

Investor Presentation

Craig-Hallum Institutional
Investor Conference

June 2, 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.

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.

All statements other than statements of historical fact included in this presentation are forward-looking statements, including, but not limited to, any such non-historical statement may relate to the timing of new venue openings, financial outlook for fiscal 2021 and beyond, operating performance, construction start dates and milestones, sales and trends in Drive Shack Inc.'s (the "Company's") operations and the growth prospects of our various business lines.

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 and many of which could prove incorrect or change over time. As a result, actual results may vary materially from expectations expressed in forward-looking statements. For a discussion of some of the risks and important factors that could cause actual results to differ materially from 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 make no undertaking to update or revise 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") and does not speak to historical financial results but represents an estimate of future results. The Company has not reconciled the non-GAAP forward-looking statements 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

- Our Mission
- Our Transformation
- A New Type of Leisure
- Our Courses and Venues
- Strategic Partnership

2. Our Business

- American Golf Corp.
- Drive Shack
- Puttery

3. Historical Financials



DRIVE SHACK

DRIVE SHACK

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

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 2019 – Raleigh, Richmond and West Palm Beach

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

Puttery Venues

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

- Expect to open or nearly complete 7 venues by YE 2021

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:⁽¹⁾

78%

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

70%

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

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 and putting featuring robust gaming platform

3 Food & Beverage

Elevated Food & Beverage with focus on “sharable” options

= **Competitive Socializing**

Our Courses and Venues⁽¹⁾

**AGC
GOLF
COURSES**

OWNED
1 Course

LEASED
33 Courses

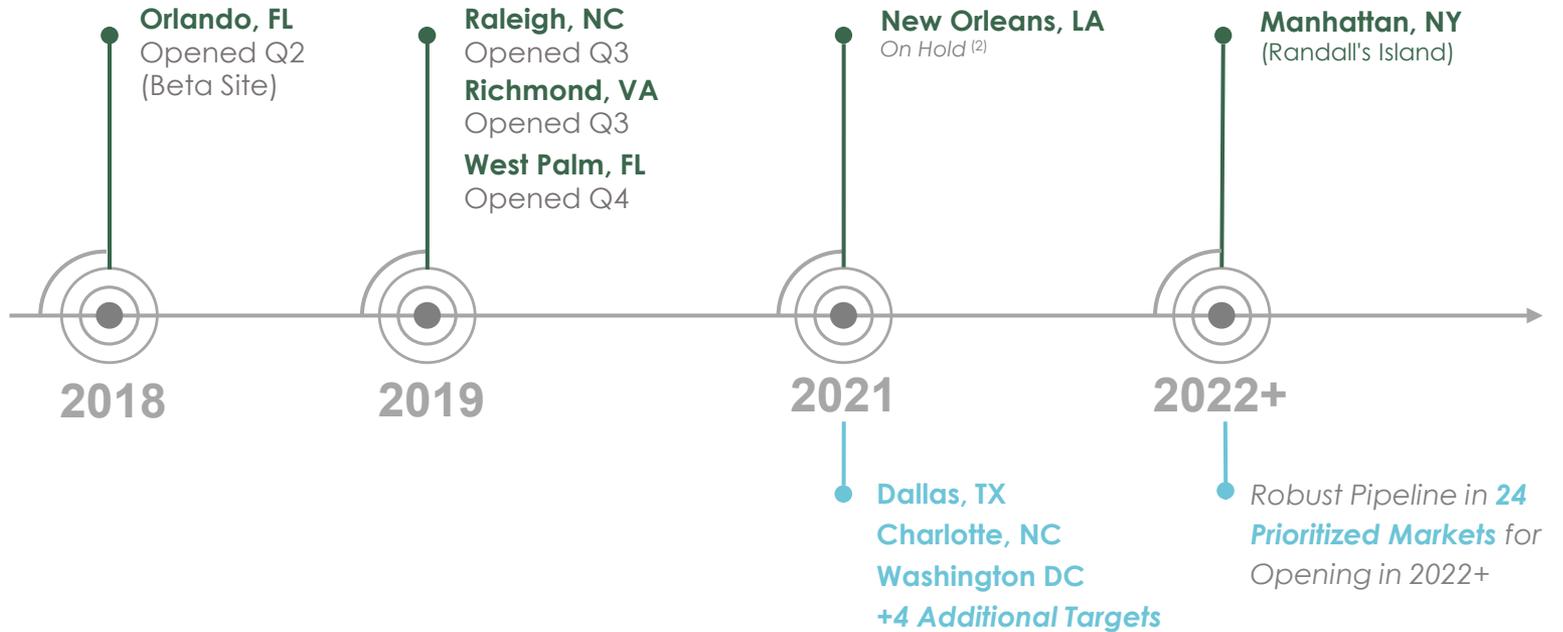
MANAGED
22 Courses

CURRENT VENUES

COMMITTED VENUES

**DRIVE
SHACK
VENUES**

**PUTTERY
VENUES**



1) As of 5/10/2021.

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

Executive Summary

Strategic Partnership

Announced strategic partnership with PGA player, Rory McIlroy, for Puttery collaboration

- Rory is a member of both the European and PGA Tours
- He has spent 106 weeks as #1 in the Official World Golf Ranking
- He is a two-time FedEx Cup winner and was the PGA 2019 Player of the Year

4

MAJORS WON

28

CAREER WINS

157

TOP 10 FINISHES



"I am thrilled to partner with the Drive Shack team on their new entertainment golf experience. Once Covid is under control, the ability to combine high-tech mini-golf with a high-quality food & beverage menu will make Puttery a great experience for any social gathering. I am personally making a financial investment in the growth of future Puttery venues across the country and can't wait to debut our first Puttery in Dallas this summer."

- Rory McIlroy

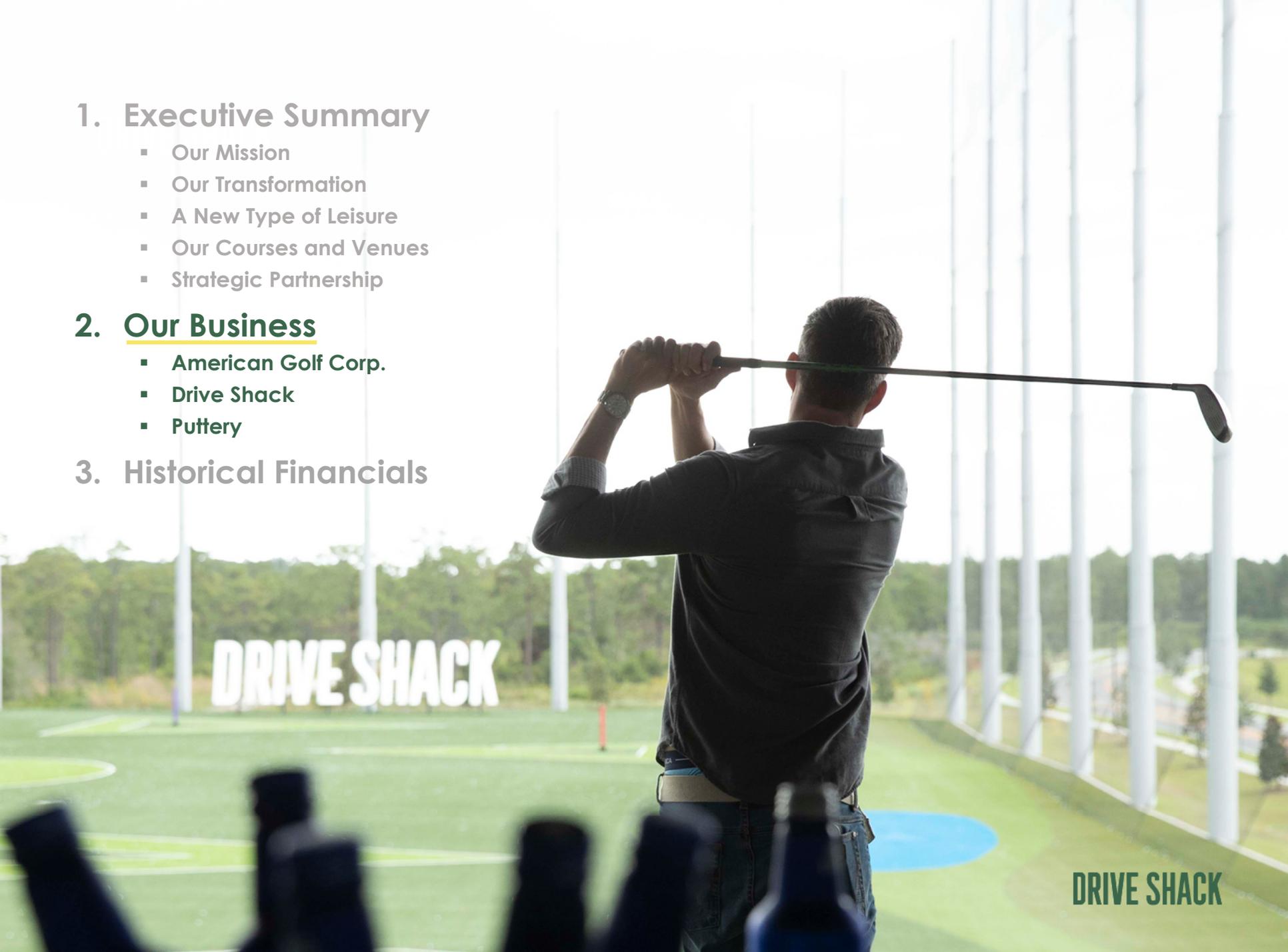
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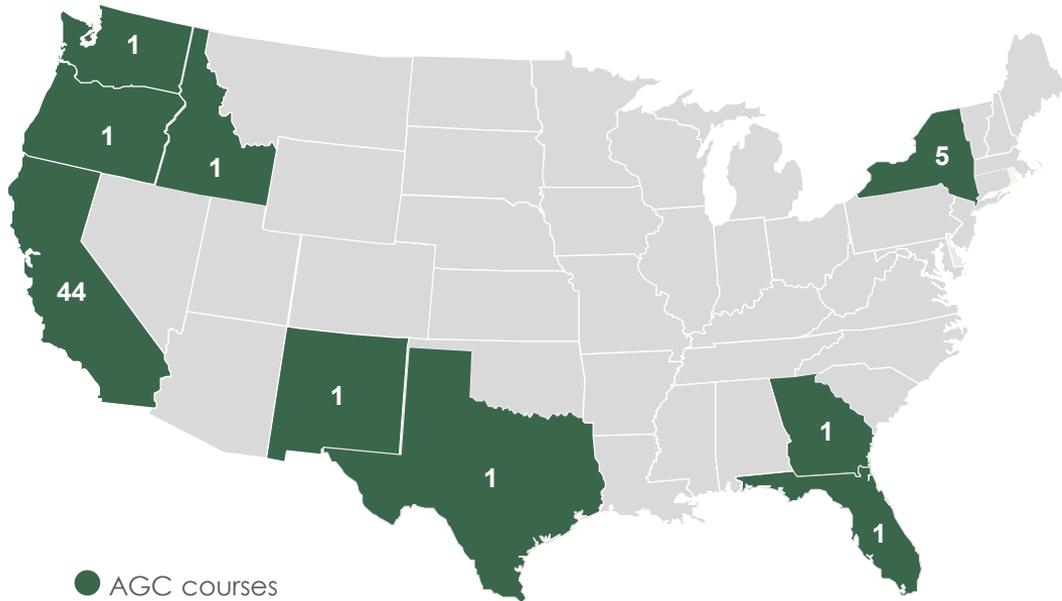
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Our Business

American Golf Corp.

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



- AGC operates 56 traditional courses⁽¹⁾ 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

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

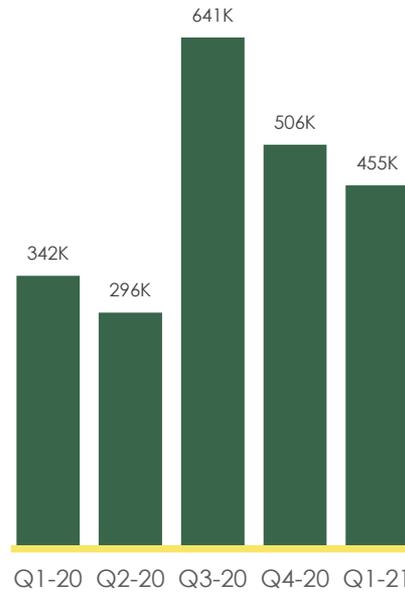
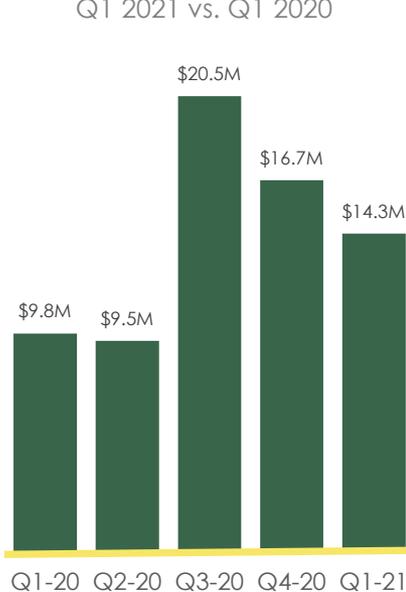
Public Courses

+46%

Revenue from green & cart fees
Q1 2021 vs. Q1 2020

+33%

Daily fee rounds
Q1 2021 vs. Q1 2020



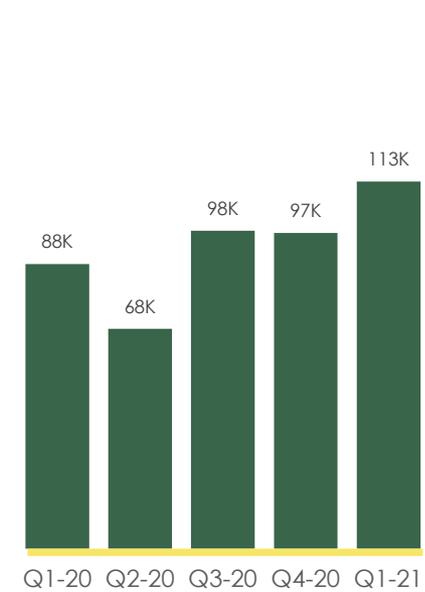
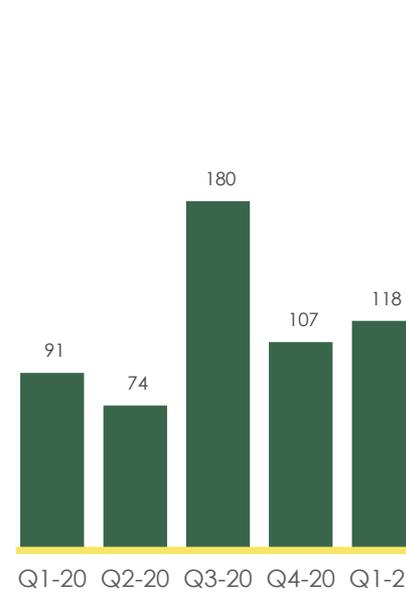
Private Courses

+30%

Member sales⁽²⁾
Q1 2021 vs. Q1 2020

+29%

Total rounds
Q1 2021 vs. Q1 2020



Revenue from green/cart fees

Daily Fee Rounds

Member sales

Total rounds

1) Comparisons are based on our 30 public and 5 private owned and leased properties as of 3/31/2021.
2) Member sales represent Full Golf memberships only.

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



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



Puttery – Our Newest Format

- Using state-of-the-art putting, 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 technology**
 - A high energy atmosphere anchored by multiple **bars, lounges and rotating DJs**



- 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⁽¹⁾

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

Our goal is to build **17 Puttery venues** by the end of 2022

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

<u>Illustrative Venue-Level Economics⁽¹⁾</u>		
\$ 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⁽²⁾	\$25 - \$40	\$7 - \$11
Total Revenue	\$15 - \$25	\$7 - \$11
Site-level EBITDA	\$4 - \$6	\$2 - \$3
Development Yields	10 - 20%	25 - 40%

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

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:

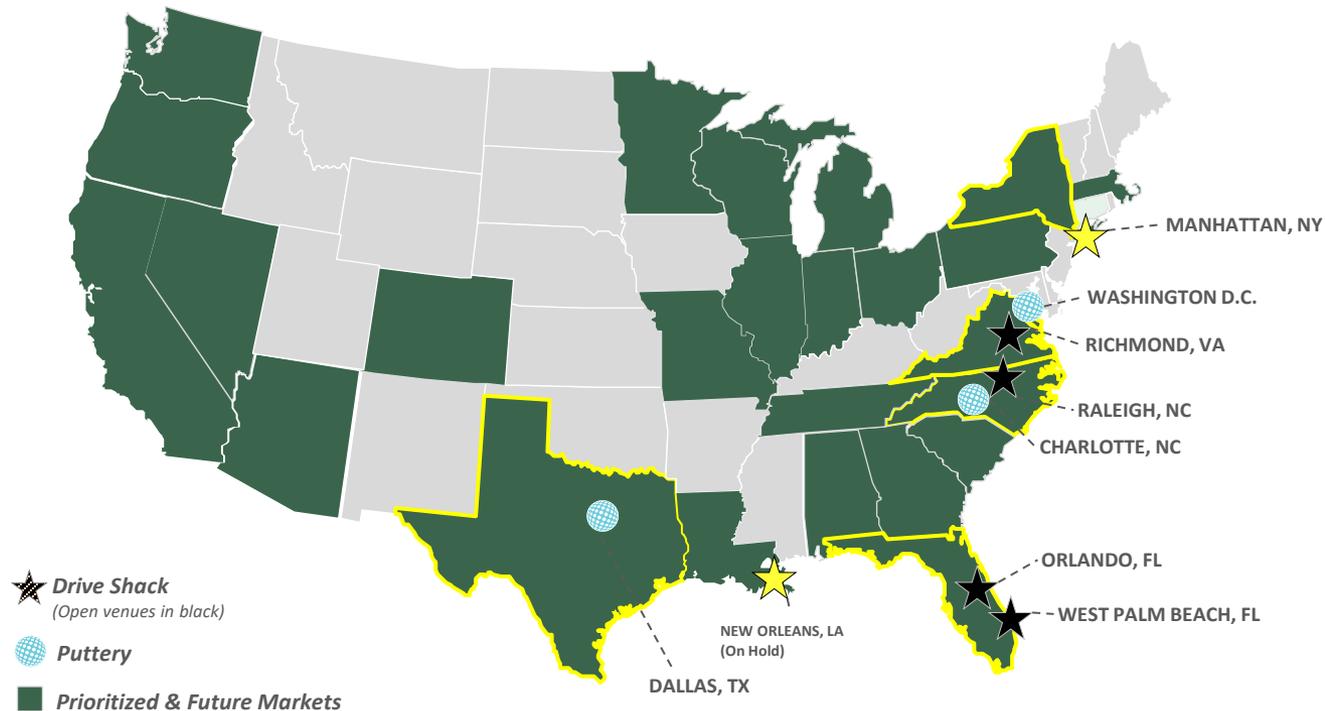
- ✓ **Vast** availability of real estate at potential discount
- ✓ **Shorter** development timelines
- ✓ **Less** capital risk
- ✓ **Higher** development yields



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.



OUR GOALS ARE SIMPLE...

1

5 DS Venues⁽¹⁾
by 2022

5 → \$4 - \$6M → = ~\$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.

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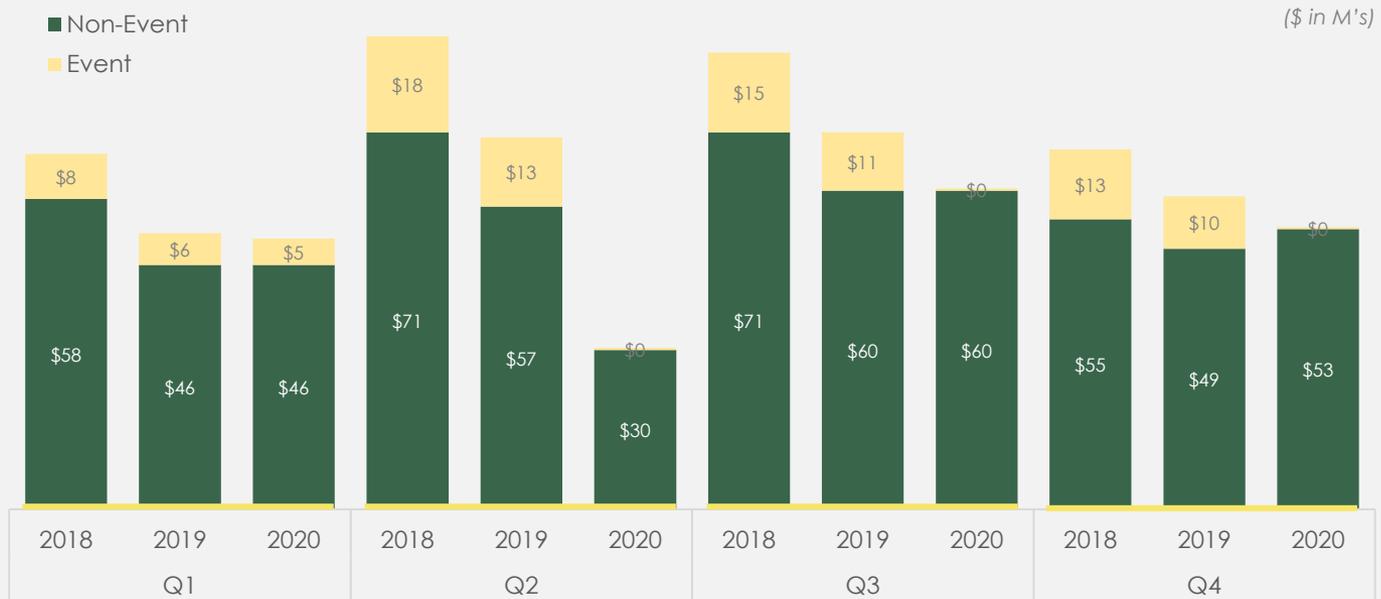
DRIVE SHACK

DRIVE SHACK

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 – Q4 (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⁽¹⁾

1) Began 2018 with 75 courses, ended 2019 with 59 courses.

First Quarter 2021 Financial Results

	Three Months Ended March 31,		\$ Variance	% Variance
	2021	2020		
<i>\$ in millions, except per share data</i>				
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 ⁽¹⁾	\$2.7	(\$4.7)	\$7.4	158%
Net Loss Applicable to Common Stock, per share ⁽²⁾	(\$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
Revenues		
Golf operations	\$53,161	\$48,625
Sales of food and beverages	7,930	12,510
Total revenues	\$61,091	\$61,135
Operating costs		
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
Total operating costs	\$68,966	\$75,978
Operating Loss	(\$7,875)	(\$14,843)
Other income (expenses)		
Interest and investment income	\$153	\$130
Interest expense, net	(2,626)	(2,745)
Other income (loss), net	(61)	367
Total other income (expenses)	(\$2,534)	(\$2,248)
Loss before income tax	(\$10,409)	(\$17,091)
Income tax expense	495	271
Net loss	(\$10,904)	(\$17,362)
Preferred dividends	(\$1,395)	(\$1,395)
Net Loss Applicable to Common Stockholders	(\$12,299)	(\$18,757)
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)	
Assets		
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
Total Current Assets	\$114,956	\$72,117
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
Total Assets	\$499,861	\$457,054
Liabilities		
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
Total Current Liabilities	\$94,819	\$101,985
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
Total Liabilities	\$447,479	\$447,017
Stockholders' Equity		
Preferred Stock	\$61,583	\$61,583
Common Equity	(9,201)	(51,546)
Total Stockholders' Equity	\$52,382	\$10,037
Total Liabilities & Stockholders' Equity	\$499,861	\$457,054

Adjusted EBITDA Non-GAAP Reconciliation

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