

Moody's affirms ACU's Aa2 stable rating

Ratings agency Moody's has affirmed Australian Catholic University's (ACU's) Aa2 rating with a stable outlook, reflecting the university's strong financial health and disciplined fiscal management.

Moody's Vice President and Senior Credit Officer John Manning said the rating was due to the university's robust financial profile and strong market niche as the largest provider of teachers and nurses in Australia.

"The University has a strong track record of implementing countermeasures to manage challenging macroeconomic and regulatory environment to support operating margins," he said.

Mr Manning said ACU's strong financial performance and return to surplus for the fiscal year ending 31 December 2024 reflected effective expenditure control and a sharp increase in international student enrolments.

"ACU remains well-positioned to navigate the uncertain policy environment. The introduction of Ministerial Direction 111 in December 2024 prioritises student visa applications for tertiary education providers that have not yet reached 80 per cent of the government's proposed international student 'cap' for the year. This directive is expected to benefit smaller and regional universities like ACU by expediting the processing of visas for international students on a more equitable basis."

The Aa2 credit rating comes as ACU successfully transitioned from a budget deficit to an expected surplus in excess of \$30 million.

ACU Chief Operating Officer Patrick Woods said the financial turnaround was driven by difficult by necessary cost-saving initiatives, operational efficiencies and strong revenue growth.

"We are pleased that Moody's has recognised our strong financial foundations, strategic management and governance," he said.

"Moving from a deficit to an expected \$30m+ surplus is a testament to the university's disciplined approach to financial stewardship."

ACU's total adjusted debt was expected to remain low over the next two years with capital expenditure focused on maintenance spending as the University aims to preserve its cash buffers.

Moody's considers that the operating environment for the higher education sector in Australia will remain challenging over the next two years amid ongoing policy uncertainty around international student enrolments and lack of clarity on University Accord Reforms.

ACU's credit profile remains supported by its lower reliance on international students and the supportive institutional framework for universities in Australia.

Governance risks are not currently material to ACU's rating (G-2 governance IPS), reflecting the robust institutional framework for the higher education sector in Australia.

ACU Chief Financial Officer Scott Jenkins said ACU's strong position was due to a focus on financial sustainability with a commitment to strong oversight.

"This rating reflects ACU's strong governance framework which has been critical in the university's ability to plan for and to withstand significant external economic pressures," he said.

"It is confirmation of the strength of our strategy and the resilience of the university."

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