

Kennedy-Wilson Holdings, Inc.
Form 10-Q
August 09, 2010
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2010

Or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to .

Commission file number 001-33824

Kennedy-Wilson Holdings, Inc.

(Exact name of Registrant as specified in its charter)

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Delaware
(State or other jurisdiction of
incorporation or organization)

26-0508760
(I.R.S. Employer
Identification No.)

9701 Wilshire Blvd., Suite 700

Beverly Hills, CA 90212

(Address of principal executive offices)

Registrant's telephone number, including area code:

(310) 887-6400

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company.

(See definition of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act). (Check one):

Large Accelerated Filer Accelerated Filer

Non-Accelerated Filer Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares of common stock outstanding as of August 9, 2010 was 41,295,158.

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FORWARD-LOOKING STATEMENTS

Statements made by us in this report and in other reports and statements released by us that are not historical facts constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act) and Section 21 of the Securities Exchange Act of 1934, as amended (the Exchange Act). These forward-looking statements are necessarily estimates reflecting the judgment of our senior management based on our current estimates, expectations, forecasts and projections and include comments that express our current opinions about trends and 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, rely on a number of assumptions concerning future events, many of which are outside of our control, and involve known and unknown risks and uncertainties that could cause our actual results, performance or achievement, or industry results, to differ materially from any future results, performance or achievements, expressed or implied by such forward-looking statements. These risks and uncertainties may include these factors and the risks and 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, 2009. Any such forward-looking statements, whether made in this report or elsewhere, should be considered in the context of the various disclosures made by us about our businesses including, without limitation, the risk factors discussed in our filing with the SEC. Except as required under the federal securities laws and the rules and regulations of the SEC, we do not have any intention or obligation to update publicly any forward-looking statements, whether as a result of new information, future events, changes in assumptions, or otherwise.

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	June 30, 2010	December 31, 2009
Assets		
Cash and cash equivalents	\$ 92,201,000	\$ 57,784,000
Accounts receivable	1,665,000	887,000
Accounts receivable - related parties	6,502,000	4,278,000
Income tax receivable	2,387,000	6,848,000
Notes receivable	27,111,000	541,000
Notes receivable - related parties	5,073,000	6,644,000
Real estate, net	130,248,000	40,581,000
Real estate available for sale		2,472,000
Investments in joint ventures (\$20,301,000 and \$19,612,000) carried at fair value as of June 30, 2010 and December 31, 2009, respectively)	190,594,000	185,252,000
Investments in loan pool participation	12,689,000	
Goodwill and other assets	32,396,000	30,970,000
Total assets	\$ 500,866,000	\$ 336,257,000
Liabilities and equity		
Liabilities		
Accounts payable and other liabilities	\$ 26,914,000	\$ 29,348,000
Line of credit, notes payable, mortgages and other long-term debt	183,172,000	127,573,000
Total liabilities	210,086,000	156,921,000
Equity		
6.0% Convertible Series A Cumulative Preferred stock, \$0.0001 par value: 1,000,000 shares authorized, 100,000 and 0 shares issued as of June 30, 2010 and December 31, 2009, respectively \$1,000 per share liquidation preference, mandatorily convertible on May 19, 2015		
Common stock, \$0.0001 par value: 80,000,000 shares authorized, 41,295,158 and 41,177,658 shares issued as of June 30, 2010 and December 31, 2009, respectively	4,000	4,000
Additional paid-in capital	256,921,000	155,878,000
Retained earnings	24,187,000	18,829,000
Accumulated other comprehensive income	4,789,000	2,603,000
Total Kennedy-Wilson Holdings, Inc. shareholders equity	285,901,000	177,314,000
Noncontrolling interests	4,879,000	2,022,000
Total equity	290,780,000	179,336,000
Total liabilities and equity	\$ 500,866,000	\$ 336,257,000

See accompanying notes to condensed consolidated financial statements.

Table of Contents**Kennedy-Wilson Holdings, Inc. and Subsidiaries****Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)****(unaudited)**

	Three months ended June 30, 2010	\$ 6,152,000 2009	\$ 14,638,000 2010	\$ 11,728,000 2009
Revenue				
Management and leasing fees and commissions	\$ 8,418,000	\$ 6,152,000	\$ 14,638,000	\$ 11,728,000
Sale of real estate			3,937,000	6,272,000
Rental and other income	628,000	665,000	1,297,000	1,300,000
Total revenue	9,046,000	6,817,000	19,872,000	19,300,000
Operating Expenses				
Commission, marketing, compensation and related expenses	8,882,000	6,734,000	18,755,000	11,427,000
Cost of real estate sold			2,714,000	5,752,000
General, administrative, depreciation and amortization	3,344,000	1,432,000	5,387,000	2,684,000
Rental and other expenses	283,000	494,000	524,000	739,000
Total operating expenses	12,509,000	8,660,000	27,380,000	20,602,000
Equity in joint venture loss	(686,000)	(269,000)	(29,000)	(461,000)
Interest on notes receivable	605,000		605,000	
Income from loan pool participation	2,485,000		3,136,000	
Total operating loss	(1,059,000)	(2,112,000)	(3,796,000)	(1,763,000)
Non-operating income (expense)				
Interest income	220,000	76,000	501,000	182,000
Remeasurement gain	2,108,000		2,108,000	
Gain on extinguishment of debt	16,670,000		16,670,000	
Interest expense	(2,180,000)	(2,494,000)	(4,294,000)	(5,061,000)
Other than temporary impairment on joint venture investment		(323,000)		(323,000)
Income (loss) before (provision for) benefit from income taxes	15,759,000	(4,853,000)	11,189,000	(6,965,000)
(Provision for) benefit from income taxes	(5,950,000)	1,562,000	(3,952,000)	2,215,000
Net income (loss)	9,809,000	(3,291,000)	7,237,000	(4,750,000)
Net (income) loss attributable to the noncontrolling interest	(591,000)	210,000	(1,159,000)	267,000
Net income (loss) attributable to Kennedy-Wilson Holdings, Inc.	9,218,000	(3,081,000)	6,078,000	(4,483,000)
Preferred stock dividends and accretion of issuance costs	(720,000)		(720,000)	
Net income (loss) attributable to Kennedy-Wilson Holdings, Inc. common shareholders	8,498,000	(3,081,000)	5,358,000	(4,483,000)
Other comprehensive income (loss), net of tax	2,382,000	(239,000)	2,186,000	117,000
Total comprehensive income (loss)	\$ 10,880,000	\$ (3,320,000)	\$ 7,544,000	\$ (4,366,000)
Basic income (loss) per share:				
Net income (loss) attributable to Kennedy-Wilson Holdings, Inc. common shareholders	\$ 0.22	\$ (0.12)	\$ 0.14	\$ (0.17)

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Weighted average number of common shares outstanding - basic	39,194,046	26,127,298	39,165,380	26,205,047
Diluted income (loss) per share:				
Net income (loss) attributable to Kennedy-Wilson Holdings, Inc. common shareholders	\$ 0.20	\$ (0.12)	\$ 0.14	\$ (0.17)
Weighted average number of common shares outstanding - diluted	43,434,991	26,127,298	39,165,380	26,205,047
Amounts attributable to Kennedy-Wilson Holdings, Inc. common shareholders				
Net income (loss)	\$ 8,498,000	\$ (3,081,000)	\$ 5,358,000	\$ (4,483,000)
Other comprehensive income (loss), net of tax	2,382,000	(239,000)	2,186,000	117,000
	10,880,000	(3,320,000)	7,544,000	(4,366,000)

See accompanying notes to condensed consolidated financial statements.

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Kennedy-Wilson Holdings, Inc. and Subsidiaries

Condensed Consolidated Statement of Equity

(unaudited)

	Preferred Stock		Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Noncontrolling Interests	Total
	Shares	Amount	Shares	Amount					
Balance, December 31, 2009		\$	41,177,658	\$ 4,000	\$ 155,878,000				