

Kennedy Wilson Reports First Quarter 2012 Earnings

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Adjusted EBITDA increases by 27% from same period last year

BEVERLY HILLS, Calif.--(BUSINESS WIRE)--May. 7, 2012-- Kennedy-Wilson Holdings, Inc. (**NYSE: KW**) ("KWH") an international real estate investment and services company, today reported a first quarter 2012 net loss of \$2.5 million (or \$0.05 per basic and diluted share) compared to a net loss of \$1.0 million (or \$0.02 per basic and diluted share) for the same period in 2011. The Company's earnings before interest, taxes, depreciation and stock-based compensation expense (EBITDA) for the first quarter 2012 was \$15.1 million (or \$0.30 per basic and diluted share) compared to \$11.9 million (or \$0.24 per basic and diluted share) for the same period in 2011.

The Company's earnings before interest, taxes, depreciation and stock-based compensation expense (EBITDA) for the first quarter 2012 was \$15.1 million (or \$0.30 per basic and diluted share) compared to \$11.9 million (or \$0.24 per basic and diluted share) for the same period in 2011.

"As part of our original business plans, we have begun to realize gains on some assets acquired in 2010 and 2011," said Robert J. Kennedy, Chairman and CEO of Kennedy Wilson. "We continue to see many opportunities to grow the recurring cash flow of the company through the sale of assets and the achievement of synergies from sales."

Kennedy Wilson Recent Highlights

Balance Sheet

- Our investment account (Kennedy Wilson's equity in real estate, joint ventures, loan investments, and other investments) increased to \$582.8 million at December 31, 2011 due primarily to sales of real estate and marketable securities.
- The Company received distributions from joint ventures and loan pool participations of \$18.5 million during the first quarter 2012 compared to \$3.4 million for the same period in 2011, an increase of \$15.1 million.
- Our cash position increased to \$122.3 million at March 31, 2012 versus \$115.9 million as of December 31, 2011.
- Our corporate debt to book equity as of March 31, 2012 was 0.7 to 1.0.
- Our deal-level leverage stood at 53% as of March 31, 2012.

Operating metrics

- During the three months ended March 31, 2012, the Company achieved an adjusted EBITDA of \$15.1 million (or \$0.30 per basic and diluted share) compared to \$11.9 million (or \$0.24 per basic and diluted share) for the same period in 2011.
- During the three months ended March 31, 2012, the investments business achieved an EBITDA of \$10.1 million (or \$0.20 per basic and diluted share) compared to \$8.5 million (or \$0.17 per basic and diluted share) for the same period in 2011.
- During the three months ended March 31, 2012, the services business achieved an EBITDA of \$2.8 million (or \$0.06 per basic and diluted share) compared to \$1.4 million (or \$0.03 per basic and diluted share) for the same period in 2011.

Acquisition/disposition program

- During the three months ended March 31, 2012, the Company and its equity partners closed or announced the acquisition of approximately 180 units of real estate related investments. Since January 1, 2010, acquisitions total approximately \$5.6 billion.
- During the three months ended March 31, 2012, the Company and its equity partners sold a 180-unit residential development for which our share was \$2.2 million.
- During the three months ended March 31, 2012, the Company sold a portion of its marketable securities for which our share was \$5.5 million.
- Subsequent to March 31, 2012, the Company and its equity partners sold a 213-unit residential development for which our share was \$15.0 million of which our share was \$5.5 million.

- As of May 4, 2012, the Company and its equity partners' apartment portfolio, including units sold

Services business

- Management and leasing fees increased by 74% to \$8.7 million for the three months ended March driven primarily by higher asset management fees.
- Commissions decreased by 38% to \$1.6 million for the three months ended March 31, 2012 from \$ higher acquisition fees in 2011.

Debt financing

- Since January 1, 2011, the Company and its equity partners have completed over \$1.7 billion of p (refinancings) at an average interest rate of 4.1% and a weighted average maturity of 4.1 years.

United Kingdom and Ireland

- In December 2011, we and our equity partners acquired a loan pool secured by real estate located \$2.1 billion. As of May 4, 2012, the unpaid principal balance was \$1.4 billion due to loan resolution pool.
- Subsequent to March 31, 2012, we announced a €250 million capital commitment from Fairfax Fir real estate in the United Kingdom and Ireland. We are under contract to close our first investment apartment building in Dublin, Ireland located adjacent to Google's European headquarters.

Japan

- Maintained 95% occupancy in 50 apartment buildings with over 2,400 units.
- Refinanced approximately \$80 million of property level debt for 5 years at an interest rate of 1.6%
- Since September 2010, we have distributed a total of \$44.7 million of which our share was \$20.9 n

Conference Call and Webcast Details

The Company will hold a live conference call and webcast to discuss results on Tuesday, May 8 at 7:00 The direct dial-in number for the conference call is **(866) 831-6272** for U.S. and Canadian callers and (live call is **32692166**.

A replay of the call will be available for one week beginning two hours after the live call and can be acc and **(617) 801-6888** for international callers. The access code for the replay is **80304293**.

The webcast will be available at: <http://www.media-server.com/m/acs/d37f28463d2521aa7204ee0e69> 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 hea Europe and Japan. The company offers a comprehensive array of real estate services including auction investment management. Through its fund management and separate account businesses, Kennedy V U.S., Europe and Japan. For further information on Kennedy Wilson, please visit www.kennedywilson.

Forward-Looking Statements

Statements made by us in this report and in other reports and statements released by us that are not f the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Sectio

“Exchange Act”). These forward-looking statements are necessarily estimates reflecting the judgment expectations, forecasts and projections and include comments that express our current opinions about Disclosures that use words such as “believe,” “anticipate,” “estimate,” “intend,” “could,” “plan,” “expect” expressions, are intended to identify forward-looking statements. These statements are not guarantee concerning future events, many of which are outside of our control, and involve known and unknown performance or achievement, or industry results, to differ materially from any future results, performance looking statements. These risks and uncertainties may include these factors and the risks and uncertainties the Securities and Exchange Commission (the “SEC”), including the Item 1A. “Risk Factors” section of our December 31, 2011. Any such forward-looking statements, whether made in this report or elsewhere, shall be made by us about our businesses including, without limitation, the risk factors discussed in our filings under the laws and the rules and regulations of the SEC, we do not have any intention or obligation to update pursuant to 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), we have provided certain information, which includes non-GAAP financial measures (pro forma Statements of Income, Earnings Per Share, and Adjusted Earnings Per Share for Kennedy Wilson Common Shareholders, Basic Adjusted Net (Loss) Income Attributable to Kennedy Wilson Common Shareholders, and Adjusted Earnings Before Interest and Taxes). Such information is reconciled to its closest GAAP measure in accordance with the SEC rules and is included for supplemental information only. Management believes that these non-GAAP financial measures are useful to both management and the Company's investors in understanding the performance of the Company. Management also uses this information for operational planning and decision-making. This information should not be considered a substitute for any GAAP measures. Additionally, non-GAAP financial measures are not necessarily comparable to similarly titled measures reported by other companies.

Kennedy-Wilson Holdings, Inc. and Subsidiaries

Consolidated Balance Sheets

M:
20

Assets

Cash and cash equivalents	\$
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Accounts receivable	3,1
Accounts receivable — related parties	19
Notes receivable	8,1
Notes receivable — related parties	34
Real estate, net	11
Investments in joint ventures	33
Investment in loan pool participations	91
Marketable securities	13
Other assets	19
Goodwill	23
Total assets	\$
Liabilities	
Accounts payable	\$
Accrued expenses and other liabilities	27
Accrued salaries and benefits	2,1
Deferred tax liability	22
Senior notes payable	24
Mortgage loans payable	30
Junior subordinated debentures	40
Total liabilities	37

Equity

Common stock	5,0
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Additional paid-in capital	40
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Retained earnings	3,7
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Accumulated other comprehensive income	11
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Shares held in treasury at cost	(1,0
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Total Kennedy-Wilson Holdings, Inc. shareholders' equity	41
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Noncontrolling interests	1,2
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Total equity	41
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Total liabilities and equity	\$
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Kennedy-Wilson Holdings, Inc. and Subsidiaries
Consolidated Statements of Operations

Revenue

Management and leasing fees

Commissions

Sale of real estate

Rental and other income

Total revenue

Operating expenses

Commission and marketing expenses

Compensation and related expenses

Cost of real estate sold

General and administrative

Depreciation and amortization

Rental operating expenses

Total operating expenses

Equity in joint venture income

Interest income from loan pool participations and notes receivable

Operating income

Non-operating income (expense)

Interest income

Gain on sale of marketable securities

Realized foreign currency exchange loss

Interest expense

Income from continuing operation before benefit from (provision for) income taxes

Benefit from (provision for) income taxes

Income from continuing operations

Discontinued Operations

Income from discontinued operations, net of income taxes

Loss from sale of real estate, net of income taxes

Net income

Net income attributable to the noncontrolling interests

Net (loss) income attributable to Kennedy-Wilson Holdings, Inc.

Preferred dividends and accretion of preferred stock issuance costs

Net loss attributable to Kennedy-Wilson Holdings, Inc. common shareholders

Basic and diluted loss per share attributable to Kennedy-Wilson Holdings, Inc. common shareholders

Continuing operations

Discontinued operations, net of income taxes

Earning per share - basic and diluted ^(a)

Weighted average number of common shares outstanding

Dividends declared per common share

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

Kennedy-Wilson Holdings, Inc. and Subsidiaries
Pro Forma Consolidated Statements of Income

Three Months Ended March 31,

2012

2011

Consolidated

**Pro Rata
Unconsolidated
Investments**

Pro Forma Total

Consolidated

Revenue

Management
and leasing fees

\$ 8,741,000

\$ —

\$ 8,741,000

\$

Commissions

1,619,000

—

1,619,000

2,560,000

Sale of real
estate

—

15,200,000

15,200,000

417,000

Rental and
other income

1,470,000

17,801,000

19,271,000

738,000

Interest income

—

2,255,000

2,255,000

—

Total revenue

11,830,000

35,256,000

47,086,000

8,720,000

**Operating
expenses**

Commission and marketing expenses	965,000	—	965,000	638,
Compensation and related expenses	9,000,000	400,000	9,400,000	7,83
Cost of real estate sold	—	11,900,000	11,900,000	397,
General and administrative	3,669,000	100,000	3,769,000	2,81
Depreciation and amortization	937,000	3,900,000	4,837,000	434,
Rental operating expenses	870,000	6,100,000	6,970,000	411,
Total operating expenses	15,441,000	22,400,000	37,841,000	12,5
Equity in joint venture income	5,516,000	(5,516,000)	—	5,25
Interest income from loan pool participations and notes receivable	538,000	(538,000)	—	2,54
Operating income	2,443,000	6,802,000	9,245,000	4,00
Non-operating income (expense)				
Interest income	1,117,000	(1,117,000)	—	266,
Carried interest on realized investment	—	1,900,000	1,900,000	—

Remeasurement gain	—	—	—	—	
Gain on sale of marketable securities	2,931,000		—	2,931,000	—
Realized foreign currency exchange loss	(112,000))	—	(112,000)) —
Interest expense	(6,170,000))	(7,285,000)	(13,455,000)) (1,5
Other non-operating expenses	—		(300,000)	(300,000)) —
Income from continuing operation before benefit from (provision for) income taxes	209,000		—	209,000	2,74
Benefit from (provision for) income taxes	1,483,000		—	1,483,000	(663
Income from continuing operations	1,692,000		—	1,692,000	2,07
Discontinued Operations					
Income from discontinued operations, net of income taxes	2,000		—	2,000	—
Loss from sale of real estate, net of income taxes	(212,000))	—	(212,000)) —
Net income	\$ 1,482,000		\$ —	\$ 1,482,000	\$

Kennedy-Wilson Holdings, Inc. and Subsidiaries

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

Net loss attributable to Kennedy-Wilson Holdings, Inc. common shareholders

Non-GAAP adjustments:

Add back:

Stock based compensation

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

Basic weighted average number of common shares outstanding

Basic Adjusted Net Loss Attributable to Kennedy Wilson Common Shareholders Per Share

Kennedy-Wilson Holdings, Inc. and Subsidiaries
EBITDA and Adjusted EBITDA

Net income

Add back:

Interest expense

Kennedy Wilson's share of interest expense included in investment
in joint ventures and loan pool participations

Depreciation and amortization

Kennedy Wilson's share of depreciation and amortization included
in investment in joint ventures

(Benefit from) provision for income taxes

EBITDA

Stock-based compensation

Adjusted EBITDA

Source: Kennedy-Wilson Holdings, Inc.
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