Rating Report

McMaster University

DBRS

Insight beyond the rating.

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Ratings

Debt	Rating Action	Rating	Trend
Issuer Rating	AA	Confirmed	Stable
Senior Unsecured Debt	AA	Confirmed	Stable

Rating Update

On December 17, 2018, DBRS Limited (DBRS) confirmed McMaster University's (McMaster or the University) Issuer Rating and Senior Unsecured Debt rating at AA with Stable trends. The ratings are supported by McMaster's strong academic profile, steady enrolment growth, a track record of strong financial management and considerable financial flexibility, though the current provincial policy environment adds an element of uncertainty to the medium-term operating outlook.

For the year ended April 30, 2018, the University reported a consolidated surplus of $123.8 million, or 11.2% of revenues. This was an increase from a surplus of $112.1 million in 2016–17 and continues to demonstrate a track record of prudent financial management.

The University remains focused on key priorities, and the 2018–19 budget includes incremental funding for strategic initiatives such as advancing the University's reputation and brand, library acquisitions, student supports and community engagement, along with other initiatives. On a consolidated basis, the budget projects a surplus of $87.6 million, or 7.5% of total revenues.

The operating environment for Ontario universities appears somewhat uncertain through the medium term because of the recent change in provincial government. Absent any policy direction from the Province of Ontario (the Province; rated AA (low) with a Stable trend by DBRS), McMaster has assumed the status quo for operating grants and the tuition fee framework for its medium-term projections. The University continues to plan for modest enrolment growth, driven by international enrolment. In addition, the University will be entering a busy year of collective bargaining in 2019–20, with faculty and teaching assistants' agreements coming up for renewal, the outcome of which will influence medium-term expense projections.

Although McMaster has a robust capital plan to modernize facilities, address deferred maintenance and increase capacity, DBRS does not anticipate any new borrowing in the current year. As a result, the amortization of existing debt and modest enrolment growth are expected to reduce the debt per full-time equivalent student (FTE) ratio to $8,310 in 2018–19 and $8,073 in 2019–20. The University may consider additional external borrowing over the medium term to fund potential capital initiatives.

DBRS expects the ratings to remain stable. A negative rating action could arise from a deterioration in operating results and significant debt issuance. A positive rating action could result from an upgrade of the provincial funder rating and an improvement in the government funding and tuition frameworks.

Financial Information

	For the year ended April 30				
	2018	**2017**	**2016**	**2015**	**2014**
Consolidated operating result (DBRS-adjusted, $ millions)	123.8	112.1	29.1	78.6	86.6
Surplus-to-revenue (five-year average)	8.3%	7.4%	5.5%	5.4%	4.1%
Debt per FTE ($)	8,580	8,785	9,200	4,872	4,957
Interest coverage (times)	11.0	11.2	6.5	14.6	14.6
Expendable resources-to-debt (times)	219%	207%	174%	235%	212%

Issuer Description

McMaster was founded in 1887 through the merger of the Toronto Baptist College and Woodstock College. Located in Hamilton, Ontario, 60 kilometres from Toronto, McMaster draws from a local population of 787,200 residents. The University is a comprehensive, research-intensive institution offering a broad range of undergraduate, graduate and continuing education programs. In 2017–18, the University's enrolment was 29,758 on an FTE basis.

Rating Considerations

Strengths

1. Strong academic profile

The University benefits from a strong academic profile; it frequently places high in international rankings and often appears among the top 100 universities globally. McMaster offers a diverse range of programs in all high-demand academic areas, except law, and is one of the most research-intensive universities in the country.

2. Stable revenue base

Like other publicly funded universities, McMaster benefits from stable revenue sources, including significant funding from the provincial and federal governments, as well as tuition revenue. These sources accounted for about two-thirds of McMaster's revenues in 2017–18. Enrolment continues to rise gradually at the University and is being primarily driven by higher international enrolment, which will support medium-term revenue growth.

3. Effective financial management

McMaster has an established history of proactive and effective financial management. It has been responsive to operating challenges that have emerged and has implemented systems and processes to improve resource allocation and cost control. In recent years, the University has identified opportunities to generate new revenue and contain costs, implemented changes to improve the sustainability and affordability of the pension plan and introduced a new budget model to improve allocative efficiency.

4. Financial flexibility

The University has a strong balance sheet, which is the result of prudent management practices, a series of strong operating results and success in fundraising. DBRS estimates that McMaster's expendable resources were $558.4 million at April 30, 2018, which equates to 218.7% of debt.

Challenges

1. Constrained provincial funding and policy uncertainty

The University derives two-thirds of its revenue from tuition fees and provincial operating grants. While these revenues are stable and largely predictable, they have been constrained by the Province's policies. Under the existing funding framework, operating grants should be stable over the next two years — unresponsive to inflationary cost pressures and modest enrolment changes — while the tuition fee framework limits tuition fee increases to 3.0%, on average, for domestic undergraduate students. There is now added uncertainty, as the recently elected Progressive Conservative (PC) party's platform was silent on post-secondary education policy, and the new government has yet to provide meaningful direction. The direction of fiscal policy under the new government suggests a period of restraint for broader public-sector entities like universities.

2. Labour costs

Salary and benefit costs are rising faster than government grants and will continue to put pressure on the University's finances. Salaries and benefits account for about two-thirds of total expense. Labour relations remain positive at this time. The next significant round of bargaining will take place in 2019–20 when agreements with faculty and teaching assistants come up for renewal.

3. Large backlog of deferred maintenance

The University has a considerable amount of deferred maintenance (DM) needs, currently estimated at $306 million. Over the last four years, DM has fallen as the University increased budget allocations to DM. The facilities condition index has fallen consistently over the period and is now estimated to be 14.3% for 2017–18, down from 18.2% in 2012–13.

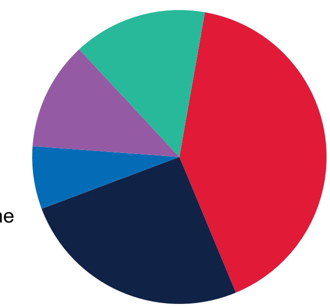
2017–18 Operating Performance

For the year ended April 30, 2018, the University reported a consolidated surplus of $123.8 million, or 11.2% of revenues. This marked an increase from a surplus of $112.1 million, or 10.4% of revenues, in 2016–17 and continues to demonstrate a track record of prudent financial management.

Total revenues grew by 3.1%, largely driven by higher tuition receipts as well as higher donations and other grants. Enrolment increased by 2.2% to 29,758 FTEs, and when combined with tuition fee increases, this boosted tuition fee revenues by 11.1%. Government operating grants were relatively unchanged, rising by 1.2%, and reflect the move to a new provincial funding formula that incentivizes stable domestic enrolment. Research grants and contracts also experienced only mild growth (1.1%). After a very strong year in 2016–17, investment income fell by 46.9%, though it remained in line with the five-year historical average.

Expense growth was well contained in 2017–18, rising by a modest 2.3%. Salaries and benefits account for almost two-thirds of total spending and continue to be the primary cost driver, rising by 2.9%. This rise was composed of a 5.6% increase in salary and wage costs due to increased faculty and other permanent staff along with negotiated pay increases that was partially offset by a 7.1% reduction in benefit costs as a result of lower pension interest expense. Student aid costs increased by 10.0% due to the provincial requirement to allocate a portion of higher tuition fees to student assistance. Other supplies and expenses, cost of goods sold and interest costs declined modestly year over year.

Exhibit 1: 2017-18 Consolidated Revenue Sources
(Total: $1.1 billion)



Operating Outlook

The University prepares a consolidated budget that includes the operating fund, capital fund, research fund, trusts and endowment fund and the specifically funded activities. The University is required by its Board of Directors to present a balanced budget on an annual basis. Like most universities in Ontario, McMaster uses an activity-based budget model. There were no significant changes to the budgetary practices over the last year.

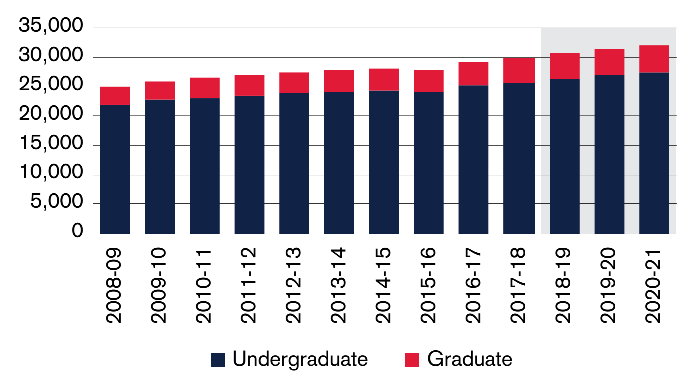
2018–19 Budget and Outlook

The University remains focused on key priorities as outlined in its guiding strategy, *Forward with Integrity*, and reaffirmed in its Strategic Mandate Agreement, which are strengthening its research profile, improving the student experience and enhancing its relationships with the communities it serves. The 2018–19 budget includes incremental funding for strategic initiatives such as advancing the University's reputation and brand, library acquisitions, student supports and community engagement, along with other initiatives. On a consolidated basis, the budget projects a surplus of $87.6 million in 2018–19, or 7.5% of total revenues.

The budget projects modest growth in revenues of 5.9% in 2018–19, driven by rising enrolment and tuition fees. While domestic demand remains strong, the provincial corridor funding model effectively caps domestic undergraduate enrolment. As a result, international undergraduate enrolment is expected to be the primary growth driver (+721 FTEs). McMaster continues to increase tuition fees in line with the provincial framework — 3.0% on average for regulated domestic programs — while international rates were increased by 8.0% for first year students and 4.0% for students in Year 2 and above. The provincial operating grant is forecast to remain relatively stable.

Consolidated spending is forecast to rise by 4.9% in 2018–19 and will be driven by increased salary and benefit costs. The University is undergoing significant renewal of faculty with plans to expand the faculty complement by 8% to address past and planned enrolment growth. This is expected to contribute to a 6.0% increase in salary and benefit costs after incorporating negotiated salary increases. Other areas will see more modest growth, reflecting general inflationary pressures.

Exhibit 2: Total Enrolment (FTEs)



Operating Outlook (CONTINUED)

On an operating fund basis, a mid-year update has not been provided, but initial indications suggest that results may be slightly behind plan largely due to shifts in the enrolment mix to lower-fee programs.

Medium-Term Outlook

The election of a PC government in June 2018 introduces uncertainty for the operating environment for Ontario universities. The previous Liberal government established a funding framework that provided stable and predictable operating grants to Ontario universities and some flexibility to raise tuition fees. Going forward, however, the outlook for post-secondary education policy is less clear (e.g., operating funding, tuition-fee framework, Ontario Student Assistance Program). The PC party's election platform was largely silent on post-secondary policy but proposed a broader effort to reduce the size of the public sector to balance the provincial budget and to fund tax reductions. Since taking office, the PC government has cancelled three university expansion projects and backed away from a proposal to establish a francophone university in southern Ontario. While no indication has been given, there appears to be a growing expectation in the post-secondary sector that funding reduction or further restraint is likely.

There is also no indication how (or if) the Strategic Mandate Agreement (SMA) framework will change. The intent of the model is to improve the accountability of Ontario universities and steadily increase the use of performance-based funding. The current agreements (2017–20) provide for funding stability. DBRS understands that universities are in preliminary discussions with ministry officials about the next round of SMAs (2020–23).

Absent any policy direction from the Province, McMaster has assumed the status quo for operating grants and the tuition fee framework for its medium-term projections. The University continues to plan for modest enrolment growth, driven by international enrolment, although management also acknowledges that capacity constraints may become a binding constraint for overall enrolment over the medium term. In addition to policy uncertainty, volatility in investment income presents a key risk to McMaster's budget outlook. While the University employs conservative assumptions regarding investment income, a severe financial market correction would have negative consequences for consolidated results. Furthermore, the University will be entering a busy year of collective bargaining in 2019–20, with faculty and teaching assistants' agreements coming up for renewal, the outcome of which will influence medium-term expense projections.

Unlike some university peers, DBRS believes that McMaster's track record of proactive financial management, considerable balance sheet flexibility and strong student demand leave it well equipped to respond to potential funding restraint that may arise.

A presidential search is expected to get underway in the coming months, as the current President, Patrick Deane, announced that he would end his term one year early, in June 2019. The current Provost, David Farrar, will assume the duties of Acting President for up to a year until a successor is appointed. While Deane has been instrumental in charting McMaster's institutional vision and strategic priorities, DBRS does not expect this transition to meaningfully alter the University's strategic direction.

Capital Plan

McMaster's capital outlook is guided by its Facility Services' Five-Year Capital Plan (2018–2023) and the Energy Management and Asset Management Plans. McMaster has four campuses located in Hamilton (main campus), Halton, Niagara and Kitchener. The University's Hamilton campus is home to the majority of McMaster's developable land and DM needs.

Capital investment has averaged roughly $120 million annually over the past five years, as the University continues with projects to modernize facilities, address DM and increase capacity. Like most universities, many of the projects are relatively modest in scope and relate to the renewal or upgrading of facilities, acquisition of IT resources and other equipment, energy conservation and DM. The more significant and transformative projects include the following:

- **Peter George Centre for Living and Learning** ($122.3 million): A multi-purpose building that includes a 514-bed residence, classroom and learning facilities as well as space for ancillary operations and administrative functions. The building is expected to open in August 2019.
- **DeGroote School of Business Expansion** ($72.3 million): This project is now being accelerated, supported by external fundraising, and will provide additional academic and administrative space and add capacity in high-demand programs.

In addition, the University is working to further expand its residence offering, as it is one of only two Ontario universities that cannot guarantee a residence space to all first-year students due to lack of space. These projects are focused on the use of alternative ownership or financing structures. As is becoming increasingly common, Canadian universities are seeking to use their balance sheet to develop facilities that are core to their academic missions (learning, research, etc.) and using other structures with less impact on the balance sheet for ancillary facilities. These projects include the following:

Capital Plan (CONTINUED)

- Graduate residence: Working with a third-party partner for the design, build, finance and management of an off-campus graduate residence that will have approximately 600 beds. The graduate residence will also be structured as a limited partnership and the partner will build the residence on land McMaster has leased for 99 years.
- Main Street West residence: This project envisions a two-phased project that is expected to accommodate approximately 961 students in phase one and another 538 students in phase two. The Main Street West project will be financed with a limited partnership with a private developer. McMaster will contribute land and receive an ownership share as a result. The University will operate and manage the residence once the developer has completed the build.

The University has a number of other projects under consideration for the medium and longer term. These include renovations to the existing Arts Quad ($63 million), the STEM Academic Building ($100 million) and athletics and recreation expansion phase 1 ($59.5 million). Although yet to be approved, these projects are expected to be funded through a combination of internal financing and fundraising.

McMaster's DM requirements are estimated to be $306 million. The University continues to focus on critical priorities and increased annual DM spending to $12.7 million in 2018–19, which includes provincial DM funding of $3.7 million. As a result of infrastructure renewal efforts and new construction, the University's facilities condition index continues to improve, falling to 14.3% in 2017–18, down from 18.2% in 2012–13.

Debt and Liquidity

McMaster's debt burden continues to be very manageable for the assigned ratings. At April 30, 2018, McMaster's long-term debt totalled $255.3 million, down 0.2% from the previous year. The University's debt is composed of long-dated debentures due in 2052 ($120 million) and 2065 ($120 million) and a small amount of amortizing bank debt ($15.3 million). Slightly lower debt, combined with modest enrolment growth, reduced debt per FTE to $8,580 from $8,785 in 2016–17. Interest coverage remained exceptionally strong at 11.0 times.

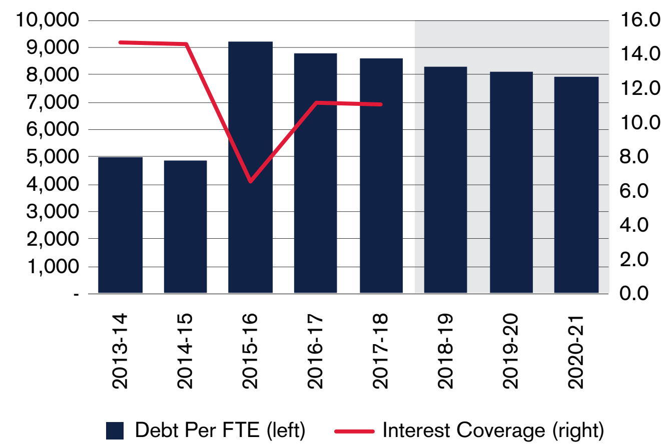
The University has established sinking funds for the debentures. At April 30, 2018, the sinking funds totalled $29.9 million. With ongoing contributions and investment returns, the funds are expected to be sufficient to retire the debentures in 2052 and 2065.

DBRS estimates universities' expendable resources as a subset of net assets, which includes unrestricted net assets, internally restricted endowments and some of the internally restricted net assets. For 2017–18, DBRS estimated that McMaster's expendable resources totalled $558.4 million, equivalent to 218.7% of long-term debt. This is among the strongest of DBRS-rated universities.

McMaster's internal and external endowment funds continue to grow, although the pace of growth has moderated. Total endowments rose by 3.1% in 2017–18 to $629.1 million, supported by an investment return of 5.2%. On a per-FTE basis, this equates to $21,141, which is the third-highest among DBRS-rated institutions.

McMaster has significant employee future benefit liabilities associated with its three defined benefit pension plans and non-pension post-retirement benefits. Only one of the defined benefit pension plans remains open to new members. The University also has a group RRSP for some employees. On a financial statement basis, the funding status of the pension plans has improved in recent years with strong investment returns.

Exhibit 3: Debt and Interest Coverage



At April 30, 2018, there was a funded surplus of $19.1 million (including supplemental plan benefits), improved from a small shortfall the previous year.

For the salaried plan, the latest actuarial valuation was filed as of July 1, 2017, and revealed a going-concern deficit of $30.8 million and a solvency deficit of $342.1 million. For the hourly plans, the latest valuation was filed as of July 1, 2016, and pointed to a going-concern surplus of $1.6 million and a solvency deficit of $20.4 million.

Like other Canadian universities, McMaster is an enduring institution, which makes the sudden wind-up of a pension plan unlikely. DBRS places less emphasis on the solvency valuation, though a large solvency deficit does place pressure on the credit profile due to provincial regulations that require universities to make special payments to liquidate the going-concern and solvency deficits.

Debt and Liquidity (CONTINUED)

In late 2017, the Province implemented a new framework for pension funding for single-employer pension plans, which is to be phased in over three years. The elements of the new framework are as follows:

- Universities will only be required to make special solvency payments if the solvency funding status is less than 85%;
- The amortization period for the going-concern deficit will be reduced to ten years from 15 years, and universities will be required to establish a reserve (Provision for Adverse Deviation); and
- The Province will increase the Pension Benefits Guarantee Fund monthly guarantee, which will likely require higher premiums.

Management has indicated that they expect to file an updated valuation for the salaried pension plan as of July 1, 2018, which would transition McMaster to the new funding rules. As the solvency ratio exceeds 85.0%, an early filing is expected to be mildly beneficial.

Non-pension post-employment benefit liabilities totalled $247.7 million at April 30, 2018, up 12.4% from the previous year. These mainly comprise health, dental and life insurance benefits to retirees. Although not required to, the University continues with a strategy to gradually fund these obligations and has set aside $83.2 million in an internally restricted reserve. These amounts are included in DBRS's measure of expendable resources.

Outlook

DBRS does not anticipate any new borrowing in the current fiscal year. As a result, the amortization of existing debt and modest enrolment growth is expected to lead to a decline in the debt-per-FTE ratio to $8,310 in 2018–19 and $8,073 in 2019–20. The University may consider additional external borrowing over the medium term to fund potential capital initiatives.

University Funding in Ontario

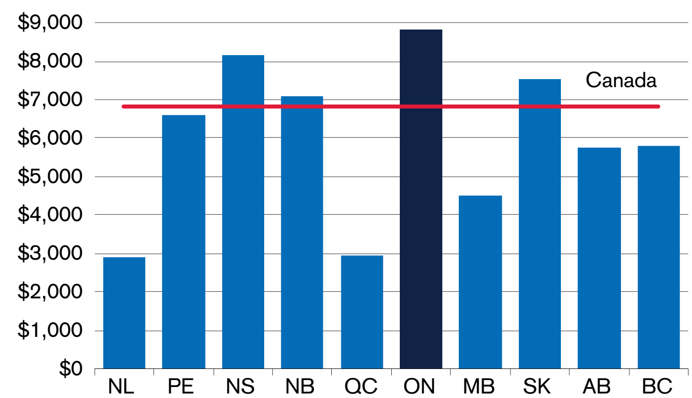
Canadian universities generally have three key sources of revenue for their core teaching and research activities: (1) government grants, (2) student fees and (3) donation and investment income. For McMaster, these accounted for approximately 77% of total revenues in 2017–18.

Provincial government funding remains one of the primary sources of revenue for universities across the country, although its relative importance remains under pressure in most provinces because of strained finances and competing priorities. Over time, this has led to a gradual shift in the relative shares of revenue provided by operating grants, which have declined, and tuition fees, which have increased.

Government funding (provincial and federal 40%):

Government funding includes operating grants, research grants and contracts as well as capital grants. Operating grants are the most important and stable revenue source. The previous Liberal government introduced a new funding model for Ontario universities in 2017–18. The model is similar to the previous funding model with a large enrolment-based share of funding; however, the new model seeks to reduce some financial incentives to increase enrolment and will provide universities facing enrolment declines with downside protection. Under the model, funding was expected to be relatively stable for all Ontario universities over the next three years, though there is now uncertainty given the change in government. The new PC government has yet to specify what, if any, changes will be made to the funding model or to the level of post-secondary funding. The direction of fiscal policy under the new government appears to be one of constraint.

Exhibit 4: 2018-2019 Average Undergraduate Tuition Fees



Source: Statistics Canada.

Government grants for research and capital projects are also an important source of funding. The federal government typically provides 65% to 75% of all public research funding, whereas the Province provides the bulk of capital funding.

In the 2016 federal budget, the federal government announced the creation of a new $2.0 billion Strategic Investment Fund (SIF) to support post-secondary infrastructure development. The fund provides up to 50% of eligible costs for shovel-ready projects that enhance research and innovation capacity or improve environmental performance and can be completed ahead of the 2018–19 academic year. The University received funding for the redevelopment of the Arthur Bourns Building under the SIF.

University Funding in Ontario (CONTINUED)

Student fees (28%):

The Province introduced the current tuition-fee framework in 2013–14. It covered a four-year period and was subsequently extended for a further two-year period to 2018–19. The framework caps annual undergraduate tuition-fee increases to 3.0% for most programs and 5.0% for most graduate and professional programs. The Province has yet to provide Ontario universities with guidance on the new iteration of the tuition-fee framework. The Province is expected to provide policy direction early in 2019. Student fees for international students are not regulated by the Province and are set to recover the full costs of international student enrolment.

Donation and investment income (10%):

Unrestricted donations and investment income recognized on the statement of operations typically represent about 10% of the University's revenue. Endowed contributions and investment income earned by the externally restricted endowments are recognized as changes in net assets and are not captured on the statement of operations until they are spent, at which point they are recorded as revenue.

With an extensive alumni, friends and current donor base that includes many professionals, McMaster has seen consistent success in its fundraising efforts over the past several years. The University had set its annual fundraising goal at $21.5 million and has exceeded this goal every year, most recently in 2017 with $41.48 million. For the 2018 year, the revenue goal was set at $55 million and is inclusive of philanthropic, industry and private research grants to the University. In 2018–19, the University will launch a multi-year research-oriented revenue-generating initiative that aims to build and capitalize on McMaster's position as Canada's most research-intensive university.

McMaster University

Statement of Operations (DBRS-Adjusted)

($ thousands)	For the year ended April 30				
Revenue	**2018**	**2017**	**2016**	**2015**	**2014**
Tuition fees	305,171	274,788	246,275	233,343	215,691
Government operating grants	273,493	270,333	264,645	265,214	267,881
Research grants and contracts	183,768	181,730	172,432	183,823	167,450
Ancillary operations	77,112	74,273	70,307	68,635	67,161
Investment income	52,275	98,432	12,855	56,332	63,353
Donations and other grants	54,994	29,819	44,193	49,171	58,000
Earned capital contributions	40,202	40,553	39,340	37,897	37,604
Other revenue	122,533	106,070	104,362	96,416	95,763
Total Revenue	**1,109,548**	**1,075,998**	**954,409**	**990,831**	**972,903**
Expense					
Salaries and benefits	619,723	602,005	566,052	561,344	558,048
Student aid	54,576	49,618	43,266	47,893	42,519
Cost of goods sold	11,988	12,065	11,627	10,942	14,298
Utilities	23,114	22,905	23,805	25,931	27,272
Other supplies and expenses	190,846	193,684	183,754	188,751	168,961
Amortization	72,132	70,262	86,004	68,844	66,659
Interest	13,340	13,377	10,805	8,537	8,575
Total Expense	**985,719**	**963,916**	**925,313**	**912,242**	**886,332**
Consolidated operating result	**123,829**	**112,082**	**29,096**	**78,589**	**86,571**
Gross Capital Expenditures	156,500	113,487	94,397	135,876	100,574

Calculation of Free Cash Flow

	For the year ended April 30				
($ thousands)	**2018**	**2017**	**2016**	**2015**	**2014**
Operating balance before fund contributions	123,829	112,082	29,096	78,589	86,571
Amortization	72,132	70,262	86,004	68,844	66,659
Other non-cash adjustments	(62,324)	(46,509)	(55,257)	(31,119)	(36,204)
Cash Flow from Operations	**133,637**	**135,835**	**59,843**	**116,314**	**117,026**
Change in working capital	16,951	17,864	7,699	29,825	4,956
Operating Cash Flow after Working Capital	**150,588**	**153,699**	**67,542**	**146,139**	**121,982**
Net capital expenditures [1]	(103,194)	(42,472)	(48,691)	(62,494)	(41,782)
Free Cash Flow	**47,394**	**111,227**	**18,851**	**83,645**	**80,200**

1 Gross capital expenditures less contributions restricted for capital purposes.

McMaster University

Statement of Financial Position (DBRS-Adjusted)

($ thousands)	As at April 30				
Assets	**2018**	**2017**	**2016**	**2015**	**2014**
Cash and short-term investments	208,242	161,823	143,723	162,624	172,294
Receivables	136,383	135,588	135,022	123,762	155,205
Inventories and prepaid expenses	15,333	15,416	13,512	10,581	11,597
Deferred pension asset	1,256,897	1,240,598	1,094,130	967,009	844,242
Long-term investments	23,940	21,158	24,938	18,787	15,738
Other investments	1,094,324	1,009,956	967,709	959,316	888,337
Capital assets	2,735,119	2,584,539	2,379,034	2,242,079	2,087,413
Total Assets	**2,584,539**	**2,379,034**	**2,242,079**	**2,087,413**	**2,133,904**
Liabilities and Net Assets					
Liabilities and Deferred Contributions					
Payables and other current liabilities	165,918	149,156	132,713	155,801	149,096
Employee future benefits	228,579	223,805	377,255	280,492	372,702
Deferred contributions — endowment	98,265	94,373	90,606	80,477	75,559
Other deferred contributions	260,926	263,662	263,317	228,481	238,791
Deferred capital contributions	503,932	490,828	462,144	455,778	420,293
Long-term debt	255,312	255,898	256,520	137,175	137,792
Decommissioning obligation	13,122	12,606	12,029	11,206	9,610
Total liabilities	**1,526,054**	**1,490,328**	**1,594,584**	**1,349,410**	**1,403,843**
Net Assets					
Unrestricted	9,781	7,846	10,081	9,262	8,188
Internally restricted	234,151	211,957	(16,627)	(59,194)	(190,599)
Equity in capital assets	336,021	264,108	249,943	367,568	332,569
Endowment — internally restricted	145,777	143,422	127,872	136,609	127,746
Endowment — externally restricted	483,335	466,878	413,181	438,424	405,666
Net Assets	**1,209,065**	**1,094,211**	**784,450**	**892,669**	**683,570**
Total Liabilities and Net Assets	**2,735,119**	**2,584,539**	**2,379,034**	**2,242,079**	**2,087,413**
Contingencies and Commitments					
Capital commitments	204,500	167,900	223,800	221,200	240,700
Legal claims	-	-	-	31,000	31,000
Total	**204,500**	**167,900**	**223,800**	**252,200**	**271,700**

McMaster University

Summary Statistics (DBRS-Adjusted)	For the year ended April 30				
	2018	2017	2016	2015	2014
Total Enrolment (FTE) 1	**29,758**	**29,130**	**27,884**	**28,157**	**27,796**
Undergraduate	86%	86%	87%	87%	87%
Graduate	14%	14%	13%	13%	13%
Total annual change	2.2%	4.5%	(1.0%)	1.3%	1.0%
Enrolment (Headcount)	**31,843**	**31,265**	**29,865**	**30,117**	**29,765**
Domestic	28,125	28,223	27,319	27,544	27,347
International	3,718	3,042	2,546	2,573	2,418
Total Employees 2	**5,418**	**5,251**	**5,286**	**5,220**	**5,171**
Full-time faculty	1,476	1,437	1,438	1,432	1,425
Operating Results					
Surplus (deficit) ($ millions)	123.8	112.1	29.1	78.6	86.6
As a share of revenue	11.2%	10.4%	3.0%	7.9%	8.9%
Revenue Mix					
Government funding (federal and provincial)	40%	41%	45%	45%	44%
Tuition fees	28%	26%	26%	24%	22%
Ancillary	7%	7%	7%	7%	7%
Donations and investment income	10%	12%	6%	11%	12%
Other	16%	15%	16%	14%	31%
Debt and Liquidity					
Total long-term debt ($ millions)	255.3	255.9	256.5	137.2	137.8
Per FTE student ($)	8,580	8,785	9,200	4,872	4,957
Long-term debt, contingencies & commitments ($ millions)	688.4	647.6	857.6	669.9	782.2
Per FTE student ($)	23,133	22,231	30,755	23,790	28,141
Cash and cash equivalents ($ millions)	208.2	161.8	143.7	162.6	172.3
As a share of total expenditures	21%	17%	16%	18%	19%
As a share of current liabilities	126%	108%	108%	104%	116%
Expendable Resources	558.4	528.9	447.4	322.1	291.8
As a share of total debt	219%	207%	174%	235%	212%
Interest costs as share of total expenditures	1.4%	1.4%	1.2%	0.9%	1.0%
Interest coverage ratio (times)	11.0	11.2	6.5	14.6	14.6
Endowment Funds					
Total market value ($ millions)	629.1	610.3	541.1	575.0	533.4
Per FTE student ($)	21,141	20,951	19,404	20,422	19,190
Annual change	3.1%	12.8%	(5.9%)	7.8%	11.0%
Payout ratio (% of five-year average market value)	4.0%	4.0%	4.0%	4.0%	4.0%

1 FTE, excluding continuing education. 2 Headcount; excludes teaching assistants and sessional lecturers.

Rating History

	Current	2017	2016	2015	2014	2013
Issuer Rating	AA	AA	AA (low)	AA (low)	AA (low)	AA (low)
Senior Unsecured Debt	AA	AA	AA (low)	AA (low)	AA (low)	AA (low)

Previous Report

- McMaster University: Rating Report, December 18, 2017.

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.dbrs.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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