

Kennedy Wilson Reports Fourth Quarter and Full Year 2012 Earnings

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Adjusted EBITDA for FY 2012 grows by 41% to \$100.3 million;

Company increases dividend by 40% to \$0.07 per common share for first quarter 2013

BEVERLY HILLS, Calif.--(BUSINESS WIRE)--Mar. 12, 2013-- Kennedy-Wilson Holdings, Inc. (NYSE: KW) "Company"), an international real estate investment and services company, today reported a fourth quarter net loss to common shareholders of \$8.9 million (or \$0.15 and \$0.14 per basic and diluted share, respectively) compared to a fourth quarter net loss to common shareholders of \$8.0 million (or \$0.17 and \$0.14 per basic and diluted share, respectively) for the same period in 2012. Net income attributable to common shareholders, adjusted for stock-based compensation expense, was \$12.0 million (or \$0.20 per basic and diluted share) compared to net income of \$11.0 million for the same period in 2011 (or \$0.20 per basic share).

Full year 2012 net loss attributable to common shareholders was \$3.9 million (or \$0.07 per basic and diluted share) compared to a full year 2011 net loss of \$3.3 million (or \$0.05 per basic and diluted share) for the same period in 2011. Net income attributable to common shareholders, adjusted for stock-based compensation expense and common stock issuance discount treated as preferred dividend (for the same period in 2012), was \$12.0 million (or \$0.20 per basic and diluted share) compared to net income of \$3.3 million (or \$0.08 per basic share) for the same period in 2011.

The Company's earnings before interest, taxes, depreciation, and stock-based compensation expense was \$44.9 million, a 51% increase from \$29.7 million for the same period in 2011. The Company's Adjusted EBITDA for the fourth quarter 2012 was \$100.3 million, a 41% increase from \$71.2 million for the same period 2011.

"The company had a very active and successful fourth quarter with more than \$1.3 billion of acquisitions and dispositions," said William McMorrow, chairman and CEO of Kennedy Wilson. "Our key operating metrics and recurring revenues continue to see significant investment opportunities in our core markets."

The company also announced that it will pay a dividend of \$0.07 per share, a 40% increase from the \$0.05 per share paid in the fourth quarter of 2012, as of March 22, 2013 with a payment date of April 2, 2013. The quarterly payment equates to an annual dividend of \$0.28 per share.

Kennedy Wilson Recent Highlights

Investments business

Investment Account

- As of December 31, 2012, our investment account (Kennedy Wilson's equity in real estate, joint venture investments, securities, less mortgage debt) increased by 42% to \$828.3 million from \$582.8 million at December 31, 2011. During the fourth quarter 2012, we contributed approximately \$469.6 million (including \$230.3 million during the fourth quarter) of cash contributions and approximately \$224.0 million (including \$60.0 million during the fourth quarter) of cash distributions.
- As of December 31, 2012, the Company and its equity partners owned 16.1 million rentable square feet and 30 commercial properties. Additionally, as of December 31, 2012, the Company and its equity partners owned 16.1 million rentable square feet and 30 commercial properties secured by real estate and over 3,300 acres of land.

Operating metrics

- During the three months ended December 31, 2012, our investments business achieved an Adjusted EBITDA of \$16.1 million for the same period in 2011.
- During the year ended December 31, 2012, our investments business achieved an Adjusted EBITDA of \$64.9 million for the same period in 2011.
- During the year ended December 31, 2012, based on 9,015 same property multifamily units, rental revenues increased by 3.6% and 5.9%, respectively, while percentage leased decreased by 0.2% from 2011. In addition, during the year ended December 31, 2012, commercial real estate, rental revenues, net operating income and occupancy increased by 1.1%, 1.1%, 1.1% and 0.1%, respectively, from 2011.

Acquisition/disposition program

- From January 1, 2010 through December 31, 2012, the Company and its equity partners, acquired investments (includes unpaid principal balance of loan purchases). During 2012, the Company acquired real estate related investments. This includes \$1.4 billion of real estate and \$1.5 billion of loans secured by real estate. The Company also sold six multifamily equity interest located in the Western U.S. for a total of \$251.7 million, which resulted in a total of \$20.7 million of our equity invested).

Property level debt financing

- During the year ended December 31, 2012, the Company and its equity partners completed approximately \$1.5 billion of new debt financings and re-financings at an average interest rate of 3.8% and a weighted average maturity of 6.0 years.
- During the year ended December 31, 2011, the Company and its equity partners completed approximately \$1.5 billion of new debt financings and re-financings at an average interest rate of 4.2% and a weighted average maturity of 3.3 years.

Key Investment Updates

UK Loan Pool

- Our current equity in this investment is \$60.4 million; we own 12.5% before carried interest.
- In December 2011, we and our equity partners acquired a loan pool secured by real estate located in the United Kingdom with an unpaid principal balance of \$2.1 billion. As of December 31, 2012, the unpaid principal balance was \$765.8 million, representing 64% of the pool. The total debt incurred at the venture level at the time of acquisition was \$1.2 billion with a maturity date of October 2014. As a result of the loan resolutions, the venture level debt has been reduced to \$765.8 million as of December 31, 2012.

KW Residential, LLC

- Our current equity in this investment is \$102.7 million; we own 40.9% before carried interest.
- Maintained 96.4% occupancy in 50 apartment buildings with over 2,400 units.
- Since Fairfax Financial became our partner in the Japanese apartment portfolio in September 2011, we have received \$26.4 million of which our share was \$26.4 million.

Services business

- Management and leasing fees and commissions decreased by 42% to \$17.8 million for the three months ended December 31, 2012, from \$30.0 million for the same period in 2011.
- During the three months ended December 31, 2012, our services business achieved an EBITDA of \$17.8 million, compared to \$30.0 million for the same period in 2011.
- Management and leasing fees and commissions decreased by 7% to \$53.3 million for the year ended December 31, 2012, from \$57.1 million for the same period in 2011. Included in management and leasing fees and commissions for the year ended December 31, 2012, was \$21.6 million, respectively, of acquisition fees related to the acquisition of the Bank of Ireland.

the acquisition fees, the Company achieved a 38% increase in management and leasing fees in 2012 as compared to the same period in 2011.

- During the year ended December 31, 2012, our services business achieved an EBITDA of \$20.2 million compared to the same period in 2011. Excluding the acquisition fees related to the acquisition of the Bank of Ireland, \$21.6 million for the year ended December 31, 2012 and 2011, respectively, the Company achieved an EBITDA for the year ended December 31, 2012 as compared to the same period in 2011.

Corporate financing

- In July 2012, the Company issued 8.6 million shares of common stock primarily to institutional investors, of which \$40.0 million was used to pay off the outstanding balance on our line of credit.
- During the three months ended December 31, 2012, the Company issued \$155.0 million of senior debt.

Subsequent events

- Subsequent to December 31, 2012, we have acquired or have entered into contracts to acquire real estate investments which include 1.6 million rentable square feet of real estate, comprised of 725 apartments and 301 residential lots, with \$727.6 million of loans secured by real estate. We expect the acquisition of these investments to be completed by the end of 2013.
- Subsequent to December 31, 2012, KW Residential, LLC settled several Japanese yen related hedge contracts with the joint venture, of which our share was \$10.6 million.
- In December 2012, we invested \$43.6 million of our equity and borrowed \$79.3 million to acquire a loan pool in the United Kingdom. Additionally, in partnership with an institutional investor, we acquired a loan pool which comprised of seven loans secured by 23 underlying properties in the United Kingdom. Our investment in the United Kingdom. Subsequent to December 31, 2012, we sold 50% of our interest in both investments to an institutional investor. The loan pool secured by a shopping center will no longer be consolidated.
- During March 2013, we drew \$35 million on our unsecured credit facility.

Conference Call and Webcast Details

The company will hold a live conference call and webcast to discuss results at 7:00 a.m. PT/ 10:00 a.m. ET. The direct dial-in number for the conference call is (800) 706-7745 for U.S. callers and (617) 614-3472 for international callers. The live call for the live call is 14209752.

A replay of the call will be available for one week beginning two hours after the live call and can be accessed at 801-6888 for international callers. The passcode for the replay is 20403213.

The webcast will be available at: <http://edge.media-server.com/m/p/rgvcnd5k/lan/en>. A replay of the original webcast on the Company's investor relations web site for one year.

About Kennedy Wilson

Founded in 1977, Kennedy Wilson is an international real estate investment and services company headquartered in the U.S., U.K., Ireland, Spain and Japan. The company offers a comprehensive array of real estate services, research and investment management. Through its fund management and separate accounts, the company manages a portfolio of real estate investments in the U.S., U.K., Ireland and Japan. For further information on Kennedy Wilson, please visit www.kennedywilson.com.

Forward-Looking Statements

Statements made by us in this report and in other reports and statements released by us that are not "statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act of 1934, as amended (the "Exchange Act"). These forward-looking statements are necessarily estimates and are based on management based on our current estimates, expectations, forecasts and projections and include certain risks, trends and factors that may impact future operating results. Disclosures that use words such as "believe," "plan," "expect," "project" or the negative of these, as well as similar expressions, are intended to identify risks that are not guarantees of future performance, rely on a number of assumptions concerning future events and may involve known and unknown risks and uncertainties that could cause our actual results, performance or achievements to differ materially from any future results, performance or achievements, expressed or implied by such forward-looking statements. Such uncertainties may include these factors and the risks and uncertainties described elsewhere in this report. The Securities and Exchange Commission (the "SEC"), including the Item 1A. "Risk Factors" section of our Annual Report for the year ended December 31, 2011. Any such forward-looking statements, whether made in this report or elsewhere, should be considered in light of the fact that they are made by us about our businesses including, without limitation, the risk factors discussed in our filings with the SEC. Under securities laws and the rules and regulations of the SEC, we do not have any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events, changes in assumptions, or otherwise.

Non-GAAP Financial Information

In addition to the results reported in accordance with U.S. generally accepted accounting principles, we have provided certain information, which includes non-GAAP financial measures (Pro Forma Sales, Earnings Before Interest and Taxes Attributable to Kennedy Wilson Common Shareholders, Basic Adjusted Net Loss Attributable to Kennedy Wilson Common Shareholders, EBITDA and Adjusted EBITDA). Additionally, there are certain revenue and expense line items in our income statement that would otherwise be classified as discontinued operations on a GAAP statement. Such information is presented in accordance with the SEC rules and is included in the attached supplemental tables. Management believes this information is useful to both management and the Company's shareholders in their analysis of the business and operations of the Company and also uses this information for operational planning and decision-making purposes. Non-GAAP financial measures should not be used to substitute for any GAAP measures. Additionally, non-GAAP financial measures as presented by Kennedy Wilson should not be compared to measures reported by other companies.

Kennedy-Wilson Holdings, Inc. and Subsidiaries
Consolidated Balance Sheets

	December
	2012
Assets	
Cash and cash equivalents	\$ 120,850,000
Short term investments	10,000,000

Accounts receivable	3,647,000
Accounts receivable—related parties	22,393,000
Notes receivable	136,607,000
Notes receivable—related parties	—
Real estate, net of accumulated depreciation	289,449,000
Investments in joint ventures	543,193,000
Investments in loan pool participations	95,601,000
Marketable securities	—
Other assets	38,079,000
Goodwill	23,965,000
Total assets	\$ 1,283,7
Liabilities	
Accounts payable	\$ 1,762,0
Accrued expenses and other liabilities	29,417,000
Accrued salaries and benefits	24,981,000
Deferred tax liability	22,671,000
Mortgage loans and notes payable	236,538,000
Senior notes payable	409,640,000
Junior subordinated debentures	40,000,000
Total liabilities	765,009,000

Equity

Cumulative Preferred stock:

6.00% Series A, 100,000 shares

—

6.45% Series B, 32,550 shares

—

Common stock

6,000

Additional paid-in capital

512,835,000

Retained earnings (accumulated deficit)

(5,910,000)

Accumulated other comprehensive income

12,569,000

Shares held in treasury

(9,856,000)

Total Kennedy-Wilson Holdings, Inc. stockholders' equity

509,644,000

Noncontrolling interests

9,136,000

Total equity

518,780,000

Total liabilities and equity

\$ 1,283,700,000

See accompanying notes to consolidated financial statements.

Kennedy-Wilson Holdings, Inc. and Subsidiaries **Consolidated Statements of Operations**

For the Three Months Ended

December 31,

	2012	2011
Revenue		
Management and leasing fees	\$ 10,996,000	\$ 9,308,000
Commissions	6,790,000	21,531,000
Sale of real estate	996,000	—
Rental and other income	4,094,000	1,781,000
Total revenue	22,876,000	32,620,000
Operating expenses		
Commission and marketing expenses	874,000	950,000
Compensation and related expenses	25,176,000	16,567,000
Cost of real estate sold	955,000	—
General and administrative	5,797,000	5,273,000
Depreciation and amortization	2,034,000	970,000
Rental operating expenses	1,858,000	1,060,000
Total operating expenses	36,694,000	24,820,000
Equity in joint venture income	9,055,000	5,346,000
Interest income from loan pool participations and notes receivable	2,130,000	2,051,000
Operating (loss) income	(2,633,000)	15,197,000
Non-operating income (expense)		

Interest income	435,000	1,072,000
Acquisition related gain	25,476,000	—
Gain on sale of marketable securities	1,422,000	—
Acquisition-related expenses	(675,000)	—
Interest expense	(8,616,000)	(6,634,000)
Income from continuing operations before (provision for) benefit from income taxes	15,409,000	9,635,000
(Provision for) benefit from income taxes	(4,913,000)	(148,000)
Income from continuing operations	10,496,000	9,487,000
Discontinued Operations		
Income from discontinued operations, net of income taxes	—	8,000
Gain (loss) from sale of real estate, net of income taxes	—	335,000
Net income	10,496,000	9,830,000
Net income (loss) attributable to the noncontrolling interests	401,000	163,000
Net income attributable to Kennedy-Wilson Holdings, Inc.	10,897,000	9,993,000
Preferred stock dividends and accretion of issuance costs	(2,036,000)	(2,036,000)

Net income (loss) attributable to Kennedy-Wilson Holdings, Inc. common shareholders	\$ 8,861,000	\$ 7,957,000
Basic earnings per share		
Income (loss) per basic - continuing operations	\$ 0.15	\$ 0.16
Income (loss) per basic - discontinued	—	0.01
Earnings (loss) per share - basic (a)	\$ 0.15	\$ 0.17
Weighted average shares outstanding for basic	60,450,450	47,412,858
Diluted earnings per share		
Income (loss) per diluted - continuing operations	\$ 0.14	\$ 0.13
Income (loss) per diluted - discontinued	—	0.01
Earnings per share - diluted (a)	\$ 0.14	\$ 0.14
Weighted average shares outstanding for diluted	72,266,197	58,896,137
Dividends declared per common share	\$ 0.20	\$ 0.11

(a) EPS amounts may not add due to rounding.

Kennedy-Wilson Holdings, Inc. and Subsidiaries**Adjusted Net Loss Attributable to Kennedy Wilson Common Shareholders****Three Months Ended****December 31,****2012****2011**Net income (loss)
attributable to
Kennedy-Wilson
Holdings, Inc.
common
shareholders

\$ 8,861,000

\$ 7,957,000

**Non-GAAP
adjustments:**

Add back:

Stock based
compensation

3,147,000

1,294,000

Common stock
issuance discount
treated as preferred
dividend

—

—

**Adjusted Net
Income Attributable
to
Kennedy Wilson
Holdings, Inc.
Common
Shareholders**

\$ 12,008,000

\$ 9,251,000

**Basic weighted
average number of
common shares
outstanding**

60,450,450

47,412,858

Basic Adjusted Net Loss Attributable to Kennedy Wilson Holdings, Inc. Common Shareholders Per Share	\$ 0.20	\$ 0.20
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**Kennedy-Wilson Holdings, Inc. and Subsidiaries
EBITDA and Adjusted EBITDA**

Three Months Ended

December 31,

2012

2011

Net income	\$ 10,496,000	\$ 9,830,000
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Non-GAAP adjustments:

Add back:

Interest expense	8,616,000	6,634,000
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Kennedy Wilson's share of interest expense included in investment in joint ventures and loan pool participations	6,048,000	8,472,000	:
Depreciation and amortization	2,034,000	970,000	4
Kennedy Wilson's share of depreciation and amortization included in investment in joint ventures	9,614,000	2,342,000	:
Provision for (benefit from) income taxes	4,913,000	148,000	0
EBITDA	41,721,000	28,396,000	9
Stock-based compensation	3,147,000	1,294,000	8
Adjusted EBITDA	\$ 44,868,000	\$ 29,690,000	9

Source: Kennedy-Wilson Holdings, Inc.
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