

Kennedy Wilson Reports Third Quarter 2011 Earnings

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

Kennedy-Wilson Holdings, Inc. (**NYSE: KW**) ("Kennedy Wilson" or the "Company"), an international real estate company, announced today that it reported a 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) in the third quarter of 2010. 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 periods 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 are confident in our ability 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 previous acquisitions) 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 \$13 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 the United Kingdom 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 Western 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 is expected to occur 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 in the second tranche. The aforementioned joint venture, in which Kennedy Wilson owns a 50% interest, is expected to pay the second 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 investments 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 ventures, completed 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 \$4.5 billion.

### ***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 \$1.4 billion in revenue (annualized for communities purchased in 2011 and assuming stabilization for one community in 2012). The Company's aggregate equity investment in the portfolio is approximately \$1.4 billion, and Kennedy Wilson's aggregate equity investment in the portfolio is approximately \$1.4 billion. In many cases, in addition to its ownership percentage, the Company has a management fee. Management believes that the Company's multifamily investments are generally in supply constrained markets and will appreciate over 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. 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 New York, with offices in Europe and Japan. The Company offers a comprehensive array of real estate services including auction and asset management. Through its fund management and separate account businesses, Kennedy Wilson is a significant provider of real estate services in Europe and Japan. 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 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 include 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, performance or achievement, or industry 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 Item 1A of our Form 10-K for the year ended December 31, 2010. Any such forward-looking statements, whether made in this report or 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 to update or revise our forward-looking statements, whether as a result of new information, future events, changes in assumptions, or otherwise.

In addition to the results reported in accordance with U.S. generally accepted accounting principles (GAAP), the Company has provided certain information, which includes non-GAAP financial measures (pro forma Statements of Income, Adjusted EBITDA, Kennedy Wilson Common Shareholders, Basic Adjusted Net (Loss) Income Attributable to Kennedy Wilson, and Adjusted EBITDA). Such information is reconciled to its closest GAAP measure in accordance with the Supplemental Financial Data. Management believes that these non-GAAP financial measures are useful to both management and investors in assessing the 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 methods used by 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) investment management services, including, but not limited to, the provision of investment management and other advice, and which generally consist of real estate properties or loans, and investments in joint ventures, to the extent of our presence in the real estate market, not the basis for determining our management fees. Our AUM is the estimated fair market value of the real estate properties and other assets either wholly-owned or held in partnership by us, or in sponsored funds or investment vehicles and client accounts have invested. Committed (but unfunded) capital is included in this component of our AUM. The estimated value of development properties is included at

**Kennedy-Wilson Holdings, Inc. and Subsidiaries**

## Consolidated Balance Sheets

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**Assets**

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Cash and cash equivalents

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Accounts receivable

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Accounts receivable -- related parties

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Notes receivable

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Notes receivable -- related parties

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Real estate, net

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Investments in joint ventures (\$45,127,000 and \$34,654,000 carried at fair value  
as of September 30, 2011 and December 31, 2010)

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Loan pool participations

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Marketable securities

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Other assets

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Goodwill

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**Total assets**

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**Liabilities and equity**

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**Liabilities**

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Accounts payable

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Accrued expenses and other liabilities

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Accrued salaries and benefits

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Accrued and deferred tax liability

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Senior notes payable

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Notes payable

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Borrowings under line of credit

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Mortgage loans payable

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Junior subordinated debentures

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**Total liabilities**

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**Equity**

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

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6.00% Series A, 100,000 shares issued as of September 30, 2011 and  
December 31, 2010, mandatorily convertible on May 19, 2015

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

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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

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Additional paid-in capital

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Retained earnings

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Accumulated other comprehensive income

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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

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**Total Kennedy-Wilson Holdings, Inc. shareholders' equity**

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Noncontrolling interests

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**Total equity**

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**Total liabilities and equity**

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**Kennedy-Wilson Holdings, Inc. and Subsidiaries**

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**Consolidated Statements of Operations and Comprehensive (Loss) Income**

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**(Unaudited)**

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**Three months ended Septemb**

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**2011****2010**

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**Revenue**

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Management and leasing fees	\$ 4,862,000	\$ 2,30
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Management and leasing fees -- related party	2,989,000	3,829,00
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Commissions	1,329,000	1,973,00
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Commissions -- related party	1,930,000	2,034,00
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Sale of real estate	--	--
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Rental and other income	1,666,000	1,637,00
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<b>Total revenue</b>	<b>12,776,000</b>	<b>11,773,0</b>
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**Operating expenses**

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Commission and marketing expenses	1,641,000	263,000
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Compensation and related expenses	8,473,000	12,414,0
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Cost of real estate sold	--	--
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General and administrative	3,329,000	3,457,000
Depreciation and amortization	931,000	616,000
Rental operating expenses	1,195,000	897,000
<b>Total operating expenses</b>	<b>15,569,000</b>	<b>17,647,000</b>
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
<b>Operating income (loss)</b>	<b>(2,391,000 )</b>	<b>3,526,000</b>
<b>Non-operating income (expense)</b>		
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)
<b>(Loss) income before benefit from (provision for) income taxes</b>	<b>(7,873,000 )</b>	<b>(3,316,000)</b>
Benefit from (provision for) income taxes	2,997,000	(383,000)
<b>Net (loss) income</b>	<b>(4,876,000 )</b>	<b>(3,699,000)</b>
Net loss (income) attributable to the noncontrolling interests	42,000	(1,215,000)
<b>Net (loss) income attributable to Kennedy-Wilson Holdings, Inc.</b>	<b>(4,834,000 )</b>	<b>(4,914,000)</b>
Preferred dividends and accretion of preferred stock issuance costs	(2,036,000 )	(1,804,000)



<b>Net loss attributable to Kennedy-Wilson Holdings, Inc. common shareholders</b>	(6,870,000 )	(6,718,000 )
Other comprehensive (loss) income, net of tax	(1,783,000 )	2,912,000
<b>Total comprehensive (loss) income</b>	<b>\$ (8,653,000 )</b>	<b>\$ (3,806,000 )</b>
<b>Basic and diluted loss per share</b>		
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	1,637,0
Interest income	--	2,459,000	2,459,000	--
<b>Total revenue</b>	12,776,000	18,143,000	30,919,000	11,773,
<b>Operating expenses</b>				
Commission and marketing expenses	1,641,000	--	1,641,000	263,000
Compensation and related expenses	8,473,000	--	8,473,000	12,414,
Cost of real estate sold	--	2,522,000	2,522,000	--
General and administrative	3,329,000	--	3,329,000	3,457,0
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
<b>Total operating expenses</b>	15,569,000	12,434,000	28,003,000	17,647,
Equity in joint venture (loss) income	(646,000 )	646,000	--	5,191,0
Interest income from loan pool participations and notes receivable	1,048,000	(1,048,000 )	--	4,209,0
<b>Operating (loss) income</b>	(2,391,000 )	5,307,000	2,916,000	3,526,0

**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)
<b>Loss before provision for income taxes</b>	(7,873,000 )	--	(7,873,000 )	(3,316,000)
Benefit from (provision for) income taxes	2,997,000	--	2,997,000	(383,000)
<b>Net loss</b>	\$ (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	Consolidated
<b>Revenue</b>				
Management and leasing fees	\$ 17,808,000	\$ --	\$ 17,808,000	\$ 16,300,000
Commissions	8,429,000	--	8,429,000	8,672,000
Sale of real estate	417,000	34,164,000	34,581,000	3,937,000
Rental and other income	3,359,000	46,077,000	49,436,000	2,934,000
Interest income	--	8,838,000	8,838,000	--
<b>Total revenue</b>	<b>30,013,000</b>	<b>89,079,000</b>	<b>119,092,000</b>	<b>31,645,000</b>
<b>Operating expenses</b>				
Commission and marketing expenses	3,015,000	--	3,015,000	2,032,000
Compensation and related expenses	24,562,000	--	24,562,000	29,400,000
Cost of real estate sold	397,000	29,674,000	30,071,000	2,714,000
General and administrative	9,183,000	--	9,183,000	8,263,000
Depreciation and amortization	1,828,000	11,558,000	13,386,000	1,197,000
Rental operating expenses	2,248,000	18,568,000	20,816,000	1,421,000

<b>Total operating expenses</b>	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
<b>Operating income (loss)</b>	1,844,000	16,215,000	18,059,000	(270,000)
<b>Non-operating income (expense)</b>				
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)
<b>(Loss) income before provision for income taxes</b>	(4,448,000 )	--	(4,448,000 )	7,873,000
Benefit from (provision for) income taxes	2,162,000	--	2,162,000	(4,335,000)

<b>Net (loss) income</b>	\$ (2,286,000 )	\$ --	\$ (2,286,000 )	\$ 3,53
<b>Kennedy-Wilson Holdings, Inc. and Subsidiaries</b>				
<b>Adjusted Net (Loss) Income Attributable to Kennedy Wilson Common Shareholders</b>				
<b>(Unaudited)</b>				
	<b>Three months ended September</b>			
	<b>2011</b>		<b>2010</b>	
Net loss attributable to Kennedy-Wilson Holdings, Inc. common shareholders	\$ (6,870,000 )		\$ (6,71	
<b>Non-GAAP adjustments:</b>				
Add back:				
Stock based compensation	1,296,000		2,055,000	
Common stock issuance discount treated as preferred dividend	--		--	
Merger-related compensation expense	--		--	
<b>Adjusted Net (Loss) Income Attributable to Kennedy Wilson Common Shareholders</b>	<b>\$ (5,574,000 )</b>		<b>\$ (4,66</b>	
<b>Basic weighted average number of common shares outstanding</b>	<b>44,016,880</b>		<b>38,961,82</b>	
<b>Basic Adjusted Net (Loss) Income Attributable to Kennedy Wilson Common Shareholders Per Share</b>	<b>\$ (0.13 )</b>		<b>\$ (0.12</b>	

**Kennedy-Wilson Holdings, Inc. and Subsidiaries****EBITDA and Adjusted EBITDA****(Unaudited)**

	<b>Three months ended September</b>	
	<b>2011</b>	<b>2010</b>
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
<b>EBITDA</b>	<b>7,696,000</b>	<b>11,507,0</b>
Merger-related compensation expense	--	--
Stock-based compensation	1,296,000	2,055,00
<b>Adjusted EBITDA</b>	<b>\$ 8,992,000</b>	<b>\$ 13,5</b>

SOURCE: Kennedy-Wilson Holdings, Inc.

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