

**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 September 30, 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	Trading symbol(s)	Name of each exchange on which registered
Common Stock, \$1.00 par value	MCS	New York Stock Exchange

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 NOVEMBER 1, 2021 – 24,289,438
CLASS B COMMON STOCK OUTSTANDING AT NOVEMBER 1, 2021 – 7,130,125

THE MARCUS CORPORATION

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PART I – FINANCIAL INFORMATION**Item 1. Consolidated Financial Statements****THE MARCUS CORPORATION**
Consolidated Balance Sheets

(in thousands, except share and per share data)	<u>September 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 8,629	\$ 6,745
Restricted cash	6,346	7,343
Accounts receivable, net of reserves of \$1,134 and \$1,284, respectively	18,808	6,359
Government grants receivable	—	4,913
Refundable income taxes	23,051	27,934
Assets held for sale	12,773	4,117
Other current assets	14,360	10,406
Total current assets	83,967	67,817
Property and equipment:		
Land and improvements	134,163	145,671
Buildings and improvements	756,530	759,421
Leasehold improvements	165,881	163,879
Furniture, fixtures and equipment	376,602	374,253
Finance lease right-of-use assets	75,318	75,322
Construction in progress	3,810	3,360
Total property and equipment	1,512,304	1,521,906
Less accumulated depreciation and amortization	725,037	673,578
Net property and equipment	787,267	848,328
Operating lease right-of-use assets	220,556	229,660
Other assets:		
Investments in joint ventures	—	2,084
Goodwill	75,118	75,188
Deferred incomes taxes	9,964	—
Other	12,174	31,101
Total other assets	97,256	108,373
TOTAL ASSETS	\$ 1,189,046	\$ 1,254,178

See accompanying condensed notes to consolidated financial statements.

THE MARCUS CORPORATION
Consolidated Balance Sheets

(in thousands, except share and per share data)	September 30, 2021	December 31, 2020
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 21,141	\$ 13,158
Taxes other than income taxes	17,277	18,308
Accrued compensation	13,336	7,633
Other accrued liabilities	55,314	58,154
Short-term borrowings	49,796	87,194
Current portion of finance lease obligations	2,666	2,783
Current portion of operating lease obligations	17,010	19,614
Current maturities of long-term debt	11,712	10,548
Total current liabilities	188,252	217,392
Finance lease obligations	17,796	19,744
Operating lease obligations	220,075	230,550
Long-term debt	236,611	193,036
Deferred income taxes	22,061	33,429
Other long-term obligations	61,945	61,304
Equity:		
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 24,339,666 shares at September 30, 2021 and 23,264,259 shares at December 31, 2020	24,340	23,264
Class B Common Stock, \$1 par; authorized 33,000,000 shares; issued and outstanding 7,130,125 shares at September 30, 2021 and 7,925,254 shares at December 31, 2020	7,131	7,926
Capital in excess of par	143,276	153,529
Retained earnings	282,861	331,897
Accumulated other comprehensive loss	(13,774)	(14,933)
	443,834	501,683
Less cost of Common Stock in treasury (48,794 shares at September 30, 2021 and 124,758 shares at December 31, 2020)	(1,528)	(2,960)
Total shareholders' equity attributable to The Marcus Corporation	442,306	498,723
Noncontrolling interest	—	—
Total equity	442,306	498,723
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 1,189,046	\$ 1,254,178

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		39 Weeks Ended	
	September 30, 2021	September 24, 2020	September 30, 2021	September 24, 2020
Revenues:				
Theatre admissions	\$ 38,250	\$ 3,118	\$ 73,850	\$ 58,667
Rooms	30,917	9,772	57,293	27,618
Theatre concessions	35,952	3,243	68,932	50,277
Food and beverage	16,731	5,420	32,234	19,620
Other revenues	19,128	8,813	45,253	30,886
	140,978	30,366	277,562	187,068
Cost reimbursements	4,884	3,225	11,634	13,916
Total revenues	145,862	33,591	289,196	200,984
Costs and expenses:				
Theatre operations	40,513	14,150	87,660	76,806
Rooms	9,682	4,611	22,019	16,132
Theatre concessions	15,094	2,592	29,627	25,634
Food and beverage	12,344	5,109	25,520	20,725
Advertising and marketing	4,827	1,981	11,195	8,446
Administrative	16,536	11,645	45,815	40,555
Depreciation and amortization	17,730	18,690	54,203	56,568
Rent	6,544	6,594	19,229	19,876
Property taxes	4,935	5,950	14,142	18,004
Other operating expenses	6,500	6,266	19,918	18,094
Impairment charges	—	765	3,732	9,477
Reimbursed costs	4,884	3,225	11,634	13,916
Total costs and expenses	139,589	81,578	344,694	324,233
Operating income (loss)	6,273	(47,987)	(55,498)	(123,249)
Other income (expense):				
Investment income (loss)	(7)	66	153	207
Interest expense	(4,600)	(4,132)	(14,350)	(10,177)
Other expense	(625)	(590)	(1,881)	(1,771)
Gain (loss) on disposition of property, equipment and other assets	868	(251)	2,908	(299)
Equity losses from unconsolidated joint ventures, net	—	(1,054)	—	(1,539)
	(4,364)	(5,961)	(13,170)	(13,579)
Earnings (loss) before income taxes	1,909	(53,948)	(68,668)	(136,828)
Income taxes (benefit)	150	(14,508)	(18,931)	(50,984)
Net earnings (loss)	1,759	(39,440)	(49,737)	(85,844)
Net loss attributable to noncontrolling interests	—	—	—	(23)
Net earnings (loss) attributable to The Marcus Corporation	\$ 1,759	\$ (39,440)	\$ (49,737)	\$ (85,821)
Net earnings (loss) per share - basic:				
Common Stock	\$ 0.06	\$ (1.30)	\$ (1.66)	\$ (2.84)
Class B Common Stock	\$ 0.05	\$ (1.18)	\$ (1.39)	\$ (2.57)
Net earnings (loss) per share - diluted:				
Common Stock	\$ 0.06	\$ (1.30)	\$ (1.66)	\$ (2.84)
Class B Common Stock	\$ 0.05	\$ (1.18)	\$ (1.39)	\$ (2.57)

See accompanying condensed notes to consolidated financial statements.

THE MARCUS CORPORATION
Consolidated Statements of Comprehensive Income (Loss)

(in thousands)	13 Weeks Ended		39 Weeks Ended	
	September 30, 2021	September 24, 2020	September 30, 2021	September 24, 2020
Net earnings (loss)	\$ 1,759	\$ (39,440)	\$ (49,737)	\$ (85,844)
Other comprehensive income (loss), net of tax:				
Amortization of the net actuarial loss and prior service credit related to the pension, net of tax effect of \$84, \$64, \$256 and \$194, respectively	243	184	727	549
Fair market value adjustment of interest rate swaps, net of tax benefit of \$4, \$10, \$0 and \$358, respectively	(10)	(30)	—	(1,015)
Reclassification adjustment on interest rate swaps included in interest expense, net of tax effect of \$42, \$81, \$153 and \$177, respectively	118	227	432	500
Other comprehensive income	<u>351</u>	<u>381</u>	<u>1,159</u>	<u>34</u>
Comprehensive income (loss)	2,110	(39,059)	(48,578)	(85,810)
Comprehensive loss attributable to noncontrolling interests	<u>—</u>	<u>—</u>	<u>—</u>	<u>(23)</u>
Comprehensive income (loss) attributable to The Marcus Corporation	<u>\$ 2,110</u>	<u>\$ (39,059)</u>	<u>\$ (48,578)</u>	<u>\$ (85,787)</u>

See accompanying condensed notes to consolidated financial statements.

THE MARCUS CORPORATION
Consolidated Statements of Cash Flows

(in thousands)	39 Weeks Ended	
	September 30, 2021	September 24, 2020
OPERATING ACTIVITIES:		
Net loss	\$ (49,737)	\$ (85,844)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Losses on investments in joint ventures	—	1,539
(Gain) loss on disposition of property, equipment and other assets	(2,908)	299
Impairment charges	3,732	9,477
Depreciation and amortization	54,203	56,568
Amortization of debt issuance costs and discount on convertible notes	1,784	697
Share-based compensation	6,673	3,286
Deferred income taxes	(18,817)	(2,787)
Other long-term obligations	2,236	3,938
Contribution of the Company's stock to savings and profit-sharing plan	1,012	1,315
Changes in operating assets and liabilities:		
Accounts receivable	(12,052)	22,558
Government grants receivable	4,913	—
Other assets	(1,552)	1,604
Operating leases	(4,078)	8,519
Accounts payable	7,155	(31,852)
Income taxes	7,613	(48,518)
Taxes other than income taxes	(1,031)	(3,975)
Accrued compensation	5,703	(7,259)
Other accrued liabilities	(2,792)	(10,214)
Total adjustments	51,794	5,195
Net cash provided by (used in) operating activities	2,057	(80,649)
INVESTING ACTIVITIES:		
Capital expenditures	(9,121)	(18,687)
Proceeds from disposals of property, equipment and other assets	9,160	1,602
Capital contribution in joint venture	—	(28)
Proceeds from sale of trading securities	—	5,184
Purchase of trading securities	(2,402)	—
Life insurance premium reimbursement	11,411	—
Other investing activities	200	220
Net cash provided by (used in) investing activities	9,248	(11,709)
FINANCING ACTIVITIES:		
Debt transactions:		
Proceeds from borrowings on revolving credit facility	128,500	209,000
Repayment of borrowings on revolving credit facility	(95,500)	(280,000)
Proceeds from short-term borrowings	—	90,800
Repayments on short-term borrowings	(37,845)	—
Proceeds from convertible senior notes	—	100,050
Principal payments on long-term debt	(10,285)	(9,356)
Proceeds received from PPP loans expected to be repaid	—	3,147
Proceeds received from borrowing on insurance policy	6,700	—
Debt issuance costs	(208)	(6,543)
Principal payments on finance lease obligations	(2,065)	(1,389)
Equity transactions:		
Treasury stock transactions, except for stock options	(1,170)	(542)
Exercise of stock options	1,455	379
Capped call transactions	—	(16,908)
Dividends paid	—	(5,145)
Net cash provided by (used in) financing activities	(10,418)	83,493
Net increase (decrease) in cash, cash equivalents and restricted cash	887	(8,865)
Cash, cash equivalents and restricted cash at beginning of period	14,088	25,618
Cash, cash equivalents and restricted cash at end of period	\$ 14,975	16,753
Supplemental Information:		
Interest paid, net of amounts capitalized	\$ 12,932	9,313
Income taxes paid (refunded)	(7,733)	322
Change in accounts payable for additions to property, equipment and other assets	828	(2,640)

See accompanying condensed notes to consolidated financial statements.

THE MARCUS CORPORATION

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 13 AND 39 WEEKS ENDED SEPTEMBER 30, 2021

1. General

Basis of Presentation - The unaudited consolidated financial statements for the 13 and 39 weeks ended September 30, 2021 and September 24, 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 September 30, 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 30, 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 39 weeks ended September 30, 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 \$17,714,000 and \$54,147,000 for the 13 and 39 weeks ended September 30, 2021, respectively, and \$18,698,000 and \$56,584,000 for the 13 and 39 weeks ended September 24, 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 September 30, 2021, assets held for sale consists primarily of excess land and one retail plaza.

Insurance Policies - During the 13 weeks ended September 30, 2021, the Company received \$6,700,000 of loan proceeds, recorded against the cash surrender value of a key-man life insurance policy. The loan bears interest at 8.0% which is payable annually. The loan is netted against the value of the life insurance policy and is included in other long-term assets in the consolidated balance sheet. Also during the 13 weeks ended September 30, 2021, the Company received \$11,400,000 as reimbursement on a split dollar life insurance policy.

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 39 weeks ended September 30, 2021 and September 24, 2020, the Company determined that indicators of impairment were present for certain assets. 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 impairment charges as discussed in Note 3.

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. There were no indicators of impairment identified during the 39 weeks ended September 30, 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 fully recoverable. During the 39 weeks ended September 24, 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 discussion). There were no indicators of impairment identified during the 39 weeks ended September 30, 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 if-converted method. Convertible Class B Common Stock and convertible debt instruments are 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 basic and diluted net earnings (loss) per share and provides a reconciliation of the number of weighted-average basic and diluted shares outstanding:

	13 Weeks Ended <u>September 30, 2021</u>	13 Weeks Ended <u>September 24, 2020</u>	39 Weeks Ended <u>September 30, 2021</u>	39 Weeks Ended <u>September 24, 2020</u>
	<i>(in thousands, except per share data)</i>			
Numerator:				
Net earnings (loss) attributable to The Marcus Corporation	\$ 1,759	\$ (39,440)	\$ (49,737)	\$ (85,821)
Denominator:				
Denominator for basic EPS	31,421	31,064	31,340	31,033
Effect of dilutive employee stock options	48	—	—	—
Effect of convertible notes	—	—	—	—
Denominator for diluted EPS	<u>31,469</u>	<u>31,064</u>	<u>31,340</u>	<u>31,033</u>
Net earnings (loss) per share - basic:				
Common Stock	\$ 0.06	\$ (1.30)	\$ (1.66)	\$ (2.84)
Class B Common Stock	\$ 0.05	\$ (1.18)	\$ (1.39)	\$ (2.57)
Net earnings (loss) per share - diluted:				
Common Stock	\$ 0.06	\$ (1.30)	\$ (1.66)	\$ (2.84)
Class B Common Stock	<u>\$ 0.05</u>	<u>\$ (1.18)</u>	<u>\$ (1.39)</u>	<u>\$ (2.57)</u>

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For the periods when the Company reports a net loss, both common stock equivalents and shares issuable upon conversion of convertible debt instruments are excluded from the computation of diluted loss per shares as their inclusion would have an antidilutive effect. During the 13 weeks ended September 30, 2021, 9,085,000 shares related to the convertible notes were excluded from the computation of diluted earnings per share as the effect would have been anti-dilutive.

Shareholders' Equity - Activity impacting total shareholders' equity attributable to The Marcus Corporation and noncontrolling interests for the 13 and 39 weeks ended September 30, 2021 and September 24, 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
Exercise of stock options	—	—	(40)	—	—	122	82	—	82
Purchase of treasury stock	—	—	—	—	—	(73)	(73)	—	(73)
Reissuance of treasury stock	—	—	(1)	—	—	7	6	—	6
Issuance of non-vested stock	18	—	(157)	—	—	139	—	—	—
Shared-based compensation	—	—	2,668	—	—	—	2,668	—	2,668
Conversions of Class B Common Stock	275	(275)	—	—	—	—	—	—	—
Comprehensive income (loss)	—	—	—	(23,366)	356	—	(23,010)	—	(23,010)
BALANCES AT JULY 1, 2021	\$ 24,342	\$ 7,131	\$ 140,916	\$ 281,102	\$ (14,125)	\$ (1,838)	\$ 437,528	\$ —	\$ 437,528
Exercise of stock options	—	—	(44)	—	—	125	81	—	81
Purchase of treasury stock	—	—	—	—	—	(60)	(60)	—	(60)
Reissuance of treasury stock	—	—	20	—	—	106	126	—	126
Forfeitures of non-vested stock	(2)	—	(137)	—	—	139	—	—	—
Shared-based compensation	—	—	2,521	—	—	—	2,521	—	2,521
Comprehensive income	—	—	—	1,759	351	—	2,110	—	2,110
BALANCES AT SEPTEMBER 30, 2021	\$ 24,340	\$ 7,131	\$ 143,276	\$ 282,861	\$ (13,774)	\$ (1,528)	\$ 442,306	\$ —	\$ 442,306

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	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
Exercise of stock options	—	—	(4)	—	—	15	11	—	11
Reissuance of treasury stock	—	—	(17)	—	—	112	95	—	95
Issuance of non-vested stock	—	—	(172)	—	—	172	—	—	—
Shared-based compensation	—	—	1,190	—	—	—	1,190	—	1,190
Other	—	—	(1)	1	—	—	—	—	—
Comprehensive income (loss)	—	—	—	(27,029)	200	—	(26,829)	125	(26,704)
BALANCES AT JUNE 25, 2020	\$ 23,264	\$ 7,926	\$ 147,690	\$ 410,359	\$ (12,995)	\$ (3,264)	\$ 572,980	\$ —	\$ 572,980
Exercise of stock options	—	—	(68)	—	—	391	323	—	323
Purchase of treasury stock	—	—	—	—	—	(422)	(422)	—	(422)
Reissuance of treasury stock	—	—	(1)	—	—	12	11	—	11
Issuance of non-vested stock	—	—	(158)	—	—	158	—	—	—
Shared-based compensation	—	—	1,108	—	—	—	1,108	—	1,108
Equity component of issuance of convertible notes, net of tax and issuance costs	—	—	16,522	—	—	—	16,522	—	16,522
Capped call transactions, net of tax	—	—	(12,495)	—	—	—	(12,495)	—	(12,495)
Comprehensive income (loss)	—	—	—	(39,440)	381	—	(39,059)	—	(39,059)
BALANCES AT SEPTEMBER 24, 2020	\$ 23,264	\$ 7,926	\$ 152,598	\$ 370,919	\$ (12,614)	\$ (3,125)	\$ 538,968	\$ —	\$ 538,968

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

	September 30, 2021	December 31, 2020
	(in thousands)	
Unrecognized loss on interest rate swap agreements	\$ (654)	\$ (1,086)
Net unrecognized actuarial loss for pension obligation	(13,120)	(13,847)
	\$ (13,774)	\$ (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 September 30, 2021 and December 31, 2020, respectively, the Company's \$4,139,000 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 September 30, 2021 and December 31, 2020, respectively, the Company's \$885,000 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 September 30, 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 September 30, 2021	13 Weeks Ended September 24, 2020	39 Weeks Ended September 30, 2021	39 Weeks Ended September 24, 2020
			<i>(in thousands)</i>	
Service cost	\$ 278	\$ 274	\$ 839	\$ 821
Interest cost	300	342	901	1,028
Net amortization of prior service cost and actuarial loss	331	248	986	743
Net periodic pension cost	<u>\$ 909</u>	<u>\$ 864</u>	<u>\$ 2,726</u>	<u>\$ 2,592</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 and 39 weeks ended September 30, 2021 is as follows (in thousands):

	13 Weeks Ended September 30, 2021			
	Reportable Segment			Total
	Theatres	Hotels/Resorts	Corporate	
Theatre admissions	\$ 38,250	\$ —	\$ —	\$ 38,250
Rooms	—	30,917	—	30,917
Theatre concessions	35,952	—	—	35,952
Food and beverage	—	16,731	—	16,731
Other revenues ⁽¹⁾	5,793	13,272	63	19,128
Cost reimbursements	1	4,883	—	4,884
Total revenues	<u>\$ 79,996</u>	<u>\$ 65,803</u>	<u>\$ 63</u>	<u>\$ 145,862</u>

	39 Weeks Ended September 30, 2021			
	Reportable Segment			Total
	Theatres	Hotels/Resorts	Corporate	
Theatre admissions	\$ 73,850	\$ —	\$ —	\$ 73,850
Rooms	—	57,293	—	57,293
Theatre concessions	68,932	—	—	68,932
Food and beverage	—	32,234	—	32,234
Other revenues ⁽¹⁾	11,989	33,006	258	45,253
Cost reimbursements	88	11,546	—	11,634
Total revenues	<u>\$ 154,859</u>	<u>\$ 134,079</u>	<u>\$ 258</u>	<u>\$ 289,196</u>

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

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The disaggregation of revenues by business segment for the 13 and 39 weeks ended September 24, 2020 is as follows (in thousands):

	13 Weeks Ended September 24, 2020			
	Reportable Segment			Total
	Theatres	Hotels/Resorts	Corporate	
Theatre admissions	\$ 3,118	\$ —	\$ —	\$ 3,118
Rooms	—	9,772	—	9,772
Theatre concessions	3,243	—	—	3,243
Food and beverage	—	5,420	—	5,420
Other revenues ⁽¹⁾	934	7,820	59	8,813
Cost reimbursements	59	3,166	—	3,225
Total revenues	\$ 7,354	\$ 26,178	\$ 59	\$ 33,591

	39 Weeks Ended September 24, 2020			
	Reportable Segment			Total
	Theatres	Hotels/Resorts	Corporate	
Theatre admissions	\$ 58,667	\$ —	\$ —	\$ 58,667
Rooms	—	27,618	—	27,618
Theatre concessions	50,277	—	—	50,277
Food and beverage	—	19,620	—	19,620
Other revenues ⁽¹⁾	9,194	21,375	317	30,886
Cost reimbursements	276	13,640	—	13,916
Total revenues	\$ 118,414	\$ 82,253	\$ 317	\$ 200,984

⁽¹⁾ 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 \$37,377,000 and \$37,307,000 as of September 30, 2021 and December 31, 2020, respectively. The Company had no contract assets as of September 30, 2021 and December 31, 2020. During the 39 weeks ended September 30, 2021, the Company recognized revenue of \$8,394,000 that was included in deferred revenues as of December 31, 2020. During the 39 weeks ended September 24, 2020, the Company recognized revenue of \$12,444,000 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 September 30, 2021, the amount of transaction price allocated to the remaining performance obligations under the Company's advanced ticket sales was \$4,380,000 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 September 30, 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 \$2,998,000 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. 2020-14 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 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 39 weeks ended September 30, 2021 and ended the fiscal 2021 third quarter with approximately 97% of its theatres open. The majority of the Company’s reopened theatres operated with reduced operating days (Fridays, Saturdays, Sundays and Tuesdays) and reduced operating hours during the fiscal 2021 first quarter. By the end of the fiscal 2021 second quarter, the vast majority of the theatres had returned to normal operating days (seven days per week) and operating hours. 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. While still below pre-COVID levels, attendance has gradually improved beginning in June 2021 as the number of vaccinated individuals increased, more films were released and customer willingness to return to movie theatres increased.

The Company began fiscal 2021 with all eight of its company-owned hotels and all but one of its managed hotels open. The majority of the Company’s restaurants and bars in its hotels and resorts have been open during the first three quarters of fiscal 2021, operating under applicable state and local restrictions and guidelines, and in some cases reduced operating hours. The majority of the Company’s hotels and restaurants are generating significantly reduced revenues as compared to prior pre-COVID-19 pandemic years, although hotel occupancy has been increasing throughout the 2021 fiscal year.

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). Additionally, early in the Company's fiscal 2021 third quarter, in conjunction with an amendment to its revolving credit agreement, the Company modified its previously existing debt covenants (see Note 4 for further reference). During the 39 weeks ended September 30, 2021, the Company received the remaining \$5,900,000 of requested tax refunds from its fiscal 2019 tax return. During fiscal 2020 and continuing into fiscal 2021, 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") or subsequent federal relief programs. The Company received \$8,197,000 of these grants during the 39 weeks ended September 30, 2021, which are included within other operating expenses on the consolidated statement of earnings (loss). The Company has applied for additional state grants totaling approximately \$4,600,000 that are expected to be received during the Company's fiscal 2021 fourth quarter.

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. The Company received approximately \$1,800,000 of this refund in July 2021. 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 September 30, 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 July 1, 2021, the Company determined that indicators of impairment were evident at certain theatre asset groups. For certain of the theatre asset groups evaluated for impairment, 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 sales proceeds) was less than their carrying values and recorded a \$3,732,000 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 \$10,200,000 as of July 1, 2021, excluding any applicable remaining lease obligations. There were no indicators of impairment identified during the 13 weeks ended September 30, 2021.

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 September 24, 2020, the Company determined that indicators of impairment were evident at certain theatre and hotel asset groups. For certain of the theatre asset groups evaluated for impairment, 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 \$765,000 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 \$7,221,000 as of September 24, 2020, excluding any applicable remaining lease obligations.

During the 13 weeks ended March 26, 2020 and 13 weeks ended September 24, 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 and September 24, 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 September 24, 2020) and a discount rate (17.0% as of March 26, 2020 and September 24, 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. During the 13 weeks ended September 24, 2020, the Company determined that the fair value of the asset was greater than its carrying value and thus was not impaired at that time. The fair value of the trade name intangible asset was \$7,300,000 as of September 24, 2020.

4. Long-Term Debt and Short-Term Borrowings

Long-term debt and short-term borrowings are summarized as follows:

	<u>September 30, 2021</u>	<u>December 31, 2020</u>
	<i>(in thousands, except payment data)</i>	
Mortgage notes	\$ 24,478	\$ 24,482
Senior notes	90,000	100,000
Unsecured term note due February 2025, with monthly principal and interest payments of \$39,110, bearing interest at 5.75%	1,452	1,735
Convertible senior notes	100,050	100,050
Payroll Protection Program loans	3,426	3,424
Revolving credit agreement	33,000	—
Debt issuance costs	(4,083)	(3,684)
Total debt, net of debt issuance costs	248,323	226,007
Less current maturities, net of issuance costs	11,712	10,548
Less debt discount	—	22,423
Long-term debt	\$ 236,611	\$ 193,036
Short-term borrowings	49,796	87,194
Total debt and short-term borrowings, net of issuance costs	\$ 298,119	\$ 313,201

Credit Agreement and Short-Term Borrowings

On January 9, 2020, the Company entered into a Credit Agreement with several banks, including JPMorgan Chase Bank, N.A., as Administrative Agent, and U.S. Bank National Association, as Syndication Agent. On April 29, 2020, the Company entered into the First Amendment, on September 15, 2020, the Company entered into the Second Amendment, and on July 13, 2021, the Company entered into the Third Amendment (the Credit Agreement, as amended by the First Amendment, the Second Amendment and the Third Amendment, hereinafter referred to as the “Credit Agreement”).

The Credit Agreement provides for a revolving credit facility that matures on January 9, 2025 with an initial maximum aggregate amount of availability of \$225,000,000. At September 30, 2021, there were borrowings of \$33,000,000 outstanding on the revolving credit facility, bearing interest at LIBOR plus a margin, effectively 3.35% at September 30, 2021. Availability under the line at September 30, 2021, was \$188,449,000, after taking into consideration outstanding letters of credit that reduce revolver availability. In conjunction with the First Amendment, the Company added an initial \$90,800,000 term loan facility that was scheduled to mature on September 22, 2021. In conjunction with the Third Amendment, the term loan facility was reduced to \$50,000,000 and the maturity date was extended to September 22, 2022. As of September 30, 2021, the balance of the term loan was \$49,796,000, which is included in short-term borrowings on the consolidated balance sheet.

Borrowings under the Credit Agreement generally bear interest at a variable rate equal to: (i) LIBOR, subject to a 1% floor, plus a specified margin based upon our consolidated debt to capitalization ratio as of the most recent determination date; or (ii) the base rate (which is the highest of (a) the prime rate, (b) the greater of the federal funds rate and the overnight bank funding rate plus 0.50% or (c) the sum of 1% plus one-month LIBOR), subject to a 1% floor, plus a specified margin based upon our consolidated debt to capitalization ratio as of the most recent determination date. In addition, the Credit Agreement generally requires us to pay a facility fee equal to 0.125% to 0.25% of the total revolving commitment, depending on our consolidated debt to capitalization ratio, as defined in the Credit Agreement. However, pursuant to the First Amendment and the Second Amendment: (A) in respect of revolving loans, (1) we are charged a facility fee equal to 0.40% of the total revolving credit facility commitment and (2) the specified margin is 2.35% for LIBOR borrowings and 1.35% for ABR borrowings, which facility fee rate and specified margins will remain in effect until the end of the first fiscal quarter ending after the end of any period in which any portion of the term loan facility remains outstanding or the testing of any financial covenant in the Credit Agreement is suspended (the “specified period”); and (B) in respect of term loans, the specified margin is 2.75% for LIBOR borrowings and 1.75% for ABR borrowings, in each case, at all times.

The Credit Agreement contains various restrictions and covenants applicable to us and certain of our subsidiaries. Among other requirements, the Credit Agreement (a) limits the amount of priority debt (as defined in the Credit Agreement) held by our restricted subsidiaries to no more than 20% of our consolidated total capitalization (as defined in the Credit Agreement), (b) limits our permissible consolidated debt to capitalization ratio to a maximum of 0.55 to 1.0, (c) requires us to maintain a consolidated fixed charge coverage ratio of at least 3.0 to 1.0 as of the end of the fiscal quarter ending March 30, 2023 and each fiscal quarter thereafter, (d) restricts our ability and certain of our subsidiaries’ ability to incur additional indebtedness, pay dividends and other distributions (the restriction on dividends and other distributions does not apply to subsidiaries), and make voluntary prepayments on or defeasance of our 4.02% Senior Notes due August 2025, 4.32% Senior Notes due February 2027, the notes or certain other convertible securities, (e) requires our consolidated EBITDA not to be less than or equal to (i) \$10 million as of December 30, 2021 for the two consecutive fiscal quarters then ending, (ii) \$25 million as of March 31, 2022 for the three consecutive fiscal quarters then ending, (iii) \$50 million as of June 30, 2022 for the four consecutive fiscal quarters then ending, (iv) \$65 million as of September 29, 2022 for the four consecutive fiscal quarters then ending, or (v) \$70 million as of December 29, 2022 for the four consecutive fiscal quarters then ending, (f) requires our consolidated liquidity not to be less than or equal to (i) \$100 million as of September 30, 2021, (ii) \$100 million as of December 30, 2021, (iii) \$100 million as of March 31, 2022, (iv) \$100 million as of June 30, 2022, or (v) \$50 million as of the end of any fiscal quarter thereafter until and including the fiscal quarter ending December 29, 2022; however, each such required minimum amount of consolidated liquidity would be reduced to \$50 million for each such testing date if the initial term loans are paid in full as of such date, and (g) prohibits us and certain of our subsidiaries from incurring or making capital expenditures, in the aggregate for us and such subsidiaries, (i) during fiscal 2021 in excess of the sum of \$40.0 million plus certain adjustments, or (ii) during our 2022 fiscal year in excess of \$50 million plus certain adjustments.

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.

Amendments to Note Purchase Agreements

The Company’s \$90,000,000 of senior notes consist of two Purchase Agreements maturing in 2021 through 2027, require annual principal payments in varying installments and bear interest payable semi-annually at fixed rates ranging from 4.02% to 4.32%.

On July 13, 2021, the Company and certain purchasers entered into amendments (the “Note Amendments”) to the Note Purchase Agreement, dated June 27, 2013, and the Note Purchase Agreement, dated December 21, 2016 (collectively, the Note Purchase Agreements”). The Note Amendments amend certain covenants and other terms of the Note Purchase Agreements and are identical to the amended covenants that are referenced in the Credit Agreement section above.

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 debt 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.

During the Company's fiscal 2021 second, third and fourth quarters, the Company's Convertible Notes were (are) eligible for conversion at the option of the holders as the last reported sale price of the Common Stock was greater than or equal to 130% of the applicable conversion price for at least 20 trading days during the last 30 consecutive trading days ending on the last trading day of the preceding fiscal quarter. 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 had 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 September 30, 2021). The Company's interest rate swap agreement is considered effective and qualifies as a cash flow hedge. 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 September 30, 2021, the remaining interest rate swap was considered highly effective. The fair value of the interest rate swap on September 30, 2021 was a liability of \$885,000, 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.

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Total lease cost consists of the following:

<u>Lease Cost</u>	<u>Classification</u>	<u>13 Weeks Ended September 30, 2021</u>	<u>13 Weeks Ended September 24, 2020</u>	<u>39 Weeks Ended September 30, 2021</u>	<u>39 Weeks Ended September 24, 2020</u>
<i>(in thousands)</i>					
Finance lease costs:					
Amortization of finance lease assets	Depreciation and amortization	\$ 677	\$ 707	\$ 2,057	\$ 2,137
Interest on lease liabilities	Interest expense	234	263	724	794
		<u>\$ 911</u>	<u>\$ 970</u>	<u>\$ 2,781</u>	<u>\$ 2,931</u>
Operating lease costs:					
Operating lease costs	Rent expense	\$ 6,365	\$ 6,357	\$ 19,151	\$ 19,236
Variable lease cost	Rent expense	144	124	(29)	371
Short-term lease cost	Rent expense	35	113	107	269
		<u>\$ 6,544</u>	<u>\$ 6,594</u>	<u>\$ 19,229</u>	<u>\$ 19,876</u>

Additional information related to leases is as follows:

<u>Other Information</u>	<u>13 Weeks Ended September 30, 2021</u>	<u>13 Weeks Ended September 24, 2020</u>	<u>39 Weeks Ended September 30, 2021</u>	<u>39 Weeks Ended September 24, 2020</u>
<i>(in thousands)</i>				
Cash paid for amounts included in the measurement of lease liabilities:				
Financing cash flows from finance leases	\$ 736	\$ 584	\$ 2,065	\$ 1,389
Operating cash flows from finance leases	234	263	724	794
Operating cash flows from operating leases	8,253	4,963	23,545	\$ 11,376
Right of use assets obtained in exchange for new lease obligations:				
Finance lease liabilities	—	1,200	—	1,364
Operating lease liabilities	287	14	1,862	9,644
			<u>September 30, 2021</u>	<u>December 31, 2020</u>
<i>(in thousands)</i>				
Finance leases:				
Property and equipment – gross			\$ 75,318	\$ 75,322
Accumulated depreciation and amortization			(57,684)	(55,547)
Property and equipment - net			<u>\$ 17,634</u>	<u>\$ 19,775</u>

Remaining lease terms and discount rates are as follows:

<u>Lease Term and Discount Rate</u>	<u>September 30, 2021</u>	<u>December 31, 2020</u>
Weighted-average remaining lease terms:		
Finance leases	8 years	9 years
Operating leases	14 years	15 years
Weighted-average discount rates:		
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 \$3,649,000 for the Company's operating leases have been included in the total operating lease obligations as of September 30, 2021, of which approximately \$1,039,000 is included in long-term operating lease obligations.

6. Income Taxes

The Company's effective income tax rate, adjusted for earnings (losses) from noncontrolling interests, for the 13 and 39 weeks ended September 30, 2021 was 7.9% and 27.6%, respectively, and was 26.9% and 37.3% for the 13 and 39 weeks ended September 24, 2020, respectively. The Company's effective income tax rate during the 13 and 39 weeks ended September 24, 2020 benefitted from several accounting method changes and the March 27, 2020 signing of the CARES Act, one of the provisions of which allows the Company's 2019 and 2020 taxable losses to be carried back to prior fiscal years during which the federal income tax rate was 35%, compared to the current statutory federal income tax rate of 21%. 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 39 weeks ended September 30, 2021, the Company received the remaining \$5,900,000 of requested tax refunds from its fiscal 2019 tax return. Also during the 39 weeks ended September 30, 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 to prior years. The Company received \$1,800,000 of this refund during the 13 weeks ended September 30, 2021. Additional income tax loss carryforwards are expected to be generated during fiscal 2021 that will benefit future years.

7. Joint Venture Transactions

During the 39 weeks ended September 30, 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 39 weeks ended September 30, 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 and 39 weeks ended September 30, 2021 and September 24, 2020 (in thousands):

13 Weeks Ended September 30, 2021	Theatres	Hotels/ Resorts	Corporate Items	Total
Revenues	\$ 79,996	\$ 65,803	\$ 63	\$ 145,862
Operating income (loss)	(2,604)	13,458	(4,581)	6,273
Depreciation and amortization	12,636	5,018	76	17,730

13 Weeks Ended September 24, 2020	Theatres	Hotels/ Resorts	Corporate Items	Total
Revenues	\$ 7,354	\$ 26,178	\$ 59	\$ 33,591
Operating loss	(37,174)	(6,925)	(3,888)	(47,987)
Depreciation and amortization	13,353	5,210	127	18,690

39 Weeks Ended September 30, 2021	Theatres	Hotels/ Resorts	Corporate Items	Total
Revenues	\$ 154,859	\$ 134,079	\$ 258	\$ 289,196
Operating income (loss)	(46,458)	5,511	(14,551)	(55,498)
Depreciation and amortization	38,807	15,192	204	54,203

39 Weeks Ended September 24, 2020	Theatres	Hotels/ Resorts	Corporate Items	Total
Revenues	\$ 118,414	\$ 82,253	\$ 317	\$ 200,984
Operating loss	(78,788)	(32,459)	(12,002)	(123,249)
Depreciation and amortization	40,245	15,955	368	56,568

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 third quarter of fiscal 2021 consisted of the 13-week period beginning on July 2, 2021 and ended on September 30, 2021. The third quarter of fiscal 2020 consisted of the 13-week period beginning June 26, 2020 and ended on September 24, 2020. The first three quarters of fiscal 2021 consisted of the 39-week period beginning on January 1, 2021 and ended on September 30, 2021. The first three quarters of fiscal 2020 consisted of the 39-week period beginning December 27, 2019 and ended on September 24, 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 our 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 our 2020 Annual Report. For further discussion regarding the impacts of COVID-19 and related economic conditions on our results for the first three quarters of fiscal 2021 and potential future impacts, see immediately below, and also refer to the discussion of our operational risks and financial risks found in “Part II-Item 1A-Risk Factors” below, and “Part I-Item 1A-Risk Factors” in our 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 fiscal 2021 with approximately 52% of our theatres open. As state and local governments eased restrictions in several of our markets and movie studios released several new films, we gradually reopened theatres during fiscal 2021. We ended the fiscal 2021 third quarter with approximately 97% of our theatres open (including two theatres in Louisiana that have temporarily reclosed due to hurricane damage). The majority of our reopened theatres operated with reduced operating days (Fridays, Saturdays, Sundays and Tuesdays) and reduced operating hours during the fiscal 2021 first quarter. By the end of May 2021, we had returned the vast majority of our theatres to normal operating days (seven days per week) and operating hours. During the first three quarters of fiscal 2021, 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. While still below pre-COVID-19 levels, attendance has gradually improved beginning in June 2021 as the number of vaccinated individuals increased, more films were released, and customer willingness to return to movie theatres increased.

We began fiscal 2021 with all eight of our company-owned hotels and all but one of our managed hotels open. The majority of our restaurants and bars in our hotels and resorts were open during the first three quarters of fiscal 2021, 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 reduced revenues as compared to prior pre-COVID-19 pandemic years, although hotel occupancy has been increasing throughout the fiscal 2021 year. We reopened one of our two *SafeHouse*[®] restaurants and bars in June 2021.

Maintaining and protecting a strong balance sheet has always been a core philosophy of The Marcus Corporation during our 86-year history, and, despite the COVID-19 pandemic, our financial position remains strong. As of September 30, 2021, we had a cash balance of approximately \$9 million, \$188 million of availability under our \$225 million revolving credit facility, and our debt-to-capitalization ratio (including short-term borrowings) was 0.40. With our strong liquidity position, combined with the expected receipt of additional state grants, 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 fiscal 2022, even if our properties continue to generate reduced revenues during these periods. We will continue to work to preserve cash and maintain strong liquidity to endure the impacts of the global pandemic, even if it continues for a prolonged period of time.

Early in the third quarter of fiscal 2021, in conjunction with an amendment to our revolving credit agreement (described in detail in the Liquidity section below), we paid down a portion of our term loan facility using borrowings from our revolving credit facility, reducing the balance of our short-term borrowings from approximately \$83.5 million to \$50.0 million. In conjunction with the amendment, we extended the maturity date of the term loan facility to September 22, 2022.

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. We received approximately \$1.8 million of this refund in July 2021. Significant delays in processing refunds by the Internal Revenue Service have delayed receipt of our remaining expected income tax refund. We anticipate receiving the remaining refund during the fourth quarter of fiscal 2021. We expect to generate additional income tax loss carryforwards during fiscal 2021 that will benefit future years.

During the fourth quarter of fiscal 2020 and continuing into fiscal 2021, 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”) or subsequent federal relief programs. We received \$4.9 million of these prior year grants in January 2021. We were awarded and received an additional \$1.3 million in theatre grants during the first quarter of fiscal 2021 and were awarded and received an additional \$1.9 million in hotel grants during the third quarter of fiscal 2021, further contributing to our strong liquidity position as of September 30, 2021. We have recently applied for additional state grants totaling approximately \$4.6 million for theatres in two states that, if approved, would benefit our fiscal 2021 fourth quarter.

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 net proceeds of approximately \$4.2 million. During the third quarter of fiscal 2021, we sold several land parcels, generating additional net proceeds of approximately \$4.8 million. As of September 30, 2021, we had letters of intent or contracts to sell several pieces of real estate with a total carrying value of \$12.8 million, a significant portion of which we currently anticipate closing during the fiscal 2021 fourth quarter. We believe we may receive total sales proceeds from real estate sales during the next 12-15 months totaling approximately \$15-30 million, depending upon demand for the real estate in question.

We remain optimistic that the theatre industry is in the process of rebounding and will continue to benefit from pent-up social demand now that a greater percentage of the population is vaccinated, the majority of state and local restrictions have been lifted, and people seek togetherness with a return to normalcy. We still expect a return to “normalcy” to span multiple months driven by a continued increase in vaccinations and a gradual ramp-up of consumer comfort with public gatherings. The increase of the Delta variant of the disease has resulted in changing government guidance on indoor mask wearing in some communities, which has impacted consumer comfort in the near term. We expect that the approval of vaccines for children ages 5-11 may cause parents to feel more comfortable to visit a movie theatre, which would bolster the market for films aimed at children and families, a genre in which we have historically performed very well. We are very encouraged by the recent performance of multiple films released in September and October, including *Shang-Chi and the Legend of the Ten Rings*, a Marvel film released by Disney exclusively in movie theatres. Following up on the success of *Shang-Chi and the Legend of the Ten Rings*, Disney recently announced that all of its remaining films for 2021 would receive an exclusive theatrical window. Total theatre division revenues, expressed as a percentage of fiscal 2019 revenues, have increased in fiscal 2021 to date, including an increase from 16% in January 2021 to 48% in June 2021, 55% in July 2021, 63% in August 2021 and 60% in September 2021. Our relative performance compared to 2019 has improved further early in the fourth quarter of fiscal 2021. As described further below in the Theatres section, a significant number of films originally scheduled to be released during fiscal 2020 and the first half of fiscal 2021 were delayed until later in fiscal 2021 or fiscal 2022, further increasing the quality and quantity of films that we expect to be available during those future time periods.

As we expected, the primary customer for hotels during the first three quarters of fiscal 2021 continued to come from the “drive-to leisure” market. Demand from this customer segment has exceeded our expectations. Most organizations implemented travel bans at the onset of the pandemic, only allowing essential travel. It is likely that business travel will continue to be limited in the near term, although we are beginning to experience some increases in travel from this customer segment. Total hotel division revenues, expressed as a percentage of fiscal 2019 revenues, have also increased throughout fiscal 2021 to date, including an increase from 49% in January 2021 to 71% in June 2021, 90% in July 2021, 85% in August 2021 and 97% in September 2021, with the most recent improvement coinciding with busy summer leisure travel and several demand-generating events in certain key markets. As of the date of this report, our group room revenue bookings for fiscal 2022 - commonly referred to in the hotels and resorts industry as “group pace” - is running approximately 20% behind where we were at the same time in fiscal 2019 (pre-pandemic), but that is an improvement from earlier in the fiscal year and we have experienced increased booking activity in recent months for fiscal 2022 and beyond. Banquet and catering revenue pace for fiscal 2022 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.

Both of our operating divisions are experiencing challenges related to a labor shortage that has arisen as the country emerges from the pandemic. Difficulties in hiring new associates after significantly reducing staffing during the height of the COVID-19 pandemic may impact our ability to service our increasing customer counts in both theatres and hotels and may also increase labor costs in future periods.

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 income (loss), other income (expense), net earnings (loss) and net earnings (loss) per diluted common share for the third quarter and first three quarters of fiscal 2021 and fiscal 2020 (in millions, except for per share and variance percentage data):

	Third Quarter				First Three Quarters			
	F2021	F2020	Variance		F2021	F2020	Variance	
			Amt.	Pct.			Amt.	Pct.
Revenues	\$ 145.9	\$ 33.6	\$ 112.3	334.2 %	\$ 289.2	\$ 201.0	\$ 88.2	43.9 %
Operating income (loss)	6.3	(48.0)	54.3	113.1 %	(55.5)	(123.2)	67.7	55.0 %
Other income (expense)	(4.4)	(6.0)	1.6	26.8 %	(13.2)	(13.6)	0.4	3.0 %
Net earnings (loss) attributable to The Marcus Corp.	\$ 1.8	\$ (39.4)	\$ 41.2	104.5 %	\$ (49.7)	\$ (85.8)	\$ 36.1	42.0 %
Net earnings (loss) per common share - diluted:	\$ 0.06	\$ (1.30)	\$ 1.36	104.6 %	\$ (1.66)	\$ (2.84)	\$ 1.18	41.5 %

Revenues increased and operating income (loss), net earnings (loss) attributable to The Marcus Corporation and net earnings (loss) per diluted common share improved significantly during the third quarter and first three quarters of fiscal 2021 compared to the third quarter and first three quarters of fiscal 2020. Increased revenues from both our theatre division and hotels and resorts division contributed to the improvement during the fiscal 2021 periods compared to the fiscal 2020 periods, during which the majority of our theatres and hotels were closed for large portions of the second and third quarters due to the impact of the COVID-19 pandemic. Our theatres and hotels were operating fairly normally during the first two and one-half months of fiscal 2020 until the onset of the pandemic in mid-March. Net loss attributable to The Marcus Corporation and net loss per diluted common share during the first three quarters of fiscal 2020 were favorably impacted by a favorable income tax benefit described below.

Our operating income (loss) during the third quarter and first three quarters of fiscal 2021 was favorably impacted by state government grants of approximately \$2.0 million and \$3.3 million, respectively, or approximately \$0.05 and \$0.08 per diluted common share, respectively. Our operating loss during the first three quarters of fiscal 2021 was negatively impacted by impairment charges of approximately \$3.7 million, or approximately \$0.09 per diluted common share, primarily related to surplus real estate that we intend to sell. Our operating performance during the third quarter of fiscal 2020 was negatively impacted by nonrecurring expenses totaling approximately \$1.6 million, or approximately \$0.04 per diluted common share, including payments to and on behalf of laid off employees. Nonrecurring expenses during the fiscal 2020 third quarter also included extensive cleaning costs, supply purchases and employee training, among other items, related to the reopening of selected theatre and hotel properties and implementing new operating protocols. In addition, impairment charges related to several theatre locations negatively impacted our fiscal 2020 third quarter operating income by approximately \$765,000, or approximately \$0.02 per diluted common share. Our operating performance during the first three quarters of fiscal 2020 was negatively impacted by nonrecurring expenses totaling approximately \$10.1 million, or approximately \$0.23 per diluted common share, related to the expenses in the third quarter described above and 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 the first quarter. In addition, impairment charges related to intangible assets and several theatre locations negatively impacted our fiscal 2020 first three quarters operating loss by approximately \$9.5 million, or approximately \$0.22 per diluted common share.

Operating losses from our corporate items, which include amounts not allocable to the business segments, increased during the fiscal 2021 periods compared to the fiscal 2020 periods due primarily to increased non-cash long-term incentive compensation expenses and the fact that we reduced salaries and bonus accruals during fiscal 2020 to preserve liquidity at the onset of the pandemic. Net earnings (loss) attributable to The Marcus Corporation during the fiscal 2021 periods was negatively impacted by increased interest expense compared to the fiscal 2020 periods, partially offset by gains on disposition of property, equipment and other assets during the fiscal 2021 periods.

Our interest expense totaled \$4.6 million for the third quarter of fiscal 2021 compared to \$4.1 million for the third quarter of fiscal 2020, an increase of approximately \$500,000, or 11.3%. Our interest expense totaled approximately \$14.4 million for the first three quarters of fiscal 2021 compared to approximately \$10.2 million for the first three quarters of fiscal 2020, an increase of approximately \$4.2 million, or 41.0%. The increase in interest expense during the fiscal 2021 periods was due in part to increased borrowings and an increase in our average interest rate. In addition, interest expense increased during the third quarter and first three quarters of fiscal 2021 due to the fact that we incurred approximately \$540,000 and \$1.8 million, respectively, in noncash amortization of debt issuance costs, compared to approximately \$510,000 and \$666,000 of such costs during the third quarter and first three quarters 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), 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 investment income or other expenses during the third quarter and first three quarters of fiscal 2021 compared to the third quarter and first three quarters of fiscal 2020. We reported net gains on disposition of property, equipment and other assets of \$868,000 and \$2.9 million, respectively, during the third quarter and first three quarters of fiscal 2021, compared to small net losses on disposition of property, equipment and other assets during the fiscal 2020 periods. The net gain on disposition of property, equipment and other assets during the third quarter of fiscal 2021 was due primarily to the sale of surplus land. The net gain on disposition of property, equipment and other assets during the first three quarters of fiscal 2021 included 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 additional disposition gains or losses from periodic sales of property, equipment and other assets during the fourth quarter of fiscal 2021 and beyond.

Equity losses from unconsolidated joint ventures during the third quarter and first three quarters of fiscal 2020 included an other-than-temporary impairment loss of approximately \$811,000 in which we determined that the fair value of our equity method investment in a hotel joint venture was less than its carrying value as of September 24, 2020.

We reported income tax expense for the third quarter of fiscal 2021 of \$150,000 and an income tax benefit for the first three quarters of fiscal 2021 of \$18.9 million, compared to an income tax benefit of \$14.5 million and \$51.0 million, respectively, during the third quarter and first three quarters of fiscal 2020. The larger income tax benefit during the fiscal 2020 periods was primarily the result of the significant losses before income taxes incurred as a result of the closing of the majority of our properties in March 2020 and the subsequent reduction in our operating performance due to the COVID-19 pandemic. Our fiscal 2020 income tax benefit was also favorably impacted by an adjustment of approximately \$17.4 million, or approximately \$0.56 per diluted common share, resulting from several accounting method changes and the March 27, 2020 signing of the CARES Act. One of the provisions of the CARES Act allowed our 2019 and 2020 taxable losses to be carried back to prior fiscal years during which the federal income tax rate was 35% compared to the current statutory federal income tax rate of 21%. Our fiscal 2021 first three quarters effective income tax rate was 27.6%. Our fiscal 2020 first three quarters effective income tax rate was 37.3% and benefitted from the \$17.6 million adjustment described above. Excluding this favorable adjustment to income tax benefit, our effective income tax rate during the first three quarters of fiscal 2020 was 24.5%. We anticipate that our effective income tax rate for the remaining quarter 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 fiscal 2021 and fiscal 2020 periods, 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 \$23,000 during the first three quarters 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 third quarter and first three quarters of fiscal 2021 and fiscal 2020 (in millions, except for variance percentage and operating margin):

	Third Quarter				First Three Quarters			
	F2021	F2020	Variance		F2021	F2020	Variance	
			Amt.	Pct.			Amt.	Pct.
Revenues	\$ 80.0	\$ 7.4	\$ 72.6	987.8 %	\$ 154.9	\$ 118.4	\$ 36.5	30.8 %
Operating loss	(2.6)	(37.2)	34.6	93.0 %	(46.5)	(78.8)	32.3	41.0 %
Operating margin (% of revenues)	(3.3)%	N/A %			(30.0)%	(66.5)%		

Our theatre division revenues increased and operating loss decreased significantly during the third quarter and first three quarters of fiscal 2021 compared to the third quarter and first three quarters of fiscal 2020 due entirely to the fact that we temporary closed all of our theatres on March 17, 2020 in response to the COVID-19 pandemic. Other than six theatres that were reopened during the last week of the fiscal 2020 second quarter and a phased reopening of a larger portion of our theatre circuit in late August 2020, all of our theatres remained closed during the majority of the third quarter of fiscal 2020. Our theatres were operating fairly normally during the first two and one-half months of fiscal 2020 until the onset of the pandemic in mid-March. 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, ending the fiscal 2021 first quarter with approximately 74% of our theatres open, ending the fiscal 2021 second quarter with approximately 95% of our theatres open and ending the fiscal 2021 third quarter with approximately 97% of our theatres open (including two theatres in Louisiana that have temporarily reclosed due to hurricane damage). The majority of our reopened theatres operated with reduced operating days (Fridays, Saturdays, Sundays and Tuesdays) and reduced operating hours during the fiscal 2021 first quarter. By the end of May 2021, we had returned the vast majority of our theatres to normal operating days (seven days per week) and operating hours.

Our operating loss during the first three quarters of fiscal 2021 was negatively impacted by impairment charges of approximately \$3.7 million primarily related to surplus real estate that we intend to sell. Conversely, a nonrecurring state government grant of approximately \$1.3 million favorably impacted our theatre division operating loss during the first three quarters of fiscal 2021.

In addition to the impact of reduced attendance due to the theatre closings, our theatre division operating loss during the third quarter and first three quarters of fiscal 2020 was negatively impacted by nonrecurring expenses totaling approximately \$1.2 million and \$4.6 million, respectively, related to expenses incurred (primarily payroll continuation payments to employees temporarily laid off) due to the closing of all of our movie theatres during the fiscal 2020 periods and subsequent costs incurred in the second and third quarters of fiscal 2020 for cleaning, supply purchases and employee training, among other items, related to the reopening of our theatre properties and implementing new operating protocols. Impairment charges related to intangible assets and several theatre locations also negatively impacted our theatre division third quarter and first three quarters of fiscal 2020 operating loss by approximately \$765,000 and \$9.5 million, respectively.

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

	Third Quarter				First Three Quarters			
	F2021	F2020	Variance		F2021	F2020	Variance	
			Amt.	Pct.			Amt.	Pct.
Admission revenues	\$ 38.2	\$ 3.1	\$ 35.1	1,126.7 %	\$ 73.9	\$ 58.7	\$ 15.2	25.9 %
Concession revenues	36.0	3.3	32.7	1,008.6 %	68.9	50.3	18.6	37.1 %
Other revenues	5.8	0.9	4.9	520.3 %	12.0	9.1	2.9	30.4 %
	80.0	7.3	72.7	996.6 %	154.8	118.1	36.7	31.0 %
Cost reimbursements	—	0.1	(0.1)	(98.3)%	0.1	0.3	(0.2)	(68.1)%
Total revenues	\$ 80.0	\$ 7.4	\$ 72.6	987.8 %	\$ 154.9	\$ 118.4	\$ 36.5	30.8 %

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As described above, revenues were virtually non-existent during the second and third quarters of fiscal 2020 due to the temporary closing of all of our theatres on March 17, 2020 in response to the COVID-19 pandemic. Prior to reopening approximately 80% of our theatres during the final month of our fiscal 2020 third quarter for a very limited number of new films, the only revenues generated during the majority of the second and third quarters of fiscal 2020 were from the six theatres opened in June in order to begin testing our new operating protocols, as well as additional revenues from five parking lot cinemas opened during the quarter, curbside sales of popcorn, pizza and other food items and restaurant takeout sales from our three Zaffiro's restaurants and bars. As a result, we believe it is also beneficial to compare our revenues to pre-pandemic levels. The following table compares the components of revenues for the theatre division for the third quarter and first three quarters of fiscal 2021 to the third quarter and first three quarters of fiscal 2019 (in millions, except for variance percentage):

	Third Quarter				First Three Quarters			
	F2021	F2019	Variance		F2021	F2019	Variance	
			Amt.	Pct.			Amt.	Pct.
Admission revenues	\$ 38.2	\$ 69.8	\$ (31.6)	(45.2)%	\$ 73.9	\$ 211.8	\$ (137.9)	(65.1)%
Concession revenues	36.0	57.0	(21.0)	(37.0)%	68.9	172.1	(103.2)	(60.0)%
Other revenues	5.8	9.8	(4.0)	(40.8)%	12.0	29.5	(17.5)	(59.4)%
	80.0	136.6	(56.6)	(41.4)%	154.8	413.4	(258.6)	(62.6)%
Cost reimbursements	—	0.2	(0.2)	(79.7)%	0.1	0.7	(0.6)	(86.5)%
Total revenues	\$ 80.0	\$ 136.8	\$ (56.8)	(41.5)%	\$ 154.9	\$ 414.1	\$ (259.2)	(62.6)%

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 third quarter and first three quarters results, U.S. box office receipts decreased 52.8% during our fiscal 2021 third quarter and 71.1% during our fiscal 2021 first three quarters compared to the same comparable weeks in fiscal 2019, indicating that our decrease in admission revenues during the third quarter of fiscal 2021 of 45.2% outperformed the industry by 7.6 percentage points. Our decrease in admission revenues during the first three quarters of fiscal 2021 of 65.1% outperformed the industry by 6.0 percentage points. Based upon this metric, we believe we have been one of the top performing theatre circuits during fiscal 2021 of the top 10 circuits in the U.S. Additional data received and compiled by us from Comscore indicates our admission revenues during the third quarter and first three quarters of fiscal 2021 represented approximately 3.5% and 3.6%, respectively, of the total admission revenues in the U.S. during the periods (commonly referred to as market share in our industry). This represents a notable increase over our reported market share of approximately 3.1% during the comparable fiscal 2019 periods, prior to the pandemic. Closed theatres in other markets in the U.S. partially contributed to our outperformance, particularly during the first quarter of fiscal 2021. 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, particularly during the first quarter of fiscal 2021 when more governmental restrictions were in place and the vaccine rollout was in its early stages. 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). At its peak during the majority of the weeks during our 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 increased significantly during the third quarter of fiscal 2021 compared to the third quarter of fiscal 2020, when our theatres were primarily closed. Total theatre attendance increased 18.7% during the first three quarters of fiscal 2021 compared to the first three quarters of fiscal 2020, resulting in increases in both admission revenues and concession revenues. Conversely, a 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 negatively impacted attendance during the third quarter and first three quarters of fiscal 2021 as compared to the same periods in fiscal 2019. As described above, attendance from MPC events (estimated to average 13 guests per event) partially offset the reduction in traditional movie going attendance, particularly during the fiscal 2021 first quarter.

Our highest grossing films during the fiscal 2021 third quarter included *Black Widow*, *Shang-Chi and the Legend of the Ten Rings*, *Jungle Cruise*, *Free Guy* and *Space Jam: A New Legacy*. Three of these five films were released “day-and-date” on streaming services. We believe such “day-and-date” releases negatively impact theatrical revenues, particularly in week two and beyond of a films’ release.

We also believe “day-and-date” releases increase piracy, further impacting potential revenues. We believe our theatre circuit outperformed its historical market share on four of our top five films during the third quarter of fiscal 2021. In addition, we believe our overall admission revenue outperformed the industry due in part to the fact that we believe our theatre circuit outperformed its historical market share on the next tier of films (including all five of the films ranked six thru ten in admissions revenues during the fiscal 2021 third quarter). Due to the impact of two particularly strong blockbusters released during the third quarter of fiscal 2019 (*Lion King*, *Spider-Man: Far From Home*), the film slate during the third quarter of fiscal 2021 was weighted less towards our top movies compared to the third quarter of fiscal 2019, as evidenced by the fact that our top five films during our fiscal 2021 third quarter accounted for 49% of our total box office results, compared to 58% for the top five films during the third quarter of fiscal 2019 (prior to the pandemic), both expressed as a percentage of the total admission revenues for the period. A decreased reliance on just a few blockbuster films during a given quarter often has the effect of slightly reducing 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. As a result of a more balanced film slate and the fact that films released during the fiscal 2021 periods to date have not performed at pre-pandemic admission revenue levels, our overall film rental cost decreased during the fiscal 2021 periods compared to the same periods in prior years.

Our average ticket price increased 6.1% during the first three quarters of fiscal 2021 compared to the first three quarters of fiscal 2020 and increased by 8.4% compared to the first three quarters of fiscal 2019 (comparisons to the third quarter of fiscal 2020 are not applicable because the majority of our theatres were closed during the third quarter of fiscal 2020). A larger proportion of admission revenues from our proprietary premium large format screens (with a higher ticket price) and the increase in MPC events contributed to the increase in our average ticket price during fiscal 2021 periods, partially offset by the fact that we continued to offer older “library” film product for only \$5.00 per ticket during portions of the first half of fiscal 2021 when there was limited availability of new films.

Our average concession revenues per person increased by 15.7% during the first three quarters of fiscal 2021 compared to the first three quarters of fiscal 2020 and increased by 24.0% compared to the first three quarters of fiscal 2019 (comparisons to the third quarter of fiscal 2020 are not applicable because the majority of our theatres were closed during the third quarter of fiscal 2020). As customers have returned to “normal” activities such as going to the movie theatre, they have demonstrated a propensity to spend at a higher rate than before the pandemic closures. In addition, a portion of the increase in our average concession revenues per person during the first three quarters 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, kiosk or our mobile app likely 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. We expect to continue to report increased average concession revenues per person in future periods, but whether our customers will continue to spend at these current significantly higher levels in future periods is currently unknown.

Other revenues increased by approximately \$2.9 million during the first three quarters of fiscal 2021 compared to the first three quarters of fiscal 2020 (comparisons to the third quarter of fiscal 2020 are not applicable because the majority of our theatres were closed during the majority of the third quarter of fiscal 2020). This increase was primarily due to the impact of increased attendance on internet surcharge ticketing fees and preshow advertising income.

The film product release schedule for the remainder of fiscal 2021, which had 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, has solidified in recent months. With strong performances from several recent films, film studios have shown an increased willingness to begin releasing many of the new films that had previously been delayed. Several films that have contributed to our early fiscal 2021 fourth quarter results include *Venom: Let There Be Carnage*, *The Addams Family 2*, *No Time to Die*, *Halloween Kills* and *Dune*. New films scheduled to be released during the remainder of our fiscal 2021 fourth quarter include *Eternals*, *Ghostbusters: Afterlife*, *King Richard*, *Encanto*, *West Side Story*, *Spider-Man: No Way Home*, *Sing 2*, *The King’s Man* and *The Matrix Resurrections*. We believe that with a greater percentage of the population now vaccinated, and assuming that concerns over the Delta variant or any new variants of COVID-19 do not result in significant new restrictions, demand for out-of-home entertainment will continue to increase during the remainder of fiscal 2021 and into fiscal 2022. The list of films currently scheduled for release during fiscal 2022 includes a significant number of familiar titles and franchises and appears quite strong.

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 appropriate “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 currently believe that “day-and-date” film release experiments such as those tested by Warner Brothers and Disney during 2021 will not become the norm as the pandemic fully subsides. Warner Brothers has already indicated that it intends to return to an exclusive 45-day theatrical window with a significant number of its films during fiscal 2022. After the success of the exclusive theatrical release of *Shang-Chi and the Legend of the Ten Rings*, Disney announced that the remainder of its fiscal 2021 films would receive an exclusive theatrical window as well.

We ended the first three quarters of fiscal 2021 with a total of 1,091 company-owned screens in 88 theatres, compared to 1,104 company-owned screens in 90 theatres and six managed screens in one theatre at the end of the first three quarters of fiscal 2020. Early in our fiscal 2021 third quarter, we ceased providing management services to the 6-screen managed theatre noted above. As of the date of this report, 85 of our 88 company-owned theatres have been reopened (including two theatres in Louisiana that have temporarily reclosed due to hurricane damage). Early in our fiscal 2021 fourth quarter, we made the decision to not reopen the remaining three closed theatres, consisting of one former budget-oriented theatre and two Movie Tavern theatres with leases that will expire within the next year. 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*® and *Take Five*SM Lounge outlets, to the theatre.

Hotels and Resorts

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

	Third Quarter				First Three Quarters			
	F2021	F2020	Variance		F2021	F2020	Variance	
			Amt.	Pct.			Amt.	Pct.
Revenues	\$ 65.8	\$ 26.2	\$ 39.6	151.4 %	\$ 134.1	\$ 82.2	\$ 51.9	63.0 %
Operating income (loss)	13.5	(6.9)	20.4	294.3 %	5.5	(32.5)	38.0	117.0 %
Operating margin (% of revenues)	20.5 %	(26.5)%			4.1 %	(39.5)%		

Our hotels and resorts division returned to profitability during the third quarter and first three quarters of fiscal 2021, reporting operating income compared to significant operating losses during the third quarter and first three quarters of fiscal 2020, due to significantly increased revenues during the fiscal 2021 periods. All of our company-owned hotels and resorts contributed to the improved operating results during the fiscal 2021 periods. Our fiscal 2021 third quarter operating income benefited from a state government grant totaling approximately \$1.9 million. Our hotels and resorts division operating loss during the third quarter and first three quarters of fiscal 2020 was negatively impacted by nonrecurring expenses totaling approximately \$443,000 and \$5.5 million, respectively, related to costs associated with initially closing our hotels (primarily payments to and on behalf of laid off employees) and extensive cleaning costs, supply purchases and employee training, among other items, related to the reopening of selected hotel properties and implementing new operating protocols.

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

	Third Quarter				First Three Quarters			
	F2021	F2020	Variance		F2021	F2020	Variance	
			Amt.	Pct.			Amt.	Pct.
Room revenues	\$ 30.9	\$ 9.8	\$ 21.1	216.4 %	\$ 57.3	\$ 27.6	\$ 29.7	107.4 %
Food/beverage revenues	16.7	5.4	11.3	208.7 %	32.2	19.6	12.6	64.3 %
Other revenues	13.3	7.8	5.5	69.7 %	33.0	21.4	11.6	54.4 %
	60.9	23.0	37.9	164.7 %	122.5	68.6	53.9	78.6 %
Cost reimbursements	4.9	3.2	1.7	54.2 %	11.6	13.6	(2.0)	(15.4)%
Total revenues	\$ 65.8	\$ 26.2	\$ 39.6	151.4 %	\$ 134.1	\$ 82.2	\$ 51.9	63.0 %

Division revenues increased significantly during the third quarter of fiscal 2021 compared to the third quarter of fiscal 2020 due to the fact that one of our eight company-owned hotels and resorts was closed the entire third quarter of fiscal 2020 (the Saint Kate), three of our company-owned hotels were only open for a portion of the prior year quarter (the Hilton Milwaukee City Center Hotel, the Lincoln Marriott Cornhusker Hotel and the AC Hotel Chicago Downtown) and all of our reopened hotels (including four hotels opened late in our fiscal 2020 second quarter – The Pfister Hotel, the Grand Geneva Resort & Spa, the Skirvin Hilton and the Hilton Madison Monona Terrace) were operating with reduced occupancy rates due to the impact of the COVID-19 pandemic. In addition to the increased revenues during the fiscal 2021 third quarter, hotels and resorts division revenues also increased during the first three quarters of fiscal 2021 compared to the first three quarters of fiscal 2020 due to the fact that we closed five of our eight company-owned hotels and resorts on March 24, 2020, and closed our remaining three company-owned hotels in early April 2020, all as a result of extremely low occupancy rates and significant COVID-19 pandemic related cancellations. All eight of our company-owned hotels and all but one of our managed hotels were open during our third quarter and first three quarters of fiscal 2021. The majority of our restaurants and bars in our hotels and resorts were open during the first three quarters of fiscal 2021, operating under applicable state and local restrictions and guidelines, and, in some cases, reduced operating hours. We reopened one of our two *SafeHouse* restaurants and bars in June 2021.

As a result of the significantly reduced revenues during our fiscal 2020 periods, we believe it is also beneficial to compare our revenues to pre-pandemic levels. The following table compares the components of revenues for the hotels and resorts division for the third quarter and first three quarters of fiscal 2021 to the third quarter and first three quarters of fiscal 2019 (in millions, except for variance percentage):

	Third Quarter				First Three Quarters			
	F2021	F2019	Variance		F2021	F2019	Variance	
			Amt.	Pct.			Amt.	Pct.
Room revenues	\$ 30.9	\$ 34.2	\$ (3.3)	(9.6)%	\$ 57.3	\$ 81.3	\$ (24.0)	(29.5)%
Food /beverage revenues	16.7	20.2	(3.5)	(17.1)%	32.2	54.6	(22.4)	(40.9)%
Other revenues	13.3	13.0	0.3	2.1 %	33.0	36.4	(3.4)	(9.3)%
	60.9	67.4	(6.5)	(9.6)%	122.5	172.3	(49.8)	(28.9)%
Cost reimbursements	4.9	7.2	(2.3)	(32.3)%	11.6	27.3	(15.7)	(57.8)%
Total revenues	\$ 65.8	\$ 74.6	\$ (8.8)	(11.8)%	\$ 134.1	\$ 199.6	\$ (65.5)	(32.8)%

A decline in transient and group business contributed significantly to our reduced revenues during the third quarter and first three quarters of fiscal 2021 compared to the same periods of fiscal 2019. A decrease in group business subsequently led to a corresponding decrease in banquet and catering revenues, negatively impacting our reported food and beverage revenues compared to the same periods in fiscal 2019. Other revenues increased during the third quarter of fiscal 2021, with a lesser decrease relative to the decrease in room revenues and food and beverage revenues during the first three quarters of fiscal 2021 compared to the third quarter and first quarter of fiscal 2019, primarily due to increased revenues from one of our condominium hotels and increased ski and golf revenues at the Grand Geneva® Resort & Spa (“Grand Geneva”), partially offset by decreased management fees. Cost reimbursements decreased during the third quarter and first three quarters of fiscal 2021 compared to the third quarter and first three quarters of fiscal 2019 due to reduced revenues and subsequent operating costs at our managed hotels.

The following table sets forth certain operating statistics for the third quarter and first three quarters 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:

	Third Quarter ⁽¹⁾				First Three Quarters ⁽¹⁾			
	F2021	F2020	Variance		F2021	F2020	Variance	
			Amt.	Pct.			Amt.	Pct.
Occupancy pct.	64.9 %	36.6 %	+28.3 pts	77.3 %	46.9 %	45.8 %	1.1 pts	2.4 %
ADR	\$ 195.08	\$ 163.04	\$ 32.04	19.7 %	\$ 165.26	\$ 140.23	\$ 25.03	17.8 %
RevPAR	\$ 126.54	\$ 59.66	\$ 66.88	112.1 %	\$ 77.46	\$ 64.28	\$ 13.18	20.5 %

(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 increased at all eight of our company-owned properties during the third quarter of fiscal 2021 compared to the third quarter of fiscal 2020 and increased at seven of our eight company-owned properties during the first three quarters of fiscal 2021 compared to the first three quarters of fiscal 2020. The “drive-to leisure” travel customer provided the most demand during the fiscal 2021 periods, with weekend business quite strong at the majority of our properties. During the third quarter of fiscal 2021, our non-group business represented approximately 62% of our total rooms revenue, compared to approximately 55% during the third quarter of fiscal 2019 prior to the pandemic – an indication that group business continues to lag. Non-group retail pricing was very strong in the majority of our markets, with large demand drivers in our Milwaukee market (Milwaukee Bucks playoffs, major league baseball, Summerfest and the Ryder Cup) and significant leisure demand at Grand Geneva contributing to increased occupancy percentages and ADR.

As a result of the significantly reduced revenues during our fiscal 2020 periods, we believe it is also beneficial to compare our operating statistics to pre-pandemic levels. The following table sets forth certain operating statistics for the third quarter and first three quarters of fiscal 2021 and fiscal 2019, including our average occupancy percentage, our ADR, and our RevPAR, for company-owned properties:

	Third Quarter ⁽¹⁾				First Three Quarters ⁽¹⁾			
	F2021	F2019	Variance		F2021	F2019	Variance	
			Amt.	Pct.			Amt.	Pct.
Occupancy pct.	65.9 %	83.0 %	(17.1)pts	(20.6)%	48.6 %	75.2 %	(26.6)pts	(35.4)%
ADR	\$ 189.82	\$ 172.12	\$ 17.70	10.3 %	\$ 161.49	\$ 155.91	\$ 5.58	3.6 %
RevPAR	\$ 125.10	\$ 142.84	\$ (17.74)	(12.4)%	\$ 78.45	\$ 117.19	\$ (38.74)	(33.1)%

(1) These operating statistics represent averages of our seven 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. The statistics for both the 2021 and 2019 periods exclude the Saint Kate, which was closed or had only recently reopened during the majority of the fiscal 2019 periods presented.

According to data received from Smith Travel Research and compiled by us in order to evaluate our fiscal 2021 third quarter and first three quarters results, comparable “upper upscale” hotels throughout the United States experienced a decrease in RevPAR of 26.1% and 44.5%, respectively, during our fiscal 2021 third quarter and first three quarters compared to the same periods during fiscal 2019. 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 19.5% and 41.1%, respectively, during our fiscal 2021 third quarter and first three quarters, again compared to the same periods in fiscal 2019. Thus, we believe we outperformed the industry during the fiscal 2021 third quarter and first three quarters by approximately 14 and 11 percentage points, respectively. We also believe we outperformed our competitive sets during the fiscal 2021 third quarter and first three quarters by approximately 7 and 8 percentage 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.

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, reaching its highest level since the start of the pandemic in recent months. In the near term, we expect most demand will continue to come from the drive-to leisure segment. Leisure travel in our markets has a seasonal component to it, peaking in the summer months and slowing down as children return to school and the weather turns colder. Most organizations implemented travel bans at the onset of the pandemic and have generally only allowed essential travel, which will likely limit business travel in the near term, although we are beginning to experience some increases in travel from this customer segment. There also are indications that many of these travel bans are beginning to be lifted gradually. Our company-owned hotels have experienced a material decrease in group bookings compared to pre-pandemic periods. As of the date of this report, our group room revenue bookings for fiscal 2022 - commonly referred to in the hotels and resorts industry as “group pace” - is running approximately 20% behind where we were at the same time in fiscal 2019, but that is an improvement from recent quarters and we are experiencing increased booking activity for fiscal 2022 and beyond. Banquet and catering revenue pace for fiscal 2022 is also running behind where we would typically be at this same time of the year pre-pandemic, but not as much as group room revenues, due in part to increases in wedding bookings.

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 remains 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 very 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 three quarters 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.

During the third quarter of fiscal 2021, we assumed management of the Coralville Hotel & Conference Center in Coralville, Iowa. Owned by the City of Coralville, this 286-room hotel was recently rebranded under the Hyatt Regency brand as Hyatt Regency Coralville Hotel & Conference Center. The property will undergo a phased renovation focusing on the restaurant and all hotel guest rooms.

Adjusted EBITDA

We present Adjusted EBITDA as a supplemental measure of our performance. We define Adjusted EBITDA as net earnings (loss) attributable to The Marcus Corporation before investment income or loss, interest expense, other expense, gain or loss on disposition of property, equipment and other assets, equity earnings or losses from unconsolidated joint ventures, net earnings or losses attributable to noncontrolling interests, income taxes and depreciation and amortization, adjusted to eliminate the impact of certain items that we do not consider indicative of our core operating performance. These further adjustments are itemized below. You are encouraged to evaluate these adjustments and the reasons we consider them appropriate for supplemental analysis. In evaluating Adjusted EBITDA, you should be aware that in the future we will incur expenses that are the same as or similar to some of the items eliminated in the adjustments made to determine Adjusted EBITDA, such as acquisition expenses, preopening expenses, accelerated depreciation, impairment charges and other adjustments. Our presentation of Adjusted EBITDA should not be construed to imply that our future results will be unaffected by any such adjustments. Definitions and calculations of Adjusted EBITDA differ among companies in our industries, and therefore Adjusted EBITDA disclosed by us may not be comparable to the measures disclosed by other companies.

The following table sets forth our reconciliation of Adjusted EBITDA (in millions):

	Third Quarter		First Three Quarters	
	F2021	F2020	F2021	F2020
Net earnings (loss) attributable to The Marcus Corporation	\$ 1.8	\$ (39.4)	\$ (49.7)	\$ (85.8)
Add (deduct):				
Investment income	—	(0.1)	(0.2)	(0.2)
Interest expense	4.6	4.1	14.3	10.2
Other expense	0.6	0.6	1.9	1.7
Loss (gain) on disposition of property, equipment and other assets	(0.9)	0.2	(2.9)	0.3
Equity losses from unconsolidated joint ventures, net	—	1.1	—	1.5
Net (earnings) loss attributable to noncontrolling interests	—	—	—	—
Income tax expense (benefit)	0.2	(14.5)	(18.9)	(51.0)
Depreciation and amortization	17.7	18.7	54.2	56.6
Share-based compensation expenses ⁽¹⁾	2.5	1.1	6.7	3.3
Property closure/reopening expenses – theatres ⁽²⁾	—	1.2	—	4.6
Property closure/reopening expenses – hotels and resorts ⁽³⁾	—	0.4	—	5.5
Impairment charges ⁽⁴⁾	—	0.8	3.7	9.5
Government grants ⁽⁵⁾	(2.0)	—	(3.3)	—
Total Adjusted EBITDA	\$ 24.5	\$ (25.8)	\$ 5.8	\$ (43.8)

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The following tables sets forth our reconciliation of Adjusted EBITDA by reportable operating segment (in millions):

	Third Quarter, F2021				First Three Quarters, F2021			
	Theatres	Hotels & Resorts	Corp. Items	Total	Theatres	Hotels & Resorts	Corp. Items	Total
Operating income (loss)	\$ (2.6)	\$ 13.5	\$ (4.6)	6.3	\$ (46.5)	\$ 5.5	\$ (14.5)	(55.5)
Depreciation and amortization	12.6	5.0	0.1	17.7	38.9	15.1	0.2	54.2
Share-based compensation ⁽¹⁾	0.7	0.4	1.4	2.5	1.7	1.3	3.7	6.7
Impairment charges ⁽⁴⁾	—	—	—	—	3.7	—	—	3.7
Government grants ⁽⁵⁾	(0.1)	(1.9)	—	(2.0)	(1.4)	(1.9)	—	(3.3)
Total Adjusted EBITDA	\$ 10.6	\$ 17.0	\$ (3.1)	24.5	\$ (3.6)	\$ 20.0	(10.6)	5.8

	Third Quarter, F2020				First Three Quarters, F2020			
	Theatres	Hotels & Resorts	Corp. Items	Total	Theatres	Hotels & Resorts	Corp. Items	Total
Operating loss	\$ (37.2)	\$ (6.9)	\$ (3.9)	(48.0)	\$ (78.8)	\$ (32.5)	\$ (12.0)	(123.3)
Depreciation and amortization	13.4	5.2	0.1	18.7	40.3	16.0	0.3	56.6
Share-based compensation ⁽¹⁾	0.2	0.2	0.7	1.1	0.8	0.5	2.0	3.3
Property closure/reopening expenses ^{(2) (3)}	1.2	0.4	—	1.6	4.6	5.5	—	10.1
Impairment charges ⁽⁴⁾	0.8	—	—	0.8	9.5	—	—	9.5
Total Adjusted EBITDA	\$ (21.6)	\$ (1.1)	\$ (3.1)	(25.8)	\$ (23.6)	\$ (10.5)	(9.7)	(43.8)

- (1) Non-cash expense related to share-based compensation programs.
- (2) Reflects nonrecurring costs related to the required closure of all of our movie theatres due to the COVID-19 pandemic, plus subsequent nonrecurring costs related to reopening theatres.
- (3) Reflects nonrecurring costs related to the closure of our hotels and resorts due to reduced occupancy as a result of the COVID-19 pandemic, plus subsequent nonrecurring costs related to reopening hotels.
- (4) Non-cash impairment charges related to surplus theatre real estate for the fiscal 2021 periods and intangible assets (trade name) and several theatre locations for the fiscal 2020 periods.
- (5) Reflects nonrecurring state government grants awarded to our hotels and theatres for COVID-19 pandemic relief.

The following table sets forth Adjusted EBITDA by reportable operating segment for the third quarter and first three quarters of fiscal 2021 and fiscal 2020 (in millions, except for variance percentage):

	Third Quarter				First Three Quarters			
	F2021	F2020	Variance		F2021	F2020	Variance	
			Amt.	Pct.			Amt.	Pct.
Theatres	\$ 10.6	\$ (21.6)	\$ 32.2	149.1 %	\$ (3.6)	\$ (23.6)	\$ 20.0	84.7 %
Hotels and resorts	17.0	(1.1)	18.1	1,645.5 %	20.0	(10.5)	30.5	290.5 %
Corporate items	(3.1)	(3.1)	-	- %	(10.6)	(9.7)	(0.9)	(9.3)%
Total Adjusted EBITDA	\$ 24.5	\$ (25.8)	\$ 50.3	195.0 %	\$ 5.8	\$ (43.8)	\$ 49.6	113.2 %

Our theatre division returned to positive Adjusted EBITDA for the first time since the start of the COVID-19 pandemic during the third quarter of fiscal 2021 due to increased attendance, increased revenues per person, and strong cost controls, as described in the Theatres section above. Our hotels and resorts division reported its second straight quarter with positive Adjusted EBITDA during the third quarter of fiscal 2021 due to improved occupancy percentages and ADR, and strong cost controls, as described in the Hotels and Resorts section above. As a result, our third quarter of fiscal 2021 represented our first quarter with consolidated positive Adjusted EBITDA since the start of the pandemic.

Adjusted EBITDA is a measure used by management and our board of directors to assess our financial performance and enterprise value. We believe that Adjusted EBITDA is a useful measure for us and investors, as it eliminates certain expenses that are not indicative of our core operating performance and facilitates a comparison of our core operating performance on a consistent basis from period to period. We also use Adjusted EBITDA as a basis to determine certain annual cash bonuses and long-term incentive awards, to supplement GAAP measures of performance to evaluate the effectiveness of our business strategies, to make budgeting decisions, and to compare our performance against that of other peer companies using similar measures. Adjusted EBITDA is also used by analysts, investors and other interested parties as a performance measure to evaluate industry competitors.

Adjusted EBITDA is a non-GAAP measure of our financial performance and should not be considered as an alternative to net earnings (loss) as a measure of financial performance, or any other performance measure derived in accordance with GAAP. Additionally, Adjusted EBITDA is not intended to be a measure of liquidity or free cash flow for management's discretionary use. Adjusted EBITDA has its limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results as reported under GAAP.

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.

Maintaining and protecting a strong balance sheet has always been a core value of The Marcus Corporation during our 86-year history, and, despite the COVID-19 pandemic, our financial position remains strong. As of September 30, 2021, we had a cash balance of approximately \$9 million, \$188 million of availability under our \$225 million revolving credit facility, and our debt-to-capitalization ratio (including short-term borrowings) was 0.40. With our strong liquidity position, combined with the expected receipt of additional state grants, income tax refunds and proceeds from the sale of surplus real estate (discussed above), we believe we are positioned to meet our obligations as they come due and continue to sustain our operations throughout fiscal 2021 and fiscal 2022, even if our properties continue to generate reduced revenues during these periods. We will continue to work to preserve cash and maintain strong liquidity to endure the impacts of the global pandemic, even if it continues for a prolonged period of time.

Credit Agreement

On January 9, 2020, we entered into a Credit Agreement with several banks, including JPMorgan Chase Bank, N.A., as Administrative Agent, and U.S. Bank National Association, as Syndication Agent. On April 29, 2020, we entered into the First Amendment, on September 15, 2020 we entered into the Second Amendment, and on July 13, 2021, we entered into the Third Amendment (the Credit Agreement, as amended by the First Amendment, the Second Amendment and the Third Amendment, hereinafter referred to as the "Credit Agreement").

The Credit Agreement provides for a revolving credit facility that matures on January 9, 2025 with an initial maximum aggregate amount of availability of \$225 million. We may request an increase in the aggregate amount of availability under the Credit Agreement by an aggregate amount of up to \$125 million by increasing the revolving credit facility or adding one or more tranches of term loans. Our ability to increase availability under the Credit Agreement is subject to certain conditions, including, among other things, the absence of any default or event of default or material adverse effect under the Credit Agreement. In conjunction with the First Amendment, we also added an initial \$90.8 million term loan facility that was scheduled to mature on September 22, 2021. In conjunction with the Third Amendment entered into early in our fiscal 2021 third quarter, the term loan facility was reduced to \$50.0 million and the maturity date was extended to September 22, 2022.

Borrowings under the Credit Agreement generally bear interest at a variable rate equal to: (i) LIBOR, subject to a 1% floor, plus a specified margin based upon our consolidated debt to capitalization ratio as of the most recent determination date; or (ii) the base rate (which is the highest of (a) the prime rate, (b) the greater of the federal funds rate and the overnight bank funding rate plus 0.50% or (c) the sum of 1% plus one-month LIBOR), subject to a 1% floor, plus a specified margin based upon our consolidated debt to capitalization ratio as of the most recent determination date. In addition, the Credit Agreement generally requires us to pay a facility fee equal to 0.125% to 0.25% of the total revolving commitment, depending on our consolidated debt to capitalization ratio, as defined in the Credit Agreement. However, pursuant to the First Amendment and the Second Amendment: (A) in respect of revolving loans, (1) we are charged a facility fee equal to 0.40% of the total revolving credit facility commitment and (2) the specified margin is 2.35% for LIBOR

borrowings and 1.35% for ABR borrowings, which facility fee rate and specified margins will remain in effect until the end of the first fiscal quarter ending after the end of any period in which any portion of the term loan facility remains outstanding or the testing of any financial covenant in the Credit Agreement is suspended (the “specified period”); and (B) in respect of term loans, the specified margin is 2.75% for LIBOR borrowings and 1.75% for ABR borrowings, in each case, at all times.

The Credit Agreement contains various restrictions and covenants applicable to us and certain of our subsidiaries. Among other requirements, the Credit Agreement (a) limits the amount of priority debt (as defined in the Credit Agreement) held by our restricted subsidiaries to no more than 20% of our consolidated total capitalization (as defined in the Credit Agreement), (b) limits our permissible consolidated debt to capitalization ratio to a maximum of 0.55 to 1.0, (c) requires us to maintain a consolidated fixed charge coverage ratio of at least 3.0 to 1.0 as of the end of the fiscal quarter ending March 30, 2023 and each fiscal quarter thereafter, (d) restricts our ability and certain of our subsidiaries’ ability to incur additional indebtedness, pay dividends and other distributions (the restriction on dividends and other distributions does not apply to subsidiaries), and make voluntary prepayments on or defeasance of our 4.02% Senior Notes due August 2025, 4.32% Senior Notes due February 2027, the notes or certain other convertible securities, (e) requires our consolidated EBITDA not to be less than or equal to (i) \$10 million as of December 30, 2021 for the two consecutive fiscal quarters then ending, (ii) \$25 million as of March 31, 2022 for the three consecutive fiscal quarters then ending, (iii) \$50 million as of June 30, 2022 for the four consecutive fiscal quarters then ending, (iv) \$65 million as of September 29, 2022 for the four consecutive fiscal quarters then ending, or (v) \$70 million as of December 29, 2022 for the four consecutive fiscal quarters then ending, (f) requires our consolidated liquidity not to be less than or equal to (i) \$100 million as of September 30, 2021, (ii) \$100 million as of December 30, 2021, (iii) \$100 million as of March 31, 2022, (iv) \$100 million as of June 30, 2022, or (v) \$50 million as of the end of any fiscal quarter thereafter until and including the fiscal quarter ending December 29, 2022; however, each such required minimum amount of consolidated liquidity would be reduced to \$50 million for each such testing date if the initial term loans are paid in full as of such date, and (g) prohibits us and certain of our subsidiaries from incurring or making capital expenditures, in the aggregate for us and such subsidiaries, (i) during fiscal 2021 in excess of the sum of \$40.0 million plus certain adjustments, or (ii) during our 2022 fiscal year in excess of \$50 million plus certain adjustments.

Pursuant to the Credit Agreement, we are required to apply net cash proceeds received from certain events, including certain asset dispositions, casualty losses, condemnations, equity issuances, capital contributions, and the incurrence of certain debt, to prepay outstanding term loans, with the exception that we are allowed to sell certain surplus real estate up to \$29 million without prepaying the outstanding term loans. In addition, if, at any time during the specified period, we and certain of our subsidiaries’ aggregate unrestricted cash on hand exceeds \$75 million, the Credit Agreement requires us to prepay revolving loans under the Credit Agreement by the amount of such excess, without a corresponding reduction in the revolving commitments under the Credit Agreement.

In connection with the Credit Agreement: (i) we and certain of our subsidiaries have pledged, subject to certain exceptions, security interests and liens in and on (a) substantially all of their respective personal property assets and (b) certain of their respective real property assets, in each case, to secure the Credit Agreement and related obligations; and (ii) certain of our subsidiaries have guaranteed our 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.

4.02% Senior Notes and 4.32% Senior Notes

On June 27, 2013, we entered into a Note Purchase Agreement (the “4.02% Senior Notes Agreement”) with the several purchasers party to the 4.02% Senior Notes Agreement, pursuant to which we issued and sold \$50 million in aggregate principal amount of our 4.02% Senior Notes due August 14, 2025 (the “4.02% Notes”) in a private placement exempt from the registration requirements of the Securities Act of 1933, as amended (the “Securities Act”). We used the net proceeds from the issuance and sale of the 4.02% Notes to reduce existing borrowings under our revolving credit facility and for general corporate purposes. On December 21, 2016, we entered into a Note Purchase Agreement (the “4.32% Senior Notes Agreement”) with the several purchasers party to the 4.32% Senior Notes Agreement, pursuant to which we issued and sold \$50 million in aggregate principal amount of our 4.32% Senior Notes due February 22, 2027 (the “4.32% Notes”) and the 4.02% Notes, are together referred to hereafter as the “Notes”) in a private placement exempt from the registration requirements of the Securities Act. We used the net proceeds of the sale of the 4.32% Notes to repay outstanding indebtedness and for general corporate purposes.

On July 13, 2021 we entered into an amendment to the 4.02% Senior Notes Agreement (the “4.02% Fourth Amendment”). The 4.02% Senior Notes Agreement, as previously amended and as amended by the 4.02% Fourth Amendment, is hereafter referred to as the

“Amended 4.02% Senior Notes Agreement.” On July 13, 2021 we entered into an amendment to the 4.32% Senior Notes Agreement (the “4.32% Fourth Amendment”). The 4.32% Senior Notes Agreement, as previously amended and as amended by the 4.32% Fourth Amendment, is hereafter referred to as the “Amended 4.32% Senior Notes Agreement.” The Amended 4.02% Senior Notes Agreement and the Amended 4.32% Senior Notes Agreement are together referred to hereafter as the “Amended Senior Notes Agreements.”

Interest on the 4.02% Notes is payable semi-annually in arrears on the 14th day of February and August in each year and at maturity. Interest on the 4.32% Notes is payable semi-annually in arrears on the 22nd day of February and August in each year and at maturity. Beginning on August 14, 2021 and on the 14th day of August each year thereafter to and including August 14, 2024, we will be required to prepay \$10 million of the principal amount of the 4.02% Notes. Additionally, we may make optional prepayments at any time upon prior notice of all or part of the Notes, subject to the payment of a make-whole amount (as defined in the Amended Senior Notes Agreements, as applicable). Furthermore, until the last day of the first fiscal quarter ending after the Collateral Release Date (as defined in the Amended Senior Notes Agreements, as applicable), we are required to pay a fee to each Note holder in an amount equal to 0.975% of the aggregate principal amount of Notes held by such holder. Such fee is payable quarterly (0.24375% of the aggregate principal amount of the Notes per quarter). The entire outstanding principal balance of the 4.32% Notes will be due and payable on February 22, 2027. The entire unpaid principal balance of the 4.02% Notes will be due and payable on August 14, 2025. The Notes rank pari passu in right of payment with all of our other senior unsecured debt.

The Amended Senior Notes Agreements contain various restrictions and covenants applicable to us and certain of our subsidiaries. Among other requirements, the Amended Senior Notes Agreements (a) limit the amount of priority debt held by us or by our restricted subsidiaries to 20% of our consolidated total capitalization, (b) limit our permissible consolidated debt to 65% of our consolidated total capitalization, (c) require us to maintain a consolidated fixed charge coverage ratio of at least 2.5 to 1.0 as of the end of the fiscal quarter ending March 30, 2023 and each fiscal quarter thereafter, (d) require our consolidated EBITDA not to be less than or equal to (i) \$10 million as of December 30, 2021 for the two consecutive fiscal quarters then ending, (ii) \$25 million as of March 31, 2022 for the three consecutive fiscal quarters then ending, (iii) \$50 million as of June 30, 2022 for the four consecutive fiscal quarters then ending, (iv) \$65 million as of September 29, 2022 for the four consecutive fiscal quarters then ending, or (v) \$70 million as of December 29, 2022 for the four consecutive fiscal quarters then ending, (e) require our consolidated liquidity not to be less than or equal to (i) \$100 million as of September 30, 2021, (ii) \$100 million as of December 30, 2021, (iii) \$100 million as of March 31, 2022, (iv) \$100 million as of June 30, 2022, or (v) \$50 million as of the end of any fiscal quarter thereafter until and including the fiscal quarter ending December 29, 2022; however, each such required minimum amount of consolidated liquidity would be reduced to \$50 million for each such testing date if the initial term loans under the Credit Agreement are paid in full as of such date, and (f) prohibit us and certain of our subsidiaries from incurring or making capital expenditures, in the aggregate for us and such subsidiaries, (i) during fiscal 2021 in excess of the sum of \$40.0 million plus certain adjustments, or (ii) during our 2022 fiscal year in excess of \$50 million plus certain adjustments.

In connection with the Amended Senior Notes Agreements: (i) we and certain of our subsidiaries have pledged, subject to certain exceptions, security interests and liens in and on (a) substantially all of their respective personal property assets and (b) certain of their respective real property assets, in each case, to secure the Notes and related obligations; and (ii) certain subsidiaries of ours have guaranteed our obligations under the Amended Senior Notes Agreements and the Notes. The foregoing security interests, liens and guaranties will remain in effect until the Collateral Release Date.

The Amended Senior Notes Agreements also contain customary events of default. If an event of default under the Amended Senior Notes Agreements occurs and is continuing, then, among other things, the purchasers may declare any outstanding obligations under the Amended Senior Notes Agreements and the Notes to be immediately due and payable and the Note holders may exercise their rights and remedies against the pledged collateral.

Summary

We believe that the actions we have taken over the past 19 months 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 continue to improve during the fourth quarter of fiscal 2021 and into early fiscal 2022 (but still report results below comparable periods in fiscal 2019), before beginning to progressively return to closer-to-normal performance as fiscal 2022 progresses. Our current expectations for our hotels and resorts division are that we will continue to show improvement in each succeeding quarter compared to the prior year, but continue to underperform compared

to pre-COVID-19 pandemic years. We do not expect to return to pre-COVID-19 occupancy levels during fiscal 2021, nor is it likely that we will fully return to those levels in fiscal 2022 due to an expected lag in business and group travel. 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 future periods. 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 provided by operating activities totaled \$2.1 million during the first three quarters of fiscal 2021, compared to net cash used in operating activities of \$80.6 million during the first three quarters of fiscal 2020. The \$82.7 million increase in net cash provided by operating activities was due primarily to a reduced net loss and the favorable timing in the collection of government grant receivables, receipt of refundable income taxes and payment of accounts payable, accrued compensation and other accrued liabilities, partially offset by the unfavorable timing in the collection of accounts receivable during the first three quarters of fiscal 2021.

Net cash provided by investing activities during the first three quarters of fiscal 2021 totaled \$9.2 million, compared to net cash used in investing activities of \$11.7 million during the first three quarters of fiscal 2020. The increase in net cash provided by investing activities of \$20.9 million was primarily the result of a decrease in capital expenditures, the receipt of \$9.2 million in proceeds from disposals of property, equipment and other assets during the first three quarters of fiscal 2021 and the receipt of \$11.4 million in conjunction with payment of a split dollar life insurance policy receivable. Total cash capital expenditures (including normal continuing capital maintenance and renovation projects) totaled \$9.1 million during the first three quarters of fiscal 2021 compared to \$18.7 million during the first three quarters of fiscal 2020.

Fiscal 2021 first three quarters cash capital expenditures included approximately \$5.3 million 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 three quarters of fiscal 2021 of approximately \$3.8 million, including costs related to a lobby renovation at the Grand Geneva. Fiscal 2020 first three quarters cash capital expenditures included approximately \$14.2 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 and the addition of DreamLounger recliner seating to another existing Movie Tavern theatre. Also during the first three quarters 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. We also incurred capital expenditures in our hotels and resorts division during the first three quarters of fiscal 2020 of approximately \$3.6 million, consisting primarily of normal maintenance capital projects.

Net cash used in financing activities during the first three quarters of fiscal 2021 totaled \$10.4 million compared to net cash provided by financing activities of \$83.5 million during the first three quarters of fiscal 2020. During the first three quarters 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 \$128.5 million of new short-term revolving credit facility borrowings, and we made \$95.5 million of repayments on short-term revolving credit facility borrowings during the first three quarters of fiscal 2021 (net increase in borrowings on our credit facility of \$33.0 million). The net increase in borrowings during the first three quarters of fiscal 2021 was used to repay \$37.8 million of short-term borrowings, including the early repayment of a portion of our term loan facility, as described above. 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). We also incurred \$90.8 million of new short-term borrowings early in our fiscal 2020 second quarter and issued \$100.05 million in convertible notes in our fiscal 2020 third quarter, the majority of which was used to repay existing borrowings under our revolving credit facility. Net cash provided by financing activities during the first three quarters of fiscal 2020 was reduced by \$16.9 million of capped call transactions. As a result, we added \$209.0 million of new short-term revolving credit facility borrowings, and we made \$280.0 million of repayments on short-term revolving credit facility borrowings during the first three quarters of fiscal 2020 (net decrease in borrowings on our credit facility of \$71.0 million).

We received \$6.7 million in proceeds from borrowings against the cash surrender value of a life insurance policy during the first three quarters of fiscal 2021. We received Payroll Protection Program (“PPP”) loan proceeds during the second quarter of fiscal 2020, the majority of which were used for qualifying expenses during such quarter that we believed would result in forgiveness of the loan under provisions of the CARES Act. During the third quarter of fiscal 2021, we received notification that qualifying expenses for all of our PPP loans were forgiven. The portion of the PPP loan proceeds that were not used for qualifying expenses totaling approximately \$3.1 million contributed to the increase in net cash provided by financing activities during the first three quarters of fiscal 2020. Principal payments on long-term debt were approximately \$10.3 million during the first three quarters of fiscal 2021, including a \$10.0 million installment payment on senior notes, compared to payments of \$9.4 million during the first three quarters of fiscal 2020, which included

a \$9.0 million final payment on senior notes that matured in April 2020. Our debt-to-capitalization ratio (including short-term borrowings but excluding our finance and operating lease obligations) was 0.40 at September 30, 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 62,000 shares of our common stock for approximately \$1.3 million in conjunction with the exercise of stock options and the payment of income taxes on vested restricted stock during the first three quarters of fiscal 2021, compared to approximately 38,000 shares of our common stock for approximately \$696,000 in conjunction with the payment of income taxes on vested restricted stock during the first three quarters of fiscal 2020. As of September 30, 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.

We did not make any dividend payments during the first three quarters of fiscal 2021. Dividend payments during the first three quarters of fiscal 2020 totaled \$5.1 million. Our Credit Agreement, as recently amended, requires us to temporarily suspend our quarterly dividend payments and prohibits us from repurchasing shares of our common stock in the open market for the remainder of fiscal 2021. The Credit Agreement also limits the total amount of quarterly dividend payments or share repurchases during the four subsequent quarters beginning with the first quarter of fiscal 2022 to no more than \$1.55 million per quarter, unless we are in compliance with prior financial covenants under the Credit Agreement (specifically, the consolidated fixed charge coverage ratio), at which point we have the ability to declare quarterly dividend payments and/or repurchase shares of our common stock in the open market 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, as supplemented by the risk factors disclosed in Part II, Item 1A "Risk Factors" in our Quarterly Report on Form 10-Q for the quarter ended July 1, 2021, except for the update of the risk factors set forth below:

The COVID-19 pandemic has had and will continue to have material adverse effects 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.

The COVID-19 pandemic has had an unprecedented impact on 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. 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 and/or capacity restrictions, issuing shelter-in-place, quarantine and stay-at-home orders, and issuing masking and/or vaccination mandates.

As a result of these measures, we temporarily closed all of our theatres on March 17, 2020. In late August 2020, we reopened approximately 80% of our theatres, but subsequently reclosed multiple theatres due to the lack of available films and new local and state restrictions. As of December 31, 2020, approximately 52% of our theatres were reopened, but seating capacity at our reopened theatres was reduced in response to COVID-19. 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 first and second quarters of fiscal 2021 and ended the fiscal 2021 third quarter with approximately 97% of our theatres open. The majority of our reopened theatres operated with reduced operating days (Fridays, Saturdays, Sundays and Tuesdays) and reduced operating hours during the fiscal 2021 first quarter. By the end of May 2021, we had returned the vast majority of our theatres to normal operating days (seven days per week) and operating hours. During the first three quarters of fiscal 2021, all of our reopened theatres operated at significantly reduced attendance levels compared to pre-COVID-19 pandemic years due to customer concerns related to COVID-19 and a reduction in the number of new films released.

We closed five of our eight company-owned hotels and resorts on March 24, 2020 due to a significant reduction in occupancy at those hotels. We also temporarily closed all of our hotel division restaurants and bars at approximately the same time and announced the closing of our remaining three company-owned hotels on April 8, 2020. We re-opened four of our company-owned hotels (including several restaurants and bars) during June 2020, reopened three of our four remaining company-owned hotels during our fiscal 2020 third quarter and reopened our last company-owned hotel during our fiscal 2020 fourth quarter. As a result, as of December 31, 2020, we had reopened all eight of our company-owned hotels and most of our managed hotels, though these properties have generated reduced revenues during fiscal 2021.

Although we do not believe it will be necessary to reclose or further reduce operating levels at our theatres and hotels, we cannot predict when the effects of the COVID-19 pandemic will fully subside, the effect of the Delta variant (or any subsequent variants) on government guidance or consumer behavior, or when our businesses will return to normal levels. The longer and more severe the pandemic, including repeat or cyclical outbreaks, the more severe the adverse effects will be on our businesses, results of operations, liquidity, cash flows, financial condition, access to credit markets and ability to service our existing and future indebtedness.

Even when the COVID-19 pandemic fully subsides, we cannot guarantee that we will recover as rapidly as other industries. For example, it is unclear how quickly patrons will return to our theatres and hotels, which may be a function of continued concerns over safety and/or depressed consumer sentiment and discretionary income due to adverse economic conditions, including job losses, among other things. If customers do not perceive our response to the pandemic to be adequate, we could suffer damage to our reputation, which could adversely affect our businesses.

Furthermore, the effects of the pandemic on our businesses could be long-lasting and could continue to have material adverse effects on our businesses, results of operations, liquidity, cash flows and financial condition, and may materially adversely impact our ability to operate our businesses on the same terms as prior to the pandemic. Significant impacts on our businesses caused by the COVID-19 pandemic may include, among others:

- Lack of availability of films in the short- or long-term, including as a result of (i) major film distributors releasing scheduled films on alternative channels or (ii) disruptions of film production;
- Decreased attendance at our theatres, including due to (i) continued safety and health concerns or (ii) a change in consumer behavior in favor of alternative forms of entertainment;
- Reduced travel from our various leisure, business transient and group business customers;
- Cancellation of major events that were expected to benefit our hotels and resorts division;
- Our inability to continue to negotiate favorable terms with our landlords in respect of those properties we lease;
- Our inability to service increasing customer counts in both theatres and hotels due to the temporary labor shortage that has arisen as a result of the pandemic;
- Increased labor costs due to the temporary labor shortage that has arisen as a result of the pandemic;

- Increased risks related to employee matters, including increased employment litigation and claims relating to terminations or furloughs caused by theatre and hotel closures;
- Reductions, suspensions and delays to planned operating and capital expenditures which could result in difficulty obtaining certain growth objectives determined prior to COVID-19;
- Our temporary curtailment of certain investments and growth opportunities;
- Potential impairment charges;
- Our inability to generate significant cash flow from operations if our theatres and/or hotels and resorts continue to experience demand at levels significantly lower than historical levels, which could lead to a substantial increase in indebtedness and negatively impact our ability to comply with the financial covenants, if applicable, in our debt agreements;
- Our inability to access lending, capital markets and other sources of liquidity, if needed, on reasonable terms, or at all, or obtain amendments, extensions and waivers;
- Our inability to effectively meet our short- and long-term obligations; and
- Our inability to service our existing and future indebtedness.

Additionally, although we have sought and obtained, and intend to continue to seek, available benefits under the CARES Act, or any subsequent governmental relief bills, we cannot predict the manner in which any additional benefits under the CARES Act, or any subsequent governmental relief bills, will be allocated or administered and we cannot provide assurances that we will be able to access such benefits in a timely manner or at all. We also cannot assure that potential benefits under the CARES Act will not be amended or eliminated under any subsequent governmental actions. Accessing these benefits and our response to the COVID-19 pandemic have required our management team to devote extensive resources and are likely to continue to do so in the near future, which negatively affects our ability to implement our business plan and respond to opportunities.

The duration of the COVID-19 pandemic and related government directives and the level of customer demand following the relaxation of such requirements may materially adversely affect our financial results and condition.

As noted above, due to the COVID-19 pandemic, our operations at our theatres and hotels and resorts were significantly restricted or suspended during prior periods. While we have resumed normal operations at our theatres and hotels for the most part, there is uncertainty as to the pace of reaching full capacity and our financial performance. Because we operate in several different jurisdictions, government directives related to customer behavior and our operations may vary within our theatres and hotels and resorts. Fears and concerns regarding the COVID-19 pandemic could cause our customers to avoid assembling in public spaces for some time despite the relaxation or removal of government directives that had been in place. We would have no control over and cannot predict the length of any future required closure of or restrictions on our theatres and hotels and resorts due to the COVID-19 pandemic. If we are unable to generate revenues due to a future prolonged period of closure or do not experience significant increases in our businesses volumes at our reopened theatres and hotels, this would negatively impact our ability to remain in compliance with our debt covenants and meet our payment obligations. 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. If we are not successful in such efforts, our lenders could declare a default and require immediate repayment of amounts owing under our Credit Agreement and senior notes, which could have a material adverse effect on our ability to operate our business. Additionally, we could seek additional liquidity through the issuance of new debt. Our ability to obtain additional financing and the terms of any such additional financing would depend in part on factors outside of our control, and we may be unable to obtain such additional financing on acceptable terms or at all.

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.

<u>Period</u>	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Programs (1)</u>	<u>Maximum Number of Shares that May Yet be Purchased Under the Plans or Programs (1)</u>
July 2 - August 1	3,435	\$ 17.50	3,435	2,657,340
August 2 - August 31	—	—	—	2,657,340
September 1 - September 30	—	—	—	2,657,340
Total	<u>3,435</u>	<u>\$ 17.50</u>	<u>3,435</u>	<u>2,657,340</u>

- (1) Through September 30, 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 September 30, 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

- 4.1 [Third Amendment to Credit Agreement, dated July 13, 2021, among The Marcus Corporation, the lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent. \[Schedules and exhibits have been omitted and The Marcus Corporation agrees to furnish supplementally to the Securities and Exchange Commission a Copy of any omitted schedules and exhibits upon request.\]\[Incorporated by reference to Exhibit 4.1 to our Quarterly Report on Form 10-Q for the quarter ended July 1, 2021.\]](#)
- 4.2 [The Fourth Amendment to Note Purchase Agreement, dated June 27, 2013, dated July 13, 2021. \[Schedules and exhibits have been omitted and The Marcus Corporation agrees to furnish supplementally to the Securities and Exchange Commission a Copy of any omitted schedules and exhibits upon request.\]\[Incorporated by reference to Exhibit 4.2 to our Quarterly Report on Form 10-Q for the quarter ended July 1, 2021.\]](#)
- 4.3 [The Fourth Amendment to Note Purchase Agreement, dated December 21, 2016, dated July 13, 2021. \[Schedules and exhibits have been omitted and The Marcus Corporation agrees to furnish supplementally to the Securities and Exchange Commission a Copy of any omitted schedules and exhibits upon request.\]\[Incorporated by reference to Exhibit 4.3 to our Quarterly Report on Form 10-Q for the quarter ended July 1, 2021.\]](#)
- 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: November 8, 2021

By: /s/ Gregory S. Marcus

Gregory S. Marcus
President and Chief Executive Officer

DATE: November 8, 2021

By: /s/ Douglas A. Neis

Douglas A. Neis
Executive Vice President and Chief Financial Officer

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: November 8, 2021

By: /s/ Gregory S. Marcus
Gregory S. Marcus
President and Chief Executive Officer

**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: November 8, 2021

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

**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

Gregory S. Marcus
President and Chief Executive Officer

/s/ Douglas A. Neis

Douglas A. Neis
Executive Vice President and Chief Financial Officer

Date: November 8, 2021
