



**Drive Shack Inc.**

Earnings Presentation – First Quarter 2021

# 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 herein 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, timing of new venue openings, expected financial outlook for fiscal 2021, expected operating performance, time of construction start dates and milestones, 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 and our ability to achieve our growth plans and goals.

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 Securities and Exchange Commission ("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 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 May 7, 2021. 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 Update
3. Development Update
4. Financials



**DRIVE SHACK**

Executive Summary

# Drive Shack Inc.

Drive Shack Inc. is a publicly traded leisure and entertainment company focused on bringing people together through **technology driven competitive socializing experiences.**

## Our Mission

To become the largest **venue-based competitive socializing and entertainment** platform in the country

Executive Summary

# First Quarter 2021 Update

## Q1 Results

**Q1 Total Company Revenue of \$61.1M**, flat vs. Q1 2020

- Drive Shack total revenue of \$8.2M, down (\$1.9M) vs. Q1 2020
- AGC total revenue of \$52.9M, up \$1.9M vs. Q1 2020

**Total Company Adj. EBITDA<sup>(1)</sup>** of \$2.7M, +7.4M vs. Q1 2020 of (\$4.7M)

## Puttery

**Continued focus on Puttery expansion**

- Dallas and Charlotte on track to open Summer 2021
- Announced Washington DC/Penn Quarter
- Actively engaged with landlords and brokers in several prospective markets

## Liquidity & Funding

We have **\$81.5M of unrestricted cash on hand** as of April 30, 2021

- Paid \$1.4M preferred cash dividends on April 30<sup>th</sup>
- Continue to enforce strong capital allocation discipline and expense control

We have a relatively unlevered balance sheet providing us with a solid financial foundation to pursue growth

Executive Summary

# Our Courses and Venues<sup>(1)</sup>

**AGC  
GOLF  
COURSES**

**OWNED**  
1 Course

**LEASED**  
34 Courses

**MANAGED**  
25 Courses

## CURRENT VENUES

## COMMITTED VENUES

**DRIVE  
SHACK  
VENUES**

**PUTTERY  
VENUES**



1) As of 3/31/2021.

2) Drive Shack is committed to 1 lease in New Orleans. The venue's development status remains "on hold".

1. Executive Summary
2. Operations Update
3. Development Update
4. Financials



# Drive Shack Venues– Q1 2021 Results

- **Total Revenue of \$8.2M** – Walk-in revenue of \$7.4M | Events revenue of \$0.8M
  - Total venue revenue averaged **81%** of Q1 2020 levels
  - Total venue walk-in revenue averaged **96%** of Q1 2020 levels

## Drive Shack Venues: Revenue by Quarter

(\$ in 000's)

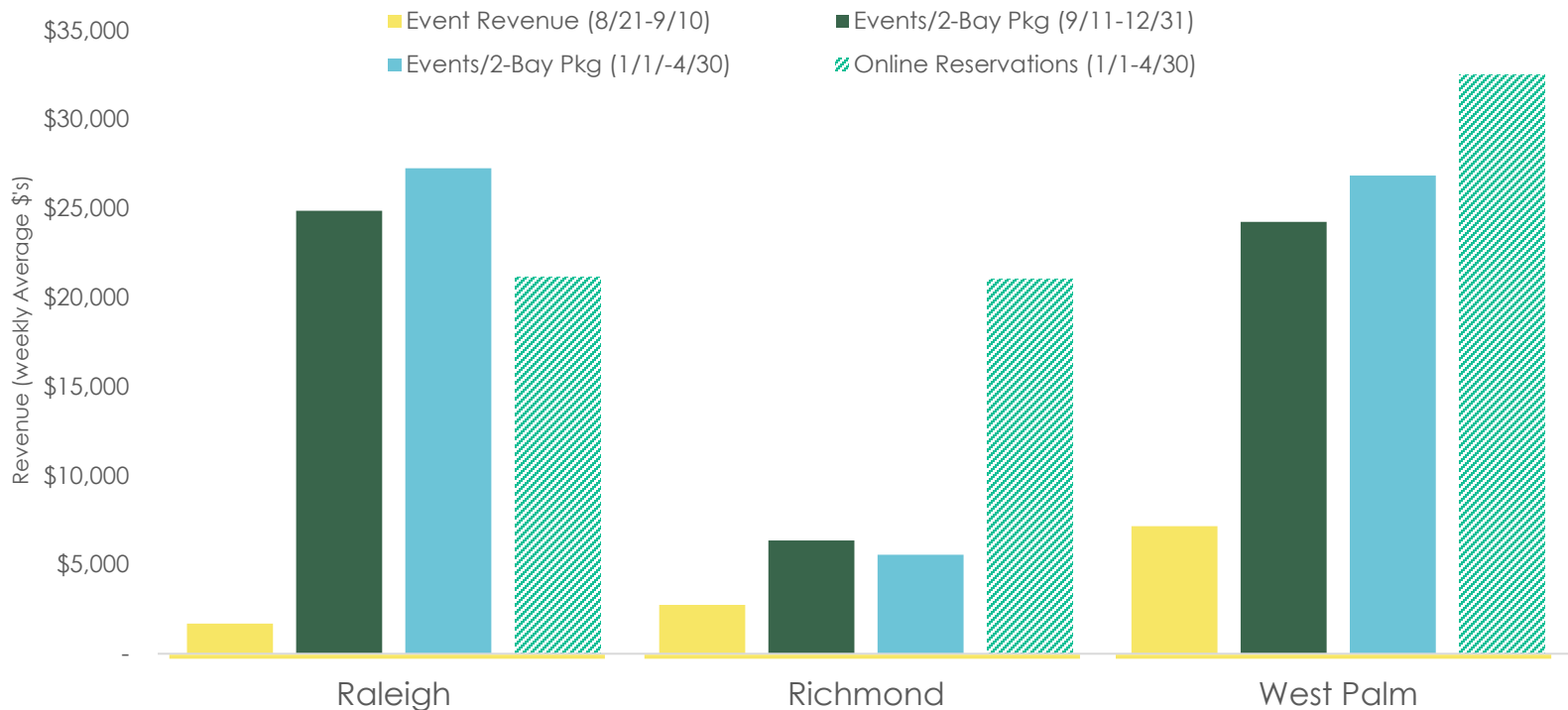
■ Walk-In ■ Event





# Driving Event Revenue: 2-Bay Package

- Launched **2-Bay Package** in mid-September to encourage small event bookings across our DS venues
- 2-Bay Package remains strong, with event revenue up 4x than pre-launch levels



*The 2-Bay promotional package allows for groups of 10 people or less to reserve 2 bays and includes a \$200 food and beverage credit and 2 hours of play for \$400-\$500*

# Operations Update

## Online Reservations

- Launched online platform for single-bay reservations in all four DS venues – December 28<sup>th</sup>
- Over 20,500 total reservations since launch, generating revenue over \$1.5M<sup>(1)</sup>

### Single-Bay Online Reservation Platform

Raleigh

Reservations can be made up to 1 week in advance. Same Day reservations can be booked if available. Reserve a bay for up to 6 people. Group size limits will be dependent on current local & state regulations. Pricing is based on per bay, not per person. An adult must be present for a reservation. To learn more about our code of conduct, [please click here](#).

You will be sat in the first available single-bay upon arrival at your selected reservation time.

Reservation is for single bay. Booking two bays will not guarantee that your party will be next to each other. To book two bays together please click the link below.

[Groups of 7 or more submit an inquiry here](#)

Raleigh

5 Guests

1 Bay

Sunday, May 9

We

Th

Fr

Sa

Su

Mo

Tu

We

Th

Fr

Sa

5

6

7

8

9

10

11

12

13

14

15

How long are you playing?

2 Hours

3 Hours

Available Reservation Times

8:30 PM

\$45.00/HOUR

8:45 PM

\$45.00/HOUR

9:00 PM

\$45.00/HOUR

9:15 PM


\$45.00/HOUR

9:30 PM

\$45.00/HOUR


9:45 PM

\$45.00/HOUR



**RALEIGH** ▾

6901 Play Golf Way  
Raleigh, NC 27607  
[\(984\) 329-8229](tel:(984)329-8229)



**VENUE POLICIES** ▾

Our Associates and Guests health & safety is our number one priority. Due to COVID-19, we have updated our health and safety protocols. To learn more about what we're doing to ensure your safety, [please click here](#). Golf Clubs will be provided at no cost with your reservation.

DRIVE SHACK

1) From 1/1/2021 to 4/30/2021.

9

## Operations Update

# Driving Revenue: Game Innovation

### Drive Shack Open

- Geared towards more competitive, avid golfer
- First DS Open tournament debuted December 2020
- Second DS Open held March 2021
- Future tournaments to run quarterly



**DRIVE SHACK OPEN**  
MONDAY, MARCH 15TH, 6:00PM

**FORMAT**  
FOUR-PERSON 18-HOLE, BEST BALL

**COURSE**  
PGA NATIONAL

**PRICE**  
\$225 PER FOURSOME: BAY PLAY FOR 3 HOURS (F&B NOT INCLUDED)

**ENTRY**  
LIMITED AMOUNT OF TEAMS PER VENUE, FIRST COME FIRST SERVE

**PRIZES**  
BEST TEAM SCORE PER VENUE WILL WIN \$1,000 DOLLARS  
OVERALL BEST TEAM SCORE FOR ALL 4 LOCATIONS WILL WIN \$2,000 DOLLARS!

RALEIGH, RICHMOND, WEST PALM BEACH, ORLANDO

### Monster Hunt Challenge

- Geared towards casual players and non-golfers
- Increases engagement and spend per visit
- Flexible game program allows for future enhancements
- First tournament planned to debut Q2 2021



**DRIVE SHACK**  
GRAND PRIZE: \$10,000

**CHALLENGE LEADER**  
  
**COLLIN P**  
1 WEEK AGO AT RICHMOND  
**8,500**

**LEADERBOARD**  
**MONSTER HUNT CHALLENGE**

8,500	RICHMOND	COLLIN P
7,750	ORLANDO	KYLE R
6,250	WEST PALM BEACH	KIM M
6,020	WEST PALM BEACH	SPENCER P
5,750	RICHMOND	MATT A

ENTER BY PLAYING GAMES OF MONSTER HUNT CHALLENGE BEFORE IT ENDS!

### Social Leagues

- Casual, social, less-competitive league play
- Re-launched on May 3<sup>rd</sup>
- Runs every Monday for 8 weeks through June 28<sup>th</sup>
- F&B specials, themed nights, prizes, weekly contests



**DRIVE SHACK LEAGUES**

TEAMS OF 4(MIN)-6(MAX)

\$500 PER TEAM  
\$100 PER FREE AGENT

1 HOUR OF PRACTICE 6-7PM, COMPETITION 7-9PM

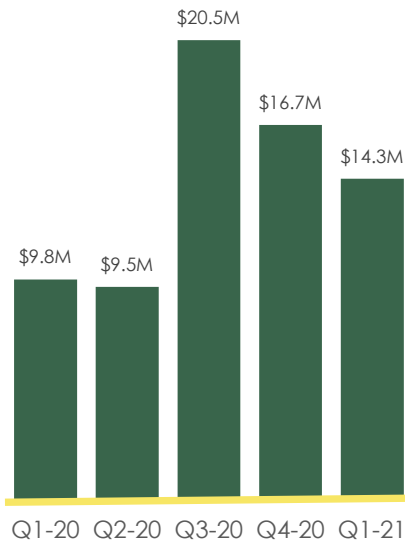
# Strong Demand Continues for Traditional Golf<sup>(1)</sup>

American Golf's exceptional results highlight the **unwavering demand** for traditional golf, reinforcing it as a **top leisure activity** in the current environment

## Public Courses

**+46%**

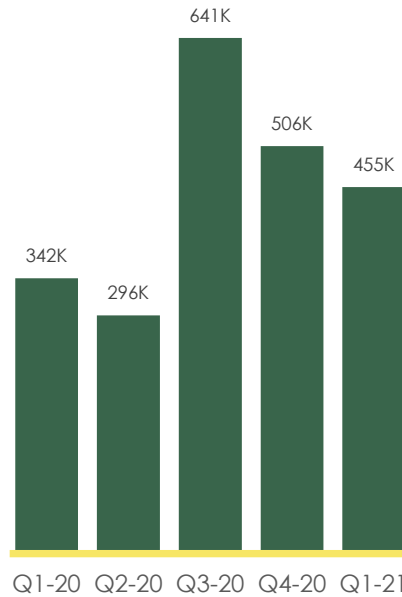
Revenue from  
green & cart fees  
vs. Q1 2020



Revenue from green/cart fees

**+33%**

Daily fee rounds  
vs. Q1 2020

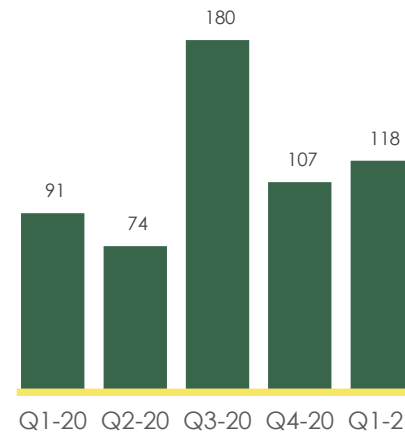


Daily Fee Rounds

## Private Courses

**+30%**

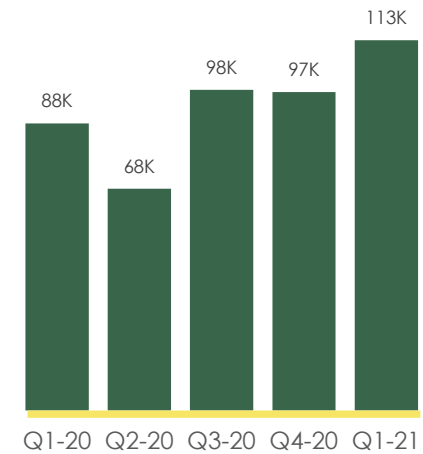
Member sales<sup>(2)</sup>  
vs. Q1 2020



Member sales

**+29%**

Total rounds  
vs. Q1 2020



Total rounds



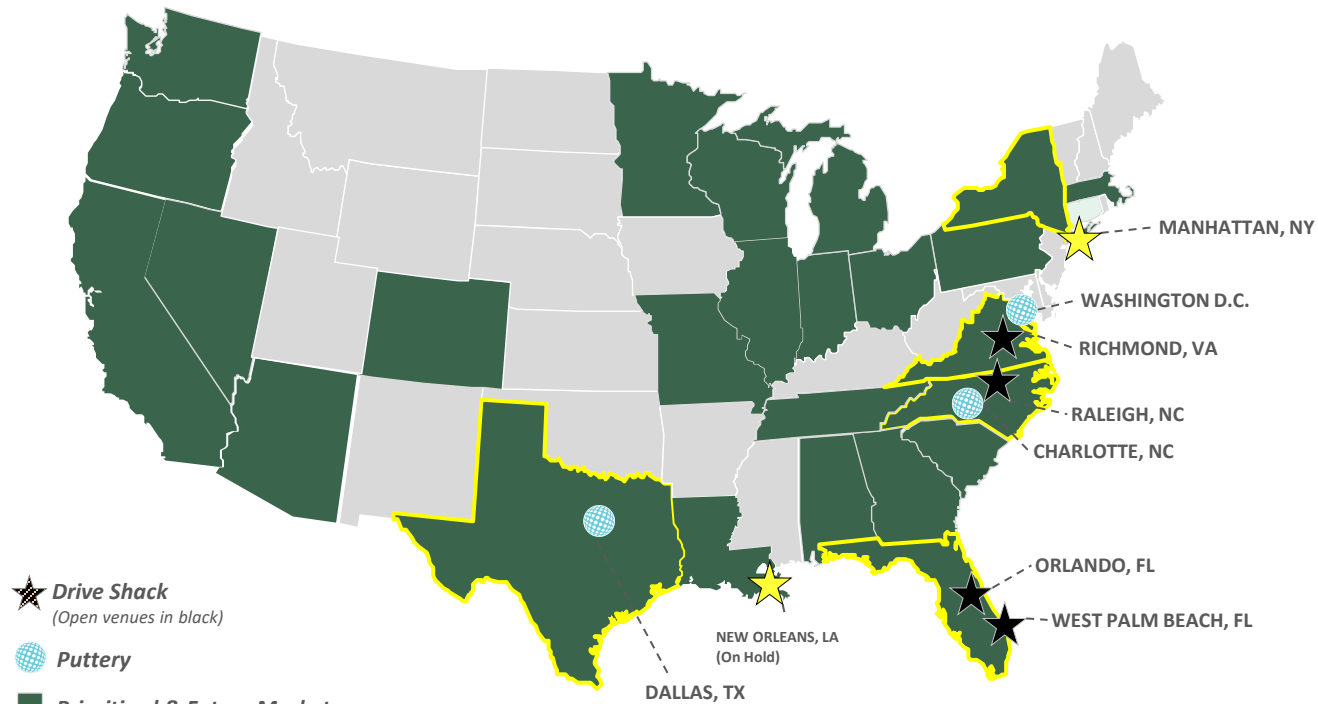
1. Executive Summary
2. Operations Update
3. Development Update
4. Financials



# Portfolio of High-Quality Locations with Growing Pipeline

- Dallas and Charlotte opening summer 2021
- Washington DC and 4 additional locations to open or be near complete by end of 2021
- Expect to open 10 additional Puttery venues in 2022
- Pursuing pipeline of Puttery sites in prioritized and future markets to complement our portfolio of DS venues

**Believe current market allows for numerous Puttery locations across the U.S.**



## Development Update

# Puttery Progress

Using state-of-the-art mini golf, Puttery combines competitive socializing, food & beverage and technology to create **one remarkable experience**, featuring:

- An **adult-focused**, modern spin on the classic game of mini golf, using **innovative auto-scoring technology**
- A high energy atmosphere anchored by multiple **bars, lounges and rotating DJs**
- Curated **culinary offerings** alongside inventive **craft cocktails**



- In summer **2021**, we will debut our first **2 Puttery venues** in Dallas and Charlotte
-  **Dallas construction continues**, including buildout on the four golf courses, kitchen and bars
-  **Charlotte** permitting was approved; **construction has commenced**
- Executed **Washington DC/Penn Quarter** lease in March; **design process is underway**
- We expect to open or nearly complete **4 additional Puttery** locations in **2021** and **10 venues** in **2022**

# Attractive Unit Economics – Puttery<sup>(1)</sup>

The Puttery presents the best path forward for near-term growth

Our goal is to build **17 Puttery venues** and **DS Manhattan** by the end of 2022<sup>(2)</sup>

Target Puttery venue **EBITDA** is **\$2 to \$3 million** and DS venue **EBITDA** is **\$4 to \$6 million**

## Illustrative Venue-Level Economics<sup>(1)</sup>

\$ in millions	DS Venues 72 to 90+ Bays	Puttery Venues Indoor, Mini Golf
Size (sq. ft.)	50K - 60K+	15K - 20K
Development Time	18 - 24 mo.	6 - 9 mo.
Development Cost <sup>(3)</sup>	<b>\$25 - \$40</b>	<b>\$7 - \$11</b>
Total Revenue	\$15 - \$25	\$7 - \$11
Site-level EBITDA	\$4 - \$6	\$2 - \$3
Development Yields	<b>10 - 20%</b>	<b>25 - 40%</b>

As we continue to open Puttery venues, **yields may be even higher**



1. Executive Summary
2. Operations
3. Development | Puttery Update
4. Financials



**DRIVE SHACK**

# First Quarter 2021 Financial Results

	Three Months Ended March 31,			
	2021	2020	\$ Variance	% Variance
\$ in millions, except per share data				
Drive Shack Revenue	\$8.2	\$10.1	(\$1.9)	(19%)
American Golf Revenue	\$52.9	\$51.0	\$1.9	4%
Total Company Revenue	\$61.1	\$61.1	Flat	Flat
Operating Loss	(\$7.9)	(\$14.8)	\$6.9	47%
Net Loss	(\$10.9)	(\$17.4)	\$6.5	37%
Adjusted EBITDA <sup>(1)</sup>	\$2.7	(\$4.7)	\$7.4	158%
Net Loss Applicable to Common Stock, per share <sup>(2)</sup>	(\$0.15)	(\$0.28)	\$0.13	46%

# Consolidated Statement of Operations (Unaudited)

(\$ in thousands, except per share data)

	Three Months Ended March 31,	
	2021	2020
<b><u>Revenues</u></b>		
Golf operations	\$53,161	\$48,625
Sales of food and beverages	7,930	12,510
<b>Total revenues</b>	<b>\$61,091</b>	<b>\$61,135</b>
<b><u>Operating costs</u></b>		
Operating expenses	48,870	54,367
Cost of sales – food and beverages	2,104	3,655
General and administrative expense	7,982	9,818
Depreciation and amortization	6,245	6,794
Pre-opening costs	556	552
Loss on lease terminations and impairment	3,209	792
<b>Total operating costs</b>	<b>\$68,966</b>	<b>\$75,978</b>
<b>Operating Loss</b>	<b>(\$7,875)</b>	<b>(\$14,843)</b>
<b><u>Other income (expenses)</u></b>		
Interest and investment income	\$153	\$130
Interest expense, net	(2,626)	(2,745)
Other income (loss), net	(61)	367
<b>Total other income (expenses)</b>	<b>(\$2,534)</b>	<b>(\$2,248)</b>
<b>Loss before income tax</b>	<b>(\$10,409)</b>	<b>(\$17,091)</b>
Income tax expense	495	271
<b>Net loss</b>	<b>(\$10,904)</b>	<b>(\$17,362)</b>
Preferred dividends	(\$1,395)	(\$1,395)
<b>Net Loss Applicable to Common Stockholders</b>	<b>(\$12,299)</b>	<b>(\$18,757)</b>
Per WA Basic Share	(\$0.15)	(\$0.28)

# Consolidated Balance Sheet (Condensed)

(\$ in thousands)

	As of 3/31/2021	As of 12/31/2020
	(Unaudited)	
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	\$85,936	\$47,786
Restricted cash	2,852	2,252
Accounts receivable, net	5,143	4,446
Real estate securities, available-for-sale	3,271	3,223
Other current assets	17,754	14,410
<b>Total Current Assets</b>	<b>\$114,956</b>	<b>\$72,117</b>
Restricted cash, noncurrent	795	795
Property and equipment, net of accumulated depreciation	167,663	169,425
Operating lease right-of-use assets	195,280	192,828
Intangibles, net of accumulated amortization	14,574	15,124
Other assets	6,593	6,765
<b>Total Assets</b>	<b>\$499,861</b>	<b>\$457,054</b>
<b>Liabilities</b>		
Current Liabilities:		
Obligations under finance leases	\$6,180	\$6,470
Membership deposit liabilities	14,748	14,692
Accounts payable and accrued expenses	26,308	29,596
Deferred revenue	20,079	23,010
Other current liabilities	27,504	28,217
<b>Total Current Liabilities</b>	<b>\$94,819</b>	<b>\$101,985</b>
Credit facilities and obligations under finance leases - noncurrent	11,653	12,751
Operating lease liabilities - noncurrent	173,528	167,837
Junior subordinated notes payable	51,180	51,182
Membership deposit liabilities, noncurrent	101,853	99,862
Deferred revenue, noncurrent	10,983	9,953
Other liabilities	3,463	3,447
<b>Total Liabilities</b>	<b>\$447,479</b>	<b>\$447,017</b>
<b>Stockholders' Equity</b>		
Preferred Stock	\$61,583	\$61,583
Common Equity	(9,201)	(51,546)
<b>Total Stockholders' Equity</b>	<b>\$52,382</b>	<b>\$10,037</b>
<b>Total Liabilities &amp; Stockholders' Equity</b>	<b>\$499,861</b>	<b>\$457,054</b>



# Adjusted EBITDA Non-GAAP Reconciliation

(\$ in thousands)

	Three Months Ended March 31,	
	2021	2020
<b>Net Loss</b>	<b>(\$10,904)</b>	<b>(\$17,362)</b>
Income tax expense	495	271
Other (income) loss, net	61	(367)
Net interest expense	2,473	2,615
<b>Operating Loss</b>	<b>(\$7,875)</b>	<b>(\$14,843)</b>
Depreciation and amortization	6,245	6,794
Loss on lease terminations and impairment	3,209	792
Pre-opening costs	556	552
Other items <sup>(1)</sup>	596	2,008
<b>Adjusted EBITDA</b>	<b>\$2,731</b>	<b>(\$4,697)</b>