

Kennedy Wilson Reports First Quarter 2014 Earnings

Company announces record levels of quarterly revenue, Adjusted EBITDA, and net income

BEVERLY HILLS, Calif. --(BUSINESS WIRE)--Aug. 6, 2014-- Kennedy-Wilson Holdings, Inc. (**NYSE: KW**) today reported record results for the second quarter of 2014.

For the three months ended June 30, 2014:

- Adjusted EBITDA was \$122.2 million, up 237% from \$36.3 million for the same period in 2013.
- Adjusted Net Income was \$64.2 million or \$0.72 per basic share compared to \$14.8 million or \$0.21 per basic share for the same period in 2013.
- GAAP net income to common shareholders was \$36.3 million or \$0.39 per basic and \$0.38 per diluted share compared to a loss of \$2.5 million or \$0.03 per basic and diluted share for the same period in 2013.

For the six months ended June 30, 2014 :

- Adjusted EBITDA was \$191.5 million, a 182% increase from \$68.0 million for the same period in 2013.
- Adjusted Net Income was \$98.5 million or \$1.11 per basic share compared to \$26.7 million or \$0.40 per basic share for the same period in 2013.
- GAAP net income to common shareholders was \$46.8 million or \$0.51 per basic and \$0.50 per diluted share compared to a loss of \$6.1 million or a \$0.09 loss per basic and diluted share for the same period in 2013.

"We had an extremely active first half globally with approximately \$2.2 billion in new acquisitions, including substantially investing all of the proceeds from the \$1.7 billion IPO of Kennedy Wilson Europe Real Estate Plc," said William McMorrow, chairman and CEO of Kennedy Wilson. "At the same time, we have been able to realize significant gains in our existing portfolio through strategic asset management and selective investment realization."

Financial Highlights

- During the second quarter, the Company and its equity partners sold a portfolio of commercial properties located primarily in Dublin, Ireland, to Kennedy Wilson Europe Real

Estate Plc (LSE:KWE). As a result of the sale, the Company collected fees totaling \$26.2 million in addition to a profit of \$26.6 million on its 25% interest in the investment. This transaction was approved by the independent shareholders of KWE.

- During the second quarter, as a result of amending an existing operating agreement with one of our equity partners, the Company gained control of an unconsolidated subsidiary that owns the majority of the Company's investments in Japan. This subsidiary holds approximately 2,400 multi-family units in 50 properties located primarily in Tokyo, Japan and its surrounding areas. The Company has an approximate 41% ownership interest in these investments. As a result of gaining control of this investment, the Company was required to consolidate the assets and liabilities at fair value and recognized an acquisition-related gain of \$66.7 million of which \$22.9 million was allocated to noncontrolling equity partners.
- Shareholder equity increased \$207.8 million or 27% to \$976.1 million at June 30, 2014 from \$768.3 million at December 31, 2013.

Investments business

For the three months ended June 30, 2014, the Company's Investments segment reported the following results:

- Adjusted EBITDA was \$97.4 million, a 215% increase from \$30.9 million for the same period in 2013.
- For same property multifamily units, total revenues increased 7%, net operating income increased 10% and occupancy remained at 95% at the property level from the same period in 2013.
- For same property commercial real estate, total revenues increased 3%, net operating income increased 2% and occupancy remained at 85% at the property level from the same period in 2013.
- The Company and its equity partners acquired \$1.5 billion of real estate related investments. These acquisitions include \$1.3 billion of real estate related investments acquired by KWE.

For the six months ended June 30, 2014, the Company's Investments segment reported the following results:

- Adjusted EBITDA was \$165.5 million, a 187% increase from \$57.6 million for the same period in 2013.
- For same property multifamily units, total revenues increased 7%, net operating income increased 10% and occupancy remained at 95% at the property level from the same period

in 2013.

- For same property commercial real estate, total revenues increased 4%, net operating income increased 2% and occupancy increased 2% to 85% at the property level from the same period in 2013.
- The Company and its equity partners acquired approximately \$2.2 billion of real estate related investments, in which the Company invested \$364.3 million of equity. These acquisitions include \$1.7 billion of real estate related investments acquired by KWE.
- The Company's investments year-to-date were directed 87% to the United Kingdom and Ireland and 13% to the Western U.S.

Services business

For the three months ended June 30, 2014, the Company's Services segment reported the following results:

- Fees increased by 100% to \$39.0 million from \$19.5 million for the same period in 2013.
- Fees earned from investments that were eliminated in consolidation totaled \$6.1 million compared to \$0.7 million for the same period in 2013. In accordance with U.S. GAAP, these fees were excluded from total fees of \$39.0 million and \$19.5 million for 2014 and 2013, respectively.
- Adjusted EBITDA was \$32.7 million, a 217% increase from \$10.3 million for the same period in 2013.

For the six months ended June 30, 2014, the Company's Services segment reported the following results:

- Fees increased by 57% to \$52.1 million from \$33.1 million for the same period in 2013.
- Fees earned from investments that were eliminated in consolidation totaled \$7.7 million compared to \$1.6 million for the same period in 2013. In accordance with U.S. GAAP, these fees were excluded from total fees of \$52.1 million and \$33.1 million for 2014 and 2013, respectively.
- Adjusted EBITDA was \$38.3 million, a 132% increase from \$16.5 million for the same period in 2013.

Kennedy Wilson Europe Real Estate Plc (LSE: KWE)

- Since its launch in February 2014, KWE has acquired 74 direct real estate assets with approximately 5.9 million square feet and two loan portfolios secured by 25 real estate assets totaling \$1.7 billion in purchase price.

- Kennedy Wilson owns 13.2% of KWE's total share capital as of June 30, 2014 and one of our wholly-owned subsidiaries serves as KWE's external manager, in which capacity we receive certain management and performance fees.

Subsequent events

- In July 2014, Kennedy Wilson increased its unsecured corporate line of credit from \$140 million to \$300 million ; the line of credit currently has no outstanding balance.
- In July 2014, the Company acquired a multifamily portfolio comprised of three properties located across southern submarkets of Seattle, Washington. The portfolio consists of 1,212 units and was purchased for \$127 million. Kennedy Wilson invested \$45 million of equity in the transaction and assumed \$85 million of financing, fixed at 4.25%, from Freddie Mac.
- In August 2014, the Company converted its note secured by the landmark Shelbourne Hotel located in Dublin, Ireland into a direct 100% ownership interest in the property.

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 August 7, 2014.

The direct dial-in number for the conference call is (888) 895-5479 for U.S. callers and (847) 619-6250 for international callers. The confirmation number for the live call is 37774650.

A replay of the call will be available for one week beginning two hours after the live call and can be accessed by (888) 843-7419 for U.S. callers and (630) 652-3042 for international callers. The passcode for the replay is 37774650#.

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

About Kennedy Wilson

Founded in 1977, Kennedy Wilson is a vertically integrated global real estate investment and services company headquartered in Beverly Hills, CA, with 25 offices in the U.S., U.K., Ireland, Spain, Jersey and Japan. The company, on its own or with partners, invests opportunistically in a variety of real estate related investments, including multi-family, commercial, loan purchases and originations, residential, and hotels. Kennedy Wilson offers a comprehensive array of real estate services including investment management, property services, auction, conventional sales, brokerage and research. 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 historical facts constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21 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," "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 end December 31, 2013, 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

"Kennedy Wilson," the "Company," "we," or "us" refer to Kennedy-Wilson Holdings, Inc. and its consolidated subsidiaries. Kennedy Wilson refers to its consolidated investment account and investment account throughout this release. Kennedy Wilson's equity in cash held by consolidated investments, real estate and acquired in-place leases, unconsolidated investments and loans gross of accumulated depreciation and amortization comprises the "consolidated investment account." The "investment account" is the consolidated investment account presented after noncontrolling interests on invested assets gross of accumulated depreciation. "Same property units" refer to properties in which we have an ownership interest during the entire span of both periods being compared.

Non-GAAP Financial Information

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 (Consolidated EBITDA, Adjusted EBITDA, Consolidated Adjusted Net Income, Adjusted Net Income and Adjusted Net Income Per Basic Share). Such information is reconciled to its closest GAAP measure in accordance with the rules of the Securities and Exchange Commission and is 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 may contain gains 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.

Kennedy-Wilson Holdings, Inc.

Consolidated Balance Sheets

(Unaudited)

(Dollars in millions)

	June 30,	December 31,
	2014	2013
Assets		
Cash and cash equivalents	\$ 349.5	\$ 170.2
Cash held by consolidated investments	292.8	8.0
Accounts receivable	36.8	16.6
Real estate and acquired in place lease values, net of accumulated depreciation and amortization	3,553.4	688.1
Loans	402.3	56.8

Unconsolidated investments	532.2	786.1
Other assets	187.7	73.0
Total assets	\$ 5,354.7	\$ 1,798.8
Liabilities		
Accounts payable, accrued expenses and other liabilities	285.7	129.1
Investment debt	1,528.7	401.8
Senior notes payable	706.0	409.0
Junior subordinated debentures	40.0	40.0
Total liabilities	2,560.4	979.9
Equity		
Cumulative preferred stock	—	—
Common stock	—	—
Additional paid-in capital	986.3	801.3
Retained earnings (accumulated deficit)	(11.8)	(42.2)
Accumulated other comprehensive income	1.6	9.2
Total Kennedy-Wilson Holdings, Inc. shareholders' equity	976.1	768.3
Noncontrolling interests	1,818.2	50.6
Total equity	2,794.3	818.9
Total liabilities and equity	\$ 5,354.7	\$ 1,798.8

Kennedy-Wilson Holdings, Inc.**Consolidated Statements of Operations****(Unaudited)***(Dollars in millions, except share amounts and per share data)*

	For the Three Months Ended		For the Six Months Ended	
	June 30,		June 30,	
	2014	2013	2014	2013
Revenue				
Investment management, property services and research fees	\$ 39.0	\$ 19.5	\$ 52.1	\$ 33.1
Rental and hotel	42.6	10.3	67.8	8.5
Sale of real estate	6.1	6.1	17.4	16.8
Loans and other	4.3	0.5	6.0	0.9
Total revenue	92.0	36.4	143.3	59.3
Operating expenses				
Commission and marketing	0.9	1.3	1.8	1.8
Rental and hotel operating	17.9	4.6	32.1	7.7
Cost of real estate sold	3.9	5.1	13.5	7.0

Compensation and related	32.2		18.3		52.8		31.9	
General and administrative	8.4		6.4		16.5		11.8	
Depreciation and amortization	25.3		4.4		32.6		7.5	
Total operating expenses	88.6		40.1		149.3		67.7	
Income from unconsolidated investments, net of depreciation and amortization	31.0		14.8		33.8		16.9	
Operating income	34.4		11.1		27.8		8.5	
Non-operating income (expense)								
Acquisition-related gains	86.0		—		170.3		9.5	
Acquisition-related expenses	(7.6)	(0.5)	(11.6)	(0.5)
Interest expense-investment	(11.1)	(2.8)	(16.4)	(4.6)
Interest expense-corporate	(14.7)	(9.7)	(25.2)	(19.4)
Other income	2.1		0.1		2.9		0.4	

Income (loss) before (provision for) benefit from income taxes	89.1	(1.8)	147.8	(6.1)
(Provision for) benefit from income taxes	(25.4)	0.5	(34.2)	2.2
Net income (loss)	63.7	(1.3)	113.6	(3.9)
Net (income) loss attributable to the noncontrolling interests	(25.3)	0.9	(62.7)	1.9
Preferred stock dividends and accretion of issuance costs	(2.1)	(2.1)	(4.1)	(4.1)
Net income (loss) attributable to Kennedy-Wilson Holdings, Inc common shareholders	\$ 36.3	\$ (2.5)	\$ 46.8	\$ (6.1)
Basic earnings per share				
Income (loss) per basic	\$ 0.39	\$ (0.03)	\$ 0.51	\$ (0.09)
Weighted average shares outstanding for basic	89,140,498	70,976,247	88,645,002	66,432,823
Diluted earnings per share				

Income (loss) per diluted	\$ 0.38	\$ (0.03)	\$ 0.50	\$ (0.09)
Weighted average shares outstanding for diluted	102,115,350	70,976,247	101,435,250	66,432,823
Dividends declared per common share	\$ 0.09	\$ 0.07	\$ 0.18	\$ 0.14

Kennedy-Wilson Holdings, Inc.

Adjusted Net Income

(Unaudited)

(Dollars in millions, except share amounts and per share data)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2014	2013	2014	2013
Net income (loss)	\$ 63.7	\$ (1.3)	\$ 113.6	\$ (3.9)
Non-GAAP adjustments:				
Add back:				
Depreciation and amortization	25.3	4.4	32.6	7.5

Kennedy Wilson's share of depreciation and amortization included in unconsolidated investments	12.4	10.2	27.2	19.5
Share-based compensation	1.7	1.7	3.4	3.4
Consolidated Adjusted Net Income	103.1	15.0	176.8	26.5
Less:				
Net (income) loss attributable to the noncontrolling interests, before depreciation and amortization ⁽¹⁾	(38.9)	(0.2)	(78.3)	0.2
Adjusted Net Income	\$ 64.2	\$ 14.8	\$ 98.5	\$ 26.7
Basic weighted average number of common shares outstanding	89,140,498	70,976,247	88,645,002	66,432,823
Basic Adjusted Net Income per share	\$ 0.72	\$ 0.21	\$ 1.11	\$ 0.40

⁽¹⁾ \$13.6 million and \$1.1 million of depreciation and amortization for the three months ended June 30, 2014 and 2013 and \$15.6 million and \$1.7 million for the six months ended June 30, 2014 and 2013

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2014	2013	2014	2013
Net income (loss)	\$ 63.7	\$ (1.3)	\$ 113.6	\$ (3.9)
Non-GAAP adjustments:				
Add back:				
Interest expense-investment	11.1	2.8	16.4	4.6
Interest expense-corporate	14.7	9.7	25.2	19.4
Kennedy Wilson's share of interest expense included in unconsolidated investments	9.5	10.1	20.5	20.7
Depreciation and amortization	25.3	4.4	32.6	7.5
Kennedy Wilson's share of depreciation and amortization included in unconsolidated investments	12.4	10.2	27.2	19.5
Provision for (benefit from) income taxes	25.4	(0.5)	34.2	(2.2)
Consolidated EBITDA	162.1	35.4	269.7	65.6

Add back (less):				
Share-based compensation	1.7	1.7	3.4	3.4
EBITDA attributable to noncontrolling interests ⁽¹⁾	(41.6)	(0.8)	(81.6)	(1.0)
Adjusted EBITDA	\$ 122.2	\$ 36.3	\$ 191.5	\$ 68.0

⁽¹⁾ \$16.3 million and \$1.7 million of depreciation, amortization and interest for the three months ended June 30, 2014 and 2013 and \$18.9 million and \$2.9 million for the six months ended June 30, 2014 and 2013

Source: Kennedy Wilson

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