



# THE MARCUS CORPORATION

## *Equity Report*

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Introduction Financial Systems & Methods



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# COMPANY PROFILE, VALUATION METHODOLOGY & FINANCIAL ANALYSIS SUMMARY

**Headquarters:** Milwaukee, Wisconsin  
**NYSE:** MCS  
**Founded:** 1935  
**CEO:** Gregory S. Marcus  
**Industry:** Lodging & Entertainment  
**Sector:** Hotels, Resorts, & Movie Theatres

The Marcus Corporation, owns and operates 17 hotels and 90 movie theaters primarily across the American Mid-west, Texas, and California. With 1,110 screens Marcus Corporation's ranks fourth in the American theatre circuit. Combining both hotels and theaters, Marcus Corporation owns a substantial amount of real estate assets.

Marcus Hotels has been in operation steadily since 1962. Since then, Marcus Corporation has been a leading hotel management company. Their first hotel, The Pfister, in Milwaukee, Wisconsin is considered a historic icon in the city.

Additionally, Marcus Hospitality Services partners firms in the lodging sector to handle management services, including:

- Hilton
- Marriott
- Hyatt
- IHG

as well as other independently owned hotels and resorts. Services offered at Hotels and resorts operated by Marcus vary. Depending on location products and services offered include Sales & Revenue Management, Marketing & Online Engagement, Financials & Accounting, Information Technologies, Food & Beverage, Fitness, Spa & Sport, and Human Resources.

Marcus theaters are dedicated to innovation, both by way of technology and offering complementary services at theater locations. The Marcus Corporation theaters operate under five brands: Marcus Theatres, Movie Tavern, BistroPlex, and one family owned entertainment center.

\$ 8.33  
BUY

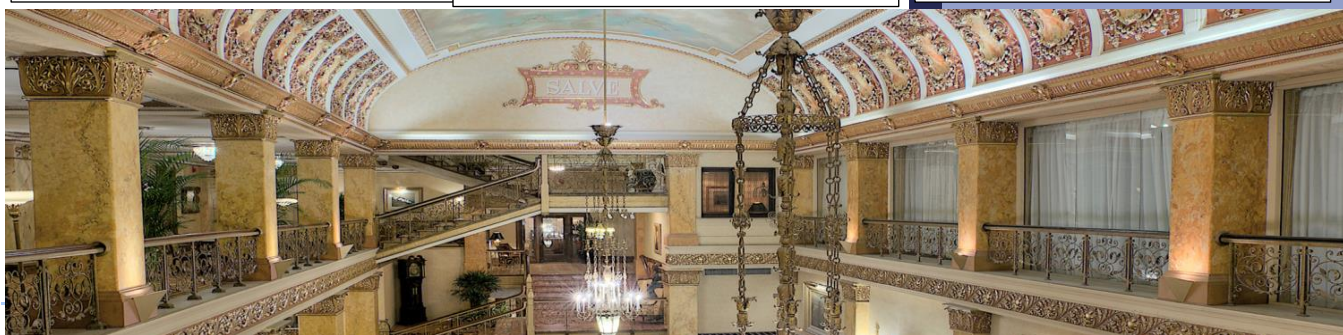
| Valuation Methodology           |         |
|---------------------------------|---------|
| Method #1<br>Stock Price        | \$ 8.33 |
| Method #4<br>Trading Comparable | \$ 9.54 |
| Method #6<br>DCF Analysis       | \$ 8.09 |
| <b>Average of Methods</b>       | \$ 8.82 |

Financial Summary  
(06/25/2020)

|             |               |
|-------------|---------------|
| Revenues:   | \$ 558,400 mm |
| EBITDA:     | \$ 44,900 mm  |
| Net Income: | \$ 24,290 mm  |

Market Data

|                                 |            |
|---------------------------------|------------|
| Market Cap (Intraday)           | 232.022 mm |
| Enterprise Value (Oct 25, 2020) | 920,630 mm |
| Enterprise Value/EBITDA (ttm)   | 22.07      |





**Financial Analysis**  
**LTM (07/25/2020)**

**Solvency Ratios**

LTD/Total Capitalization: 52.3%

Interest Coverage: 6.2X

LTD/EBITDA: 1.76x

**Profitability Ratios**

Gross Margin: 38.3%

EBITDA Margin: 8.04%

EBIT Margin: -4.9%

ROA: -1,2%

ROE TTM: -4.1%

**Marcus' Top Competitors**



Hilton Hotels and Resorts is one of Marcus' top competitors with a market cap of 25.063B. The global brand has ~173,000 employees. LTM (06/2020)

Hilton had a gross profit of 13.3%,

ROA of 3.3%, and ROE of 1.2%.

Operating cash flows were 1.68 Billion



Park Hotels & Resorts Is another competitor of Marcus with a market cap of 2.368B. Park has ~490 employees. Park has a profit margin of -14.95% (03/2020), ROA of -0.05%, and ROE of -14.95%. Operating cash flows were 97 million.

## FINANCIAL ANALYSIS FY 19 VS LTM

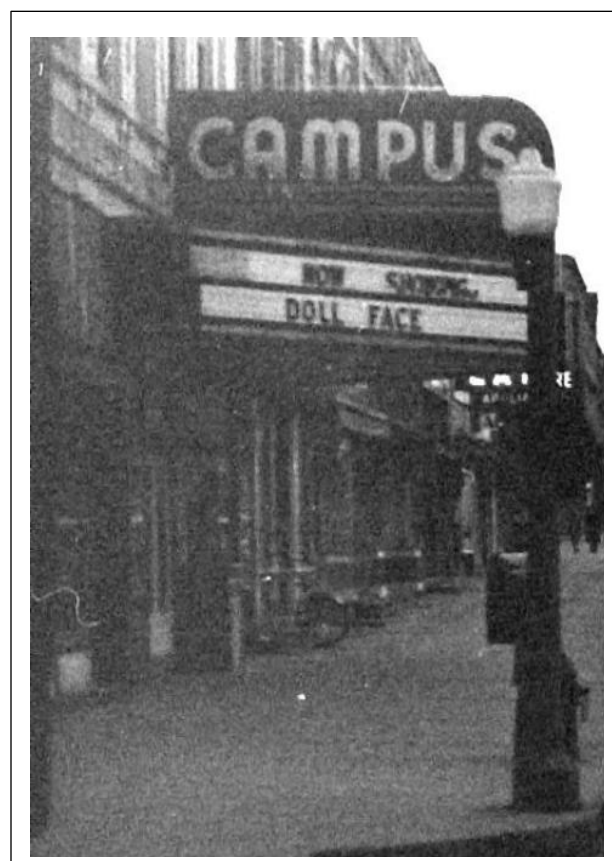
### Operations:

- **Revenues** decrease between FY 19 and LTM by over \$202 million or -28.7%. This significant downward movement can be attributed to the COVID-19 pandemic, which started effecting the industry as early as January 2020. This downturn bucks against a historical positive trend for Marcus, which saw a revenue increase by 16.5% from FY 18 and FY 19.
- **Gross Profit** decreases over LTM in comparison to FY 19 by 115.4 Million or 38.3% of total revenue. This figure also expressing the impact of COVID-19 on the company. In comparison, between FY 18 and FY 19 gross profit increased by \$21.9 Million.
- **Operating Expenses** decreased slightly LTM compared to FY 19 by \$15 million. This was following a large increase between FY 18 and FY 19, \$35.7 million.
- **As a result**, net income experienced a decrease by \$66.3 million from FY 19 to LTM. Each line item on the income statement for LTM saw a decrease in comparison to FY 2019. It is important to keep LTM valuations in context, The Marcus Corporation's business is near wholly dependent upon industries that have been most effected by the COVID-19 pandemic: Hotels & Resorts, Movie Theaters, and Resturants.

## The Marcus Corporation (MCS)

### Income Statement

| (000's)                                | LTM             | Dec 31         | Dec 31         | Dec 31         |
|--|-----------------|----------------|----------------|----------------|
|  | 2020            | 2019           | 2018           | 2017           |
| <b>Total Revenue</b>                   | <b>558,400</b>  | <b>783,700</b> | <b>672,800</b> | <b>622,714</b> |
| Cost of Revenue                        | 344,300         | 454,200        | 365,200        | 340,565        |
| Gross Profit                           | 214,100         | 329,500        | 307,600        | 282,149        |
| <b>Total Operating Expenses</b>        | <b>241,400</b>  | <b>256,400</b> | <b>220,700</b> | <b>206,000</b> |
| <b>EBIT (Operating Income or Loss)</b> | <b>(42,414)</b> | <b>66,226</b>  | <b>79,671</b>  | <b>80,210</b>  |
| Interest Expense                       | 11,684          | 11,791         | 13,079         | 12,100         |
| EBT & other                            | (67,602)        | 50,596         | 63,074         | 72,725         |
| Income/Tax                             | (29,778)        | 12,320         | 13,127         | 3,625          |
| Expenses                               |                 |                |                |                |
| Other                                  |                 |                |                |                |
| Income/Expenses                        | (13,504)        | (3,839)        | (3,518)        | 4,615          |
| Net                                    |                 |                |                |                |
| EBT                                    | (67,602)        | 50,596         | 63,074         | 72,725         |
| Income Tax                             | (29,778)        | 12,320         | 13,127         | 3,625          |
| Expense                                |                 |                |                |                |
| <b>Net Income</b>                      | <b>(24,290)</b> | <b>42,017</b>  | <b>53,391</b>  | <b>64,996</b>  |



## FINANCIAL ANALYSIS FY 19 VS LTM

### BALANCE SHEET

|   | LTM            | Dec 31         | Dec 31        | Dec 31         |
|---|----------------|----------------|---------------|----------------|
| (\$000's)                                     | 2020           | 2019           | 2018          | 2017           |
| <b>Assets</b>                                 |                |                |               |                |
| <u>Current Assets</u>                         |                |                |               |                |
| Cash & Cash                                   |                |                |               |                |
| Equivalents                                   | 79600          | 20862          | 17114         | 16248          |
| Other ST Investments                          | 500            | 5825           | 5302          | 4100           |
| Total Cash                                    | 80100          | 26687          | 22416         | 16248          |
| Net Receivables                               | 7300           | 10089          | 8899          | 11408          |
| Inventory                                     | 0              | 4756           | 4813          | 4499           |
| Total Current Assets                          | 158000         | 79264          | 68949         | 76721          |
| <u>Non-current assets</u>                     |                |                |               |                |
| Gross PPE                                     | 1784500        | 1777687        | 1394912       | 1356652        |
| Accum/ Depreciation                           | -648200        | -610578        | -554869       | -496588        |
| Net PPE                                       | 1136300        | 1167109        | 840043        | 860064         |
| LT Investments                                | 3100           | 3595           | 4069          | 4239           |
| Goodwill                                      | 75235          | 75282          | 43170         | 43492          |
| Intangible Assets                             | 0              | 10057          | 9708          | 10192          |
| Other long-term assets                        | 32775          | 23879          | 23392         | 23089          |
| Tot. non-current assets                       | 1247410        | 1279922        | 920382        | 941076         |
| <b>Total Assets</b>                           | <b>1405400</b> | <b>1359186</b> | <b>989331</b> | <b>1017797</b> |
| <u>Liabilities</u>                            |                |                |               |                |
| Curr. Port. Of Leases                         | 21800          | 15900          | 5900          | 7600           |
| Accounts Payable                              | 11585          | 49370          | 37452         | 51541          |
| Accr liabilities                              | 73300          | 91800          | 95900         | 88600          |
| Une Revenue, Current                          | 4600           | 8000           | 0             | 0              |
| ST Borrowings                                 | 90200          | 0              | 0             | 0              |
| Other Curr Liabilities                        | 700            | 0              | 0             | 0              |
| Curr Portion, LT Debt                         | 2765           | 9910           | 9957          | 12016          |
| Tot. Curr. Liabilities                        | 204950         | 174980         | 149209        | 159757         |
| <u>Non-Current Liabilities</u>                |                |                |               |                |
| LT Debt                                       | 259113         | 206432         | 228863        | 289813         |
| Def taxes liabilities                         | 57100          | 48262          | 41977         | 38233          |
| Pension & Retire. Ben.                        | 0              | 42400          | 34300         | 36300          |
| Other Ncurr Liabilities                       | 56000          | 11500          | 22400         | 20400          |
| LT Leases                                     | 255200         | 252900         | 22200         | 28300          |
| Tot non-curr. liabilities                     | 627413         | 561494         | 349740        | 413046         |
| Total Liabilities                             | 832363         | 736474         | 498949        | 572803         |
| <u>Stockholders' Equity</u>                   |                |                |               |                |
| Common Stock                                  | 31190          | 31190          | 31190         | 31190          |
| Retained Earnings                             | 410400         | 461884         | 439178        | 403206         |
| Comm Equity, Other                            | 131400         | 128500         | 19800         | 11500          |
| Tot. stockholders equity                      | 572990         | 621574         | 490168        | 445896         |
| <u>Liabilities &amp; Stockholders' Equity</u> |                |                |               |                |
|   | <b>1405353</b> | <b>1358048</b> | <b>989117</b> | <b>1018699</b> |

### Leverage:

- Total Debt increased between FY 19 and LTM by \$143 mm. This is on trend from the previous year which saw an increase as well.
- LTM Marcus has added 90.22 mm in short term borrowing, which is the key contributor to the increase.



# The Marcus Corp.

## Evaluation Analysis

### CASH FLOW ANALYSIS

|                                       | LTM           | Dec 31        | Dec 31        | Dec 31        |
|---------------------------------------|---------------|---------------|---------------|---------------|
| (\$000)                               | 2020          | 2019          | 2018          | 2017          |
| Net Income                            | -242900       | 420170        | 533910        | 649960        |
| Depreciation                          | 37622         | 55709         | 58281         | 39098         |
| Amortization                          | -10057        | 349           | -484          | 706           |
| Deferred Taxes                        | 8838          | 6285          | 3744          | -8200         |
| Cash Income                           | 12113         | 104360        | 114932        | 96600         |
| <b>Working Capital Activity</b>       |               |               |               |               |
| Net Receivables                       | 2789          | -1190         | 2509          | -4855         |
| Inventory                             | 4756          | 57            | -314          | 967           |
| Accounts Payable                      | -37785        | 11918         | -14089        | 20335         |
| Accrued liabilities                   | -18500        | -4100         | 7300          | 36300         |
| <b>Tot Working Capital</b>            | <b>-12.34</b> | <b>-89.48</b> | <b>-86.85</b> | <b>-83.85</b> |
| <b>Operating Cash Flow (OCF) (mm)</b> | <b>26.7</b>   | <b>141.4</b>  | <b>137.4</b>  | <b>109.0</b>  |
| <b>Investment Activities</b>          |               |               |               |               |
| Capital Expenditure                   | -49510        | -64100        | -58700        | -114800       |
| Cash from Investing                   | -373000       | -939000       | -593000       | 1012000       |
| <b>Financing Activity</b>             |               |               |               |               |
| ST Debt                               | -7145         | -47           | -2059         | -24           |
| LT Debt                               | 52681         | -22431        | -60950        | 18470         |
| LT Deferred Rev                       | 0             | 0             | 0             | 0             |
| Other LT Liabilities                  | 0             | 0             | 0             | 0             |
| <b>Tot Financing Act</b>              | <b>45536</b>  | <b>-22478</b> | <b>-63009</b> | <b>18446</b>  |

### Cash Flows:

Operating Activities: Net cash provided by operating activities decreased by \$114.7 mm from FY 19 to LTM as compared to the previous year, which saw an increase of \$4.0 mm. This can nearly all be contributed to the COVID-19 pandemic. Over the past six months, Marcus has seen an increase of \$70.73mm change in working capital. Considering LTM, the previous FY contributes \$141.48 to effect the overall number.

Investing Activities: Cash used in investing activities decreased by \$56.6mm between FY 19 and LTM. This drop primarily came in the form of a decrease in cash acquisitions which were up in FY over the past 3 years. LTM much of this is derived from capital expenditure.

Financing Activities: Net cash flows from financing activities were up dramatically from previous years. Marcus took on, in total 282.01 mm in long term debt alone over LTM. Total debt repaid currently stands at \$148.67mm LTM. Issuance of common stock, repurchase of common stock, dividends paid and other financing activities only account for a marginal amount of the total.



## RATIO ANALYSIS



|   | LTM          | Dec 31        | Dec 31        | Dec 31        | 4 Year        |
|---|--------------|---------------|---------------|---------------|---------------|
|   | 2020         | 2019          | 2018          | 2017          | AVERAGE       |
| <b>EBITDA (\$ 000's)</b>                      | <b>44900</b> | <b>141700</b> | <b>144900</b> | <b>127600</b> | <b>114775</b> |
| <b><u>TREND ANALYSIS</u></b>                  |              |               |               |               |               |
| Rev Growth                                    | -28.7%       | 16.5%         | 8.0%          | 15.2%         | 2.74%         |
| CAPEX Grow Pri Year                           | -12.9%       | 9.2%          | -48.9%        | 37.3%         | -3.83%        |
| <b><u>LIQUIDITY RATIOS</u></b>                |              |               |               |               |               |
| Current Ratio                                 | 0.77         | 0.45          | 0.46          | 0.48          | 0.54          |
| Quick Ratio                                   | 0.43         | 0.21          | 0.21          | 0.17          | 0.25          |
| Acc Receiv. Turnover                          | 64.22        | 82.55         | 66.26         | 69.34         | 70.59         |
| Acc Receiv Days                               | 5.68         | 4.42          | 5.51          | 5.26          | 5.22          |
| Avg. Days Sales Out.                          | 13.10        | 4.70          | 6.10          | 5.80          | 7.43          |
| Avg. Cash Conv. Cycle                         | -            | (26.10)       | (34.20)       | (33.90)       | (31.40)       |
| <b><u>SOLVENCY RATIOS</u></b>                 |              |               |               |               |               |
| Total Debt / Total Capitalization (Cap Ratio) | 31.4%        | 25.8%         | 32.8%         | 40.4%         | 32.6%         |
| EBITDA/ Interest (Coverage Ratio)             | 3.84         | 12.02         | 11.08         | 10.55         | 9.37          |
| Total Debt / EBITDA (Leverage Ratio)          | 5.83         | 1.53          | 1.65          | 2.37          | 2.84          |
| <b><u>PROFITABILITY RATIO</u></b>             |              |               |               |               |               |
| Gross Profit                                  | 38.3%        | 42.0%         | 45.7%         | 45.3%         | 42.85%        |
| EBITDA Margin                                 | 8.04%        | 18.08%        | 21.54%        | 20.49%        | 17.04%        |
| EBIT Margin                                   | -4.90%       | 9.30%         | 12.90%        | 12.10%        | 7.35%         |
| Return on Assets (ROA)                        | -1.76%       | 3.58%         | 5.32%         | 6.74%         | 3.47%         |
| Return on Equity (ROE)                        | -1.02%       | 1.89%         | 2.85%         | 3.89%         | 1.90%         |





## PROJECTION ANALYSIS ASSUMPTIONS



### Revenues:

- Assumptions from the historical Revenue growth vary from 11.9% in 2017 to -28.7 % LTM. From FY 17 to LTM, revenue growth has averaged 5.3%. Based on the effect COVID-19 is having on the hospitality industry, it can be determined that this will continue to have a major effect on Revenues. We have taken this into account for FY 20 revenue growth rate, having assume a -30.0% through the end of the fiscal year.
- FY 21 is when we assume the hospitality industry and Marcus will begin to experience an increase in revenue. Conservative assumptions have been made to reflect the gradual reopening of hotels, movie theaters and restaurant in FY 21. It can be assumed that FY 22 will again see a higher than average revenue growth rate before settling closer to the historical average by FY 23 and forward.

### EBITDA:

- Using the same rational as above, EBITDA and EBITDA Margin will continue to improve in the fiscal years following the pandemic. It has been forecasted that EBITDA will reach a low point at the end of FY 20, but will improve to 484,430 in FY 21. This positive trend can anticipate to continue follow the pandemic.

### Other Assumptions:

- Other assumptions taken into account include: Gross profit, Debt decreases, Interest Payment, Cost of Revenue as a % of Revenue, Operating Expense as a % of Revenues, Taxes as a % of EBIT, Working Capital as a % of Revenues, Capex % Revenue, and estimated Debt payment.
- The methodology for calculating each was similar. Calculate the historical averages over the past 4 years then, factor in the effect of COVID-19.

# PROJECTION ANALYSIS

| (\$000's)                            |                |                      | PROJECTED       |             |             |             |             |             |
|--------------------------------------|----------------|----------------------|-----------------|-------------|-------------|-------------|-------------|-------------|
|                                      | 4-Year Average | Operating Assumption | Dec 31 2020     | Dec 31 2021 | Dec 31 2022 | Dec 31 2023 | Dec 31 2024 | Dec 31 2025 |
| Total Revenue                        |                |                      | 3,908,800       | 6,254,080   | 7,295,259   | 8,024,785   | 8,827,263   | 9,709,989   |
| Revenue Growth                       | 5.3%           | 5.3%                 | -30.0%          | 60.0%       | 16.6%       | 10.0%       | 10.0%       | 10.0%       |
| Cost of Revenue                      |                |                      | 2,297,047       | 3,675,275   | 4,287,134   | 4,715,848   | 5,187,433   | 5,706,176   |
| Gross Profit                         |                |                      | 1,611,753       | 2,578,805   | 3,008,124   | 3,308,937   | 3,639,830   | 4,003,813   |
| Gross profit                         | 41.2%          | 41.2%                | 41.2%           | 41.2%       | 41.2%       | 41.2%       | 41.2%       | 41.2%       |
| Total Operating Expenses             |                |                      | 1,431,164       | 2,289,862   | 2,671,078   | 2,938,185   | 3,232,004   | 3,555,204   |
| EBIT (Operating Income or Loss)      |                |                      | 180,590         | 288,943     | 337,047     | 370,751     | 407,826     | 448,609     |
| Interest Expense                     |                |                      | 11,785          | 11,077      | 10,494      | 9,911       | 9,328       | 8,745       |
| EBT & other Income/Expenses          |                |                      | 168,805         | 277,866     | 326,553     | 360,840     | 398,498     | 439,864     |
| Other Income/Expenses Net            |                |                      | -               | -           | -           | -           | -           | -           |
| EBT                                  |                |                      | 168,805         | 277,866     | 326,553     | 360,840     | 398,498     | 439,864     |
| Income Tax Expense                   |                |                      | 32,848          | 52,557      | 61,307      | 67,438      | 74,182      | 81,600      |
| Net Income                           |                |                      | 135,957         | 225,309     | 265,245     | 293,402     | 324,317     | 358,264     |
| Depreciation                         |                |                      | 122,179         | 195,487     | 228,031     | 250,834     | 275,918     | 303,510     |
| Working Capital                      |                |                      | 32,848          | 52,557      | 61,307      | 67,438      | 74,182      | 81,600      |
| Capital Expenditure                  |                |                      | (122,179)       | (195,487)   | (228,031)   | (250,834)   | (275,918)   | (303,510)   |
| Current Portion of Long Term Debt    |                |                      |                 |             |             |             |             |             |
| Long Term Debt                       |                |                      |                 |             |             |             |             |             |
| Total Debt                           |                |                      | 246,157         | 233,202     | 220,246     | 207,290     | 194,335     | 181,379     |
| Debt Decrease                        |                | 5.00%                | 12,956          | 12,956      | 12,956      | 12,956      | 12,956      | 12,956      |
| Interest Payment                     | 4.50%          | 4.50%                | 11,785          | 11,077      | 10,494      | 9,911       | 9,328       | 8,745       |
| OPERATING ASSUMPTIONS                |                |                      | Dec 31 2020     | Dec 31 2021 | Dec 31 2022 | Dec 31 2023 | Dec 31 2024 | Dec 31 2025 |
| EBITDA (\$ 000's)                    |                |                      | 302,769         | 484,430     | 565,078     | 621,586     | 683,744     | 752,119     |
| Revenue Growth                       | 5.30%          | 10.00%               | -30.0%          | 60.0%       | 16.6%       | 10.0%       | 10.0%       | 10.0%       |
|                                      |                |                      | Hist. Avg       |             |             |             |             |             |
| Cost of Revenue as % of Revenue      | 58.85%         | 58.85%               | 58.8%           | 58.8%       | 58.8%       | 58.8%       | 58.8%       | 58.8%       |
| Operating Expense as % of Revenues   | 36.52%         | 36.5%                | 36.6%           | 36.6%       | 36.6%       | 36.6%       | 36.6%       | 36.6%       |
| Taxes as a % of EBIT                 | -3.23%         | 38.9%                | 38.88%          | 38.88%      | 38.88%      | 38.88%      | 38.88%      | 38.88%      |
| Working Capital as % of Revenues     | -0.84%         | -0.8%                | -0.84%          | -0.84%      | -0.84%      | -0.84%      | -0.84%      | -0.84%      |
| Capex % Revenue                      | 3.13%          | 3.1%                 | 3.1%            | 3.1%        | 3.1%        | 3.1%        | 3.1%        | 3.1%        |
|                                      |                |                      | Set equal Capex |             |             |             |             |             |
| Depreciation % Revenue               |                |                      | 3.1%            | 3.1%        | 3.1%        | 3.1%        | 3.1%        | 3.1%        |
| Total Debt                           |                |                      | 246,157         | 233,202     | 220,246     | 207,290     | 194,335     | 181,379     |
| Debt Repayment \$                    |                |                      | 12,956          | 12,956      | 12,956      | 12,956      | 12,956      | 12,956      |
| Estimated Debt Repayment % of 6/2020 |                | 5.00%                | 5.0%            | 5.0%        | 5.0%        | 5.0%        | 5.0%        | 5.0%        |

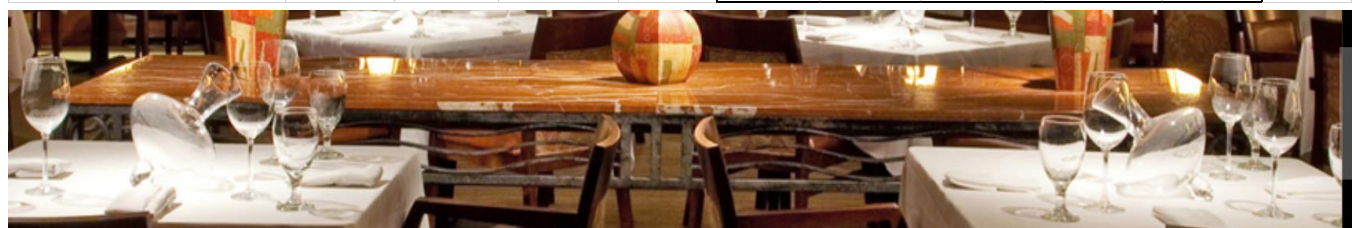


# VALUATIONS ANALYSIS

| METHOD #1 - Market Value / Using the Stock Price |        |             |                            |                      |                      |              |                          |
|--|--------|-------------|----------------------------|----------------------|----------------------|--------------|--------------------------|
| Calculations                                     |        | SP          | SO                         | SP * SO = EQ         | D                    | C            | EQ + D - C = EV          |
| Company  | Symbol | Stock Price | Stocks Outstanding (\$000) | Equity Value (\$000) | Debt (ST&LT) (\$000) | Cash (\$000) | Enterprise Value (\$000) |
| Marcus Corporation                               | MCS    | \$ 8.33     | 311,000                    | 2,590,630            | 6,290,000            | 7,960,000    | 920,630                  |

| METHOD #4 - Average EBITDA Industry Trading Multiples |           |                                |                                  |                                      |                           |                   |   |                    |                           |                |
|---|-----------|--------------------------------|----------------------------------|--------------------------------------|---------------------------|-------------------|---|--------------------|---------------------------|----------------|
| Company   | Symbol    | SP<br>Stock Price (10/23/2020) | SO<br>Stocks Outstanding (\$000) | SP * SO = EQ<br>Equity Value (\$000) | D<br>Debt (ST&LT) (\$000) | C<br>Cash (\$000) | EQ + D - C = EV<br>Enterprise Value (\$000) | E<br>EBITDA (\$mm) | EV / E<br>EBITDA Multiple | EV / E<br>Beta |
| Choice Hotels International                           | CHH       | \$ 92.24                       | 55,360                           | 5,106,406                            | 1,260,000                 | 314,140           | 6,052,266                                   | 264,220            | 22.91x                    | 1.35x          |
| Hilton Worldwide Holdings Inc.                        | HLT       | \$ 94.66                       | 277,260                          | 26,245,432                           | 11,670,000                | 3,500,000         | 34,415,432                                  | 1,060,000          | 32.47x                    | 1.30x          |
| Intercontinental Hotel                                | IHG       | \$ 54.60                       | 182,660                          | 9,973,236                            | 3,230,000                 | 689,000           | 12,514,236                                  | 437,000            | 28.64x                    | 0.93x          |
| Hyatt Hotels Corporation                              | H         | \$ 59.03                       | 103,329                          | 6,099,511                            | 1,521,000                 | 1,438,000         | 6,182,511                                   | 217,000            | 28.49x                    | 1.41x          |
| Marriott International                                | MAR       | \$ 101.08                      | 324,320                          | 32,782,266                           | 12,770,000                | 2,280,000         | 43,272,266                                  | 1,600,000          | 27.05x                    | 1.70x          |
| Park Hotels & Resorts Inc.                            | PK        | \$ 10.80                       | 235,590                          | 2,544,372                            | 5,370,000                 | 1,270,000         | 6,644,372                                   | 282,000            | 23.56x                    | 1.90x          |
| Wyndham Worldwide                                     | WYNN      | \$ 78.56                       | 107,850                          | 8,472,696                            | 12,830,000                | 3,800,000         | 17,602,696                                  | 339,160            | 51.90x                    | 2.34x          |
| Marcus Corporation                                    | MCS       | \$ 8.33                        | 311,000                          | 175,557                              | 6,290,000                 | 7,960,000         | 7,245,170                                   | 44,900             | 16.13x                    | 1.50x          |
| EBITDA * Average Multiple                             | 44,900    | 28.89x (Covid High)            |                                  |                                      |                           |                   | Average                                     | 530,535            | 28.89x                    | 1.55x          |
| Marcus' Enterprise Value                              | 1,297,266 |                                |                                  |                                      |                           |                   |   |                    |                           |                |

| METHOD #6 - Discount Cash Flow Valuation Analysis         |                                  |                            |             |             |             |             |             |             |            |           |
|---|----------------------------------|----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|------------|-----------|
|   |                                  | year =                     | 1           | 2           | 3           | 4           | 5           | 6           |            |           |
|   |                                  | Input Actual               | 6/30/2020   | 12/31/2020  | 12/31/2021  | 12/31/2022  | 12/31/2023  | 12/31/2024  | 12/31/2025 | EXIT YEAR |
| Revenues  |                                  | 5,584,000                  | 3,908,800   | 6,254,080   | 7,295,259   | 8,024,785   | 8,827,263   | 9,709,989   |            |           |
| Revenue Growth  |                                  |                            | -30.0%      | 60.0%       | 16.6%       | 10.0%       | 10.0%       | 10.0%       |            |           |
| Cost of Revenues (CoGS)                                   |                                  | (3,443,000)                | (2,297,047) | (3,675,275) | (4,287,134) | (4,715,848) | (5,187,433) | (5,706,176) |            |           |
| Operating Expenses (Excl. Non-rec.)                       |                                  | (2,414,000)                | (1,431,164) | (2,289,862) | (2,671,078) | (2,938,185) | (3,232,004) | (3,555,204) |            |           |
| EBIT  |                                  | (273,000)                  | 180,589     | 288,944     | 337,047     | 370,751     | 407,827     | 448,609     |            |           |
| Less Taxes (tax rate x of EBIT)                           | 22.00%                           |                            | (39,730)    | (63,568)    | (74,150)    | (81,565)    | (89,722)    | (98,694)    |            |           |
| Plus Depreciation   |                                  |                            | 122,179     | 195,487     | 228,031     | 250,834     | 275,918     | 303,510     |            |           |
| Less Capex  |                                  |                            | (122,179)   | (195,487)   | (228,031)   | (250,834)   | (275,918)   | (303,510)   |            |           |
| Cash Flow   |                                  |                            | 140,860     | 225,376     | 262,896     | 289,186     | 318,105     | 349,915     |            |           |
| EBITDA  |                                  | 44,900                     | 302,769     | 484,430     | 565,078     | 621,586     | 683,744     | 752,119     |            |           |
| Debt (assuming 5% reduction of intial principal per year) |                                  | 2,618,780                  | 2,461,570   | 2,332,020   | 2,202,460   | 2,072,900   | 1,943,350   | 1,813,790   |            |           |
| <b>Terminal Value</b>                                     | <b>Assumptions</b>               | <b>Growth</b>              |             |             |             |             |             |             |            |           |
| EBITDA Multiple Method                                    | 14.33x using M#5                 | (EBITDA x EBITDA Multiple) |             |             |             |             | 9,798,056   |             |            |           |
| Perpetuity Method   | 12.03%                           | 9.62% (80% of WACC)        |             |             |             |             | 14,547,707  |             |            |           |
| Average   |                                  |                            |             |             |             |             | 12,172,882  |             |            |           |
| Less Debt Outstanding (at Exit)                           |                                  |                            |             |             |             |             | (1,943,350) |             |            |           |
| Plus Cash (at Exit)                                       |                                  |                            |             |             |             |             | -           | Assume \$0  |            |           |
| Equity Value at Terminal                                  |                                  |                            |             |             |             |             | 10,229,532  |             |            |           |
| Equity Cash Flows   | 13.75%                           |                            | 140,860     | 225,376     | 262,896     | 289,186     | 318,105     | 349,915     |            |           |
| PV (1) =  | 0.8791209                        | \$123,833                  |             |             |             |             |             |             |            |           |
| PV (2) =  | 0.7728535                        | \$174,183                  |             |             |             |             |             |             |            |           |
| PV (3) =  | 0.6794317                        | \$178,620                  |             |             |             |             |             |             |            |           |
| PV (4) =  | 0.5973026                        | \$172,732                  |             |             |             |             |             |             |            |           |
| PV (5) =  | 0.5251012                        | \$5,538,576                |             |             |             |             |             |             |            |           |
| PV=   |                                  | \$6,187,943                |             |             |             |             |             |             |            |           |
| <b>Enterprise Value =</b>                                 | <b>PV of Equity + PV of Debt</b> |                            |             |             |             |             |             |             |            |           |
| PV of Equity =  |                                  | \$6,187,943                |             |             |             |             |             |             |            |           |
| + PV of Debt =  |                                  | 2,618,780                  |             |             |             |             |             |             |            |           |
| - PV of Cash =  |                                  | (7,960,000)                |             |             |             |             |             |             |            |           |
| Marcus' Enterprise Value                                  |                                  | 846,723                    |             |             |             |             |             |             |            |           |
| <b>Cost of Equity Calc</b>                                |                                  |                            |             |             |             |             |             |             |            |           |
| Risk Free Rate (5 year)                                   |                                  | 1.00%                      |             |             |             |             |             |             | 116,840    |           |
| Premium based on MC =                                     |                                  | 8.50%                      |             |             |             |             |             |             | 4.46% Rate |           |
| Hyatt Beta =  |                                  | 1.50x                      |             |             |             |             |             |             |            |           |
| Expected Equity Return =                                  |                                  | 13.8%                      |             |             |             |             |             |             |            |           |
| <b>WACC Calc:</b>   |                                  |                            |             |             |             |             |             |             |            |           |
| Debt  | 629,000                          | 16.8%                      | 3.480%      | 0.584%      |             |             |             |             |            |           |
| BV Equity   | 3,119,000                        | 83.2%                      | 13.750%     | 11.442%     |             |             |             |             |            |           |
|   | 3,748,000                        | 100.0%                     |             | 12.026%     |             |             |             |             |            |           |

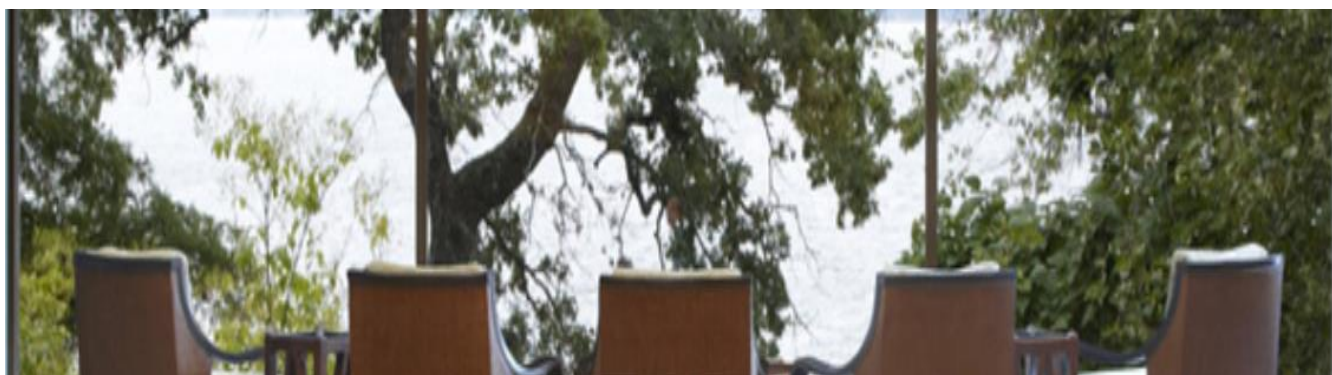


## VALUATION ANALYSIS DISCUSSION

### Valuation Analysis Discussion:

When comparing The Marcus Corporation with its competitors, it appears to currently have good value. With an EBITDA multiple of 16.13x it is well below the average and all of its competitors. Using method #4, the company's closest competitors, in terms of value, are Park Hotels & Resorts Inc. and Choice Hotels International, with multiples of 23.56x and 22.91x respectively. Using method #4, The Marcus Company have an average multiple of 28.89x and average EBITDA of 530,535. However, when accounting for COVID-19, companies that operate in competing sectors and geographies will see similar future growth.

Based on Method #6 (DCF), The Marcus Corporation has a enterprise value of \$846,723 mm. As predicted, using method #6, Present value will continue to increase following a rebound from FY 20. Assumptions would dictate that the largest increase is going to take place in FY 21, or the year which proceeds COVID-19's impact on the industry.



### Results:

This analysis' recommendation is to buy The Marcus Company's stock. As show, the price of the stock is currently undervalued and has considerable upside. Compared to Marcus' competitors, the stock is currently trading at a low price, \$8.33. Although the average of the three methods suggests the fair market value is \$8.82, a \$.50 difference. Considering the low price compared to competitors, purchasing stock in Marcus offers a unique opportunity; to access an industry near bottom which is predicted to have a strong rebound over the forecasted years.

### ENTERPRISE VALUATION ANALYSIS

|  | EV<br>(000's)    | Debt<br>(000's) | Cash<br>(000's) | Eq Value<br>(000's) | Shares Outs<br>(000's) | Stock<br>Price | Recom.<br>(-10%/+10%) |
|--|------------------|-----------------|-----------------|---------------------|------------------------|----------------|-----------------------|
| METHOD #1 - Market Value / Using the Stock Price     | 920,630          | 6,290,000       | 7,960,000       | 2,590,630           | 311,000                | \$ 8.33        |                       |
| METHOD #4 -Average EBITDA Industry Trading Multiples | 1,297,266        | 6,290,000       | 7,960,000       | 2,967,266           | 311,000                | \$ 9.54        | Buy                   |
| METHOD #6 - Discount Cash Flow Valuation Analysis    | 846,723          | 6,290,000       | 7,960,000       | 2,516,723           | 311,000                | \$ 8.09        | Sell                  |
| <b>Average of other methods</b>                      | <b>1,071,995</b> | 6,290,000       | 7,960,000       | <b>2,741,995</b>    | 311,000                | <b>\$ 8.82</b> | Buy                   |

## TECHNICAL ANALYSIS



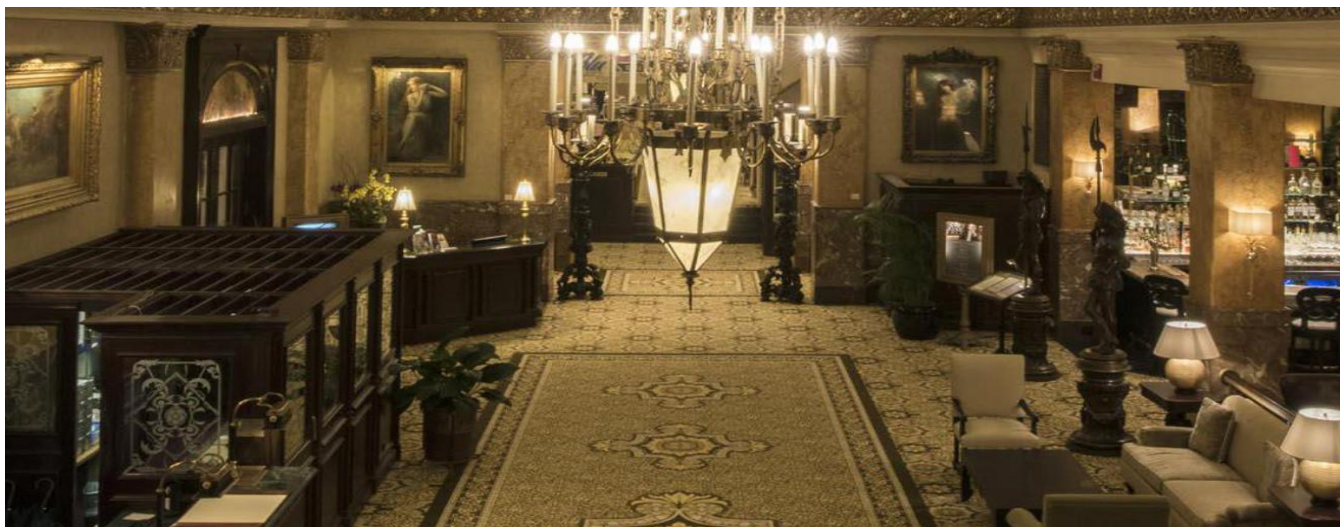
### MARCUS STOCK

|                            |         |
|----------------------------|---------|
| 5 Year Average Stock:      | \$28.10 |
| 5 Year High:               | \$44.57 |
| 5 Year Low:                | \$7.64  |
| 5 Year Monthly Avg Change: | -0.15%  |
| Standard Deviation:        | 6.67%   |
| Skew:                      | -1.48   |

### S&P Index

|                            |             |
|----------------------------|-------------|
| 5 Year Average:            | 2615.2318   |
| 5 Year High:               | 3508.01001  |
| 5 Year Low:                | 1864.780029 |
| 5 Year Monthly Avg Change: | 0.24%       |
| Standard Deviation:        | 2.46%       |
| Skew:                      | -1.500      |

5 Year Beta Coefficient: 1.7184





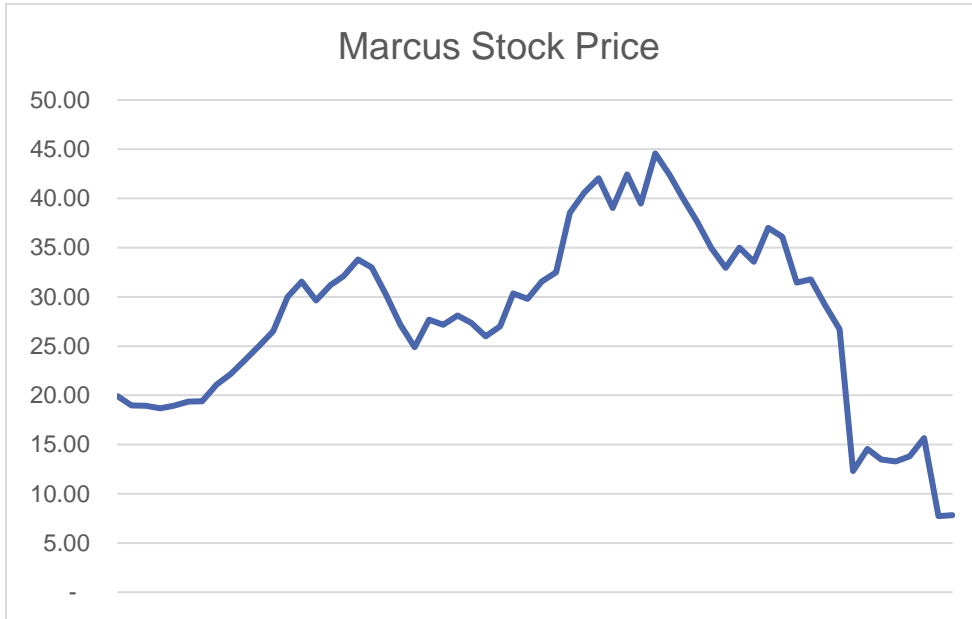
# The Marcus Corp.

## Evaluation Analysis

| Historical Graph |        | Y      | X      | Y-Avg(y) | X-Avg (X) | $\frac{1}{Y-Avg(Y)+X-Avg(X)}$ | $x^2$         | Cummulative Monthly Change |        |       |
|------------------|--------|--------|--------|----------|-----------|-------------------------------|---------------|----------------------------|--------|-------|
| Date             | Marcus | Marcus | S&P    |          |           |                               |               | Date                       | Marcus | S&P   |
| 11/1/2015        | 19.90  | -4.7%  | -1.8%  | -4.2%    | -2.8%     | 0.1167%                       | 0.0307%       |                            |        |       |
| 12/1/2015        | 18.97  | -0.2%  | -5.1%  | 0.4%     | -6.1%     | -0.0219%                      | 0.2574%       | 12/1/2015                  | -4.7%  | -1.8% |
| 1/1/2016         | 18.94  | -1.4%  | -0.4%  | -0.9%    | -1.5%     | 0.0126%                       | 0.0017%       | 1/1/2016                   | -4.8%  | -6.8% |
| 2/1/2016         | 18.68  | 1.4%   | 6.6%   | 2.0%     | 5.5%      | 0.1087%                       | 0.4355%       | 2/1/2016                   | -6.2%  | -7.2% |
| 3/1/2016         | 18.95  | 2.1%   | 0.3%   | 2.6%     | -0.8%     | -0.0206%                      | 0.0007%       | 3/1/2016                   | -4.8%  | -0.6% |
| 4/1/2016         | 19.35  | 0.3%   | 1.5%   | 0.8%     | 0.5%      | 0.0037%                       | 0.0235%       | 4/1/2016                   | -2.6%  | -0.4% |
| 5/1/2016         | 19.40  | 8.8%   | 0.1%   | 9.3%     | -1.0%     | -0.0893%                      | 0.0001%       | 5/1/2016                   | -2.4%  | 1.2%  |
| 6/1/2016         | 21.10  | 5.0%   | 3.6%   | 5.5%     | 2.5%      | 0.1377%                       | 0.1268%       | 6/1/2016                   | 6.4%   | 1.3%  |
| 7/1/2016         | 22.15  | 6.5%   | -0.1%  | 7.1%     | -1.2%     | -0.0830%                      | 0.0001%       | 7/1/2016                   | 11.3%  | 4.8%  |
| 8/1/2016         | 23.60  | 6.1%   | -0.1%  | 6.6%     | -1.2%     | -0.0779%                      | 0.0002%       | 8/1/2016                   | 17.9%  | 4.7%  |
| 9/1/2016         | 25.04  | 5.8%   | -1.9%  | 6.3%     | -3.0%     | -0.1901%                      | 0.0377%       | 9/1/2016                   | 24.0%  | 4.6%  |
| 10/1/2016        | 26.50  | 13.2%  | 3.4%   | 13.7%    | 2.4%      | 0.3244%                       | 0.1168%       | 10/1/2016                  | 29.8%  | 2.6%  |
| 11/1/2016        | 30.00  | 5.2%   | 1.8%   | 5.7%     | 0.8%      | 0.0435%                       | 0.0331%       | 11/1/2016                  | 43.0%  | 6.0%  |
| 12/1/2016        | 31.55  | -6.0%  | 1.8%   | -5.5%    | 0.7%      | -0.0405%                      | 0.0320%       | 12/1/2016                  | 48.2%  | 7.9%  |
| 1/1/2017         | 29.65  | 5.2%   | 3.7%   | 5.7%     | 2.7%      | 0.1531%                       | 0.1384%       | 1/1/2017                   | 42.2%  | 9.7%  |
| 2/1/2017         | 31.20  | 2.9%   | 0.0%   | 3.4%     | -1.1%     | -0.0372%                      | 0.0000%       | 2/1/2017                   | 47.4%  | 13.4% |
| 3/1/2017         | 32.10  | 5.3%   | 0.9%   | 5.8%     | -0.1%     | -0.0084%                      | 0.0083%       | 3/1/2017                   | 50.3%  | 13.3% |
| 4/1/2017         | 33.80  | -2.4%  | 1.2%   | -1.9%    | 0.1%      | -0.0019%                      | 0.0134%       | 4/1/2017                   | 55.6%  | 14.2% |
| 5/1/2017         | 33.00  | -8.5%  | 0.5%   | -8.0%    | -0.6%     | 0.0456%                       | 0.0023%       | 5/1/2017                   | 53.2%  | 15.4% |
| 6/1/2017         | 30.20  | -9.9%  | 1.9%   | -9.4%    | 0.9%      | -0.0830%                      | 0.0374%       | 6/1/2017                   | 44.7%  | 15.9% |
| 7/1/2017         | 27.20  | -8.5%  | 0.1%   | -7.9%    | -1.0%     | 0.0793%                       | 0.0000%       | 7/1/2017                   | 34.8%  | 17.8% |
| 8/1/2017         | 24.90  | 11.2%  | 1.9%   | 11.8%    | 0.9%      | 0.1031%                       | 0.0373%       | 8/1/2017                   | 26.3%  | 17.9% |
| 9/1/2017         | 27.70  | -2.0%  | 2.2%   | -1.5%    | 1.2%      | -0.0171%                      | 0.0492%       | 9/1/2017                   | 37.6%  | 19.8% |
| 10/1/2017        | 27.15  | 3.5%   | 0.4%   | 4.0%     | -0.7%     | -0.0274%                      | 0.0014%       | 10/1/2017                  | 35.6%  | 22.0% |
| 11/1/2017        | 28.10  | -2.7%  | 3.4%   | -2.2%    | 2.4%      | -0.0513%                      | 0.1179%       | 11/1/2017                  | 39.1%  | 22.4% |
| 12/1/2017        | 27.35  | -4.9%  | 5.6%   | -4.4%    | 4.6%      | -0.2018%                      | 0.3156%       | 12/1/2017                  | 36.4%  | 25.8% |
| 1/1/2018         | 26.00  | 3.8%   | -3.9%  | 4.4%     | -4.9%     | -0.2158%                      | 0.1517%       | 1/1/2018                   | 31.5%  | 31.4% |
| 2/1/2018         | 27.00  | 12.4%  | -2.7%  | 12.9%    | -3.7%     | -0.4836%                      | 0.0723%       | 2/1/2018                   | 35.3%  | 27.5% |
| 3/1/2018         | 30.35  | -1.8%  | 0.3%   | -1.3%    | -0.8%     | 0.0101%                       | 0.0007%       | 3/1/2018                   | 47.8%  | 24.9% |
| 4/1/2018         | 29.80  | 5.9%   | 2.2%   | 6.4%     | 1.1%      | 0.0707%                       | 0.0467%       | 4/1/2018                   | 45.9%  | 25.1% |
| 5/1/2018         | 31.55  | 3.0%   | 0.5%   | 3.5%     | -0.6%     | -0.0201%                      | 0.0023%       | 5/1/2018                   | 51.8%  | 27.3% |
| 6/1/2018         | 32.50  | 18.6%  | 3.6%   | 19.1%    | 2.5%      | 0.4875%                       | 0.1298%       | 6/1/2018                   | 54.8%  | 27.8% |
| 7/1/2018         | 38.55  | 5.3%   | 3.0%   | 5.8%     | 2.0%      | 0.1151%                       | 0.0916%       | 7/1/2018                   | 73.4%  | 31.4% |
| 8/1/2018         | 40.60  | 3.6%   | 0.4%   | 4.1%     | -0.6%     | -0.0255%                      | 0.0018%       | 8/1/2018                   | 78.8%  | 34.4% |
| 9/1/2018         | 42.05  | -7.2%  | -6.9%  | -6.7%    | -8.0%     | 0.5349%                       | 0.4817%       | 9/1/2018                   | 82.3%  | 34.8% |
| 10/1/2018        | 39.02  | 8.8%   | 1.8%   | 9.3%     | 0.7%      | 0.0683%                       | 0.0319%       | 10/1/2018                  | 75.1%  | 27.9% |
| 11/1/2018        | 42.46  | -7.0%  | -9.2%  | -6.5%    | -10.2%    | 0.6606%                       | 0.8423%       | 11/1/2018                  | 83.9%  | 29.7% |
| 12/1/2018        | 39.50  | 12.8%  | 7.9%   | 13.4%    | 6.8%      | 0.9098%                       | 0.6191%       | 12/1/2018                  | 77.0%  | 20.5% |
| 1/1/2019         | 44.57  | -4.9%  | 3.0%   | -4.4%    | 1.9%      | -0.0840%                      | 0.0884%       | 1/1/2019                   | 89.8%  | 28.4% |
| 2/1/2019         | 42.39  | -5.5%  | 1.8%   | -5.0%    | 0.7%      | -0.0370%                      | 0.0321%       | 2/1/2019                   | 84.9%  | 31.3% |
| 3/1/2019         | 40.05  | -6.1%  | 3.9%   | -5.6%    | 2.9%      | -0.1598%                      | 0.1546%       | 3/1/2019                   | 79.4%  | 33.1% |
| 4/1/2019         | 37.62  | -7.1%  | -6.6%  | -6.6%    | -7.6%     | 0.5003%                       | 0.4327%       | 4/1/2019                   | 73.3%  | 37.1% |
| 5/1/2019         | 34.96  | -5.7%  | 6.9%   | -5.2%    | 5.8%      | -0.3040%                      | 0.4751%       | 5/1/2019                   | 66.3%  | 30.5% |
| 6/1/2019         | 32.96  | 6.2%   | 1.3%   | 6.7%     | 0.3%      | 0.0173%                       | 0.0172%       | 6/1/2019                   | 60.5%  | 37.4% |
| 7/1/2019         | 34.99  | -4.1%  | -1.8%  | -3.6%    | -2.9%     | 0.1023%                       | 0.0327%       | 7/1/2019                   | 66.7%  | 38.7% |
| 8/1/2019         | 33.56  | 10.3%  | 1.7%   | 10.8%    | 0.7%      | 0.0717%                       | 0.0295%       | 8/1/2019                   | 62.6%  | 36.9% |
| 9/1/2019         | 37.01  | -2.5%  | 2.0%   | -1.9%    | 1.0%      | -0.0192%                      | 0.0417%       | 9/1/2019                   | 72.9%  | 38.6% |
| 10/1/2019        | 36.10  | -12.9% | 3.4%   | -12.3%   | 2.4%      | -0.2901%                      | 0.1159%       | 10/1/2019                  | 70.4%  | 40.6% |
| 11/1/2019        | 31.46  | 1.0%   | 2.9%   | 1.5%     | 1.8%      | 0.0271%                       | 0.0817%       | 11/1/2019                  | 57.6%  | 44.1% |
| 12/1/2019        | 31.77  | -8.2%  | -0.2%  | -7.7%    | -1.2%     | 0.0941%                       | 0.0003%       | 12/1/2019                  | 58.6%  | 46.9% |
| 1/1/2020         | 29.15  | -8.3%  | -8.4%  | -7.8%    | -9.5%     | 0.7402%                       | 0.7075%       | 1/1/2020                   | 50.3%  | 46.7% |
| 2/1/2020         | 26.72  | -53.9% | -12.5% | -53.4%   | -13.6%    | 7.2410%                       | 1.5655%       | 2/1/2020                   | 42.0%  | 38.3% |
| 3/1/2020         | 12.32  | 18.0%  | 12.7%  | 18.5%    | 11.6%     | 2.1557%                       | 1.6089%       | 3/1/2020                   | -11.9% | 25.8% |
| 4/1/2020         | 14.54  | -7.3%  | 4.5%   | -6.8%    | 3.5%      | -0.2354%                      | 0.2050%       | 4/1/2020                   | 6.1%   | 38.5% |
| 5/1/2020         | 13.48  | -1.6%  | 1.8%   | -1.0%    | 0.8%      | -0.0082%                      | 0.0338%       | 5/1/2020                   | -1.2%  | 43.0% |
| 6/1/2020         | 13.27  | 4.1%   | 5.5%   | 4.6%     | 4.5%      | 0.2043%                       | 0.3036%       | 6/1/2020                   | -2.7%  | 44.9% |
| 7/1/2020         | 13.81  | 13.5%  | 7.0%   | 14.0%    | 6.0%      | 0.8324%                       | 0.4909%       | 7/1/2020                   | 1.3%   | 50.4% |
| 8/1/2020         | 15.67  | -50.7% | -3.9%  | -50.2%   | -5.0%     | 2.4960%                       | 0.1539%       | 8/1/2020                   | 14.8%  | 57.4% |
| 9/1/2020         | 7.73   | 1.2%   | 0.8%   | 1.7%     | -0.2%     | -0.0039%                      | 0.0068%       | 9/1/2020                   | -35.9% | 53.5% |
| 10/1/2020        | 7.82   | 0.0%   | 0.0%   | 0.5%     | -1.1%     | -0.0054%                      | 0.0000%       | 10/1/2020                  | -34.7% | 54.3% |
|                  |        |        |        |          |           |                               |               |                            |        |       |
|                  |        |        |        |          |           | 15.62%                        | 10.87%        |                            |        |       |
|                  |        |        |        |          |           | <b>Beta</b>                   | <b>1.4377</b> |                            |        |       |

# CHARTS

## MCS- 5 year



## MCS vs S&P 500 Index

