KENNEDY WILSON

Contact: Daven Bhavsar, CFA
Vice President of Investor Relations
(310) 887-6400
dbhavsar@kennedywilson.com
www.kennedywilson.com

151 S. El Camino Drive
Beverly Hills, CA 90212

NEWS RELEASE

KENNEDY WILSON REPORTS 4Q AND FULL YEAR 2019 RESULTS

Company Posts Record Quarterly and Annual GAAP EPS, Adjusted EBITDA, and Adjusted Net Income

BEVERLY HILLS, Calif. (February 26, 2020) - Kennedy-Wilson Holdings, Inc. (**NYSE: KW**) today reported the following results for the fourth quarter and full year of 2019:

(Amounts in millions, except per share data)	4Q 2019	4Q 2018	Full Year 2019	Full Year 2018
GAAP Results				
GAAP Net Income to Common Shareholders	**$ 157.9**	$ 30.7	**$ 224.1**	$ 150.0
Per Diluted Share	**1.12**	0.21	**1.58**	1.04
Non-GAAP Results				
Adjusted EBITDA	**$ 278.1**	$ 177.7	**$ 728.1**	$ 712.7
Adjusted Net Income	**209.7**	88.8	**442.5**	397.0

"The fourth quarter capped off an exceptional year for Kennedy Wilson that produced a year of record results," said William McMorrow, Chairman and CEO of Kennedy Wilson. "Throughout 2019 we made significant progress raising third-party capital which, combined with our own balance sheet, positions Kennedy Wilson with the highest level of purchasing power in our history and enables us to continue growing our property NOI and investment management fee revenue."

4Q & Full Year Highlights

- **Strong Same Property Performance with NOI up 4.9% in 4Q-19 and 4.1% for FY-19:**

	4Q - 2019 vs 4Q - 2018			FY - 2019 vs FY - 2018		
	Occupancy	Revenue	NOI	Occupancy	Revenue	NOI
Multifamily - Market Rate	0.3%	5.2%	6.3%	0.7%	5.2%	6.7%
Multifamily - Affordable	(0.1)%	4.4%	4.8%	(0.1)%	4.4%	5.2%
Commercial	(0.1)%	4.6%	4.4%	0.1%	3.6%	3.7%
Hotel	NA	(0.1)%	(1.0)%	NA	(4.4)%	(11.7)%
Weighted Average		**4.3%**	**4.9%**		**3.5%**	**4.1%**

- **$300 Million Preferred Equity Investment:** The Company received a $300 million strategic investment from Eldridge Industries ("Eldridge"). Under the terms of the investment, Eldridge purchased $300 million in convertible perpetual preferred stock carrying a 5.75% annual dividend rate, with an initial conversion price in Kennedy Wilson common stock of $25.00 per share. The preferred stock is callable by Kennedy Wilson on and after October 15, 2024.
- **39% Fee-Bearing Capital Growth:** Fee-bearing capital grew by 39% to $3.0 billion in 2019, including a net increase of $0.5 billion in 4Q-19. During the year, the Company raised $1.2 billion in new fee-bearing capital offset by a decrease of $0.3 billion due to asset dispositions.
    - **Fund VI Raises Record $775 Million in Equity Allowing for up to $2.2 Billion in Asset Purchases:** Completed the fund raise for Fund VI, a value-add fund focused on properties in the Western U.S, which had an initial target of $750 million. The fund is 55% larger than its predecessor fund, which closed in 2016. Kennedy Wilson is an 11% investor in Fund VI. As of 4Q-19, Fund VI has completed $1.1 billion in asset purchases.
    - **Security Benefit Platform Targeting $1.5 Billion in Asset Purchases**: Along with Eldridge's equity investment, the previously announced joint venture platform between Eldridge affiliate Security Benefit and Kennedy Wilson increased its investment target from $500 million to $1.5 billion. As of December 31, 2019, the platform has acquired $386 million in assets with a strong pipeline of future opportunities. Kennedy Wilson expects to continue investing alongside Security Benefit and its affiliates with a 20% interest in the investments of the joint venture and is entitled to earn customary fees, including promote fees, in its role as asset manager.
- **In-Place Estimated Annual NOI grows to $421 Million; Targeting an Additional $105 Million From Development and Leasing by 2023:**
    - Estimated Annual NOI from the stabilized portfolio increased by 3% to $421 million from $407 million on December 31, 2018.
    - Added $7 million to Estimated Annual NOI in 4Q-19 by stabilizing a 216-unit multifamily property in the Pacific Northwest and a 98,000 square foot office building in the UK.
    - Targeting an additional $34 million of Estimated Annual NOI to be in place by YE-2021, and a further $71 million by YE-2023 from development and leasing.
- **Increase in Gains from Sale of Real Estate:** The Company's share of total gains from the sale of real estate (including its share of sales from unconsolidated investments) in 4Q-19 was $182 million, an increase of $94 million from 4Q-18. For the year, the Company had $371 million in gains from the sale of real estate, an increase of $45 million from 2018.

Investment Activity

- **$3.3 Billion in 2019 Investment Transactions:** Completed acquisitions totaling $1.9 billion ($625 million at KW share) and dispositions totaling $1.4 billion ($740 million at KW share).
- **Cash Generated from Asset Sales:** Generated $322 million of cash from asset sales in 4Q-19 and $536 million in FY-2019.
- **Capital Recycling:** In 4Q-19, the Company invested $226 million of cash with 79% allocated to new investments, 19% into capex, and 2% into its share repurchase program. For the year, the Company invested $503 million of cash with 58% into new investments, 38% into capex, and 4% into its share repurchase program.

- **4Q-19 Acquisitions:** The Company, together with its equity partners, completed $946 million ($423 million at KW share) of acquisitions in 4Q-19, including the following key transactions:
    - **1,457-unit Western U.S. multifamily portfolio:** Acquired a five property Western U.S. market-rate multifamily portfolio off-market for $342 million. The assets are located in Washington, Oregon, Colorado, Nevada and New Mexico. Kennedy Wilson has an average ownership of 38% in the portfolio[1], which has an initial cap rate of 5%.
    - **UK Office Campus:** Acquired The Heights, a 350,000-square-foot institutional quality office campus with five buildings across 25 acres in the Greater London sub-market of Weybridge, off-market for $190 million (including closing costs), reflecting an initial cap rate of 6.8%. Kennedy Wilson's ownership interest in The Heights is 51%.

      Northern California Office Campus: Acquired Hamilton Landing, an institutional quality, wholly-owned office campus totaling 406,000 square feet with seven buildings across 20 acres in Marin County, California for $115 million with an initial cap rate of 6.8%.
- **4Q-19 Dispositions generated gains on sale of $182 million:** The Company, together with its equity partners, completed $511 million of dispositions in 4Q-19 ($404 million at KW Share), including the following key transactions:
    - **European Hotel Sales:** Sold two wholly-owned hotels, the Fairmont St. Andrews in the UK and the Portmarnock Hotel in Dublin, Ireland, for $119 million.
    - **UK Office Sale:** Sold Leavesden Park, a wholly-owned 198,000 square foot business park in the UK, for $113 million.
    - **Spanish and UK Retail Sales:** Sold ten wholly-owned Spanish and four wholly-owned UK retail properties for $95 million.
    - **Dublin Multifamily Sale to Irish multifamily JV:** Agreed to sell a 50% interest in two wholly-owned multifamily assets in Dublin, Ireland to our Irish multifamily joint-venture. The first phase of the sale, representing a 20% interest, closed in 4Q-19 while the remaining 30% closed in January 2020.
    - **U.S. Fund Investments:** The Company's US commingled funds sold $119 million of real estate investments, in which the Company's share was 12%.

<u>Balance Sheet</u>

- **$1.1 billion in Cash and Lines of Credit:** As of 4Q-19, Kennedy Wilson had cash and cash equivalents of $574 million[(2)] and $500 million of availability on its revolving credit facility, which was fully undrawn as of 4Q-19.

- **$150 million Term Loan and Line of Credit Payoff:** The Company fully repaid the remaining balance on its term loan and revolving credit facility in 4Q-19. The term loan was originated in October 2017 in conjunction with the acquisition of KWE and had an initial balance of $200 million.

- **Share Repurchase Program[(3)]:** In 2019, the Company repurchased and retired 1.0 million shares for $21 million at a weighted-average price of $20.99 per share. As of December 31, 2019, the Company had $64 million remaining available under its $250 million share repurchase plan. In 2019, the Company returned $142 million to shareholders in the form of dividends and share repurchases, equating to approximately $1.00 per share. Subsequent to year end, the Company repurchased and retired 0.7 million shares for $16 million at a weighted-average price of $22.10 per share.

- **5% Dividend Increase:** As previously reported, the Company announced a 5% increase in the common dividend per share to $0.22 per quarter, or $0.88 on an annualized basis. This is the ninth consecutive annual dividend increase since 2012, over which time the annual dividend has increased from $0.16 to its current level of $0.88.
- **Dividend Tax Treatment:** For U.S. federal income tax purposes, Kennedy Wilson's 2019 dividend was classified 89% as return of capital and 11% as dividend income.

Subsequent Events

Subsequent to year-end, the Company sold one wholly-owned 294-unit multifamily property and five wholly-owned commercial properties totaling 0.3 million square feet in the UK and completed the partial sale of two multifamily properties totaling 468 units in Dublin for approximately $239 million. Additionally, the Company along with its equity partners acquired a loan investment in the Western U.S. and a fund investment in the UK at an aggregate sales price of $107 million.

The Company along with its equity partners are under contract to purchase one fund investment in the Western U.S. for $110 million. We anticipate financing the acquisition with a combination of debt financing, balance sheet cash and partner equity. The amount of our equity investment in the acquisition has not yet been determined, but we currently expect our equity investment in the acquisition to be $5 million. There can be no assurance that we will complete the potential acquisition under contract.

In addition, we and our equity partners are under separate contracts to dispose of one residential project and one minority-owned 437-unit multifamily property in the Western U.S., one loan investment in Ireland and eight wholly-owned retail properties in the UK at an aggregate sales price of approximately $382 million. We currently expect to receive a total of approximately $82 million in proceeds from these transactions. There can be no assurance that we will complete the potential dispositions under contract.

Footnotes

[1] 1,457 Western U.S. multifamily portfolio was acquired as follows:

- One wholly-owned 360-unit multifamily property located in Las Vegas, NV.
- Three multifamily properties totaling 703 units in Eugene, OR, Albuquerque, NM, and Tacoma, WA, acquired with an equity partner and in which Kennedy Wilson has a 20% ownership interest in.
- One 394-unit multifamily property located in Aurora, CO acquired through Fund VI, which Kennedy Wilson has a 11% ownership interest in.

[2] Includes $55 million of restricted cash, which is included in cash and cash equivalents.

[3] Future purchases under the program may be made in the open market, in privately negotiated transactions, through the net settlement of the Company's restricted stock grants or otherwise, with the amount and timing of the repurchases dependent on market conditions and subject to the Company's discretion.

Conference Call and Webcast Details

Kennedy Wilson will hold a live conference call and webcast to discuss results at 7:00 a.m. PT/ 10:00 a.m. ET on Thursday, February 27. The direct dial-in number for the conference call is (800) 353-6461 for U.S. callers and (334) 323-0501 for international callers.

A replay of the call will be available for one week beginning one hour after the live call and can be accessed by (888) 203-1112 for U.S. callers and (719) 457-0820 for international callers. The passcode for the replay is 1287598.

The webcast will be available at: https://services.choruscall.com/links/kw2002270vi6Bjen.html. A replay of the webcast will be available one hour after the original webcast on the Company’s investor relations web site for three months.

About Kennedy Wilson

Kennedy Wilson (NYSE:KW) is a leading global real estate investment company. We own, operate, and invest in real estate both on our own and through our investment management platform. We focus on multifamily and office properties located in the Western U.S., UK, and Ireland. For further information on Kennedy Wilson, please visit www.kennedywilson.com.

Kennedy-Wilson Holdings, Inc.
Consolidated Balance Sheets
(Unaudited)

(Dollars in millions)

	December 31,	
	2019	2018
Assets		
Cash and cash equivalents	$ 573.9	$ 488.0
Accounts receivable	52.1	56.6
Real estate and acquired in place lease values, net of accumulated depreciation and amortization	5,080.2	5,702.5
Unconsolidated investments (including $1,107.4 and $662.2 at fair value)	1,334.6	859.9
Other assets	263.7	274.8
Total assets	$ 7,304.5	$ 7,381.8
Liabilities		
Accounts payable	$ 20.4	$ 24.1
Accrued expenses and other liabilities	518.0	513.7
Mortgage debt	2,641.0	2,950.3
KW unsecured debt	1,131.7	1,202.0
KWE unsecured bonds	1,274.2	1,260.5
Total liabilities	5,585.3	5,950.6
Equity		
Cumulative perpetual preferred stock	—	—
Common stock	—	—
Additional paid-in capital	2,049.7	1,744.6
Retained earnings (accumulated deficit)	46.2	(56.4)
Accumulated other comprehensive loss	(417.2)	(441.5)
Total Kennedy-Wilson Holdings, Inc. shareholders' equity	1,678.7	1,246.7
Noncontrolling interests	40.5	184.5
Total equity	1,719.2	1,431.2
Total liabilities and equity	$ 7,304.5	$ 7,381.8

Kennedy-Wilson Holdings, Inc.
Consolidated Statements of Income
(Unaudited)

(Dollars in millions, except per share data)

	For the Three Months Ended December 31,		For the Year Ended December 31,	
	2019	**2018**	**2019**	**2018**
Revenue				
Rental	$ 111.3	$ 122.0	$ 447.4	$ 514.6
Hotel	17.6	38.1	80.5	155.7
Sale of real estate	—	8.1	1.1	56.8
Investment management, property services, and research fees	13.4	10.5	40.7	45.3
Total revenue	142.3	178.7	569.7	772.4
Expenses				
Rental	39.6	41.3	152.9	160.8
Hotel	12.5	30.7	60.1	121.5
Cost of real estate sold	—	6.9	1.2	52.5
Commission and marketing	0.9	1.3	3.8	5.9
Compensation and related (includes $6.3, $9.2, $30.2, and $37.1 of share-based compensation)	43.9	46.0	151.8	168.8
General and administrative	12.2	14.2	42.4	50.8
Depreciation and amortization	45.9	47.4	187.6	206.1
Total expenses	155.0	187.8	599.8	766.4
Income from unconsolidated investments, net of depreciation and amortization	48.1	17.8	179.7	78.7
Gain on sale of real estate, net	182.0	67.6	434.4	371.8
Gain on sale of business	—	40.4	—	40.4
Acquisition-related expenses	(0.9)	(1.1)	(6.8)	(1.7)
Interest expense	(52.3)	(56.9)	(215.1)	(238.2)
Other income (loss)	1.0	(1.5)	0.4	13.1
Income before provision for income taxes	165.2	57.2	362.5	270.1
Provision for income taxes	(6.3)	(24.3)	(41.4)	(58.0)
Net income	158.9	32.9	321.1	212.1
Net income attributable to the noncontrolling interests	1.6	(2.2)	(94.4)	(62.1)
Preferred dividends and accretion of preferred stock issuance costs	(2.6)	—	(2.6)	—
Net income attributable to Kennedy-Wilson Holdings, Inc. common shareholders	$ 157.9	$ 30.7	$ 224.1	$ 150.0
Basic earnings per share[(1)]				
Income per basic	$ 1.13	$ 0.21	$ 1.60	$ 1.04
Weighted average shares outstanding for basic	139,911,485	141,253,645	139,729,573	142,895,472
Diluted earnings per share[(1)]				
Income per diluted	$ 1.12	$ 0.21	$ 1.58	$ 1.04
Weighted average shares outstanding for diluted	141,152,846	143,098,291	141,501,323	144,753,421
Dividends declared per common share	$ 0.22	$ 0.21	$ 0.85	$ 0.78

(1) Includes impact of the Company allocating income and dividends per basic and diluted share to participating securities.

Kennedy-Wilson Holdings, Inc.
Adjusted EBITDA
(Unaudited)
(Dollars in millions)

The table below reconciles Adjusted EBITDA to net income attributable to Kennedy-Wilson Holdings, Inc. common shareholders, using Kennedy Wilson's Pro-Rata share amounts for each adjustment item.

	Three Months Ended December 31,		Year Ended December 31,	
	2019	**2018**	**2019**	**2018**
Net income attributable to Kennedy-Wilson Holdings, Inc. common shareholders	$ 157.9	$ 30.7	$ 224.1	$ 150.0
Non-GAAP adjustments:				
Add back (Kennedy Wilson's Share)[(1)]:				
Interest expense	59.5	63.3	241.6	256.4
Depreciation and amortization	45.5	48.9	188.2	209.9
Provision for income taxes	6.3	25.6	41.4	59.3
Preferred dividends	2.6	—	2.6	—
Share-based compensation	6.3	9.2	30.2	37.1
Adjusted EBITDA	**$ 278.1**	**$ 177.7**	**$ 728.1**	**$ 712.7**

(1) See Appendix for reconciliation of Kennedy Wilson's Share amounts.

The table below provides a detailed reconciliation of Adjusted EBITDA to net income.

	Three Months Ended December 31,		Year Ended December 31,	
	2019	**2018**	**2019**	**2018**
Net income	$ 158.9	$ 32.9	$ 321.1	$ 212.1
Non-GAAP adjustments:				
Add back:				
Interest expense	52.3	56.9	215.1	238.2
Kennedy Wilson's share of interest expense included in unconsolidated investments	8.5	7.7	32.1	26.0
Depreciation and amortization	45.9	47.4	187.6	206.1
Kennedy Wilson's share of depreciation and amortization included in unconsolidated investments	1.8	3.2	8.2	13.2
Provision for income taxes	6.3	24.3	41.4	58.0
Share-based compensation	6.3	9.2	30.2	37.1
EBITDA attributable to noncontrolling interests[(1)]	(1.9)	(3.9)	(107.6)	(78.0)
Adjusted EBITDA	**$ 278.1**	**$ 177.7**	**$ 728.1**	**$ 712.7**

(1) EBITDA attributable to noncontrolling interests includes $2.2 million and $1.7 million of depreciation and amortization, $1.3 million and $1.3 million of interest, and $0.0 million and $1.3 million of taxes, for the three months ended December 31, 2019 and 2018, respectively. EBITDA attributable to noncontrolling interests includes $7.6 million and $9.4 million of depreciation and amortization, $5.6 million and $7.8 million of interest, and $0.0 million and $1.3 million of taxes, for the year ended December 31, 2019 and 2018, respectively.

Kennedy-Wilson Holdings, Inc.
Adjusted Net Income
(Unaudited)
(Dollars in millions, except share data)

The table below reconciles Adjusted Net Income to net income attributable to Kennedy-Wilson Holdings, Inc. common shareholders, using Kennedy Wilson's Pro-Rata share amounts for each adjustment item.

	Three Months Ended December 31,		Year Ended December 31,	
	2019	**2018**	**2019**	**2018**
Net income attributable to Kennedy-Wilson Holdings, Inc. common shareholders	$ 157.9	$ 30.7	$ 224.1	$ 150.0
Non-GAAP adjustments:				
Add back (Kennedy Wilson's Share)[1]:				
Depreciation and amortization	45.5	48.9	188.2	209.9
Share-based compensation	6.3	9.2	30.2	37.1
Adjusted Net Income	**$ 209.7**	**$ 88.8**	**$ 442.5**	**$ 397.0**
Weighted average shares outstanding for diluted	**141,152,846**	**143,098,291**	**141,501,323**	**144,753,421**

[1] See Appendix for reconciliation of Kennedy Wilson's Share amounts.

The table below provides a detailed reconciliation of Adjusted Net Income to net income.

	Three Months Ended December 31,		Year Ended December 31,	
	2019	**2018**	**2019**	**2018**
Net income	$ 158.9	$ 32.9	$ 321.1	$ 212.1
Non-GAAP adjustments:				
Add back:				
Depreciation and amortization	45.9	47.4	187.6	206.1
Kennedy Wilson's share of depreciation and amortization included in unconsolidated investments	1.8	3.2	8.2	13.2
Share-based compensation	6.3	9.2	30.2	37.1
Preferred dividends and accretion of preferred stock issuance costs	(2.6)	—	(2.6)	—
Net income attributable to the noncontrolling interests, before depreciation and amortization[1]	(0.6)	(3.9)	(102.0)	(71.5)
Adjusted Net Income	**$ 209.7**	**$ 88.8**	**$ 442.5**	**$ 397.0**
Weighted average shares outstanding for diluted	**141,152,846**	**143,098,291**	**141,501,323**	**144,753,421**

[1] Includes $2.2 million and $1.7 million of depreciation and amortization for the three months ended December 31, 2019 and 2018, respectively, and $7.6 million and $9.4 million for the year ended December 31, 2019 and 2018, respectively.

Forward-Looking Statements

Statements made by us in this report and in other reports and statements released by us that are not historical facts constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements are necessarily estimates reflecting the judgment of our senior management based on our current estimates, expectations, forecasts and projections and include comments that express our current opinions about trends and factors that may impact future operating results. Disclosures that use words such as "believe," "anticipate," "estimate," "intend," "may," "could," "plan," "expect," "project" or the negative of these, as well as similar expressions, are intended to identify forward-looking statements. These statements are not guarantees of future performance, rely on a number of assumptions concerning future events, many of which are outside of our control, and involve known and unknown risks and uncertainties that could cause our actual results, performance or achievement, or industry results, to differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. These risks and uncertainties may include the factors and the risks and uncertainties described elsewhere in this report and other filings with the Securities and Exchange Commission (the "SEC"), including the Item 1A. "Risk Factors" section of our Annual Report on Form 10-K for the year ended December 31, 2018, as amended by our subsequent filings with the SEC. Any such forward-looking statements, whether made in this report or elsewhere, should be considered in the context of the various disclosures made by us about our businesses including, without limitation, the risk factors discussed in our filings with the SEC. Except as required under the federal securities laws and the rules and regulations of the SEC, we do not have any intention or obligation to update publicly any forward-looking statements, whether as a result of new information, future events, changes in assumptions, or otherwise.

Common Definitions

- “KWH,” "KW," “Kennedy Wilson,” the "Company," "we," "our," or "us" refers to Kennedy-Wilson Holdings, Inc. and its wholly-owned subsidiaries.
- “Adjusted EBITDA” represents net income before interest expense, our share of interest expense included in income from investments in unconsolidated investments, depreciation and amortization, our share of depreciation and amortization included in income from unconsolidated investments, loss on early extinguishment of corporate debt and income taxes, share-based compensation expense for the Company and EBITDA attributable to noncontrolling interests.

  Please also see the reconciliation to GAAP in the Company’s supplemental financial information included in this release and also available at www.kennedywilson.com. Our management uses Adjusted EBITDA to analyze our business because it adjusts net income for items we believe do not accurately reflect the nature of our business going forward or that relate to non-cash compensation expense or noncontrolling interests. Such items may vary for different companies for reasons unrelated to overall operating performance. Additionally, we believe Adjusted EBITDA is useful to investors to assist them in getting a more accurate picture of our results from operations. However, Adjusted EBITDA is not a recognized measurement under GAAP and when analyzing our operating performance, readers should use Adjusted EBITDA in addition to, and not as an alternative for, net income as determined in accordance with GAAP. Because not all companies use identical calculations, our presentation of Adjusted EBITDA may not be comparable to similarly titled measures of other companies. Furthermore, Adjusted EBITDA is not intended to be a measure of free cash flow for our management’s discretionary use, as it does not remove all non-cash items (such as acquisition-related gains) or consider certain cash requirements such as tax and debt service payments. The amount shown for Adjusted EBITDA also differs from the amount calculated under similarly titled definitions in our debt instruments, which are further adjusted to reflect certain other cash and non-cash charges and are used to determine compliance with financial covenants and our ability to engage in certain activities, such as incurring additional debt and making certain restricted payments.
- “Adjusted Fees” refers to Kennedy Wilson’s gross investment management, property services and research fees adjusted to include Kennedy Wilson's share of fees eliminated in consolidation, Kennedy Wilson’s share of fees

in unconsolidated service businesses and performance fees included in unconsolidated investments. Effective January 1, 2018, we adopted new GAAP guidance on revenue recognition and implemented a change in accounting principle related to performance allocations, which resulted in us now accounting for performance allocations (commonly referred to as "performance fees" or "carried interest") as a component of income from unconsolidated investments. Our management uses Adjusted fees to analyze our investment management and real estate services business because the measure removes required eliminations under GAAP for properties in which the Company provides services but also has an ownership interest. These eliminations understate the economic value of the investment management, property services and research fees and makes the Company comparable to other real estate companies that provide investment management and real estate services but do not have an ownership interest in the properties they manage. Our management believes that adjusting GAAP fees to reflect these amounts eliminated in consolidation presents a more holistic measure of the scope of our investment management and real estate services business.

· "Adjusted Net Income" represents net income before depreciation and amortization, our share of depreciation and amortization included in income from unconsolidated investments, share-based compensation and net income attributable to noncontrolling interests, before depreciation and amortization. Please also see the reconciliation to GAAP in the Company's supplemental financial information included in this release and also available at www.kennedywilson.com.

· "Cap rate" represents the net operating income of an investment for the year preceding its acquisition or disposition, as applicable, divided by the purchase or sale price, as applicable. Cap rates set forth in this presentation only includes data from income-producing properties. We calculate cap rates based on information that is supplied to us during the acquisition diligence process. This information is not audited or reviewed by independent accountants and may be presented in a manner that is different from similar information included in our financial statements prepared in accordance with GAAP. In addition, cap rates represent historical performance and are not a guarantee of future NOI. Properties for which a cap rate is provided may not continue to perform at that cap rate.

· "Consolidated investment account" refers to the sum of Kennedy Wilson's equity in: cash held by consolidated investments, consolidated real estate and acquired in-place leases gross of accumulated depreciation and amortization, net hedge asset or liability, unconsolidated investments, consolidated loans, and net other assets.

· "Equity partners" refers to non-wholly-owned subsidiaries that we consolidate in our financial statements under U.S. GAAP and third-party equity providers.

· "Estimated Annual NOI" is a property-level non-GAAP measure representing the estimated annual net operating income from each property as of the date shown, inclusive of rent abatements (if applicable). The calculation excludes depreciation and amortization expense, and does not capture the changes in the value of our properties that result from use or market conditions, nor the level of capital expenditures, tenant improvements, and leasing commissions necessary to maintain the operating performance of our properties. Any of the enumerated items above could have a material effect on the performance of our properties. Also, where specifically noted, for properties purchased in 2019, the NOI represents estimated Year 1 NOI from our original underwriting. Estimated year 1 NOI for properties purchased in 2019 may not be indicative of the actual results for those properties. Estimated annual NOI is not an indicator of the actual annual net operating income that the Company will or expects to realize in any period. Please also see the definition of "Net operating income" below. The Company does not provide a reconciliation for estimated annual NOI to its most directly comparable forward-looking GAAP financial measure, because it is unable to provide a meaningful or accurate estimation of each of the component reconciling items, and the information is not available without unreasonable effort. This is due to the inherent difficulty of forecasting the timing and/or amount of various items that would impact estimated annual NOI, including, for example, gains on sales of depreciable real estate and other items that have not yet occurred and are out of the Company's control. For the same reasons, the Company is unable to meaningfully address the probable significance of the unavailable information and believes that providing a reconciliation for estimated annual NOI would imply a degree of precision as to its forward-looking net operating income that would be confusing or misleading to investors.

· "Estimated Forward Yield on Cost" represents the Company's estimate of future net operating income, assuming it has completed its planned value-add asset management initiatives, divided by the sum of the purchase price and additional capital expenditure costs that are expected to be incurred in accordance with the Company’s original underwriting at the time of acquisition. This information is not audited or reviewed by independent accountants and may be presented in a manner that is different from similar information included in our financial statements prepared in accordance with GAAP. Estimated Forward Return on Cost is based on management’s current expectations and are based on assumptions that may prove to be inaccurate and involve known and unknown risks. For example, Estimated Forward Return on Cost is based in part on data made available to us during the course of our due diligence process in connection with asset acquisitions and assumes the timely and on-budget completion of our value-add initiatives, the timely leasing of all additional capacity and the absence of customer defaults or early lease terminations. Accordingly, the actual return on cost of an investment made by the Company may differ materially and adversely from the Estimated Forward Return on Cost figures set forth in this release, and we caution you not to place undue reliance on such figures. This information is not provided for development assets with no current income-producing component.

- "Fee-Bearing Capital" represents total third-party committed or invested capital that we manage in our joint-ventures and commingled funds that entitle us to earn fees, including without limitation, asset management fees, construction management fees, acquisition and disposition fees and/or promoted interest, if applicable.

- "Gross Asset Value” refers to the gross carrying value of assets, before debt, depreciation and amortization, and net of noncontrolling interests.

- "Internal Rate of Return" (“IRR”) is based on cumulative contributions and distributions to Kennedy Wilson on each investment that has been sold and is the leveraged internal rate of return on equity invested in the investment. The IRR measures the return to Kennedy Wilson on each investment, expressed as a compound rate of interest over the entire investment period. This return does take into account carried interest, if applicable, but excludes management fees, organizational fees, or other similar expenses.

- "Investment account” refers to the consolidated investment account presented after noncontrolling interest on invested assets gross of accumulated depreciation and amortization.

- "Investment Management and Real Estate Services Assets under Management" ("IMRES AUM") generally refers to the properties and other assets with respect to which we provide (or participate in) oversight, investment management services and other advice, and which generally consist of real estate properties or loans, and investments in joint ventures. Our IMRES AUM is principally intended to reflect the extent of our presence in the real estate market, not the basis for determining our management fees. Our IMRES AUM consists of the total estimated fair value of the real estate properties and other real estate related assets either owned by third parties, wholly-owned by us or held by joint ventures and other entities in which our sponsored funds or investment vehicles and client accounts have invested. Committed (but unfunded) capital from investors in our sponsored funds is not included in our IMRES AUM. The estimated value of development properties is included at estimated completion cost.

- "Net operating income" or " NOI” is a non-GAAP measure representing the income produced by a property calculated by deducting certain property expenses from property revenues. Our management uses net operating income to assess and compare the performance of our properties and to estimate their fair value. Net operating income does not include the effects of depreciation or amortization or gains or losses from the sale of properties because the effects of those items do not necessarily represent the actual change in the value of our properties resulting from our value-add initiatives or changing market conditions. Our management believes that net operating income reflects the core revenues and costs of operating our properties and is better suited to evaluate trends in occupancy and lease rates. Please also see the reconciliation to GAAP in the Company’s supplemental financial information included in this release and also available at www.kennedywilson.com.

- "Noncontrolling interests" represents the portion of equity ownership in a consolidated subsidiary not attributable to Kennedy Wilson.

- "Pro-Rata" represents Kennedy Wilson's share calculated by using our proportionate economic ownership of each asset in our portfolio. Please also refer to the pro-rata financial data in our supplemental financial information.

- "Property NOI" or "Property-level NOI" is a non-GAAP measure calculated by deducting the Company's Pro-Rata share of rental and hotel property expenses from the Company's Pro-Rata rental and hotel revenues. Please also see the reconciliation to GAAP in the Company's supplemental financial information included in this release and also available at www.kennedywilson.com.

- "Return on Equity" is a ratio calculated by dividing the net cash distributions of an investment to Kennedy Wilson, after the cost of leverage, if applicable, by the total cash contributions by Kennedy Wilson over the lifetime of the investment.
- "Same property" refers to properties in which Kennedy Wilson has an ownership interest during the entire span of both periods being compared. The same property information presented throughout this report is shown on a cash basis and excludes non-recurring expenses. This analysis excludes properties that are either under development or undergoing lease up as part of our asset management strategy.

Note about Non-GAAP and certain other financial information included in this presentation

In addition to the results reported in accordance with U.S. generally accepted accounting principles ("GAAP") included within this presentation, Kennedy Wilson has provided certain information, which includes non-GAAP financial measures (including Adjusted EBITDA, Adjusted Net Income, Net Operating Income, and Adjusted Fees, as defined above). Such information is reconciled to its closest GAAP measure in accordance with the rules of the SEC, and such reconciliations are included within this presentation. These measures may contain cash and non-cash acquisition-related gains and expenses and gains and losses from the sale of real-estate related investments. Consolidated non-GAAP measures discussed throughout this report contain income or losses attributable to non-controlling interests. Management believes that these non-GAAP financial measures are useful to both management and Kennedy Wilson's shareholders in their analysis of the business and operating performance of the Company. Management also uses this information for operational planning and decision-making purposes. Non-GAAP financial measures are not and should not be considered a substitute for any GAAP measures. Additionally, non-GAAP financial measures as presented by Kennedy Wilson may not be comparable to similarly titled measures reported by other companies. Annualized figures used throughout this release and supplemental financial information, and our estimated annual net operating income metrics, are not an indicator of the actual net operating income that the Company will or expects to realize in any period.

KW-IR