

Kennedy Wilson Reports Second Quarter 2013 Earnings

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Adjusted EBITDA increases 97% from same period of last year

BEVERLY HILLS, Calif.--(BUSINESS WIRE)--Aug. 6, 2013-- Kennedy-Wilson Holdings, Inc. (**NYSE: KW**), an investment and services company, today reported a second quarter 2013 Adjusted EBITDA of \$37.1 million for the same period in 2012. For the six months ended June 30, 2013, Adjusted EBITDA was \$69.3 million for the same period in 2012.

Adjusted Net Income for the second quarter 2013 was \$13.8 million or \$0.19 per basic share compared to \$12.5 million for the same period in 2012, or \$0.06 per basic share. U.S. GAAP net loss attributable to common stock for the second quarter 2013 was \$2.5 million, or \$0.03 per basic and diluted share, compared to a loss of \$3.2 million, or \$0.04 per basic and diluted share, for the same period in 2012.

"Our gross investment account crossed the \$1 billion mark during the second quarter demonstrating continued growth in investment opportunities globally," said William McMorrow, chairman and CEO of Kennedy Wilson. "Our distributions continue to increase through strategic acquisitions and focused asset management."

Kennedy Wilson Recent Highlights

Investments business

Investment account

- As of June 30, 2013, our gross investment account was \$1.1 billion, compared to \$908.9 million as of June 30, 2012. Accumulated depreciation and amortization was \$98.3 million and \$71.3 million as of June 30, 2013 and 2012, respectively. The net investment account was \$962.0 million, compared to \$837.6 million at December 31, 2012. For the six months ended June 30, 2013, the net investment account was comprised of \$233.3 million of cash contributed to and income earned from investments, and \$108.9 million of cash distributed from investments.
- As of June 30, 2013, the Company and its equity partners owned 19.3 million rentable square feet of real estate investments in 16,679 apartment units and 60 commercial properties. Additionally, as of June 30, 2013, the Company and its equity partners owned in excess of \$2 billion in unpaid principal balance of loans secured by real estate investments.

Operating metrics

- During the six months ended June 30, 2013, our investments business achieved an EBITDA of \$61.1 million, compared to \$34.7 million for the same period in 2012.
- During the six months ended June 30, 2013, based on our investments in 11,923 same property metrics, net operating income and occupancy at the property level increased by 6%, 7% and 1% compared to the same period in 2012. In addition, based on our investments in 3.0 million square feet of same property metrics, net operating income and occupancy at the property level increased by 13%, 20% and 1% compared to the same period in 2012.

Acquisition program

- From January 1, 2010 through June 30, 2013, the Company and its equity partners have acquired \$1.6 billion of real estate related investments (including unpaid principal balance of loan purchases). During the second quarter 2013, the Company and its equity partners acquired \$1.6 billion of real estate related investments of real estate and \$733.9 million of unpaid principal balance of loans secured by real estate in which the Company and its equity partners own a majority interest and \$51.6 million, respectively. These investments were directed 40% and 60% to the Western US and Ireland, respectively.

- During the second quarter, the Company and its equity partner foreclosed on a Class A office building in Dublin, Ireland. As a result of the foreclosure, the Company and its equity partner recognized a related gain. The Company's portion of the gain was \$15.0 million and was recognized in equity income.

Property level debt financing

- During the six months ended June 30, 2013, the Company and its equity partners completed approximately \$122.1 million of property financings and re-financings at an average interest rate of 3.13% and a weighted average includes re-financings of \$122.1 million at a fixed interest rate of 1.35% in our Japanese multifamily portfolio.
- During the six months ended June 30, 2012, the Company and its equity partners completed approximately \$80.5 million of property financings and re-financings at an average interest rate of 3.07% and a weighted average includes re-financings of \$80.5 million at a fixed interest rate of 1.61% in our Japanese multifamily portfolio.
- As of June 30, 2013, the Company and its equity partners had approximately \$2.6 billion of property debt at fixed interest rates, 18% is floating with interest rate caps and 12% is at floating interest rates.

Key investment updates

UK Loan Pool

- Our book equity in this investment is \$23.0 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 in the United Kingdom with an unpaid principal balance of \$2.1 billion. As of June 30, 2013, the unpaid principal balance due to loan resolutions of approximately \$1.8 billion, representing approximately 85% of the pool. As of June 30, 2013, the Company received \$38.9 million in distributions related to resolutions.

Japan multifamily

- Our book equity in this investment is \$76.7 million; we own 40.9% before carried interest.
- We maintained 96% occupancy in 50 apartment buildings with a total of more than 2,400 units.
- Since Fairfax Financial became our partner in the Japanese multifamily portfolio in September 2012, we have received \$96.0 million, of which our share was \$45.0 million.

Services business

- Management and leasing fees and commissions increased by 44% to \$33.1 million for the six months ended June 30, 2013, from \$23.0 million for the same period in 2012.
- During the six months ended June 30, 2013, our services business achieved an EBITDA of \$14.8 million, compared to \$6.3 million for the same period in 2012.

Corporate financing

- In April 2013, we issued approximately 1.4 million shares of common stock as a result of the underwritten offering, which resulted in gross proceeds of \$21.2 million.

Subsequent events

- In July 2013, the Company and its equity partners have acquired approximately \$418.3 million of real estate, totaling 0.7 million rentable square feet of real estate, comprised of 15 commercial properties, in 11 states.

Ireland in which we invested \$77.4 million.

- In July, the Company drew an additional \$40.0 million on its line of credit to fund acquisitions.

Conference Call and Webcast Details

The Company will hold a live conference call and webcast to discuss results at 7 a.m. PT/ 10 a.m. ET on The direct dial-in number for the conference call is (888) 895-5479 for U.S. callers and (847) 619-6250 for confirmation number for the live call is 35310499.

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 35310499#.

The webcast will be available at: <http://edge.media-server.com/m/p/64nx4hm8/lan/en>. A replay of the webcast will be available for one week beginning 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 an international real estate investment and services company headquartered in the U.S. with 24 offices in the U.S., U.K., Ireland, Spain and Japan. The Company offers a comprehensive array of services including auction, conventional sales, property services, research and investment management. Through its fund management and account businesses, Kennedy Wilson is a strategic investor of real estate investments in the U.S., U.K., and Ireland. For more 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 statements are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended. These forward-looking statements are necessarily estimates and are based on our senior management based on our current estimates, expectations, forecasts and projections and are subject to change based on our current opinions about trends and factors that may impact future operating results. Disclosures that include the words "anticipate," "estimate," "intend," "could," "plan," "expect," "project" or the negative of these, as well as other similar words, are intended to identify forward-looking statements. These statements are not guarantees of future performance and are based on assumptions concerning future events, many of which are outside of our control, and involve known and unknown risks, uncertainties that could cause our actual results, performance or achievement, or industry results, to differ materially from the results, performance or achievements, expressed or implied by such forward-looking statements. These forward-looking statements 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, 2012, as amended by our subsequent filings with the SEC. Any such forward-looking statements made in this report or elsewhere, should be considered in the context of the various disclosures made by us about our business and, without limitation, the risk factors discussed in our filings with the SEC. Except as required under the federal securities laws, 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.

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 such as 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 line items in our pro forma consolidated statements of operations or income that would otherwise be

operations on a GAAP statement. Such information is reconciled to its closest GAAP measure in accord included in the attached supplemental tables. Management believes that these non-GAAP financial measures are useful to management and the Company's shareholders in their analysis of the business and operating performance. Management also uses this information for operational planning and decision-making purposes. Non-GAAP financial measures should not be considered a substitute for any GAAP measures. Additionally, non-GAAP financial measures of Kennedy Wilson may not be comparable to similarly titled measures reported by other companies.

Kennedy-Wilson Holdings, Inc. and Subsidiaries

Consolidated Balance Sheets

(Unaudited)

	June 30, 2013
Assets	
Cash and cash equivalents	\$ 139,651,000
Short term investments	—
Accounts receivable	7,384,000
Accounts receivable - related parties	22,170,000
Notes receivable	12,840,000
Notes receivable - related parties	8,552,000
Real estate, net of accumulated depreciation	488,435,000
Investments in joint ventures	694,664,000
Investments in loan pool participations	68,719,000
Other assets	46,867,000
Goodwill	23,965,000
Total assets	\$ 1,513,247,000

Liabilities		
Accounts payable	\$	2,051,000
Accrued expenses and other liabilities		37,788,000
Accrued salaries and benefits		11,349,000
Deferred tax liability		12,720,000
Mortgage loans and notes payable		318,813,000
Senior notes payable		409,348,000
Borrowings under line of credit		30,000,000
Junior subordinated debentures		40,000,000
Total liabilities		862,069,000
Equity		
Cumulative Preferred stock:		
6.00% Series A, 100,000 shares	—	
6.45% Series B, 32,550 shares	—	
Common stock		7,000
Additional paid-in capital		663,575,000
Accumulated deficit	(22,283,000)
Accumulated other comprehensive income		361,000
Shares held in treasury	—	
Total Kennedy-Wilson Holdings, Inc. stockholders' equity		641,660,000

Noncontrolling interests	9,518,000
Total equity	651,178,000
Total liabilities and equity	\$ 1,513,247,000

Kennedy-Wilson Holdings, Inc. and Subsidiaries

Consolidated Statements of Operations

(Unaudited)

	For the Three Months Ended		For the Six Months Ended
	June 30,		June 30,
	2013	2012	2013
Revenue			
Management and leasing fees	\$ 4,754,000	\$ 4,101,000	\$ 9,463,000
Management and leasing fees - related parties	9,356,000	6,131,000	17,313,000
Commissions	936,000	1,370,000	1,460,000
Commissions - related parties	4,448,000	1,031,000	4,840,000
Sale of real estate	6,096,000	—	8,514,000
Rental income	10,365,000	1,477,000	16,762,000

Total revenue	35,955,000	14,110,000	58,352,000
Operating expenses			
Commission and marketing expenses	1,336,000	1,340,000	1,834,000
Compensation and related expenses	18,264,000	10,294,000	31,884,000
Cost of real estate sold	5,130,000	—	7,002,000
General and administrative	6,387,000	4,888,000	11,814,000
Depreciation and amortization	4,415,000	977,000	7,472,000
Rental operating expenses	4,582,000	921,000	7,685,000
Total operating expenses	40,114,000	18,420,000	67,691,000
Equity in joint venture income	11,920,000	5,108,000	11,576,000
Interest income from loan pool participations and notes receivable	3,281,000	2,876,000	6,226,000
Operating income	11,042,000	3,674,000	8,463,000
Non-operating income (expense)			
Interest income	199,000	1,207,000	239,000
Acquisition-related gain	—	—	9,459,000
Acquisition-related expenses	(510,000)	—	(510,000

Gain on sale of marketable securities	—	—	—
Interest expense	(12,531,000)	(7,054,000)	(23,963,000
Other	—	38,000	—
Loss from continuing operations before benefit from income taxes	(1,800,000)	(2,135,000)	(6,312,000
Benefit from income taxes	469,000	1,138,000	2,172,000
(Loss) income from continuing operations	(1,331,000)	(997,000)	(4,140,000
Discontinued Operations			
(Loss) income from discontinued operations, net of income taxes	—	—	(3,000
Gain (loss) from sale of real estate, net of income taxes	—	—	217,000
Net (loss) income	(1,331,000)	(997,000)	(3,926,000
Net loss (income) attributable to the noncontrolling interests	899,000	(128,000)	1,898,000
Net loss attributable to Kennedy-Wilson Holdings, Inc.	(432,000)	(1,125,000)	(2,028,000
Preferred stock dividends and accretion of issuance costs	(2,036,000)	(2,036,000)	(4,072,000

Net loss attributable to Kennedy-Wilson Holdings, Inc. common shareholders	\$ (2,468,000)	\$ (3,161,000)	\$ (6,100,000)
Basic and diluted earnings per share			
Earnings (loss) per basic and diluted - continuing operations	\$ (0.03)	\$ (0.06)	\$ (0.10)
Earnings (loss) per basic and diluted - discontinued	—	—	—
Earnings (loss) per share - basic and diluted ^(a)	\$ (0.03)	\$ (0.06)	\$ (0.09)
Weighted average shares outstanding for basic and diluted	70,976,247	51,401,674	66,432,823
Dividends declared per common share	\$ 0.07	\$ 0.05	\$ 0.14

^(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

Six Months Ended

	June 30,		June 30,
	2013	2012	2013
Net loss attributable to Kennedy-Wilson Holdings, Inc. common shareholders	\$ (2,468,000)	\$ (3,161,000)	\$ (6,100,000
Non-GAAP adjustments:			
Add back:			
Depreciation and amortization	4,415,000	977,000	7,472,000
Kennedy Wilson's share of depreciation and amortization included in investment in joint ventures	10,167,000	4,000,000	19,477,000
Stock-based compensation	1,662,000	1,207,000	3,431,000
Adjusted Net Income Attributable to Kennedy-Wilson Holdings, Inc. Common Shareholders	\$ 13,776,000	\$ 3,023,000	\$ 24,280,000

Basic weighted average number of common shares outstanding	70,976,247	51,401,674	66,432,823
Basic Adjusted Net Income Attributable to Kennedy-Wilson Holdings, Inc. Common Shareholders Per Share	\$ 0.19	\$ 0.06	\$ 0.37

Kennedy-Wilson Holdings, Inc. and Subsidiaries

EBITDA and Adjusted EBITDA

(Unaudited)

	Three Months Ended		Six Months Ended
	June 30,		June 30,
	2013	2012	2013
Net (loss) income	\$ (1,331,000)	\$ (997,000)	\$ (3,926,000

Non-GAAP adjustments:

Add back:

Interest expense	12,531,000	7,054,000	23,963,000
Kennedy Wilson's share of interest expense included in investment in joint ventures and loan pool participations	10,100,000	7,715,000	20,717,000
Depreciation and amortization	4,415,000	977,000	7,472,000
Kennedy Wilson's share of depreciation and amortization included in investment in joint ventures	10,167,000	4,000,000	19,477,000
Benefit from income taxes	(469,000)	(1,138,000)	(2,172,000)
EBITDA	35,413,000	17,611,000	65,531,000
Stock-based compensation	1,662,000	1,207,000	3,431,000
Adjusted EBITDA	\$ 37,075,000	\$ 18,818,000	\$ 68,962,000

Source: Kennedy-Wilson Holdings, Inc.
Kennedy Wilson
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Vice President of Corporate Communication

