

Kennedy Wilson Reports Third Quarter 2013 Earnings

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## **Adjusted EBITDA increases 142% from same period of last year**

BEVERLY HILLS, Calif. --(BUSINESS WIRE)--Nov. 5, 2013-- Kennedy-Wilson Holdings, Inc. (**NYSE:KW**), an investment and services company, today reported third quarter 2013 Adjusted EBITDA of \$42.3 million, a 142% increase over the same period in 2012. For the nine months ended September 30, 2013, Adjusted EBITDA was \$111.3 million, compared to \$71.9 million for the same period in 2012.

Adjusted Net Income for the third quarter 2013 was \$14.4 million or \$0.20 per basic share compared to \$4.1 million, or \$0.05 per basic share. U.S. GAAP net loss attributable to common share for the same period in 2012, or \$0.05 per basic share. U.S. GAAP net loss attributable to common share for the same period in 2012, or \$0.05 per basic share. U.S. GAAP net loss attributable to common share for the same period in 2012, or \$0.05 per basic share. U.S. GAAP net loss attributable to common share for the same period in 2012, or \$0.05 per basic share.

"Kennedy Wilson and its equity partners acquired \$1 billion of real estate investments this quarter and in equity further strengthening our balance sheet," said William McMorrow, chairman and CEO of Kennedy Wilson. "We are sourcing attractive investment opportunities, improving the operating performance of our properties, and realizing strong returns on our investments."

### **Kennedy Wilson Recent Highlights**

#### ***Investments business***

##### *Investment account*

- As of September 30, 2013, our gross investment account was \$1.1 billion, compared to \$908.9 million as of September 30, 2012. Our net investment account was \$1.0 billion as of September 30, 2013 compared to \$837.6 million at September 30, 2012. Accumulated depreciation and amortization of \$114.6 million and \$71.3 million, respectively. The account was comprised of \$387.1 million of cash contributed to and income earned on investments. During the nine months ended September 30, 2013, the Company received approximately \$940 million in distributions from their investments.
- As of September 30, 2013, the Company and its equity partners owned 22.9 million rentable square feet of real estate investments in 16,511 apartment units and 79 commercial properties. Additionally, as of September 30, 2013, the Company and its equity partners owned in excess of \$1.6 billion in unpaid principal balance of loans secured by real estate.

##### *Operating metrics*

- During the nine months ended September 30, 2013, our investments business achieved an EBITDA of \$47.2 million, compared to \$32.5 million for the same period in 2012.
- During the nine months ended September 30, 2013, based on our investments in 11,755 same property units, revenues increased 5%, net operating income increased 7% and occupancy increased 1% at the property level compared to the same period in 2012. In addition, based on our investments in 2.8 million square feet of same property commercial space, revenues increased 15%, net operating income increased 18% and occupancy increased 4% at the property level compared to the same period in 2012.

##### *Acquisition/disposition program*

- From January 1, 2010 through September 30, 2013, the Company and its equity partners acquired \$2.6 billion of real estate related investments (including unpaid principal balance of loan purchases). During the nine months ended September 30, 2013, the Company and its equity partners acquired \$368.5 million of equity. Our investments were directed 71% to the United Kingdom and Ireland and 29% to the United States.

- During the fourth quarter of 2012, the Company and one of its equity partners acquired the mortgage residential and entertainment center in Manchester, United Kingdom . During the third quarter, they converted their mortgage note to a 100% equity ownership in the property resulting in a \$28.8 million gain. The Company's portion of the gain was \$14.4 million and was recognized in equity in joint venture income.
- During the nine months ended September 30, 2013, the Company and its equity partners sold a total of 10 commercial buildings, two multifamily properties and 52 condos, which resulted in a gain of \$41.3 million , of which our share was \$13.2 million ( \$29.9 million of our share was recognized in equity in joint venture income).

#### *Property level debt financing*

- As of September 30, 2013, the Company and its equity partners had approximately \$3.2 billion of debt with an average interest rate of 5.1% and a weighted average maturity of 6.1 years.
- As of September 30, 2013 the Company and its equity partners property level debt was 54% at fixed interest rate caps and 15% at floating interest rates.

### **Key investment updates**

#### *UK Loan Pool*

- Our book equity in this investment is \$11.4 million ; we own 12.5% before carried interest.
- In December 2011 , the Company and its equity partners acquired a loan pool secured by real estate with an unpaid principal balance of \$2.1 billion . As of September 30, 2013, the unpaid principal balance of the loan pool was \$1.9 billion , representing approximately 91% of the pool. During the nine months ended September 30, 2013, the Company received \$53.4 million in distributions related to resolutions.

#### *Japan multifamily*

- Our book equity in this investment is \$72.2 million ; we own 40.9% before carried interest.
- We maintained 96% occupancy in 50 apartment buildings as of September 30, 2013 with a total of 1,500 units.
- Since Fairfax Financial became our partner in the Japanese multifamily portfolio in September 2012, we have received \$104.4 million , of which our share was \$49.1 million .

### **Services business**

- Management and leasing fees and commissions increased by 52% to \$54.0 million for the nine months ended September 30, 2013 from \$35.5 million for the same period in 2012.
- During the nine months ended September 30, 2013, our services business achieved an EBITDA of \$11.2 million for the same period in 2012.

### **Corporate financing**

- In September 2013 , the Company issued and sold 6.9 million shares of common stock primarily through a public offering, resulting in gross proceeds of \$127.7 million . A portion of the proceeds were used to pay off the outstanding debt.
- In September 2013 , the Company increased the availability on its line of credit to \$140.0 million from \$100.0 million and extended the line's maturity to October 1, 2016 .

## ***Subsequent events***

- In October 2013, Meyers Research, a wholly owned subsidiary, launched Zonda, a mobile application providing insight for the homebuilding industry by combining interactive tools and real-time data on approved housing.

### 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 (888) 895-5479 for U.S. callers and (847) 619-6250 for international callers. The confirmation number for the live call is 35911843.

A replay of the call will be available for one week beginning two hours after the live call and can be accessed by U.S. callers and (630) 652-3042 for international callers. The passcode for the replay is 35911843#.

The webcast will be available at: <http://edge.media-server.com/m/p/68ekhgu8/lan/en>. A replay of the webcast will be available after 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 including conventional sales, property services, research and investment management. Through its fund management businesses, Kennedy Wilson is a strategic investor of real estate investments in the U.S., U.K., Ireland and Japan. For more information about Kennedy Wilson, please visit [www.kennedywilson.com](http://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 statements are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 27A of the Securities Exchange Act of 1934, as amended. These forward-looking statements are necessarily estimates reflecting the judgment of management based on our current estimates, expectations, forecasts and projections and include comments that express our views on future trends and factors that may impact future operating results. Disclosures that use words such as "believe," "expect," "anticipate," "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, many of which are outside of our control, and involve known and unknown risks and uncertainties that could cause actual performance or achievement, or industry results, to differ materially from any future results, performance or achievement implied by such forward-looking statements. These risks and uncertainties may include the factors and uncertainties discussed elsewhere in this report and other filings with the Securities and Exchange Commission (the "SEC"), including the section of our Annual Report on Form 10-K for the year ended December 31, 2012, as amended by our subsequent filings. Such forward-looking statements, whether made in this report or elsewhere, should be considered in light of the risks made by us about our businesses including, without limitation, the risk factors discussed in our filings with the SEC. Under the federal securities laws and the rules and regulations of the SEC, we do not have any intention to update or revise our 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 (GAAP), Kennedy Wilson has provided certain information, which includes non-GAAP financial measures. These non-GAAP financial measures include Adjusted Operations, Adjusted Net Income Attributable to Kennedy Wilson Common Shareholders, Basic Adjusted Net Income Attributable to Kennedy Wilson Common Shareholders Per Share, EBITDA and Adjusted EBITDA. Additionally, there are certain items in our pro forma consolidated statements of operations or income that would otherwise be classified as non-GAAP financial measures.

GAAP statement. Such information is reconciled to its closest GAAP measure in accordance with the SE supplemental tables. Management believes that these non-GAAP financial measures are useful to both shareholders in their analysis of the business and operating performance of the Company. Management operational planning and decision-making purposes. Non-GAAP financial measures are not and should not be compared to any GAAP measures. Additionally, non-GAAP financial measures as presented by Kennedy Wilson may differ from measures reported by other companies.

*Tables Follow*

<b>Kennedy-Wilson Holdings, Inc. and Subsidiaries</b>	
<b>Consolidated Balance Sheets</b>	
<b>(Unaudited)</b>	
	<b>September 30, 2015</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 181,371,000
Short term investments	—
Accounts receivable	6,051,000
Accounts receivable - related parties	31,433,000
Notes receivable	22,444,000
Notes receivable - related parties	5,785,000
Real estate, net of accumulated depreciation	518,047,000
Investments in joint ventures	742,221,000
Investments in loan pool participations	58,774,000
Other assets	51,103,000
Goodwill	23,965,000

<b>Total assets</b>	\$ 1,641,194,000
<b>Liabilities</b>	
Accounts payable	\$ 1,735,000
Accrued expenses and other liabilities	37,220,000
Accrued salaries and benefits	20,081,000
Deferred tax liability	16,937,000
Mortgage loans and notes payable	340,366,000
Senior notes payable	409,196,000
Junior subordinated debentures	40,000,000
<b>Total liabilities</b>	865,535,000
<b>Equity</b>	
Cumulative Preferred stock:	
6.00% Series A, 100,000 shares	—
6.45% Series B, 32,550 shares	—
Common stock	8,000
Additional paid-in capital	792,449,000
Accumulated deficit	(32,049,000)
Accumulated other comprehensive income	5,553,000
Shares held in treasury	—
<b>Total Kennedy-Wilson Holdings, Inc. stockholders' equity</b>	765,961,000

Noncontrolling interests	9,698,000
<b>Total equity</b>	775,659,000
<b>Total liabilities and equity</b>	\$ 1,641,194,000

## Kennedy-Wilson Holdings, Inc. and Subsidiaries

### Consolidated Statements of Operations

(Unaudited)

	For the Three Months Ended		For the
	September 30,		September
	2013	2012	2013
<b>Revenue</b>			
Management and leasing fees	\$ 4,462,000	\$ 4,015,000	\$ 13,
Management and leasing fees - related parties	10,649,000	6,320,000	27,962,
Commissions	836,000	1,477,000	2,296,0
Commissions - related parties	5,025,000	668,000	9,865,0
Sale of real estate	1,546,000	1,275,000	10,060,
Rental and other income	10,690,000	1,485,000	27,452,

<b>Total revenue</b>	33,208,000	15,240,000	91,560,
<b>Operating expenses</b>			
Commission and marketing expenses	1,011,000	1,371,000	2,845,0
Compensation and related expenses	20,956,000	11,364,000	52,840,
Cost of real estate sold	883,000	1,275,000	7,885,0
General and administrative	5,760,000	5,014,000	17,574,
Depreciation and amortization	4,531,000	989,000	12,003,
Rental operating expenses	4,167,000	847,000	11,852,
<b>Total operating expenses</b>	37,308,000	20,860,000	104,990
Equity in joint venture income	9,379,000	1,848,000	20,955,
Interest income from loan pool participations and notes receivable	3,983,000	3,712,000	10,209,
<b>Operating income (loss)</b>	9,262,000	(60,000 )	17,725,
<b>Non-operating income (expense)</b>			
Interest income	205,000	179,000	444,000
Acquisition-related gain	1,668,000	—	11,127,
Acquisition-related expenses	—	—	(510,00
Gain on sale of marketable securities	—	—	—
Interest expense	(13,141,000 )	(6,755,000 )	(37,104



Other	—	(6,000 )	—
<b>Loss from continuing operations before benefit from income taxes</b>	(2,006,000 )	(6,642,000 )	(8,318,000 )
(Provision for) benefit from income taxes	(726,000 )	2,500,000	1,446,000
<b>Loss from continuing operations</b>	(2,732,000 )	(4,142,000 )	(6,872,000 )
<b>Discontinued Operations</b>			
(Loss) income from discontinued operations, net of income taxes	(291,000 )	—	(294,000 )
Gain (loss) from sale of real estate, net of income taxes	338,000	—	555,000
<b>Net loss</b>	(2,685,000 )	(4,142,000 )	(6,611,000 )
Net loss (income) attributable to the noncontrolling interests	652,000	(64,000 )	2,550,000
<b>Net loss attributable to Kennedy-Wilson Holdings, Inc.</b>	(2,033,000 )	(4,206,000 )	(4,061,000 )
Preferred stock dividends and accretion of issuance costs	(2,036,000 )	(2,036,000 )	(6,108,000 )
<b>Net loss attributable to Kennedy-Wilson Holdings, Inc. common shareholders</b>	\$ (4,069,000 )	\$ (6,242,000 )	\$ (10,169,000 )
<b>Basic and diluted earnings per share</b>			

Earnings (loss) per basic and diluted share - continuing operations	\$ (0.06 )	\$ (0.11 )	\$ (0.1 )
Earnings (loss) per basic and diluted share - discontinued	—	—	—
Earnings (loss) per share - basic and diluted <sup>(a)</sup>	\$ (0.06 )	\$ (0.11 )	\$ (0.1 )
Weighted average shares outstanding for basic and diluted	72,643,080	58,043,357	68,486,000
Dividends declared per common share	\$ 0.07	\$ 0.05	\$ 0.20

(a) EPS amounts may not add due to rounding

## Kennedy-Wilson Holdings, Inc. and Subsidiaries

### Adjusted Net Income Attributable to Kennedy Wilson Common Shareholders

(Unaudited)

Three Months Ended		Nine Months Ended
September 30,		September 30,
2013	2012	2013

Net loss attributable to Kennedy-Wilson Holdings, Inc. common shareholders	\$ (4,069,000 )	\$ (6,242,000 )	\$ (10,160,000 )
<b>Non-GAAP adjustments:</b>			
Add back:			
Depreciation and amortization	4,531,000	989,000	12,003,000
Kennedy Wilson's share of depreciation and amortization included in investment in joint ventures	11,871,000	5,085,000	31,348,000
Stock-based compensation	2,035,000	2,922,000	5,466,000
<b>Adjusted Net Income Attributable to Kennedy-Wilson Holdings, Inc. Common Shareholders</b>	<b>\$ 14,368,000</b>	<b>\$ 2,754,000</b>	<b>\$ 38,648,000</b>
<b>Basic weighted average number of common shares outstanding</b>	<b>72,643,080</b>	<b>58,043,357</b>	<b>68,486,876</b>

<b>Basic Adjusted Net Income Attributable to Kennedy-Wilson Holdings, Inc. Common Shareholders Per Share</b>	\$ 0.20	\$ 0.05	\$ 0.56
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## Kennedy-Wilson Holdings, Inc. and Subsidiaries

### EBITDA and Adjusted EBITDA

(Unaudited)

	Three Months Ended		Nine Month
	September 30,		September
	2013	2012	2013
Net loss	\$ (2,685,000 )	\$ (4,142,000 )	\$ (6,611,0
<b>Non-GAAP adjustments:</b>			
Add back:			
Interest expense	13,141,000	6,755,000	37,104,000

Kennedy Wilson's share of interest expense included in investment in joint ventures and loan pool participations	12,688,000	8,364,000	33,405,000
Depreciation and amortization	4,531,000	989,000	12,003,000
Kennedy Wilson's share of depreciation and amortization included in investment in joint ventures	11,871,000	5,085,000	31,348,000
Provision for (benefit from) income taxes	726,000	(2,500,000 )	(1,446,000)
<b>EBITDA</b>	<b>40,272,000</b>	<b>14,551,000</b>	<b>105,803,000</b>
Stock-based compensation	2,035,000	2,922,000	5,466,000
<b>Adjusted EBITDA</b>	<b>\$ 42,307,000</b>	<b>\$ 17,473,000</b>	<b>\$ 111,269,000</b>

Source: Kennedy-Wilson Holdings, Inc.  
Kennedy Wilson  
Christina Cha, 310-887-6294

