FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

(Mark One)

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

For the quarterly period ended August 22, 1996

[] 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	39-1139844
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

250 EAST WISCONSIN AVENUE, SUITE 1700 - MILWAUKEE, WISCONSIN 53202
(Address of principal executive offices) (Zip code)

Registrant's telephone number, including area code (414) 272-6020

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 12, 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

APPLICABLE ONLY TO CORPORATE ISSUERS:

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 24, 1996 - 10,818,671
CLASS B COMMON STOCK OUTSTANDING AT SEPTEMBER 24, 1996 - 8,856,405

THE MARCUS CORPORATION

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

THE MARCUS CORPORATION
Consolidated Balance Sheets

	(in thousands) (Unaudited) August 22, 1996	(in thousands) (Audited) May 30, 1996
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 1,917	$ 15,466
Accounts and notes receivable	9,817	8,780
Receivables from joint ventures	4,428	4,890
Other current assets	2,384	2,463
Total current assets	18,546	31,599
Property and equipment:		
Land and improvements	66,156	60,177
Buildings and improvements	356,975	329,458
Leasehold improvements	5,410	5,688
Furniture, fixtures and equipment	142,766	137,305
Construction in progress	19,195	22,336
Total property and equipment	590,502	554,964
Less accumulated depreciation and amortization	147,927	143,401
Net property and equipment	442,575	411,563
Other assets:		
Investments in joint ventures	1,303	1,295
Other	12,866	10,858
Total other assets	14,169	12,153
TOTAL ASSETS	$475,290	$455,315

See accompanying notes to consolidated financial statements.

THE MARCUS CORPORATION
Consolidated Balance Sheets

	(in thousands) (Unaudited) August 22, 1996	(in thousands) (Audited) May 30, 1996
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Notes payable	$4,521	$5,555
Accounts payable	11,352	15,646
Income taxes	7,796	1,393
Taxes other than income taxes	10,323	8,323
Accrued compensation	2,122	1,380
Other accrued liabilities	8,694	9,352
Current maturities on long-term debt	9,069	9,069
Total current liabilities	53,877	50,718

Long-term debt	133,354	127,135
Deferred income taxes	20,052	20,027
Deferred compensation and other	6,486	6,187
Shareholders' equity		
Preferred Stock, $1 par; authorized 1,000,000 shares; none issued		
Common Stock, $1 par; authorized 30,000,000 shares; issued 11,530,162 shares at August 22, 1996, 11,529,962 shares at May 30, 1996	11,530	11,530
Class B Common Stock, $1 par; authorized 20,000,000 shares; issued and outstanding 8,856,405 shares at August 22, 1996, 8,856,605 at May 30, 1996	8,857	8,857
Capital in excess of par	38,872	38,832
Retained earnings	205,856	195,643
	265,115	254,862
Less cost of Common Stock in treasury (714,467 shares at August 22, 1996 and 718,352 shares at May 30, 1996)	3,594	3,614
Total shareholders' equity	261,521	251,248
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$475,290	$455,315

See accompanying notes to consolidated financial statements.

THE MARCUS CORPORATION
Consolidated Statements of Earnings (Unaudited)
(in thousands, except per share data)

	12 Weeks Ended August 22, 1996	12 Weeks Ended August 17, 1995
Revenues:		
Rooms and telephone	$40,553	$37,012
Food and beverage	11,295	11,866
Theatre operations	20,486	18,857
Other income	5,490	5,833
Total revenues	77,824	73,568
Costs and expenses:		
Rooms and telephone	13,300	12,014
Food and beverage	7,922	8,306
Theatre operations	12,425	11,247
Advertising and marketing	3,894	3,324
Administrative	6,608	7,359
Depreciation and amortization	6,340	5,875
Rent	806	1,019
Property taxes	2,596	2,203
Other operating expenses	2,515	2,794
Total costs and expenses	56,406	54,141
Operating income	21,418	19,427
Other income (loss):		
Investment income	143	364
Interest expense	(2,179)	(2,111)
Gain on disposition of property and equipment	4	24,607
	(2,032)	22,860
Earnings before income taxes	19,386	42,287
Income taxes	7,758	16,977

Net earnings	$11,628	$25,310
Net earnings per share:*		
Earnings excluding gain on restaurant sale	$0.59	$0.53
After-tax gain on restaurant sale		0.75
Net earnings per share	$0.59	$1.28
Weighted Average Shares Outstanding*	19,841	19,743

* All per share and weighted average shares outstanding data has been adjusted to reflect the 50% stock dividend distributed on November 14, 1995.

See accompanying notes to consolidated financial statements.

THE MARCUS CORPORATION
Consolidated Statements of Cash Flows (Unaudited)

	(in thousands) 12 Weeks Ended	
	August 22, 1996	August 17, 1995
OPERATING ACTIVITIES:		
Net earnings	$11,628	$25,310
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Earnings on investments in joint ventures, net of distributions	(8)	(80)
Gain on disposition of property and equipment	(4)	(24,607)
Depreciation and amortization	6,340	5,875
Deferred income taxes	25	646
Deferred compensation and other	299	194
Changes in assets and liabilities:		
Accounts and notes receivable	(1,037)	(4,411)
Other current assets	79	516
Accounts payable	(4,294)	(10,000)
Income taxes	6,403	14,081
Taxes other than income taxes	2,000	808
Accrued compensation	742	930
Other accrued liabilities	(658)	1,595
Total adjustments	9,887	(14,453)
Net cash provided by operating activities	21,515	10,857
INVESTING ACTIVITIES:		
Capital expenditures	(37,680)	(19,306)
Net proceeds from disposals of property, equipment and other assets	332	49,080
Purchase of interest in joint ventures, net of cash acquired	--	(222)
(Increase) decrease in other assets	(2,008)	3,483
Cash received from joint ventures	462	255
Net cash [used in] provided by investing activities	(38,894)	33,290
FINANCING ACTIVITIES:		
Debt transactions:		
Net proceeds from issuance of notes payable and long-term debt	11,500	-
Principal payments on notes payable and long-term debt	(6,315)	(20,539)
Equity transactions:		
Treasury stock transactions, except for stock options	3	(109)
Exercise of stock options	57	183
Dividends paid	(1,415)	(5,010)

Net cash provided by [used in] financing activities	3,830	(25,475)
Net increase (decrease) in cash and cash equivalents	(13,549)	18,672
Cash and cash equivalents at beginning of year	15,466	8,798
Cash and cash equivalents at end of period	$ 1,917	$27,470

See accompanying notes to consolidated financial statements.

THE MARCUS CORPORATION
CONDENSED NOTES TO FINANCIAL STATEMENTS FOR THE
TWELVE WEEKS ENDED
AUGUST 22, 1996
(Unaudited)

A. Refer to the Company's audited financial statements (including footnotes) for the fiscal year ended May 30, 1996, contained in the Company's Form 10-K Annual Report for such fiscal year, for a description of the Company's accounting policies.

B. The consolidated financial statements for the twelve weeks ended August 22, 1996 and August 17, 1995, have been prepared by the Company without audit. In the opinion of management, all adjustments consisting only of normal recurring accruals necessary to present fairly the unaudited interim financial information at August 22, 1996, and for all periods presented have been made.

C. Pursuant to an asset purchase agreement dated April 12, 1995, the Company completed the sale of its 18 existing Applebee's Neighborhood Grill & Bar restaurants (Applebee's), two Applebee's under construction, five Applebee's under development and its development rights for Applebee's to Apple South, Inc. (the Purchaser). On June 5, 1995, the Company entered into a management agreement with the Purchaser, whereby the Purchaser commenced to immediately manage, operate and assume all of the Company's existing operating and development responsibilities related to the Company's Applebee's restaurant operations. The Purchaser received all profits of the restaurants between June 5, 1995 and June 30, 1995, as reimbursement for its management service. On June 30, 1995, proceeds from the sale of approximately $48.3 million were received by the Company in cash.

D. The Company's Board of Directors declared a three-for-two stock split, effected in the form of a 50% stock dividend, distributed on November 14, 1995, to all holders of Common Stock and Class B Common Stock. All per share and weighted average shares outstanding data prior to November 14, 1995 have been adjusted to reflect this dividend.

THE MARCUS CORPORATION

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

Special Note Regarding Forward-Looking Statements

Certain matters discussed in this Management's Discussion and Analysis of Results of Operations and Financial Condition 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 can generally be identified as such because the context of the statement will include words such as the company "believes," "anticipates," "expects" or words of similar import. Similarly, statements that describe the Company's future plans, objectives or goals are also forward-looking statements. Such forward looking statements are subject to certain risks, assumptions and uncertainties which are described in close proximity to such statements and which could cause actual results to differ materially from those currently anticipated. Shareholders, potential investors and other readers are urged to consider these risks, assumptions and uncertainties 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 only made as of the date of this Form 10-Q and the Company undertakes no obligation to publicly update such forward-looking statements to reflect subsequent events or circumstances.

RESULTS OF OPERATIONS

General

The Company reports its results of operations on a 52-or 53-week fiscal year which ends on the last Thursday in May. Each fiscal year is divided into three 12-week quarters and a final quarter consisting of 16 or 17 weeks. The final quarter of fiscal 1997 will consist of 17 weeks for each of the Company's motel and hotels/resorts divisions, while the Company and its other remaining divisions will report a 16-week fourth quarter. Fiscal 1996 was a 53-week fiscal year for the Company and its theatre division, while the Company's remaining divisions reported a 52-week year in fiscal 1996.

Revenues for the first quarter of fiscal 1997 ended August 22, 1996, totaled $77.8 million dollars, an increase of $4.3 million, or 5.8%, from revenues reported for the first quarter of fiscal 1996. Excluding $973,000 of revenues recognized in the first quarter of fiscal 1996 from restaurant locations which were subsequently disposed of or closed, revenues increased 7.2% between quarters. Net earnings for the first quarter of fiscal 1997 were $11.6 million, or $0.59 per share, up 10.5% and 11.3%, respectively, from comparable earnings of $10.5 million, or $0.53 per share, for the same quarter in the prior year. Including the after-tax gain of $14.8 million, or $0.75 per share, resulting from the Company's sale of its Applebee's restaurants and related rights in June 1995, net earnings for fiscal 1996's first quarter were $25.3 million, or $1.28 per share.

Motels

Total revenues for the first quarter of fiscal 1997 for the motel division were $33.9 million, an increase of $3.4 million, or 11.2%, compared to the first quarter of fiscal 1996. The motel division's operating income for the fiscal 1997 first quarter totaled $13.0 million, an increase of $1.3 million, or 10.8%, over the division's fiscal 1996 first quarter operating income.

Compared to the first quarter of fiscal 1996, there were 11 new Company-owned or operated and five new franchised Budgetel Inns in operation during the fiscal 1997 first quarter. The Company's newly opened motels contributed additional revenues of $2.4 million to the division's fiscal 1997 first quarter revenues. Increased average daily room rates at the Company's continuing motels during the first quarter of fiscal 1997 compared to the prior year's first quarter offset lower comparative occupancy rates caused by increasing industry segment room availability. The Company is beginning to notice overbuilding in certain areas of the limited service lodging segment which the Company believes may eventually negatively impact its operating income margins. At the end of the fiscal 1997 first quarter, the Company operated 129 Budgetel Inns, of which 96 were Company-owned or operated and 33 were franchised. In addition, the Company currently plans to open up to an additional 23 new Company-owned or operated or franchised Budgetel Inns during the remainder of fiscal 1997. During the fiscal 1997 first quarter, the Company signed a franchise development agreement with a Houston, Texas-based developer to open up to 42 new franchised Budgetel Inns in Texas over the next ten years. The Company also owns and operates three Woodfield Suites all-suite motels and plans to open two new Woodfield Suites in Cincinnati, Ohio and Madison, Wisconsin later in fiscal 1997.

Theatres

The theatre division's fiscal 1997 first quarter revenues were $20.6 million, an increase of $1.7 million, or 8.7%, over the first quarter of fiscal 1996. The division's operating income for the fiscal 1997 first quarter was $4.9 million, a decrease of $248,000, or 4.8%, under the same prior year period.

Total box office receipts for the fiscal 1997 first quarter were

$14.1 million, an increase of $781,000, or 5.9%, from the same period in the prior year. During the first quarter of fiscal 1997, box office receipts increased due to the operation of 64 additional screens in the fiscal 1996 first quarter, together with a 4.8% increase in first-run theatre average ticket prices and a 5.8% increase in vending revenues per person. A total of 47 new screens, including 27 acquired screens, were added during the fiscal 1997 first quarter, with another 39 screens under construction or development as of the end of the quarter. The Company operated 266 total screens at the end of the first quarter of fiscal 1997 compared to 202 at the end of last year's first quarter. The additional screens in operation during the fiscal 1997 first quarter allowed over-all theatre attendance to increase 6.2% compared to the fiscal 1996 first quarter. Without the additional screens, attendance would have decreased between quarters largely as a result of the 1996 Summer Olympics. The Olympics adversely affected attendance at the Company's theatres and the industry in general. Not only did the television coverage of the Olympics reduce movie theatre attendance, but many motion picture film distributors anticipated lower theatre attendance during the Olympics and featured their best films during the late spring and early summer to avoid competing with the Olympics. This strategy meant that less attractive films were distributed later in the summer. Because theatre attendance is largely dependent upon the audience appeal of available films, these less attractive film offerings further reduced attendance. Also, fiscal 1997 first quarter results for the division did not include the results of the 1996 Memorial Day weekend, which was included in the Company's fiscal 1996 fourth quarter results. Fiscal 1996's first quarter included the results of the 1995 Memorial Day weekend. The Memorial Day weekend is traditionally one of the year's busiest motion picture viewing weekends. FunSet Boulevard, the division's new family entertainment center, opened in July 1996 and did not have a material effect on first quarter results.

Hotels and Resorts

Total revenues from the hotels and resorts division during the first quarter of fiscal 1997 increased by $88,000, or 0.5%, to $16.4 million, over the previous year's first quarter. Fiscal 1997 first quarter operating income increased by $255,000, or 7.3%, to $3.8 million, compared to the prior fiscal year's first quarter. The division's improved results were achieved for the fiscal 1997 first quarter despite unseasonably cold weather in the early summer which impacted occupancy and delayed the opening of the newly designed Highland's golf course at the Grand Geneva Resort & Spa. The division's fiscal 1997 first quarter results benefitted from increased revenues from, and reduced charges for pre-opening costs for, the Company's Milwaukee Hilton hotel (formerly the Marc Plaza). The division acquired the Erawan Garden Springs Resort in Indian Wells, California in August 1996 and plans are underway for an extensive renovation of the property.

Restaurants

Restaurant division revenues totaled $6.8 million for the fiscal 1997 first quarter, a decrease of $590,000, or 8.0%, from the same period in fiscal 1996. The decreased revenues were due to the absence of $973,000 of revenues from the disposition or closure of 21 restaurants since last year's first quarter, as well as decreased rental income. Excluding the loss of revenues from the non-continuing restaurants, fiscal 1997 first quarter revenues for the division increased 6.0% over the fiscal 1996 first quarter. The division's operating income for the fiscal 1997 period was $657,000, compared to operating income of $258,000 in the first quarter of the prior year. This increase in operating income was primarily a result of new successful KFC product introductions and increased sales from KFC's home delivery program, combined with reduced administrative costs related to the disposition of certain restaurant properties last year. Same store KFC revenues for the first quarter of fiscal 1997 compared to the prior year's first quarter were up 13.3%, with guest counts at same store KFCs up 8.6% and average guest check amounts up 4.6%. The Company plans to open its first converted 2-in-1 KFC/Taco Bell restaurant during the third quarter.

FINANCIAL CONDITION

The Company's lodging, movie theatre and restaurant businesses each generate significant and consistent daily amounts of cash because each segment's revenue is derived predominantly from consumer cash purchases. The Company believes that these consistent and predictable cash sources, together with the availability to the Company of in excess of $25 million of unused credit lines at the end of the first quarter, should be adequate to support the ongoing operational liquidity needs of the Company's businesses.

Net cash provided by operating activities increased by $10.6 million during the first quarter of fiscal 1997 to $21.5 million, compared to $10.9 million in the prior year's first quarter. The increase between the fiscal first quarters was primarily the result of approximately $10 million of income taxes incurred on the gain on the sale of restaurants in fiscal 1996. Timing differences in receipts of accounts and notes receivable and payment of accounts payable were offset by a reduced increase in income taxes payable.

Net cash used in investing activities during the fiscal 1997 first quarter totaled $38.9 million, compared to the positive cash flow of $33.3 million in the fiscal 1996 first quarter which resulted from receiving $48.3 million in net cash proceeds from the June 1995 sale of its Applebee's restaurants and related rights. Capital expenditures to support the Company's continuing expansion program totalled $37.7 million in the first quarter of fiscal 1997 compared to $19.3 million in the prior year's first quarter.

Cash provided by financing activities in the fiscal 1997 first quarter totalled $3.8 million compared to a net use of $25.5 million in the first quarter of fiscal 1996. During the fiscal 1997 first quarter, the Company received $11.5 million of net proceeds from the issuance of notes payable and long-term debt. The Company did not issue new debt in the first quarter of fiscal 1996. The Company paid $6.3 million of principal payments on long-term debt in the fiscal 1997 first quarter compared to $20.5 million in the prior year's first quarter. The higher debt payments in the first quarter of fiscal 1996 were a result of the use of cash proceeds from its Applebee's sale. As a result of the Company's change to quarterly rather than annual dividend payments, the Company made dividend payments of $1.4 million during the fiscal 1997 first quarter compared to $5.0 million during the prior year's first quarter. The Company is planning a private placement of $200 millon in principal amount of senior unsecured long-term notes over the next 30 months, with an initial placement of approximately $85 million in principal amount of notes expected on or about October 25, 1996. The Company expects to use these funds to pay off existing debt and help fund the Company's ongoing expansion plans.

The actual timing and extent of the implementation of the Company's current expansion plans will depend in large part on continuing favorable industry and general economic conditions, the competitive environment, evolving customer needs and trends and the availability of attractive opportunities. It is likely that the Company's current expansion goals will continue to evolve and change in response to these and other factors.

Item 6. Exhibits and Reports on Form 8-K

a. Exhibits

Exhibit 27. Financial Data Schedule

b. Reports on Form 8-K

No Form 8-K was filed by the Company during the quarter to which this Form 10-Q relates.

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

(Registrant)

DATE: October 7, 1996

By: \s\ Stephen H. Marcus
Stephen H. Marcus,
Chairman of the Board, President and
Chief Executive Officer

DATE: October 7, 1996

By: \s\ Douglas A. Neis
Douglas A. Neis
Chief Financial Officer and Treasurer

THE MARCUS CORPORATION
FORM 10-Q
FOR
12 WEEKS ENDED AUGUST 22, 1996

EXHIBIT INDEX

Exhibit	Description
27	Financial Data Schedule

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THE SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM
THE MARCUS CORPORATION'S FINANCIAL STATEMENTS AND IS QUALIFIED IN
ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
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