduced international student enrollment due to federal policy changes.

Key Statistics

University of Western Ontario -- Selected indicators

Mil. C\$	--Fiscal year ended April 30--				
	2022	2023	2024	2025	2026f
Enterprise profile					
Full-time equivalent enrollment (FTE; no.)	36,904	38,013	39,454	41,035	40,847
Annual FTE change	4.7	3.0	3.8	4.0	(0.5)
Undergraduate selectivity rate (%)	63.5	67.1	68.3	67.6	56.7
Undergraduates as a % of total FTE enrollment	81.4	82.1	82.3	82.0	82.5
Retention rate (%)	92.0	92.5	92.6	94.3	-
Graduation rates (six years) (%)	84.5	83.7	85.1	84.9	-
Financial profile					
Adjusted operating revenue	1,445	1,426	1,533	1,613	1,656
Adjusted operating expense	1,184	1,299	1,376	1,442	1,527
Net adjusted operating margin (%)*	22.0	9.8	11.4	11.8	8.5
Student dependence (%)	34.2	36.7	35.5	35.1	34.7
Government operating grant dependence (%)	18.6	18.8	17.5	17.2	18.7
Endowment and investment income dependence (%)	7.8	8.6	15.5	14.6	10.7
Cash and investments	2,897	3,024	3,317	3,575	3,457
Cash & investments to adjusted operating expenses (%)	244.7	232.7	241.1	247.9	226.4
Outstanding debt	327	319	311	302	295
Cash & investments to debt (%)	884.8	947.0	1,066.5	1,182.6	1,169.8
Maximum annual debt service/total operating expense (%)	2.72	2.45	2.35	4.53	2.09

*As % of adjusted operating expense. f—Forecast.

Rating Component Scores

University of Western Ontario—Ratings score snapshot

Industry risk	2
Economic fundamentals	1
Market position	2
Management & governance	2
Enterprise risk profile	2
Financial performance	2

University of Western Ontario—Ratings score snapshot

Financial resources	1
Debt and contingent liabilities	2
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," 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 24 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 Detail (as of February 19, 2026)*

University of Western Ontario	
Issuer Credit Rating	AA+/Stable/--
Senior Unsecured	AA+

Issuer Credit Ratings History

20-Feb-2025	AA+/Stable/--
21-Feb-2024	AA/Positive/--
26-Feb-2013	AA/Stable/--

*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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