



# INVESTOR PRESENTATION

Third Quarter 2018

# Disclaimers

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The Company has not reconciled its EBITDA expectations set forth in this presentation to net income (loss), as items that impact such measures are out of the Company’s control and/or cannot be reasonably predicted. Accordingly, a reconciliation is not available without unreasonable effort.

**NON-GAAP FINANCIAL INFORMATION.** This Presentation may include information based on financial measures that are not recognized under generally accepted accounting principles (“GAAP”). You should use non-GAAP information in addition to, and not as an alternative to, financial information prepared in accordance with GAAP, which is included in the Company’s filings with the SEC.

**CAUTIONARY NOTE REGARDING ESTIMATED / TARGETED RETURNS AND GROWTH.** Targeted returns and growth represent management’s view and are estimated based on current and projected future operating performance of our location in Orlando and other targeted locations, comparable companies in our industry and a variety of other assumptions, many of which are beyond our control, that could prove incorrect. As a result, actual results may vary materially with changes in our liquidity or ability to obtain financing, changes in market conditions and additional factors described in our reports filed with the SEC, which we encourage you to review. We undertake no obligation to update these estimates. See above for more information on forward-looking statements.



# Drive Shack (NYSE: DS)

*Drive Shack is a leisure company spanning across traditional & entertainment golf*



NYSE: DS  
Publicly Traded Since 2002



**Traditional Golf**

- ▶ 72 golf courses across 12 states<sup>(1)</sup>
- ▶ 4 million rounds of golf played per year<sup>(2)</sup>



**Entertainment Golf**

- ▶ 1 site in operation; opened April 2018
- ▶ 6 additional sites in development

# 3Q 2018 Business Highlights & Subsequent Events<sup>(1)</sup>

## **Management** New Additions to Leadership Team

- ✓ Ken May, CEO & President – Former CEO of Topgolf & FedEx Kinko's  
*Proven track record as a golf entertainment innovator and operator*
- ✓ David Hammarley, CFO – Former CFO of sbe & various roles at Starwood  
*+20 years of financial leadership experience in the hospitality industry*

## **Drive Shack** New York City Venue

- ✓ Awarded highly coveted municipal opportunity to build in Manhattan, NY
- ✓ American Golf to operate existing driving range beginning in April 2019
- ✓ Aim to break ground on Drive Shack New York City in 2020

## **American Golf** Substantial Progress in Portfolio Optimization

- ✓ 18 properties sold, in contract or under LOI
- ✓ Expect \$125 million to close by 4Q 2018 and additional \$50 million by 1Q 2019<sup>(2)</sup>
- ✓ Expect to add +10 new management agreements by YE

Based on management's current views and estimates. See "Disclaimers" at the beginning of this Presentation for more information on forward-looking statements.

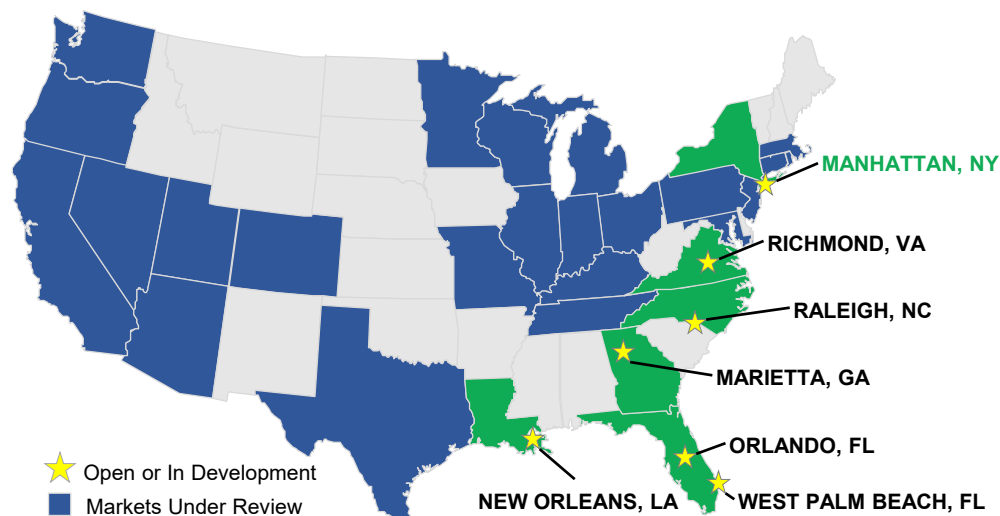
1) As of November 7, 2018.

2) Management estimates as informed by offers received by the Company and broker opinion valuations provided by a national real estate brokerage company.

# Entertainment Golf – Building Towards Rapid National Expansion

## New Flagship Site Announcement: *Drive Shack New York City*

- Leveraging operational and municipal golf experience to unlock key sites, like New York City
- 6 sites expected to open or break ground in 2019 and 2020
- Average estimated cost of ~\$30 million to develop<sup>(1)</sup>
- Aim to generate \$3 to \$6 million of total target site level EBITDA, on average<sup>(2)</sup>



### Illustrative Economics

(\$ in millions)

Annual Visitors 325K 450K

Spend / Visitor \$50 \$50

**Total Venue Revenue \$16 \$23**

Operating Costs<sup>(3)</sup> (\$13) (\$17)

**Total Target Site EBITDA \$3M \$6M**

Based on management's current views and estimates. See "Disclaimers" at the beginning of this Presentation for more information on forward-looking statements.

1) \$30 million average targeted development cost per site includes construction costs, soft costs, start-up expenses and cost of land, if applicable.

2) There can be no assurance that we will achieve Target Site EBITDA and actual results may differ materially.

3) Operating Costs include, but not limited to, cost of goods sold, payroll costs of site employees, facility expenses, and rent expense, if applicable.

# Entertainment Golf – Drive Shack Orlando<sup>(1)</sup>

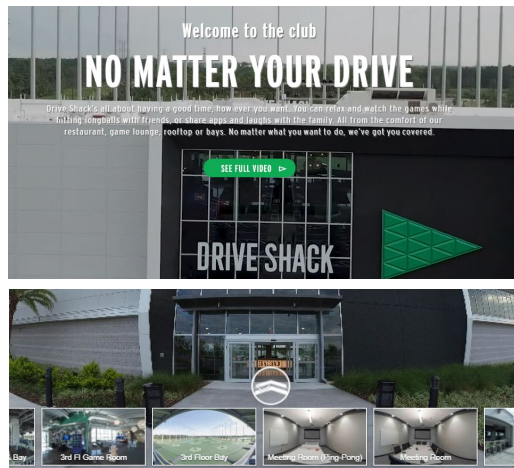
- **Revenue predominantly driven by Food & Beverage and BayPlay**
  - 82K total visitors since open
  - To date, visitor mix has been 65% male vs. 35% females and average visit length of ~2 hours<sup>(2)</sup>
- **Focus on strategy that both grows Orlando and scales nationally as we launch future sites**
  - Event Sales – Selling into larger, longer lead time events for 4Q 2018 and FY 2019
  - Marketing – Focusing on brand and product awareness through street team activations, brand videos, and virtual tours
  - Sponsorship – Engaging with both local and national partners for Orlando and future sites

## VISITORS TO DATE<sup>(2)</sup>

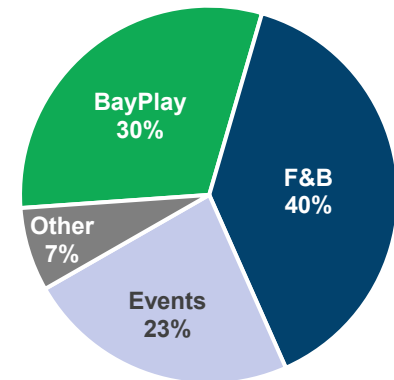
**2**  
HOURS  
**AVG. VISIT LENGTH**

**65/35**  
**MALE VS. FEMALE**

## BRAND AWARENESS



## REVENUE TO DATE<sup>(3)</sup>



Based on management's current views and estimates. See "Disclaimers" at the beginning of this Presentation for more information on forward-looking statements.

1) "To date" refers to open through September 30, 2018.

2) Average visit length refers to time spent playing games in the bay.

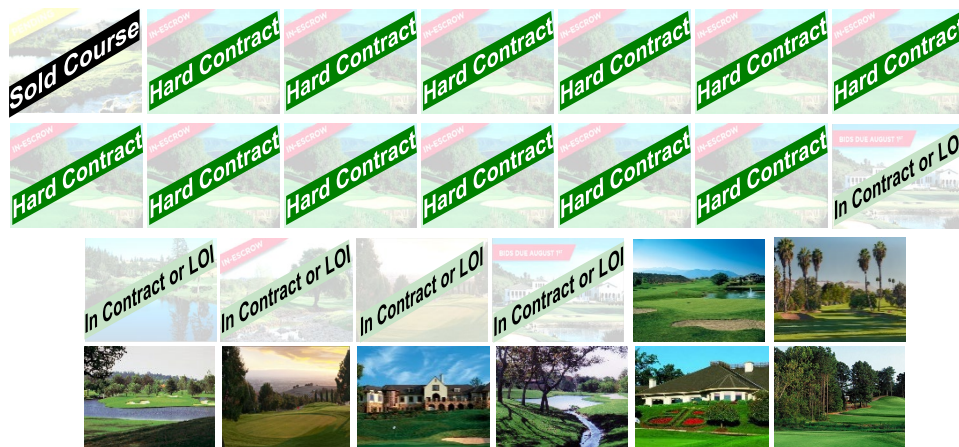
3) Sales from: 1) Events include food & beverage related to the event; 2) BayPlay represent non-event sales from hourly golf in the bays; 3) Other include membership, instructions, and merchandise.

# Traditional Golf – Optimize Cash Flow

- **Total estimated value of owned courses is ~\$220 to \$260 million<sup>(1)</sup>**
  - By 1Q 2019, we plan to have sold 24 out of 26 courses for ~\$175 million of gross proceeds
- **Leveraging scalable platform to add higher-margin management contracts**
  - Add +10 new agreements by 2018 YE and 5 to 10 per year thereafter
  - Run-rate American Golf annual cash flow of +\$10 million<sup>(2)</sup>
- **Grow Drive Shack using ~\$200 to \$250 million of estimated net sale proceeds and cash on hand<sup>(3)</sup>**

## OWNED COURSES: 26

*18 sold/in contract or LOI; 8 marketed*



## American Golf Properties

*Est. 2019 post sale run-rate cash flow of +\$10M<sup>(2)</sup>*

Courses	Ending 3Q 2018	Post 24 Course Sales
Owned	25	2
Leased	37	37
Managed	10	21 to 26
<b>TOTAL</b>	<b>72</b>	<b>60 to 65</b>

Based on management's current views and estimates. See "Disclaimers" at the beginning of this Presentation for more information on forward-looking statements.

1) Management estimates as informed by offers received by the Company and broker opinion valuations provided by a national real estate brokerage company.

2) Run-rate American Golf company cash flow is pro forma for 24 owned courses sold. +\$10 million of run-rate Company targeted cash flow is calculated as follows: (a) +\$34 million of targeted course EBITDA less (b) ~\$24 million of targeted total maintenance capital expenditures, cart & equipment lease expenses, and targeted run-rate corporate overhead expenses.

3) ~\$200 to \$250 million of liquidity represents (a) Estimated gross sale value of ~\$220 to \$260 million less \$102 million of debt plus (b) \$100 million of total cash less ~\$10 million of working capital at American Golf, equaling ~\$90 million as of September 30, 2018.

# Financial Results



# Third Quarter 2018 Financial Results

- GAAP Loss of \$15 million, or \$0.23/share vs. GAAP Loss of \$0.03/share in 3Q 2017

## Financial Results

	3Q 2018		3Q 2017	
	(\$ in millions)	(basic share)	(\$ in millions)	(basic share)
<b>GAAP Loss</b>	(\$15)	(\$0.23)	(\$2)	(\$0.03)



# Consolidated Balance Sheet

(\$ in thousands)

Assets	As of 9/30/2018	As of 12/31/2017
<b>Current Assets:</b>		
Cash and cash equivalents	\$99,389	\$167,692
Restricted cash	4,176	5,178
Accounts receivable, net	9,209	8,780
Real estate assets, held-for-sale, net	158,602	2,000
Real estate securities, available-for-sale	3,202	2,294
Other current assets	26,257	21,568
<b>Total Current Assets</b>	<b>300,835</b>	<b>207,512</b>
Restricted cash, noncurrent	1,012	818
Property and equipment, net of accumulated depreciation	101,582	241,258
Intangibles, net of accumulated amortization	50,121	57,276
Other investments	22,265	21,135
Other assets	10,950	8,649
<b>Total Assets</b>	<b>\$486,765</b>	<b>\$536,648</b>
<b>Liabilities</b>		
<b>Current Liabilities:</b>		
Credit facilities and obligations under capital leases	\$106,377	\$4,652
Membership deposit liabilities	8,863	8,733
Accounts payable and accrued expenses	40,487	36,797
Deferred revenue	6,880	31,207
Real estate liabilities, held-for-sale	5,147	—
Other current liabilities	14,646	22,596
<b>Total Current Liabilities</b>	<b>182,400</b>	<b>103,985</b>
Credit facilities and obligations under capital leases - noncurrent	11,582	112,105
Junior subordinated notes payable	51,202	51,208
Membership deposit liabilities, noncurrent	89,549	86,523
Deferred revenue, noncurrent	7,817	6,930
Other liabilities	5,247	4,846
<b>Total Liabilities</b>	<b>\$347,797</b>	<b>\$365,597</b>
<b>Stockholders' Equity</b>		
Preferred Stock	\$61,583	\$61,583
Common Equity	77,385	109,468
<b>Total Stockholders' Equity</b>	<b>\$138,968</b>	<b>\$171,051</b>
<b>Total Liabilities &amp; Stockholders' Equity</b>	<b>\$486,765</b>	<b>\$536,648</b>



# Consolidated Statement of Operations

(\$ in thousands, except per share data)

Statement of Operations	3 months ended Sept. 30, 2018	3 months ended Sept. 30, 2017	9 months ended Sept. 30, 2018	9 months ended Sept. 30, 2017
<i>Revenues:</i>				
<i>Golf operations</i>	\$68,928	\$62,034	\$191,632	\$168,969
<i>Sales of food and beverages</i>	18,491	19,657	53,451	53,223
<b>Total revenues</b>	<b>\$87,419</b>	<b>\$81,691</b>	<b>\$245,083</b>	<b>\$222,192</b>
<i>Operating costs:</i>				
<i>Operating expenses</i>	70,330	63,384	194,751	175,920
<i>Cost of sales – food and beverages</i>	5,180	5,721	15,413	15,762
<i>General and administrative expense</i>	10,149	8,188	29,611	22,734
<i>Management fee to affiliate</i>	-	2,678	-	8,032
<i>Depreciation and amortization</i>	4,495	6,187	14,358	17,952
<i>Pre-opening costs</i>	245	141	2,048	191
<i>Impairment</i>	4,172	28	5,645	60
<i>Realized and unrealized (gain) loss on investments</i>	48	(315)	(283)	6,361
<b>Total operating costs</b>	<b>\$94,619</b>	<b>\$86,012</b>	<b>\$261,543</b>	<b>\$247,012</b>
<b>Operating Loss</b>	<b>(7,200)</b>	<b>(4,321)</b>	<b>(16,460)</b>	<b>(24,820)</b>
<i>Other income (expenses):</i>				
<i>Interest and investment income</i>	467	8,418	1,382	22,701
<i>Interest expense, net</i>	(4,290)	(4,770)	(12,940)	(15,335)
<i>Other (loss) income, net</i>	(3,052)	202	(7,157)	372
<b>Total other income (expenses)</b>	<b>(6,875)</b>	<b>3,850</b>	<b>(18,715)</b>	<b>7,738</b>
<b>Loss before income tax</b>	<b>(\$14,075)</b>	<b>(\$471)</b>	<b>(\$35,175)</b>	<b>(\$17,082)</b>
<i>Income tax (benefit) expense</i>	-	(2)	-	1,047
<b>Net loss</b>	<b>(\$14,075)</b>	<b>(\$469)</b>	<b>(\$35,175)</b>	<b>(\$18,129)</b>
<i>Preferred dividends</i>	(1,395)	(1,395)	(4,185)	(4,185)
<b>Loss Applicable to Common Stockholders</b>	<b>(\$15,470)</b>	<b>(\$1,864)</b>	<b>(\$39,360)</b>	<b>(\$22,314)</b>
<i>Per WA Basic Share</i>	<i>(\$0.23)</i>	<i>(\$0.03)</i>	<i>(\$0.59)</i>	<i>(\$0.33)</i>

