

Kennedy Wilson Reports Third Quarter 2011 Earnings

Kennedy Wilson Reports Third Quarter 2011 Earnings

BEVERLY HILLS, Calif., Nov 07, 2011 (BUSINESS WIRE) --

Kennedy-Wilson Holdings, Inc. (**NYSE: KW**) ("Kennedy Wilson" or the "Company"), an international real estate company, today announced its third quarter 2011 net loss attributable to common shareholders of \$6.9 million (or \$0.16 per basic and diluted share) for the same period in 2010. Net loss attributable to common shareholders, an expense, was \$5.6 million (or \$0.13 per basic share) compared to \$4.7 million (or \$0.12 per basic share). The Company's earnings before interest, taxes, depreciation and stock-based and merger-related compensation for the nine months ended September 30, 2011 were \$9.0 million and \$41.6 million, respectively, compared to \$10.0 million and \$41.6 million, respectively, for the same period in 2010, respectively.

"The company had many outstanding achievements in the third quarter, particularly in Europe, which we expect to continue over the next three to five years," said William McMorrow, chairman and CEO of Kennedy Wilson. "We continue to generate recurring income from our investments and services businesses. Based on the fees we have already earned, we continue to execute on our growth strategy, which we outlined at the beginning of 2010."

Kennedy Wilson Recent Highlights

Investments

- Kennedy Wilson's investment account (the Company's equity in real estate, loan investments, and other investments) increased 36.6%, to \$496.9 million as of September 30, 2011 from \$363.7 million as of December 31, 2010. Since December 31, 2010, the Company increased its investment account to approximately \$644.6 million, primarily as a result of its participation in the acquisition of the United Kingdom, its purchase of 180.2 million units of ordinary stock of the Bank of Ireland and the acquisition of the loan portfolio in the United Kingdom.
- During the nine months ended September 30, 2011, the Company, through consolidated and joint ventures, completed approximately \$3.1 billion of real estate acquisitions. The Company's acquisitions (together with its joint ventures) since 2010 total approximately \$5.1 billion.

Services

- The estimated value of the assets under the Company's management ("AUM") increased from approximately \$10 billion at September 30, 2010 to approximately \$12 billion at September 30, 2011. Subsequent to September 30, 2011, the estimated value of the assets under the Company's management increased to approximately \$12 billion, primarily as a result of its participation in the acquisition of the loan portfolio in the United Kingdom.
- Kennedy Wilson auctioned and conventionally sold approximately \$200 million of properties in California through September 30, 2011.

Europe

- In June 2011, Kennedy Wilson Europe was established with offices in Dublin, Ireland and London, with an estimated value of approximately \$2.3 billion constituting real estate primarily located in West and Central Europe.
- During the three months ended September 2011, Kennedy Wilson was involved in the investment in the United Kingdom. The transaction closed in two tranches. The first tranche closed in July 2011 and the Company earned a \$6.4 million transaction fee. The second tranche closed in October 2011 and the Company earned a \$6.4 million transaction fee.
- In August 2011, Kennedy Wilson, along with its institutional partners, agreed to acquire a portfolio of real estate with a principal balance ("UPB") of approximately \$2.3 billion (\$1.8 billion purchase price) secured by real estate. The transaction closed in two tranches. The first tranche closed on October 21, 2011 for \$1.4 billion in equity. The second tranche closed on or around November 29, 2011 for \$400 million. The 27 loans are secured by more than 17 million square feet of real estate.

38% office, 25% multifamily, 25% retail, 9% industrial, 2% hotel and 1% land. 60% of the UPB is low weighted average maturity and a 5.5% weighted average current interest yield (based on purchases (representing an investment by Kennedy Wilson of \$47.8 million) in a joint venture that contributed \$256.0 million loan that is non-recourse to Kennedy Wilson currently bearing interest at a rate of 6.25.0% ownership interest in the first tranche. Additionally, Kennedy Wilson contributed \$67.6 million tranche. The aforementioned joint venture, in which Kennedy Wilson owns a 50% interest, is expected to be the first tranche. Kennedy Wilson charged a 1% acquisition fee (based on purchase price) on the transaction and management fees over the 3-year estimated holding period. Additionally, Kennedy Wilson is entitled to certain thresholds with respect to its investment in the aforementioned joint venture. If these promoted investors earn a larger share of the profits than it would otherwise attain solely through its ownership interest.

Debt Financing and Capital Markets

- Since January 2010, the Company has raised approximately \$4.5 billion of debt and equity through its corporate investment program.
- In April 2011, the Company completed the sale and issuance of \$250 million in aggregate principal of new debt.
- During the nine months ended September 30, 2011, the Company, through consolidated and joint venture property level financings in the United States and Japan at a weighted average interest rate of 3.2%.
- In June 2011, the Company issued 4.8 million shares of common stock to institutional investors for the sale of \$250 million of new debt.

Multifamily Platform

- Kennedy Wilson's current multifamily platform consists of 12,738 units within 77 apartment communities owned by a consolidated subsidiary and has equity investments in joint ventures that own 12,534 units. The units are located in the United States (41%), the United Kingdom (28%), and Japan (19%).
- The Company's multifamily portfolio is 95% occupied and, on a trailing 12-month basis, produced approximately \$1.4 billion of net operating income (annualized for communities purchased in 2011 and assuming stabilization for one community in 2012). The Company's aggregate equity investment in the multifamily portfolio is approximately \$1.4 billion. In many cases, in addition to its ownership percentage, the Company has invested in the portfolio. In many cases, in addition to its ownership percentage, the Company has invested in the portfolio. Management believes that the Company's multifamily investments are generally in supply constrained markets and will continue to be so for the next several years.
- From time to time, depending on market conditions and pricing, Kennedy Wilson plans to sell certain properties and is currently marketing five multifamily properties for sale.

Conference Call and Webcast Details

The company will hold a live conference call and webcast to discuss results on Tuesday, November 8 at 10:00 a.m. Eastern Standard Time. The direct dial-in number for the conference call is **(866) 730-5766** for U.S. and Canada callers and **(855) 444-1111** for international callers. The live call is **67073106**.

A replay of the call will be available for one week beginning two hours after the live call and can be accessed at <http://phx.corporate-ir.net/phoenix.zhtml?p=irol-eventDetails&c=217> or by calling **(617) 801-6888** for international callers. The access code for the replay is **63292834**.

The webcast will be available at: <http://phx.corporate-ir.net/phoenix.zhtml?p=irol-eventDetails&c=217> and will be available 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 Europe and Japan. The Company offers a comprehensive array of real estate services including auction management. Through its fund management and separate account businesses, Kennedy Wilson is a significant presence in Europe and 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 within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and amended (the "Exchange Act"). These forward-looking statements are necessarily estimates reflecting current estimates, expectations, forecasts and projections and include comments that express our current future operating results. Disclosures that use words such as "believe," "anticipate," "estimate," "intend" these, as well as similar expressions, are intended to identify forward-looking statements. These statements are based on a number of assumptions concerning future events, many of which are outside of our control, and involve risks that may cause our actual results, performance or achievement, or industry results, to differ materially from any results or implied by such forward-looking statements. These risks and uncertainties may include those factors discussed in this report and other filings with the Securities and Exchange Commission (the "SEC"), including the Company's Form 10-K for the year ended December 31, 2010. Any such forward-looking statements, whether made in the context of the various disclosures made by us about our businesses including, without limitation, the disclosures required under the federal securities laws and the rules and regulations of the SEC, we do not have any intention of updating 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), we have provided certain information, which includes non-GAAP financial measures (pro forma Statements of Income for Kennedy Wilson Common Shareholders, Basic Adjusted Net (Loss) Income Attributable to Kennedy Wilson Common Shareholders, Adjusted EBITDA). Such information is reconciled to its closest GAAP measure in accordance with the Supplemental Data. Management believes that these non-GAAP financial measures are useful to both management and investors in assessing business and operating performance of the Company. Management also uses this information for operational purposes. GAAP financial measures are not and should not be considered a substitute for any GAAP measures. Accounting for Kennedy Wilson may not be comparable to similarly titled measures reported by other companies.

AUM generally refers to the properties and other assets with respect to which we provide (or participate in) real estate other advice, and which generally consist of real estate properties or loans, and investments in joint ventures. AUM is the extent of our presence in the real estate market, not the basis for determining our management fees. Current AUM is the estimated fair market value of the real estate properties and other assets either wholly-owned or held through joint sponsored funds or investment vehicles and client accounts have invested. Committed (but unfunded) AUM is included in this component of our AUM. The estimated value of development properties is included at the end of the period.

Kennedy-Wilson Holdings, Inc. and Subsidiaries

Consolidated Balance Sheets

Accrued and deferred tax liability

Senior notes payable

Notes payable

Borrowings under line of credit

Mortgage loans payable

Junior subordinated debentures

Total liabilities

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 as of September 30, 2011 and
December 31, 2010, mandatorily convertible on May 19, 2015

6.46% Series B, 32,550 shares issued as of September 30, 2011 and
December 31, 2010, mandatorily convertible on November 3, 2018

Common stock, \$0.0001 par value: 125,000,000 shares authorized, 46,089,646
and 41,291,596 shares issued and 44,974,706 and 40,179,906 shares
outstanding as of September 30, 2011 and December 31, 2010, respectively

Additional paid-in capital

Retained earnings

Accumulated other comprehensive income

Common stock held in treasury, at cost, \$0.0001 par value, 1,114,940 and
1,111,690 held at September 30, 2011 and December 31, 2010, respectively

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 and Comprehensive (Loss) Income

(Unaudited)

Three months ended Septemb

2011**2010**

Revenue

Management and leasing fees \$ 4,862,000 \$ 2,30

Management and leasing fees -- related party 2,989,000 3,829,00

Commissions 1,329,000 1,973,00

Commissions -- related party 1,930,000 2,034,00

Sale of real estate -- --

Rental and other income 1,666,000 1,637,00

Total revenue 12,776,000 11,773,0**Operating expenses**

Commission and marketing expenses 1,641,000 263,000

Compensation and related expenses 8,473,000 12,414,0

Cost of real estate sold -- --

General and administrative	3,329,000	3,457,000
Depreciation and amortization	931,000	616,000
Rental operating expenses	1,195,000	897,000
Total operating expenses	15,569,000	17,647,000
Equity in joint venture (loss) income	(646,000)	5,191,000
Interest income from loan pool participations and notes receivable	1,048,000	4,209,000
Operating income (loss)	(2,391,000)	3,526,000
Non-operating income (expense)		
Interest income	74,000	53,000
Interest income -- related party	561,000	91,000
Remeasurement gain	--	--
Gain on extinguishment of debt	--	--
Loss on extinguishment of debt	--	(4,788,000)
Interest expense	(6,117,000)	(2,198,000)
(Loss) income before benefit from (provision for) income taxes	(7,873,000)	(3,316,000)
Benefit from (provision for) income taxes	2,997,000	(383,000)
Net (loss) income	(4,876,000)	(3,699,000)
Net loss (income) attributable to the noncontrolling interests	42,000	(1,215,000)
Net (loss) income attributable to Kennedy-Wilson Holdings, Inc.	(4,834,000)	(4,914,000)
Preferred dividends and accretion of preferred stock issuance costs	(2,036,000)	(1,804,000)

Net loss attributable to Kennedy-Wilson Holdings, Inc. common shareholders	(6,870,000)	(6,718,000)
Other comprehensive (loss) income, net of tax	(1,783,000)	2,912,000
Total comprehensive (loss) income	\$ (8,653,000)	\$ (3,800,000)
Basic and diluted loss per share		
Basic and diluted loss attributable to Kennedy-Wilson Holdings, Inc. common shareholders	\$ (0.16)	\$ (0.17)
Weighted average number of common shares outstanding	44,016,880	38,961,800
Dividends declared per common share	\$ 0.04	\$ --

Kennedy-Wilson Holdings, Inc. and Subsidiaries

Proforma Statements of (Loss) Income

(Unaudited)

Three Months Ended September 30,

2011

2010

Consolidated

Pro Rata
Unconsolidated
Investments

Proforma Total

Consolidated

Revenue

Management and leasing fees	\$ 7,851,000	\$ --	\$ 7,851,000	\$ 6,100,000
Commissions	3,259,000	--	3,259,000	4,007,000
Sale of real estate	--	3,029,000	3,029,000	--

Rental and other income	1,666,000	12,655,000	14,321,000	1,637,000
Interest income	--	2,459,000	2,459,000	--
Total revenue	12,776,000	18,143,000	30,919,000	11,773,000
Operating expenses				
Commission and marketing expenses	1,641,000	--	1,641,000	263,000
Compensation and related expenses	8,473,000	--	8,473,000	12,414,000
Cost of real estate sold	--	2,522,000	2,522,000	--
General and administrative	3,329,000	--	3,329,000	3,457,000
Depreciation and amortization	931,000	3,849,000	4,780,000	616,000
Rental operating expenses	1,195,000	6,063,000	7,258,000	897,000
Total operating expenses	15,569,000	12,434,000	28,003,000	17,647,000
Equity in joint venture (loss) income	(646,000)	646,000	--	5,191,000
Interest income from loan pool participations and notes receivable	1,048,000	(1,048,000)	--	4,209,000
Operating (loss) income	(2,391,000)	5,307,000	2,916,000	3,526,000

**Non-operating
income
(expense)**

Interest income	635,000	(635,000)	--	144,000
Remeasurement gain	--	--	--	--
Gain on extinguishment of debt	--	--	--	--
Loss on extinguishment of debt	--	--	--	(4,788,000)
Interest expense	(6,117,000)	(4,672,000)	(10,789,000)	(2,198,000)
Loss before provision for income taxes	(7,873,000)	--	(7,873,000)	(3,316,000)
Benefit from (provision for) income taxes	2,997,000	--	2,997,000	(383,000)
Net loss	\$ (4,876,000)	\$ --	\$ (4,876,000)	\$ (3,699,000)

Kennedy-Wilson Holdings, Inc. and Subsidiaries

Proforma Statements of (Loss) Income

(Unaudited)

Nine Months Ended September 30,

2011**2010**

	Consolidated	Pro Rata Unconsolidated Investments	Proforma Total	Consoli
Revenue				
Management and leasing fees	\$ 17,808,000	\$ --	\$ 17,808,000	\$ 16,3
Commissions	8,429,000	--	8,429,000	8,672,00
Sale of real estate	417,000	34,164,000	34,581,000	3,937,00
Rental and other income	3,359,000	46,077,000	49,436,000	2,934,00
Interest income	--	8,838,000	8,838,000	--
Total revenue	30,013,000	89,079,000	119,092,000	31,645,0
Operating expenses				
Commission and marketing expenses	3,015,000	--	3,015,000	2,032,00
Compensation and related expenses	24,562,000	--	24,562,000	29,400,0
Cost of real estate sold	397,000	29,674,000	30,071,000	2,714,00
General and administrative	9,183,000	--	9,183,000	8,263,00
Depreciation and amortization	1,828,000	11,558,000	13,386,000	1,197,00
Rental operating expenses	2,248,000	18,568,000	20,816,000	1,421,00

Total operating expenses	41,233,000	59,800,000	101,033,000	45,027,000
Equity in joint venture income (loss)	7,229,000	(7,229,000)	--	5,162,000
Interest income from loan pool participations and notes receivable	5,835,000	(5,835,000)	--	7,950,000
Operating income (loss)	1,844,000	16,215,000	18,059,000	(270,000)
Non-operating income (expense)				
Interest income	1,234,000	(1,234,000)	--	645,000
Remeasurement gain	6,348,000	--	6,348,000	2,108,000
Gain on extinguishment of debt	--	--	--	16,670,000
Loss on extinguishment of debt	--	--	--	(4,788,000)
Interest expense	(13,874,000)	(14,981,000)	(28,855,000)	(6,492,000)
(Loss) income before provision for income taxes	(4,448,000)	--	(4,448,000)	7,873,000
Benefit from (provision for) income taxes	2,162,000	--	2,162,000	(4,335,000)

Net (loss) income	\$ (2,286,000)	\$ --	\$ (2,286,000)	\$ 3,500,000
--------------------------	-----------------	-------	-----------------	--------------

Kennedy-Wilson Holdings, Inc. and Subsidiaries

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

(Unaudited)

Three months ended September

2011 2010

Net loss attributable to Kennedy-Wilson Holdings, Inc. common shareholders	\$ (6,870,000)	\$ (6,710,000)
--	-----------------	-----------------

Non-GAAP adjustments:

Add back:

Stock based compensation	1,296,000	2,055,000
--------------------------	-----------	-----------

Common stock issuance discount treated as preferred dividend	--	--
--	----	----

Merger-related compensation expense	--	--
-------------------------------------	----	----

Adjusted Net (Loss) Income Attributable to Kennedy Wilson Common Shareholders	\$ (5,574,000)	\$ (4,660,000)
--	------------------------	------------------------

Basic weighted average number of common shares outstanding	44,016,880	38,961,820
---	-------------------	-------------------

Basic Adjusted Net (Loss) Income Attributable to Kennedy Wilson Common Shareholders Per Share	\$ (0.13)	\$ (0.12)
--	-------------------	-------------------

Kennedy-Wilson Holdings, Inc. and Subsidiaries

EBITDA and Adjusted EBITDA

(Unaudited)

	Three months ended September	
	2011	2010
Net (loss) income	\$ (4,876,000)	\$ (3,69
Add back:		
Interest expense	6,117,000	2,198,00
Kennedy-Wilson's share of interest expense included in investment in joint ventures and loan pool participations	4,672,000	4,172,00
Depreciation and amortization	931,000	616,000
Kennedy-Wilson's share of depreciation and amortization included in investment in joint ventures	3,849,000	3,049,00
Loss on early extinguishment of corporate debt	--	4,788,00
Income taxes	(2,997,000)	383,000
EBITDA	7,696,000	11,507,0
Merger-related compensation expense	--	--
Stock-based compensation	1,296,000	2,055,00
Adjusted EBITDA	\$ 8,992,000	\$ 13,5

SOURCE: Kennedy-Wilson Holdings, Inc.

Kennedy Wilson
Christina Cha
Director of Corporate Communication
(310) 887-6294
ccha@kennedywilson.com
www.kennedywilson.com
