



Drive Shack Investor Presentation

Second Quarter 2019

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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.

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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 – Second Quarter Highlights

Generation 2.0 Venues Open Soon

- In the next 3 months, opening **3 new venues** in Raleigh, Richmond, and West Palm Beach
 - Will feature new **tech**, enhanced **gaming** and updated **F&B** offerings
- Retrofit **Orlando** with improvements made in new venues; continue use as beta site

Innovation Across Product Adjacencies

- Refined our focus on product adjacencies – along with DS 2.0 enhancements, focused on:
 - **Mid-Size** (72 bays) – for smaller markets
 - **Urban Box** (indoor, small format) – for dense urban markets
- Expertise applied to smaller stores that will expand the store potential by **150+ markets**

Golf Course Sales Progress

- Closed 4 courses for **\$20M** of gross proceeds in Q2; to date, total proceeds of **~\$140M**
- Expect additional **~\$35M** across 4 courses by year end 2019

Newest Member of Leadership Team

- **Hana Khouri** appointed to serve as Drive Shack's President
- Previously served as National and International Director of Operations at Topgolf
- Hana has opened over 20+ entertainment golf venues globally



Drive Shack Today

- Transformation from traditional golf course owner and operator to an “eatertainment” golf operating company is nearly complete

Drive Shack Inc. Portfolio Mix			
	YE 2018	YE 2019	YE 2020
American Golf			
Owned Courses	13	2	1
Leased Courses ⁽¹⁾	36	36	37
Managed Courses	17	22	22+
Drive Shack			
Operating Venues ⁽²⁾	1	4	7 to 9
Development Pipeline	6	10	15

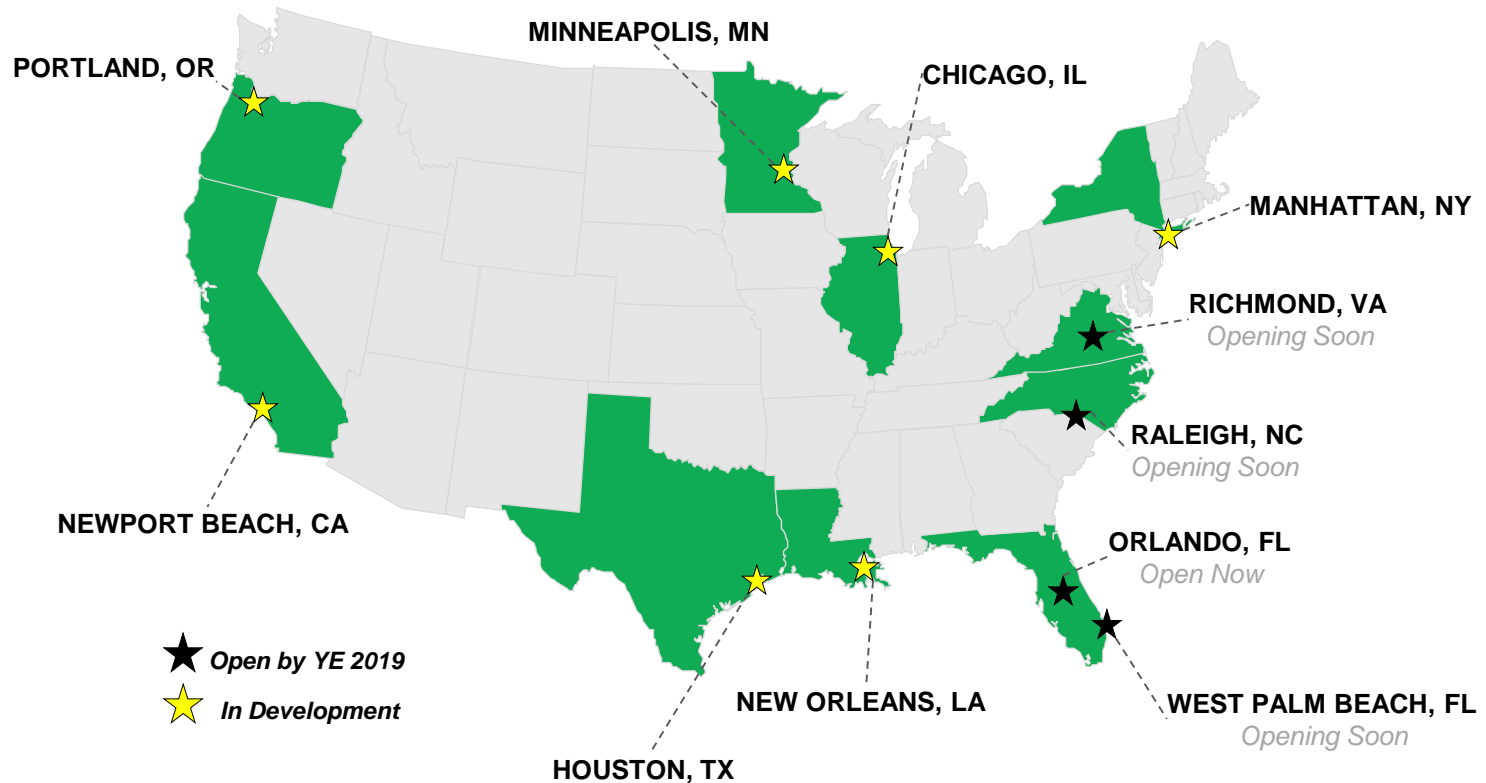
Based on management's current views and estimates. See "Disclaimers" at the beginning of this Presentation for more information on forward-looking statements.

1) Addition represents Randall's Island license to be operated under AGC prior to Drive Shack venue construction.

2) 2019 Operating Venues include Raleigh, Richmond, and West Palm, opening in August, September, and October, respectively.

Development – High Quality Locations in Growing Pipeline

- **New Openings** – Raleigh, Richmond, and West Palm Beach to open in 2019
- **Development** – Expect to open an additional 3 – 5 new sites in 2020
 - *7 announced sites currently in development – expected to open or break ground across 2020 and 2021*
- **Active Pipeline** – 30 sites identified, analyzing economics and negotiating initial terms



Drive Shack 2.0

- **Next generation features new tech, enhanced gaming and updated F&B offerings**
 - Exclusive Trackman™ ball tracking technology integrated in new sites
 - Redesigned outfield to further interactive gaming capabilities
 - *Complements gaming platform that has capabilities to consistently refresh, update, and roll out new games*
 - New food and beverage menu featuring seasonal and local offerings
- **Used Orlando as beta site to identify series of key changes for new sites**

Trackman™ Integration & Range Redesign

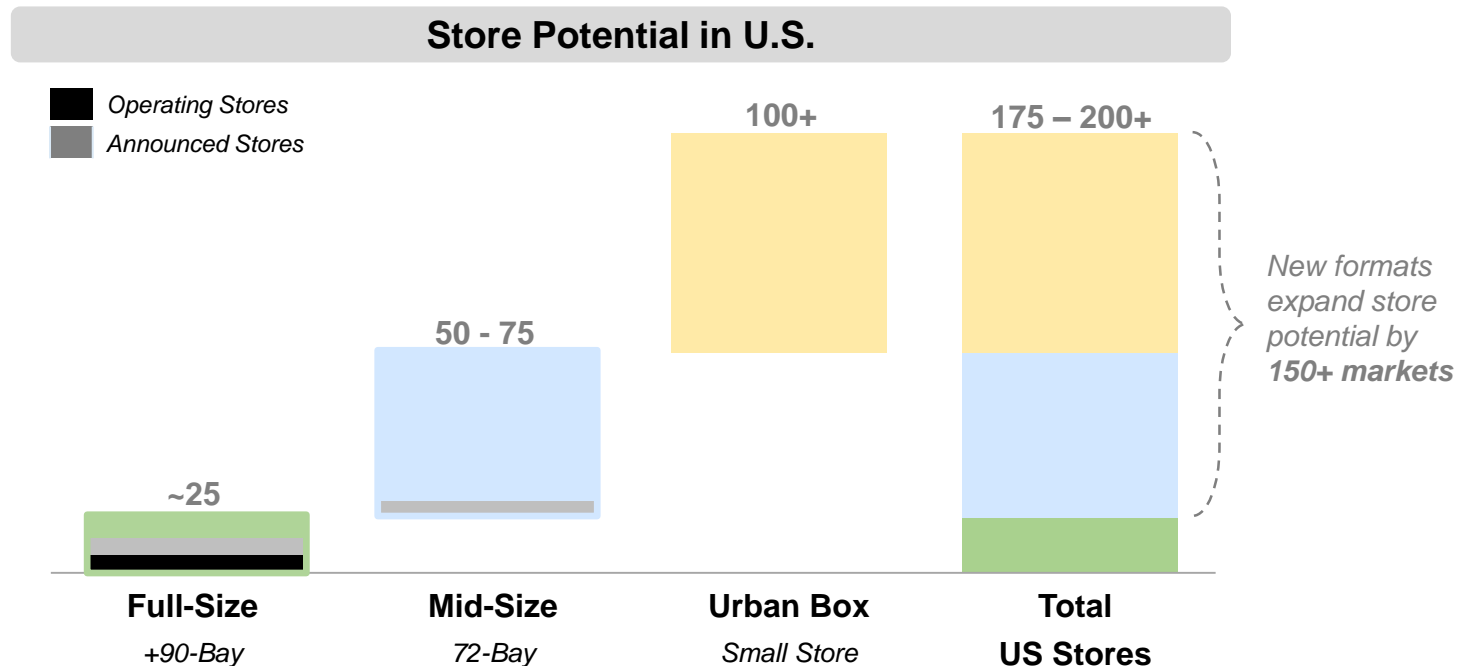


Updated F&B Menu



Innovation is the Key to Long Term Success

- **Started with Full-Size Drive Shack stores in major metropolitan markets**
 - Over the next 3 months we will open 3 Full-Size venues
- **2 major initiatives that we are pursuing**
 1. **Mid-Size Venue**— 72-bay store designed for smaller markets with population of ~500K people
 2. **Urban Box** – Indoor, small-format store designed for dense urban locations
- **New initiatives retain key elements of large format venues – Golf + F&B + Dynamic Technology**



Target Unit Economics & Site Additions

Drive Shack Unit Economics

- Target site-level EBITDA margins of **~25-30%** with **20+** stores open by **2022**
- Aim to open first Mid-Size venue and Urban Box in **2020**

Target Unit Economics			
\$ in millions	Full-Size 90-Bay	Mid-Size 72-Bay	Urban Box Small Store
Size (sq. ft.)	~60K+	~50K	~20K
Cost to Build ⁽¹⁾	~\$35	~\$25	\$5 - \$8
Total Revenue	\$20 - \$25	\$15 - \$20	\$7 - \$9
EBITDA Margin ⁽²⁾	~25%	~25%	~27-30%

Target Site Additions				
	2019	2020	2021	2022
New Sites	3	3 - 5	5 - 10	5 - 10
Full-Size	3	-	1	2
Mid-Size	-	2 - 3	1 - 4	0 - 3
Urban Box	-	1 - 2	3 - 5	3 - 5

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

1) Average build cost target is inclusive of all construction costs, soft costs, start-up and expenses, if applicable.

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

Orlando – Second Quarter Results

- Orlando TTM results –

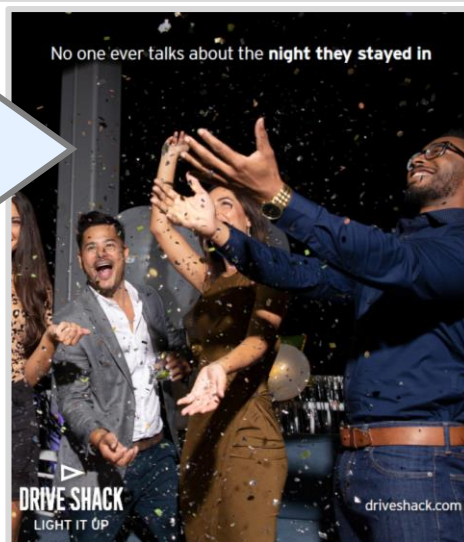
- Revenue of ~\$6.3M, Total Visitors of ~160K, Spend per Visitor of ~\$40
- To date largest portion of revenue accounted for by food & beverage

- Will retrofit Orlando with 2.0 enhancements, including Trackman™ technology and range redesign

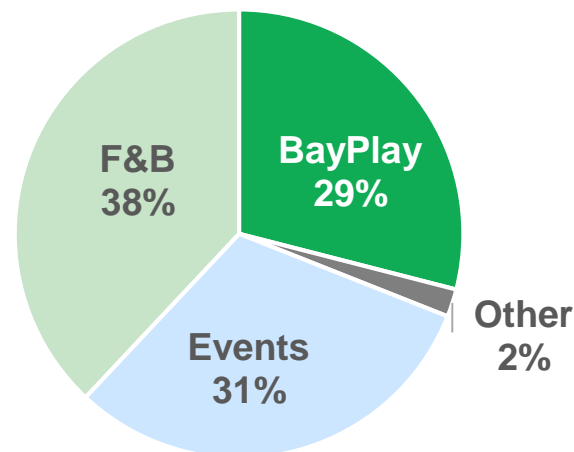
- Expect new technology to extend length of visit resulting in an uplift in Spend per Visitor

- New brand strategy emphasizing entertainment – aim to be top social “eatertainment” experience

Brand Shift from Golf to Entertainment



Revenue to Date⁽¹⁾



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 as of August 6, 2019.

Traditional Golf Portfolio Update⁽¹⁾

- To date 20 courses sold for **~\$140M**; expect additional **~\$35M** from 4 courses by year end
 - Additional long term course sales from 2 courses with estimated value of **~\$45M to \$65M**
- Leveraging scalable platform to add higher-margin management contracts
 - Successfully added 11 new management contracts since for **~\$2M** of annual cash flow⁽²⁾
- Expect annual revenue of **~\$175M** and course-level EBITDA margin of **~15-20%** by 2020

American Golf Portfolio Mix by 2019

	YE 2018		YE 2019	
	# of Properties		# of Properties	
Owned	13	Monetize	2	
Leased	36	Maintain	36	
Managed	17	Multiply	22	
Total	66		61+	

Optimized portfolio to generate:

- ✓ Annual revenue of **\$175M**
- ✓ Course EBITDA margins of **~15-20%**

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 as of August 6th, 2019.

2) Added 11 new management contracts since December 2018.

Financial Appendix

Second Quarter 2019 Financial Results

- GAAP Loss of \$14 million, or \$0.21/share vs. GAAP Loss of \$0.09/share in 2Q 2018

Financial Results

	2Q 2019		2Q 2018	
	(\$ in millions)	(basic share)	(\$ in millions)	(basic share)
GAAP Loss	(\$14)	(\$0.21)	(\$6)	(\$0.09)



Consolidated Statement of Operations

(\$ in thousands, except per share data)

Statement of Operations	3 months ended 30-Jun-19	3 months ended 30-Jun-18	6 months ended 30-Jun-19	6 months ended 30-Jun-18
<u>Revenues:</u>				
Golf operations	\$57,386	\$69,150	\$102,092	\$122,704
Sales of food and beverages	14,229	21,854	23,475	34,960
Total revenues	\$71,615	\$91,004	\$125,567	\$157,664
<u>Operating costs:</u>				
Operating expenses	58,720	67,042	106,443	124,421
Cost of sales – food and beverages	3,904	6,193	6,601	10,233
General and administrative expense	13,607	10,268	25,226	19,462
Depreciation and amortization	5,122	4,315	10,046	9,863
Pre-opening costs	1,700	247	2,879	1,803
Impairment	118	-	4,206	1,473
Realized and unrealized (gain) loss on investments	-	(89)	-	(331)
Total operating costs	\$83,171	\$87,976	\$155,401	\$166,924
Operating (Loss) Income	(\$11,556)	\$3,028	(\$29,834)	(\$9,260)
<i>Other income (expenses):</i>				
Interest and investment income	265	469	608	915
Interest expense, net	(1,795)	(4,601)	(3,947)	(8,650)
Other income (loss), net	127	(3,699)	5,614	(4,105)
Total other income (expenses)	(\$1,403)	(\$7,831)	\$2,275	(\$11,840)
Loss before income tax	(\$12,959)	(\$4,803)	(\$27,559)	(\$21,100)
Income tax expense	-	-	-	-
Net loss	(\$12,959)	(\$4,803)	(\$27,559)	(\$21,100)
Preferred dividends	(1,395)	(1,395)	(2,790)	(2,790)
Loss Applicable to Common Stockholders	(\$14,354)	(\$6,198)	(\$30,349)	(\$23,890)
Per WA Basic Share	(\$0.21)	(\$0.09)	(\$0.45)	(\$0.36)

Consolidated Balance Sheet

(\$ in thousands)

Assets	As of 6/30/2019	As of 12/31/2018
Current Assets:		
Cash and cash equivalents	\$39,683	\$79,235
Restricted cash	4,299	3,326
Accounts receivable, net	6,341	7,518
Real estate assets, held-for-sale, net	33,355	75,862
Real estate securities, available-for-sale	3,071	2,953
Other current assets	<u>20,471</u>	<u>20,505</u>
Total Current Assets	107,220	189,399
Restricted cash, noncurrent	258	258
Property and equipment, net of accumulated depreciation	177,619	132,605
Operating lease right-of-use assets	225,666	--
Intangibles, net of accumulated amortization	20,115	48,388
Other investments	23,300	22,613
Other assets	<u>4,897</u>	<u>8,684</u>
Total Assets	\$559,075	\$401,947
Liabilities		
Current Liabilities:		
Obligations under finance leases	7,675	5,489
Membership deposit liabilities	8,793	8,861
Accounts payable and accrued expenses	41,375	45,284
Deferred revenue	10,905	18,793
Real estate liabilities, held-for-sale	33	2,947
Other current liabilities	<u>28,075</u>	<u>22,285</u>
Total Current Liabilities	96,856	103,659
Credit facilities and obligations under finance leases - noncurrent	15,433	10,489
Operating lease liabilities - noncurrent	195,347	--
Junior subordinated notes payable	51,196	51,200
Membership deposit liabilities, noncurrent	94,156	90,684
Deferred revenue, noncurrent	5,930	6,016
Other liabilities	<u>3,035</u>	<u>5,232</u>
Total Liabilities	\$461,953	\$267,280
Stockholders' Equity		
Preferred Stock	61,583	61,583
Common Equity	35,539	73,084
Total Stockholders' Equity	\$97,122	\$134,667
Total Liabilities & Stockholders' Equity	\$559,075	\$401,947

