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# Washington Prime Group Inc. (WPG)

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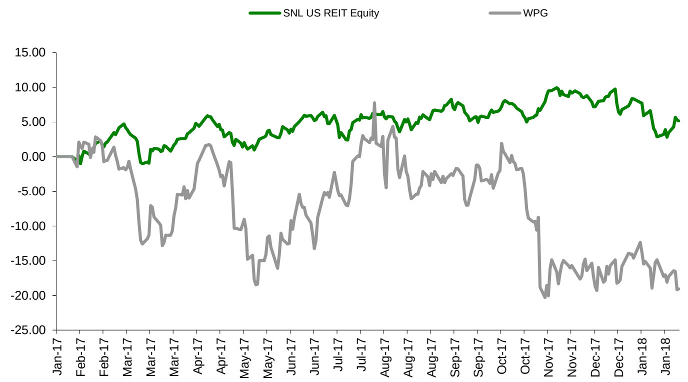
Columbus, OH 43215
http://www.washingtonprime.com
(614) 621-9000

| Credit Ratings | Rating | Date | Direction | Watch |
|---|---|---|---|---|
| S&P | BBB- | 10/26/2015 | Downgrade | Outlook Stable |
| Moody's* | -- | -- | -- | -- |
| Fitch | -- | -- | -- | -- |

*Senior Unsecured Rating

| Current Market Information as of 01/25/2018 | | | Closing Price ($): 6.75 |
|---|---|---|---|
| Shares Outstanding (Shares) | 185,791,421 | Price Target | $ 10.00 |
| 52 week High - Low ($) | 9.96 - 6.62 | Price/ FFO (x) | 4.6 |
| Average Daily Volume (Shares) | 1,960,985 | Price/ LTM FFO (x) | 3.8 |
| Market Value ($M) | 1,254.1 | Price/ Trailing-four-quarter EPS (x) | 7.9 |
| Total Capitalization ($M) | 4,687.1 | Prem./Disc to NAV (%) | -47.7 |
| Total Enterprise Value ($M) | 4,638.9 | TEV/ Recurring EBITDA (x) | NA |
| 10 Year T Note (%) | 2.63 | Implied Return | 48% |

## Total Return



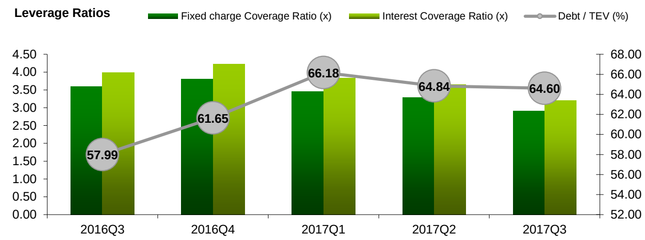

| Insider Alignment as of 03/10/2017 | | | |
|---|---|---|---|
| **Title** | **Name** | **Insider shares (Voting)** | **%** |
| Executive VP & CFO | Mark E. Yale | 208,870 | 0.11 |
| Director | Jacquelyn R. Soffer | 114,783 | 0.06 |
| -- | Mark S. Ordan | 55,332 | 0.03 |
| **Total Shares Held by Insiders** | | **474,416** | **0.26** |

Note: If multiple insiders share controlling interest in a group of shares, they may both show ownership of those shares in insider ownership data.

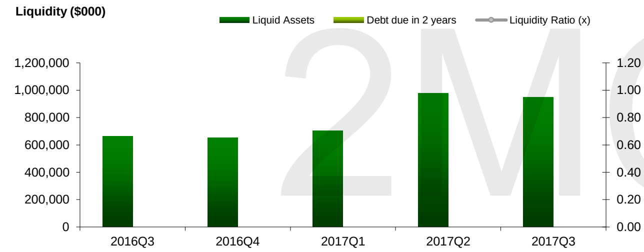
| Institutional Ownership | | | |
|---|---|---|---|
| **Owner** | **Shares** | **%** | **As of** |
| Vanguard Group Inc. | 32,897,783 | 17.71 | 09/30/2017 |
| BlackRock Inc. | 24,888,131 | 13.40 | 09/30/2017 |
| Massachusetts Financial Services Co. | 12,117,284 | 6.52 | 09/30/2017 |
| State Street Global Advisors Inc. | 8,915,747 | 4.80 | 09/30/2017 |
| FMR LLC | 5,625,089 | 3.03 | 09/30/2017 |
| **Total - 318 Institutions** | **166,291,590** | **90.40** | |

| Current Dividend Information | | % Change | | |
|---|---|---|---|---|
| Dividend ($) | 0.2500 | 0.00 | Mst Rct Dividend Anncd Date | 11/03/2017 |
| Annual Dividend Rate ($) | 1.0000 | 0.00 | Mst Rct Ex-Dividend Date | 11/30/2017 |
| LTM Dividends Anncd ($) | 1.0000 | | Most Recent Div Pay Date | 12/15/2017 |
| Current Dividend Yield (%) | 14.81 | | | |
| LTM Dividend Payout Ratio (%) | 117.65 | | | |

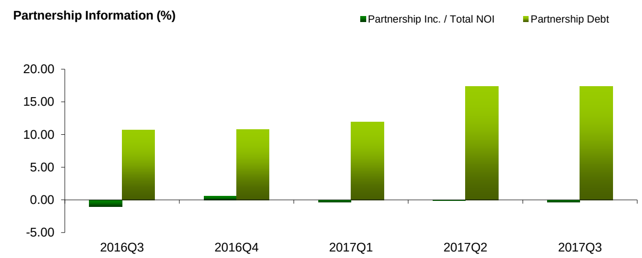
**Leverage Ratios**




**Liquidity ($000)**




**Partnership Information (%)**




| Leverage Analysis | 2016Q3 | 2016Q4 | 2017Q1 | 2017Q2 | 2017Q3 |
|---|---|---|---|---|---|
| **Capitalization ($M)** | | | | | |
| Implied Market Cap | 2,730.5 | 2,296.0 | 1,916.6 | 1,846.2 | 1,837.4 |
| Total Mezzanine Level Items | 5.2 | 10.7 | 3.3 | 3.3 | 3.3 |
| Total Preferred Equity | 195.0 | 195.0 | 195.0 | 195.0 | 195.0 |
| Noncontrolling Interest | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 |
| Total Debt | 3,543.6 | 3,506.4 | 3,484.6 | 3,000.5 | 2,998.9 |
| Pref. OP-FASB 150/Fin 46 Adj. | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Total Capitalization** | **6,475.3** | **6,009.1** | **5,600.6** | **5,046.1** | **5,035.6** |
| (-) Cash & Cash Equivalents | 57.8 | 59.4 | 94.5 | 76.8 | 48.3 |
| **Total Enterprise Value** | **6,417.5** | **5,949.8** | **5,506.1** | **4,969.3** | **4,987.4** |
| **Leverage Ratios (%)** | | | | | |
| Debt/ Total Cap | 54.72 | 58.35 | 62.22 | 59.46 | 59.55 |
| Debt / TEV | 57.99 | 61.65 | 66.18 | 64.84 | 64.60 |
| Debt and Preferred/ TEV | 60.92 | 64.88 | 69.50 | 68.38 | 68.13 |
| Total Debt/ Gross Properties | 54.76 | 56.14 | 55.59 | 51.44 | 51.53 |
| Debt/ RE Value | 64.65 | 69.79 | 74.46 | 72.06 | 71.84 |
| Fixed charge Coverage Ratio (x) | 3.60 | 3.80 | 3.45 | 3.29 | 2.90 |
| Interest Coverage Ratio (x) | 3.99 | 4.22 | 3.83 | 3.66 | 3.20 |
| Debt/ EBITDA (x) | 8.09 | 6.47 | 7.49 | 3.08 | 8.38 |
| Debt/Assets | 68.40 | 68.65 | 69.46 | 64.96 | 65.86 |
| NOI/ Debt | 15.68 | 16.67 | 15.56 | 17.11 | 15.91 |

| Liquidity Analysis ($000) | 2016Q3 | 2016Q4 | 2017Q1 | 2017Q2 | 2017Q3 |
|---|---|---|---|---|---|
| Cash and Equivalents | 57,791 | 59,353 | 94,531 | 76,759 | 48,263 |
| Revolving Credit Facilities | 900,000 | 900,000 | 900,000 | 900,000 | 900,000 |
| Revolving Credit Facilities Drawn | 293,841 | 306,165 | 291,489 | 0 | 0 |
| **Liquid Assets** | 663,950 | 653,188 | 703,042 | 976,759 | 948,263 |
| Debt Due this Fiscal Year | NA | NA | NA | NA | NA |
| Debt Due during Next Fiscal Year | NA | NA | NA | NA | NA |
| Debt Due this Fiscal Year, Incl. JV | NA | NA | NA | NA | NA |
| Debt Due during Next Fiscal Year, Incl. JV | NA | NA | NA | NA | NA |
| **Debt due in 2 years** | NA | NA | NA | NA | NA |
| Liquidity Ratio (x) | NA | NA | NA | NA | NA |

| Profitability Analysis (%) | 2016Q3 | 2016Q4 | 2017Q1 | 2017Q2 | 2017Q3 |
|---|---|---|---|---|---|
| Implied Capitalization Rate | 11.02 | 10.90 | 10.90 | 11.06 | 11.32 |
| Rental NOI/ Avg Gross Pptys | 8.57 | 9.19 | 8.66 | 8.49 | 8.19 |
| Operating NOI/ Avg Gross Pptys | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total RE NOI/ Avg Gross Pptys | 8.57 | 9.19 | 8.66 | 8.49 | 8.19 |
| Partnership Income/ Total Revenue | -1.25 | 0.75 | -0.39 | -0.15 | -0.33 |

| Partnership Information (%) | 2016Q3 | 2016Q4 | 2017Q1 | 2017Q2 | 2017Q3 |
|---|---|---|---|---|---|
| Partnership Inc. / Total NOI | -1.04 | 0.59 | -0.33 | -0.13 | -0.32 |
| Partnership Revenue/ Revenue | -0.70 | 0.39 | -0.22 | -0.09 | -0.21 |
| Partnership Debt | 10.68 | 10.75 | 11.91 | 17.37 | 17.36 |
| Partnership Income/ Avg Partnerships | -1.25 | 0.75 | -0.39 | -0.15 | -0.33 |

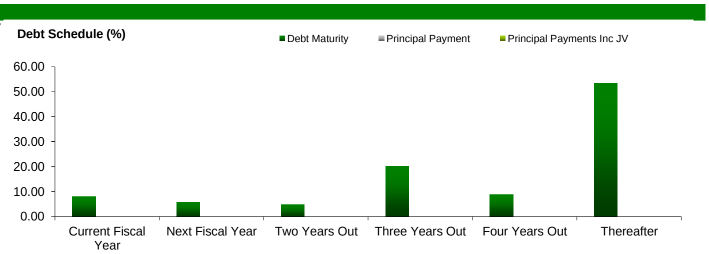
| Debt Analysis (%) | 2016Q3 | 2016Q4 | 2017Q1 | 2017Q2 | 2017Q3 |
|---|---|---|---|---|---|
| Tax-exempt Debt/ Debt | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Secured Debt/ Debt | 47.07 | 46.15 | 46.23 | 47.24 | 47.12 |
| Short-term Debt/ Debt | NA | 24.13 | NA | NA | NA |
| Long-term Debt/ Debt | NA | 75.87 | NA | NA | NA |
| Variable-rate Debt/ Debt | 23.68 | 24.29 | 24.02 | 18.20 | 8.25 |
| Fixed-rate Debt/ Debt | 76.32 | 75.71 | 75.98 | 81.80 | 91.75 |
| Hedged Debt/ Debt | 29.35 | 29.50 | 29.70 | 34.56 | 20.22 |
| Convertible Debt/ Debt | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Credit Lines Drawn/ Available | 32.65 | 34.02 | 32.39 | 0.00 | 0.00 |

| Same Store Analysis | 2016Q3 | 2016Q4 | 2017Q1 | 2017Q2 | 2017Q3 |
|---|---|---|---|---|---|
| Same Store NOI Change (%) | 0.60 | 0.70 | -0.70 | -1.90 | -1.40 |
| Same Store Rev % Chg (%) | 1.20 | 0.80 | 1.60 | 0.20 | -2.50 |
| Same Store Exp % Chg (%) | 2.30 | 1.10 | 6.60 | 4.90 | -4.60 |
| Same-store REVPAR ($) | NA | NA | NA | NA | NA |
| Same-store ADR ($) | NA | NA | NA | NA | NA |
| Same Store Occupancy (%) | 92.60 | 94.00 | 92.70 | 92.30 | 92.30 |

**Debt Maturity Schedules for the Period 2017Q3**

| | Debt Maturity | | Principal Payment | | Principal Payments Inc JV | |
|---|---|---|---|---|---|---|
| | ($000) | (%) | ($000) | (%) | ($000) | (%) |
| Total Debt | 2,998,908 | | 2,998,908 | | 2,998,908 | |
| Current Fiscal Year | 239,281 | 7.98 | NA | NA | NA | NA |
| *Avg Int Rate (%)* | 6.40 | | NA | | NA | |
| Next Fiscal Year | 172,196 | 5.74 | NA | NA | NA | NA |
| *Avg Int Rate (%)* | NA | | NA | | NA | |
| Two Years Out | 144,311 | 4.81 | NA | NA | NA | NA |
| *Avg Int Rate (%)* | 6.40 | | NA | | NA | |
| Three Years Out | 603,952 | 20.14 | NA | NA | NA | NA |
| *Avg Int Rate (%)* | NA | | NA | | NA | |
| Four Years Out | 260,371 | 8.68 | NA | NA | NA | NA |
| *Avg Int Rate (%)* | NA | | NA | | NA | |
| Thereafter | 1,597,863 | 53.28 | NA | NA | NA | NA |
| *Avg Int Rate (%)* | NA | | NA | | NA | |

**Debt Schedule (%)**

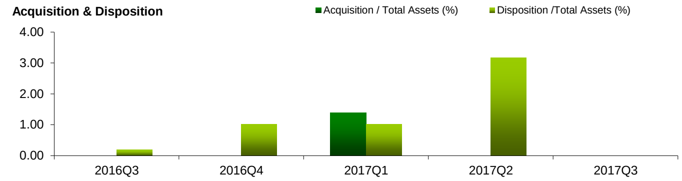


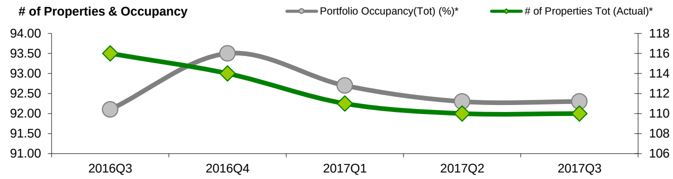
## Property Analysis

| Property Financials | 2016Q3 | 2016Q4 | 2017Q1 | 2017Q2 | 2017Q3 |
|---|---|---|---|---|---|
| # of Properties Tot (Actual)* | 116 | 114 | 111 | 110 | 110 |
| Portfolio Occupancy(Tot) (%)* | 92.1 | 93.5 | 92.7 | 92.3 | 92.3 |
| Total Acquisitions ($000) | 0 | 0 | 70,000 | 0 | 0 |
| Total Dispositions ($000) | 10,100 | 52,200 | 51,000 | 146,400 | 0 |
| Development Pipeline ($000) | NA | NA | NA | NA | NA |
| Development Cost Incurred ($000 | NA | NA | NA | NA | NA |
| Net Property Investment ($000) | 4,186,036 | 4,122,842 | 4,096,053 | 3,736,595 | 3,691,954 |
| Gross Leasable Area (sq. ft.) | 64,954,578 | 62,836,660 | 60,341,358 | ######## | 60,128,219 |
| Acquisition / Total Assets (%) | 0.00 | 0.00 | 1.40 | 0.00 | 0.00 |
| Disposition /Total Assets (%) | 0.19 | 1.02 | 1.02 | 3.17 | 0.00 |

* If total value is filed as NA for all periods by the company, it will give the individual portfolio level information.

| Top 10 Markets* | | | |
|---|---|---|---|
| Name | % of NOI | % of Rev. | % Change SS Occupancy % |
| None | | | |




*Based on reported market exposure. SS here stands for Same Store

**Top 10 Most Recent Acquisitions**

| Property Name | Portfolio Acq. Yes/No? | Acq. Date | Owned % | Price ($000)¹ | Size (Owned Sq. Ft.)³ |
|---|---|---|---|---|---|
| Arbor Hills | Yes | 01/15/2015 | 51.00 | 4,200,000 | 44,571 |
| Ashland Town Center | Yes | 01/15/2015 | 100.00 | 4,200,000 | 433,542 |
| Colonial Park Mall | Yes | 01/15/2015 | 100.00 | 4,200,000 | 738,798 |
| Dayton Mall | Yes | 01/15/2015 | 100.00 | 4,200,000 | 1,442,750 |
| Grand Central Mall | Yes | 01/15/2015 | 100.00 | 4,200,000 | 846,254 |
| Indian Mound Mall | Yes | 01/15/2015 | 100.00 | 4,200,000 | 556,734 |
| Land-Oklahoma City | Yes | 01/15/2015 | 99.00 | 4,200,000 | NA |
| Malibu Lumber Yard | Yes | 01/15/2015 | 51.00 | 4,200,000 | 16,072 |
| Merritt Square Mall | Yes | 01/15/2015 | 100.00 | 4,200,000 | 811,260 |
| Morgantown Commons | Yes | 01/15/2015 | 100.00 | 4,200,000 | 230,843 |

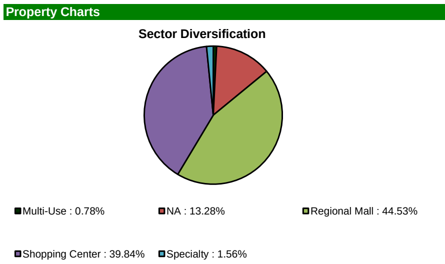
¹ If the transaction is a portfolio acquisition than the price will be a portfolio Acq. Price.

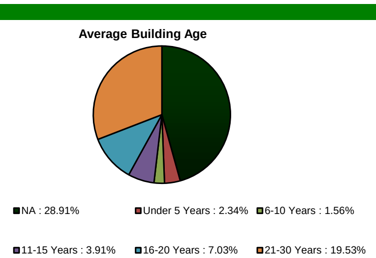
**Top 10 Most Recent Dispositions**

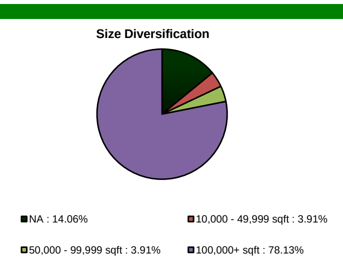
| Property Name | Portfolio Dis. Yes/No? | Dis. Date | Owned % | Price ($000)² | Size (Owned Sq. Ft.)³ |
|---|---|---|---|---|---|
| Colonial Park Mall | No | 11/14/2017 | 100.00 | 15,000 | 738,798 |
| Valle Vista Mall | No | 10/03/2017 | 100.00 | 40,000 | 650,573 |
| Morgantown Commons | No | 06/07/2017 | 100.00 | 6,700 | 230,843 |
| Land-Indian Mound Mall | No | 05/16/2017 | 100.00 | 800 | NA |
| Gulf View Square | Yes | 02/21/2017 | 100.00 | 42,000 | 756,098 |
| River Oaks Center | Yes | 02/21/2017 | 100.00 | 42,000 | 1,124,947 |
| Virginia Center Commons | No | 01/10/2017 | 100.00 | 9,000 | 774,619 |
| River Valley Mall | No | 12/29/2016 | 100.00 | NA | 521,678 |
| Richmond Town Square | No | 11/10/2016 | 100.00 | 7,300 | 1,011,473 |
| Knoxville Center | No | 08/19/2016 | 100.00 | 10,120 | 970,028 |

² If the transaction is a portfolio sales than the price will be a portfolio disposition Price.

**Property Charts**



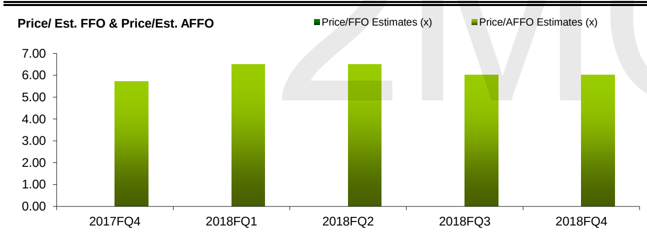



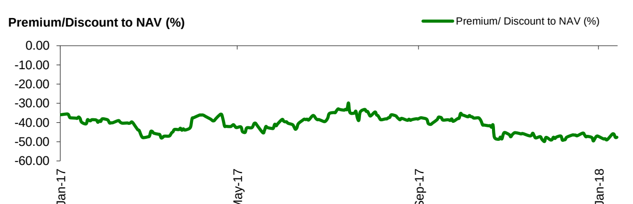






NA = Not Available

## Estimates Data




| Estimates Information | 2017FQ4 | 2018FQ1 | 2018FQ2 | 2018FQ3 | 2018FQ4 |
|---|---|---|---|---|---|
| **FFO Estimates** | | | | | |
| FactSet Mean FFO Estimate ($) | | | | | |
| FactSet High FFO Estimate ($) | | | | | |
| FactSet Low FFO Estimate ($) | | | | | |
| FactSet No. of FFO Estimates (Actual) | | | | | |
| Closing Price ($) | 6.75 | 6.75 | 6.75 | 6.75 | 6.75 |
| Price/FFO Estimates (x) | | | | | |
| **AFFO Estimates** | | | | | |
| SNL Mean AFFO Estimate ($) | 0.30 | 0.26 | 0.26 | 0.28 | 0.28 |
| SNL High AFFO Estimate ($) | 0.31 | 0.26 | 0.26 | 0.28 | 0.28 |
| SNL Low AFFO Estimate ($) | 0.28 | 0.26 | 0.26 | 0.28 | 0.28 |
| SNL No. of AFFO Estimates (Actual) | 2 | 1 | 1 | 1 | 1 |
| Price/AFFO Estimates (x) | 5.72 | 6.49 | 6.49 | 6.03 | 6.03 |
| **EBITDA Estimates** | | | | | |
| FactSet Mean EBITDA Estimate ($000) | | | | | |
| FactSet High EBITDA Estimate ($000) | | | | | |
| FactSet Low EBITDA Estimate ($000) | | | | | |
| FactSet No. of EBITDA Estimates (Actual) | | | | | |
| Shares Outstanding (Shares) | 185,791,421 | 185,791,421 | 185,791,421 | 185,791,421 | 185,791,421 |
| Total Enterprise Value ($M) | 4,638.9 | 4,638.9 | 4,638.9 | 4,638.9 | 4,638.9 |
| Price/ Est. EBITDA per Share (x) | | | | | |
| Current TEV/ Est. EBITDA (x) | | | | | |

| NAV | Consensus Estimate | Median | High | Low | Std Dev |
|---|---|---|---|---|---|
| NAV per Share ($) | 12.90 | 12.90 | 16.25 | 9.55 | 4.74 |
| Price/ NAV | 0.52 | 0.52 | 0.42 | 0.71 | |
| Premium/Discount to NAV (%) | -47.67 | -47.67 | -58.46 | -29.32 | |
| Number of NAV per Share Estimates (actual) | 2 | | | | |

**Commentary:**

Washington Prime Group (WPG) has a mix of strong properties and struggling properties that will require skillful navigation from management. So far, it appears they are salavaging and creating value wherever possible and we think WPG will come out the other side of the retail downturn with a stronger portfolio occupied by internet resistant tenants. I expect some deterioration in FFO/share as the transition will require substantial capex along with some rent concessions. Presently, WPG is priced for about 50% FFO deterioration which we view as highly pessimistic. Our analysis suggests somewhere in the 10% to 20% range is more likely in the short term with growth after the transition. NAV of $12.90 suggests WPG is opportunistically priced and we think these low prices cannot last unless fundamentals get substantially worse.