



Drive Shack Inc.

Earnings Presentation – Third 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, timing of new venue openings, expected financial outlook for fiscal 2020 and 2021, expected operating performance, timing of construction start dates and milestones, including timing thereof, 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 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 November 4, 2020. 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



Executive Summary

Third Quarter Highlights

- Total Company Q3 2020 **Revenue** of **\$66M** (-11% or **-\$8M** vs. Q3 2019)
- AGC's momentum continued with strong Q3 results, highlighting the **tremendous demand for traditional golf**
- In October, we completed the **sale** of our **Rancho San Joaquin, CA** golf course for **\$33.6M** in net cash proceeds
- We've **re-stabilized our business** amid the current environment, **positioning us to advance our growth plan and goals** set forward in early 2020
- We have a relatively **unlevered balance sheet** providing us with a solid financial foundation to **pursue growth**



Rendering of Puttery Dallas, Opening 2021

Executive Summary

Our Courses & Venues

AGC GOLF COURSES⁽¹⁾

OWNED
1 Course

LEASED
34 Courses

MANAGED
25 Courses

DRIVE SHACK VENUES

CURRENT VENUES

Orlando, FL
Opened Q2
(Beta Site)

2018

Raleigh, NC
Opened Q3

Richmond, VA
Opened Q3

West Palm, FL
Opened Q4

2019

COMMITTED VENUES

New Orleans, LA
On Hold

2021

Dallas, TX

Charlotte, NC

**+5 Additional
Targets**

Manhattan, NY

2022

**Active pipeline of
60+ Identified Targets**
Open in 2022+

PUTTERY VENUES

Emerging from COVID-19 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	✓	—	—	—	—

Executing our Growth Priorities in a New Environment

At the onset of COVID-19, we quickly identified ways to cut costs and sustain liquidity, while also re-stabilizing the business amid the new environment, positioned to advance our 2020 growth priorities

Situation Timeline

March	March	March	April	May	June
●	●	●	●	●	●
WHO declares COVID-19 global pandemic	States and localities issued "stay at home" + "shelter in place" orders	Closed all Drive Shack venues + majority of AGC courses	AGC courses begin to reopen as restrictions eased	DS West Palm, Richmond + the majority of AGC courses reopen	DS Raleigh + New York AGC courses reopen

The Result:

We believe we are poised to advance our growth plan and goals set forward in early 2020:

- Plan to focus capital & resources on Puttery concept
- Expect to open 7 Puttery locations, including Dallas and Charlotte, by the end of 2021
- Puttery Dallas and Charlotte currently underway; evaluating real estate pipeline for remaining locations
- Exploring various options for 2021 funding plan

Our Response:

1 Aggressively managed costs and implemented measures to sustain liquidity

- ✓ Closed sale of \$35M AGC course
- ✓ Restructured AGC and DS teams, lowered field fixed labor costs by ~40%
- ✓ Significantly reduced expenses/spend
- ✓ Leveraged existing resources
- ✓ Enforced strong capital allocation discipline
- ✓ Elected not to pay preferred equity dividends

2 Re-stabilized the business amid the current environment (COVID) to position ourselves for growth

- ✓ Hired CFO to lead financing process
- ✓ Selectively advanced critical path deliverables for new venue openings while delaying other non-critical expenditures to preserve liquidity
- ✓ Creating innovative programs to drive traffic and increase revenue
- ✓ Launching online single-bay reservation platform
- ✓ Reinstating successful promotions to increase revenue
- ✓ Developed Orlando reopening plan

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Strong Demand Continues for Traditional Golf⁽¹⁾

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

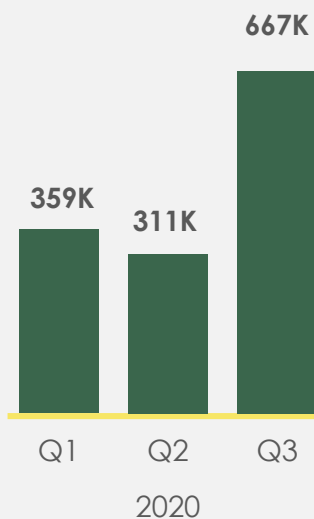
Public Courses

+15%
Revenue from
green & cart fees
vs. Q3 2019



Revenue from
green/cart fees

+10%
Daily fee rounds
vs. Q3 2019



Daily Fee Rounds

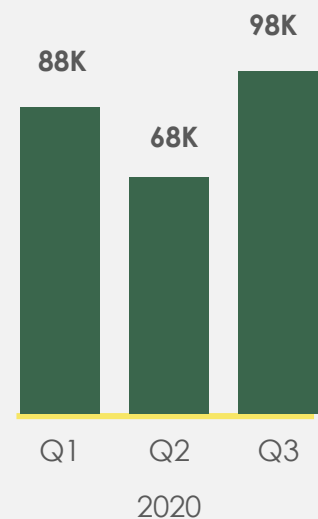
Private Courses

+48%
Member sales⁽²⁾
vs. Q3 2019



Member sales

+25%
Total rounds
vs. Q3 2019



Total rounds

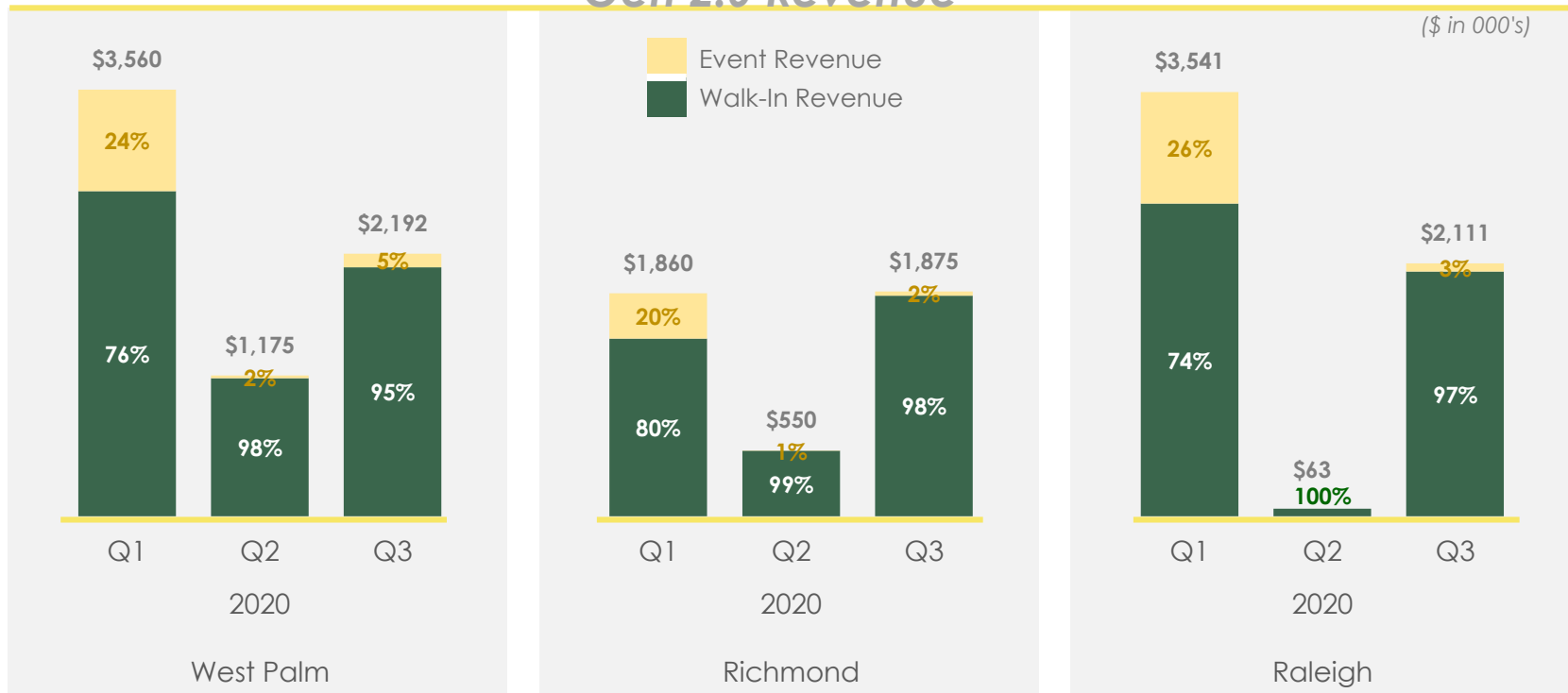
Operations Update

Drive Shack – Q3 Results

Total Q3 revenue of \$6.2M – Walk-in revenue of \$6.0M | Events revenue of \$0.2M

- Total Gen 2.0 revenue in Q3 averaged **70%** of Q1 levels⁽¹⁾
- Gen 2.0 walk-in revenue in Q3 averaged **88%** of Q1 levels

Gen 2.0 Revenue



¹⁾ Gen 2.0 venues include Raleigh, Richmond and West Palm Beach.

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

Positioned for Success Amidst COVID-19 Disruption

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



Our Key Differentiators:

- ✓ **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**



HEALTHY ASSOCIATES

Associates are temperature & symptom-screened every day.



TABLES CLEANED & DISINFECTED

Between each group.



SOCIAL DISTANCING

Marked on all floors.



FREQUENT HANDWASHING

& hand sanitizer in all lobby & bay areas.



SINGLE USE MENUS

For each new guest and available online.



GOLF CLUBS CLEANED & DISINFECTED

Between each group.



GAME PANELS CLEANED & DISINFECTED

Between each group.



MASK & GLOVES

Worn by all associates.

Operations Update

Orlando Reopening Plan

As we gear up for the reopening, we are **focusing on initiatives** that will **increase brand awareness** and **visits to the venue** coupled with various revenue driving promotions and events

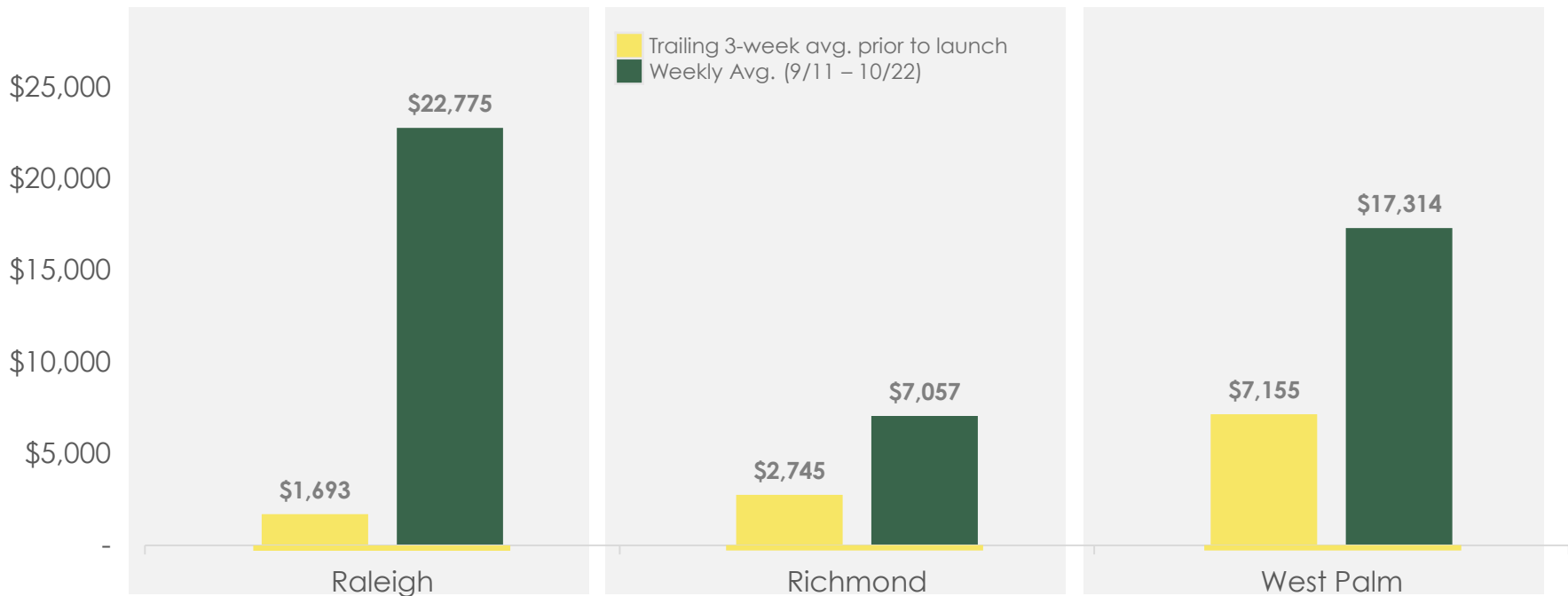
- Partnering with the developer of the 17-square mile Lake Nona community surrounding our venue to further integrate with local businesses and residents
- Curating special promotions and experiences, including:
 - ✓ *Game Play Pass for Lake Nona community*
 - ✓ *Live music featuring local artists*
 - ✓ *Special event packages for local corporations and businesses*
 - ✓ *Discount for Orlando airport employees*



Plan to reopen Orlando venue in December

Driving Event Revenue: 2 Bay Packages

Launched **2-Bay Package** in mid-September to encourage small event bookings in all Drive Shack locations. Since launching, event revenue has increased 4x.



This 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 Reservation Platform

- Plan to launch new online booking platform for single-bay reservations in December
 - Previously advance bookings were only offered as part of event packages on a call-ahead basis and with a 2-bay minimum*
- Platform will allow us to drive incremental visitors, increase traffic during off-peak times, and enhance predictability of labor needs

Plan to Launch Online Single-Bay Reservations in December

RESERVE A BAY

1. WHERE'S THE PARTY?

Select Location

2. NUMBER OF GUESTS?

Select Group Size

NEXT

Raleigh

6 Guests

1 Bay

Wednesday, December 2nd

How long are you playing?

1 hour

1 hour 15 mins

1 hour 30 mins

Reservation time

3:00 PM

3:15 PM

3:30 PM

Operations Update

Game Innovation

Prioritizing innovation of new ways for guests to compete – tournaments and bay-to-bay challenges

1 *Currently developing a new, repeatable **tournament model** for use at all Drive Shack locations*

Drive Shack Open

Geared towards more competitive, avid golfer

- **Structure:** Single-day, 4 people/team, best ball, entry fee
- **Game:** Rotation of our “pro” courses
- **Prize:** Both local and national level prizes

Monster Hunt Challenge

Geared towards less serious players and non-golfers

- **Structure:** 4-weeks, for groups or solo players, entry fee
- **Game:** Custom developed, built specifically for competition with “high score” tournament mentality
- **Prize:** Prizes awarded based on score

2 *In the early stages of planning technology that will encourage in-venue competition between **different groups of guests***

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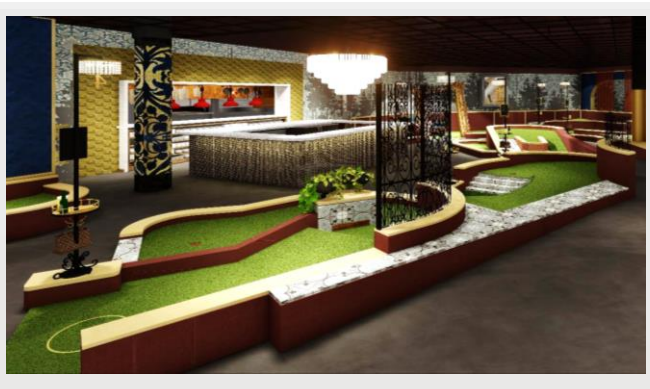
DRIVE SHACK

Development Update

Puttery

Using state-of-the-art mini golf as the anchor, Puttery will combine competitive socializing, F&B and technology to create **one remarkable experience**

- Launching Puttery format for **urban markets** where a Drive Shack venue would not fit
- Expands store potential by hundreds of markets due to:
 - ✓ **Vast** availability of real estate at potential discount
 - ✓ **Shorter** development timelines
 - ✓ **Less** capital risk
 - ✓ **Higher** development yields



The Charlotte **construction documents are near completion** and we plan to **begin the permitting process** in late 2020/early 2021



The Dallas venue **shell building is complete** and **permitting is underway**



We plan to **open** both venues in **2021**

Development Update

Future Venues

DRIVE SHACK



New Orleans
ON HOLD



Manhattan
EXPECTED 2022

PUTTERY



Dallas
OPENING 2021



Charlotte
OPENING 2021



+5 Venues
OPENING 2021

The Math⁽¹⁾

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

Drive Shack Venues	
<i>\$ in millions</i>	
Development Cost ⁽²⁾	\$25 - \$40
Total Revenue	\$15 - \$25
Venue EBITDA	\$4 - \$6
Development Yields	10 - 20%
Total EBITDA⁽³⁾:	\$20 - \$30M

Puttery Venues	
<i>\$ in millions</i>	
Development Cost ⁽²⁾	\$7 - \$11
Total Revenue	\$7 - \$11
Venue EBITDA	\$2 - \$3
Development Yields	25 - 40%
Total Puttery EBITDA⁽⁴⁾:	\$100 - \$150M

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

(1) Represents illustrative economics of the Puttery and Drive Shack venues without restrictions or impact due to COVID-19.

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

(3) Total EBITDA is based on 5 venues at venue-level EBITDA of \$4 to \$6 million per site.

(4) Total Puttery EBITDA is based on 50 Puttery venues at venue-level EBITDA of \$2 to \$3 million per site.

Development Update

Liquidity and Funding

We believe we are positioned to **accomplish our growth plan and goals** set forward in early 2020

- As of October 31, 2020, we have **\$44M** of unrestricted cash on hand
- Our goal over the next six months is to gain proof of concept for the Puttery
- We believe we can do this with our current capital structure and liquidity outlook through the end of Q1 2021
- Thereafter, we expect our growth plan will be supported by future cash flow from operations and new capital funding
- We are currently exploring various options for new capital funding in 2021

Our Next Phase: Goal in Next 12 Months

- Plan to open **7 Puttery stores** by end of **2021**
- Project total cost of **~\$50M** to complete our 2021 venues
- Based on our plan, we expect 2021 Run-Rate EBITDA of **\$29M** and an Enterprise Value of **~\$437M⁽¹⁾**

Total Company Illustrative Economics

	2021 RR ⁽¹⁾
DS EBITDA (4 venues)	\$13
Puttery EBITDA (7 venues)	\$19
AGC EBITDA, net ⁽²⁾	\$16
DS SG&A ⁽³⁾	(\$20)
Total Company EBITDA	\$29M
EBITDA Multiple	15x
Enterprise Value	\$437M
New Capital	(\$45)
Pref + Jr. Sub Note	(\$113)
Equity Value	~\$280M

(1) "Run-Rate" represents annualized results for each store without restrictions due to COVID-19, 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

Third Quarter Financial Results

Total Company

Q3: Total Company **Revenue of ~\$66M** (-11% or -\$8M vs. Q3 2019)

- Revenue of **\$51M**, excluding expense reimbursements from managed properties of \$15M (-13% vs. Q3 2019)

Drive Shack ⁽¹⁾ (4 Venues)

Q3: Revenue of \$6.2M

- Q3 Gen 2.0 total revenue averaged 70% of Q1 levels
- Q3 Gen 2.0 walk-in revenue averaged 88% of Q1 levels

AGC (60 Courses)

Q3: Course Revenue of \$45M (-19% or -\$10M vs. Q3 2019)⁽²⁾

- Privates: Member sales +48% and member rounds +36% vs. Q3 2019⁽³⁾
- Publics: Green fee/cart fee rate per round +12% vs. Q3 2019
- Event revenue: -95% or -\$10.5M vs. Q3 2019

SG&A

Total Company SG&A of \$8M, a decrease of 38% or \$5M vs. Q3 2019

GAAP Financial Results

- Q3 2020 GAAP Loss of \$11 million, or \$0.16/share vs. GAAP Loss of \$0.20/share in Q3 2019
- YTD 2020 GAAP Loss of \$70 million, or \$1.05/share vs. GAAP Loss of \$0.65/share in Q3 YTD 2019

GAAP Financial Results

	Q3 2020		Q3 2019	
	(\$ in millions)	(basic share)	(\$ in millions)	(basic share)
GAAP Loss	(\$11)	(\$0.16)	(\$13)	(\$0.20)

	YTD 2020 ⁽¹⁾		YTD 2019 ⁽¹⁾	
	(\$ in millions)	(basic share)	(\$ in millions)	(basic share)
GAAP Loss	(\$70)	(\$1.05)	(\$44)	(\$0.65)

Note: Per share represents per weighted average basic share unless otherwise noted. All per share amounts are represented on a weighted average basis.

1) YTD 2020 and YTD 2019 is reflective of the nine-month period ended September 30, 2020 and September 30, 2019, respectively

Consolidated Statement of Operations (Unaudited)

(\$ in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Revenues				
Golf operations	\$58,766	\$60,797	\$137,066	\$162,889
Sales of food and beverages	\$7,699	\$13,885	\$22,634	\$37,360
Total revenues	\$66,465	\$74,682	\$159,700	\$200,249
Operating costs				
Operating expenses	\$54,993	\$63,454	\$142,584	\$169,897
Cost of sales – food and beverages	\$2,170	\$3,856	\$6,654	\$10,458
General and administrative expense	\$7,916	\$12,755	\$24,102	\$37,981
Depreciation and amortization	\$6,853	\$5,723	\$20,329	\$15,769
Pre-opening costs	\$227	\$4,350	\$1,049	\$7,229
Loss (gain) on lease terminations and impairment	\$302	\$1,872	(\$2,031)	\$6,077
Total operating costs	\$72,461	\$92,010	\$192,687	\$247,411
Operating Loss	(\$5,996)	(\$17,328)	(\$32,987)	(\$47,162)
Other income (expenses)				
Interest and investment income	\$135	\$191	\$400	\$799
Interest expense, net	(\$2,896)	(\$2,061)	(\$8,232)	(\$6,008)
Other income (loss)	(\$157)	\$7,341	(\$24,212)	\$12,955
Total other income (expenses)	(\$2,918)	\$5,471	(\$32,044)	\$7,746
Loss before income tax	(\$8,914)	(\$11,857)	(\$65,031)	(\$39,416)
Income tax expense	\$498	\$162	\$1,269	\$162
Net loss	(\$9,412)	(\$12,019)	(\$66,300)	(\$39,578)
Preferred dividends	(\$1,395)	(\$1,395)	(\$4,185)	(\$4,185)
Loss Applicable to Common Stockholders	(\$10,807)	(\$13,414)	(\$70,485)	(\$43,763)
Per WA Basic Share	(\$0.16)	(\$0.20)	(\$1.05)	(\$0.65)

Consolidated Balance Sheet (Condensed)

	(unaudited)	
	As of 9/30/2020	As of 12/31/2019
(\$ in thousands except per share data)		
Assets		
Current Assets:		
Cash and cash equivalents	\$13,314	\$28,423
Restricted cash	\$2,904	\$3,103
Accounts receivable, net	\$3,670	\$5,249
Real estate assets, held-for-sale, net	\$17,016	\$16,948
Real estate securities, available-for-sale	\$3,027	\$3,052
Other current assets	\$14,861	\$17,521
Total Current Assets	\$54,792	\$74,296
Restricted cash, noncurrent	\$286	\$438
Property and equipment, net of accumulated depreciation	\$175,014	\$179,641
Operating lease right-of-use assets	\$198,458	\$215,308
Intangibles, net of accumulated amortization	\$15,329	\$17,565
Other investments	\$0	\$24,020
Other assets	\$5,610	\$4,723
Total Assets	\$449,489	\$515,991
Liabilities		
Current Liabilities:		
Obligations under finance leases	\$6,583	\$6,154
Membership deposit liabilities	\$14,815	\$10,791
Accounts payable and accrued expenses	\$38,964	\$25,877
Deferred revenue	\$15,351	\$26,268
Real estate liabilities, held-for-sale	\$5	\$4
Other current liabilities	\$30,452	\$23,964
Total Current Liabilities	\$106,170	\$93,058
Credit facilities and obligations under finance leases - noncurrent	\$12,435	\$13,125
Operating lease liabilities - noncurrent	\$171,592	\$187,675
Junior subordinated notes payable	\$51,185	\$51,192
Membership deposit liabilities, noncurrent	\$97,943	\$95,805
Deferred revenue, noncurrent	\$7,385	\$6,283
Other liabilities	\$3,154	\$3,278
Total Liabilities	\$449,864	\$450,416
Stockholders' Equity		
Preferred Stock	\$61,583	\$61,583
Common Equity	(\$61,958)	\$3,992
Total Stockholders' Equity	(\$375)	\$65,575
Total Liabilities & Stockholders' Equity	\$449,489	\$515,991

Puttery: Dallas Rendering



Puttery: Venue and Course Renderings



Puttery: Venue and Course Renderings



Puttery: Venue and Course Renderings



Puttery: Venue and Course Renderings



Puttery: Venue and Course Renderings



Puttery: Venue and Course Renderings



Puttery: Venue and Course Renderings



Puttery: Venue and Course Renderings



Puttery: Venue and Course Renderings

