

Kennedy Wilson Reports Second Quarter 2012 Earnings

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BEVERLY HILLS, Calif.--(BUSINESS WIRE)--Aug. 6, 2012-- Kennedy-Wilson Holdings, Inc. (**NYSE: KW**) (“K international real estate investment and services company, today reported a second quarter 2012 net basic and diluted share) compared to a net loss attributable to common shareholders of \$2.4 million (a loss attributable to common shareholders, adjusted for stock-based compensation expense, was \$2.0 for the same period in 2011 (or \$0.03 per basic share).

The Company's earnings before interest, taxes, depreciation and stock-based compensation expense (EBITDA) for the three months ended June 30, 2012 was \$17.5 million compared to \$17.5 million for the same period in 2011. Excluding the remeasurement gain of \$6.3 million, the Company achieved a 69% increase in adjusted EBITDA for the three months ended June 30, 2012 as compared to the same period in 2011. “The Company had many outstanding achievements in the second quarter including increases in cash flow, new acquisitions and strong liquidity. William McMorrow, chairman and CEO of Kennedy Wilson. “During the quarter, the Company and our equity partners continued to build a strong portfolio with attractive current returns that will significantly increase our recurring EBITDA. Additionally, our balance sheet was strengthened by adding \$106 million of equity. Our experienced management team and strong liquidity, combined with our pipeline of opportunities, will allow us to take advantage of our significant pipeline of opportunities in our core markets.”

Kennedy Wilson Recent Highlights

Operating metrics

- During the three months ended June 30, 2012, the Company achieved an adjusted EBITDA of \$18.0 million compared to \$10.6 million for the same period in 2011. Excluding the remeasurement gain of \$6.3 million recognized during the three months ended June 30, 2012, the Company achieved an adjusted EBITDA for the three months ended June 30, 2012 as compared to the same period in 2011.
- During the six months ended June 30, 2012, the Company achieved an adjusted EBITDA of \$38.0 million compared to \$20.0 million for the same period in 2011. Excluding the remeasurement gain of \$6.3 million recognized during the six months ended June 30, 2012, the Company achieved an adjusted EBITDA for the six months ended June 30, 2012 as compared to the same period in 2011.

Investments business

Investment Account

- Our investment account (Kennedy Wilson's equity in real estate, joint ventures, loan investments, etc.) was \$582.8 million at December 31, 2011. This change was comprised of approximately \$160.0 million of new investments and approximately \$116.6 million of cash distributed from investments.

Operating metrics

- During the three months ended June 30, 2012, our investments business achieved an EBITDA of \$10.6 million compared to \$10.6 million for the same period in 2011. Excluding the remeasurement gain of \$6.3 million recognized during the three months ended June 30, 2012, the Company achieved an adjusted EBITDA for the three months ended June 30, 2012 as compared to the same period in 2011.
- During the six months ended June 30, 2012, our investments business achieved an EBITDA of \$34.0 million compared to \$20.0 million for the same period in 2011. Excluding the remeasurement gain of \$6.3 million recognized during the six months ended June 30, 2012, the Company achieved an adjusted EBITDA for the six months ended June 30, 2012 as compared to the same period in 2011.

Acquisition/disposition program

- During the six months ended June 30, 2012, the Company and its equity partners acquired approximately \$107.0 million of our equity in the investment vehicles that acquired these real estate related investments. Additionally, equity partners are under contract to acquire approximately \$514.0 million of real estate related investments.

together with our equity partners, have acquired or are under contract to acquire approximately 14,114 apartment units and the Company and its equity partners own or are under contract to own 14,114 apartment units and

- The composition of the \$889.5 million of real estate related investments acquired by the Company is as follows:
 - During the six months ended June 30, 2012, we, along with our equity partners, acquired approximately \$100 million of real estate related investments. The underlying assets are located primarily in the Western U.S. (70% in terms of our equity in the investments). The investments include six multifamily properties with 1,801 units and eight commercial properties totaling approximately 1.2 million square feet. The joint ventures that acquired these real estate assets.
 - During the six months ended June 30, 2012, we, along with our equity partners, acquired or completed approximately \$100 million of real estate related investments at a discount of 14% to their principal balance. These loans are secured by 12 underlying properties with a weighted average interest rate of 10.6% per annum. We invested approximately \$54.2 million of our equity in participating in the investments and paid exit fees on our share of these loans.
- During the six months ended June 30, 2012, the Company and its equity partners sold four multifamily properties totaling approximately 1.2 million square feet, which resulted in a total gain of \$32.6 million, of which our share was \$7.9 million.

Debt financing

- During the six months ended June 30, 2012, the Company and its equity partners completed approximately \$1.4 billion of property financings at an average interest rate of 3.1% and a weighted average maturity of 7.9 years. During the six months ended June 30, 2012, we completed approximately \$731.2 million of property financings at an average interest rate of 3.5% and a weighted average maturity of 7.9 years.

United Kingdom and Ireland

- In December 2011, we and our equity partners acquired a loan pool secured by real estate located in the United Kingdom and Ireland with a total principal balance of \$1.4 billion. As of June 30, 2012, the unpaid principal balance was \$1.4 billion due to loan resolutions and prepayments.
- On March 13, 2012, we announced a €250 million (approximately \$325 million) capital commitment program secured by real estate in the United Kingdom and Ireland. Investments under this program require a minimum investment of \$10 million. In June 2012, we purchased our first investment within this platform, the historic Google's European headquarters, for \$50.0 million. We invested \$15.8 million of our equity in the investment.
- On May 2, 2012, we entered into a term sheet with a major European financial institution to create a \$2.5 billion (approximately €2 billion) of performing, sub-performing and non-performing loans secured by commercial and residential real estate in the United Kingdom and Ireland.

Japan

- Maintained 93% occupancy in 50 apartment buildings with over 2,400 units. Excluding one 86-unit building leased to individual tenants, our Japanese apartment portfolio maintained 96% occupancy.
- Since Fairfax became our partner in the Japanese apartment portfolio in September 2010, we have generated approximately \$100 million of net income.

Services business

- Management and leasing fees and commissions increased by 67% to \$12.6 million for the three months ended June 30, 2012, compared to \$7.5 million for the same period in 2011.
- During the three months ended June 30, 2012, our services business achieved an EBITDA of \$3.6 million, compared to \$2.5 million for the same period in 2011.
- Management and leasing fees and commissions increased by 52% to \$23.0 million for the six months ended June 30, 2012, compared to \$15.1 million for the same period in 2011.
- During the six months ended June 30, 2012, our services business achieved an EBITDA of \$6.3 million, compared to \$4.2 million for the same period in 2011.

Corporate financing

- In June 2012, we amended our existing revolving credit facility to, among other things, increase the total amount available to \$100 million and extend the maturity to June 30, 2015. Existing and future loans under the amended facility will be subject to the terms and conditions set forth in the amended facility agreement.

Subsequent events

- In July 2012, the Company issued 8.6 million shares of common stock primarily to institutional investors. The net proceeds of approximately \$100 million was used to pay off the outstanding balance on our line of credit.
- In July 2012, the Company was awarded its first auction assignment from a European financial institution in Spain.

Supplemental Financial Information, Conference Call and Webcast Details

Supplemental financial information is available on the homepage of the Company's website: www.kennedywilson.com. The Company will hold a live conference call and webcast to discuss results on Tuesday, August 7 at 7:00 a.m. Eastern Time. The direct dial-in number for the conference call is (866) 356-4441 for U.S. and Canada callers and (617) 273-8807 for international callers.

A replay of the call will be available for one week beginning two hours after the live call and can be accessed at www.kennedywilson.com for international callers. The access code for the replay is 84859872.

The webcast will be available at: <http://www.media-server.com/m/acs/fc1436ce0e8d92f29cc55e87c5b>. 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 Ireland and Japan. The company offers a comprehensive array of real estate services including auction management. Through its fund management and separate account businesses, Kennedy Wilson is a significant real estate investor in the United States 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 historical facts are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act"). These forward-looking statements are necessarily estimates reflecting the judgment of our senior management and include comments that express our current opinions about trends and forecasts and projections and include comments that express our current opinions about trends and forecasts. Forward-looking statements are often identified by words such as "believe," "anticipate," "estimate," "intend," "could," "plan," "expect," "project" or the negative of these words. These statements are not guarantees of future performance, rely on assumptions that may or may not be realized, and involve known and unknown risks and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements.

results, to differ materially from any future results, performance or achievements, expressed or implied, may include these factors and the risks and uncertainties described elsewhere in this report and other information, including the Item 1A. “Risk Factors” section of our Annual Report on Form 10-K for the year ended December 31, 2023, made in this report or elsewhere, should be considered in the context of the various disclosures made in our reports and 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 have no obligation to update publicly any forward-looking statements, whether as a result of new information, events or circumstances, or otherwise.

In addition to the results reported in accordance with U.S. generally accepted accounting principles (GAAP), we report certain information, which includes non-GAAP financial measures (pro forma Statements of Operations, Common Shareholders, Basic Adjusted Net Loss Attributable to Kennedy Wilson Common Shareholders, etc.), certain revenue and expense line items in our proforma consolidated statements of operations or income statements, and a GAAP statement. Such information is reconciled to its closest GAAP measure in accordance with the requirements of Regulation G. Management believes that these non-GAAP financial measures are useful to both management and investors in evaluating the operating performance of the Company. Management also uses this information for operational planning purposes. This information should not and should not be considered a substitute for any GAAP measures. Additionally, non-GAAP financial measures should not be considered a substitute for similarly titled measures reported by other companies.

Tables Follow

Kennedy-Wilson Holdings, Inc. and Subsidiaries

Consolidated Balance Sheets

Assets

Cash and cash equivalents	\$
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Accounts receivable

Accounts receivable — related parties

Notes receivable

Notes receivable — related parties

Real estate, net

Investments in joint ventures

Investment in loan pool participations

Marketable securities

Other assets

Goodwill

Total assets

\$

Liabilities

Accounts payable

\$

Accrued expenses and other liabilities

Accrued salaries and benefits

Deferred tax liability

Senior notes payable

Borrowings under line of credit

Mortgage loans payable

Junior subordinated debentures

Total liabilities

Equity

Common stock

Additional paid-in capital

(Accumulated deficit) retained earnings

Accumulated other comprehensive income

Shares held in treasury at cost

Total Kennedy-Wilson Holdings, Inc. shareholders' equity

Noncontrolling interests

Total equity

Total liabilities and equity

\$

Kennedy-Wilson Holdings, Inc. and Subsidiaries

Consolidated Statements of Operations

Three months ended Ju

2012

Revenue

Management and leasing fees \$ 10,232,000

Commissions 2,401,000

Sale of real estate —

Rental and other income 1,477,000

Total revenue 14,110,000

Operating expenses	
Commission and marketing expenses	1,340,000
Compensation and related expenses	10,294,000
Cost of real estate sold	—
General and administrative	4,888,000
Depreciation and amortization	977,000
Rental operating expenses	921,000
Total operating expenses	18,420,000
Equity in joint venture income	5,108,000
Interest income from loan pool participations and notes receivable	2,876,000
Operating income	3,674,000
Non-operating income (expense)	
Interest income	1,207,000
Remeasurement gain	—
Gain on sale of marketable securities	—
Realized foreign currency exchange gain (loss)	38,000
Interest expense	(7,054,000)
(Loss) income from continuing operation before benefit from (provision for) income taxes	(2,135,000)
Benefit from (provision for) income taxes	1,138,000
(Loss) income from continuing operations	(997,000)
Discontinued Operations	

Income from discontinued operations, net of income taxes	—	
Loss from sale of real estate, net of income taxes	—	
Net (loss) income	(997,000	)
Net income attributable to the noncontrolling interests	(128,000	)
Net (loss) income attributable to Kennedy-Wilson Holdings, Inc.	(1,125,000	)
Preferred dividends and accretion of preferred stock issuance costs	(2,036,000	)
Net loss attributable to Kennedy-Wilson Holdings, Inc. common shareholders	\$ (3,161,000	)
Basic and diluted loss per share attributable to Kennedy-Wilson Holdings, Inc. common shareholders		
Continuing operations	\$ (0.06	)
Discontinued operations, net of income taxes	—	
Earning per share - basic and diluted (a)	\$ (0.06	)
Weighted average number of common shares outstanding	51,401,674	
Dividends declared per common share	\$ 0.05	

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

Kennedy-Wilson Holdings, Inc. and Subsidiaries

Pro Forma Consolidated Statements of Operations (Non-GAAP)

Three Months Ended June 30,

2012

Pro Rata

Unconsolidated

Pro Forma

Consolidated

Investments

Total

Revenue

Management and leasing fees	\$ 10,232,000	\$ —	\$ 10,232,000
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Commissions	2,401,000	—	2,401,000
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Sale of real estate	—	43,600,000	43,600,000
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Rental and other income	1,477,000	16,123,000	17,600,000
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Interest income	—	5,883,000	5,883,000
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Total revenue	14,110,000	65,606,000	79,716,000
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Operating expenses

Commission and marketing expenses	1,340,000	—	1,340,000
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Compensation and related expenses	10,294,000	100,000	10,394,000
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Cost of real estate sold	—	38,200,000	38,200,000
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General and administrative	4,888,000	200,000	5,088,000
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Depreciation and amortization	977,000	4,000,000	4,977,000
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Rental operating expenses	921,000	5,700,000	6,621,000
Total operating expenses	18,420,000	48,200,000	66,620,000
Equity in joint venture income	5,108,000	(5,108,000)	—
Interest income from loan pool participations and notes receivable	2,876,000	(2,876,000)	—
Operating income	3,674,000	9,422,000	13,096,000
Non-operating income (expense)			
Interest income	1,207,000	(1,207,000)	—
Carried interest on realized investment	—	500,000	500,000
Remeasurement gain	—	—	—
Realized foreign currency exchange gain	38,000	—	38,000
Interest expense	(7,054,000)	(7,715,000)	(14,769,000)
Other non-operating expenses	—	(1,000,000)	(1,000,000)
(Loss) income from continuing operation before benefit from (provision for) income taxes	(2,135,000)	—	(2,135,000)

Benefit from (provision for) income taxes	1,138,000	—	1,138,000
(Loss) from continuing operations	\$ (997,000)	\$ —	\$ (997,000)

Kennedy-Wilson Holdings, Inc. and Subsidiaries

Pro Forma Consolidated Statements of Income (Non-GAAP)

Six Months Ended June 30,			
2012			
Pro Rata			
	Unconsolidated	Pro Forma	
	Investments	Total	
Consolidated			
Revenue			
Management and leasing fees	\$ 18,973,000	\$ —	\$ 18,973,000
Commissions	4,020,000	—	4,020,000
Sale of real estate	—	58,800,000	58,800,000
Rental and other income	2,947,000	33,924,000	36,871,000
Interest income	—	8,138,000	8,138,000
Total revenue	25,940,000	100,862,000	126,802,000

Operating expenses			
Commission and marketing expenses	2,305,000	—	2,305,000
Compensation and related expenses	19,294,000	500,000	19,794,000
Cost of real estate sold	—	50,100,000	50,100,000
General and administrative	8,557,000	300,000	8,857,000
Depreciation and amortization	1,914,000	7,900,000	9,814,000
Rental operating expenses	1,791,000	11,800,000	13,591,000
Total operating expenses	33,861,000	70,600,000	104,461,000
Equity in joint venture income	10,624,000	(10,624,000)	—
Interest income from loan pool participations and notes receivable	3,414,000	(3,414,000)	—
Operating income	6,117,000	16,111,000	22,341,000
Non-operating income (expense)			
Interest income	2,324,000	(2,324,000)	—

Carried interest on realized investment	—	2,400,000	2,400,000
Remeasurement gain	—	—	—
Gain on sale of marketable securities	2,931,000	—	2,931,000
Realized foreign currency exchange gain (loss)	(74,000)	—	(74,000)
Interest expense	(13,224,000)	(15,000,000)	(28,224,000)
Other non-operating expenses	—	(1,300,000)	(1,300,000)
(Loss) income from continuing operation before benefit from (provision for) income taxes	(1,926,000)	—	(1,926,000)
Benefit from (provision for) income taxes	2,621,000	—	2,621,000
Income from continuing operations	\$ 695,000	\$ —	\$ 695,000

Kennedy-Wilson Holdings, Inc. and Subsidiaries

Adjusted Net (Loss) Income Attributable to Kennedy Wilson Common Shareholders

Three months ended J

2012

Net loss attributable to Kennedy-Wilson Holdings, Inc. common shareholders \$ (3,161,000)

Non-GAAP adjustments:

Add back:

Stock based compensation 1,207,000

Adjusted Net Loss Attributable to Kennedy Wilson Holdings, Inc. Common Shareholders \$ (1,954,000)

Basic weighted average number of common shares outstanding 51,401,674

Basic Adjusted Net Loss Attributable to Kennedy Wilson Holdings, Inc. Common Shareholders Per Share \$ (0.04)

Kennedy-Wilson Holdings, Inc. and Subsidiaries

EBITDA and Adjusted EBITDA

Three months ended

2012

Net (loss) income \$ (997,000)

Non-GAAP adjustments:

Add back:

Interest expense	7,054,000
Kennedy Wilson's share of interest expense included in investment in joint ventures and loan pool participations	7,715,000
Depreciation and amortization	977,000
Kennedy Wilson's share of depreciation and amortization included in investment in joint ventures	4,000,000
(Benefit from) provision for income taxes	(1,138,000)
EBITDA	17,611,000
Stock-based compensation	1,207,000
Adjusted EBITDA	\$ 18,818,000

Source: Kennedy-Wilson Holdings, Inc.

Kennedy Wilson

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