



Rating Action: Moody's assigns first-time provisional rating to University of Tasmania's AUD debt issuance programme

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Sydney, February 24, 2022 – Moody's Investors Service has today assigned a provisional (P)Aa2 rating to the University of Tasmania's (UTAS) forthcoming AUD senior unsecured medium-term notes (MTN) programme.

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Ratings on issuance under the MTN programme will be subject to a review of the final documentation.

RATINGS RATIONALE

The (P)Aa2 rating assigned to the AUD debt issuance programme is on a senior unsecured obligation and reflects UTAS' Aa2 issuer rating, which takes into consideration this planned programme.

Moody's estimates the university's total adjusted debt burden – as measured by total debt adjusted for unfunded pension liabilities, operating leases and guaranteed debt obligations – will peak in the fiscal year ending 31 December (fiscal) 2022 at AUD566 million, from AUD268 million in fiscal 2021, or 2.8 times its annual debt service coverage. Accordingly, Moody's measure of the university's total cash and investments/total adjusted debt will reach a low point of 0.8 times in fiscal 2026. However, UTAS' leverage will remain moderate compared with its peers and the credit risks associated with it, tempered by its ample holdings of cash and investments (AUD452 million in fiscal 2020[1]).

The university expects to use the programme to partially fund the Southern Campus Transformation (SCT) development in the Hobart central business district, with the progressive transition off the existing Sandy Bay campus over a ten year period. The drawdowns from the programme will likely lengthen the university's debt maturity profile to make it consistent with the duration of its capital works.

In addition to surplus operating cash flows and planned borrowing, funding for the SCT will include proceeds from the monetization of surplus assets in line with the masterplan for the redevelopment of the current Sandy Bay campus. The redevelopment is designed to generate ongoing revenue streams to support the university in delivering its mission.

On 10 December 2021, Moody's assigned an issuer rating of Aa2 to UTAS. The Aa2 rating reflects the university's solid standalone credit quality and support provided by the stable institutional framework for universities in Australia. Under this framework, UTAS receives secure and predictable grants from the Government of Australia (the Commonwealth, Aaa stable).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE CONSIDERATIONS

Environmental risks for the higher education sector in Australia are considered low. Key environmental challenges relate to campus positioning around low-lying areas and vulnerability to flooding and storm surges, although Moody's assesses this as not material to UTAS' credit profile. Environmental sustainability is one of six core outcome measures embedded in UTAS' Strategic Plan 2019-2024[2], which includes actions and research to focus on responsible use of agricultural resources and sustainable management of ecosystems, reducing carbon emissions and preserving oceans, promoting sustainable fisheries and aquaculture, reducing waste and pollution.

Social risks are material to rated universities' credit profiles, including demographics, socially-driven government policy, changing student preferences, and labour relations. Demographic and societal trends present the greatest exposure within the higher education sector and non-profit sectors. Moody's assesses UTAS' exposure to social risks as moderate, taking a high degree of comfort from how it identifies and actively manages these risks at the highest levels. UTAS benefits as a key institution to develop and implement state policy, with state law reform undertaken by UTAS (on behalf of government), as well as various partnerships including management of fisheries and biohazards.

Governance considerations are material to rated universities' credit profiles. UTAS' governance is considered strong, reflecting the strong institutional framework for the higher education sector in Australia. The Commonwealth and State governments play important roles in legislating and monitoring governance of the sector. UTAS' standards of governance are considered high and are aligned with the general standards of governance for all Australian public universities. Data transparency is very high, with all material legislation, university statutes and policies published on its website, along with capital plans and accounts.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

Material increases in UTAS' holdings of cash and investments that bolster its liquidity profile, and a sustained improvement in the university's EBIDA margins, which could stem from effective cost controls and robust revenue growth as it ramps up the delivery of its five-year strategic transformation plan, would likely place upward pressure on the ratings.

A significant deterioration in its financial performance, as reflected in sustained lower EBIDA margins; materially higher levels of debt beyond Moody's projections, which could arise from delays, cost overruns or risk management practices proving less effective than assumed in delivering the Northern and Southern transformation plans; and/or a deterioration in UTAS' internal liquidity levels, would likely place downward pressure on the ratings.

The methodologies used in these ratings were Higher Education Methodology published in August 2021 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM_1257002, and Government-Related Issuers Methodology published in February 2020 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1186207. Alternatively, please see the Rating Methodologies page on www.moodys.com for a copy of these methodologies.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found at: <https://www.moodys.com/>

[researchdocumentcontentpage.aspx?docid=PBC_79004](http://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004).

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The ratings have been disclosed to the rated entity or its designated agent(s) and issued with no amendment resulting from that disclosure.

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Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at http://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1288235.

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REFERENCES/CITATIONS

[1] Public Audited Financial Statements 12-Feb-2021

[2] University of Tasmania Strategic Plan 2019-2024 01-Jul-2021

Please see www.moody's.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

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