

DRIVE SHACK

Q1 2020 INVESTOR PRESENTATION

Cautionary Note on Forward-Looking Statements

This disclaimer applies to this document and the verbal or written comments of any person presenting it. This document, taken together with any such verbal or written comments, is referred to as the “presentation.”

This presentation contains forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995, which are subject to known and unknown risks, uncertainties and other important factors that may cause actual results to be materially different.

All statements other than statements of historical fact included in this presentation are forward-looking statements, including, but not limited to, expected financial outlook for fiscal 2020, expected operating performance, expected construction and openings, expected sales and trends in Drive Shack Inc.'s (the "Company's") operations including statements relating to the effects of COVID-19 and the Company's mitigation efforts.

Forward-looking statements discuss the Company's current expectations and projections relating to its financial position, results of operations, plans, objectives, future performance and business. You can identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. These statements may include words such as "aim," "anticipate," "believe," "estimate," "expect," "forecast," "outlook," "potential," "project," "projection," "plan," "intend," "seek," "may," "could," "would," "will," "should," "can," "can have," "likely," the negatives thereof and other similar expressions.

Without limiting the generality of the foregoing, targeted returns and growth, including with respect to the number and timing of new venue openings, are forward-looking statements, represent management's view and are estimated based on current and projected future operating performance of our 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.

For a discussion of some of the risks and important factors that could cause actual results to differ materially from such forward-looking statements, see the sections entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's periodic reports filed with the Securities and Exchange Commission ("SEC"), which are available on the Company's website ([www.http://ir.driveshack.com](http://ir.driveshack.com)). Forward-looking statements speak only as of the date of this Presentation. We expressly disclaim any obligation to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in expectations with regard thereto or change in events, conditions or circumstances on which any statement is based.

1. **Executive Summary**
2. **Operations & Development**
3. **Financials**
4. **Appendix**



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Executive Summary

FIRST QUARTER HIGHLIGHTS

- First two months of Q1 yielded **strong financial results**
 - *Total Company Revenue in the quarter of \$61M, +\$7.2M or 13% from prior year*
- **COVID-19 forced closures of venues beginning March 17**
 - *We worked quickly, taking immediate measures to preserve liquidity*
- We are poised to **reopen our venues** over the next several weeks
- We have a relatively **unlevered balance sheet** which provides us with a solid financial footing to pursue growth once the situation normalizes⁽¹⁾
- **Urban Box** development has continued internally and we believe can generate **significant growth**

Executive Summary

COVID-19 RESPONSE & INITIATIVES

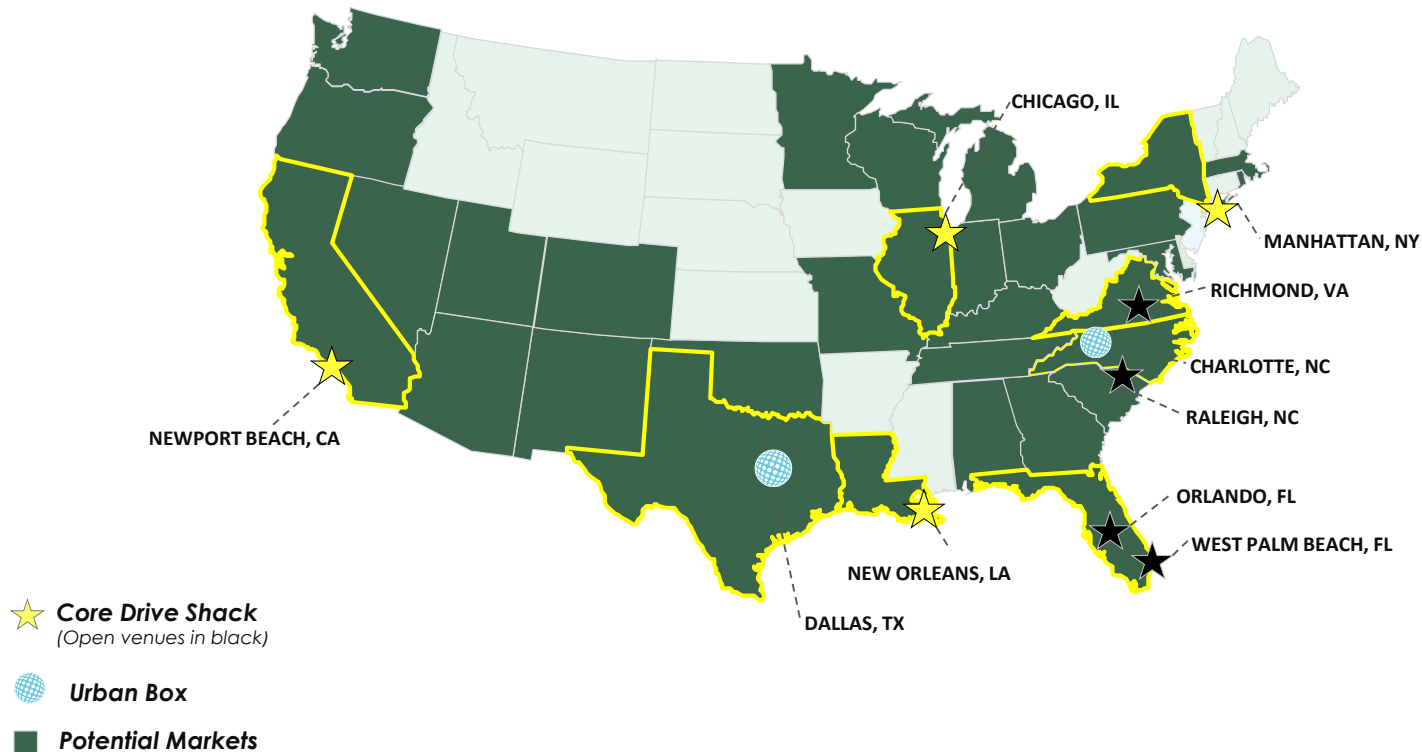
Critical steps were taken early in order to protect liquidity

Current unrestricted cash of \$14M⁽¹⁾

- **We have significantly *reduced spending*:**
 - Furloughed over 4000 employees
 - Deferred payment of 2019 annual employee bonuses
 - Elected not to pay Q1 2020 preferred equity dividends
 - Negotiating rent abatements or deferrals on leased properties
- **We have *deferred all discretionary capital projects*:**
 - All construction on Drive Shack venues
 - Capital projects on AGC golf courses
- **We have developed *a safe and responsible reopening plan***

OUR FOCUS AT DRIVE SHACK IS SIMPLE...

- We will safely and successfully reopen our venues
- We will continue to focus on the “eatertainment” industry, building 1-2 “core” big box venues per year
- We will successfully launch the Urban Box venues, having our first 2 venues fully operational in 2021



Executive Summary

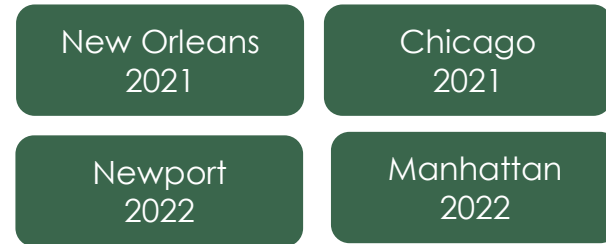
OUR VENUES

Drive Shack Core Venues

Venues In Operation



Committed Venues



Urban Box Venues

Committed Venues

2021 openings



Active Pipeline

Total Identified Sites	60+
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Operations & Development
CURRENT VENUES

Gen 2.0 Venues

Raleigh



Opened Aug. 19, 2019

COVID-19 Closure Mar. 17, 2020

Richmond



Opened Sep. 16, 2019

West Palm



Opened Oct. 14, 2019

COVID-19 Closure Mar. 19, 2020

Beta Site

Orlando



Opened Apr. 2018

- In Q1 2020 venues generated total revenue of **~\$10M**, which is ~10% below internal projections, due to the disruption in business caused by COVID-19

Early indications from some state governments across the United States suggest that some locations could be open as early as May 2020.

Operations & Development

CLOSURE INITIATIVES

- **Promote *cost efficiencies***
 - Further streamline operations
 - Reduce overhead by creating synergies
- **Develop *operation strategy* for post COVID-19**
 - Employee antibody testing
 - Rigorous sanitation standards
 - Mandated capacity restrictions
 - Enforced social distancing
 - Smaller group sizes
- **Maintain focus on *driving growth* post COVID-19**
 - Development of reservations platform
 - Mobile ordering from bay
 - Games geared towards a focus on smaller groups
 - Urban Box development

Operations & The Path Forward

SAFELY REOPENING

Our #1 priority is the safety of our Guests and Employees

Employees

- Drive Shack will administer **antibody testing**, which will be required for all employees to return to work
- Employees will undergo daily **temperature screening** prior to being permitted to work
- All Employees will be required to wear **PPE** (gloves, masks, face shields) for the duration of their shifts
- Additional **training** will be provided to reinforce all CDC guidelines and to ensure the proper use of PPE
- Any Employee who feels unwell will be required to stay home

Guests

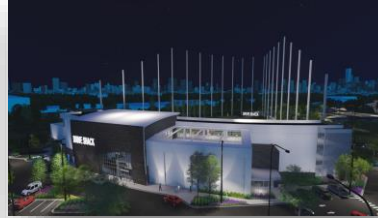
- Drive Shack will enforce local laws regarding wearing **masks** and **social distancing** where applicable
- All Guests will undergo a quick **temperature screen** prior to being permitted into the venue

Operations & Development
FUTURE VENUES

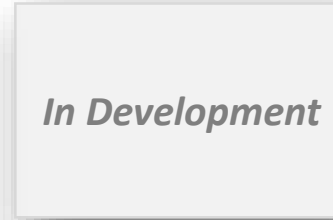
“CORE” DRIVE SHACK



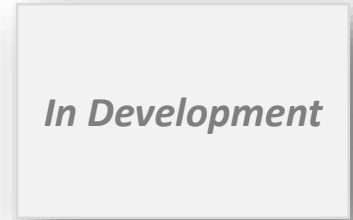
New Orleans
DELAYED UNTIL 2021
72-bay



Chicago
2021



Newport Beach
2022



Manhattan
2022

URBAN BOX



Dallas
DELAYED UNTIL 2021



Charlotte
DELAYED UNTIL 2021

Operations & Development

THE PUTTERY

- Using state-of-the-art mini golf as the anchor, **The Puttery** will combine competitive socializing, F&B and technology to create one remarkable experience, featuring:
 - An **adult-focused**, modern spin on the classic game of mini golf, using **innovative auto-scoring tech**
 - A **high energy** atmosphere centered around a **lively cocktail bar** with rotating DJs
 - Curated, **chef-inspired** culinary offerings alongside **inventive craft cocktails**
- The design process for this new format has been ongoing and is on track
- We plan to begin construction on our new Urban Box venues in fall 2020



THE MATH

- Core Venue EBITDA is between \$4 to \$6 million and Urban Box of \$2 to \$3 million
- Our goal is to build 4+ additional Core Drive Shack venues & 50+ Urban Box venues by the end of 2024

Drive Shack Core Venues

\$ in millions	
Development Cost ⁽¹⁾	\$25 - \$40
Total Revenue	\$15 - \$25

Site-level EBITDA \$4 - \$6

Development Yields 10 – 20%

Total Core EBITDA⁽²⁾: \$32-\$48M

Urban Box Venues

\$ in millions	
Development Cost ⁽¹⁾	\$7 - \$11
Total Revenue	\$7 - \$11

Site-level EBITDA \$2 - \$3

Development Yields 25 – 35%

Total Urban Box EBITDA⁽³⁾: \$100-\$150M

We believe that as we continue to open additional Urban Box venues, yields will be even higher due to learned efficiencies in construction and operations

(1) Development cost target is inclusive of all construction costs, soft costs, and pre-opening expenses.

(2) Total "Core" EBITDA is based on 8 Core Venue sites at Site-level EBITDA of \$4 to \$6 million per site.

(3) Total Urban Box EBITDA is based on 50 Urban Box Venues at Site-level EBITDA of \$2 to \$3 million per site.

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

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FIRST QUARTER FINANCIAL RESULTS

Total Company

Total Company Revenue of \$61M, +\$7.2M or 13% from prior year

- Revenue of \$48M after adjusting for management fee reimbursement of \$13M, increased \$3.6M or 8% from the prior year

Drive Shack (4 Sites)

Total Drive Shack Revenue of \$10M, -10% vs. same-period projection

- Drive Shack Gen 2.0 venues generated \$9M of Revenue, -10% vs. same period projection

AGC (61 Courses)

Total AGC Revenue of \$38M, +\$3.9M or 11% on a same store, same period basis

- Rounds Played +14%, Total Members +4%

1. COVID-19 Response
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GAAP FINANCIAL RESULTS

- Q1 2020 GAAP Loss of \$19 million, or \$0.28/share vs. GAAP Loss of \$0.24/share in Q1 2019

GAAP Financial Results

	Q1 2020		Q1 2019	
	(\$ in millions)	(basic share)	(\$ in millions)	(basic share)
GAAP Loss	(\$19)	(\$0.28)	(\$16)	(\$0.24)

CONSOLIDATED STATEMENT OF OPERATIONS

(\$ in thousands, except per share data)

	Three Months Ended March 31,	
	2020	2019
<u>Revenues</u>		
Golf operations	\$48,625	\$44,706
Sales of food and beverages	\$12,510	\$9,246
Total revenues	\$61,135	\$53,952
<u>Operating costs</u>		
Operating expenses	\$54,367	\$47,723
Cost of sales – food and beverages	\$3,655	\$2,698
General and administrative expense	\$9,818	\$11,619
Depreciation and amortization	\$6,794	\$4,924
Pre-opening costs	\$552	\$1,179
Impairment and other losses	\$792	\$4,088
Total operating costs	\$75,978	\$72,231
Operating Loss	(\$14,843)	(\$18,279)
<u>Other income (expenses)</u>		
Interest and investment income	\$130	\$344
Interest expense, net	(\$2,745)	(\$2,153)
Other income (loss)	\$367	\$5,488
Total other income (expenses)	(\$2,248)	\$3,679
Loss before income tax	(\$17,091)	(\$14,600)
Income tax expense	\$271	—
Net loss	(\$17,362)	(\$14,600)
Preferred dividends	(\$1,395)	(\$1,395)
Loss Applicable to Common Stockholders	(\$18,757)	(\$15,995)
Per WA Basic Share	(\$0.28)	(\$0.24)

CONSOLIDATED BALANCE SHEET (CONDENSED)

(\$ in thousands except per share data)

	As of 3/31/2020	As of 12/31/2019
Assets		
Current Assets:		
Cash and cash equivalents	\$16,785	\$28,423
Restricted cash	\$3,041	\$3,103
Accounts receivable, net	\$4,190	\$5,249
Real estate assets, held-for-sale, net	\$16,970	\$16,948
Real estate securities, available-for-sale	\$3,103	\$3,052
Other current assets	<u>\$13,966</u>	<u>\$17,521</u>
Total Current Assets	\$58,055	\$74,296
Restricted cash, noncurrent	\$513	\$438
Property and equipment, net of accumulated depreciation	\$184,219	\$179,641
Operating lease right-of-use assets	\$212,246	\$215,308
Intangibles, net of accumulated amortization	\$16,780	\$17,565
Other investments	\$24,365	\$24,020
Other assets	<u>\$5,245</u>	<u>\$4,723</u>
Total Assets	\$501,423	\$515,991
Liabilities		
Current Liabilities:		
Obligations under finance leases	\$6,004	\$6,154
Membership deposit liabilities	\$10,784	\$10,791
Accounts payable and accrued expenses	\$31,242	\$25,877
Deferred revenue	\$25,118	\$26,268
Real estate liabilities, held-for-sale	\$4	\$4
Other current liabilities	<u>\$23,367</u>	<u>\$23,964</u>
Total Current Liabilities	\$96,519	\$93,058
Credit facilities and obligations under finance leases - noncurrent	\$12,468	\$13,125
Operating lease liabilities - noncurrent	\$185,802	\$187,675
Junior subordinated notes payable	\$51,190	\$51,192
Membership deposit liabilities, noncurrent	\$97,648	\$95,805
Deferred revenue, noncurrent	\$6,389	\$6,283
Other liabilities	<u>\$3,496</u>	<u>\$3,278</u>
Total Liabilities	\$453,512	\$450,416
Stockholders' Equity		
Preferred Stock	\$61,583	\$61,583
Common Equity	<u>(\$13,672)</u>	<u>\$3,992</u>
Total Stockholders' Equity	\$47,911	\$65,575
Total Liabilities & Stockholders' Equity	\$501,423	\$515,991