

Kennedy Wilson Reports Third Quarter 2012 Earnings

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Adjusted EBITDA increases by 94% from same period last year

BEVERLY HILLS, Calif.--(BUSINESS WIRE)--Nov. 5, 2012-- Kennedy-Wilson Holdings, Inc. (**NYSE: KW**) ("K real estate investment and services company, today reported a third quarter 2012 net loss attributable share) compared to a net loss attributable to common shareholders of \$6.9 million (or \$0.16 per basic common shareholders, adjusted for stock-based compensation expense, was \$3.3 million (or \$0.06 per 2011 (or \$0.13 per basic share).

The Company's earnings before interest, taxes, depreciation and stock-based compensation expense (increase from \$9.0 million for the same period in 2011.

"The company had a very active and successful third quarter with more than \$650 million of acquisitions Kennedy Wilson. "Our key operating metrics improve each quarter, and we continue to see significant Kennedy Wilson Recent Highlights

Operating metrics

- During the three months ended September 30, 2012, the Company achieved an adjusted EBITDA of \$10.0 million, a 94% increase from \$6.2 million for the same period in 2011.
- During the nine months ended September 30, 2012, the Company achieved an adjusted EBITDA of \$29.0 million, a 29% increase from \$22.5 million for the same period in 2011.

Investments business

Investment Account

- As of September 30, 2012, our investment account (Kennedy Wilson's equity in real estate, joint ventures and other investments) increased to \$658.1 million from \$582.8 million at December 31, 2011. This change was comprised of approximately \$100.0 million of cash contributed to and income earned on investments and approximately \$164.0 million (including depreciation and amortization) of investments.
- As of September 30, 2012, the Company and its equity partners owned 14.6 million rentable square feet of commercial properties. Additionally, as of September 30, 2012, the Company and its equity partners owned 14.6 million rentable square feet of commercial properties.

Operating metrics

- During the three months ended September 30, 2012, our investments business achieved an EBITDA of \$10.0 million, a 108% increase from \$6.0 million for the same period in 2011. There were no material acquisitions during the third quarter.
- During the nine months ended September 30, 2012, our investments business achieved an EBITDA of \$29.0 million, a 29% increase from \$22.5 million (inclusive of \$0.3 million of acquisition related costs) for the same period in 2011.

Acquisition/disposition program

- From January 1, 2010 through September 30, 2012, the Company and its equity partners, acquired 1.5 billion of real estate related investments.
- During the nine months ended September 30, 2012, the Company and its equity partners, acquired \$659.4 million of real estate related investments, including \$659.4 million during the third quarter. We invested \$175.6 million (including \$68.6 million of cash) in these investments.
- The composition of the \$1.5 billion of real estate related investments acquired by the Company and its equity partners through September 30, 2012 is as follows:

- Management and leasing fees and commissions increased by 12% to \$12.5 million for the three months ended September 30, 2012, compared to \$11.2 million for the same period in 2011.
- During the three months ended September 30, 2012, our services business achieved an EBITDA of \$3.5 million, compared to \$3.2 million for the same period in 2011.
- Management and leasing fees and commissions increased by 35% to \$35.5 million for the nine months ended September 30, 2012, compared to \$26.3 million for the same period in 2011.
- During the nine months ended September 30, 2012, our services business achieved an EBITDA of \$10.5 million, compared to \$9.5 million for the same period in 2011.

Corporate financing

- 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.

Subsequent events

- Subsequent to September 30, 2012, we have acquired or have entered into contracts to acquire additional real estate. These acquisitions include 1.8 million rentable square feet of real estate comprised of 926 apartment units and 6 commercial office buildings, as well as wholly owned and joint venture investments.
- Subsequent to September 30, 2012, we have resolved an additional \$190.5 million of the loan portfolio. The total unpaid principal balance of the loan portfolio will be reduced by an amount of \$1.1 billion. Our venture level debt balance will be reduced by an amount of \$1.1 billion.

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 passcode for the conference call is 33644846.

A replay of the call will be available for one week beginning two hours after the live call and can be accessed by international callers. The passcode for the replay is 33644846#.

The webcast will be available at: <http://edge.media-server.com/m/p/ust52w84/lan/en>. A replay of the webcast will be available 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 New York, with offices in Spain and Japan. The company offers a comprehensive array of real estate services including acquisition, development, management, and fund management. Through its fund management and separate account businesses, Kennedy Wilson is a significant provider of real estate services in 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 21(b) of the Securities Exchange Act of 1934. These forward-looking statements are necessarily estimates reflecting the judgment of our senior management and are subject to risks and uncertainties. These statements include comments that express our current opinions about trends and factors that may affect our business, such as "believe," "anticipate," "estimate," "intend," "could," "plan," "expect," "project" or the negative of these terms. These statements are not guarantees of future performance, rely on a number of assumptions, and are subject to risks and uncertainties.

and involve known and unknown risks and uncertainties that could cause our actual results, performance, future results, performance or achievements, expressed or implied by such forward-looking statements and uncertainties described elsewhere in this report and other filings with the Securities and Exchange Commission, our Annual Report on Form 10-K for the year ended December 31, 2011. Any such forward-looking statements in the context of the various disclosures made by us about our businesses including, without limitation, under the federal securities laws and the rules and regulations of the SEC, we do not have any intention, 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), certain information, which includes non-GAAP financial measures (Pro Forma Statements of Operations, Earnings Per Share, Basic Adjusted Net Loss Attributable to Kennedy Wilson Common Shareholders Per Share, and expense line items in our pro forma consolidated statements of operations or income that would be calculated in accordance with GAAP. Such information is reconciled to its closest GAAP measure in accordance with the SEC rules and is included in this report because these non-GAAP financial measures are useful to both management and the Company's shareholders. Management also uses this information for operational planning and decision-making purposes and does not intend to be a substitute for any GAAP measures. Additionally, non-GAAP financial measures as presented by Kennedy Wilson are similar to those used by other companies.

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

Assets

Cash and cash equivalents

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

Mortgage loans payable

Junior subordinated debentures

Total liabilities

Equity

Common stock

Sale of real estate	1,275,000	
Rental and other income	1,485,000	
Total revenue	15,240,000	
Operating expenses		
Commission and marketing expenses	1,371,000	
Compensation and related expenses	11,364,000	
Cost of real estate sold	1,275,000	
General and administrative	5,014,000	
Depreciation and amortization	989,000	
Rental operating expenses	847,000	
Total operating expenses	20,860,000	
Equity in joint venture income (loss)	1,848,000	
Interest income from loan pool participations and notes receivable	3,712,000	
Operating (loss) income	(60,000)
Non-operating income (expense)		
Interest income	179,000	
Remeasurement gain	—	
Gain on sale of marketable securities	—	
Realized foreign currency exchange loss	(6,000)
Interest expense	(6,755,000)
Loss from continuing operations before benefit from income taxes	(6,642,000)

Benefit from income taxes	2,500,000	
Loss from continuing operations	(4,142,000)
Discontinued Operations		
Income from discontinued operations, net of income taxes	—	
Loss from sale of real estate, net of income taxes	—	
Net loss	(4,142,000)
Net (loss) income attributable to the noncontrolling interests	(64,000)
Net loss attributable to Kennedy-Wilson Holdings, Inc.	(4,206,000)
Preferred dividends and accretion of preferred stock issuance costs	(2,036,000)
Net loss attributable to Kennedy-Wilson Holdings, Inc. common shareholders	\$ (6,242,000)
Basic and diluted loss per share attributable to Kennedy-Wilson Holdings, Inc. common shareholders		
Continuing operations	\$ (0.11)
Discontinued operations, net of income taxes	—	
Earning per share - basic and diluted (a)	\$ (0.11)
Weighted average number of common shares outstanding	58,043,357	
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 September 30,
2012

		Pro Rata	
		Unconsolidated	Pro Forma
	Consolidated	Investments	Total
Revenue			
Management and leasing fees	\$ 10,335,000	\$ —	\$ 10,335,000
Commissions	2,145,000	—	2,145,000
Sale of real estate	1,275,000	—	1,275,000
Rental and other income	1,485,000	20,572,000	22,057,000
Interest income	—	4,549,000	4,549,000
Total revenue	15,240,000	25,121,000	40,361,000
Operating expenses			
Commission and marketing expenses	1,371,000	—	1,371,000

Compensation and related expenses	11,364,000	198,000	11,562,000
Cost of real estate sold	1,275,000	—	1,275,000
General and administrative	5,014,000	229,000	5,243,000
Depreciation and amortization	989,000	5,085,000	6,074,000
Rental operating expenses	847,000	7,055,000	7,902,000
Total operating expenses	20,860,000	12,567,000	33,427,000
Equity in joint venture income (loss)	1,848,000	(1,848,000)	—
Interest income from loan pool participations and notes receivable	3,712,000	(3,712,000)	—
Operating (loss) income	(60,000)	6,994,000	6,934,000
Non-operating income (expense)			
Interest income	179,000	(179,000)	—
Gain on sale of interest in joint venture investments	—	2,352,000	2,352,000
Realized foreign currency exchange loss	(6,000)	—	(6,000)
Interest expense	(6,755,000)	(8,364,000)	(15,119,000)

Other non-operating expenses	—	(803,000)	(803,000)
Loss from continuing operations before benefit from income taxes	(6,642,000)	—	(6,642,000)
Benefit from income taxes	2,500,000	—	2,500,000
Loss from continuing operations	\$ (4,142,000)	\$ —	\$ (4,142,000)

Kennedy-Wilson Holdings, Inc. and Subsidiaries
Pro Forma Consolidated Statements of Operations (Non-GAAP)

Nine Months Ended September 30,

2012

Pro Rata

Unconsolidated

Pro Forma

Consolidated

Investments

Total

Revenue

Management and leasing fees	\$ 29,308,000	\$ —	\$ 29,308,000
Commissions	6,165,000	—	6,165,000
Sale of real estate	1,275,000	58,800,000	60,075,000
Rental and other income	4,432,000	54,496,000	58,928,000
Interest income	—	12,687,000	12,687,000
Total revenue	41,180,000	125,983,000	167,163,000
Operating expenses			
Commission and marketing expenses	3,676,000	—	3,676,000
Compensation and related expenses	30,658,000	698,000	31,356,000
Cost of real estate sold	1,275,000	50,100,000	51,375,000
General and administrative	13,571,000	529,000	14,100,000
Depreciation and amortization	2,903,000	12,985,000	15,888,000
Rental operating expenses	2,638,000	18,855,000	21,493,000
Total operating expenses	54,721,000	83,167,000	137,888,000
Equity in joint venture income	12,472,000	(12,472,000)	—

Interest income from loan pool participations and notes receivable	7,126,000	(7,126,000)	—
Operating income	6,057,000	23,218,000	29,275,000
Non-operating income (expense)			
Interest income	2,503,000	(2,503,000)	—
Carried interest on realized investment	—	2,400,000	2,400,000
Gain on sale of interest in joint venture investments	—	2,352,000	2,352,000
Remeasurement gain	—	—	—
Gain on sale of marketable securities	2,931,000	—	2,931,000
Realized foreign currency exchange loss	(80,000)	—	(80,000)
Interest expense	(19,979,000)	(23,364,000)	(43,343,000)
Other non-operating expenses	—	(2,103,000)	(2,103,000)
Loss from continuing operations before benefit from income taxes	(8,568,000)	—	(8,568,000)

Benefit from income taxes	5,121,000	—	5,121,000
Loss from continuing operations	\$ (3,447,000)	\$ —	\$ (3,447,000)

Kennedy-Wilson Holdings, Inc. and Subsidiaries

Adjusted Net Loss Attributable to Kennedy Wilson Common Shareholders

	Three months ended
	September 30,
	2012
Net loss attributable to Kennedy-Wilson Holdings, Inc. common shareholders	\$ (6,242,000)
Non-GAAP adjustments:	
Add back:	
Stock based compensation	2,922,000
Adjusted Net Loss Attributable to Kennedy Wilson Holdings, Inc. Common Shareholders	\$ (3,320,000)

Basic weighted average number of common shares outstanding	58,043,357
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Basic Adjusted Net Loss Attributable to Kennedy Wilson Holdings, Inc. Common Shareholders Per Share	\$ (0.06)
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Kennedy-Wilson Holdings, Inc. and Subsidiaries
EBITDA and Adjusted EBITDA

Three months ended

September 30,

2012

Net loss	\$ (4,142,000)
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Non-GAAP adjustments:

Add back:

Interest expense	6,755,000
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Kennedy Wilson's share of interest expense included in investment in joint ventures and loan pool participations	8,364,000
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Depreciation and amortization	989,000
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Kennedy Wilson's share of depreciation and amortization included in investment in joint ventures	5,085,000
Benefit from income taxes	(2,500,000)
EBITDA	14,551,000
Stock-based compensation	2,922,000
Adjusted EBITDA	\$ 17,473,000

Source: Kennedy-Wilson Holdings, Inc.

Kennedy Wilson

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