

# Investor Presentation

December 2020

**DRIVE SHACK**



# Disclaimers

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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. This presentation does not constitute an offer to sell or a solicitation of an offer to buy securities.

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 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.

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2. Our Business
3. Development Update
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**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

## Our Venue Formats

### Competitive Socializing Is At The Center Of Our Entertainment Venues

#### Drive Shack Venues *large format*

operate 4 venues today



- Launched Drive Shack in **2018**
- Our **large format**, outdoor entertainment golf venues offer **suite-style bays, multiple bars** and a **restaurant**
- **Socializing** is the driving force – from competitive tech-powered golf games to elevated F&B offerings

#### Puttery Venues *small format*

plan to open 7 venues  
in 2021



- Debuting Puttery in **2021**
- Our **small format**, indoor entertainment golf experience anchored by **multiple bars + lounges**
- Features **high-tech mini golf**, elevated food offerings and specialty cocktails created by mixologists

## Executive Summary

# Drive Shack Venues

Each of our **60,000 sq. ft.** Drive Shack venues have over **90 suite-style bays** overlooking a **200+ yard outfield**

Our Drive Shack portfolio consists of **5 venues**

- Currently operate **4 venues** in Orlando, Raleigh, Richmond and West Palm Beach
- Developing **1 additional venue** in Manhattan (Randall's Island)<sup>(1)</sup>



CLIMATE CONTROLLED BAYS

STATE OF THE ART GAMES

DUAL FLAT SCREEN TVS

220-YARD OUTFIELD

AUTOMATIC BALL DISPENSER

FULL-SERVICE FOOD & DRINK

COMPLIMENTARY  
TAYLORMADE CLUBS

CHARGING STATION &  
GOLF BAG STAND

COMFORTABLE  
LOUNGE SEATING

## Executive Summary

# Puttery Venues

Using state-of-the-art mini golf, Puttery 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 **culinary offerings** alongside inventive **craft cocktails**



- In **2021**, we will debut our first **2 Puttery venues** in Dallas and Charlotte
  - ✓ The Dallas venue **shell building** is **complete** and **permitting is underway**
  - 📄 The Charlotte **construction documents are complete**; the **permitting process** will begin in the coming weeks
- We plan to open **5 additional Puttery** locations in **2021** and **10 venues** in **2022**



Executive Summary

# Our Transformation

**We transformed** from a traditional golf business into an **entertainment operating company**

## Traditional golf roots

### American Golf Co.

**As a traditional golf company, we own, lease, and manage courses**

- Sold majority of owned course portfolio, continue to lease and manage courses

Transformed  
Traditional  
Golf Business  
into an  
Entertainment  
Operating  
Company

## Entertainment golf

### Drive Shack Venues

**Opened first Drive Shack in Orlando – April 2018**

- Used as our beta site to test enhancements for next generation of venues

**Opened 3 Gen 2.0 venues across 2H '19 – Raleigh, Richmond and West Palm Beach**

- These venues significantly outperformed expectations in 2019, beating plan by +14%

### Puttery Venues

**Developing a new experience – “Puttery” (tech-enhanced putting)**

- On pace to open 7 venues by YE 2021

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# We Provide a New Type of Leisure

Our Portfolio Of Entertainment Venues Directly Addresses Consumers' Changing Preferences

Consumers are choosing to spend more on experiences:<sup>(1)</sup>

78%

of millennials would rather spend money on an **experience vs. buying** something<sup>(2)</sup>

70%

of consumers **prefer to dine at entertainment formats** vs. typical casual restaurants for group occasions<sup>(3)</sup>

Drive Shack combines **3 experiences** under one roof:

**1 Entertainment**

Guests interact, play and socialize in a sophisticated, fun setting

**2 Sports**

Anchored on driving range featuring robust gaming platform

**3 Food & Beverage**

Elevated Food & Beverage with focus on "sharable" options

**= Competitive Socializing**

1) Source: Pew Research Center (April 2018); Forbes (June 2014).

2) Source: USA Today (June 2017).

3) Source: Technomic Research (2019)

# Drive Shack: The New Way to Golf

Our Venues Are Designed To Solve Issues Preventing Growth Across The Traditional Golf Industry



**More affordable**  
no equipment  
purchase required



**Indoor/outdoor**  
all-weather  
games



**Less time**  
required



**All skill level**  
players can play

The **shift** to  
**entertainment**  
**golf** from  
traditional golf  
provides us with:

- ✓ Higher growth trajectory
- ✓ Lower cyclicality
- ✓ Increased margins
- ✓ Improved capital efficiency
- ✓ Enhanced shareholder value creation



# Strengthening Our Foothold in the Industry

**Industry Disruption** from  
COVID-19 & Structural  
Decline of Dated Businesses

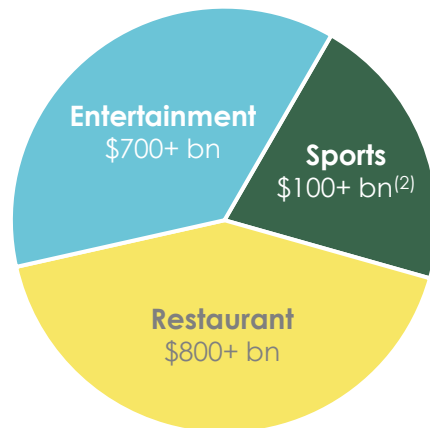
+

Rising Demand for  
**Social, Active & Outdoor** =  
Entertainment Options

Significant  
Opportunity for DS to  
**Capture Market Share**

## Competitive Socializing Industry in U.S.

**\$1.6+  
trillion**  
in revenue prior to  
COVID-19<sup>(1)</sup>



## Other Concepts Fail to Address the Shift in Consumer Preferences

	Drive Shack	Cocktail/ Sports Bars	Concert Venues	Theme Parks	Movie Theaters
Social	✓	✓	✓	✓	–
Competitive	✓	–	–	–	–
Physical Activity	✓	–	–	–	–
All Weather	✓	✓	✓	–	✓
Outdoor / Open Air	✓	–	–	✓	–
Defined Space / Ltd. Guest Overlap	✓	–	–	–	–

<sup>1)</sup> Sources: National Restaurant Association (2017), PwC (2017), Golf Digest (2018), Select USA (2017).

<sup>2)</sup> Sports revenue estimate includes media rights, gate revenues, sponsorship, merchandising, and golf facility revenue.

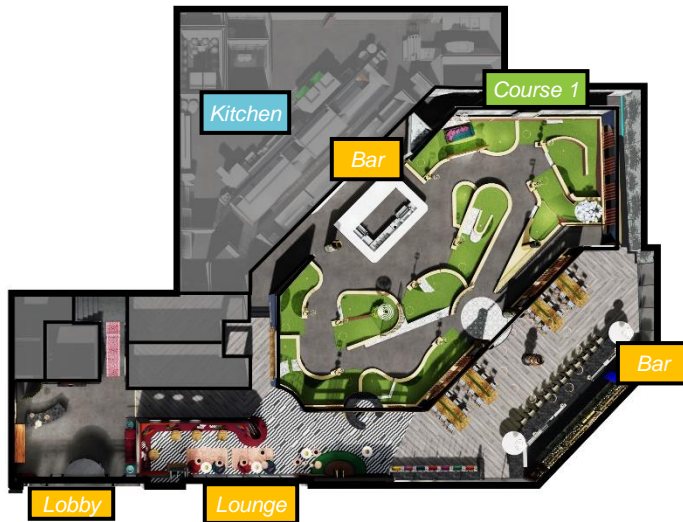
Based on management's current views and estimates. See "Disclaimers" at the beginning of this Presentation for more information on forward-looking statements.

# Puttery – Our Newest Format

We have designed a new **indoor, small format** venue to debut in 2021

- Combines **tech-infused golf**, **competitive games** & **entertainment**, and **upscale F&B**
- Requires **less space** than DS venues – enabling access to dense urban cores
- Focuses on **putting** – making the game more competitive and broadly engaging

**Floor 1** Beverage and food opportunities are plentiful with **multiple bars** and a **full-service kitchen**



**Floor 2** Our **upscale lounge** furniture and finishes are designed to keep guests comfortable while they relax and have fun



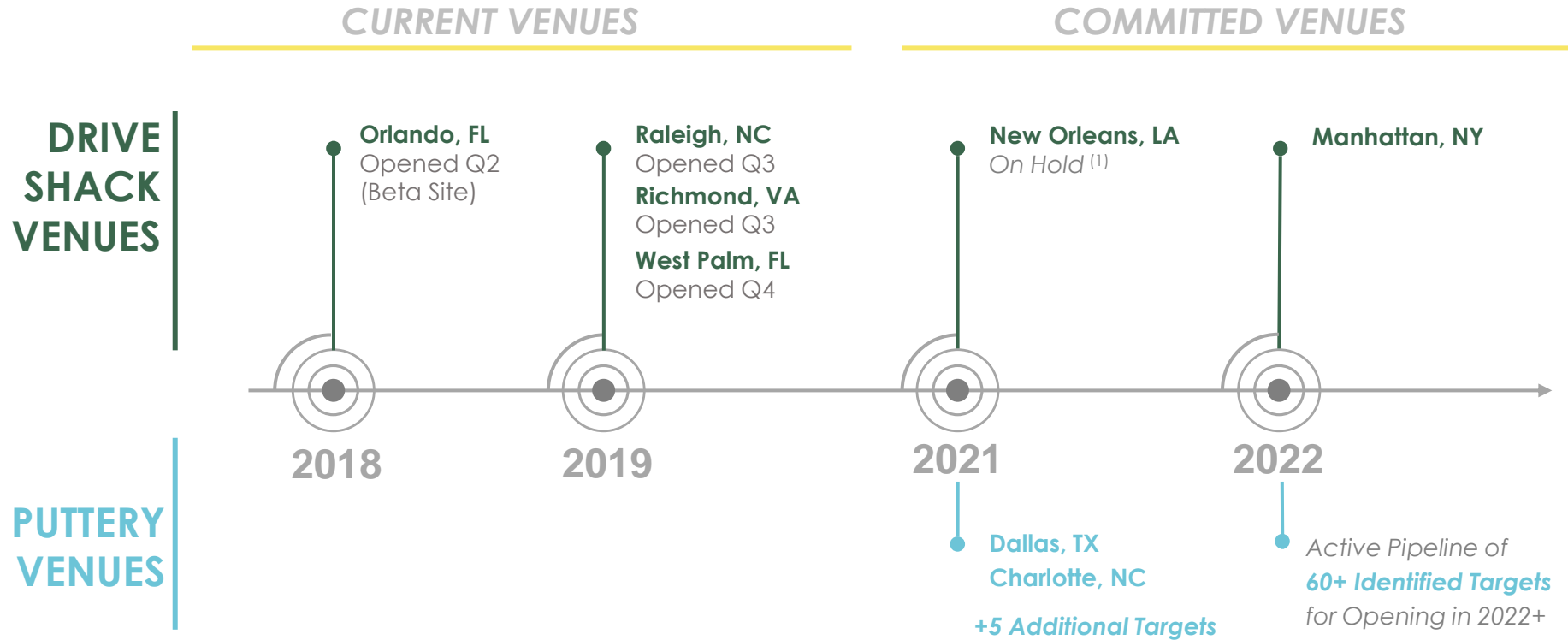
The **courses** are designed to keep people connected and socializing while they move from one hole to the next

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**DRIVE SHACK**

# Venue Development Timeline



# Increased Growth Potential

## Puttery Renderings



Started with large format Drive Shack venues in major metropolitan markets

- Freestanding **60,000 sq. ft.** open-air venue built on **~12 acres**

Launching small format Puttery venues for dense urban markets where a Drive Shack does not fit

- Tenant in **15,000 – 20,000 sq. ft.** existing indoor space

Puttery expands venue potential by hundreds of markets due to:

- ✓ **Vast** availability of real estate at potential discount
- ✓ **Shorter** development timelines
- ✓ **Less** capital risk
- ✓ **Higher** development yields

# Attractive Unit Economics on New Developments<sup>(1)</sup>

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

Our goal is to build **50 Puttery venues** and **DS Manhattan** by the end of 2024<sup>(2)</sup>

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

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

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

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

2) Drive Shack is committed to 1 lease in New Orleans. The venue's development status remains "on hold" and is therefore excluded from future venue counts.

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

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**DRIVE SHACK**

# Financial Performance<sup>(1)</sup>

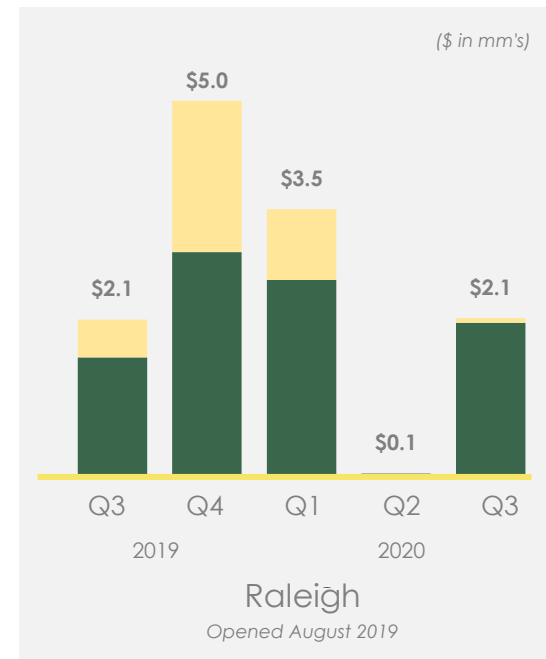
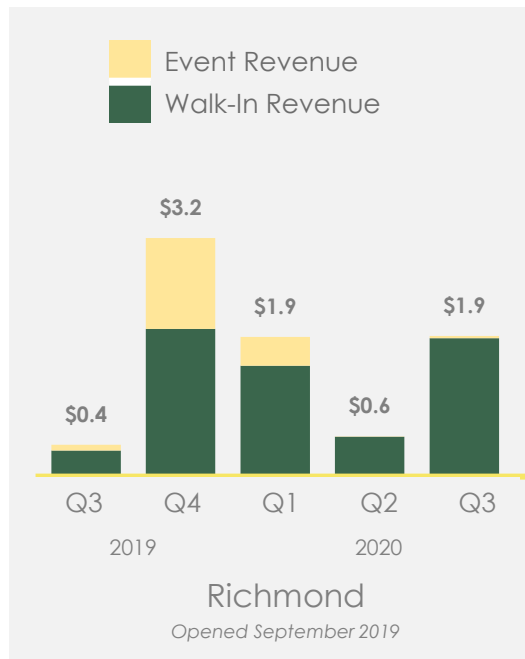
**2019 Gen 2.0 Revenue ~\$15M** (Walk-in ~\$10M | Events ~\$5M)

- Opened three Gen 2.0 venues in 2H 2019
- Outperformed expectations by **+14%**

**2020 YTD (thru Q3) Gen 2.0 Revenue: ~\$17M** (Walk-in ~\$14.5M | Events ~\$2.4M)

- All venues **reopened** by the end of Q2 following their closure at the end of March
- Q3 Gen 2.0 revenue averaged **70%** of Q1 levels and walk-in revenue in Q3 averaged **88%** of Q1 levels

## Gen 2.0 Total Revenue (Q3 2019 – Q3 2020)



# OUR GOALS ARE SIMPLE...

**1**  
**5 DS Venues** <sup>(1)</sup>  
by 2022

5 → \$4 - \$5M → = ~\$21M  
Drive Shack EBITDA per venue Total DS EBITDA

**2**  
**17 Puttery's**  
by 2022

17 → \$2.5 - \$3M → = ~\$48M  
Puttery EBITDA per venue Total Puttery EBITDA

1) Drive Shack is committed to 1 lease in New Orleans. The venue's development status remains "on hold" and is therefore excluded from future venue counts.

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 Valuation projections and actual results may differ materially.

# Our Financial Goals<sup>(1)</sup>

1

## Secure Financing for 2021 Openings

Secure **\$50M** of financing to open **7 Puttery** venues in 2021

- *Plan to fund with proceeds from Rancho asset sale and new capital*

2

## Secure Financing for 2022 Openings

Secure **\$110M** of financing to open **10 Puttery** venues + **DS Manhattan** in 2022

- *Plan to utilize future cash flow from operations and new capital funding for both*

3

## Increase Earnings and Cash Flow

**Earnings & cash flow** expected to **increase considerably** by end of 2022 on a run-rate basis – significant impacts:

- *Generate improved operating cash flow to partially fund development of future Puttery and Drive Shack venues*
- *Enable ability to source external capital to further fund development of these venues*

1) Drive Shack is committed to 1 lease in New Orleans. The venue's development status remains "on hold" and is therefore excluded from future venue counts. "Run-Rate" represents annualized results for each venue without restrictions due to COVID-19, as if it was opened for the full year

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 Valuation projections and actual results may differ materially

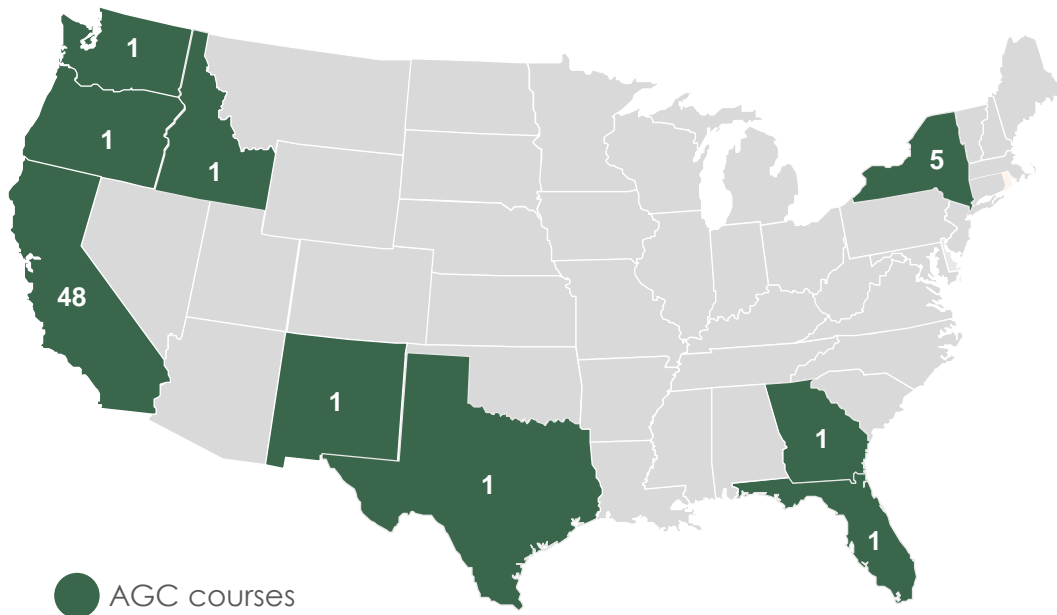
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## Appendix

# American Golf Corp.

*One of the largest operators of golf properties in the U.S.*

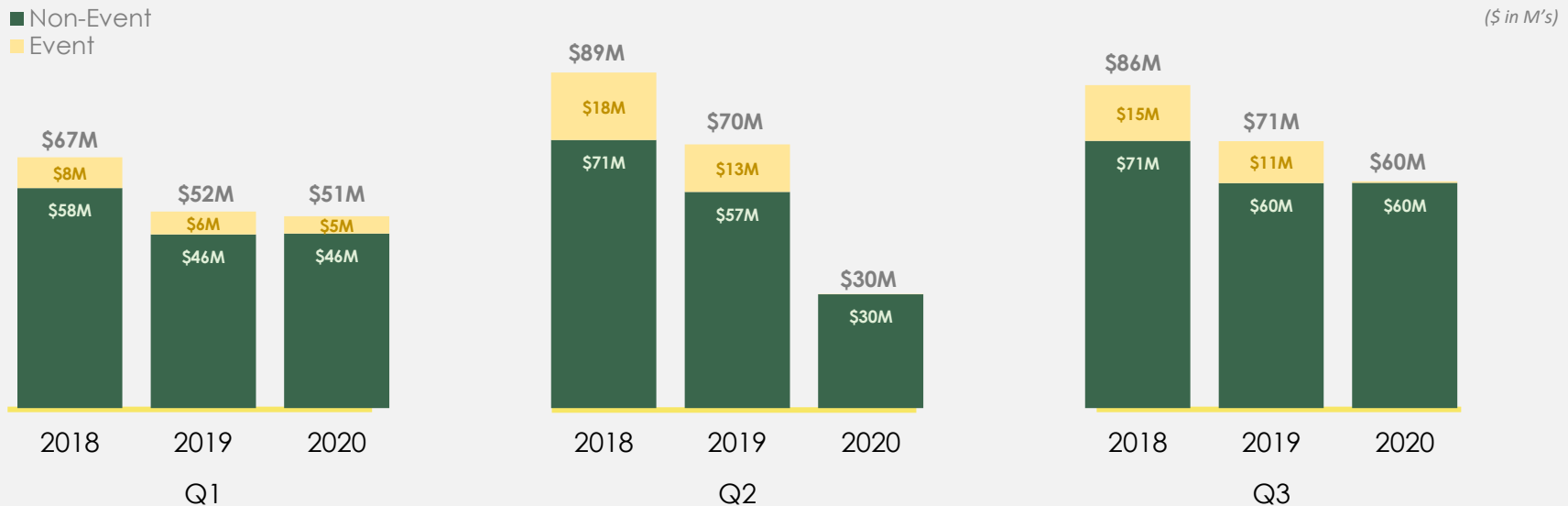


- AGC operates 60 traditional courses<sup>(1)</sup> nationwide serving over 3 million visitors per year
- Municipality partnerships account for ~85% of AGC's leased properties; most relationships have lasted 3+ decades
  - *Able to leverage these strong relationships as we build out entertainment venues*
- AGC serves as a consistent and stable business

# American Golf Historical Performance

- Closed nearly every traditional golf course by end of Q1 2020 due to COVID
- By June, all AGC properties had reopened and were met with significant demand
- Delivering strong results despite limitations on large group gatherings; event revenue remain challenging

## AGC Revenue: Q1 – Q3 (2018 – 2020)



*The 2020 vs. 2019 decrease is primarily driven by course closures (Q2) and events (Q2/Q3)  
The 2019 vs. 2018 decrease is largely due to fewer golf courses owned or operated in 2019<sup>(1)</sup>*

# American Golf Recent Performance: Q3 2020 Results<sup>(1)</sup>

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

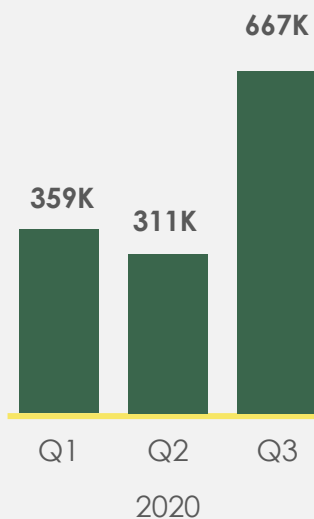
## Public Courses

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



Revenue from  
green/cart fees

**+10%**  
Daily fee rounds  
vs. Q3 2019



Daily Fee Rounds

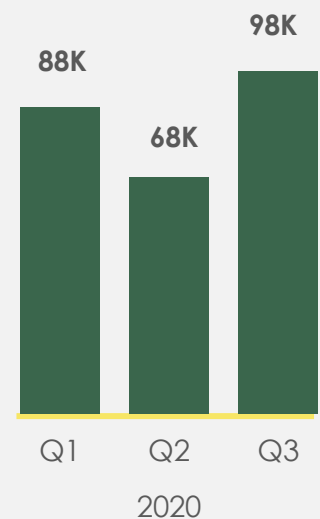
## Private Courses

**+48%**  
Member sales<sup>(2)</sup>  
vs. Q3 2019



Member sales

**+25%**  
Total rounds  
vs. Q3 2019



Total rounds

1) Comparisons are based on our 31 public and 5 private owned and leased properties as of 9/30/2020.

2) Member sales represent Full Golf memberships only.

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

## Appendix

# 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<sup>(1)</sup>

### GAAP Financial Results

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

	YTD 2020 <sup>(1)</sup>		YTD 2019 <sup>(1)</sup>	
	(\$ in millions)	(basic share)	(\$ in millions)	(basic share)
<b>GAAP Loss</b>	(\$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
<b>Revenues</b>				
Golf operations	\$58,766	\$60,797	\$137,066	\$162,889
Sales of food and beverages	\$7,699	\$13,885	\$22,634	\$37,360
<b>Total revenues</b>	<b>\$66,465</b>	<b>\$74,682</b>	<b>\$159,700</b>	<b>\$200,249</b>
<b>Operating costs</b>				
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
<b>Total operating costs</b>	<b>\$72,461</b>	<b>\$92,010</b>	<b>\$192,687</b>	<b>\$247,411</b>
<b>Operating Loss</b>	<b>(\$5,996)</b>	<b>(\$17,328)</b>	<b>(\$32,987)</b>	<b>(\$47,162)</b>
<b>Other income (expenses)</b>				
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
<b>Total other income (expenses)</b>	<b>(\$2,918)</b>	<b>\$5,471</b>	<b>(\$32,044)</b>	<b>\$7,746</b>
<b>Loss before income tax</b>	<b>(\$8,914)</b>	<b>(\$11,857)</b>	<b>(\$65,031)</b>	<b>(\$39,416)</b>
Income tax expense	\$498	\$162	\$1,269	\$162
<b>Net loss</b>	<b>(\$9,412)</b>	<b>(\$12,019)</b>	<b>(\$66,300)</b>	<b>(\$39,578)</b>
Preferred dividends	(\$1,395)	(\$1,395)	(\$4,185)	(\$4,185)
<b>Loss Applicable to Common Stockholders</b>	<b>(\$10,807)</b>	<b>(\$13,414)</b>	<b>(\$70,485)</b>	<b>(\$43,763)</b>
Per WA Basic Share	(\$0.16)	(\$0.20)	(\$1.05)	(\$0.65)

# Consolidated Balance Sheet (Condensed)

(\$ in thousands except per share data)

	(unaudited)	
	As of 9/30/2020	As of 12/31/2019
<b>Assets</b>		
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
<b>Total Current Assets</b>	<b>\$54,792</b>	<b>\$74,296</b>
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
<b>Total Assets</b>	<b>\$449,489</b>	<b>\$515,991</b>
<b>Liabilities</b>		
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
<b>Total Current Liabilities</b>	<b>\$106,170</b>	<b>\$93,058</b>
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
<b>Total Liabilities</b>	<b>\$449,864</b>	<b>\$450,416</b>
<b>Stockholders' Equity</b>		
Preferred Stock	\$61,583	\$61,583
Common Equity	(\$61,958)	\$3,992
<b>Total Stockholders' Equity</b>	<b>(\$375)</b>	<b>\$65,575</b>
<b>Total Liabilities &amp; Stockholders' Equity</b>	<b>\$449,489</b>	<b>\$515,991</b>