

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

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended April 1, 2021

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 1-12604

**THE MARCUS CORPORATION**

(Exact name of registrant as specified in its charter)

<u>Wisconsin</u> (State or other jurisdiction of incorporation or organization)	<u>39-1139844</u> (I.R.S. Employer Identification No.)
<u>100 East Wisconsin Avenue, Suite 1900 Milwaukee, Wisconsin</u> (Address of principal executive offices)	<u>53202-4125</u> (Zip Code)

Registrant's telephone number, including area code: (414) 905-1000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class Common Stock, \$1.00 par value	Trading symbol(s) MCS	Name of each exchange on which registered New York Stock Exchange
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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act (Check One).

Large accelerated filer <input type="checkbox"/>	Accelerated filer <input checked="" type="checkbox"/>
Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>
	Emerging growth company <input type="checkbox"/>

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.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

COMMON STOCK OUTSTANDING AT APRIL 28, 2021 – 24,085,259  
CLASS B COMMON STOCK OUTSTANDING AT APRIL 28, 2021 – 7,305,639

**THE MARCUS CORPORATION**

**INDEX**

	<u>Page</u>
<b><u>PART I – FINANCIAL INFORMATION</u></b>	
<b><u>Item 1.</u></b>	
<u>Consolidated Financial Statements:</u>	
<u>Consolidated Balance Sheets</u> <u>(April 1, 2021 and December 31, 2020)</u>	3
<u>Consolidated Statements of Earnings (Loss)</u> <u>(13 weeks ended April 1, 2021 and March 26, 2020)</u>	5
<u>Consolidated Statements of Comprehensive Income (Loss)</u> <u>(13 weeks ended April 1, 2021 and March 26, 2020)</u>	6
<u>Consolidated Statements of Cash Flows</u> <u>(13 weeks ended April 1, 2021 and March 26, 2020)</u>	7
<u>Condensed Notes to Consolidated Financial Statements</u>	8
<b><u>Item 2.</u></b>	
<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	19
<b><u>Item 3.</u></b>	
<u>Quantitative and Qualitative Disclosures About Market Risk</u>	29
<b><u>Item 4.</u></b>	
<u>Controls and Procedures</u>	29
<b><u>PART II – OTHER INFORMATION</u></b>	
<b><u>Item 1A.</u></b>	
<u>Risk Factors</u>	30
<b><u>Item 2.</u></b>	
<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	30
<b><u>Item 4.</u></b>	
<u>Mine Safety Disclosures</u>	30
<b><u>Item 6.</u></b>	
<u>Exhibits</u>	31
<u>Signatures</u>	S-1

**PART I – FINANCIAL INFORMATION**

**Item 1. Consolidated Financial Statements**

**THE MARCUS CORPORATION**  
**Consolidated Balance Sheets**

(in thousands, except share and per share data)	<u>April 1, 2021</u>	<u>December 31, 2020</u>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 6,013	\$ 6,745
Restricted cash	6,890	7,343
Accounts receivable, net of reserves of \$1,196 and \$1,284, respectively	6,572	6,359
Government grants receivable	—	4,913
Refundable income taxes	24,867	27,934
Assets held for sale	8,658	4,117
Other current assets	<u>10,654</u>	<u>10,406</u>
Total current assets	63,654	67,817
<b>Property and equipment:</b>		
Land and improvements	140,302	145,671
Buildings and improvements	759,852	759,421
Leasehold improvements	164,000	163,879
Furniture, fixtures and equipment	374,734	374,253
Finance lease right-of-use assets	75,338	75,322
Construction in progress	5,460	3,360
Total property and equipment	<u>1,519,686</u>	<u>1,521,906</u>
Less accumulated depreciation and amortization	<u>691,446</u>	<u>673,578</u>
Net property and equipment	828,240	848,328
<b>Operating lease right-of-use assets</b>	227,899	229,660
<b>Other assets:</b>		
Investments in joint ventures	—	2,084
Goodwill	75,165	75,188
Other	30,871	31,101
Total other assets	<u>106,036</u>	<u>108,373</u>
<b>TOTAL ASSETS</b>	<u>\$ 1,225,829</u>	<u>\$ 1,254,178</u>

See accompanying condensed notes to consolidated financial statements.

**THE MARCUS CORPORATION**  
**Consolidated Balance Sheets**

(in thousands, except share and per share data)	<u>April 1, 2021</u>	<u>December 31, 2020</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 13,277	\$ 13,158
Taxes other than income taxes	16,765	18,308
Accrued compensation	7,916	7,633
Other accrued liabilities	56,344	58,154
Short-term borrowings	83,259	87,194
Current portion of finance lease obligations	2,731	2,783
Current portion of operating lease obligations	18,914	19,614
Current maturities of long-term debt	11,361	10,548
Total current liabilities	<u>210,567</u>	<u>217,392</u>
<b>Finance lease obligations</b>	19,166	19,744
<b>Operating lease obligations</b>	228,493	230,550
<b>Long-term debt</b>	227,770	193,036
<b>Deferred income taxes</b>	20,131	33,429
<b>Other long-term obligations</b>	61,847	61,304
<b>Equity:</b>		
Shareholders' equity attributable to The Marcus Corporation		
Preferred Stock, \$1 par; authorized 1,000,000 shares; none issued	—	—
Common Stock, \$1 par; authorized 50,000,000 shares; issued 24,048,531 shares at April 1, 2021 and 23,264,259 shares at December 31, 2020	24,049	23,264
Class B Common Stock, \$1 par; authorized 33,000,000 shares; issued and outstanding 7,405,639 shares at April 1, 2021 and 7,925,254 shares at December 31, 2020	7,406	7,926
Capital in excess of par	138,446	153,529
Retained earnings	304,468	331,897
Accumulated other comprehensive loss	(14,481)	(14,933)
	<u>459,888</u>	<u>501,683</u>
Less cost of Common Stock in treasury (63,087 shares at April 1, 2021 and 124,758 shares at December 31, 2020)	(2,033)	(2,960)
Total shareholders' equity attributable to The Marcus Corporation	<u>457,855</u>	<u>498,723</u>
Noncontrolling interest	—	—
Total equity	<u>457,855</u>	<u>498,723</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u>\$ 1,225,829</u>	<u>\$ 1,254,178</u>

See accompanying condensed notes to consolidated financial statements.

**THE MARCUS CORPORATION**  
**Consolidated Statements of Earnings (Loss)**

(in thousands, except per share data)	13 Weeks Ended	
	April 1, 2021	March 26, 2020
<b>Revenues:</b>		
Theatre admissions	\$ 10,685	\$ 55,395
Rooms	9,044	16,989
Theatre concessions	9,919	45,930
Food and beverage	5,912	13,614
Other revenues	11,894	18,776
	47,454	150,704
Cost reimbursements	3,333	8,756
Total revenues	50,787	159,460
<b>Costs and expenses:</b>		
Theatre operations	18,270	54,016
Rooms	5,265	9,655
Theatre concessions	4,496	22,211
Food and beverage	5,370	14,465
Advertising and marketing	2,549	5,390
Administrative	13,316	17,732
Depreciation and amortization	17,979	19,033
Rent	6,341	6,954
Property taxes	4,739	6,029
Other operating expenses	4,790	8,707
Impairment charges	—	8,712
Reimbursed costs	3,333	8,756
Total costs and expenses	86,448	181,660
<b>Operating loss</b>	(35,661)	(22,200)
<b>Other income (expense):</b>		
Investment income (loss)	40	(695)
Interest expense	(4,843)	(2,516)
Other expense	(628)	(590)
Gain (loss) on disposition of property, equipment and other assets	2,204	(12)
Equity losses from unconsolidated joint ventures, net	—	(57)
	(3,227)	(3,870)
<b>Net loss before income taxes</b>	(38,888)	(26,070)
<b>Income tax benefit</b>	(10,758)	(6,570)
<b>Net loss</b>	(28,130)	(19,500)
<b>Net loss attributable to noncontrolling interests</b>	—	(148)
<b>Net loss attributable to The Marcus Corporation</b>	\$ (28,130)	\$ (19,352)
<b>Net loss per share - basic:</b>		
Common Stock	\$ (0.93)	\$ (0.64)
Class B Common Stock	\$ (0.80)	\$ (0.58)
<b>Net loss per share - diluted:</b>		
Common Stock	\$ (0.93)	\$ (0.64)
Class B Common Stock	\$ (0.80)	\$ (0.58)

See accompanying condensed notes to consolidated financial statements.

**THE MARCUS CORPORATION**  
**Consolidated Statements of Comprehensive Income (Loss)**

(in thousands)	13 Weeks Ended	
	April 1, 2020	March 26, 2020
<b>Net loss</b>	\$ (28,130)	\$ (19,500)
<b>Other comprehensive income (loss), net of tax:</b>		
Amortization of the net actuarial loss and prior service credit related to the pension, net of tax effect of \$86 and \$65, respectively	242	183
Fair market value adjustment of interest rate swaps, net of tax effect (benefit) of \$6 and \$(288), respectively	17	(814)
Reclassification adjustment on interest rate swaps included in interest expense, net of tax effect of \$68 and \$31, respectively	193	84
<b>Other comprehensive income (loss)</b>	452	(547)
<b>Comprehensive loss</b>	(27,678)	(20,047)
<b>Comprehensive loss attributable to noncontrolling interests</b>	—	(148)
<b>Comprehensive loss attributable to The Marcus Corporation</b>	\$ (27,678)	\$ (19,899)

See accompanying condensed notes to consolidated financial statements.

**THE MARCUS CORPORATION**  
**Consolidated Statements of Cash Flows**

(in thousands)	13 Weeks Ended	
	April 1, 2021	March 26, 2020
<b>OPERATING ACTIVITIES:</b>		
Net loss	\$ (28,130)	\$ (19,500)
Adjustments to reconcile net loss to net cash used in operating activities:		
Losses on investments in joint ventures	—	57
(Gain) loss on disposition of property, equipment and other assets	(2,204)	12
Impairment charges	—	8,712
Depreciation and amortization	17,979	19,033
Amortization of debt issuance costs	623	49
Share-based compensation	1,484	988
Deferred income taxes	(10,794)	(2,275)
Other long-term liabilities	1,164	(348)
Contribution of the Company's stock to savings and profit-sharing plan	1,012	1,315
Changes in operating assets and liabilities:		
Accounts receivable	(213)	14,700
Government grant receivable	4,913	—
Other assets	23	1,408
Operating leases	(996)	2,342
Accounts payable	(800)	(22,047)
Income taxes	6,010	(4,522)
Taxes other than income taxes	(1,543)	(4,769)
Accrued compensation	283	(957)
Other accrued liabilities	(1,794)	(10,816)
Total adjustments	15,147	2,882
<b>Net cash used in operating activities</b>	<b>(12,983)</b>	<b>(16,618)</b>
<b>INVESTING ACTIVITIES:</b>		
Capital expenditures	(1,525)	(9,978)
Proceeds from disposals of property, equipment and other assets	4,308	3
Other investing activities	(231)	(206)
<b>Net cash provided by (used in) investing activities</b>	<b>2,552</b>	<b>(10,181)</b>
<b>FINANCING ACTIVITIES:</b>		
Debt transactions:		
Proceeds from borrowings on revolving credit facility	36,000	188,000
Repayment of borrowings on revolving credit facility	(22,000)	(49,000)
Repayment on short-term borrowings	(4,150)	—
Principal payments on long-term debt	(93)	(177)
Debt issuance costs	(4)	(414)
Principal payments on finance lease obligations	(630)	(635)
Equity transactions:		
Treasury stock transactions, except for stock options	(1,169)	(226)
Exercise of stock options	1,292	45
Dividends paid	—	(5,145)
<b>Net cash provided by financing activities</b>	<b>9,246</b>	<b>132,448</b>
Net increase (decrease) in cash, cash equivalents and restricted cash	(1,185)	105,649
Cash, cash equivalents and restricted cash at beginning of period	14,088	25,618
<b>Cash, cash equivalents and restricted cash at end of period</b>	<b>\$ 12,903</b>	<b>\$ 131,267</b>
Supplemental Information:		
Interest paid, net of amounts capitalized	\$ 5,952	\$ 2,970
Income taxes (paid) refunded	5,974	(226)
Change in accounts payable for additions to property, equipment and other assets	919	(145)

See accompanying condensed notes to consolidated financial statements.

**THE MARCUS CORPORATION**  
**CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE 13 WEEKS ENDED APRIL 1, 2021**

**1. General**

**Basis of Presentation** - The unaudited consolidated financial statements for the 13 weeks ended April 1, 2021 and March 26, 2020 have been prepared by the Company. In the opinion of management, all adjustments, consisting of normal recurring adjustments necessary to present fairly the unaudited interim financial information at April 1, 2021, and for all periods presented, have been made. The results of operations during the interim periods are not necessarily indicative of the results of operations for the entire year or other interim periods. However, the unaudited consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2020.

**Accounting Policies** - Refer to the Company's audited consolidated financial statements (including footnotes) for the fiscal year ended December 31, 2020, contained in the Company's Annual Report on Form 10-K for such year, for a description of the Company's accounting policies.

During the 13 weeks ended April 1, 2021, there were no significant changes made to the Company's significant accounting policies other than the changes attributable to the adoption of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2020-06, *Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging - Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*. The convertible debt policy updates are applied prospectively in the Company's financial statements from January 1, 2021 forward. Reported financial information for the historical comparable period was not revised and continues to be reported under the accounting standards in effect during the historical period. See Note 4 for further discussion.

**Depreciation and Amortization** - Depreciation and amortization of property and equipment are provided using the straight-line method over the shorter of the estimated useful lives of the assets or any related lease terms. Depreciation expense totaled \$17,958,000 and \$19,034,000 for the 13 weeks ended April 1, 2021 and March 26, 2020, respectively.

**Assets Held for Sale** - Long-lived assets that are expected to be sold within the next 12 months and meet the other relevant held-for-sale criteria are classified as assets held for sale and included within current assets on the consolidated balance sheet. Assets held for sale are measured at the lower of their carrying value or their fair value less costs to sell the asset. As of April 1, 2021 and December 31, 2020, assets held for sale consists primarily of excess land.

**Long-Lived Assets** - The Company periodically considers whether indicators of impairment of long-lived assets held for use are present. This includes quantitative and qualitative factors, including evaluating the historical actual operating performance of the long-lived assets and assessing the potential impact of recent events and transactions impacting the long-lived assets. If such indicators are present, the Company determines if the long-lived assets are recoverable by assessing whether the sum of the estimated undiscounted future cash flows attributable to such assets is less than their carrying amounts. If the long-lived assets are not recoverable, the Company recognizes any impairment losses based on the excess of the carrying amount of the assets over their fair value. During the 13 weeks ended March 26, 2020, the Company determined that indicators of impairment were present. As such, the Company evaluated the value of its property and equipment and the value of its operating lease right-of-use assets and recorded an impairment charge as discussed in Note 3. There were no indicators of impairment identified during the 13 weeks ended April 1, 2021.

**Goodwill** - The Company reviews goodwill for impairment annually or more frequently if certain indicators arise. The Company performs its annual impairment test on the last day of its fiscal year. Goodwill is tested for impairment at a reporting unit level, determined to be at an operating segment level. When reviewing goodwill for impairment, the Company considers the amount of excess fair value over the carrying value of the reporting unit, the period of time since its last quantitative test, and other factors to determine whether or not to first perform a qualitative test. When performing a qualitative test, the Company assesses numerous factors to determine whether it is more likely than not that the fair value of its reporting unit is less than its carrying value. Examples of qualitative factors that the Company assesses include its share price, its financial performance, market and competitive factors in its industry, and other events specific to the reporting unit. If the Company concludes that it is more likely than not that the fair value of its reporting unit is less than its carrying value, the Company performs a quantitative impairment test by comparing the carrying value of the reporting unit to the estimated fair value.

During the 13 weeks ended March 26, 2020 the Company determined that indicators of impairment were present and performed a quantitative test. In order to determine fair value, the Company used assumptions based on information available to it as of the date of the quantitative test, including both market data and forecasted future cash flows (Level 3 pricing inputs). The Company then used this information to determine fair value. During the 13 weeks ended March 26, 2020, the Company determined that the fair value of its goodwill was greater than its carrying value and no impairment was required. There were no indicators of impairment identified during the 13 weeks ended April 1, 2021.

**Trade Name Intangible Asset** – The Company recorded a trade name intangible asset in conjunction with the Movie Tavern acquisition that was determined to have an indefinite life. The Company reviews its trade name intangible asset for impairment at least annually or whenever events or changes in circumstances indicate the carrying value may not be recoverable. During the 13 weeks ended March 26, 2020, the Company determined that indicators of impairment were present. As such, the Company evaluated the value of its trade name intangible asset and recorded an impairment charge of \$2,200,000 (see Note 3 for further review). There were no indicators of impairment identified during the 13 weeks ended April 1, 2021.

**Earnings (Loss) Per Share** - Net earnings (loss) per share (EPS) of Common Stock and Class B Common Stock is computed using the two class method. Basic net earnings (loss) per share is computed by dividing net earnings (loss) by the weighted-average number of common shares outstanding. Diluted net earnings (loss) per share is computed by dividing net earnings (loss) by the weighted-average number of common shares outstanding, adjusted for the effect of dilutive stock options and convertible debt instruments using the treasury method. Convertible Class B Common Stock is reflected on an if-converted basis when dilutive to Common Stock. The computation of the diluted net earnings (loss) per share of Common Stock assumes the conversion of Class B Common Stock in periods that have net earnings since it would be dilutive to Common Stock earnings per share, while the diluted net earnings (loss) per share of Class B Common Stock does not assume the conversion of those shares.

Holders of Common Stock are entitled to cash dividends per share equal to 110% of all dividends declared and paid on each share of Class B Common Stock. As such, the undistributed earnings (losses) for each period are allocated based on the proportionate share of entitled cash dividends.

The following table illustrates the computation of Common Stock and Class B Common Stock basic and diluted net earnings (loss) per share for net earnings (loss) and provides a reconciliation of the number of weighted-average basic and diluted shares outstanding:

	<b>13 Weeks Ended</b>	
	<u>April 1, 2021</u>	<u>March 26, 2020</u>
	<i>(in thousands, except per share data)</i>	
<b>Numerator:</b>		
Net loss attributable to The Marcus Corporation	\$ (28,130)	\$ (19,352)
<b>Denominator:</b>		
Denominator for basic EPS	31,196	30,975
Effect of dilutive employee stock options	—	—
Denominator for diluted EPS	<u>31,196</u>	<u>30,975</u>
<b>Net loss per share - basic:</b>		
Common Stock	\$ (0.93)	\$ (0.64)
Class B Common Stock	\$ (0.80)	\$ (0.58)
<b>Net loss per share - diluted:</b>		
Common Stock	\$ (0.93)	\$ (0.64)
Class B Common Stock	<u>\$ (0.80)</u>	<u>\$ (0.58)</u>

For the periods when the Company reports a net loss, common stock equivalents are excluded from the computation of diluted loss per share as their inclusion would have an antidilutive effect.

**Shareholders' Equity** - Activity impacting total shareholders' equity attributable to The Marcus Corporation and noncontrolling interests for the 13 weeks ended April 1, 2021 and March 26, 2020 was as follows (in thousands, except per share data):

	Common Stock	Class B Common Stock	Capital in Excess of Par	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Shareholders' Equity Attributable to The Marcus Corporation	Non-controlling Interests	Total Equity
BALANCES AT DECEMBER 31, 2020	\$ 23,264	\$ 7,926	\$ 153,529	\$ 331,897	\$ (14,933)	\$ (2,960)	\$ 498,723	\$ —	\$ 498,723
Adoption of ASU No. 2020-06 (see Note 4)	—	—	(16,511)	702	—	—	(15,809)	—	(15,809)
Exercise of stock options	—	—	(659)	—	—	1,951	1,292	—	1,292
Purchase of treasury stock	—	—	—	—	—	(1,181)	(1,181)	—	(1,181)
Savings and profit-sharing contribution	44	—	968	—	—	—	1,012	—	1,012
Reissuance of treasury stock	—	—	2	—	—	10	12	—	12
Issuance of non-vested stock	221	—	(367)	—	—	146	—	—	—
Shared-based compensation	—	—	1,484	—	—	—	1,484	—	1,484
Other	—	—	—	(1)	—	1	—	—	—
Conversions of Class B Common Stock	520	(520)	—	—	—	—	—	—	—
Comprehensive income (loss)	—	—	—	(28,130)	452	—	(27,678)	—	(27,678)
BALANCES AT APRIL 1, 2021	\$ 24,049	\$ 7,406	\$ 138,446	\$ 304,468	\$ (14,481)	\$ (2,033)	\$ 457,855	\$ —	\$ 457,855

	Common Stock	Class B Common Stock	Capital in Excess of Par	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Shareholders' Equity Attributable to The Marcus Corporation	Non-controlling Interests	Total Equity
BALANCES AT DECEMBER 26, 2019	\$ 23,254	\$ 7,936	\$ 145,549	\$ 461,884	\$ (12,648)	\$ (4,540)	\$ 621,435	\$ 23	\$ 621,458
Cash Dividends:									
\$.15 Class B Common Stock	—	—	—	(1,224)	—	—	(1,224)	—	(1,224)
\$.16 Common Stock	—	—	—	(3,921)	—	—	(3,921)	—	(3,921)
Exercise of stock options	—	—	5	—	—	40	45	—	45
Purchase of treasury stock	—	—	—	—	—	(274)	(274)	—	(274)
Savings and profit-sharing contribution	—	—	299	—	—	1,016	1,315	—	1,315
Reissuance of treasury stock	—	—	2	—	—	46	48	—	48
Issuance of non-vested stock	—	—	(149)	—	—	149	—	—	—
Shared-based compensation	—	—	988	—	—	—	988	—	988
Conversions of Class B Common Stock	10	(10)	—	—	—	—	—	—	—
Comprehensive loss	—	—	—	(19,352)	(547)	—	(19,899)	(148)	(20,047)
BALANCES AT MARCH 26, 2020	\$ 23,264	\$ 7,926	\$ 146,694	\$ 437,387	\$ (13,195)	\$ (3,563)	\$ 598,513	\$ (125)	\$ 598,388

**Accumulated Other Comprehensive Loss** – Accumulated other comprehensive loss presented in the accompanying consolidated balance sheets consists of the following, all presented net of tax:

	April 1, 2021	December 31, 2020
	<i>(in thousands)</i>	
Unrecognized loss on interest rate swap agreements	\$ (876)	\$ (1,086)
Net unrecognized actuarial loss for pension obligation	(13,605)	(13,847)
	\$ (14,481)	\$ (14,933)

**Fair Value Measurements** - Certain financial assets and liabilities are recorded at fair value in the consolidated financial statements. Some are measured on a recurring basis while others are measured on a non-recurring basis. Financial assets and liabilities measured on a recurring basis are those that are adjusted to fair value each time a financial statement is prepared. Financial assets and liabilities measured on a non-recurring basis are those that are adjusted to fair value when a significant event occurs. A fair value measurement assumes that a transaction to sell an asset or transfer a liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability.

The Company's assets and liabilities measured at fair value are classified in one of the following categories:

**Level 1** - Assets or liabilities for which fair value is based on quoted prices in active markets for identical instruments as of the reporting date. At April 1, 2021 and December 31, 2020, respectively, the Company's \$1,715,000 and \$1,415,000 of debt and equity securities classified as trading were valued using Level 1 pricing inputs and were included in other current assets.

**Level 2** - Assets or liabilities for which fair value is based on pricing inputs that were either directly or indirectly observable as of the reporting date. At April 1, 2021 and December 31, 2020, respectively, the Company's \$1,186,000 and \$1,470,000 liability related to the Company's interest rate swap contracts was valued using Level 2 pricing inputs.

Level 3 - Assets or liabilities for which fair value is based on valuation models with significant unobservable pricing inputs and which result in the use of management estimates. At April 1, 2021 and December 31, 2020, none of the Company's recorded assets or liabilities that are measured on a recurring basis at fair market value were valued using Level 3 pricing inputs. Assets and liabilities that are measured on a non-recurring basis are discussed in Note 3.

**Defined Benefit Plan** - The components of the net periodic pension cost of the Company's unfunded nonqualified, defined-benefit plan are as follows:

	13 Weeks Ended April 1, 2021	13 Weeks Ended March 26, 2020
	(in thousands)	
Service cost	\$ 281	\$ 274
Interest cost	300	342
Net amortization of prior service cost and actuarial loss	328	248
Net periodic pension cost	<u>\$ 909</u>	<u>\$ 864</u>

Service cost is included in Administrative expense while all other components are recorded within Other expense outside of operating income in the consolidated statements of earnings.

**Revenue Recognition** – The disaggregation of revenues by business segment for the 13 weeks ended April 1, 2021 and March 26, 2020 is as follows (in thousands):

	13 Weeks Ended April 1, 2021			
	Reportable Segment			
	Theatres	Hotels/Resorts	Corporate	Total
Theatre admissions	\$ 10,685	\$ —	\$ —	\$ 10,685
Rooms	—	9,044	—	9,044
Theatre concessions	9,919	—	—	9,919
Food and beverage	—	5,912	—	5,912
Other revenues <sup>(1)</sup>	1,915	9,879	100	11,894
Cost reimbursements	43	3,290	—	3,333
Total revenues	<u>\$ 22,562</u>	<u>\$ 28,125</u>	<u>\$ 100</u>	<u>\$ 50,787</u>

  

	13 Weeks Ended March 26, 2020			
	Reportable Segment			
	Theatres	Hotels/Resorts	Corporate	Total
Theatre admissions	\$ 55,395	\$ —	\$ —	\$ 55,395
Rooms	—	16,989	—	16,989
Theatre concessions	45,930	—	—	45,930
Food and beverage	—	13,614	—	13,614
Other revenues <sup>(1)</sup>	7,703	10,984	89	18,776
Cost reimbursements	183	8,573	—	8,756
Total revenues	<u>\$ 109,211</u>	<u>\$ 50,160</u>	<u>\$ 89</u>	<u>\$ 159,460</u>

<sup>(1)</sup> Included in other revenues is an immaterial amount related to rental income that is not considered revenue from contracts with customers.

The Company had deferred revenue from contracts with customers of \$38,773,000 and \$37,307,000 as of April 1, 2021 and December 31, 2020, respectively. The Company had no contract assets as of April 1, 2021 and December 31, 2020. During the 13 weeks ended April 1, 2021, the Company recognized revenue of \$2,240,000 that was included in deferred revenue as of December 31, 2020. During the 13 weeks ended March 26, 2020, the Company recognized revenue of \$11,240,000 that was included in deferred revenues as of December 26, 2019. The majority of the Company's deferred revenue relates to non-redeemed gift cards, advanced ticket sales and the Company's loyalty program.

As of April 1, 2021, the amount of transaction price allocated to the remaining performance obligations under the Company's advanced ticket sales was \$4,579,000 and is reflected in the Company's consolidated balance sheet as part of deferred revenues, which is included in other accrued liabilities. The Company recognizes revenue as the tickets are redeemed, which is expected to occur within the next two years.

As of April 1, 2021, the amount of transaction price allocated to the remaining performance obligations related to the amount of Hotels and Resorts non-redeemed gift cards was \$2,944,000 and is reflected in the Company's consolidated balance sheet as part of deferred revenues. The Company recognizes revenue as the gift cards are redeemed, which is expected to occur within the next two years.

The majority of the Company's revenue is recognized in less than one year from the original contract.

**New Accounting Pronouncements** – On January 1, 2021, the Company adopted Accounting Standards Update (ASU) No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Incomes Taxes*. The amendments in ASU No. 2019-12 are designed to simplify the accounting for incomes taxes by removing certain exceptions to the general principles in Topic 740. The amendments also improve consistent application of and simplify generally accepted accounting principles for other areas of Topic 740 by clarifying and amending existing guidance. The adoption of the new standard did not have a material effect on the Company's consolidated financial statements.

On January 1, 2021, the Company early adopted ASU No. 2020-06, *Debt - Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging - Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*. Subtopic 470-20 is designed to simplify the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts on an entity's own equity. Refer to Note 4 for further discussion.

In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. The amendments in this update provide optional expedients and exceptions for applying generally accepted accounting principles to contracts, hedging relationships and other transactions that reference London Interbank Offered Rate (LIBOR) or another reference rate expected to be discontinued because of reference rate reform. ASU No. 2020-04 is effective as of March 12, 2020 through December 31, 2022. The Company will evaluate the effect the new standard will have on its consolidated financial statements when a replacement rate is chosen.

## **2. Impact of COVID-19 Pandemic**

The COVID-19 pandemic has had an unprecedented impact on the world and both of the Company's business segments. The situation continues to be volatile and the social and economic effects are widespread. As an operator of movie theatres, hotels and resorts, restaurants and bars, each of which consists of spaces where customers and guests gather in close proximity, the Company's businesses are significantly impacted by protective actions that federal, state and local governments have taken to control the spread of the pandemic, and customers' reactions or responses to such actions. These actions have included, among other things, declaring national and state emergencies, encouraging social distancing, restricting freedom of movement and congregation, mandating non-essential business closures, issuing curfews, limiting business capacity, mandating mask-wearing and issuing shelter-in-place, quarantine and stay-at-home orders.

The Company began the first quarter of fiscal 2021 with approximately 52% of its theatres open. As state and local restrictions were eased in several of its markets and several new films were released by movie studios, the Company gradually reopened theatres during the 13 weeks ended April 1, 2021 and ended the fiscal 2021 first quarter with approximately 74% of its theatres open. The majority of the Company's reopened theatres continued to operate with reduced operating days (Fridays, Saturdays, Sundays and Tuesdays) and reduced operating hours during the fiscal 2021 first quarter. All of the reopened theatres operated at significantly reduced attendance levels compared to prior pre-COVID-19 pandemic years due to customer concerns related to the COVID-19 pandemic and a reduction in the number of new films released during the first quarter of fiscal 2021.

The Company began the first quarter of fiscal 2021 with all eight of its company-owned hotels and all but one of its managed hotels open. As of the end of the fiscal 2021 first quarter, the Company's two *SafeHouse*<sup>®</sup> restaurants and bars remain temporarily closed, but the majority of the Company's restaurants and bars in its hotels and resorts are open, operating under applicable state and local restrictions and guidelines. The majority of the Company's hotels and restaurants are generating significantly reduced revenues as compared to prior years.

Since the COVID-19 crisis began, the Company has been working proactively to preserve cash and enhance liquidity. In fiscal 2020, the Company obtained additional financing and modified previously existing debt covenants (see Note 7 in the Company's Annual Report on Form 10-K for the year ended December 31, 2020). During the 13 weeks ended April 1, 2021, the Company received the remaining \$5,900,000 of requested tax refunds from its fiscal 2019 tax return. During fiscal 2020, a number of states elected to provide grants to certain businesses most impacted by the COVID-19 pandemic, utilizing funds received by the applicable state under provisions of the Coronavirus Aid, Relief, and Economic Security Act of 2020 (the "CARES Act"). The Company received \$4,913,000 of these prior year grants during the 13 weeks ended April 1, 2021. Also during the 13 weeks ended April 1, 2021, the Company was awarded and received an additional \$1,270,000 in theatre grants from another state.

During the first quarter of fiscal 2021, the Company filed income tax refund claims of \$24,200,000 related to its fiscal 2020 tax return, with the primary benefit derived from net operating loss carrybacks. Additional income tax loss carryforwards are expected to be generated during fiscal 2021 that will benefit future years.

The COVID-19 pandemic and the resulting impact on the Company's operating performance has affected, and may continue to affect, the estimates and assumptions made by management. Such estimates and assumptions include, among other things, the Company's goodwill and long-lived asset valuations and the measurement of compensation costs for annual and long-term incentive plans. Events and changes in circumstances arising after April 1, 2021, including those resulting from the impacts of COVID-19, will be reflected in management's estimates for future periods.

The Company believes that the actions that have been taken will allow it to have sufficient liquidity to meet its obligations as they come due and to comply with its debt covenants for at least 12 months from the issuance date of these unaudited consolidated financial statements. However, future compliance with the Company's debt covenants are dependent upon the timing of new movie releases and the protective actions that federal, state and local governments have taken which impact consumer confidence and the speed of recovery of the Company's theatres and hotels and resorts businesses. The Company's estimates and assumptions related to future forecasted results of the Company are subject to inherent risk and uncertainty due to the ongoing impact of the COVID-19 pandemic, and actual results could differ materially from estimated amounts and impact the Company's ability to comply with its debt covenants.

### **3. Impairment Charges**

During the 13 weeks ended March 26, 2020, the Company determined that indicators of impairment were evident at all asset groups. For certain theatre asset groups, the sum of the estimated undiscounted future cash flows attributable to these assets was less than their carrying amount. The Company evaluated the fair value of these assets, consisting primarily of leasehold improvements, furniture, fixtures and equipment, and operating lease right-of-use assets less lease obligations, and determined that the fair value, measured using Level 3 pricing inputs (using estimated discounted cash flows over the life of the primary asset, including estimated sale proceeds) was less than their carrying values and recorded a \$6,512,000 impairment loss, reducing certain property and equipment and certain operating lease right-of-use assets. The remaining net book value of the impaired assets was \$13,686,000 as of March 26, 2020, excluding any applicable remaining lease obligations.

During the 13 weeks ended March 26, 2020, the Company determined that indicators of impairment were evident related to its trade name intangible asset. The Company estimated the fair value of its trade name intangible asset as of March 26, 2020 using an income approach, specifically the relief from royalty method, which uses certain assumptions that are Level 3 pricing inputs, including future revenues attributable to the trade name, a royalty rate (1.0% as of March 26, 2020) and a discount rate (17.0% as of March 26, 2020). During the 13 weeks ended March 26, 2020, the Company determined that the fair value of the asset was less than the carrying value and recorded a \$2,200,000 impairment loss. The fair value of the trade name intangible asset was \$6,900,000 as of April 1, 2021.

#### 4. Long-Term Debt and Short-Term Borrowings

Long-term debt is summarized as follows:

	<u>April 1, 2021</u>	<u>December 31, 2020</u>
	<i>(in thousands, except payment data)</i>	
Mortgage notes	\$ 24,482	\$ 24,482
Senior notes	100,000	100,000
Unsecured term note due February 2025, with monthly principal and interest payments of \$39,110, bearing interest at 5.75%	1,642	1,735
Convertible senior notes	100,050	100,050
Payroll Protection Program loans	3,424	3,424
Revolving credit agreement	14,000	—
Debt issuance costs	(4,467)	(3,684)
	<u>239,131</u>	<u>226,007</u>
Less current maturities, net of issuance costs	11,361	10,548
Less debt discount	—	22,423
	<u>\$ 227,770</u>	<u>\$ 193,036</u>

##### *Credit Agreement*

At April 1, 2021, the Company had a revolving credit facility totaling \$225,000,000 in place under an existing credit agreement that matures on January 9, 2025. There were borrowings of \$14,000,000 outstanding on the revolving credit facility at April 1, 2021, bearing interest at LIBOR plus a margin, effectively 3.35% at April 1, 2021. The revolving credit facility requires an annual facility fee of 0.40% on the total commitment. Availability under the line at April 1, 2021, was \$207,199,000, after taking into consideration outstanding letters of credit that reduce revolver availability.

The credit agreement also provides for a Senior Term Loan A (the “Term Loan A”) that matures September 22, 2021. The \$90,800,000 Term Loan A, net of amortized debt issuance costs of \$436,000 and prepayments of \$7,105,000 made in conjunction with certain asset dispositions, is included in short-term borrowings on the consolidated balance sheet as of April 1, 2021, and bears interest at 3.75%.

In connection with the credit agreement: (i) the Company has pledged, subject to certain exceptions, security interests and liens in and on (a) substantially all of its respective personal property assets and (b) certain of its respective real property assets, in each case, to secure the credit agreement and related obligations; and (ii) certain of the Company’s subsidiaries have guaranteed the Company’s obligations under the credit agreement. The foregoing security interests, liens and guaranties will remain in effect until the Collateral Release Date (as defined in the credit agreement).

The credit agreement contains customary events of default. If an event of default under the credit agreement occurs and is continuing, then, among other things, the lenders may declare any outstanding obligations under the credit agreement to be immediately due and payable and exercise rights and remedies against the pledged collateral.

##### *Convertible Senior Notes*

During fiscal 2020, the Company entered into a purchase agreement to issue and sell \$100,050,000 aggregate principal amount of its 5.00% Convertible Senior Notes due 2025 (the “Convertible Notes.”) The Convertible Notes were issued pursuant to an indenture (the “Indenture”), dated September 22, 2020, between the Company and U.S. Bank National Association, as trustee.

Prior to fiscal 2021, the Company separated the Convertible Notes into liability and equity components. The carrying amount of the liability component was calculated by measuring the fair value of a similar liability that does not have an associated convertible feature. The carrying amount of the equity component, representing the conversion option, was determined by deducting the fair value of the liability component from the par value of the Convertible Notes. The difference between the principal amount of the Convertible Notes and the liability component represented the debt discount, which was recorded as a direct deduction from the related debt liability in the consolidated balance sheet.

On January 1, 2021, the Company early adopted ASU No. 2020-06, *Debt – Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging – Contracts in Entity’s own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity*. ASU No. 2020-06 is designed to simplify the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts on an entity’s own equity. The amendments remove the separation models in ASC 470-20 for certain contracts. As a result, embedded conversion features would not be presented separately in equity, rather, the contract would be accounted for as a single liability measured at its amortized cost. Upon adoption, the Company recorded a one-time cumulative effect adjustment to the balance sheet on January 1, 2021 as follows:

	Balance at December 31, 2020	Cumulative adjustment <i>(in thousands)</i>	Balance at January 1, 2021
Long-term debt	\$ 193,036	\$ 21,393	\$ 214,429
Deferred income taxes	33,429	(5,584)	27,845
Capital in excess of par	153,529	(16,511)	137,018
Retained earnings	331,897	702	332,599

Additionally, upon adoption of ASU No. 2020-06, the Company uses the if-converted method when calculating diluted earnings (loss) per share for convertible instruments.

The Convertible Notes bear interest from September 22, 2020 at a rate of 5.00% per year. Interest will be payable semiannually in arrears on March 15 and September 15 of each year, beginning on March 15, 2021. The Convertible Notes may bear additional interest under specified circumstances relating to the Company’s failure to comply with its reporting obligations under the Indenture or if the Convertible Notes are not freely tradeable as required by the Indenture. The Convertible Notes will mature on September 15, 2025, unless earlier repurchased or converted. Prior to March 15, 2025, the Convertible Notes will be convertible at the option of the holders only under the following circumstances: (i) during any fiscal quarter commencing after the fiscal quarter ending on December 31, 2020 (and only during such fiscal quarter), if the last reported sale price of the Common Stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding fiscal quarter is greater than or equal to 130% of the conversion price on each applicable trading day; (ii) during the five business day period immediately after any five consecutive trading day period, or the measurement period, in which the trading price per \$1,000 principal amount of the Convertible Notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of the Common Stock and the conversion rate on each such trading day; or (iii) upon the occurrence of specified corporate events. On or after March 15, 2025, the Convertible Notes will be convertible at the option of the holders at any time until the close of business on the second scheduled trading day immediately preceding the maturity date.

Upon conversion, the Convertible Notes may be settled, at the Company’s election, in cash, shares of Common Stock or a combination thereof. The initial conversion rate is 90.8038 shares of Common Stock per \$1,000 principal amount of the Convertible Notes (equivalent to an initial conversion price of approximately \$11.01 per share of Common Stock), representing an initial conversion premium of approximately 22.5% to the \$8.99 last reported sale price of the Common Stock on The New York Stock Exchange on September 17, 2020. If the Company undergoes certain fundamental changes, holders of Convertible Notes may require the Company to repurchase for cash all or part of their Convertible Notes for a purchase price equal to 100% of the principal amount of the Convertible Notes to be repurchased, plus accrued and unpaid interest to, but excluding, the fundamental change repurchase date. In addition, if a make-whole fundamental change occurs prior to the maturity date, the Company will, under certain circumstances, increase the conversion rate for holders who convert Convertible Notes in connection with such make-whole fundamental change. The Company may not redeem the Convertible Notes before maturity and no “sinking fund” is provided for the Convertible Notes. The Indenture includes covenants customary for securities similar to the Convertible Notes, sets forth certain events of default after which the Convertible Notes may be declared immediately due and payable and sets forth certain types of bankruptcy or insolvency events of default involving the Company and certain of its subsidiaries after which the Convertible Notes become automatically due and payable.

As of April 2, 2021, the first day of the Company’s second quarter, a conversion feature on the Convertible Notes had been met, and thus the Company’s Convertible Notes are now eligible for conversion. The Company has the ability to settle the conversion in Company stock. As such, the Convertible Notes will continue to be classified as long-term. Future convertibility and resulting balance sheet classification of this liability will be monitored at each quarterly reporting date and will be analyzed dependent upon market prices of the Company’s common stock during the prescribed measurement period. No Convertible Notes have been converted to date and the Company does not expect any to be converted within the next 12 months.

## Derivatives

The Company utilizes derivatives principally to manage market risks and reduce its exposure resulting from fluctuations in interest rates. The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk-management objectives and strategies for undertaking various hedge transactions.

The Company entered into two interest rate swap agreements on March 1, 2018 covering \$50,000,000 of floating rate debt. The first agreement has a notional amount of \$25,000,000, expired March 1, 2021, and required the Company to pay interest at a defined rate of 2.559% while receiving interest at a defined variable rate of one-month LIBOR. The second agreement has a notional amount of \$25,000,000, expires March 1, 2023, and requires the Company to pay interest at a defined rate of 2.687% while receiving interest at a defined variable rate of one-month LIBOR (0.125% at April 1, 2021). The Company recognizes derivatives as either assets or liabilities on the consolidated balance sheets at fair value. The accounting for changes in the fair value (i.e., gains or losses) of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and on the type of hedging relationship. Derivatives that do not qualify for hedge accounting must be adjusted to fair value through earnings. For derivatives that are designated and qualify as a cash flow hedge, the effective portion of the gain or loss on the derivative is reported as a component of accumulated other comprehensive income (loss) and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. The Company's interest rate swap agreements are considered effective and qualify as cash flow hedges. The Company assesses, both at the inception of each hedge and on an on-going basis, whether the derivatives that are used in its hedging transactions are highly effective in offsetting changes in cash flows of the hedged items. As of April 1, 2021, the remaining interest rate swap was considered highly effective. The fair value of the interest rate swap on April 1, 2021 was a liability of \$1,186,000, which is included in other long-term obligations in the consolidated balance sheet. The fair value of the interest rate swaps on December 31, 2020, was a liability of \$1,470,000, of which \$100,000 was included in other accrued liabilities and \$1,370,000 was included in other long-term obligations in the consolidated balance sheet. The Company does not expect the interest rate swap to have a material effect on earnings within the next 12 months.

## 5. Leases

The Company determines if an arrangement is a lease at inception. The Company evaluates each lease for classification as either a finance lease or an operating lease according to accounting guidance ASU No. 2016-02, *Leases (Topic 842)*. The Company performs this evaluation at the inception of the lease and when a modification is made to a lease. The Company leases real estate and equipment with lease terms of one year to 45 years, some of which include options to extend and/or terminate the lease.

The majority of the Company's lease agreements include fixed rental payments. For those leases with variable payments based on increases in an index subsequent to lease commencement, such payments are recognized as variable lease expense as they occur. Variable lease payments that do not depend on an index or rate, including those that depend on the Company's performance or use of the underlying asset, are also expensed as incurred. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term.

Total lease cost consists of the following:

<u>Lease Cost</u>	<u>Classification</u>	<u>13 Weeks Ended April 1, 2021</u>	<u>13 Weeks Ended March 26, 2020</u>
<i>(in thousands)</i>			
<b>Finance lease costs:</b>			
Amortization of finance lease assets	Depreciation and amortization	\$ 712	\$ 711
Interest on lease liabilities	Interest expense	250	269
		<u>\$ 962</u>	<u>\$ 980</u>
<b>Operating lease costs:</b>			
Operating lease costs	Rent expense	\$ 6,321	\$ 6,667
Variable lease cost	Rent expense	(15)	227
Short-term lease cost	Rent expense	35	60
		<u>\$ 6,341</u>	<u>\$ 6,954</u>

Additional information related to leases is as follows:

<b>Other Information</b>	<b>13 Weeks Ended April 1, 2021</b>	<b>13 Weeks Ended March 26, 2020</b>
	<i>(in thousands)</i>	
<b>Cash paid for amounts included in the measurement of lease liabilities:</b>		
Financing cash flows from finance leases	\$ 630	\$ 635
Operating cash flows from finance leases	250	269
Operating cash flows from operating leases	7,393	4,644
<b>Right of use assets obtained in exchange for new lease obligations:</b>		
Finance lease liabilities	—	25
Operating lease liabilities	1,575	9,630
	<b>April 1, 2021</b>	<b>December 31, 2020</b>
	<i>(in thousands)</i>	
<b>Finance leases:</b>		
Property and equipment – gross	\$ 75,338	\$ 75,322
Accumulated depreciation and amortization	(56,286)	(55,547)
Property and equipment - net	<u>\$ 19,502</u>	<u>\$ 19,775</u>

Remaining lease terms and discount rates are as follows:

<b>Lease Term and Discount Rate</b>	<b>April 1, 2021</b>	<b>December 31, 2020</b>
<b>Weighted-average remaining lease terms:</b>		
Finance leases	9 years	9 years
Operating leases	15 years	15 years
<b>Weighted-average discount rates:</b>		
Finance leases	4.58%	4.62%
Operating leases	4.52%	4.53%

Due to the COVID-19 pandemic, the Company temporarily closed all of its theatres on March 17, 2020 and had temporarily closed all of its company-owned hotels by April 8, 2020. At that time, the Company began actively working with landlords to discuss changes to the timing of lease payments and contract terms of leases due to the pandemic. The lease terms were negotiated on a lease-by-lease basis with individual landlords. In conjunction with these lease discussions, the Company obtained lease concessions for the majority of its leases. Substantially all of the lease concessions were for the deferral of lease payments into future periods. This resulted in the total payments required by the modified contract being substantially the same as or less than the total payments required by the original contract. The Company has made the policy election to account for these lease concessions as if they were made under the enforceable rights included in the original agreement and are thus outside of the modification framework. The Company has elected to account for these concessions as if no changes to the lease contract were made and has continued to recognize rent expense during the deferral period. Deferred rent payments of approximately \$6,021,000 for the Company's operating leases have been included in the total operating lease obligations as of April 1, 2021, of which approximately \$1,570,000 is included in long-term operating lease obligations.

## 6. Income Taxes

The Company's effective income tax rate, adjusted for losses from noncontrolling interests, for the 13 weeks ended April 1, 2021 and March 26, 2020 was 27.7% and 25.3%, respectively. The Company's effective income tax rate during the first quarter of fiscal 2021 benefitted from nonrecurring adjustments specific to the first quarter. The Company does not include the income tax expense or benefit related to the net earnings or loss attributable to noncontrolling interest in its income tax expense or benefit as the entity is considered a pass-through entity and, as such, the income tax expense or benefit is attributable to its owner.

During the 13 weeks ended April 1, 2021, the Company received the remaining \$5,900,000 of requested tax refunds from its fiscal 2019 tax return. Also during the 13 weeks ended April 1, 2021, the Company filed income tax refund claims of \$24,200,000 related to its fiscal 2020 tax return, with the primary benefit derived from net operating loss carrybacks. Additional income tax loss carryforwards are expected to be generated during fiscal 2021 that will benefit future years.

## 7. Joint Venture Transactions

During the 13 weeks ended April 1, 2021, pursuant to a recapitalization of a joint venture whose investment value was \$0 as of December 31, 2020, the Company surrendered its ownership interest in this equity method investment. Also during the 13 weeks ended April 1, 2021, the Company sold its interest in an equity investment without a readily determinable fair value for \$4,150,000 and recorded a gain of \$2,079,000, which is included in gain (loss) on disposition of property, equipment and other assets in the consolidated statement of earnings (loss).

## 8. Business Segment Information

The Company's primary operations are reported in the following business segments: Theatres and Hotels/Resorts. Corporate items include amounts not allocable to the business segments. Corporate revenues consist principally of rent and the corporate operating loss includes general corporate expenses. Corporate information technology costs and accounting shared services costs are allocated to the business segments based upon several factors, including actual usage and segment revenues.

Following is a summary of business segment information for the 13 weeks April 1, 2021 and March 26, 2020 (in thousands):

<b>13 Weeks Ended April 1, 2021</b>	<b>Theatres</b>	<b>Hotels/ Resorts</b>	<b>Corporate Items</b>	<b>Total</b>
Revenues	\$ 22,562	\$ 28,125	\$ 100	\$ 50,787
Operating loss	(25,639)	(5,708)	(4,314)	(35,661)
Depreciation and amortization	12,786	5,127	66	17,979

  

<b>13 Weeks Ended March 26, 2020</b>	<b>Theatres</b>	<b>Hotels/ Resorts</b>	<b>Corporate Items</b>	<b>Total</b>
Revenues	\$ 109,211	\$ 50,160	\$ 89	\$ 159,460
Operating loss	(7,083)	(10,853)	(4,264)	(22,200)
Depreciation and amortization	13,510	5,412	111	19,033

## THE MARCUS CORPORATION

### Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

#### Special Note Regarding Forward-Looking Statements

Certain matters discussed in this Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") and elsewhere in this Form 10-Q are "forward-looking statements" intended to qualify for the safe harbors from liability established by the Private Securities Litigation Reform Act of 1995. These forward-looking statements may generally be identified as such because the context of such statements include words such as we "believe," "anticipate," "expect" or words of similar import. Similarly, statements that describe our future plans, objectives or goals are also forward-looking statements. Such forward-looking statements are subject to certain risks and uncertainties which may cause results to differ materially from those expected, including, but not limited to, the following: (1) the adverse effects of the COVID-19 pandemic on our theatre and hotels and resorts businesses, results of operations, liquidity, cash flows, financial condition, access to credit markets and ability to service our existing and future indebtedness; (2) the duration of the COVID-19 pandemic and related government restrictions and social distancing requirements and the level of customer demand following the relaxation of such requirements; (3) the availability, in terms of both quantity and audience appeal, of motion pictures for our theatre division (particularly following the COVID-19 pandemic, during which the production of new movie content temporarily ceased and release dates for motion pictures have been postponed), as well as other industry dynamics such as the maintenance of a suitable window between the date such motion pictures are released in theatres and the date they are released to other distribution channels; (4) the effects of adverse economic conditions in our markets, including but not limited to, those caused by the COVID-19 pandemic; (5) the effects of adverse economic conditions, including but not limited to, those caused by the COVID-19 pandemic, on our ability to obtain financing on reasonable and acceptable terms, if at all; (6) the effects on our occupancy and room rates caused by the COVID-19 pandemic and the effects on our occupancy and room rates of the relative industry supply of available rooms at comparable lodging facilities in our markets once hotels and resorts have more fully reopened; (7) the effects of competitive conditions in our markets; (8) our ability to achieve expected benefits and performance from our strategic initiatives and acquisitions; (9) the effects of increasing depreciation expenses, reduced operating profits during major property renovations, impairment losses, and reopening and start-up costs due to the capital intensive nature of our business; (10) the effects of weather conditions, particularly during the winter in the Midwest and in our other markets; (11) our ability to identify properties to acquire, develop and/or manage and the continuing availability of funds for such development; (12) the adverse impact on business and consumer spending on travel, leisure and entertainment resulting from terrorist attacks in the United States, other incidents of violence in public venues such as hotels and movie theatres or epidemics (such as the COVID-19 pandemic); and (13) a disruption in our business and reputational and economic risks associated with civil securities claims brought by shareholders. These statements are not guarantees of future performance and are subject to risks, uncertainties and other factors, including developments related to the COVID-19 pandemic, some of which are beyond our control and difficult to predict and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements. Our forward-looking statements are based upon our assumptions, which are based upon currently available information, including assumptions about our ability to manage difficulties associated with or related to the COVID-19 pandemic; the assumption that our theatre closures, hotel closures and restaurant closures are not expected to be permanent or to re-occur; the continued availability of our workforce; and the temporary and long-term effects of the COVID-19 pandemic on our business. Shareholders, potential investors and other readers are urged to consider these factors carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on such forward-looking statements. The forward-looking statements made herein are made only as of the date of this Form 10-Q and we undertake no obligation to publicly update such forward-looking statements to reflect subsequent events or circumstances.

#### RESULTS OF OPERATIONS

##### General

We report our consolidated and individual segment results of operations on a 52- or 53-week fiscal year ending on the last Thursday in December. Fiscal 2021 is a 52-week year beginning on January 1, 2021 and ending on December 30, 2021. Fiscal 2020 was a 53-week year that began on December 27, 2019 and ended on December 31, 2020.

We divide our fiscal year into three 13-week quarters and a final quarter consisting of 13 or 14 weeks. The first quarter of fiscal 2021 consisted of the 13-week period beginning on January 1, 2021 and ended on April 1, 2021. The first quarter of fiscal 2020 consisted of the 13-week period beginning December 27, 2019 and ended on March 26, 2020. Our primary operations are reported in the following two business segments: movie theatres and hotels and resorts.

For discussion regarding the impact of COVID-19 and related economic conditions on the Company's results for the year ended December 31, 2020, see "Part II-Item 7-Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's 2020 Annual Report. For further discussion regarding the impacts of COVID-19 and related economic conditions on the Company's results for the quarter ended April 1, 2021 and potential future impacts, see immediately below, and also refer to the discussion of the Company's operational risks and financial risks found in "Part I-Item 1A-Risk Factors" in the Company's 2020 Annual Report.

### **Impact of the COVID-19 Pandemic**

The COVID-19 pandemic has had an unprecedented impact on the world and both of our business segments. The situation continues to be volatile and the social and economic effects are widespread. As an operator of movie theatres, hotels and resorts, restaurants and bars, each of which consists of spaces where customers and guests gather in close proximity, our businesses are significantly impacted by protective actions that federal, state and local governments have taken to control the spread of the pandemic, and our customers' reactions or responses to such actions. These actions have included, among other things, declaring national and state emergencies, encouraging social distancing, restricting freedom of movement and congregation, mandating non-essential business closures, issuing curfews, limiting business capacity, mandating mask-wearing and issuing shelter-in-place, quarantine and stay-at-home orders.

We began the first quarter of fiscal 2021 with approximately 52% of our theatres open. As state and local restrictions were eased in several of our markets and several new films were released by movie studios, we gradually reopened theatres during the quarter and ended the fiscal 2021 first quarter with approximately 74% of our theatres open. The majority of our reopened theatres continued to operate with reduced operating days (Fridays, Saturdays, Sundays and Tuesdays) and reduced operating hours during the fiscal 2021 first quarter. All of our reopened theatres operated at significantly reduced attendance levels compared to prior pre-COVID-19 pandemic years due to customer concerns related to the COVID-19 pandemic and a reduction in the number of new films released during the first quarter of fiscal 2021. As of the date of this report, we had reopened several additional theatres, bringing our number of open theatres to approximately 89% of our total theatres. We also have recently increased the number of operating days and operating hours at many of our reopened theatres. We currently expect to open the majority of our remaining closed theatres and return the majority of our theatres to standard operating days and hours by the end of May 2021 as more anticipated new films are released and demand returns.

We began the first quarter of fiscal 2021 with all eight of our company-owned hotels and all but one of our managed hotels open. Our two *SafeHouse*<sup>®</sup> restaurants and bars remain temporarily closed, but the majority of our restaurants and bars in our hotels and resorts are open, operating under applicable state and local restrictions and guidelines, and in some cases reduced operating hours. The majority of our hotels and restaurants are generating significantly reduced revenues as compared to prior years.

Maintaining and protecting a strong balance sheet has always been a core philosophy of The Marcus Corporation during our 85-year history, and, despite the COVID-19 pandemic, our financial position remains strong. As of April 1, 2021, we had a cash balance of approximately \$6 million, \$207 million of availability under our \$225 million revolving credit facility, and our debt-to-capitalization ratio was 0.41. With this significant liquidity, combined with the expected receipt of income tax refunds and proceeds from the sale of surplus real estate (discussed below), we believe we are positioned to meet our obligations as they come due and continue to sustain our operations throughout fiscal 2021 and into fiscal 2022, even if our properties continue to generate significantly reduced revenues throughout fiscal 2021. We will continue to work to preserve cash and ensure sufficient liquidity to endure the impacts of the global pandemic, even if prolonged.

Early in our first quarter of fiscal 2021, we received the remaining \$5.9 million of requested tax refunds from our fiscal 2019 tax return. During the first quarter of fiscal 2021, we filed income tax refund claims of \$24.2 million related to our fiscal 2020 tax return, with the primary benefit derived from net operating loss carrybacks to prior years. Additional income tax loss carryforwards are expected to be generated during fiscal 2021 that will benefit future years.

During the fourth quarter of fiscal 2020, a number of states elected to provide grants to certain businesses most impacted by the COVID-19 pandemic, utilizing funds received by the applicable state under provisions of the Coronavirus Aid, Relief, and Economic Security Act of 2020 (the “CARES Act”). We received \$4.9 million of these prior year grants in January 2021. Early in fiscal 2021, we were awarded and received an additional \$1.3 million in theatre grants from another state, further contributing to our strong liquidity position as of April 1, 2021.

We also continue to pursue sales of surplus real estate and other non-core real estate to further enhance our liquidity. During the first quarter of fiscal 2021, we sold an equity interest in a joint venture, generating total proceeds of approximately \$4.2 million. As of April 1, 2021, we had letters of intent or contracts to sell several pieces of real estate with a total carrying value of \$8.7 million and we believe we may receive total sales proceeds from real estate sales during the next 12-18 months totaling approximately \$10-\$40 million, depending upon demand for the real estate in question.

We remain optimistic that the theatre industry will rebound and benefit from pent-up social demand as a greater percentage of the population is vaccinated, home sheltering subsides and people seek togetherness with a return to normalcy. A return to “normalcy” may span multiple months driven by staggered theatre openings, reduced operating days and hours, lingering social distancing requirements, the progress of the vaccination rollout in each state and a gradual ramp-up of consumer comfort with public gatherings. We are very encouraged by the recent performance of *Godzilla vs. Kong*, *Mortal Kombat* and *Demon Slayer*, the best performing films since the pandemic began last year. The continued lessening of state and local restrictions in key markets such as New York and Los Angeles is also a very positive sign. As described further below in the Theatres section of this MD&A, a significant number of films originally scheduled to be released through March 2021 have been delayed until later in fiscal 2021 or fiscal 2022, further increasing the quality and quantity of films expected to be available during those future time periods.

As expected, the primary customer for hotels during the first quarter of fiscal 2021 has continued to come from the “drive-to leisure” market. Demand from this customer segment exceeded our expectations during the fiscal 2021 first quarter. Most organizations implemented travel bans at the onset of the pandemic and are currently only allowing essential travel, which will likely limit business travel in the near term. As of the date of this report, our group room revenue bookings for fiscal 2021 - commonly referred to in the hotels and resorts industry as “group pace” - is running significantly behind where we would historically be at this same time in prior years, but we are beginning to experience increased booking activity for later in fiscal 2021 and particularly for fiscal 2022 and beyond. Banquet and catering revenue pace for fiscal 2021 is also running behind where we would typically be at this same time in prior years, but not as much as group room revenues, due in part to increases in wedding bookings. The future economic environment will also have a significant impact on the pace of our return to “normal” hotel operations.

We cannot assure that the impact of the COVID-19 pandemic will not continue to have a material adverse effect on both our theatre and hotels and resorts businesses, results of operations, cash flows, financial condition, access to credit markets and ability to service our existing and future indebtedness.

## Overall Results

The following table sets forth revenues, operating loss, other income (expense), net loss and net loss per diluted common share for the first quarter of fiscal 2021 and fiscal 2020 (in millions, except for per share and variance percentage data):

	First Quarter			
	F2021	F2020	Variance	
			Amt.	Pct.
Revenues	\$ 50.8	\$ 159.5	\$ (108.7)	(68.2)%
Operating loss	(35.7)	(22.2)	(13.5)	(60.6)%
Other income (expense)	(3.2)	(3.9)	0.7	16.6 %
Net loss attributable to noncontrolling interests	—	(0.1)	0.1	100.0 %
Net loss attributable to The Marcus Corp.	(28.1)	(19.4)	(8.7)	(45.4)%
Net loss per common share - diluted	\$ (0.93)	\$ (0.64)	\$ (0.29)	(45.3)%

Revenues decreased and operating loss, net loss attributable to The Marcus Corporation and net loss per diluted common share increased during the first quarter of fiscal 2021 compared to the first quarter of fiscal 2020 due to decreased revenues from both our theatre division and hotels and resorts division as a result of the continuing impact of the COVID-19 pandemic. Our theatre division benefited from a nonrecurring government grant during the fiscal 2021 first quarter and both of our operating divisions were negatively impacted by nonrecurring expenses during the fiscal 2020 first quarter. Operating losses from our corporate items, which include amounts not allocable to the business segments, increased slightly during the first quarter of fiscal 2021 compared to the first quarter of fiscal 2020 due primarily to increased non-cash long-term incentive compensation expenses. Net loss attributable to The Marcus Corporation during the first quarter of fiscal 2021 was negatively impacted by increased interest expense compared to the first quarter of fiscal 2020 and benefited from a gain on disposition of property, equipment and other assets during the first quarter of fiscal 2021.

Our operating loss during the first quarter of fiscal 2021 was favorably impacted by a state government grant of approximately \$1.3 million, or approximately \$0.03 per diluted common share. Our operating loss during the first quarter of fiscal 2020 was negatively impacted by nonrecurring expenses totaling approximately \$5.5 million, or approximately \$0.13 per diluted common share, related to expenses incurred (primarily payroll continuation payments to employees temporarily laid off) due to the closing of all of our movie theatres and the majority of our hotels and resorts during the last two weeks of such quarter. In addition, impairment charges related to intangible assets and several theatre locations negatively impacted our fiscal 2020 first quarter operating income by approximately \$8.7 million, or approximately \$0.21 per diluted common share.

We recognized investment income of \$40,000 during the first quarter of fiscal 2021 compared to an investment loss of \$695,000 during the first quarter of fiscal 2020. The investment loss during the fiscal 2020 first quarter was due to decreases in the value of marketable securities resulting from significant market declines arising from the COVID-19 pandemic and its impact on the U.S. economy.

Our interest expense totaled \$4.8 million for the first quarter of fiscal 2021 compared to \$2.5 million for the first quarter of fiscal 2020, an increase of approximately \$2.3 million, or 92.5%. The increase in interest expense during the first quarter of fiscal 2021 was due in part to increased borrowings and an increase in our average interest rate. In addition, interest expense increased during the first quarter of fiscal 2021 due to the fact that we incurred approximately \$623,000 in noncash amortization of debt issuance costs, compared to approximately \$49,000 of such costs during the first quarter of fiscal 2020. On January 1, 2021, we elected to early adopt ASU No. 2020-06 (described in Note 1 of the condensed notes to our consolidated financial statements included in this report above), which resulted in the elimination of noncash discount on convertible notes beginning with the first quarter of fiscal 2021. Changes in our borrowing levels due to variations in our operating results, capital expenditures, acquisition opportunities (or the lack thereof) and asset sale proceeds, among other items, may impact, either favorably or unfavorably, our actual reported interest expense in future periods, as may changes in short-term interest rates.

We did not have any significant variations in other expenses or equity losses from unconsolidated joint ventures during the first quarter of fiscal 2021 compared to the first quarter of fiscal 2020. We reported a net gain on disposition of property, equipment and other assets of approximately \$2.2 million during the first quarter of fiscal 2021, compared to net losses on disposition of property, equipment and other assets of \$12,000 during the first quarter of fiscal 2020. The net gain on disposition of property, equipment and other assets during the first quarter of fiscal 2021 was due primarily to the sale of an equity investment in a joint venture. The timing of periodic sales and disposals of our property, equipment and other assets varies from quarter to quarter, resulting in variations in our reported gains or losses on disposition of property, equipment and other assets. We anticipate the potential for additional disposition gains or losses from periodic sales of property, equipment and other assets during fiscal 2021 and beyond.

We reported income tax benefits of \$10.8 million and \$6.6 million, respectively, during the first quarters of fiscal 2021 and fiscal 2020. Our fiscal 2021 first quarter effective income tax rate was 27.7%, compared to our fiscal 2020 first quarter effective income tax rate of 25.3%. Our effective income tax rate during the first quarter of fiscal 2021 benefitted from nonrecurring adjustments specific to the first quarter. We anticipate that our effective income tax rate for the remaining quarters of fiscal 2021 may be in the 24-26% range, excluding any potential changes in federal or state income tax rates or other one-time tax benefits. Our actual fiscal 2021 effective income tax rate may be different from our estimated quarterly rates depending upon actual facts and circumstances.

The operating results of one majority-owned hotel, The Skirvin Hilton, are included in the hotels and resorts division revenue and operating income during the first quarters of fiscal 2021 and fiscal 2020, and the after-tax net earnings or loss attributable to noncontrolling interests is deducted from or added to net earnings on the consolidated statements of earnings. We reported a net loss attributable to noncontrolling interests of \$148,000 during the first quarter of fiscal 2020. As a result of the noncontrolling interest balance reaching zero during fiscal 2020, we do not expect to report additional net losses attributable to noncontrolling interests in future periods until the hotel returns to profitability.

## Theatres

The following table sets forth revenues, operating loss and operating margin for our theatre division for the first quarter of fiscal 2021 and fiscal 2020 (in millions, except for variance percentage and operating margin):

	First Quarter			
	F2021	F2020	Variance	
			Amt.	Pct.
Revenues	\$ 22.6	\$ 109.2	\$ (86.6)	(79.3)%
Operating loss	(25.6)	(7.1)	(18.5)	(262.0)%
Operating margin (% of revenues)	(113.6)%	(6.5)%		

Our theatre division revenues decreased and operating loss increased significantly during the first quarter of fiscal 2021 compared to the first quarter of fiscal 2020 due entirely to decreased attendance. We began the first quarter of fiscal 2021 with approximately 52% of our theatres open. As state and local restrictions were eased in several of our markets and several new films were released by movie studios, we gradually reopened theatres during the quarter and ended the fiscal 2021 first quarter with approximately 74% of our theatres open. All of our reopened theatres operated at significantly reduced attendance levels compared to prior years due to customer concerns related to the COVID-19 pandemic and a reduction in the number of new films released during the quarter. A nonrecurring state government grant of approximately \$1.3 million favorably impacted our theatre division operating loss during the first quarter of fiscal 2021.

Our theatres were open for all but nine days during the first quarter of fiscal 2020 (we closed all of our theatres on March 17, 2020 in response to the COVID-19 pandemic). In addition to the impact of reduced attendance due to the theatre closings, our theatre division operating loss during the first quarter of fiscal 2020 was negatively impacted by nonrecurring expenses totaling approximately \$2.8 million related to expenses incurred (primarily payroll continuation payments to employees temporarily laid off) due to the closing of all of our movie theatres during such quarter. Impairment charges related to intangible assets and several theatre locations also negatively impacted our theatre division fiscal 2020 first quarter operating loss by approximately \$8.7 million.

The following table provides a further breakdown of the components of revenues for the theatre division for the first quarter of fiscal 2021 and fiscal 2020 (in millions, except for variance percentage):

	First Quarter			
	F2021	F2020	Variance	
			Amt.	Pct.
Admission revenues	\$ 10.7	\$ 55.4	\$ (44.7)	(80.7)%
Concession revenues	9.9	45.9	(36.0)	(78.4)%
Other revenues	1.9	7.7	(5.8)	(75.1)%
	22.5	109.0	(86.5)	(79.3)%
Cost reimbursements	0.1	0.2	(0.1)	(76.5)%
Total revenues	\$ 22.6	\$ 109.2	\$ (86.6)	(79.3)%

According to data received from Comscore (a national box office reporting service for the theatre industry) and compiled by us to evaluate our fiscal 2021 first quarter results, United States box office receipts decreased 89.7% during our fiscal 2021 first quarter, indicating that our decrease in admission revenues during the first quarter of fiscal 2021 of 80.7% outperformed the industry by 9.0 percentage points. Based upon this metric, we believe we were the top performing theatre circuit during the first quarter of fiscal 2021 compared to the top 10 circuits in the U.S. Additional data received and compiled by us from Comscore indicates our admission revenues during the first quarter of fiscal 2021 represented approximately 4.8% of the total admission revenues in the U.S. during the period (commonly referred to as market share in our industry). This represents an approximately 55% increase over our reported market share of approximately 3.1% during the first quarter of fiscal 2019, prior to the pandemic. Closed theatres in other markets in the U.S. contributed to our outperformance in both of these metrics and we expect our outperformance to lessen in future periods as more theatres open. Our goal is to continue our past pattern of outperforming the industry, but with the majority of our renovations now completed, our ability to do so in any given quarter will likely be partially dependent upon film mix, weather and the competitive landscape in our markets.

Sales attributable to our Marcus Private Cinema (“MPC”) program have exceeded expectations, partially offsetting reduced traditional attendance and contributing to our industry outperformance during the first quarter of fiscal 2021. Under this program, a guest may purchase an entire auditorium for up to 20 of his or her friends and family for a fixed charge, ranging from \$99 to \$179 (depending upon the film and number of weeks it has been in theatres). During the last 11 weeks of the fiscal 2021 first quarter, we averaged over 1,500 MPC events per week, accounting for approximately 21% of our admission revenues during those weeks.

Total theatre attendance decreased 81.4% during the first quarter of fiscal 2021 compared to the first quarter of fiscal 2020, resulting in decreases in both admission revenues and concession revenues. A significant decrease in the number of new films, the lack of awareness of theatres being open (due in part to limited new film advertising), ongoing state and local capacity restrictions and customer concerns regarding visiting indoor businesses all contributed to the reductions in attendance during the first quarter of fiscal 2021. As described above, attendance from MPC events (estimated to average 13 guests per event) partially offset the reduction in traditional movie going attendance.

Our highest grossing films during the fiscal 2021 first quarter included *Raya and the Last Dragon*, *Tom and Jerry*, *The Croods: A New Age*, *Wonder Woman 1984* and *The Little Things*. We believe our theatre circuit outperformed its typical market share on four of our top five films during the first quarter of fiscal 2021. Due to less films being released during the first quarter of fiscal 2021, the film slate during such quarter was weighted more towards our top movies compared to the prior year, as evidenced by the fact that our top five films during our fiscal 2021 first quarter accounted for 59% of our total box office results, compared to 47% for the top five films during the first quarter of fiscal 2020, both expressed as a percentage of the total admission revenues for the period. In prior years, an increased reliance on fewer films during a given quarter has had the effect of slightly increasing our film rental costs during the period, as generally the better a particular film performs, the greater the film rental cost tends to be as a percentage of box office receipts. This was not the case during the first quarter of fiscal 2021, however, due to reduced overall admission revenues reported for each film. As a result, our overall film rental cost decreased during the fiscal 2021 first quarter compared to the same period last year.

Our average ticket price increased 3.7% during the first quarter of fiscal 2021 compared to the first quarter of fiscal 2020. A larger proportion of admission revenues from our proprietary premium large format (“PLF”) screens (with a higher ticket price) and the increase in MPC events contributed to our increase in our average ticket price during the fiscal 2021 period, partially offset by the fact that we continued to offer older “library” film product for only \$5.00 per ticket during the first quarter of fiscal 2021.

Our average concession revenues per person increased by 16.0% during the first quarter of fiscal 2021 compared to the first quarter of fiscal 2020. Our top three films during the first quarter of fiscal 2021 were animated films that generally appeal to a younger audience and we believe that resulted in an increase in sales of traditional concession items like popcorn, soda and candy, contributing to our increased average concession sales per person. In addition, a portion of the increase in our average concession revenues per person during the first quarter of fiscal 2021 may be attributed to shorter lines at our concession stand due to reduced attendance (during periods of high attendance, some customers do not purchase concessions because the line is too long). We also believe that an increased percentage of customers buying their concessions in advance using our website or our mobile app likely also contributed to higher average concession revenues per person, as our experience has shown that customers are more likely to purchase more items when they order and pay electronically.

Other revenues decreased by approximately \$5.8 million during the first quarter of fiscal 2021 compared to the first quarter of fiscal 2020. This decrease was primarily due to the impact of reduced attendance on internet surcharge ticketing fees and preshow advertising income.

The film product release schedule for the remainder of fiscal 2021 has been changing in response to reduced near-term customer demand and changing state and local restrictions in various key markets in the U.S. and the world as a result of the ongoing COVID-19 pandemic. With restrictions in New York and California lessening, film studios have shown an increased willingness to begin releasing many of the new films that had previously been delayed. *Godzilla vs. Kong* was released on March 31, 2021 and has performed beyond expectations, becoming the best performing film released since the onset of the pandemic. Additional films that have contributed to our early fiscal 2021 second quarter results include *Mortal Kombat* and *Demon Slayer* and new films scheduled to be released during the remainder of the second quarter include *Cruella*, *Quiet Place Part II*, *Conjuring: The Devil Made Me Do It*, *In the Heights* and *Fast & Furious 9*. We believe that as a greater percentage of the population gets vaccinated and the pandemic continues to subside, there will be a large demand for out-of-home entertainment and the studios will once again begin releasing a significant number of films to theatres, particularly during the second half of fiscal 2021. The list of films scheduled to be released during the second half of fiscal 2021 appears quite strong, as does the list of films currently scheduled for release during fiscal 2022.

Revenues for the theatre business and the motion picture industry in general are heavily dependent on the general audience appeal of available films, together with studio marketing, advertising and support campaigns and the maintenance of the current “windows” between the date a film is released in theatres and the date a motion picture is released to other channels, including premium video-on-demand (“PVOD”), video on-demand (“VOD”), streaming services and DVD. These are factors over which we have no control.

We ended the first quarter of fiscal 2021 with a total of 1,091 company-owned screens in 88 theatres and six managed screens in one theatre, compared to 1,104 company-owned screens in 90 theatres and six managed screens in one theatre at the end of the first quarter of fiscal 2020. As of the date of this report, we had reopened several additional theatres since the end of the first quarter of fiscal 2021, bringing our number of open theatres to approximately 89% of our total theatres. We currently expect to open the majority of our remaining closed theatres by the end of May 2021. One of the Marcus Wehrenberg theatres that we reopened in May 2021 recently completed a renovation that added DreamLounger recliner seating, as well as *Reel Sizzle*<sup>®</sup> and *Take Five*<sup>SM</sup> Lounge outlets, to the theatre.

## Hotels and Resorts

The following table sets forth revenues, operating loss and operating margin for our hotels and resorts division for the first quarter of fiscal 2021 and fiscal 2020 (in millions, except for variance percentage and operating margin):

	First Quarter		Variance	
	F2021	F2020	Amt.	Pct.
Revenues	\$ 28.1	\$ 50.2	\$ (22.1)	(43.9)%
Operating loss	(5.7)	(10.9)	5.2	47.4 %
Operating margin (% of revenues)	(20.3)%	(21.6)%		

The following table provides a further breakdown of the components of revenues for the hotels and resorts division for the first quarter of fiscal 2021 and fiscal 2020 (in millions, except for variance percentage):

	First Quarter		Variance	
	F2021	F2020	Amt.	Pct.
Room revenues	\$ 9.0	\$ 17.0	\$ (8.0)	(46.8)%
Food and beverage revenues	5.9	13.6	(7.7)	(56.6)%
Other revenues	9.9	11.0	(1.1)	(10.1)%
	24.8	41.6	(16.8)	(40.3)%
Cost reimbursements	3.3	8.6	(5.3)	(61.6)%
Total revenues	\$ 28.1	\$ 50.2	\$ (22.1)	(43.9)%

Our first quarter is typically the weakest quarter of our fiscal year for our hotels and resorts division due to the traditionally reduced level of travel at our predominantly Midwestern portfolio of owned properties. Division revenues decreased significantly during the first quarter of fiscal 2021 compared to the first quarter of fiscal 2020 due to the impact of the COVID-19 pandemic. All eight of our company-owned hotels and all but one of our managed hotels were open during our first quarter of fiscal 2021, but the majority of these properties were generating significantly reduced revenues as compared to prior years. Our two *SafeHouse* restaurants and bars remain temporarily closed, but the majority of our restaurants and bars in our hotels and resorts were open during the fiscal 2021 first quarter, operating under applicable state and local restrictions and guidelines, and in some cases reduced operating hours.

Other revenues decreased due primarily to reduced revenues from one of our condo hotels and decreased management fees, partially offset by significantly increased ski revenues at our Grand Geneva® Resort & Spa (“Grand Geneva”). Cost reimbursements decreased during the first quarter of fiscal 2021 compared to the first quarter of fiscal 2020 due to reduced revenues and subsequent operating costs at our managed hotels.

Despite the decrease in revenues, our division operating loss improved significantly during the first quarter of fiscal 2021 compared to the first quarter of fiscal 2020. Our hotels and resorts division operating loss during the first quarter of fiscal 2020 was negatively impacted by nonrecurring expenses totaling approximately \$2.7 million related to expenses incurred (primarily payroll continuation payments to employees temporarily laid off) due to the closing of five of our eight company-owned hotels and resorts for the final two days of such quarter. In addition, our restaurants and bars were required to close during the last 10 days of the fiscal 2020 first quarter due to the COVID-19 pandemic. Improved operating performance at the Grand Geneva and strong cost controls at all of our properties also contributed to the improved fiscal 2021 first quarter operating loss.

The following table sets forth certain operating statistics for the first quarter of fiscal 2021 and fiscal 2020, including our average occupancy percentage (number of occupied rooms as a percentage of available rooms), our average daily room rate, or ADR, and our total revenue per available room, or RevPAR, for company-owned properties:

	First Quarter <sup>(1)</sup>			
	F2021	F2020	Variance	
			Amt.	Pct.
Occupancy percentage	28.3 %	54.2 %	(25.9)pts	(47.8)%
ADR	\$ 133.12	\$ 129.71	\$ 3.41	2.6 %
RevPAR	\$ 37.66	\$ 70.26	\$ (32.60)	(46.4)%

(1) These operating statistics represent averages of our eight distinct comparable company-owned hotels and resorts, branded and unbranded, in different geographic markets with a wide range of individual hotel performance. The statistics are not necessarily representative of any particular hotel or resort. The statistics exclude days where individual hotels may have been closed.

RevPAR decreased at seven of our eight company-owned properties during the first quarter of fiscal 2021 compared to the first quarter of fiscal 2020. The “drive-to leisure” travel customer provided the most demand during the first quarter of fiscal 2021, with the Grand Geneva and a managed condo hotel, the Timber Ridge Lodge & Waterpark, experiencing the highest demand among our open hotels, particularly on weekends. A record ski season also contributed to an increase in RevPAR at the Grand Geneva. According to data received from Smith Travel Research and compiled by us in order to evaluate our fiscal 2021 first quarter results, comparable “upper upscale” hotels throughout the United States experienced a decrease in RevPAR of 54.5% during our fiscal 2021 first quarter compared to the same weeks last year. Data received from Smith Travel Research for our various “competitive sets” – hotels identified in our specific markets that we deem to be competitors to our hotels – indicates that these hotels experienced a decrease in RevPAR of 52.3% during our fiscal 2021 first quarter. Thus, we believe we outperformed the industry and our competitive sets during the fiscal 2021 first quarter by approximately eight and six points, respectively. Higher class segments of the hotel industry, such as luxury and upper upscale, continue to experience lower occupancies compared to lower class hotel segments such as economy and midscale.

A decline in transient and group business contributed significantly to our reduced revenues during the first quarter of fiscal 2021 compared to the first quarter of fiscal 2020. A decrease in group business subsequently led to a corresponding decrease in banquet and catering revenues, negatively impacting our reported food and beverage revenues. Conversely, our ADR increased during the first quarter of fiscal 2021 compared to the first quarter of fiscal 2020 due primarily to increased ADR at the Grand Geneva. It is generally more difficult to increase ADR during our slower winter season, as overall occupancy is at its lowest.

Looking to future periods, overall occupancy in the U.S. has slowly increased since the initial onset of the COVID-19 pandemic in March 2020. In the near term, we expect most current demand will continue to come from the drive-to leisure segment. Most organizations implemented travel bans at the onset of the pandemic and are currently only allowing essential travel, which will likely limit business travel in the near term. Our company-owned hotels have experienced a significant decrease in group bookings compared to the same period in prior years. As of the date of this report, our group room revenue bookings for fiscal 2021 - commonly referred to in the hotels and resorts industry as “group pace” - is running significantly behind where we would historically be at this same time in prior years, but we are beginning to experience increased booking activity for later in 2021 and particularly for 2022 and beyond. Banquet and catering revenue pace for fiscal 2021 is also running behind where we would typically be at this same time in prior years, but not as much as group room revenues, due in part to increases in wedding bookings. Many of our cancelled group bookings due to COVID-19 are re-booking for future dates, excluding one-time events that could not rebook for future dates.

Forecasting what future RevPAR growth or decline will be during the next 18 to 24 months is very difficult at this time. The non-group booking window is very short, with most bookings occurring within three days of arrival, making even short-term forecasts of future RevPAR growth very difficult. Hotel revenues have historically tracked very closely with traditional macroeconomic statistics such as the Gross Domestic Product, so we will be monitoring the economic environment closely. After past shocks to the system, such as the terrorist attacks on September 11, 2001 and the 2008 financial crisis, hotel demand took longer to recover than other components of the economy. Conversely, we now anticipate that hotel supply growth will be limited for the foreseeable future, which can be beneficial for our existing hotels. Most industry experts believe the pace of recovery will be steady, but relatively slow. We are encouraged by the demand from drive-to leisure customers during the first quarter of fiscal 2021, which exceeded our expectations. We will continue to focus on reaching the drive-to leisure market through aggressive campaigns promoting creative packages for our guests. Overall, we generally expect our revenue trends to track or exceed the overall industry trends for our segment of the industry, particularly in our respective markets.

## **LIQUIDITY AND CAPITAL RESOURCES**

### **Liquidity**

Our movie theatre and hotels and resorts businesses, when open and operating normally, each generate significant and consistent daily amounts of cash, subject to previously-noted seasonality, because each segment’s revenue is derived predominantly from consumer cash purchases. Under normal circumstances, we believe that these relatively consistent and predictable cash sources, as well as the availability of unused credit lines, would be adequate to support the ongoing operational liquidity needs of our businesses. A detailed description of our liquidity situation as of April 1, 2021 is described in detail above in the “Impact of the COVID-19 Pandemic” section of this MD&A.

We believe that the actions we have taken over the past year will allow us to have sufficient liquidity to meet our obligations as they come due and to comply with our debt covenants for at least 12 months from the issuance date of the consolidated financial statements. However, future compliance with our debt covenants could be impacted if we are unable to resume operations as currently expected, which could be impacted by matters that are not entirely in our control, such as the continuation of protective actions that federal, state and local governments have taken and the timing of new movie releases (as described in the Impact of the COVID-19 Pandemic section of this MD&A and in our Annual Report for the year ended December 31, 2020). Future compliance with our debt covenants could also be impacted if the speed of recovery of our theatres and hotels and resorts businesses is slower than currently expected. For example, our current expectations are that our theatre division will improve during the fiscal 2021 second quarter (but still report results materially below fiscal 2019), before beginning to progressively return to closer-to-normal performance during the second half of fiscal 2021 and first quarter of fiscal 2022. Our current expectations for our hotels and resorts division are that we will continue to show improvement in each succeeding quarter compared to our current state, but continue to underperform compared to prior years. We do not expect to return to pre-COVID-19 occupancy levels during fiscal 2021. Even if one or both of our divisions progressively return to closer-to-normal performance and operations in the second half of fiscal 2021, it is possible that the impact of COVID-19 may be greater than currently expected across one or both of our divisions such that we may be unable to comply with our debt covenants. In such an event, we would either seek covenant waivers or attempt to amend our covenants, though there is no certainty that we would be successful in such efforts.

## Financial Condition

Net cash used in operating activities totaled \$13.0 million during the first quarter of fiscal 2021, compared to \$16.6 million during the first quarter of fiscal 2020. The \$3.6 million decrease in net cash used in operating activities was due primarily to the favorable timing in the collection of government grant receivables and refundable income taxes and payment of accounts payable and other accrued liabilities, partially offset by increased net loss and deferred income taxes during the first quarter of fiscal 2021.

Net cash provided by investing activities during the first quarter of fiscal 2021 totaled \$2.6 million, compared net cash used in investing activities of \$10.2 million during the first quarter of fiscal 2020. The increase in net cash provided by investing activities of \$12.8 million was primarily the result of a decrease in capital expenditures and the receipt of \$4.3 million in proceeds from disposals of property, equipment and other assets during the first quarter of fiscal 2021. Total cash capital expenditures (including normal continuing capital maintenance and renovation projects) totaled \$1.5 million during the first quarter of fiscal 2021 compared to \$10.0 million during the first quarter of fiscal 2020.

Fiscal 2021 first quarter cash capital expenditures included approximately \$800,000 incurred in our theatre division, including costs associated with the renovation of a theatre. We also incurred capital expenditures in our hotels and resorts division during the first quarter of fiscal 2021 of approximately \$700,000, including costs related to a lobby renovation at the Grand Geneva. Fiscal 2020 first quarter cash capital expenditures included approximately \$7.2 million incurred in our theatre division, including costs associated with the addition of four new screens, DreamLounger recliner seating and a SuperScreen DLX auditorium at an existing Movie Tavern theatre. Also during the first quarter of fiscal 2020, we began projects to add DreamLounger recliner seating, as well as *Reel Sizzle* and *Take Five Lounge* outlets, to an existing Marcus Wehrenberg theatre and DreamLounger recliner seating to an existing Movie Tavern theatre. We also incurred capital expenditures in our hotels and resorts division during the first quarter of fiscal 2020 of approximately \$2.4 million, consisting primarily of normal maintenance capital projects.

Net cash provided by financing activities during the first quarter of fiscal 2021 totaled \$9.2 million compared to \$132.4 million during the first quarter of fiscal 2020. During the first quarter of fiscal 2021, we increased our borrowings under our revolving credit facility as needed to fund our cash needs and used excess cash to reduce our borrowings under our revolving credit facility. As short-term revolving credit facility borrowings became due, we replaced them as necessary with new short-term revolving credit facility borrowings. As a result, we added \$36.0 million of new short-term revolving credit facility borrowings, and we made \$22.0 million of repayments on short-term revolving credit facility borrowings during the first quarter of fiscal 2021 (net increase in borrowings on our credit facility of \$14.0 million). During the first quarter of fiscal 2020, at the onset of the pandemic, we drew down on the full amount available under our revolving credit facility (after taking into consideration outstanding letters of credit that reduce revolver availability). As a result, we added \$188.0 million of new short-term revolving credit facility borrowings, and we made \$49.0 million of repayments on short-term revolving credit facility borrowings during the first quarter of fiscal 2020 (net increase in borrowings on our credit facility of \$139.0 million).

We did not issue any new long-term debt during the first quarters of fiscal 2021 and fiscal 2020. Principal payments on long-term debt were \$93,000 during the first quarter of fiscal 2021 compared to payments of \$177,000 during the first quarter of fiscal 2020. Our debt-to-capitalization ratio (excluding our finance and operating lease obligations) was 0.41 at April 1, 2021, compared to 0.37 at December 31, 2020. A change in the accounting for our convertible senior notes (described in Note 1 of the condensed notes to our consolidated financial statements included in this quarterly report on Form 10Q above) contributed to the increase in our debt-to-capitalization ratio.

We repurchased approximately 54,000 shares of our common stock for approximately \$1.2 million in conjunction with the exercise of stock options and the payment of income taxes on vested restricted stock during the first quarter of fiscal 2021, compared to approximately 8,600 shares of our common stock for approximately \$274,000 in conjunction with the payment of income taxes on vested restricted stock during the first quarter of fiscal 2020. As of April 1, 2021, approximately 2.7 million shares remained available for repurchase under prior Board of Directors repurchase authorizations. Under these authorizations, we may repurchase shares of our common stock from time to time in the open market, pursuant to privately-negotiated transactions or otherwise, depending upon a number of factors, including prevailing market conditions. Our credit agreement, as amended, currently restricts our ability to repurchase shares in the open market until such time as we have paid off the Term Loan A and returned to compliance with our prior covenants under the credit agreement.

Dividend payments during the first quarter of fiscal 2020 totaled \$5.1 million. We did not make any dividend payments during the first quarter of fiscal 2021. Our credit agreement, as amended, requires us to temporarily suspend our quarterly dividend payments for the first two quarters of fiscal 2021. The credit agreement also limits the total amount of quarterly dividend payments during the four subsequent quarters beginning with the third quarter of fiscal 2021, unless the Term Loan A is repaid and we are in compliance with prior financial covenants under the credit agreement, at which point we have the ability to declare quarterly dividend payments as we deem appropriate.

**Item 3. Quantitative and Qualitative Disclosures about Market Risk**

We have not experienced any material changes in our market risk exposures since December 31, 2020.

**Item 4. Controls and Procedures**

a. Evaluation of disclosure controls and procedures

Based on their evaluations and the evaluation of management, as of the end of the period covered by this Quarterly Report on Form 10-Q, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15 and 15d-15 under the Securities Exchange Act of 1934 (the “Exchange Act”)) are effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms.

b. Changes in internal control over financial reporting

There were no significant changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15 of the Exchange Act that occurred during the period covered by this Quarterly Report on Form 10-Q that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II – OTHER INFORMATION

### Item 1A. Risk Factors

There have been no material changes from the risk factors disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2020.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table sets forth information with respect to purchases made by us or on our behalf of our Common Stock during the periods indicated. All of these repurchases were made in conjunction with the payment of income taxes on vested restricted stock pursuant to the publicly announced repurchase authorization described below.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs (1)	Maximum Number of Shares that May Yet be Purchased Under the Plans or Programs (1)
January 1- January 31	—	\$ —	—	2,718,994
February 1- February 28	15,819	17.72	15,819	2,703,175
March 1- April 1	38,620	23.32	38,620	2,664,555
<b>Total</b>	<b>54,439</b>	<b>\$ 21.69</b>	<b>54,439</b>	<b>2,664,555</b>

- (1) Through April 1, 2021, our Board of Directors had authorized the repurchase of up to approximately 11.7 million shares of our outstanding Common Stock. Under these authorizations, we may repurchase shares of our Common Stock from time to time in the open market, pursuant to privately negotiated transactions or otherwise. As of April 1, 2021, we had repurchased approximately 9.0 million shares of our Common Stock under these authorizations. The repurchased shares are held in our treasury pending potential future issuance in connection with employee benefit, option or stock ownership plans or other general corporate purposes. These authorizations do not have an expiration date.

### Item 4. Mine Safety Disclosures

Not applicable.

**Item 6. Exhibits**

- 31.1 [Certification by the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 31.2 [Certification by the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 32 [Written Statement of the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. §1350.](#)
- 101.INS The instance document does not appear in the interactive data file because its XBRL (Extensible Business Reporting Language) tags are embedded within the Inline XBRL document.
- 101.SCH Inline XBRL Taxonomy Extension Schema Document.
- 101.CAL Inline XBRL Taxonomy Extension Calculation Linkbase Document.
- 101.DEF Inline XBRL Taxonomy Extension Definition Linkbase Document.
- 101.LAB Inline XBRL Taxonomy Extension Label Linkbase Document.
- 101.PRE Inline XBRL Taxonomy Extension Presentation Linkbase Document
- 104 Cover Page Interactive Data File (embedded within the Inline XBRL document).

**SIGNATURES**

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 thereunto duly authorized.

THE MARCUS CORPORATION

DATE: May 11, 2021

By: /s/ Gregory S. Marcus

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Gregory S. Marcus

President and Chief Executive Officer

DATE: May 11, 2021

By: /s/ Douglas A. Neis

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Douglas A. Neis

Executive Vice President, Chief Financial Officer and Treasurer

**Certification of Chief Executive Officer  
Pursuant to Section 302 of the Sarbanes-Oxley Act and Rule 13a-14(a)  
or 15d-14(a) under the Securities Exchange Act of 1934**

I, Gregory S. Marcus, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of The Marcus Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

DATE: May 11, 2021

By: /s/ Gregory S. Marcus

Gregory S. Marcus

President and Chief Executive Officer

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**Certification of Chief Financial Officer  
Pursuant to Section 302 of the Sarbanes-Oxley Act and Rule 13a-14(a)  
or 15d-14(a) under the Securities Exchange Act of 1934**

I, Douglas A. Neis, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of The Marcus Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

DATE: May 11, 2021

By: /s/ Douglas A. Neis  
Douglas A. Neis  
Executive Vice President, Chief Financial Officer and  
Treasurer

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**Written Statement of the Chief Executive Officer and Chief Financial Officer  
Pursuant to 18 U.S.C. §1350**

Solely for the purposes of complying with 18 U.S.C. §1350, we, the undersigned Chief Executive Officer and Chief Financial Officer of The Marcus Corporation (the "Company"), hereby certify, based on our knowledge, that the accompanying Quarterly Report on Form 10-Q of the Company (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Gregory S. Marcus

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Gregory S. Marcus  
President and Chief Executive Officer

/s/ Douglas A. Neis

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Douglas A. Neis  
Executive Vice President, Chief Financial Officer and Treasurer

Date: May 11, 2021

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