

Edgar Filing: INLAND WESTERN RETAIL REAL ESTATE TRUST INC - Form FWP

INLAND WESTERN RETAIL REAL ESTATE TRUST INC

Form FWP

March 06, 2012

**ISSUER FREE WRITING PROSPECTUS**

**Dated March 6, 2012**

**Filed Pursuant to Rule 433**

**Registration No. 333-172237**

Anticipated NYSE Listing and Concurrent  
Anticipated NYSE Listing and Concurrent  
Equity Offering Presentation  
Equity Offering Presentation  
March 6, 2012

#### Basis of Presentation

Unless otherwise indicated, all financial information in this presentation is as of December 31, 2011 and all property information in this prospectus is for our consolidated retail operating properties as of December 31, 2011 excluding seasonal leases and non-operating properties, which are properties that have not achieved 90% or greater occupancy since their development and have been operational for less than one year.

Unless otherwise indicated, annualized base rent

or ABR

as of a specified date means monthly base rent as of the specified date, before abatements, under leases which have commenced as of the specified date multiplied by 12. Annualized base rent (i) does not include reimbursements or expenses borne by the tenants in triple net or modified gross leases, such as the expenses for real estate taxes and

insurance and common area and other operating expenses, (ii) does not reflect amounts due per percentage rent lease terms, where applicable,

and (iii) is calculated on a cash basis and differs from how we calculate rent in accordance with generally accepted accounting principles in the United States of America, or GAAP, for purposes of our financial statements.

This presentation contains forward-looking statements within the meaning of the federal securities laws. For important information regarding such forward-looking statements, including how to identify such statements and factors that could cause actual results and future performance to differ materially from those set forth or contemplated in the forward-looking statements, see the attached Appendix. Additionally, in this presentation, we refer to certain non-GAAP financial measures, such as funds from operations. For non-GAAP measures, you can find a definition and a tabular reconciliation to the most directly comparable GAAP number in the attached Appendix.

We have filed a registration statement (including a prospectus) with the Securities and Exchange Commission for the offering of securities that this communication relates. Before you invest, you should read the prospectus in that registration statement and other documents that are filed with the Securities and Exchange Commission for more complete information about us and this offering. You may get the prospectus free by visiting EDGAR on the Securities and Exchange Commission's website at [www.sec.gov](http://www.sec.gov). Alternatively, the Company, any dealer participating in the offering will arrange to send you the prospectus if you request it by calling J.P. Morgan Securities at (800) 920-4504, Citigroup Global Markets Inc. at (800) 831-9146, Deutsche Bank Securities Inc. at (800) 503-4611 or KeyBanc Capital Markets at (800) 859-1783.

To review the preliminary prospectus click the following hyperlink: <http://www.inland-western.com/pdf/S-11.pdf>

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Anticipated NYSE Listing &  
Anticipated NYSE Listing &  
Concurrent Equity Offering  
Concurrent Equity Offering  
[www.inland-western.com](http://www.inland-western.com)

Anticipated NYSE Listing and  
Concurrent Equity Offering

The Company expects to pursue a listing on the NYSE in the coming months

At the same time we expect to pursue a concurrent equity offering, to further improve the Company's balance sheet and position the Company for growth

Why now?

To take advantage of market conditions

To provide the Company with access to the equity markets which should enable management to continue to grow the Company and should ultimately create additional value for all shareholders

To provide full liquidity to existing shareholders over an 18 month period, at their discretion

4

#### Preparation for Listing

In preparation for a potential listing, the Company will effectuate a reverse stock split and a stock dividend to existing shareholders

#### Rationale:

The rationale for the reverse stock split is to reduce the amount of shares outstanding and reset the price per share. On a stand-alone basis, the reverse stock split will have no

impact

on the aggregate value of the Company or any individual shareholder's percentage ownership of the Company's common stock

The rationale for the stock dividend is to provide for the Company's phased-in liquidity program, which has been designed to assist in the creation of an orderly and liquid trading market for our shares post-listing

All of our shares of common stock will be converted into listed shares within 18 months of the initial listing

5

What Will the Reverse Stock Split  
Mean for Shareholders?

Reverse stock split

A reverse stock split is a combination of all of our outstanding  
shares of

common stock into a fewer number of shares

This will affect all shareholders in the same manner -  
on a stand-alone basis,

the

reverse

stock

split

will

have

no

effect

on

the

aggregate  
value  
of  
the

Company, your proportional ownership interest in the Company, your voting rights, your right to receive dividends (if and when declared), the total amount of your dividends (if and when declared), or your rights upon liquidation

Example:

6

100,000 shares Common Stock

482MM shares outstanding

= **.0207%** ownership

10 to one reverse stock split

10,000 Shares Common Stock

48.2 MM shares outstanding

= **.0207%** ownership

= 100,000/10

What Will the Phased-In Liquidity Program  
Mean for Shareholders?

Phased-In Liquidity Program (Class B-1, Class B-2, Class B-3)

Each split adjusted share of common stock will be redesignated as Class A  
common stock

Existing shareholders will receive a stock dividend consisting of three new  
Class B shares for every split-adjusted share

Shareholders will then have four  
total shares for every split adjusted  
share

Example:

7

Class A redesignation  
and stock dividend

10,000 Shares  
Common Stock  
10,000 Shares  
Class A  
Common Stock  
10,000 Shares  
Class B-1  
Common Stock  
10,000 Shares  
Class B-2  
Common Stock  
10,000 Shares  
Class B-3  
Common Stock

What Will Be the Total Impact of the Reverse Split and Phased-in Liquidity Program?

The cumulative impact of the reverse stock split and phased-in liquidity program would be the equivalent of a 2.5 to one reverse stock split

Example:

If you own 100,000 shares today you will own 40,000 shares after the implementation of these programs ( $100,000/2.5=40,000$ )

8

Today

100,000 Shares

Total Ownership

= .0207%

Reverse Split

10,000 Shares

Total Ownership

= .0207%

Phased-In Liquidity

10,000

Shares

Class A

10,000

Shares

Class B-1

10,000

Shares

Class B-2

10,000

Shares

Class B-3

Total Ownership

= **.0207%**

#### Phased-In Liquidity Timing & Process

9

Class A shares are expected to be listed on the NYSE

Class B-1 shares will convert into Class A shares 6 months after the listing of Class A shares

Class B-2 shares will convert into Class A shares 12 months after the listing of Class A shares

Class B-3 shares will convert into Class A shares 18 months after the listing of Class A shares

The net effect of the phased-in liquidity program is that over the 18 month period after initial listing of the Class A shares, your Class B shares will

gradually convert to Class A shares that are expected to be listed on the NYSE and publicly tradable

IWEST as a Publicly Listed Company

10

IWEST expects to remain a company with:

A large, diversified, high quality retail portfolio

A diversified base of value-oriented retail tenants

A demonstrated leasing and property management platform

A capital structure positioned for growth

An experienced management team with a proven track record

IWEST expects to become a company with:

Liquidity for its shareholders

Greater potential for access to multiple sources of capital

An expanded ability to prudently grow the Company and potentially create additional shareholder value over time

Business and Growth Strategies of

IWEST

Maximize net operating income through internal growth

Preserve and strengthen our portfolio through active property management

Recycle capital through dispositions of non-core and non-strategic assets

Acquire high quality, multi-tenant retail properties

Pursue strategic joint ventures to leverage management platform

11

IWEST has Provided Significant Dividends to  
Existing Shareholders Over Time

12

IWEST has paid a dividend since inception in 2003, for a total of **\$3.9579** per  
share

On a stand-alone basis, the reverse stock split and phased-in liquidity  
program will have no effect on your right to receive dividends (if and when  
declared), or the total amount of your dividends (if and when declared)

For the Three Months Ended

(in thousands)

12/31/11

9/30/11

6/30/11

3/31/11

Funds from Operations<sup>1</sup>

\$ 48,504

\$46,147

\$ 48,988

\$ 51,466

Cash Flow From

Operations

\$ 46,220

\$43,376

\$ 53,156

\$ 31,855

Distributions Declared

31,445

30,738

30,031

28,433

Excess

\$ 14,775

\$12,638

\$ 23,125

\$ 3,422

1

Funds from operations is a non-GAAP measure; See Appendix for calculation

### Benefits for Existing Shareholders

13

Overall the anticipated NYSE listing and concurrent equity offering are expected to:

Provide greater liquidity to shareholders

Provide flexibility to manage exit timing

Permit ongoing investment if desired

Provide for orderly entry into the market as a result of the phased-in liquidity program

Result in no impact on shareholder's right to receive dividends or the total amount of dividends, if and when declared

Provide opportunity to purchase additional shares in the open market

Broaden the investor base, which is expected to assist in the creation of an orderly and liquid trading market for our shares post-listing

IWEST Company Overview  
IWEST Company Overview

Large, Diversified Retail Portfolio

High geographic diversity

67% of multi-tenant ABR located in top 50 metropolitan statistical areas ( MSAs )

Strong multi-tenant demographics in top 50 MSAs, with average 3-mile population of 92,274 and average household income of \$83,545

1

Over 89% of multi-tenant assets located in markets

outside of the top 50 MSAs, based on ABR, are anchored  
by Best Buy, Target, Home Depot, Kohl's, Wal-Mart,  
Lowe's, or a national or regional grocer  
Significant presence in top MSAs  
Diversified Retail Portfolio (based on GLA)

15

Consolidated Retail Property Summary<sup>1</sup>

Properties

259

Total Square Footage (000's)

34,649

Occupancy

2

90.4%

ABR of Leases as of 12/31/11

3

\$440,353

ABR per Square Foot

\$14.06

1

Consolidated retail portfolio as of December 31, 2011

2

Includes

leases

signed

but

not

commenced

as

of

December

31,

2011

for

approximately

843,000

square

feet

of

GLA representing \$9.9 million of annualized base rent as of lease commencement.

3

Annualized Base Rent (ABR) excludes \$1.4 million from consolidated development properties. Rental abatements for leases commenced as of 12/31/11, which are excluded, were \$0.1 million for our retail operating portfolio for the 12 months ending 12/31/12. ABR does not reflect scheduled lease expirations for the 12 months ending December 31, 2012. The portion of the ABR for our consolidated operating portfolio attributable to leases scheduled to expire during the 12 months ending December 31, 2012, including month-to-month leases, is approximately \$33.6 million

1

Based

on

information  
derived  
and  
interpreted  
by  
the  
Company  
as  
a  
result  
of  
its  
ownanalysis  
from  
data  
provided  
by  
the  
Nielsen  
Company

Diversified Base of Value-Oriented Retail

Tenants

Top 20 retail tenants represent 36.9% of retail ABR

(1) Represents retail GLA; GLA numbers in 000s square feet

(2) Represents the percentage of our retail annualized base rentas of December 31, 2011

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Rank

Tenant

# of Stores

GLA

(1)

ABR

% of Retail ABR

(2)

1

Best Buy Co., Inc.

27

1,047

\$14,147

3.3%

2

TJX Companies, Inc.

37

1,120

10,498

2.4%

3

Rite Aid Corporation

34

421

10,320

2.4%

4

Stop & Shop

10

479

10,007

2.3%

5

Ross Stores, Inc.

31

925

9,197

2.1%

6

The Home Depot, Inc.

9

1,097

9,137

2.1%

7

Bed Bath & Beyond, Inc.

26

714

9,110

2.1%

8

PetSmart, Inc.

30

643

8,675

2.0%

9

Kohl's Corporation

14

1,143

8,095

1.9%

10

The Sports Authority

16

682

7,793

1.8%

11

SUPERVALU INC.

9

505

7,188

1.7%

12

Pier 1 Imports Inc.

38

388

7,188

1.7%

13

Publix Super Markets, Inc.

16

635

6,724

1.6%

14

Edwards Theatres

2

219

6,558

1.5%

15

Dick's Sporting Goods, Inc.

12

558

6,381

1.5%

16

Michaels

24

551

6,093

1.4%

17

Office Depot, Inc.

22

458  
6,050  
1.4%  
18  
Wal-Mart Stores, Inc.  
5  
861  
5,876  
1.4%  
19  
Gap, Inc.  
25  
374  
5,048  
1.2%  
20  
Rave Cinemas  
2  
162  
4,626  
1.1%  
Total  
389  
12,982  
\$158,711  
36.9%

Demonstrated Leasing and  
Property Management Platform  
Strong leasing volume

17

3.2 Million SF of GLA was returned via big box  
retailer bankruptcies during 2008/2009

Including active negotiations, we've addressed  
82.5% of vacated space, totaling 2.7 million SF  
2.3 million SF leased, primarily to existing  
tenants such as Kohl's, TJX Companies, Best  
Buy, hhGregg and Big Lots

0.3 million SF sold or in negotiations

Strong momentum expected to continue into 2012

Annualized base rent impact from leases signed  
but not commenced totals \$9.9 million

Proactive management of tenant relationships has  
resulted in tenant retention rates of approximately  
78%, based on expiring GLA, since the beginning of  
2009

### Capital Structure Positioned for Growth

18

At the end of 2008, management took aggressive action to preserve cash as a result of the ongoing global financial crisis, including reducing the dividend and suspending the Company's stock repurchase program

The combination of these two

efforts  
has  
resulted  
in  
significant  
additional  
retained  
cash  
flow,  
which

the Company has utilized to fund capital expenditures and to reduce leverage

Further progress on the deleveraging front is expected to come from the continued lease-up of the portfolio, the execution of the non-core disposition program, and proceeds from the anticipated concurrent equity offering

Manageable Near Term Debt Maturities

Note: Debt balances as of December 31, 2011; Percentages based on portion of total debt outstanding; Credit facility extended as of February 24, 2012 ; All dollar values rounded to thousands

Experienced Management Team with a Proven  
Track Record

19

Our senior management team has an average of over 22 years of real estate industry experience, through several real estate, credit and retail cycles

Executive Officers

Name

Title

Steven P. Grimes

President and Chief Executive Officer

Shane C. Garrison

Executive Vice President, Chief Operating Officer and Chief Investment Officer

Angela M. Aman

Executive Vice President, Chief Financial Officer and Treasurer

Niall J. Byrne

Executive Vice President, President of Property Management

Dennis K. Holland

Executive Vice President, General Counsel and Secretary

James W. Kleifges

Executive Vice President and Chief Accounting Officer

Appendix  
Appendix

Forward Looking Statements

21

This

presentation

contains

forward-looking

statements

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the

meaning

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changes  
in  
our  
industry  
and changes in the real estate markets in particular;  
adverse economic and other developments in the Dallas-Fort Worth-Arlington area,  
where we have a high concentration of properties;  
general volatility of the capital and credit markets and the demand for and market  
price of our common stock;  
ability to broaden our investor base;  
changes in our business strategy;  
defaults on, early terminations of or non-renewal of leases by tenants;  
bankruptcy or insolvency of a major tenant or a significant number of smaller  
tenants;  
increased interest rates and operating costs;  
declining real estate valuations and impairment charges;  
availability, terms and deployment of capital;  
our failure to obtain necessary outside financing;  
our expected leverage;  
decreased rental rates or increased vacancy rates;  
our failure to generate sufficient cash flows to service our outstanding  
indebtedness;  
difficulties  
in  
identifying  
properties  
to  
acquire  
and  
completing  
acquisitions;  
risks of real estate acquisitions, dispositions and redevelopment, including the cost  
of construction delays and cost overruns;  
our failure to successfully operate acquired properties and operations;  
our failure to successfully dispose of our non-core and non-strategic assets;  
our projected operating results;  
our ability to manage our growth effectively;  
our failure to successfully redevelop properties;  
estimates relating to our ability to make distributions to our shareholders in the  
future;  
impact  
of  
changes  
in  
governmental  
regulations,  
tax  
law  
and  
rates

and  
similar  
matters;  
our failure to qualify as a REIT;  
future terrorist attacks in the U.S.;  
environmental uncertainties and risks related to natural disasters;  
lack or insufficient amounts of insurance;  
financial market fluctuations;  
availability of and our ability to attract and retain qualified personnel;  
retention of our senior management team;  
our understanding of our competition;  
changes in real estate and zoning laws and increases in real property tax rates; and  
our ability to comply with the laws, rules and regulations applicable to companies  
and, in particular, public companies.

You should not place undue reliance on any forward-looking statements, which are based only on information currently available to us (and other parties making the forward-looking statements). We undertake no obligation to publicly release any revisions to such forward-looking statements that reflect events or circumstances after the date of this presentation, except as required by applicable law.

Non-GAAP Reconciliations

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Funds From Operations

For the Three Months Ended

(in thousands)

12/31/11

9/30/11

6/30/11

3/31/11

Net loss attributable to Company shareholders

\$(13,837)

\$ (5,023)

\$(13,724)

\$(40,025)

Add: Depreciation and amortization

61,797

63,549

64,389

65,447

Add: Provision for impairment of investment properties

8,288

1,379

1,523

32,747

Less: Gain on sales of investment properties

(7,566)

(13,626)

(3,104)

(6,119)

Less: Noncontrolling interests' share of depreciation related to consolidated joint ventures

(178)

(132)

(96)

(584)

Funds from operations

\$ 48,504

\$46,147

\$ 48,988

\$ 51,466

Due to certain unique operating characteristics of real estate companies, the National Association of Real Estate Investment Trusts has established a standard known as funds from operations, or FFO. FFO means net (loss) income computed in accordance with GAAP, excluding depreciation and amortization and impairment charges on investment properties, including adjustments for unconsolidated joint ventures. The following table shows the reconciliation of FFO to net loss attributable to Company shareholders for the periods presented: