

DRIVE SHACK

Q4 2019 INVESTOR PRESENTATION

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PAST PERFORMANCE. Our operating history is limited and our past performance is not a reliable indicator of future results and should not be relied upon for any reason.

ILLUSTRATIVE ECONOMICS. Target metrics (including expected total revenue, EBITDA margin and development yields in 2020) are hypothetical value based on specified assumptions that are aspirational in nature rather than management's view of projected financial results. Actual results could differ materially and the hypothetical assumptions on which this illustrative data is based are subject to numerous risks and uncertainties.

DEFINITIONS. "In Development" or "Under Construction" or similar statuses means that we have taken steps and invested money to develop a facility, including procuring land rights and entitlements, negotiating or signing construction contracts, and undertaking active engineering, procurement and/or construction work. Today we have four "core" Drive Shack venues in development, in New Orleans, Chicago, Manhattan and Newport. There can be no assurance that we will be able to construct and operate these assets as expected, or at all. Additionally, the construction of facilities is inherently subject to the risks of cost overruns and delays. If we are unable to construct, commission and operate all of our facilities as expected, or, when and if constructed, they do not accomplish our goals, or if we experience delays or cost overruns in construction, our business, operating results, cash flows and liquidity could be materially and adversely affected.

NON-GAAP FINANCIAL INFORMATION. This Presentation may include information based on financial measures that are not recognized under generally accepted accounting principles ("GAAP"), including EBITDA margin. 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. 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.

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



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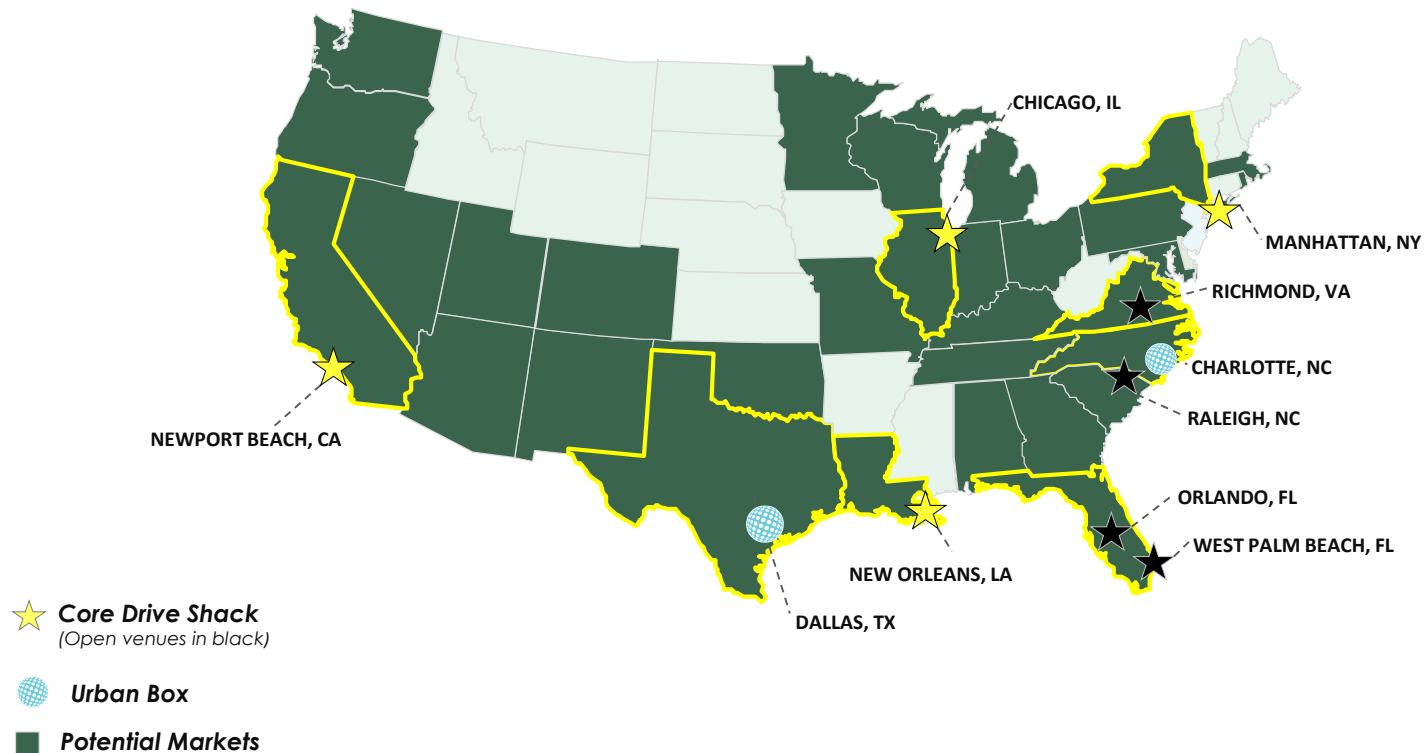
Executive Summary

Q4 2019 Highlights

- We are a golf-based “**eaterertainment**” company
- **Successfully launched** our third Gen 2.0 “core” venue in the golf entertainment space
- **Retrofit** our Beta site in Orlando with new **technology** and **outfield** renovations
- Plan to launch our **new “Urban Box” brand**, tech enhanced **putting** and entertainment venue, in the coming weeks
- Developed a **capital plan** to fund the business and our growth

OUR FOCUS AT DRIVE SHACK IS SIMPLE...

- We are going to continue to focus on the “eatertainment” industry, building 1-2 “core” big box venues per year
- We are going to successfully launch the Urban Box venues, having our first 3 venues fully operational by the end of 2020



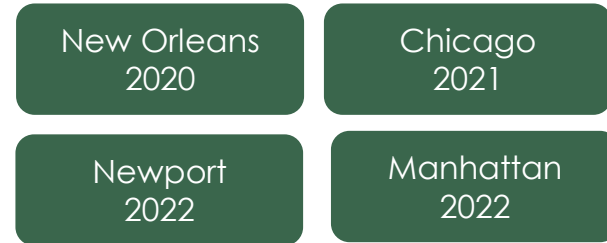
Venues

Drive Shack Core Venues

Venues In Operation



Committed Venues



Urban Box Venues

Committed Venues

2020 openings



Active Pipeline

Active Deals	7
Lease Negotiations	3
Sites in Discussion	52
Total Identified Sites	60+

Executive Summary

The Math

- Target 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 2023

Drive Shack Core Venues

<i>\$ in millions</i>	
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

<i>\$ in millions</i>	
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.

Executive Summary

Capital

- **We believe that we can internally finance this year of growth**
- **In order to meet our development goals in 2020, we need ~\$100mm**
 - Complete construction and open New Orleans and 3 Urban Boxes
 - Continue construction on other Core Drive Shack venues
 - Begin construction on Urban Box venues for 2021 openings
- **Our financing plan includes a combination of:**
 - Asset Sales
 - Financing
 - Sale Leasebacks

OUR GOALS ARE SIMPLE...

1

50+ Stores
operating
by 2023

8+ → \$4 - \$6M → = ~\$40M
"Core" EBITDA per venue Total "Core" EBITDA

50+ → \$2 - \$3M → = ~\$125M
"Urban Box" EBITDA per venue Total "Urban Box" EBITDA

2

Other
categories in
entertainment

Using our **strong expertise** and operational capabilities, we aim to pursue a **number of different categories** of entertainment

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Venue Operations & Development

Core Gen 2.0 Venues Open

Opened 3 Gen 2.0 “core” venues successfully; retrofitted 1 Beta with enhancements

Gen 2.0 Venues

Raleigh



Opened Aug. 19, 2019

Richmond



Opened Sep. 16, 2019

West Palm



Opened Oct. 14, 2019

Beta Site

Orlando



Opened Apr. 2018
Beta site - retrofitted with
Trackman tech. in Q4 2019

- In 2H 2019 Gen 2.0 venues generated total revenue of **~\$15M**
- In 2020 we expect Gen 2.0 venues to generate total revenue of **~\$50M**
- On pace to achieve site-level EBITDA margins of **25%** and development yields of **10-15%** in 2020⁽¹⁾

Venue Operations & Development

Operational Updates

- **Platform-Wide**

Actively testing and developing new games for ongoing roll out – aiming to release a new game every quarter

Launched refreshed F&B menu on March 2nd to feature more restaurant-quality options

Rolling out online reservations in Q2 2020 to help alleviate long guest wait times

- **Improved Venue Design**

Finalized 72-bay design which includes flexible event space, multiple outdoor patios, and refined revenue generating spaces

The new design will debut in Q4 2020 with the New Orleans opening

Venue Operations & Development

Development of New Venues On Track

"CORE" DRIVE SHACK



New Orleans
Q4 2020
72-bay



Chicago
2021



Newport Beach
2022



Manhattan
2022

URBAN BOX



Dallas
Q4 2020



Charlotte
Q4 2020



Q4 2020

Venue Operations & Development

Urban Box Development

- **Using state-of-the-art mini golf as the anchor, the Urban Box combines 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
- **Each location is customized to create unique ways to mingle with friends for a night out, have drinks with colleagues, or meet new people**
- **We plan to begin construction on our new Urban Box venues in summer 2020**



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Financials

Illustrative Valuation

- We expect to operate **8 Core DS** venues and **50 Urban Box** venues by 2023
- Based on our growth plan, we expect 2023 RR EBITDA could generate an Enterprise Value of **~\$2B**

Significant Value Upside Potential

- Company EBITDA goal of **~\$165M** based on development plan
 - **8** Core Venues @ **\$5M** EBITDA/venue
 - **50** Urban Box Venues @ **\$2.5M** EBITDA/venue
 - AGC Course EBITDA of **\$35M**
 - Combined G&A of **\$36M**
- A **12x** to **15x** multiple would lead to enterprise value of **~\$2B**

Illustrative Valuation

	2023 RR	
Core DS EBITDA	\$40	
Urban Box EBITDA	\$125	
AGC EBITDA	\$35	
DS G&A	(\$23)	
AGC G&A	(\$13)	
Total Company	~\$165	
EBITDA Multiple	12x	15x
Enterprise Value	\$1,980	\$2,475

GAAP Financial Results

- Q4 2019 GAAP Loss of \$17 million, or \$0.25/share vs. GAAP Loss of \$0.07/share in Q4 2018
- FY 2019 GAAP Loss of \$60 million, or \$0.90/share vs. GAAP Loss of \$0.66/share in FY 2018

GAAP Financial Results

	Q4 2019		Q4 2018	
	(\$ in millions)	(basic share)	(\$ in millions)	(basic share)
GAAP Loss	(\$17)	(\$0.25)	(\$5)	(\$0.07)

	FY 2019		FY 2018	
	(\$ in millions)	(basic share)	(\$ in millions)	(basic share)
GAAP Loss	(\$60)	(\$0.90)	(\$44)	(\$0.66)

Consolidated Statement of Operations

(\$ in thousands, except per share data)

	Three Months Ended December 31,		Year Ended December 31,	
	2019	2018	2019	2018
Revenues				
Golf operations	\$53,608	\$53,014	\$216,497	\$244,646
Sales of food and beverages	18,207	16,272	55,567	69,723
Total revenues	\$71,815	\$69,286	\$272,064	\$314,369
Operating costs				
Operating expenses	59,409	57,043	229,306	251,794
Cost of sales – food and beverages	4,759	4,740	15,217	20,153
General and administrative expense	9,994	8,951	47,976	38,560
Depreciation and amortization	6,627	5,346	22,396	19,704
Pre-opening costs	1,811	435	9,040	2,483
Impairment and other losses	9,336	2,595	15,413	8,240
Realized and unrealized (gain) loss on investments	-	152	-	(131)
Total operating costs	\$91,936	\$79,262	\$339,348	\$340,803
Operating Loss	(\$20,121)	(\$9,976)	(\$67,284)	(\$26,434)
Other income (expenses)				
Interest and investment income	156	412	955	1,794
Interest expense, net	(2,753)	(3,699)	(8,760)	(16,639)
Other income, net	7,921	10,037	20,876	2,880
Total other income (expenses)	\$5,324	\$6,750	\$13,071	(\$11,965)
Loss before income tax	(\$14,797)	(\$3,226)	(\$54,213)	(\$38,399)
Income tax expense	479	284	641	284
Net loss	(\$15,276)	(\$3,510)	(\$54,854)	(\$38,683)
Preferred dividends	(1,395)	(1,395)	(5,580)	(5,580)
Loss Applicable to Common Stockholders	(\$16,671)	(\$4,905)	(\$60,434)	(\$44,263)
Per WA Basic Share	(\$0.25)	(\$0.07)	(\$0.90)	(\$0.66)

Consolidated Balance Sheet (Condensed)

(\$ in thousands except per share data)

	As of 12/31/2019	As of 12/31/2018
Assets		
Current Assets:		
Cash and cash equivalents	\$28,423	\$79,235
Restricted cash	\$3,103	\$3,326
Accounts receivable, net	\$5,249	\$7,518
Real estate assets, held-for-sale, net	\$16,948	\$75,862
Real estate securities, available-for-sale	\$3,052	\$2,953
Other current assets	<u>\$17,521</u>	<u>\$20,505</u>
Total Current Assets	\$74,296	\$189,399
Restricted cash, noncurrent	\$438	\$258
Property and equipment, net of accumulated depreciation	\$179,641	\$132,605
Operating lease right-of-use assets	\$215,308	-
Intangibles, net of accumulated amortization	\$17,565	\$48,388
Other investments	\$24,020	\$22,613
Other assets	\$4,723	\$8,684
Total Assets	\$515,991	\$401,947
Liabilities		
Current Liabilities:		
Obligations under finance leases	\$6,154	\$5,489
Membership deposit liabilities	\$10,791	\$8,861
Accounts payable and accrued expenses	\$25,877	\$45,284
Deferred revenue	\$26,268	\$18,793
Real estate liabilities, held-for-sale	\$4	\$2,947
Other current liabilities	<u>\$23,964</u>	<u>\$22,285</u>
Total Current Liabilities	\$93,058	\$103,659
Credit facilities and obligations under finance leases - noncurrent	\$13,125	\$10,489
Operating lease liabilities - noncurrent	\$187,675	-
Junior subordinated notes payable	\$51,192	\$51,200
Membership deposit liabilities, noncurrent	\$95,805	\$90,684
Deferred revenue, noncurrent	\$6,283	\$6,016
Other liabilities	<u>\$3,278</u>	<u>\$5,232</u>
Total Liabilities	\$450,416	\$267,280
Stockholders' Equity		
Preferred Stock	\$61,583	\$61,583
Common Equity	<u>\$3,992</u>	<u>\$73,084</u>
Total Stockholders' Equity	\$65,575	\$134,667
Total Liabilities & Stockholders' Equity	\$515,991	\$401,947