



innovate.



invest.



inspire.

# dear



**Gregory S. Marcus** | President and CEO

***Total revenues set new records for both divisions and for the company as a whole. Marcus Theatres had a blockbuster year and results for Marcus Hotels & Resorts also improved.***

**Innovate. Invest. Inspire. We had a lot of words to pick from for the cover of this year's annual report. Why these three?**

**The answer is simple. Innovative new concepts, investments in both of our businesses and inspiring ideas helped to drive our significantly improved results in fiscal 2014. From a broader perspective, our ability to innovate, invest and inspire got us to where we are today – and will be instrumental in getting us to where we want to go in the future.**

## **perform.**

As long as we're choosing words to tell the story of fiscal 2014, the best word to describe our financial results is "perform."

Total revenues set new records for both divisions and for the company as a whole. Total revenues of \$447.9 million were up 8.5 percent over the prior year and operating income increased 26.6 percent to \$48.4 million. Net earnings attributable to The Marcus Corporation increased 42.8 percent to \$25.0 million, and net earnings per common share attributable to The Marcus Corporation were \$0.92 for the year, a 46.0 percent increase.

Marcus Theatres® had a blockbuster year, and in fact, outperformed the industry. Revenues increased 10.8 percent and operating income increased 13.6 percent. Major investments in our theatres, along with a solid slate of films and successful marketing and operational strategies, generated an 8.6 percent increase in box office revenues and a 14.9 percent increase in concession revenues for fiscal 2014 – significantly higher than the industry as a whole.

Results for Marcus® Hotels & Resorts also improved, with a 5.9 percent increase in revenues, a 48.6 percent increase in operating income and a 3.3 percent increase in revenue per available room (RevPAR) for comparable company-owned hotels. Record occupancy, a higher average daily rate and a 6.1 percent increase in food and beverage revenues drove the fiscal 2014 results. This was our fourth straight year of increases in the average daily rate, as the economy continues to recover from the Great Recession.

Fiscal 2014 was also a good year in terms of our commitment to increase shareholder value. We increased the quarterly cash dividend for our common stock by 11.8 percent, effective in May 2014, and repurchased a total of 314,000 shares of common stock during the year. Over the past four years, we have repurchased more than 3.9 million shares of our common stock. Our total return to shareholders was 28 percent in fiscal 2014 and has averaged 27 percent over the past three years – very rewarding for our long-term holders.

## **grow.**

The word for the coming fiscal year is "grow." Our debt to total capitalization ratio was a very strong 42 percent at the end of fiscal 2014 and we had \$141 million available under our existing credit lines. We believe this puts us in a solid position to return capital to shareholders through our dividend policy and share repurchases, while at the same time continuing to invest in our two businesses and pursue potential growth opportunities.

Like all theatre chains, Marcus Theatres is dependent on the film product supplied by Hollywood. Regardless of the strength of the movies in any given quarter, our goal is to outperform the national numbers by driving attendance and box-office revenues through strategic investments in our theatres and successful operating and marketing strategies. We will also selectively add new screens, new theatres, like the one currently under construction in Sun Prairie (Madison), Wisconsin, and consider potential acquisitions that we believe are a good fit.

We define our growth strategy for Marcus Hotels & Resorts as "asset light," meaning we want to



# shareholders

grow primarily through management contracts that provide good fee income without the capital commitment of company-owned properties. Options include pure management contracts, such as we have for our newest property, the Heidel House Resort & Spa in Green Lake, Wisconsin, as well as joint ventures and partnerships where we may contribute some equity. We may also consider divesting selected properties to realize the gain on assets held for a number of years, while retaining the management component. The proceeds from a potential sale could be used to fund growth opportunities in both divisions.

## innovate.

Innovation keeps us at the forefront of industry trends. We were the first to create premium large-screen auditoriums, branded in our circuit as *UltraScreen*® auditoriums. Building on that success, we added more innovations, including *DreamLounger*™ oversized recliner seating, *Zaffiro's*® Express lobby dining, *Take Five*™ Lounges, *Big Screen Bistro*™ in-theatre dining and premium *UltraScreen DLX*® (*DreamLounger eXperience*) auditoriums. We rolled these concepts out to more locations in fiscal 2014 as part of a \$50 million reinvestment in our existing assets, with further expansion planned for fiscal 2015. We're thrilled with the response from our customers.

Both of our divisions are focused on yield management – often described as “the right person at the right time at the right price.” Our theatres launched a new \$5 Tuesday promotion aimed at mid-week value customers who may have reduced their movie-going frequency, or stopped going altogether, due to price. The results have been outstanding. We believe this program has created another weekend day for us, without impacting our regular weekend attendance. We saw the early results of \$5 Tuesdays and the new amenities in our third and fourth quarters, where we outperformed the industry by over nine percentage points each quarter. This is a true win-win-win for our customers, our studio partners and us.

Also targeting unique audiences, Marcus Hotels & Resorts continued to add innovative amenities that resonate with today's travelers. Exclusive club lounges were added at The Pfister® Hotel in Milwaukee and the Grand Geneva® Resort & Spa in Lake Geneva, Wisconsin. Our new casual,

beer-centric restaurant concept, *Miller Time*® Pub & Grill, is now at two locations, and we were one of the first hotel companies in the U.S. to install high-power charging stations for Tesla Model S vehicles at the majority of our properties. In 2015, when we expect to complete the transformation of our company-owned Four Points by Sheraton Chicago Downtown/Magnificent Mile into one of the first stylish, contemporary AC Hotels by Marriott in the U.S., we will be part of one of the most exciting new hotel launches in the lodging industry.

## invest.

Capital expenditures were \$56.7 million in fiscal 2014, more than double the amount in the prior year. In addition to the significant investments in our theatres, we funded major renovation projects at The Pfister and The Cornhusker, A Marriott Hotel, in Lincoln, Nebraska.

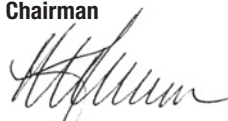
We also continue to invest in our people. In the theatre division, we are blending the existing talent we had in place with additional team members in marketing, communications, construction, purchasing and operations. Marcus Hotels & Resorts further strengthened its management team with new leaders in operations, development, engineering and sustainability. Our strong leaders and dedicated associates truly are our greatest asset.

## inspire.

Webster's Dictionary defines the word “inspire” as, “to animate the mind or emotions.” That's another way of saying we want to engage our associates so they can inspire our guests. If we can effectively motivate our associates, they will deliver a special experience and inspire our guests to return again and again. That's our goal, and we're very proud of our associates who achieve it each and every day.



**Stephen H. Marcus**  
Chairman



**Gregory S. Marcus**  
President and Chief Executive Officer

***Our total return to shareholders was 28 percent in fiscal 2014 and has averaged 27 percent over the past three years – very rewarding for our long-term holders.***

**Stephen H. Marcus | Chairman**



# marcus® theatres

The key word for Marcus Theatres in fiscal 2014 was “lead.” Not only did the division outperform the industry during the year, it is also an industry leader in luxurious recliner seating and premium large-format screens.

*Top: An extensive renovation created the spectacular Majestic Cinema of Omaha. Bottom left: We are an industry leader in the percentage of auditoriums with oversized recliner seating. Bottom right: Investments in innovative food and beverage concepts attract audiences and provide additional revenues.*



## ultimate.

We examined all aspects of our theatres, with the goal of creating comfort, convenience and the ultimate movie-going experience. Major investments in our theatres included increasing the number of locations with DreamLounger<sup>SM</sup> oversized, recliner seating in all auditoriums to eight by the end of the year.

We also introduced our innovative UltraScreen DLX<sup>®</sup> (DreamLounger eXperience) auditoriums at 11 locations. UltraScreen DLX auditoriums are the premier presentation format in our markets, combining a premium large-format UltraScreen<sup>®</sup> and Dolby<sup>®</sup> Atmos<sup>®</sup> immersive sound with luxurious DreamLounger seating, for maximum comfort and double the legroom.

## destination.

Investments in creative food and beverage concepts provide an exceptional dining experience for our guests. From lounge and in-theatre dining to take out, there's an option for everyone. By the end of summer, we plan to nearly double the number of Zaffiro's<sup>®</sup> Express locations and Take Five<sup>SM</sup> Lounges to 11 each, and we expect to add nine more Big Screen Bistro<sup>SM</sup> in-theatre dining auditoriums to the circuit.

The 12-screen Palace at Sun Prairie, near Madison, Wisconsin, currently under construction, will be the ultimate entertainment destination. It will include all of these innovations under one roof.

## reward.

Everyone loves a reward and that's why our new Magical Movie Rewards<sup>™</sup> loyalty program is off to an incredible start, with more than 525,000 members in its first four months and still going strong. The program awards points for future purchases and provides exclusive screening opportunities and other benefits to members. All the while, we are gaining valuable insight into our customer preferences, enabling us to better target promotions and communications that can help improve the customer experience.

As these examples illustrate, Marcus Theatres is an industry leader as a result of successful efforts to Innovate, Invest and Inspire.



## profile

- **Fifth largest theatre circuit in the United States**
- **Currently own or operate 685 screens at 55 locations in seven Midwestern states**
- **An industry leader in recliner seating, large-format screens and unique food and beverage concepts**
- **Significant real estate portfolio distinguishes us from the industry and provides a strategic advantage**



# lead.



# marcus® hotels & resorts



For Marcus Hotels & Resorts, the word is “grow.” The division’s experienced hotel development team is focused on adding new management contracts, bringing our 50 years of lodging expertise to more properties.

*Top: The award-winning Heidelberg House Resort & Spa is our newest management contract. Bottom left: The tower rooms at The Pfister® Hotel have a luxurious new look. Bottom right: We managed the complete renovation of the Westin® Atlanta Perimeter North.*

## new.

Our newest managed property is the Heidelberg House Resort & Spa in Green Lake, Wisconsin, a 190-room full-service resort nestled on 20 acres on the shore of picturesque Green Lake. The new contract leverages both our Wisconsin roots and our broad portfolio of services, including operations, marketing, food and beverage, and spa management.

As Marcus Hotels continues to grow, we believe our proven ability to Innovate, Invest and Inspire provides a solid foundation for the future.

## reinvent.

Maintaining our properties and continually adding new features and amenities has always been a hallmark of Marcus Hotels & Resorts. Recent investments include the complete renovation of the 176 guest rooms in the modern tower at our flagship Pfister® Hotel in Milwaukee. At The Cornhusker, A Marriott Hotel, in Lincoln, Nebraska, virtually the entire hotel was remodeled and we added our second *Miller Time® Pub & Grill* restaurant. We also oversaw renovations at two of our managed properties, the Westin® Atlanta Perimeter North and The Garland in North Hollywood, California.

## transform.

One of our most exciting projects is the transformation of our company-owned Four Points by Sheraton Chicago Downtown/Magnificent Mile into one of the first AC Hotels by Marriott in the U.S. Our location in the trendy River North area is the perfect setting for this stylish, urban lifestyle brand that was launched in Europe in 2011. With its sleek, contemporary design and the latest amenities and technology, the 226-room AC Hotel will connect with savvy travelers seeking a distinctive experience in this vibrant city. The new property is scheduled to open in spring 2015.

# grow!

## profile

- Own and/or operate 19 properties, nine company majority-owned and operated and 10 managed for other owners
- Manage approximately 5,200 rooms in 10 states
- Record revenues in fiscal 2014
- Successful branded restaurant concepts and extensive outside event capabilities



# 2014 financial highlights

**The Marcus Corporation** is a leader in the lodging and entertainment industries, with significant company-owned real estate assets.

**Marcus Theatres®** currently owns or manages 685 screens at 55 locations in Wisconsin, Illinois, Iowa, Minnesota, Nebraska, North Dakota and Ohio.

**Marcus® Hotels & Resorts** currently owns and/or manages a distinctive portfolio of 19 hotels, resorts and other properties in 10 states.

## operations (in millions)

	Fiscal Year May 29, 2014	Fiscal Year May 30, 2013	Percent Change
Revenues	\$447.9	\$412.8	8.5%
Operating Income	48.4	38.2	26.6%
Net Earnings	25.0	17.5	42.8%

## per common share (diluted)

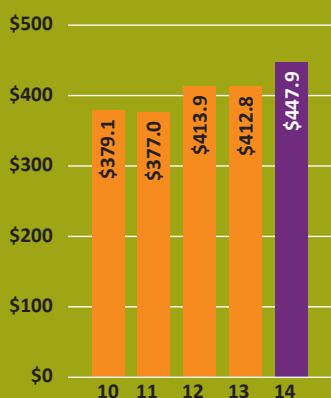
	Fiscal Year May 29, 2014	Fiscal Year May 30, 2013	Percent Change
Net Earnings	0.92	0.63	46.0%
Cash Dividends	0.35	1.34 <sup>(1)</sup>	<sup>(1)</sup>

## financial position (in millions)

	Fiscal Year May 29, 2014	Fiscal Year May 30, 2013	Percent Change
Shareholders' Equity	\$326.2	\$306.7	6.4%
Total Assets	\$768.9	\$746.7	3.0%
Debt/Capitalization Ratio	0.42	0.44	—

## revenues

(in millions)



## operating income

(in millions)



## net earnings per share



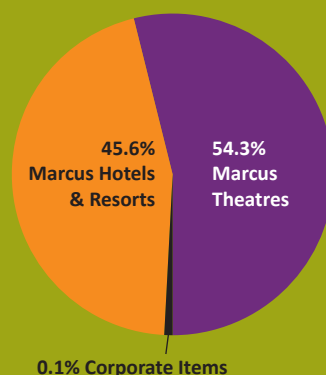
## dividends per share



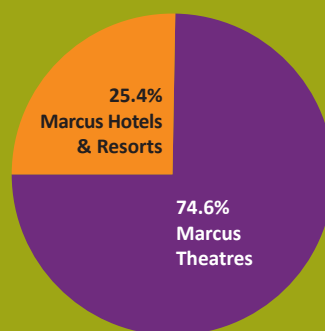
## debt/capitalization ratio



## fiscal 2014 revenues



## fiscal 2014 operating income<sup>(2)</sup>



(1) The fiscal 2013 cash dividend includes a \$1.00 special dividend paid in December 2012. The quarterly cash dividend was increased by 11.8% beginning in May 2014.

(2) Excludes corporate items.

# corporate information

## board of directors

**Stephen H. Marcus (d)\***

Chairman, The Marcus Corporation

**Daniel F. McKeithan, Jr. (a) (c)**

Chairman and Chief Executive Officer, Tamarack Petroleum Company, Inc.

**Diane Marcus Gershowitz (d)**

Real Estate Management and Investments

**Timothy E. Hoeksema (c)**

Retired Chairman, President and Chief Executive Officer, Midwest Air Group, Inc.

**Allan H. (Bud) Selig (b)\* (d)**

Commissioner of Major League Baseball

**Bruce J. Olson**

Retired Senior Vice President, The Marcus Corporation and Retired President, Marcus Theatres Corporation

**Philip L. Milstein (a)\* (b) (d)**

Principal, Ogden CAP Properties, LLC

**Bronson J. Haase (c)\***

Retired President of Pabst Farms Equity Ventures, LLC, Retired President and Chief Executive Officer of Wisconsin Gas Company, and Vice President of WICOR, Inc., and former President and Chief Executive Officer of Ameritech Wisconsin

**James D. Ericson (b) (d)**

Retired Chairman, President and Chief Executive Officer, Northwestern Mutual Life Insurance Company

**Gregory S. Marcus**

President and Chief Executive Officer, The Marcus Corporation

**Brian J. Stark (a) (c)**

Founding Principal, Chief Executive Officer and Chief Investment Officer, Stark Investments

**Committees of the Board:**

- (a) Audit
- (b) Compensation
- (c) Corporate Governance and Nominating
- (d) Finance

\*Denotes chairman



Left to Right: Phil Milstein, Brian Stark, Bud Selig, Tim Hoeksema, Bruce Olson, Bronson Haase, Diane Marcus Gershowitz, Greg Marcus, Steve Marcus, Jim Ericson and Jack McKeithan.

## corporate information

### Annual Meeting

Shareholders are invited to attend The Marcus Corporation's 2014 Annual Meeting at 9:00 a.m. CDT on Wednesday, October 1, 2014 at the North Shore Cinema, 11700 N. Port Washington Road, Mequon, Wisconsin.

### Form 10-K Report

A copy of the company's fiscal 2014 Form 10-K annual report (without exhibits) as filed with the Securities and Exchange Commission is included in this report.

### NYSE Listing and Symbol

The Marcus Corporation common stock is traded on the New York Stock Exchange under the symbol MCS. The Marcus Corporation is included in the Standard & Poor's SmallCap 600 Index, the Russell 2000 Index and other indexes.

### Transfer Agent

Wells Fargo Bank, N.A.  
Shareowner Services  
P.O. Box 64854  
St. Paul, MN 55164  
(800) 468-9716  
www.shareowneronline.com

### Corporate Headquarters

The Marcus Corporation  
100 East Wisconsin Avenue, Suite 1900  
Milwaukee, WI 53202-4125  
(414) 905-1000  
www.marcuscorp.com

**MCS**  
**LISTED**  
**NYSE**

### Dividend Reinvestment Plan

The Marcus Corporation has a dividend reinvestment plan through which shareholders of record may reinvest their cash dividends and make supplemental cash investments in additional shares. There are no commissions or service charges to purchase shares. For additional information, write or call our transfer agent.

### Investor Information

Investors are encouraged to visit [www.marcuscorp.com](http://www.marcuscorp.com) for company information. Interested individuals can also register to be automatically notified by e-mail when new information is added to the site.

### Independent Registered Public Accounting Firm

Deloitte & Touche LLP,  
Milwaukee, Wisconsin

### Legal Counsel

Foley & Lardner LLP,  
Milwaukee, Wisconsin

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## officers & executive management

**Gregory S. Marcus**

President and Chief Executive Officer

**Thomas F. Kissinger**

Senior Executive Vice President, General Counsel and Secretary, The Marcus Corporation and Interim President, Marcus Hotels & Resorts

**Rolando B. Rodriguez**

Executive Vice President, The Marcus Corporation and President and CEO, Marcus Theatres Corporation

**Douglas A. Neis**

Chief Financial Officer and Treasurer

**William H. Reynolds, Jr.**

Senior Managing Director, MCS Capital LLC



# our philosophy

**we take great pride** in our dedicated management teams and associates and will continue to develop their potential and skills at all levels within our organization.

**we believe in rewarding** outstanding performance, and in promoting from within to develop a climate of high expectation and achievement, as well as a solid base of highly-qualified associates.

**we will remain** a quality-minded corporation, dedicated to upholding our corporate slogan, "People Pleasing People."

**we will maintain** our position of leadership in the hospitality and entertainment industries through our commitment to quality, service and value.

**we will continue** our personal and corporate involvement in activities benefiting the community, state and nation.

**we will support** the values of the communities we are privileged to serve by honoring their traditions and preserving their environments.

**we pledge** to remain alert to economic changes which affect our businesses, and to respond to ever-changing consumer demands.

**we will continue** to successfully meet all challenges through planning, balanced diversification and orderly growth.

**we take our responsibility** to our shareholders very seriously and are committed to be a model for good corporate governance.



The **Marcus** Corporation

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