
Section 1: 8-K (FORM 8-K)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): March 7, 2018

Drive Shack Inc.

(Exact name of registrant as specified in its charter)

Maryland

(State or other jurisdiction of incorporation)

001-31458
(Commission
File Number)

81-0559116
(IRS Employer
Identification No.)

111 W 19th St, 8th Fl.
New York, New York
(Address of principal executive offices)

10011
(Zip Code)

Registrant's telephone number, including area code (516) 268-7460

N/A

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR Sec.230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR Sec.240.12b-2).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02. Results of Operations and Financial Condition.

On March 7, 2018, Drive Shack Inc. (the “Company”) issued a press release announcing the Company’s results for its fiscal quarter and full year ended December 31, 2017. A copy of the Company’s press release is attached to this Current Report on Form 8-K (the “Current Report”) as Exhibit 99.1 and is incorporated herein solely for purposes of this Item 2.02 disclosure.

This Current Report, including the exhibit attached hereto, is being furnished and shall not be deemed to be filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that section, nor shall it be incorporated by reference into any of the Company’s filings under the Securities Act of 1933, as amended, or the Exchange Act, unless expressly set forth as being incorporated by reference into such filing.

Item 9.01. Financial Statements and Exhibits.

(d) *Exhibits*

| Exhibit Number | Description |
|----------------------|--|
| 99.1 | Press release, dated March 7, 2018, issued by Drive Shack Inc. |

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

DRIVE SHACK INC.
(Registrant)

/s/ Lawrence A. Goodfield,
Jr.

Lawrence A. Goodfield, Jr.
Chief Financial Officer, Chief
Accounting Officer &
Treasurer

Date: March 7, 2018

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Section 2: EX-99.1 (EXHIBIT 99.1)

Exhibit 99.1



Investor Relations
516-268-7460

DRIVE SHACK INC. ANNOUNCES FOURTH QUARTER AND FULL YEAR 2017 RESULTS AND DECLARES FIRST QUARTER 2018 PREFERRED STOCK DIVIDENDS

NEW YORK—(BUSINESS WIRE) — March 7, 2018 — Drive Shack Inc. (NYSE: DS; the “Company”) today reported the following information for the quarter and full year ended December 31, 2017.

BUSINESS HIGHLIGHTS

- **Drive Shack** – The Company continues to develop its first venue in Orlando, Florida, which is targeted to open in 1Q 2018.
 - The Company has announced other venues to date, which are in various stages of development, and continues to assess a national and global pipeline of locations.
- **American Golf** – As of December 31, 2017, the Company owned, leased or managed 75 golf properties across 13 states.
 - On a same-store basis, excluding managed courses, the traditional golf business ended the fourth quarter with approximately 39,000 Players Club members for public properties, an increase of approximately 2,000 members over the end of the fourth quarter of the prior year.
 - On the private side of the business, there were approximately 8,700 full golf members at the end of the fourth quarter representing an increase of 458 members from the fourth quarter of the prior year. Average annual dues per full golf private member increased by \$251 since fourth quarter 2016, on a same-store basis, to \$6,288.
- **Real Estate Debt Portfolio** – During the 2017 fiscal year, the Company received approximately \$70 million from the full repayment of a resort-related loan and approximately \$25 million in net proceeds primarily from the sale of agency securities and repayment of related repurchase agreements.

FOURTH QUARTER AND FULL YEAR 2017 FINANCIAL RESULTS

- GAAP (Loss) Income of (\$48) million, or (\$0.71)/share vs. \$1.07/share in FY 2016
- Core Earnings of \$14 million, or \$0.21/share vs. \$0.71/share in FY 2016
 - Decrease primarily due to lower interest income on the resort-related loan

| | FY 2017 | FY 2016 |
|--------------------|----------------|--------------|
| GAAP (Loss) Income | \$(48) million | \$71 million |

| | | |
|---------------------------------------|----------------|----------------|
| GAAP (Loss) Income per WA Basic Share | \$(0.71) | \$1.07 |
| Non-GAAP Results: | | |
| Core Earnings* | \$14 million | \$47 million |
| Core Earnings per WA Basic Share* | \$0.21 | \$0.71 |
| | 4Q 2017 | 4Q 2016 |
| GAAP (Loss) Income | \$(25) million | \$(21) million |
| GAAP (Loss) Income per WA Basic Share | \$(0.38) | \$(0.32) |
| Non-GAAP Results: | | |
| Core Earnings* | \$(1) million | \$7 million |
| Core Earnings per WA Basic Share* | \$(0.02) | \$0.10 |

WA: Weighted Average

*For reconciliations of GAAP (Loss) Income to Core Earnings, please refer to the Reconciliation of Core Earnings below.

FIRST QUARTER 2018 PREFERRED STOCK DIVIDENDS

Drive Shack Inc.'s Board of Directors declared dividends on the Company's preferred stock for the period beginning February 1, 2018 and ending April 30, 2018. The dividends are payable on April 30, 2018 to holders of record of preferred stock on April 2, 2018. The Company will pay dividends of \$0.609375, \$0.503125 and \$0.523438 per share on the 9.750% Series B, 8.050% Series C and 8.375% Series D preferred stock, respectively.

ADDITIONAL INFORMATION

For additional information that management believes to be useful for investors, please refer to the presentation posted on the Investor Relations section of the Company's website, <http://ir.driveshack.com>. For consolidated investment portfolio information, please refer to the Company's most recent Quarterly Report on Form 10-Q or Annual Report on Form 10-K, which are available on the Company's website, <http://ir.driveshack.com>.

EARNINGS CONFERENCE CALL

The Company's management will host a conference call on Wednesday, March 7, 2018 at 9:00 A.M. Eastern Time. A copy of the earnings release will be posted to the Investor Relations section of Drive Shack Inc.'s website, <http://ir.driveshack.com>.

All interested parties are welcome to participate on the live call. The conference call may be accessed by dialing 1-866-913-6930 (from within the U.S.) or 1-409-983-9881 (from outside of the U.S.) ten minutes prior to the scheduled start of the call; please reference conference ID "6398404."

A simultaneous webcast of the conference call will be available to the public on a listen-only basis at <http://ir.driveshack.com>. Please allow extra time prior to the call to visit the website and download any necessary software required to listen to the internet broadcast.

A telephonic replay of the conference call will also be available two hours following the call's completion through 11:30 P.M. Eastern Time on Wednesday, March 21, 2018 by dialing 1-800-585-8367 (from within the U.S.) or 1-404-537-3406 (from outside of the U.S.); please reference conference ID "6398404."

Consolidated Statements of Operations
(\$ in thousands, except share data)

| | Three Months Ended December 31, | | Twelve Months Ended December 31, | |
|--|------------------------------------|--------------------|-------------------------------------|-------------------|
| | 2017 | 2016 | 2017 | 2016 |
| Revenues | | | | |
| Golf course operations | \$ 52,768 | \$ 51,537 | \$ 221,737 | \$ 226,255 |
| Sales of food and beverages | 17,634 | 17,539 | 70,857 | 72,625 |
| Total revenues | <u>70,402</u> | <u>69,076</u> | <u>292,594</u> | <u>298,880</u> |
| Operating costs | | | | |
| Operating expenses | 60,175 | 58,683 | 247,905 | 254,353 |
| Cost of sales - food and beverages | 5,197 | 4,454 | 20,959 | 21,593 |
| General and administrative expense | 5,509 | 3,494 | 16,624 | 13,842 |
| Management fee and termination payment to affiliate | 13,378 | 2,677 | 21,410 | 10,704 |
| Depreciation and amortization | 6,352 | 7,246 | 24,304 | 26,496 |
| Impairment | — | 6,817 | 60 | 10,381 |
| Realized and unrealized (gain) loss on investments | (118) | 3,821 | 6,243 | 685 |
| Total operating costs | <u>90,493</u> | <u>87,192</u> | <u>337,505</u> | <u>338,054</u> |
| Operating (loss) | (20,091) | (18,116) | (44,911) | (39,174) |
| Other income (expenses) | | | | |
| Interest and investment income | 461 | 17,521 | 23,162 | 91,291 |
| Interest expense, net | (4,246) | (13,779) | (19,581) | (52,868) |
| Gain (loss) on extinguishment of debt | 33 | (173) | (294) | (780) |
| Gain on deconsolidation | — | — | — | 82,130 |
| Other (loss) income, net | (311) | (5,020) | 388 | (3,074) |
| Total other income (expenses) | <u>(4,063)</u> | <u>(1,451)</u> | <u>3,675</u> | <u>116,699</u> |
| (Loss) Income before income tax | (24,154) | (19,567) | (41,236) | 77,525 |
| Income tax expense (benefit) | (82) | 45 | 965 | 189 |
| Net (Loss) Income | (24,072) | (19,612) | (42,201) | 77,336 |
| Preferred dividends | (1,395) | (1,395) | (5,580) | (5,580) |
| Net (income) loss attributable to noncontrolling interest | — | (92) | — | (257) |
| (Loss) Income Applicable to Common Stockholders | <u>\$ (25,467)</u> | <u>\$ (21,099)</u> | <u>\$ (47,781)</u> | <u>\$ 71,499</u> |
| (Loss) Income Applicable to Common Stock, per share | | | | |
| Basic | <u>\$ (0.38)</u> | <u>\$ (0.32)</u> | <u>\$ (0.71)</u> | <u>\$ 1.07</u> |
| Diluted | <u>\$ (0.38)</u> | <u>\$ (0.32)</u> | <u>\$ (0.71)</u> | <u>\$ 1.04</u> |
| Weighted Average Number of Shares of Common Stock Outstanding | | | | |
| Basic | <u>66,963,297</u> | <u>66,772,360</u> | <u>66,903,457</u> | <u>66,709,925</u> |
| Diluted | <u>66,963,297</u> | <u>66,772,360</u> | <u>66,903,457</u> | <u>68,788,440</u> |

Consolidated Balance Sheets
(\$ in thousands, except share data)

| | December 31, 2017 | December 31, 2016 |
|--|------------------------------------|------------------------------------|
| Assets | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 167,692 | \$ 140,140 |
| Restricted cash | 5,178 | 4,992 |
| Accounts receivable, net | 8,780 | 8,047 |
| Real estate securities, available-for-sale | 2,294 | 629,254 |
| Other current assets | 23,568 | 78,687 |
| Total Current Assets | 207,512 | 861,120 |
| Restricted cash, noncurrent | 818 | 1,412 |
| Property and equipment, net of accumulated depreciation | 241,258 | 217,611 |
| Intangibles, net of accumulated amortization | 57,276 | 65,112 |
| Other investments | 21,135 | 19,256 |
| Other assets | 8,649 | 7,447 |
| Total Assets | \$ 536,648 | \$ 1,171,958 |
| Liabilities and Equity | | |
| Current Liabilities | | |
| Obligations under capital leases | \$ 4,652 | \$ 3,699 |
| Membership deposit liabilities | 8,733 | 8,491 |
| Repurchase agreements | — | 600,964 |
| Accounts payable and accrued expenses | 36,797 | 26,249 |
| Deferred revenue | 31,207 | 29,851 |
| Other current liabilities | 22,596 | 28,968 |
| Total Current Liabilities | 103,985 | 698,222 |
| Credit facilities and obligations under capital leases | 112,105 | 111,585 |
| Junior subordinated notes payable | 51,208 | 51,217 |
| Membership deposit liabilities, noncurrent | 86,523 | 80,549 |
| Deferred revenue, noncurrent | 6,930 | 6,256 |
| Other liabilities | 4,846 | 6,062 |
| Total Liabilities | \$ 365,597 | \$ 953,891 |
| Commitments and contingencies | | |
| Equity | | |
| Preferred stock, \$0.01 par value, 100,000,000 shares authorized, 1,347,321 shares of 9.75% Series B Cumulative Redeemable Preferred Stock, 496,000 shares of 8.05% Series C Cumulative Redeemable Preferred Stock, and 620,000 shares of 8.375% Series D Cumulative Redeemable Preferred Stock, liquidation preference \$25.00 per share, issued and outstanding as of December 31, 2017 and 2016 | \$ 61,583 | \$ 61,583 |
| Common stock, \$0.01 par value, 1,000,000,000 shares authorized, 66,977,104 and 66,824,304 shares issued and outstanding at December 31, 2017 and 2016, respectively | 670 | 668 |
| Additional paid-in capital | 3,173,281 | 3,172,720 |
| Accumulated deficit | (3,065,853) | (3,018,072) |
| Accumulated other comprehensive income | 1,370 | 1,168 |
| Total Equity | \$ 171,051 | \$ 218,067 |
| Total Liabilities and Equity | \$ 536,648 | \$ 1,171,958 |

Reconciliation of Core Earnings

(\$ in thousands)

| | Three Months Ended | | Twelve Months Ended | |
|--|---------------------------|-----------------|----------------------------|------------------|
| | December 31, | | December 31, | |
| | 2017 | 2016 | 2017 | 2016 |
| (Loss) Income applicable to common stockholders | \$ (25,467) | \$ (21,099) | \$ (47,781) | \$ 71,499 |
| Add (Deduct) | | | | |
| Impairment | — | 6,817 | 60 | 10,381 |
| Realized and unrealized (gain) loss on investments | (118) | 3,821 | 6,243 | 685 |
| Other loss (income)(A) | 665 | 5,579 | 1,442 | (76,760) |
| Depreciation and amortization(B) | 9,028 | 9,796 | 34,868 | 36,749 |
| Acquisition, transaction, restructuring and spin-off related expenses(C) | 14,608 | 1,932 | 19,498 | 4,762 |
| Core Earnings | <u>\$ (1,284)</u> | <u>\$ 6,846</u> | <u>\$ 14,330</u> | <u>\$ 47,316</u> |

(A) Other (loss) income reconciliation:

| | Three Months Ended | | Twelve Months Ended | |
|---|---------------------------|-------------------|----------------------------|------------------|
| | December 31, | | December 31, | |
| | 2017 | 2016 | 2017 | 2016 |
| Total other income | \$ (4,063) | \$ (1,451) | \$ 3,675 | \$ 116,699 |
| Add (Deduct) | | | | |
| Equity in earnings from equity method investments (D) | (387) | (386) | (1,536) | (1,516) |
| Interest and investment income | (461) | (17,521) | (23,162) | (91,291) |
| Interest expense, net | 4,246 | 13,779 | 19,581 | 52,868 |
| Other (loss) income | <u>\$ (665)</u> | <u>\$ (5,579)</u> | <u>\$ (1,442)</u> | <u>\$ 76,760</u> |

(B) Including accretion of membership deposit liabilities of \$6.5 million and \$5.8 million, and amortization of favorable and unfavorable leasehold intangibles of \$4.1 million and \$4.5 million, during the years ended December 31, 2017 and 2016, respectively. Including accretion of membership deposit liabilities of \$1.7 million and \$1.5 million, and amortization of favorable and unfavorable leasehold intangibles of \$1.0 million and \$1.1 million, for the three months ended December 31, 2017 and 2016, respectively. The accretion of membership deposit liabilities was recorded to interest expense, net and the amortization of favorable and unfavorable leasehold intangibles was recorded to operating expenses.

(C) Including acquisition and transaction expenses of \$8.7 million and \$4.4 million and restructuring expenses of \$0.1 million and \$0.4 million during the years ended December 31, 2017 and 2016, respectively. Including acquisition and transaction expenses of \$3.9 million and \$1.9 million and restructuring expenses of less than \$0.1 million and \$0.1 million during the three months ended December 31, 2017 and 2016, respectively. Also includes a \$10.7 million payment related to the termination of the Management Agreement during the year ended and the three months ended December 31, 2017. The acquisition and transaction expenses were recorded to general and administrative expense, restructuring expenses were recorded to operating expenses and the termination payment was recorded to management fee and termination payment to affiliate.

(D) Equity in earnings from equity method investments excludes impairment of \$2.9 million during the year ended and the three months ended December 31, 2016. There was no impairment reported during the year ended December 31, 2017.

CORE EARNINGS

The following primary variables impact our operating performance: (i) the current yield earned on our investments that are not included in non-recourse financing structures (i.e., unlevered investments, including investments in equity method investees and investments subject to recourse debt), (ii) the net yield we earn from our non-recourse financing structures, (iii) the interest expense and dividends incurred under our recourse debt and preferred stock, (iv) the net operating income on our real estate and golf investments, (v) our operating expenses and (vi) our realized and unrealized gains or losses, net of related provision for income taxes, including any impairment, on our investments, derivatives and debt obligations. Core earnings is a non-GAAP measure of our operating performance excluding the sixth variable listed above. Core earnings also excludes depreciation and amortization charges, including the accretion of membership deposit liabilities and the impact of the application of acquisition accounting, acquisition and spin-off related expenses and restructuring expenses. Core earnings is used by management to evaluate our performance without taking into account gains and losses, net of related provision for income taxes, which, although they represent a part of our recurring operations, are subject to significant variability and are only a potential indicator of future performance. These adjustments to our income (loss) applicable to common stockholders are not indicative of the performance of the assets that form the core of our activity. Management utilizes core earnings as a measure in its decision-making process relating to the underlying fundamental operations of our investments, as well as the allocation of resources between those investments, and management also relies on core earnings as an indicator of the results of such decisions. As such, core earnings is not intended to reflect all of our activity and should be considered as only one of the factors in assessing our performance, along with GAAP net income, which is inclusive of all of our activities. Management also believes that the exclusion from core earnings of the items specified above allows investors and analysts to readily identify and track the operating performance of the assets that form the core of our activity, assists in comparing the core operating results between periods, and enables investors to evaluate our current core performance using the same measure that management uses to operate the business.

Core earnings does not represent an alternative to net income as an indicator of our operating performance or as an alternative to cash flows from operating activities as a measure of our liquidity, and is not indicative of cash available to fund cash needs. Our calculation of core earnings may be different from the calculation used by other companies and, therefore, comparability may be limited.

ABOUT DRIVE SHACK INC.

Drive Shack Inc. is a leading owner and operator of golf-related leisure and entertainment businesses.

FORWARD-LOOKING STATEMENTS

Certain items in this press release may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding the Company's targets and expectations regarding Drive Shack's venue in Orlando, Florida, and other venues in the national and global pipeline of locations. These statements are based on management's current expectations and beliefs and are subject to a number of trends and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements, many of which are beyond Drive Shack's control. The Company can give no assurance that its expectations will be attained. Accordingly, you should not place undue reliance on any forward-looking statements contained in this press release. For a discussion of some of the risks and important factors that could cause actual results to differ 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 most recent Quarterly Report on Form 10-Q or Annual Report on Form 10-K. Furthermore, new risks and uncertainties emerge from time to time, and it is not possible for the Company to predict or assess the impact of every factor that may cause its actual results to differ from those contained in any forward-looking statements. Such forward-looking statements speak only as of the date of this press release. The Company expressly disclaims any obligation to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the Company's expectations with regard thereto or change in events, conditions or circumstances on which any statement is based.