ICONIX BRAND GROUP, INC.
Form 10-Q
May 10, 2018

United States

Securities and Exchange Commission

Washington, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the Quarterly Period Ended March 31, 2018

OR

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 1-10593

ICONIX BRAND GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	11-2481903 (I.R.S. Employer Identification No.)
1450 Broadway, New York, NY (Address of principal executive offices)	10018 (Zip Code)

(212) 730-0030

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) Yes No

Indicate the number of shares outstanding of each of the issuer's classes of Common Stock, as of the latest practicable date.

Common Stock, $.001 Par Value- 66,109,592 shares as of May 7, 2018.

Part I. Financial Information

Item 1. Financial Statements

Iconix Brand Group, Inc. and Subsidiaries

Unaudited Condensed Consolidated Balance Sheets

(in thousands, except par value)

	March 31, 2018	December 31, 2017
Assets		
Current Assets:		
Cash and cash equivalents	$52,017	$65,927
Restricted cash	43,719	48,766
Accounts receivable, net	47,470	66,625
Other assets – current	57,164	51,850
Total Current Assets	200,370	233,168
Property and equipment:		
Furniture, fixtures and equipment	22,012	21,661
Less: Accumulated depreciation	(16,145)	(15,567)
	5,867	6,094
Other Assets:		
Other assets	17,925	6,268
Deferred income tax asset	4,486	4,492
Trademarks and other intangibles, net	468,675	465,722
Investments and joint ventures	91,182	90,887
Goodwill	63,882	63,882
	646,150	631,251
Total Assets	$852,387	$870,513
Liabilities, Redeemable Non-Controlling Interest and Stockholders' Deficit		
Current Liabilities:		
Accounts payable and accrued expenses	$32,918	$49,191
Deferred revenue	8,726	5,525
Current portion of long-term debt	46,549	44,349
Other liabilities – current	10,236	13,581
Total Current Liabilities	98,429	112,646
Deferred income tax liability	11,892	11,466
Other tax liabilities	492	531
Long-term debt, less current maturities (includes $109,455 and $0, respectively, at fair value)	711,802	756,493
Other liabilities	9,847	10,066
Total Liabilities	832,462	891,202
Redeemable Non-Controlling Interest	29,792	30,287

Commitments and contingencies		
Stockholders' (Deficit) Equity:		
Common stock, $.001 par value shares authorized 150,000; shares issued 96,816 and 90,159, respectively	97	90
Additional paid-in capital	1,031,084	1,044,518
Accumulated losses	(177,146)	(223,718)
Accumulated other comprehensive loss	(45,342)	(51,280)
Less: Treasury stock – 32,912 and 32,820 shares at cost, respectively	(844,055)	(844,030)
Total Iconix Brand Group, Inc. Stockholders' Deficit	(35,362)	(74,420)
Non-Controlling Interest, net of installment payments due from non-controlling interest holders	25,495	23,444
Total Stockholders' Deficit	(9,867)	(50,976)
Total Liabilities, Redeemable Non-Controlling Interest and Stockholders' Equity	$852,387	$870,513

See Notes to Unaudited Condensed Consolidated Financial Statements.

Iconix Brand Group, Inc. and Subsidiaries

Unaudited Condensed Consolidated Statements of Operations

(in thousands, except earnings per share data)

	Three Months Ended March 31, 2018	2017
Licensing revenue	$48,548	$58,722
Selling, general and administrative expenses	28,640	25,392
Depreciation and amortization	654	653
Equity earnings on joint ventures	(96)	(933)
Gain on sale of trademarks	(1,143)	—
Operating income	20,493	33,610
Other expenses (income):		
Interest expense	14,549	15,049
Interest income	(122)	(126)
Other income	(26,132)	(1)
(Gain) loss on extinguishment of debt	(4,473)	5,482
Foreign currency translation (gain) loss	(551)	429
Other (income) expenses – net	(16,729)	20,833
Income from continuing operations before income taxes	37,222	12,777
Provision for income taxes	1,650	5,887
Net income from continuing operations	35,572	6,890
Less: Net income attributable to non-controlling interest from continuing operations	2,857	2,488
Net income from continuing operations attributable to Iconix Brand Group, Inc.	32,715	4,402
Loss from discontinued operations before income taxes	—	(12,477)
Benefit for income taxes	—	(5,098)
Net loss from discontinued operations	—	(7,379)
Less: Net income attributable to non-controlling interest from discontinued operations	—	1,303
Net loss from discontinued operations attributable to Iconix Brand Group, Inc.	—	(8,682)
Net income (loss) attributable to Iconix Brand Group, Inc.	$32,715	$(4,280)
Earnings (loss) per share - basic:		
Continuing operations	$0.51	$0.06
Discontinued operations	$—	$(0.15)
Earnings (loss) per share - basic	$0.51	$(0.09)
Earnings (loss) per share - diluted:		
Continuing operations	$0.51	$0.06
Discontinued operations	$—	$(0.15)
Earnings (loss) per share - diluted	$0.51	$(0.09)
Weighted average number of common shares outstanding:		
Basic	59,117	56,964

Diluted	59,117	56,964

See Notes to Unaudited Condensed Consolidated Financial Statements.

Iconix Brand Group, Inc. and Subsidiaries

Unaudited Condensed Consolidated Statements of Comprehensive Income

(in thousands)

	Three Months Ended March 31,	
	2018	2017
Net income from continuing operations	$ 35,572	$ 6,890
Other comprehensive income:		
Foreign currency translation gain	2,761	2,630
Change in fair value of available for sale securities	—	(571)
Total other comprehensive income	2,761	2,059
Comprehensive income	$ 38,333	$ 8,949
Less: comprehensive income attributable to non-controlling interest from continuing operations	2,857	2,488
Comprehensive income from continuing operations attributable to Iconix Brand Group, Inc.	$ 35,476	$ 6,461

See Notes to Unaudited Condensed Consolidated Financial Statements.

Iconix Brand Group, Inc. and Subsidiaries

Unaudited Condensed Consolidated Statement of Stockholders' (Deficit) Equity

Three Months Ended March 31, 2018

(in thousands)

	Common Stock Shares	Amount	Additional Paid-In Capital	Accumulated Losses	Accumulated Other Comprehensive Loss	Treasury Stock	Non-Controlling Interest	Total
Balance at January 1, 2018	90,159	$ 90	$ 1,044,518	$ (223,718)	$ (51,280)	$ (844,030)	$ 23,444	$ (50,976)
Shares issued on vesting of restricted stock	245	1	—	—	—	—	—	1
Shares issued on conversion of 5.75% Convertible Notes	6,412	6	8,740	—	—	—	—	8,746
Writeoff of equity component of 1.50% Convertible Notes	—	—	(23,250)	—	—	—	—	(23,250)
Cumulative effect of accounting change for adoption of ASC 606	—	—	—	16,540	—	—	1,176	17,716
Cumulative effect of accounting change for adoption of ASU 2016-01	—	—	—	(3,177)	3,177	—	—	—
Shares repurchased on vesting of restricted stock and exercise of stock options	—	—	—	—	—	(25)	—	(25)
Compensation expense in	—	—	1,019	—	—	—	—	1,019

connection with restricted stock and stock options								
Payments from non-controlling interest holders, net of imputed interest	—	—	—	—	—	—	195	195
Change in redemption value of redeemable non-controlling interest	—	—	—	494	—	—	—	494
Net income	—	—	—	32,715	—	—	2,857	35,572
Tax benefit related to amortization of convertible notes' discount	—	—	35	—	—	—	—	35
Foreign currency translation	—	—	22	—	2,761	—	—	2,783
Distributions to joint ventures	—	—	—	—	—	—	(2,177)	(2,177)
Balance at March 31, 2018	96,816	$ 97	$ 1,031,084	$ (177,146)	$ (45,342)	$ (844,055)	$ 25,495	$ (9,867)

See Notes to Unaudited Condensed Consolidated Financial Statements.

Iconix Brand Group, Inc. and Subsidiaries

Unaudited Condensed Consolidated Statements of Cash Flows

(in thousands)

	Three Months Ended March 31, 2018	2017
Cash flows from operating activities:		
Net income from continuing operations	$35,572	$6,890
Loss from discontinued operations	—	(7,379)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of property and equipment	558	434
Amortization of trademarks and other intangibles	96	219
Amortization of deferred financing costs and debt discount	877	1,558
Amortization of convertible note discount	3,298	4,346
Stock-based compensation expense	1,019	1,722
Provision for doubtful accounts	507	2,626
Earnings on equity investments in joint ventures	(96)	(933)
Distributions from equity investments	922	1,182
Gain on sale of trademarks, net	(1,143)	—
Settlement of note receivable related to formation of Buffalo joint venture	1,141	—
Mark to market adjustment on convertible note	(25,174)	—
Gain on sale of Complex Media	(958)	—
(Gain) loss\ on extinguishment of debt	(4,473)	5,482
Deferred income tax provision	157	113
(Gain) loss on foreign currency translation	(551)	429
Changes in operating assets and liabilities, net of business acquisitions:		
Accounts receivable	19,064	2,013
Other assets – current	(1,578)	2,239
Other assets	(413)	681
Deferred revenue	3,129	586
Accounts payable and accrued expenses	(11,092)	(21,054)
Other tax liabilities	(39)	3,148
Other liabilities	(272)	220
Net cash provided by continuing operating activities	20,551	11,901
Net cash used in discontinued operating activities	—	(1,352)
Net cash provided by operating activities	20,551	10,549
Cash flows provided by (used in) investing activities:		
Purchases of property and equipment	(282)	(179)
Acquisition of additional interest in Iconix MENA	—	(1,800)
Acquisition of trademarks from Iconix Southeast Asia	(2,125)	—
Acquisition of remaining interest in Iconix Canada	(2,700)	—
Acquisition of Badgley Mischka and Sharper Image trademarks in certain international joint ventures	(1,164)	
Proceeds received from note due from American Greetings	—	1,250

Proceeds from sale of interest in Badgley Mischka in certain international joint ventures	1,250	—
Proceeds from sale of Complex Media	958	—
Proceeds from note receivable from formation of Buffalo joint venture	1,409	—
Additions to trademarks	(201)	(11)
Net cash used in continuing investing activities	(2,855)	(740)
Net cash used in discontinued investing activities	—	(31)
Net cash used in investing activities	(2,855)	(771)
Cash flows provided by (used in) financing activities:		
Prepaid financing costs	(4,841)	—
Proceeds from long-term debt, net of discount and fees	95,700	—
Payment of long-term debt	(122,380)	(105,921)
Payment of make-whole premium on repayment of long-term debt	—	(6,751)
Proceeds from sale of trademarks and related notes receivable from consolidated JVs	201	2,947
Distributions to non-controlling interests	(6,587)	(2,917)
Tax benefit related to amortization of convertible notes' discount	35	22
Cost of shares repurchased on vesting of restricted stock	(25)	(843)
Net cash used in continuing financing activities	(37,897)	(113,463)
Net cash used in discontinued financing activities	—	—
Net cash used in financing activities	(37,897)	(113,463)
Effect of exchange rate changes on cash and restricted cash	1,244	508
Net decrease in cash and cash equivalents, and restricted cash	(18,957)	(103,177)
Cash, cash equivalents, and restricted cash from continuing operations, beginning of period	114,693	314,383
Cash and cash equivalents from discontinued operations, beginning of period	—	12,297
Cash, cash equivalents, and restricted cash, beginning of period	114,693	326,680
Cash, cash equivalents, and restricted cash, end of period	95,736	124,778
Less: Cash and cash equivalents from discontinued operations, end of period	—	15,403
Cash, cash equivalents, and restricted cash of continuing operations, end of period	$95,736	$109,375

Supplemental disclosure of cash flow information:

	Three Months Ended March 31,	
	2018	2017
Cash paid during the period:		
Income taxes (net of refunds received)	$2,619	$5,763
Interest	$10,060	$24,389
Non-cash investing and financing activities:		
Make-whole premium on repayment of long-term debt	$—	$15,737
Shares issued upon conversion of debt	$8,746	$—

See Notes to Unaudited Condensed Consolidated Financial Statements.

Iconix Brand Group, Inc. and Subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements

March 31, 2018

(dollars in thousands (unless otherwise noted) except per share data)

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management of Iconix Brand Group, Inc. (the "Company," "we," "us," or "our"), all adjustments (consisting primarily of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three months ended March 31, 2018 ("Current Quarter") are not necessarily indicative of the results that may be expected for a full fiscal year. The interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and accompanying notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2017.

During the Current Quarter, the Company adopted seven new accounting pronouncements. Refer to Note 20 for further details.

Certain reclassifications, which were immaterial, have been made to conform prior year data to the current presentation.

Assessment of Going Concern

These consolidated financial statements are prepared on a going concern basis that contemplates the realization of assets and discharge of liabilities in the normal course of business. Due to certain developments during the year ended December 31, 2017, including the decision by Target Corporation not to renew the existing Mossimo license agreement following its expiration in October 2018 and by Walmart, Inc. not to renew the existing Danskin Now license agreement following its expiration in January 2019, and the Company's revised projected future earnings, the Company had initially forecasted that it would unlikely be in compliance with certain of its financial debt covenants in 2018 and beyond and that it may otherwise face possible liquidity challenges in 2018 and beyond. As a result, the Company amended its Senior Secured Term Loan to provide relief under certain covenants and implemented a cost savings plan to improve liquidity.

Following the completion of an exchange (the "Exchange") whereby the Company exchanged an aggregate principal amount of approximately $125 million of our 1.50% convertible senior subordinated notes due March 2018 (the "1.50% Convertible Notes") with the same aggregate principal value of our new 5.75% convertible senior subordinated notes due August 2023 (the "5.75% Convertible Notes"), the Company received proceeds of the Second Delayed Draw Term Loan of $110 million, and used these proceeds, as well as cash on hand, to extinguish the remaining 1.50% Convertible Notes outstanding as of their maturity date, March 15, 2018. See Note 9 for further information on these financings.

While conditions and events do exist that may raise substantial doubt about the Company's ability to continue as a going concern for the next twelve months, management believes that (i) as a result of the aforementioned amendments to the Senior Secured Term Loan, (ii) the Exchange, (iii) the extinguishment of the 1.50% Convertible Notes at maturity, as well as (iv) implemented and planned cost savings, that its plans alleviate this substantial doubt, and therefore the management believes that it will continue as a going concern for the next twelve months.

For additional information, please refer to Note 1 of Notes to Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2017.

2. Discontinued Operations

On May 9, 2017, the Company signed definitive agreements to sell its Entertainment segment for $349.1 million in cash, which included a customary working capital adjustment. The sale was completed on June 30, 2017. As a result of the sale, the Company has classified the results of its Entertainment segment as discontinued operations in its condensed consolidated statement of operations for the three months ended March 31, 2017 ("Prior Year Quarter").

The following table presents the details of the Entertainment segment for the Prior Year Quarter which were shown as income from discontinued operations, net of income taxes, in our unaudited condensed consolidated statement of operations:

	Three Months Ended March 31, 2018	2017
	(unaudited)	
Licensing revenue	$—	$27,461
Selling, general and administrative expenses	—	17,850
Depreciation and amortization	—	185
Operating income	—	9,426
Other expenses (income):		
Interest expense	—	6,122
Interest income	—	(99)
Loss on extinguishment of debt	—	15,737
Foreign currency translation loss	—	143
Other expenses – net	—	21,903
Loss from operations of discontinued operations before income taxes	—	(12,477)
Benefit for income taxes	—	(5,098)
Net loss from discontinued operations	—	(7,379)
Less: Net income attributable to non- controlling interest from discontinued operations	—	1,303
Loss from discontinued operations, net of income taxes	$—	$(8,682)

The cash proceeds from the sale of the Company's Entertainment segment were utilized by the Company to make mandatory principal prepayments on both its Senior Secured Notes and 2016 Senior Secured Term Loan (as well as a corresponding prepayment premium). As a result, and in accordance with ASC 205-20-45-6, for the Prior Year Quarter, the Company allocated interest expense of $6.1 million (which includes $0.6 million of amortization of the original issue discount on the 2016 Senior Secured Term Loan) from continuing operations to discontinued operations. Additionally, for the Prior Year Quarter, the Company allocated the prepayment premium of $15.7 million related to the 2016 Senior Secured Term Loan from continuing operations to discontinued operations on the Company's unaudited condensed consolidated statement of operations. Refer to Note 9 for further details.

The following table presents cash flow of the Entertainment segment during the Prior Year Quarter:

Three
Months
Ended

	March 31,	
	2018	2017
Net cash used in discontinued operating activities	$—	$(1,352)
Net cash used in discontinued investing activities	$—	$(31)
Net cash used in discontinued financing activities	$—	$—

3. Revenue Recognition

Adoption of ASC Topic 606, “Revenue from Contracts with Customers”

On January 1, 2018, we adopted ASC Topic 606 – Revenue from Contracts with Customers (“Topic 606”), using the modified retrospective method applied to those license agreements which were not completed as of January 1, 2018. Results for reporting periods beginning after January 1, 2018 are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with our historical accounting under Topic 605. Under Topic 605, the Company recognized minimum royalty revenue on a straight-line basis over the term of each contract year, as defined, in each license agreement and royalties exceeding the defined minimum amounts were recognized as income during the period corresponding to the licensee’s sales. Under Topic 606, the Company is recognizing the minimum royalty revenue on a straight-line basis over the entire contract term and royalties exceeding the defined minimum amounts are recognized only in the subsequent periods to when the minimum guarantee for the contract year has been achieved and when the later of the following events occur: (i) the subsequent sale occurs, or (ii) the performance obligation to which some or all of the sales-based royalty has been allocated has been satisfied (or partially satisfied), as is discussed below.

We recorded a net increase to opening retained earnings and the corresponding amount to non-controlling interest of $16.5 million and $1.2 million, respectively, net of tax, as of January 1, 2018 due to the cumulative impact of adopting Topic 606, with the impact primarily related to our revenues associated with license agreements which have escalating guaranteed minimum royalties in the contract years of the license agreement term. The impact to revenues for the Current Quarter was a decrease of $1.9 million as a result of applying Topic 606.

Revenue Recognition

Licensing Revenue

The Company licenses its brands across a broad range of product categories, including fashion apparel, footwear, accessories, sportswear, home furnishings and décor, and beauty and fragrance. The Company seeks licensees with the ability to produce and sell quality products in their licensed categories and to meet and exceed minimum sales and royalty payment thresholds.

The Company maintains direct-to-retail and traditional wholesale licenses. Typically, in a direct-to-retail license, the Company grants exclusive rights to one of its brands to a national retailer for a broad range of product categories. Direct-to-retail licenses provide retailers with proprietary rights to national brands at favorable economics. In a traditional wholesale license, the Company grants the right to a specific brand to a single or small group of related product categories to a wholesale supplier, who is permitted to sell licensed products to multiple retailers within an approved distribution channel.

The Company's license agreements typically require the licensee to pay the Company royalties based upon net sales with guaranteed minimum royalties in the event that net sales do not reach certain specified targets. The Company's licenses also typically require the licensees to pay to the Company certain minimum amounts for the advertising and marketing of the respective licensed brands.

Licensing revenue is comprised of revenue related to the Company's entry into various trade name license agreements that provide revenues based on minimum royalties and advertising/marketing fees and additional revenues based on a percentage of defined sales. Minimum royalty amounts are recognized as revenue on a straight-line basis over the full contract term. Minimum royalties that escalate on an annual basis over the contract term are recognized on a straight-line basis over the full contract term. Royalties exceeding the defined minimum amounts in a specific contract year (sales-based royalties), as defined in each license agreement, are recognized only in the subsequent periods to when the minimum guarantee for the contract year has been achieved and when the later of the following events occur: (i) the subsequent sale occurs, or (ii) the performance obligation to which some or all of the sales-based royalty has been allocated has been satisfied (or partially satisfied).

Within the Company's International segment, the Umbro business purchases replica soccer jerseys for resale to certain licensees. The Company generally does this as an accommodation to its licensees to consolidate ordering from the manufacturers. The revenue associated with such activity is included in licensing revenue and was approximately $2.0 million in the Current Quarter as compared to none in the Prior Year Quarter. The associated cost of goods sold is included in selling general and administrative expenses and was approximately $1.9 million in the Current Quarter as compared to none in the Prior Year Quarter. Revenue for these sales are recognized upon the transfer of control of the promised product to the customer or licensee in an amount that reflects the consideration that we expect to receive in exchange for these products.

The following table presents our revenues disaggregated by license type:

	Three Months Ended March 31,	
	2018	2017
Licensing revenue by license type:		
Direct-to-retail license	$21,213	$34,538
Wholesale licenses	25,138	24,155
Other licenses[(1)]	2,197	29
	$48,548	$58,722

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(1) Included in Other licenses for the Current Quarter is $2.1 million of revenue associated with the Umbro business purchases discussed above of which there was no comparable amount in Prior Year Quarter.

The following table represents our revenues disaggregated by geography:

	Three Months Ended March 31,	
	2018	2017
Total licensing revenue by geographic region:		
United States	$32,877	$44,618
Other (1)	15,671	14,104
	$48,548	$58,722

(1) No single country represented 10% of the Company's revenues in the periods presented.

Remaining Performance Obligation

We enter into long-term license agreements with our licensees across all operating segments. Revenues are recognized on a straight line basis consistent with the nature, timing and extent of our services, which primarily relate to the ongoing brand management and maintenance of the intellectual property. As of April 1, 2018, the Company and its joint ventures had a contractual right to receive over $470 million of aggregate minimum licensing revenue through the balance of all of their current licenses, excluding any renewals.

As of March 31, 2018, future minimum license revenue to be recognized is as follows: $101.0 million, $104.9 million, $76.0 million, $42.2 million, $35.8 million and $111.2 million for the remainder of FY 2018, FY 2019, FY 2020, FY 2021, FY 2022 and thereafter, respectively.

Contract Balances

Timing of revenue recognition may differ from the timing of invoicing to licensees. We record a receivable when amounts are contractually due or when revenue is recognized prior to invoicing. Deferred revenue is recorded when amounts are contractually due prior to satisfying the performance obligations of the contracts. For multi-year license agreements, as the performance obligation is providing the licensee with the right of access to the Company's intellectual property for the contractual term, the Company uses a time lapse measure of progress and straight lines the guaranteed minimum royalties over the contract term.

Contract Asset

We record contract assets when revenue is recognized in advance of cash payment being due from our licensees. Contract assets due within one year of the most recent balance sheet date are recorded within Other assets – current and long term contract assets are recorded within Other assets on the Company's condensed consolidated balance sheet. As of March 31, 2018, our contract assets – current and long term contract assets were $6.4 million and $13.7 million, respectively, which has been included within other assets – current and other assets, respectively, in the Company's condensed consolidated balance sheet.

Deferred Revenue

We record deferred revenue when cash payment is received or due in advance of our performance, including amounts which are refundable. Advanced royalty payments are recognized ratably over the period indicated by the terms of the license and are reflected in the Company's consolidated balance sheet in deferred revenue at the time the payment is received. The increase in deferred revenues for the three months ended March 31, 2018 is primarily driven by cash payments received or due in advance of satisfying our performance obligations, offset by $2.2 million of revenues recognized that were included in the deferred revenue balance at the beginning of the period.

4. Goodwill and Trademarks and Other Intangibles, net

Goodwill

There were no changes in goodwill during the Current Quarter or Prior Year Quarter. The annual evaluation of the Company's goodwill, by segment, is typically performed as of October 1, the beginning of the Company's fourth fiscal quarter. There was no impairment of the Company's goodwill during the Current Quarter or the Prior Year Quarter.

Trademarks and Other Intangibles, net

Trademarks and other intangibles, net, consist of the following:

		March 31, 2018		December 31, 2017	
	Estimated Lives in Years	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Indefinite-lived trademarks	Indefinite	$468,435	$ —	$465,391	$ —
Definite-lived trademarks	10-15	8,958	8,927	8,958	8,917
Non-compete agreements	2-15	—	—	940	940
Licensing contracts	1-9	1,034	825	3,412	3,122
		$478,427			