

Kennedy Wilson Reports Full Year and Fourth Quarter Earnings

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## **The Company's Adjusted EBITDA for FY 2013 grows by 85% to \$185.1 million**

### **Kennedy Wilson increases dividend by 29% to \$0.09 per common share for first quarter 2014**

BEVERLY HILLS, Calif. --(BUSINESS WIRE)--Feb. 26, 2014--Kennedy-Wilson Holdings, Inc. (**NYSE: KW**) ("Kennedy Wilson") and its consolidated subsidiaries (collectively "the Company, our, we, or us"), a global real estate investment and services company, today reported year end 2013 Adjusted EBITDA of \$185.1 million, a 85% increase from \$100.2 million for 2012. For the fourth quarter 2013, Adjusted EBITDA was \$73.9 million, a 65% increase from \$44.7 million for the same period in 2012.

Kennedy Wilson reported Adjusted Net Income to common shareholders for the year end 2013 of \$57.1 million or \$0.80 per basic share, compared to \$31.7 million or \$0.57 per basic share, for the same period in 2012. Income to shareholders for the fourth quarter 2013 was \$18.5 million or \$0.23 per basic share, compared to \$11.5 million or \$0.39 per basic share, for the same period in 2012. Kennedy Wilson's U.S. GAAP net loss attributable to common shareholders for the year end 2013 was \$14.5 million, or \$0.21 per basic and diluted share, compared to a net loss of \$3.9 million, or \$0.07 per basic share and diluted share, for the same period in 2012. U.S. GAAP net income attributable to common shareholders for the fourth quarter 2013 was \$4.3 million, or \$0.05 per basic and diluted share, compared to income of \$8.8 million, or \$0.15 per basic and diluted share, for the same period in 2012. "We had a banner year in 2013 continuing our trend of sourcing attractive investments globally," said Vincent J. McMorrow, chairman and CEO of Kennedy Wilson. "We remain well positioned to take advantage of growth opportunities in 2014 and beyond."

Kennedy Wilson also announced that it will pay a dividend of \$0.09 per share, a 29% increase from the quarter, to common shareholders of record as of March 31, 2014 with a payment date of April 8, 2014. The quarterly payment equates to an annual dividend of \$0.36 per common share.

#### **Recent Highlights**

##### ***Balance Sheet***

- The Company's total assets increased \$515.0 million or 40% to \$1.8 billion at December 31, 2013 from \$1.3 billion at December 31, 2012.
- The Company's total equity increased \$300.1 million or 58% to \$818.9 million at December 31, 2013 from \$518.8 million at December 31, 2012.
- As of December 31, 2013, our gross investment account was \$1.2 billion, compared to \$908.9 million at December 31, 2012. Our net investment account was \$1.1 billion as of December 31, 2013 compared to \$837.6 million at December 31, 2012, after accumulated depreciation and amortization of \$135.7 million and \$71.3 million, respectively. The change in the net investment account was comprised of \$535.8 million of cash contributed to and income earned on investments offset by \$273.1 million of cash distributed to common shareholders.

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

###### ***Operating metrics***

- During the year end December 31, 2013, our investments segment achieved an Adjusted EBITDA of \$185.1 million, a 94% increase from \$88.5 million for the same period in 2012.
- During the year end December 31, 2013, based on the Company and its equity partner's investments, 11,755 same property multifamily units, rental revenues increased 5%, net operating income increased 11%.

and occupancy remained flat at 94% at the property level from the same period in 2012. In addition, on the Company and its equity partner's investments in 2.9 million square feet of same property commercial real estate, rental revenues increased 13%, net operating income increased 17% and increased 5% to 83% at the property level from the same period in 2012.

#### *Acquisition/disposition program*

- During 2013, the Company and its equity partners acquired \$2.8 billion of real estate related investments including unpaid principal balance ("UPB") on loan purchases, in which the Company invested \$300.0 million of equity. Our investments in 2013 were directed 58% to the United Kingdom and Ireland and 42% to the Western U.S. During 2012, the Company and its equity partners acquired \$2.9 billion of real estate related investments including UPB on loan purchases, in which the Company invested \$402.3 million of equity. Our investments in 2012 were directed 69% to Western U.S. and 31% to the United Kingdom and Ireland.
- During the fourth quarter, Kennedy Wilson gained control of certain real estate assets, of which the most significant was the Ritz Carlton, Lake Tahoe hotel investment. As a result of gaining control of the hotel, the Company recognized an acquisition-related gain of \$45.5 million of which \$22.6 million was allocated to noncontrolling equity partners.
- During 2013, the Company and its equity partners sold a total of \$232.3 million of real estate, which resulted in a gain on sale of \$59.2 million (excluding any distributions during the ownership period), of which our share was \$15.6 million (based on \$37.6 million of our equity invested), including 17 commercial buildings, multifamily properties and 53 condos.

#### ***Services business***

- Management and leasing fees and commissions increased by 28% to \$68.1 million for the year ended December 31, 2013 from \$53.3 million for the same period in 2012.
- During the year ended December 31, 2013, our services segment achieved an Adjusted EBITDA of \$24.0 million, a 36% increase from \$20.2 million for the same period in 2012.
- In December 2013, the Company and its equity partners acquired a minority stake in a real estate asset management servicing platform in Spain from Banco Popular that manages €23.0 billion in assets (our share is \$15.6 million of our equity invested).

#### ***Subsequent events***

- On February 25, 2014, we agreed to acquire £122.0 million (approximately \$203.0 million) of ordinary shares in the initial public offering of Kennedy Wilson Europe Real Estate Plc ("KWE", LSE:KWE). Our investments consist of £87.0 million (approximately \$145.0 million) of cash subscription and the contribution of £35.0 million (approximately \$58.0 million) of assets acquired by Kennedy Wilson in the first quarter of 2014. The subscription is conditional on KWE's admission to the London Stock Exchange ("Admission") which is expected to occur on or around February 28, 2014. We will own approximately 13.4% of KWE's total capital immediately following Admission. One of our wholly-owned subsidiaries will act as KWE's

manager, in which capacity we will be entitled to receive certain management and performance fees. In addition, KWE will be provided priority access to all investment opportunities sourced by us in Europe.

- Subsequent to December 31, 2013, the Company and its equity partners have acquired \$329.6 million of real estate related investments that includes 1.7 million rentable square feet of real estate comprising commercial properties along with \$157.4 million of loans secured by real estate. Our equity contribution to these investments is approximately \$150.0 million and represents a 66% ownership. These amounts represent our investment in KWE discussed above.
- In January 2014, Kennedy Wilson issued and sold 9.2 million shares of common stock, resulting in proceeds of \$197.3 million.

#### Conference Call and Webcast Details

Kennedy Wilson will hold a live conference call and webcast to discuss results at 7:00 a.m. PT / 10:00 a.m. ET on Thursday, February 27.

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 36721281.

A replay of the call will be available for one week beginning two hours after the live call and can be accessed at (888) 843-7419 for U.S. callers and (630) 652-3042 for international callers. The passcode for the replay is 36721281#.

The webcast will be available at: <http://edge.media-server.com/m/p/urtn8uyz/lan/en>. A replay of the webcast will be available two hours after the original webcast on the Company's investor relations web site for one week.

#### About Kennedy Wilson

Founded in 1977, Kennedy Wilson is a vertically integrated global real estate investment and services company headquartered in Beverly Hills, CA, with 24 offices in the U.S., U.K., Ireland, Spain and Japan. The company, alone or with partners, invests opportunistically in a variety of real estate related investments, including commercial, multi-family, loan purchases and originations, residential, and hotels. Kennedy Wilson offers a comprehensive array of real estate services including investment management, property services, auctioneering, conventional sales, brokerage and research. For further information on 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 facts constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21 of the Securities Exchange Act of 1934, as amended. These forward-looking statements are necessarily estimates reflecting the judgment of our senior management based on our current estimates and expectations, forecasts and projections and include comments that express our current opinions about factors that may impact future operating results. Disclosures that use words such as "believe," "anticipate," "estimate," "intend," "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 and are based on a number of assumptions concerning future events, many of which are outside of our control, and are subject to known and unknown risks and uncertainties that could cause our actual results, performance or achievements to differ materially from any future results, performance or achievements, expressed in such forward-looking statements. These risks and uncertainties may include the factors and the risks discussed in this report.

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, 2013, as amended by our subsequent filings with the SEC. Any such forward-looking statements, whether made in this report or elsewhere, should be considered in the context of the various disclosures we make about our businesses including, without limitation, the risk factors discussed in our filings with the SEC. As required under the federal securities laws and the rules and regulations of the SEC, we do not have a duty or obligation to update publicly any forward-looking statements, whether as a result of new information, 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) included within this press release, the Company has provided certain information, which includes non-GAAP financial measures (Pro Forma Statements of Operations, Adjusted Net Income Attributable to Kennedy Wilson Common Shareholders, Basic Adjusted Net Income Attributable to Kennedy Wilson Common Shareholders, EBITDA and Adjusted EBITDA). Additionally, there are certain revenue and expense line items in our pro forma consolidated statements of operations or income that would otherwise be classified as discontinued operations on a GAAP statement. Such information is reconciled to its closest GAAP measure in accordance with the SEC rules and is included in the attached supplemental tables. Management believes that these non-GAAP financial measures are useful to both management and Kennedy Wilson's shareholders in their analysis of the Company's business and operating performance of the Company. Management also uses this information for operational planning and decision-making purposes. Non-GAAP financial measures are not and should not be construed as substitutes for any GAAP measures. Additionally, non-GAAP financial measures as presented by Kennedy Wilson may not be comparable to similarly titled measures reported by other companies.

Kennedy-Wilson Holdings, Inc. and Subsidiaries

Consolidated Balance Sheets		
(Unaudited)		
(Dollars in millions, except share amounts)		
	December 31,	
	2013	2012
Assets		
Cash and cash equivalents	\$ 178.2	\$ 180.1
Short term investments	—	10.1

Accounts receivable	5.2	3.6
Accounts receivable—related parties	11.4	22.
Notes receivable	52.7	136
Notes receivable—related parties	4.1	—
Real estate, net of accumulated depreciation of \$15.8 and \$7.4 at December 31, 2013 and 2012	668.8	289
Investments in joint ventures (\$79.0 and \$68.4 carried at fair value as of December 31, 2013 and 2012)	751.4	543
Investments in loan pool participations	34.7	95.
Other assets	68.4	38.
Goodwill	23.9	24.
<b>Total assets</b>	<b>\$ 1,798.8</b>	<b>\$</b>
<b>Liabilities</b>		
Accounts payable	\$ 2.6	\$
Accrued expenses and other liabilities	64.3	29.
Accrued salaries and benefits	32.2	25.
Deferred tax liability	24.1	22.
Mortgage loans and notes payable	407.7	236
Senior notes payable	409.0	409
Junior subordinated debentures	40.0	40.
<b>Total liabilities</b>	<b>979.9</b>	<b>765</b>

## Equity

Cumulative preferred stock, \$0.0001 par value,  
1,000,000 shares authorized, \$1,000 per share  
liquidation preference:

6.00% Series A, 100,000 shares issued and  
outstanding as of December 31, 2013 and 2012,  
mandatorily convertible on May 19, 2015

6.45% Series B, 32,550 shares issued and outstanding  
as of December 31, 2013 and 2012, respectively,  
mandatorily convertible on November 3, 2018

Common stock, \$0.0001 par value, 125,000,000 shares  
authorized, 82,592,607 and 64,789,646 shares issued  
and 82,592,607 and 63,772,598 shares outstanding as  
of December 31, 2013 and 2012, respectively

Additional paid-in capital

Retained earnings (accumulated deficit)

Accumulated other comprehensive income

Shares held in treasury

**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

(Unaudited)

(Dollars in millions, except share amounts and per share data)

	For the Three Months Ended		For the Year Ended	
	December 31,		December 31,	
	2013	2012	2013	2012
<b>Revenue</b>				
Management and leasing fees	\$ 12.2	\$ 11.0	\$ 54.1	\$ 50.0
Commissions	1.8	6.8	14.0	13.0
Rental and other income	15.6	4.1	43.0	8.5
Sale of real estate	—	1.0	10.1	2.3
<b>Total revenue</b>	<b>29.6</b>	<b>22.9</b>	<b>121.2</b>	<b>64.0</b>
<b>Operating expenses</b>				
Commission and marketing expenses	0.8	0.9	3.6	4.6
Rental operating expenses	7.0	1.9	18.9	4.5
Cost of real estate sold	—	1.0	7.9	2.2



Compensation and related expenses	23.9		25.2		76.7		55
General and administrative	6.9		5.8		24.6		19
Depreciation and amortization	5.4		2.0		17.4		4.9
<b>Total operating expenses</b>	44.0		36.8		149.1		91
Equity in joint venture income	8.8		9.1		29.8		21
Interest income from loan pool participations and notes receivable	3.3		2.1		13.5		9.2
<b>Operating (loss) income</b>	(2.3	)	(2.7	)	15.4		3.3
<b>Non-operating income (expense)</b>							
Interest income	0.2		0.4		0.6		2.9
Acquisition-related gain	45.5		25.5		56.6		25
Gain on sale of marketable securities	—		1.4		—		4.3
Acquisition-related expenses	(1.1	)	(0.7	)	(1.6	)	(0.

Interest expense - corporate debt	(10.2 )	(6.6 )	(39.9 )	(26.7 )
Interest expense - property level debt	(4.4 )	(2.0 )	(11.8 )	(2.7 )
Realized foreign currency translation	(2.8 )	—	(2.8 )	—
<b>Income from continuing operations before (provision for) benefit from income taxes</b>	24.9	15.3	16.5	6.7
(Provision for) benefit from income taxes	(4.3 )	(4.9 )	(2.9 )	0.2
<b>Income from continuing operations</b>	20.6	10.4	13.6	6.9
<b>Discontinued Operations</b>				
Loss from discontinued operations, net of income taxes	—	—	(0.3 )	—
Gain (loss) from sale of real estate, net of income taxes	—	—	0.6	(0.1 )
<b>Net income</b>	20.6	10.4	13.9	6.7

Net (income) loss attributable to the noncontrolling interests	(22.9 )	0.4	(20.3 )	(2.
<b>Net (loss) income attributable to Kennedy-Wilson Holdings, Inc.</b>	(2.3 )	10.8	(6.4 )	4.2
Preferred stock dividends and accretion of issuance costs	(2.0 )	(2.0 )	(8.1 )	(8.
<b>Net (loss) income attributable to Kennedy-Wilson Holdings, Inc. common shareholders</b>	\$ (4.3 )	\$ 8.8	\$ (14.5 )	\$
<b>Basic earnings per share</b>				
Income (loss) per basic - continuing operations	\$ (0.05 )	\$ 0.15	\$ (0.21 )	\$
Income (loss) per basic - discontinued	—	—	—	—
Earnings (loss) per share - basic <sup>(a)</sup>	\$ (0.05 )	\$ 0.15	\$ (0.21 )	\$

Weighted average shares outstanding for basic	79,173,585	60,450,450	71,159,919	55
<b>Diluted earnings per share</b>				
Income (loss) per diluted - continuing operations	\$ (0.05 )	\$ 0.15	\$ (0.21 )	\$
Income (loss) per diluted - discontinued	—	—	—	—
Earnings per share - diluted <sup>(a)</sup>	\$ (0.05 )	\$ 0.15	\$ (0.21 )	\$
Weighted average shares outstanding for diluted	79,173,585	61,166,123	71,159,919	55
Dividends declared per common share	\$ 0.07	\$ 0.05	\$ 0.28	\$

<sup>(a)</sup> EPS amounts may not add due to rounding.

## Kennedy-Wilson Holdings, Inc. and Subsidiaries

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

**(Unaudited)**

(Dollars in millions, except share amounts and per share data)

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2013	2012	2013	2012
Net (loss) income attributable to Kennedy-Wilson Holdings, Inc. common shareholders	\$ (4.3 )	\$ 8.8	\$ (14.5 )	\$ 10.9
<b>Non-GAAP adjustments:</b>				
Add back:				
Depreciation and amortization	5.4	2.0	17.4	4.9
Kennedy Wilson's share of depreciation and amortization included in investment in joint ventures	15.4	9.6	46.7	22.0
Share-based compensation	2.0	3.1	7.5	8.1
<b>Adjusted Net Income</b>	<b>\$ 18.5</b>	<b>\$ 23.5</b>	<b>\$ 57.1</b>	<b>\$ 45.9</b>

<b>Basic</b>	79,173,585	60,450,450	71,159,919	55
<b>Weighted</b>				
<b>Average</b>				
<b>Number of</b>				
<b>Common</b>				
<b>Shares</b>				
<b>Outstanding</b>				
<b>Basic Adjusted</b>	\$ 0.23	\$ 0.39	\$ 0.80	\$
<b>Net Income</b>				
<b>Per Share</b>				

## Kennedy-Wilson Holdings, Inc. and Subsidiaries

### EBITDA and Adjusted EBITDA

(Unaudited)

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2013	2012	2013	2012
Net income	\$ 20.6	\$ 10.4	\$ 13.9	\$ 10.4
<b>Non-GAAP adjustments:</b>				
Add back:				
Interest expense - corporate debt	10.2	6.6	39.9	20.6
Interest expense - property level debt	4.4	2.0	11.8	2.0

Kennedy Wilson's share of interest expense included in investment in joint ventures and loan pool participations	11.6	6.1	45.0	29.3
Depreciation and amortization	5.4	2.0	17.4	4.8
Kennedy Wilson's share of depreciation and amortization included in investment in joint ventures	15.4	9.6	46.7	29.3
Provision for (benefit from) income taxes	4.3	4.9	2.9	(0.6)
<b>EBITDA</b>	<b>71.9</b>	<b>41.6</b>	<b>177.6</b>	<b>99.2</b>
Share-based compensation	2.0	3.1	7.5	8.6
<b>Adjusted EBITDA</b>	<b>\$ 73.9</b>	<b>\$ 44.7</b>	<b>\$ 185.1</b>	<b>\$ 107.8</b>

Source: Kennedy-Wilson Holdings, Inc.  
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