



Drive Shack Inc.

Earnings Presentation – Second Quarter 2020

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.

This Presentation includes forward-looking financial measures that are not recognized under generally accepted accounting principles ("GAAP"), including EBITDA and SG&A excluding certain compensation expenses. This non-GAAP financial information does not speak to historical financial results and is an estimate of what could occur in the future and is not an alternative to financial information prepared in accordance with GAAP, which is included in the Company's filings with the SEC. The Company has not reconciled its EBITDA expectations set forth in this presentation, as items that impact such expectations are out of the Company's control and/or cannot be reasonably predicted. Accordingly, a reconciliation is not available without unreasonable effort.

1. Executive Summary
2. Operations & Development
3. Financials

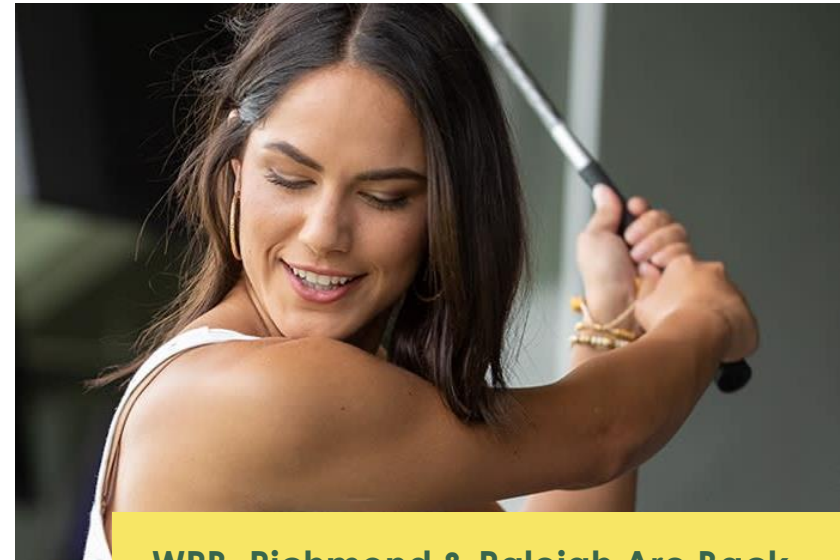


DRIVE SHACK

Executive Summary

Second Quarter Highlights

- Total Company **Revenue of \$32M** in Q2 2020, -55% vs. Q2 2019
- Despite course closures, AGC generated incredibly strong Q2 results, highlighting the **tremendous demand for traditional golf**
- We plan to begin construction for The **Puttery venues** in Dallas and Charlotte in **fall 2020**
- We have a relatively **unlevered balance sheet** providing us with a solid financial foundation to **pursue growth**



WPB, Richmond & Raleigh Are Back

Executive Summary

COVID-19 Response Update

Ongoing critical measures are in place to preserve liquidity

1

Significantly reduced spending

Strategically positioned labor

Negotiated rent **abatements/deferrals** & vendor payment plans

Elected not to pay Q1 preferred equity **dividends**

Reduced **SG&A** spend

2

Deferred capital projects:



All new construction on Drive Shack venues



Capital projects on AGC golf courses

3

Safely and responsibly reopened

3

DS venues

100%

AGC courses

Current unrestricted cash of \$12M⁽¹⁾

Emerging from COVID Disruption as Industry Leader

Shift in consumer preference for:

- outdoor activities
- limited overlap with other guests


Our key differentiators:

- outdoor, open-air format
- partitioned, suite-style bays
- limited on-course guest overlap

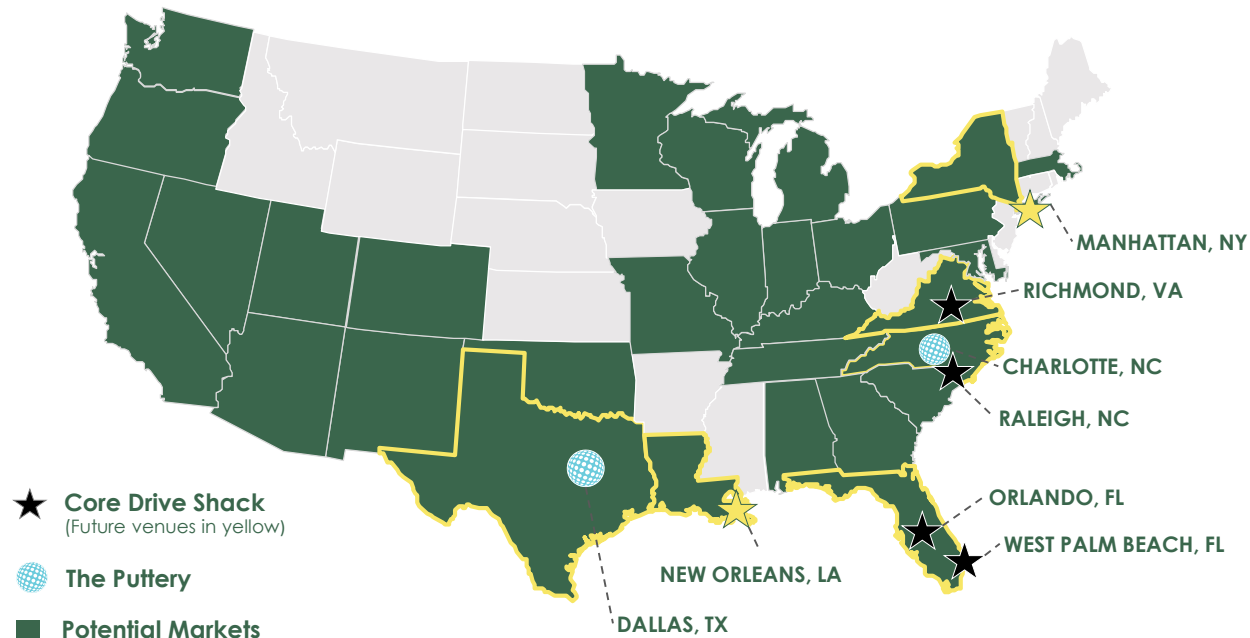

DS & AGC outrank

competitors by offering both physical activity & social distancing

	Drive Shack & AGC	Cocktail/ Sports Bars	Concert Venues	Theme Parks	Movie Theaters
Outdoor / Open Air	✓	—	—	✓	—
All Weather	✓	✓	✓	—	✓
Limited Guest Overlap / Defined Space	✓	—	—	—	—
Social	✓	✓	✓	✓	—
Competitive	✓	—	—	—	—
Physical Activity	✓	—	—	—	—

Our Focus

- 1 Manage impacts of COVID, while **safely & successfully operating** our venues & courses
- 2 Continue to **develop Drive Shack core venues** in New Orleans & Manhattan (Randall's Island)
- 3 Successfully **launch The Puttery**, opening 7 venues in 2021



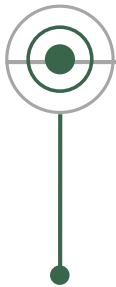
Executive Summary

Our Venues

Current

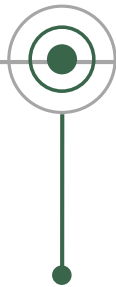
Committed

2018



Orlando, FL
Q2 2018
(Beta Site)

2019



Raleigh, NC
Q3 2019

Richmond, VA
Q3 2019

West Palm, FL
Q4 2019

2020



2021



New Orleans, LA
Opening 2021

Charlotte, NC
Opening 2021

Dallas, TX
Opening 2021

5 Additional Sites
Opening 2021

2022



Manhattan, NY
Opening 2022

Active pipeline of
60+ *identified sites*
Opening 2022+

Drive Shack Venues

The Puttery Venues

The Math

- **Target EBITDA** for Core DS venues is **\$4 to \$6 million** and Puttery venues is **\$2 to \$3 million**
- Our long term goal is to build **2+ additional Core DS venues** and **50+ Puttery venues** by the end of 2024

Core Drive Shack Venues		Puttery Venues	
<i>\$ in millions</i>		<i>\$ in millions</i>	
Development Cost ⁽¹⁾	\$25 - \$40	Development Cost ⁽¹⁾	\$7 - \$11
Total Revenue	\$15 - \$25	Total Revenue	\$7 - \$11
Venue EBITDA	\$4 - \$6	Venue EBITDA	\$2 - \$3
Development Yields	10 - 20%	Development Yields	25 - 40%
Total Core EBITDA⁽²⁾:	\$24-\$36M	Total Puttery EBITDA⁽³⁾:	\$100-\$150M

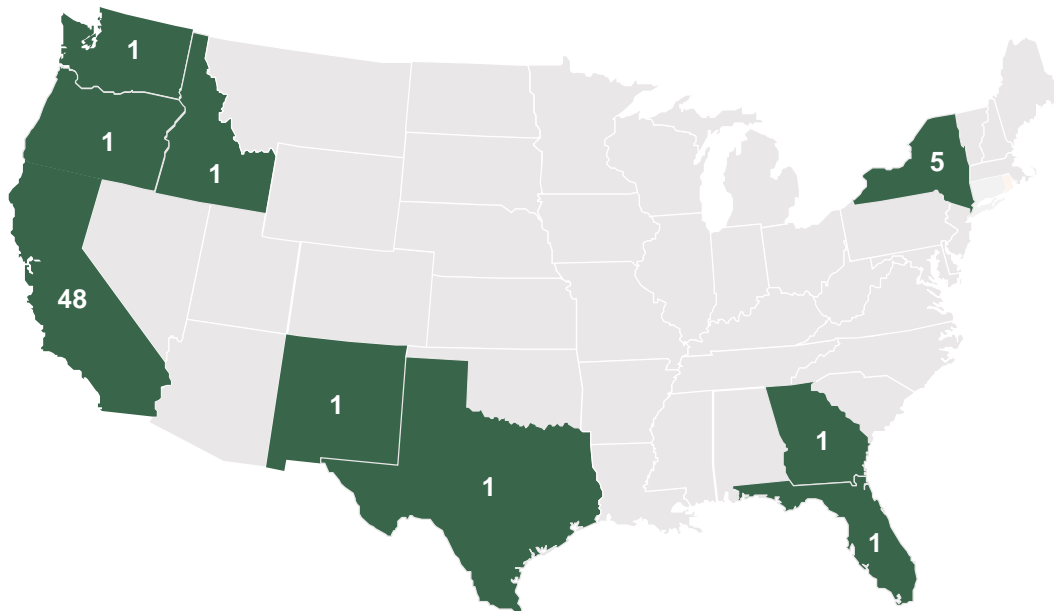
As we continue to open additional Puttery venues, **yields will be even higher** due to learned efficiencies in construction and operations

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DRIVE SHACK

All AGC Courses Are Open



● AGC courses

- **Reopened all AGC courses**, initially closed 58/60 due to COVID
- Our courses produced **incredibly successful** results this quarter
- Provide a **safe outdoor setting** – creating enjoyable interactions and memories with friends, while **social distancing**

Results Demonstrate Strong Demand for Traditional Golf

AGC Results June 2020 vs. 2019⁽¹⁾

These exceptional results highlight the **strong demand for traditional golf**, establishing it as a top leisure activity in the COVID environment.

Public Courses

+10%

Revenue
from green /
cart fees

+12%

Green / cart fee
rates per round

Private Courses

+32%

Member sales

+6%

Total rounds





+20%

Member rounds

Operations & Development

Drive Shack – Q2 Results

- After closing in March, we **reopened our Gen 2.0 venues in May and June**
- In **Q2 2020**, venues generated **total revenue of ~\$2M**

	Gen 2.0 venues			Beta site
	Raleigh	Richmond	West Palm	Orlando
				
COVID-19 closing date	March 17			March 19
Reopening date	June 26	May 29	May 15	Closed

Drive Shack Results by Venue

Despite limitations on venue capacity and group sizes, the venues took **less than 21 days on average to break-even after reopening**

West Palm
Gen 2.0

Richmond
Gen 2.0

Raleigh
Gen 2.0

Reopening Stats

Date	May 15	May 29	June 26
Size limit (guests)	10	50	10
Break-even (days)	16	30	16

Q2 Results

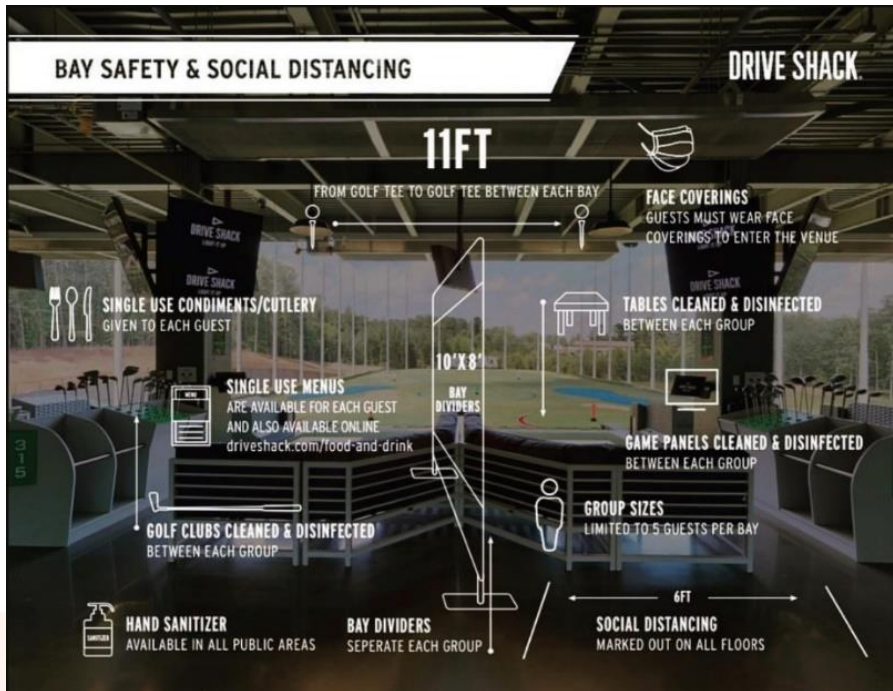
Days Open	47	33	5
Revenue	\$1.2M	\$550K	\$63K

QTD Results (Q3)

Days Open (thru July 31)	31	31	31
Revenue	\$731K	\$563K	\$562K

Positioned for Success Amidst COVID Disruption

Combined with enhanced safety protocols, our outdoor, open-air Drive Shack venues are emerging as the ideal, and highly sought after, setting for guests to socialize.



- **Open-air, outdoor** layout provides guests the ideal setting for safe socializing
- Bays function like private suites, allowing each group their own **defined, segmented space with physical barriers between groups**
- Unlike traditional bars or arcades, our games are active and **promote physical activity, which improves both physical and mental health**
- **We provide a space for safe social interaction** – a scarcity in the current environment

Operations & Development

Future Venues

"CORE" DRIVE SHACK



New Orleans

DELAYED UNTIL 2021
72-bay



Manhattan

2022

THE PUTTERY



Dallas

DELAYED UNTIL 2021



Charlotte

DELAYED UNTIL 2021



+5 Venues

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 **culinary offerings** alongside inventive craft cocktails



Near completion of the construction documents and will **begin the permitting process for Dallas and Charlotte in the fall.**



The **shell building** for our Dallas venue is **complete.**



We plan to **begin construction** on the first two Puttery venues in **fall 2020.**

Our Next Phase: Goal in Next 18 Months

- Our goal is to complete **Drive Shack New Orleans** and open **7 Puttery stores** by end of **2021**
- We project total cost of **~\$100M** to complete our plan
- Based on our plan, we expect 2021 Run-Rate EBITDA of **\$36M⁽¹⁾**
- Generate an Enterprise Value of **~\$500M+**

Significant Value Upside Potential

(\$ in M)	2021 RR ⁽¹⁾
DS Core EBITDA (5 stores)	\$18
Puttery EBITDA (7 stores)	\$19
AGC EBITDA, net ⁽²⁾ (60 courses)	\$19
DS SG&A ⁽³⁾	(\$20)
Total Company EBITDA	\$36M
EBITDA Multiple	15x
Enterprise Value	\$540M

(1) "Run-Rate" represents annualized results for each store, as if it was opened for the full year.

(2) AGC EBITDA nets AGC's corporate SG&A.

(3) Represents Drive Shack's SG&A before transactional G&A, stock-based compensation, and severance expenses.

Based on management's current views and estimates. See "Disclaimers" at the beginning of this Presentation for more information on forward-looking statements. There can be no assurance that we will achieve Run Rate EBITDA and Enterprise Value ice projections and actual results may differ materially.

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DRIVE SHACK

Second Quarter Financial Results

Total Company

Total Company Q2 Revenue of \$32M (-55% vs. Q2 2019)

- **Revenue of \$24M** excluding expense reimbursements from managed properties of \$8.5M (-60% vs. Q2 2019)

Drive Shack (4 Sites)

Q2: Revenue of \$1.8M

- Our two venues reopened in May **generated combined revenue of \$1.7M**, with Raleigh (reopened June 26) generating the remainder

June: Revenue of \$1.4M

AGC⁽¹⁾ (60 Courses)

Q2: Revenue of \$22M (-62% vs. Q2 2019)

- Began April with 3 courses open and ended with 17 courses open
- In May, 38 courses reopened; in June, 5 courses reopened

June: Revenue of \$12M (-42% vs. June 2019)

- *Privates*: Membership sales +32.4%, flat attrition
- *Publics*: Green fee/cart fee rate per round +12% vs. PY⁽²⁾

SG&A

Total Company SG&A reduced by 53% from Q2'19, reduced by 35% from Q1'20

GAAP Financial Results

- Q2 2020 GAAP Loss of \$41 million, or \$0.61/share vs. GAAP Loss of \$0.21/share in Q2 2019
- YTD 2020 GAAP Loss of \$60 million, or \$0.89/share vs. GAAP Loss of \$0.45/share in Q2 YTD 2019

GAAP Financial Results

	Q2 2020		Q2 2019	
	(\$ in millions)	(basic share)	(\$ in millions)	(basic share)
GAAP Loss	(\$41)	(\$0.61)	(\$14)	(\$0.21)

	YTD 2020		YTD 2019	
	(\$ in millions)	(basic share)	(\$ in millions)	(basic share)
GAAP Loss	(\$60)	(\$0.89)	(\$30)	(\$0.45)

Consolidated Statement of Operations (Unaudited)

(\$ in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
<u>Revenues</u>				
Golf operations	\$29,675	\$57,386	\$78,300	\$102,092
Sales of food and beverages	\$2,425	\$14,229	\$14,935	\$23,475
Total revenues	\$32,100	\$71,615	\$93,235	\$125,567
<u>Operating costs</u>				
Operating expenses	\$33,224	\$58,720	\$87,591	\$106,443
Cost of sales – food and beverages	\$829	\$3,904	\$4,484	\$6,601
General and administrative expense	\$6,368	\$13,607	\$16,186	\$25,226
Depreciation and amortization	\$6,682	\$5,122	\$13,476	\$10,046
Pre-opening costs	\$270	\$1,700	\$822	\$2,879
(Gain) Loss on lease terminations and impairment	(\$3,125)	\$118	(\$2,333)	\$4,206
Total operating costs	\$44,248	\$83,171	\$120,226	\$155,401
Operating Loss	(\$12,148)	(\$11,556)	(\$26,991)	(\$29,834)
<u>Other income (expenses)</u>				
Interest and investment income	\$135	\$265	\$265	\$608
Interest expense, net	(\$2,591)	(\$1,795)	(\$5,336)	(\$3,947)
Other income (loss)	(\$24,422)	\$127	(\$24,055)	\$5,614
Total other income (expenses)	(\$26,878)	(\$1,403)	(\$29,126)	\$2,275
Loss before income tax	(\$39,026)	(\$12,959)	(\$56,117)	(\$27,559)
Income tax expense	\$500	—	\$771	—
Net loss	(\$39,526)	(\$12,959)	(\$56,888)	(\$27,559)
Preferred dividends	(\$1,395)	(\$1,395)	(\$2,790)	(\$2,790)
Loss Applicable to Common Stockholders	(\$40,921)	(\$14,354)	(\$59,678)	(\$30,349)
Per WA Basic Share	(\$0.61)	(\$0.21)	(\$0.89)	(\$0.45)

Consolidated Balance Sheet (Condensed)

(\$ in thousands except per share data)

(unaudited)

As of 6/30/2020

As of 12/31/2019

Assets

Current Assets:

Cash and cash equivalents	\$12,638	\$28,423
Restricted cash	\$2,974	\$3,103
Accounts receivable, net	\$3,651	\$5,249
Real estate assets, held-for-sale, net	\$16,975	\$16,948
Real estate securities, available-for-sale	\$2,985	\$3,052
Other current assets	\$13,977	\$17,521

Total Current Assets

\$53,200 **\$74,296**

Restricted cash, noncurrent	\$267	\$438
Property and equipment, net of accumulated depreciation	\$178,732	\$179,641
Operating lease right-of-use assets	\$203,359	\$215,308
Intangibles, net of accumulated amortization	\$16,039	\$17,565
Other investments	—	\$24,020
Other assets	\$5,476	\$4,723

Total Assets

\$457,073 **\$515,991**

Liabilities

Current Liabilities:

Obligations under finance leases	\$5,860	\$6,154
Membership deposit liabilities	\$14,457	\$10,791
Accounts payable and accrued expenses	\$34,374	\$25,877
Deferred revenue	\$23,633	\$26,268
Real estate liabilities, held-for-sale	\$5	\$4
Other current liabilities	\$27,375	\$23,964

Total Current Liabilities

\$105,704 **\$93,058**

Credit facilities and obligations under finance leases - noncurrent	\$12,061	\$13,125
Operating lease liabilities - noncurrent	\$175,048	\$187,675
Junior subordinated notes payable	\$51,187	\$51,192
Membership deposit liabilities, noncurrent	\$95,913	\$95,805
Deferred revenue, noncurrent	\$6,783	\$6,283
Other liabilities	\$1,709	\$3,278

Total Liabilities

\$448,405 **\$450,416**

Stockholders' Equity

Preferred Stock	\$61,583	\$61,583
Common Equity	(\$52,915)	\$3,992

Total Stockholders' Equity

\$8,668 **\$65,575**

Total Liabilities & Stockholders' Equity

\$457,073 **\$515,991**