

MARCUS CORP  
Form 10-Q  
October 06, 2015

**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 August 27, 2015

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)

Wisconsin (State or other jurisdiction of incorporation or organization)	39-1139844 (I.R.S. Employer Identification No.)
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100 East Wisconsin Avenue, Suite 1900  
Milwaukee, Wisconsin

53202-4125

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(Address of principal executive offices) (Zip Code)

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

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 x No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files).

Yes x No

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

Large accelerated filer  Accelerated filer   
Non-accelerated filer   
(Do not check if a  
smaller reporting company)  Smaller reporting company

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

Yes  No x

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 SEPTEMBER 30, 2015 – 18,900,813

CLASS B COMMON STOCK OUTSTANDING AT SEPTEMBER 30, 2015 – 8,710,972

**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)	<b>August 27, 2015</b>	<b>May 28, 2015</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$5,721	\$6,723
Restricted cash	9,014	8,760
Accounts and notes receivable, net of reserves of \$245 and \$245, respectively	19,829	16,339
Refundable income taxes		4,022
Deferred income taxes	3,093	2,997
Assets held for sale	17,395	-
Other current assets	6,670	6,732
Total current assets	61,722	45,573
Property and equipment:		
Land and improvements	99,882	98,980
Buildings and improvements	609,828	633,946
Leasehold improvements	78,275	78,624
Furniture, fixtures and equipment	281,112	279,383
Construction in progress	4,140	8,392
Total property and equipment	1,073,237	1,099,325
Less accumulated depreciation and amortization	415,898	419,208
Net property and equipment	657,339	680,117
Other assets:		
Investments in joint ventures	7,225	5,643
Goodwill	44,266	43,720
Other	34,422	33,989
Total other assets	85,913	83,352
<b>TOTAL ASSETS</b>	<b>\$804,974</b>	<b>\$809,042</b>

See accompanying condensed notes to consolidated financial statements.

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

(in thousands, except share and per share data)	<b>August 27, 2015</b>	<b>May 28, 2015</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 24,472	\$ 36,776
Income taxes	4,474	
Taxes other than income taxes	14,537	15,099
Accrued compensation	9,919	15,354
Other accrued liabilities	32,880	35,220
Current portion of capital lease obligation	5,081	5,053
Current maturities of long-term debt	18,093	17,742
Total current liabilities	109,456	125,244
Capital lease obligation	17,044	18,317
Long-term debt	229,303	229,669
Deferred income taxes	48,155	47,502
Deferred compensation and other	42,839	42,075
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 22,478,541 shares at August 27, 2015 and May 28, 2015	22,479	22,479
Class B Common Stock, \$1 par; authorized 33,000,000 shares; issued and outstanding 8,710,972 shares at August 27, 2015 and May 28, 2015	8,711	8,711
Capital in excess of par	55,907	55,539
Retained earnings	319,777	307,939
Accumulated other comprehensive loss	(5,349 )	(5,312 )
	401,525	389,356
Less cost of Common Stock in treasury (3,587,324 shares at August 27, 2015 and 3,636,098 shares at May 28, 2015)	(45,227 )	(45,577 )
Total shareholders' equity attributable to The Marcus Corporation	356,298	343,779
Noncontrolling interest	1,879	2,456
Total equity	358,177	346,235
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 804,974</b>	<b>\$ 809,042</b>

See accompanying condensed notes to consolidated financial statements.



**THE MARCUS CORPORATION**

## Consolidated Statements of Earnings

(in thousands, except per share data)

	<b>13 Weeks Ended</b>	
	<b>August 27, 2015</b>	<b>August 28, 2014</b>
<b>Revenues:</b>		
Theatre admissions	\$48,222	\$41,345
Rooms	34,186	34,681
Theatre concessions	31,780	24,922
Food and beverage	18,809	16,155
Other revenues	16,193	14,666
Total revenues	149,190	131,769
<b>Costs and expenses:</b>		
Theatre operations	41,679	34,863
Rooms	11,187	11,402
Theatre concessions	9,038	6,721
Food and beverage	14,762	12,063
Advertising and marketing	6,489	7,388
Administrative	14,566	12,392
Depreciation and amortization	10,426	9,078
Rent	2,193	2,154
Property taxes	3,821	3,906
Other operating expenses	9,173	9,113
Total costs and expenses	123,334	109,080
Operating income	25,856	22,689
<b>Other income (expense):</b>		
Investment income	5	25
Interest expense	(2,401 )	(2,404 )
Gain (loss) on disposition of property, equipment and other assets	195	(6 )
Equity losses from unconsolidated joint ventures, net	(19 )	(41 )
	(2,220 )	(2,426 )
Earnings before income taxes	23,636	20,263
Income taxes	9,183	7,987
Net earnings	14,453	12,276
Net loss attributable to noncontrolling interests	(198 )	(156 )
Net earnings attributable to The Marcus Corporation	\$14,651	\$12,432
<b>Net earnings per share – basic:</b>		

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Common Stock	\$0.55	\$0.47
Class B Common Stock	\$0.50	\$0.43
Net earnings per share – diluted:		
Common Stock	\$0.53	\$0.45
Class B Common Stock	\$0.49	\$0.42
Dividends per share:		
Common Stock	\$0.105	\$0.095
Class B Common Stock	\$0.095	\$0.086

See accompanying condensed notes to consolidated financial statements.

**THE MARCUS CORPORATION**

## Consolidated Statements of Comprehensive Income

(in thousands)	<b>13 Weeks Ended</b>	
	<b>August 27, 2015</b>	<b>August 28, 2014</b>
Net earnings	\$14,453	\$ 12,276
Other comprehensive income (loss), net of tax:		
Fair market value adjustment of interest rate swap, net of tax (benefit) effect of \$(45) and \$25, respectively	(66 )	40
Reclassification adjustment on interest rate swap included in interest expense, net of tax effect of \$20 and \$20, respectively	29	29
Other comprehensive income (loss)	(37 )	69
Comprehensive income	14,416	12,345
Comprehensive loss attributable to noncontrolling interests	(198 )	(156 )
Comprehensive income attributable to The Marcus Corporation	\$14,614	\$ 12,501

See accompanying condensed notes to consolidated financial statements.

**THE MARCUS CORPORATION**

## Consolidated Statements of Cash Flows

(in thousands)	<b>13 Weeks Ended</b>	
	<b>August 27, 2015</b>	<b>August 28, 2014</b>
<b>OPERATING ACTIVITIES:</b>		
Net earnings	\$14,453	\$ 12,276
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Losses on investments in joint ventures	19	41
Distribution from joint venture		30
Loss (gain) on disposition of property, equipment and other assets	(195 )	6
Amortization of favorable lease right	83	83
Depreciation and amortization	10,426	9,078
Stock compensation expense	364	319
Deferred income taxes	617	90
Deferred compensation and other	965	709
Changes in operating assets and liabilities:		
Accounts and notes receivable	(3,490 )	(2,748 )
Other current assets	44	(392 )
Accounts payable	(5,583 )	(3,317 )
Income taxes	8,540	7,219
Taxes other than income taxes	(562 )	163
Accrued compensation	(5,898 )	(4,728 )
Other accrued liabilities	(2,340 )	(2,224 )
Total adjustments	2,990	4,329
Net cash provided by operating activities	17,443	16,605
<b>INVESTING ACTIVITIES:</b>		
Capital expenditures	(14,654)	(13,074 )
Proceeds from disposals of property, equipment and other assets	1,183	25
Increase in restricted cash	(254 )	(776 )
Increase in other assets	(223 )	(459 )
Capital contribution in joint venture		(338 )
Purchase of interest in joint venture	(1,600 )	
Net cash used in investing activities	(15,548)	(14,622 )
<b>FINANCING ACTIVITIES:</b>		
Debt transactions:		
Proceeds from borrowings on revolving credit facility	69,500	32,500
Repayment of borrowings on revolving credit facility	(68,000)	(32,500 )
Principal payments on debt	(1,515 )	(1,112 )

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Equity transactions:		
Treasury stock transactions, except for stock options	45	25
Exercise of stock options	266	1,003
Dividends paid	(2,814 )	(2,525 )
Distributions to noncontrolling interest	(379 )	(719 )
Net cash used in financing activities	(2,897 )	(3,328 )
Net decrease in cash and cash equivalents	(1,002 )	(1,345 )
Cash and cash equivalents at beginning of period	6,723	6,780
Cash and cash equivalents at end of period	\$5,721	\$ 5,435
Supplemental Information:		
Interest paid, net of amounts capitalized	\$2,126	\$ 2,012
Income taxes paid, net	26	576
Change in accounts payable for additions to property and equipment	(6,721 )	(4,578 )

See accompanying condensed notes to consolidated financial statements.

## THE MARCUS CORPORATION

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE 13 WEEKS ENDED AUGUST 27, 2015**1. General**

**Accounting Policies** – Refer to the Company’s audited consolidated financial statements (including footnotes) for the fiscal year ended May 28, 2015, contained in the Company’s Annual Report on Form 10-K for such year, for a description of the Company’s accounting policies.

**Basis of Presentation** – The unaudited consolidated financial statements for the 13 weeks ended August 27, 2015 and August 28, 2014 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 August 27, 2015, 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 May 28, 2015.

**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 \$10,328,000 and \$8,960,000 for the 13 weeks ended August 27, 2015 and August 28, 2014, respectively.

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

	Swap Agreements	Available for Sale Investments	Pension Obligation	Accumulated Other Comprehensive Loss
	(in thousands)			
Balance at May 28, 2015	\$(17)	\$ (11	) \$ (5,284	) \$ (5,312
Other comprehensive loss before reclassifications	(66)	-	-	(66