DUNKIN' BRANDS GROUP, INC.
Form 10-Q
November 07, 2018
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FORM 10-Q

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.
For the quarterly period ended September 29, 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 001-35258

DUNKIN’ BRANDS GROUP, INC.
(Exact name of registrant as specified in its charter)

Delaware	20-4145825
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

130 Royall Street
Canton, Massachusetts 02021
(Address of principal executive offices) (zip code)
(781) 737-3000
(Registrants’ telephone number, including area code)
(Former name, former address and former fiscal year, if changed since last report.)

Indicate by check mark whether the registrant has (1) 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 x NO ¨
Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). YES x 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	x	Accelerated filer	¨
Non-accelerated filer	¨	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 x

As of November 2, 2018, 82,597,346 shares of common stock of the registrant were outstanding.

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DUNKIN' BRANDS GROUP, INC. AND SUBSIDIARIES

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Part I. Financial Information
Item 1. Financial Statements
DUNKIN' BRANDS GROUP, INC. AND SUBSIDIARIES
Consolidated Balance Sheets
(In thousands, except share data)
(Unaudited)

	September 29, 2018	December 30, 2017
Assets		
Current assets:		
Cash and cash equivalents	$428,179	1,018,317
Restricted cash	79,432	94,047
Accounts receivable, net of allowance for doubtful accounts of $3,961 and $4,390 as of September 29, 2018 and December 30, 2017, respectively	79,778	69,517
Notes and other receivables, net of allowance for doubtful accounts of $975 and $600 as of September 29, 2018 and December 30, 2017, respectively	53,933	52,332
Prepaid income taxes	20,826	21,927
Prepaid expenses and other current assets	48,214	48,193
Total current assets	710,362	1,304,333
Property, equipment, and software, net of accumulated depreciation of $155,723 and $143,319 as of September 29, 2018 and December 30, 2017, respectively	205,860	181,542
Equity method investments	142,954	140,615
Goodwill	888,293	888,308
Other intangible assets, net of accumulated amortization of $261,952 and $250,142 as of September 29, 2018 and December 30, 2017, respectively	1,340,034	1,357,157
Other assets	66,650	65,478
Total assets	$3,354,153	3,937,433
Liabilities and Stockholders' Deficit		
Current liabilities:		
Current portion of long-term debt	$31,650	31,500
Capital lease obligations	554	596
Accounts payable	55,862	53,417
Deferred revenue	43,752	44,876
Other current liabilities	296,622	355,110
Total current liabilities	428,440	485,499
Long-term debt, net	3,017,281	3,035,857
Capital lease obligations	6,777	7,180
Unfavorable operating leases acquired	8,671	9,780
Deferred revenue	354,472	361,458
Deferred income taxes, net	200,196	214,345
Other long-term liabilities	73,874	77,853
Total long-term liabilities	3,661,271	3,706,473
Commitments and contingencies (note 9)		
Stockholders' deficit:		
Preferred stock, $0.001 par value; 25,000,000 shares authorized; no shares issued and outstanding	—	—
Common stock, $0.001 par value; 475,000,000 shares authorized; 82,468,705 shares issued and 82,441,928 shares outstanding as of September 29, 2018; 90,404,022 shares issued and 90,377,245 shares outstanding as of December 30, 2017	82	90

Additional paid-in capital	645,505	724,114
Treasury stock, at cost; 26,777 shares as of September 29, 2018 and December 30, 2017	(1,060)	(1,060)
Accumulated deficit	(1,365,010)	(968,148)
Accumulated other comprehensive loss	(15,075)	(9,535)
Total stockholders' deficit	(735,558)	(254,539)
Total liabilities and stockholders' deficit	$3,354,153	3,937,433

See accompanying notes to unaudited consolidated financial statements.

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DUNKIN' BRANDS GROUP, INC. AND SUBSIDIARIES
Consolidated Statements of Operations
(In thousands, except per share data)
(Unaudited)

	Three months ended		Nine months ended	
	September 29, 2018	September 30, 2017	September 29, 2018	September 30, 2017
Revenues:				
Franchise fees and royalty income	$151,991	143,734	435,740	415,343
Advertising fees and related income	132,471	122,660	375,017	355,224
Rental income	27,547	27,713	79,425	79,543
Sales of ice cream and other products	24,867	23,173	74,784	74,358
Other revenues	13,135	12,791	37,027	36,137
Total revenues	350,011	330,071	1,001,993	960,605
Operating costs and expenses:				
Occupancy expenses—franchised restaurants	14,765	15,333	43,059	43,758
Cost of ice cream and other products	21,311	19,457	60,956	58,578
Advertising expenses	133,732	124,080	378,283	358,828
General and administrative expenses, net	63,997	60,580	183,122	182,023
Depreciation	4,937	4,941	15,095	15,096
Amortization of other intangible assets	5,230	5,341	15,912	16,001
Long-lived asset impairment charges	55	536	1,209	643
Total operating costs and expenses	244,027	230,268	697,636	674,927
Net income of equity method investments	5,787	5,466	11,665	12,612
Other operating income (loss), net	(179)	3	(749)	591
Operating income	111,592	105,272	315,273	298,881
Other income (expense), net:				
Interest income	1,930	624	5,088	1,370
Interest expense	(31,932)	(24,436)	(96,947)	(74,192)
Other income (losses), net	(101)	155	(700)	370
Total other expense, net	(30,103)	(23,657)	(92,559)	(72,452)
Income before income taxes	81,489	81,615	222,714	226,429
Provision for income taxes	15,422	40,445	45,997	89,874
Net income	$66,067	41,170	176,717	136,555
Earnings per share:				
Common—basic	$0.80	0.46	2.10	1.50
Common—diluted	0.79	0.45	2.07	1.48
Cash dividends declared per common share	0.35	0.32	1.04	0.97

See accompanying notes to unaudited consolidated financial statements.

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DUNKIN' BRANDS GROUP, INC. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
(In thousands)
(Unaudited)

	Three months ended		Nine months ended	
	September 29, 2018	September 30, 2017	September 29, 2018	September 30, 2017
Net income	$66,067	41,170	176,717	136,555
Other comprehensive income (loss), net:				
Effect of foreign currency translation, net of deferred tax expense (benefit) of $(17) and $6 for the three months ended September 29, 2018 and September 30, 2017, respectively, and $(63) and $579 for the nine months ended September 29, 2018 and September 30, 2017, respectively	(412)	(637)	(6,156)	5,354
Effect of interest rate swaps, net of deferred tax benefit of $216 and $650 for the three and nine months ended September 30, 2017, respectively	—	(319)	—	(955)
Other, net	46	24	616	677
Total other comprehensive income (loss), net	(366)	(932)	(5,540)	5,076
Comprehensive income	$65,701	40,238	171,177	141,631

See accompanying notes to unaudited consolidated financial statements.

DUNKIN' BRANDS GROUP, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Nine months ended	
	September 29, 2018	September 30, 2017
Cash flows from operating activities:		
Net income	$176,717	136,555
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	31,007	31,097
Amortization of debt issuance costs	3,761	4,843
Deferred income taxes	(13,984)	(10,649)
Provision for bad debt	340	599
Share-based compensation expense	10,862	10,896
Net income of equity method investments	(11,665)	(12,612)
Dividends received from equity method investments	4,509	4,711
Other, net	4,397	428
Change in operating assets and liabilities:		
Accounts, notes, and other receivables, net	(12,504)	(854)
Prepaid income taxes, net	1,156	10,872
Prepaid expenses and other current assets	(137)	(12,606)
Accounts payable	2,324	955
Other current liabilities	(58,390)	(63,962)
Deferred revenue	(8,302)	29,197
Other, net	(3,562)	(3,290)
Net cash provided by operating activities	126,529	126,180
Cash flows from investing activities:		
Additions to property, equipment, and software	(41,450)	(13,649)
Other, net	20	(101)
Net cash used in investing activities	(41,430)	(13,750)
Cash flows from financing activities:		
Repayment of long-term debt	(23,688)	(18,750)
Payment of debt issuance and other debt-related costs	—	(312)
Dividends paid on common stock	(86,035)	(87,911)
Repurchases of common stock, including accelerated share repurchases	(650,368)	(127,186)
Exercise of stock options	71,657	33,267
Other, net	(1,101)	(214)
Net cash used in financing activities	(689,535)	(201,106)
Effect of exchange rates on cash, cash equivalents, and restricted cash	(350)	576
Decrease in cash, cash equivalents, and restricted cash	(604,786)	(88,100)
Cash, cash equivalents, and restricted cash, beginning of period	1,114,099	431,832
Cash, cash equivalents, and restricted cash, end of period	$509,313	343,732
Supplemental cash flow information:		
Cash paid for income taxes	$59,245	89,882
Cash paid for interest	96,290	70,038
Noncash investing activities:		
Property, equipment, and software included in accounts payable and other current liabilities	2,865	2,533
Purchase of leaseholds in exchange for capital lease obligations	—	330

Purchase of property, equipment, and software in exchange for note payable	1,500	—

See accompanying notes to unaudited consolidated financial statements.

DUNKIN’ BRANDS GROUP, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
(Unaudited)

(1) Description of business and organization

Dunkin’ Brands Group, Inc. (“DBGI”), together with its consolidated subsidiaries, is one of the world’s leading franchisors of restaurants serving coffee and baked goods, as well as ice cream, within the quick service restaurant segment of the restaurant industry. We franchise and license a system of both traditional and nontraditional quick service restaurants and, in limited circumstances, have owned and operated locations. Through our Dunkin’ brand, we franchise restaurants featuring coffee, donuts, bagels, breakfast sandwiches, and related products. Additionally, we license Dunkin’ brand products sold in certain retail outlets such as retail packaged coffee, Dunkin’ K-Cup® pods, and ready-to-drink bottled iced coffee. Through our Baskin-Robbins brand, we franchise restaurants featuring ice cream, frozen beverages, and related products. Additionally, we distribute Baskin-Robbins ice cream products to certain international markets for sale in Baskin-Robbins restaurants and certain retail outlets.

Throughout these unaudited consolidated financial statements, “Dunkin’ Brands,” “the Company,” “we,” “us,” “our,” and “management” refer to DBGI and its consolidated subsidiaries taken as a whole.

(2) Summary of significant accounting policies

(a) Unaudited consolidated financial statements

The consolidated balance sheet as of September 29, 2018, the consolidated statements of operations and comprehensive income for the three and nine months ended September 29, 2018 and September 30, 2017, and the consolidated statements of cash flows for the nine months ended September 29, 2018 and September 30, 2017 are unaudited.

The accompanying unaudited consolidated financial statements include the accounts of DBGI and its consolidated subsidiaries and have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission (“SEC”) for interim financial information. Accordingly, they do not include all of the information and footnotes required in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) for complete financial statements. All significant transactions and balances between subsidiaries and affiliates have been eliminated in consolidation. In the opinion of management, all adjustments necessary for a fair presentation of such financial statements in accordance with U.S. GAAP have been recorded. Such adjustments consisted only of normal recurring items. These unaudited consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto for the fiscal year ended December 30, 2017, included in the Company’s Annual Report on Form 10-K.

(b) Fiscal year

The Company operates and reports financial information on a 52- or 53-week year on a 13-week quarter basis with the fiscal year ending on the last Saturday in December and fiscal quarters ending on the 13th Saturday of each quarter (or 14th Saturday when applicable with respect to the fourth fiscal quarter). The data periods contained within the three- and nine-month periods ended September 29, 2018 and September 30, 2017 reflect the results of operations for the 13-week and 39-week periods ended on those dates, respectively. Operating results for the three- and nine-month periods ended September 29, 2018 are not necessarily indicative of the results that may be expected for the fiscal year ending December 29, 2018.

(c) Cash, cash equivalents, and restricted cash

In accordance with the Company’s securitized financing facility, certain cash accounts have been established in the name of Citibank, N.A. (the “Trustee”) for the benefit of the Trustee and the noteholders, and are restricted in their use. The Company holds restricted cash which primarily represents (i) cash collections held by the Trustee, (ii) interest, principal, and commitment fee reserves held by the Trustee related to the Company’s notes (see note 4), and (iii) real estate reserves used to pay real estate obligations.

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Cash, cash equivalents, and restricted cash within the consolidated balance sheets that are included in the consolidated statements of cash flows as of September 29, 2018 and December 30, 2017 were as follows (in thousands):

	September 29, 2018	December 30, 2017
Cash and cash equivalents	$ 428,179	1,018,317
Restricted cash	79,432	94,047
Restricted cash, included in Other assets	1,702	1,735
Total cash, cash equivalents, and restricted cash	$ 509,313	1,114,099

(d) Fair value of financial instruments

Financial assets and liabilities are categorized, based on the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to the quoted prices in active markets for identical assets and liabilities and lowest priority to unobservable inputs. Observable market data, when available, is required to be used in making fair value measurements. When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement.

Financial assets and liabilities measured at fair value on a recurring basis as of September 29, 2018 and December 30, 2017 are summarized as follows (in thousands):

	September 29, 2018		December 30, 2017	
	Significant other observable inputs (Level 2)	Total	Significant other observable inputs (Level 2)	Total
Assets:				
Company-owned life insurance	$11,521	11,521	10,836	10,836
Total assets	$11,521	11,521	10,836	10,836
Liabilities:				
Deferred compensation liabilities	$10,952	10,952	13,543	13,543
Total liabilities	$10,952	10,952	13,543	13,543

The deferred compensation liabilities relate to the Dunkin' Brands, Inc. non-qualified deferred compensation plans ("NQDC Plans"), which allow for pre-tax deferral of compensation for certain qualifying employees and directors. Changes in the fair value of the deferred compensation liabilities are derived using quoted prices in active markets of the asset selections made by the participants. The deferred compensation liabilities are classified within Level 2, as defined under U.S. GAAP, because their inputs are derived principally from observable market data by correlation to hypothetical investments. The Company holds company-owned life insurance policies to partially offset the Company's liabilities under the NQDC Plans. The changes in the fair value of any company-owned life insurance policies are derived using determinable cash surrender value. As such, the company-owned life insurance policies are classified within Level 2, as defined under U.S. GAAP.

The carrying value and estimated fair value of long-term debt as of September 29, 2018 and December 30, 2017 were as follows (in thousands):

	September 29, 2018		December 30, 2017	
	Carrying value	Estimated fair value	Carrying value	Estimated fair value
Financial liabilities				
Long-term debt	$3,048,931	3,044,365	3,067,357	3,156,099

The estimated fair value of our long-term debt is estimated primarily based on current market rates for debt with similar terms and remaining maturities or current bid prices for our long-term debt. Judgment is required to develop these estimates. As such, the fair value of our long-term debt is classified within Level 2, as defined under U.S.

GAAP.

(e) Concentration of credit risk

The Company is subject to credit risk through its accounts receivable consisting primarily of amounts due from franchisees and licensees for franchise fees, royalty income, advertising fees, and sales of ice cream and other products. In addition, we have

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note and lease receivables from certain of our franchisees and licensees. The financial condition of these franchisees and licensees is largely dependent upon the underlying business trends of our brands and market conditions within the quick service restaurant industry. This concentration of credit risk is mitigated, in part, by the large number of franchisees and licensees of each brand and the short-term nature of the franchise and license fee and lease receivables. As of September 29, 2018 and December 30, 2017, one master licensee, including its majority-owned subsidiaries, accounted for approximately 14% and 11%, respectively, of total accounts and notes receivable. No individual franchisee or master licensee accounted for more than 10% of total revenues for any of the three- and nine-month periods ended September 29, 2018 and September 30, 2017.

Additionally, the Company engages various third parties to manufacture and/or distribute certain Dunkin' and Baskin-Robbins products under licensing arrangements. As of September 29, 2018, one of these third parties accounted for approximately 16% of total accounts and notes receivable. No individual third party accounted for more than 10% of total accounts and notes receivable as of December 30, 2017. No individual third party accounted for more than 10% of total revenues for any of the three- and nine-month periods ended September 29, 2018 and September 30, 2017.

(f) Advertising expenses

Advertising expenses in the consolidated statements of operations includes advertising expenses incurred by the Company, including those expenses incurred by the advertising funds and for the administration of the gift card program. The Company expenses production costs of commercial advertising upon first airing and expenses the costs of communicating the advertising in the period in which the advertising occurs. Costs of print advertising and certain promotion-related items are deferred and expensed the first time the advertising is displayed. Prepaid expenses and other current assets in the consolidated balance sheets include $14.3 million and $15.5 million at September 29, 2018 and December 30, 2017, respectively, that was related to advertising. Advertising expenses are allocated to interim periods in relation to the related revenues. When revenues of the advertising fund exceed the related advertising expenses, advertising costs are accrued up to the amount of revenues.

(g) Recent accounting pronouncements

Recently adopted accounting pronouncements

In February 2018, the Financial Accounting Standards Board (the "FASB") issued new guidance allowing companies the option to reclassify from accumulated other comprehensive loss to accumulated deficit the stranded income tax effects resulting from the Tax Cuts and Jobs Act that was enacted on December 22, 2017. The Company early adopted this standard during the first quarter of fiscal year 2018 and has elected to present the change in the period of adoption. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

In May 2014, the FASB issued new guidance for revenue recognition related to contracts with customers ("ASC 606"), except for contracts within the scope of other standards, which supersedes nearly all existing revenue recognition guidance. We adopted this new guidance in fiscal year 2018. See note 3 for further disclosure of the impact of the new guidance.

Recent accounting pronouncements not yet adopted

In February 2016, the FASB issued new guidance for lease accounting, which replaces existing lease accounting guidance. The new guidance aims to increase transparency and comparability among organizations by requiring lessees to recognize lease assets and lease liabilities on the balance sheet and requiring disclosure of key information about leasing arrangements. This guidance is effective for the Company in fiscal year 2019 with early adoption permitted, and modified retrospective application is required with an option to not restate comparative periods in the period of adoption. The Company expects to adopt this new guidance in fiscal year 2019 without restating comparative periods, and expects that substantially all of its operating lease commitments will be subject to the new guidance and will be recognized as operating lease liabilities and right-of-use assets upon adoption, thereby having a material impact to its consolidated balance sheet. We do not expect the adoption of the new guidance to have a material impact on the Company's net income, liquidity, or compliance with debt agreements. The Company expects to elect the package of practical expedients permitted under the new guidance, which includes allowing the Company to continue utilizing historical classification of leases.

Though the majority of the assessment phase is complete, the Company continues to evaluate the impact the adoption of this new guidance will have on the Company's consolidated financial statements, as well as the impact on accounting policies and related disclosures. Additionally, the Company is in the process of implementing new accounting systems, business processes, and internal controls related to lease accounting to assist in the application of the new guidance.

(h) Subsequent events

Subsequent events have been evaluated through the date these consolidated financial statements were filed.

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(3) Revenue recognition

(a) Updated revenue recognition policies

Franchise fees and royalty income

Domestically, the Company sells individual franchises as well as territory agreements in the form of store development agreements (“SDAs”) that grant the right to develop restaurants in designated areas. The franchise agreements and SDAs typically require the franchisee to pay initial nonrefundable franchise fees prior to opening the respective restaurants and continuing fees, or royalty income, on a weekly basis based upon a percentage of franchisee gross sales. The initial term of domestic franchise agreements is typically 20 years. Prior to the end of the franchise term or as otherwise provided by the Company, a franchisee may elect to renew the term of a franchise agreement, and, if approved, will typically pay a renewal fee upon execution of the renewal term. If approved, a franchisee may transfer a franchise agreement or SDA to a new or existing franchisee, at which point a transfer fee is paid. Occasionally, the Company offers incentive programs to franchisees in conjunction with a franchise/license agreement, territory agreement, or renewal agreement.

Internationally, the Company sells master franchise agreements that grant the master franchisee the right to develop and operate, and in some instances sub-franchise, a certain number of restaurants within a particular geographic area. The master franchisee is typically required to pay an upfront market entry fee upon entering into the master franchise agreement and an upfront initial franchise fee for each developed restaurant prior to each respective opening. For the Dunkin’ brand and in certain Baskin-Robbins international markets, the master franchisee will also pay continuing fees, or royalty income, generally on a monthly basis based upon a percentage of sales. Generally, the master franchise agreement serves as the franchise agreement for the underlying restaurants, and the initial franchise term provided for each restaurant typically ranges between 10 and 20 years.

Generally, the franchise license granted for each individual restaurant within an arrangement represents a single performance obligation. Therefore, initial franchise fees and market entry fees for each arrangement are allocated to each individual restaurant and recognized over the term of the respective franchise agreement from the date of the restaurant opening. Royalty income is also recognized over the term of the respective franchise agreement based on the royalties earned each period as the underlying sales occur. Renewal fees are generally recognized over the renewal term for the respective restaurant from the start of the renewal period. Transfer fees are recognized over the remaining term of the franchise agreement beginning at the time of transfer. Incentives provided to franchisees in conjunction with a franchise/license agreement, territory agreement, or renewal agreement are recognized over the remaining term of the respective agreement. Additionally, for Baskin-Robbins international markets that do not pay a royalty, a portion of the consideration from sales of ice cream and other products is allocated to royalty income as consideration for the use of the franchise license, which is recognized when the related sales occur and is estimated based on royalty rates in effect for markets where the franchise license is sold on a standalone basis. Fees received or receivable that are expected to be recognized as revenue within one year are classified as current deferred revenue in the consolidated balance sheets.

Advertising fees and related income

Domestically and in limited international markets, franchise agreements typically require the franchisee to pay continuing advertising fees on a weekly basis based on a percentage of franchisee gross sales, which are recognized over the term of the respective franchise agreement based on the fees earned each period as the underlying sales occur.

The Company and its franchisees sell gift cards that are redeemable for products in our Dunkin’ and Baskin-Robbins restaurants. The Company manages the gift card program, and therefore collects all funds from the activation of gift cards and reimburses franchisees for the redemption of gift cards in their restaurants. A liability for unredeemed gift cards, as well as historical gift certificates sold, is included in other current liabilities in the consolidated balance sheets.

There are no expiration dates or service fees charged on the gift cards. While the franchisees continue to honor all gift cards presented for payment, the likelihood of redemption may be determined to be remote for certain cards due to long periods of inactivity. In these circumstances, the Company may recognize revenue from unredeemed gift cards (“breakage revenue”) if they are not subject to unclaimed property laws. For Dunkin’ gift cards enrolled in the DD Perks® Rewards loyalty program and other cards with expected similar redemption behavior, breakage is estimated and recognized at the point in time when the likelihood of redemption of any remaining card balance becomes remote, generally after a period of sufficient inactivity. Breakage on all other Dunkin’ gift cards and all Baskin-Robbins gift cards is estimated and recognized over time in proportion to actual gift card redemptions, based on historical redemption rates.

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The Company also collects gift card program service fees from franchisees to offset the costs to administer the gift card program. The gift card program service fees are based on the volume of gift card transactions processed and are recognized as the underlying transactions occur.

Rental income

Rental income for base rentals is recorded on a straight-line basis over the lease term, including the amortization of any tenant improvement dollars paid. The differences between the straight-line rent amounts and amounts receivable under the leases are recorded as deferred rent assets in current or long-term assets, as appropriate. Contingent rental income is recognized as earned, and any amounts received from lessees in advance of achieving stipulated thresholds are deferred until such thresholds are actually achieved. Deferred contingent rentals are recorded as deferred revenue in current liabilities in the consolidated balance sheets.

Sales of ice cream and other products

We distribute Baskin-Robbins ice cream products and, in limited cases, Dunkin' products to franchisees in certain international locations. Revenue from the sale of ice cream and other products is recognized when title and risk of loss transfers to the buyer, which is generally upon delivery. Payment for ice cream and other products is generally due within a relatively short period of time subsequent to delivery.

Other revenues

Other revenues include fees generated by licensing our brand names and other intellectual property, as well as gains, net of losses and transactions costs, from the sales of restaurants that were not company-operated to new or existing franchisees. Licensing fees are recognized over the term of the expected license agreement, with sales-based license fees being recognized based on the amount earned each period as the underlying sales occur. Gains on the refranchise or sale of a restaurant are recognized over the term of the related agreement.

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(b) Disaggregation of revenue

Revenues are disaggregated by timing of revenue recognition and reconciled to reportable segment revenues as follows (in thousands):

	Three months ended September 29, 2018							
	Dunkin' U.S.	Baskin-Robbins U.S.	Dunkin' International	Baskin-Robbins International	U.S. Advertising Funds	Total reportable segment revenues	Other[a]	Total revenues
Revenues recognized under ASC 606								
Revenues recognized over time:								
Royalty income	$124,805	8,626	5,192	2,140	—	140,763	4,812	145,575
Franchise fees	4,840	319	1,054	203	—	6,416	—	6,416
Advertising fees and related income	—	—	—	—	118,208	118,208	8,312	126,520
Other revenues	597	2,994	3	7	—	3,601	8,754	12,355
Total revenues recognized over time	130,242	11,939	6,249	2,350	118,208	268,988	21,878	290,866
Revenues recognized at a point in time:								
Sales of ice cream and other products	—	906	—	28,625	—	29,531	(4,664)	24,867
Other revenues	405	63	7	45	—	520	260	780
Total revenues recognized at a point in time	405	969	7	28,670	—	30,051	(4,404)	25,647
Total revenues recognized under ASC 606	130,647	12,908	6,256	31,020	118,208	299,039	17,474	316,513
Revenues not subject to ASC 606								
Advertising fees and related income	—	—	—	—	—	—	5,951	5,951
Rental income	26,637	773	—	137	—	27,547	—	27,547
Total revenues not subject to ASC 606	26,637	773	—	137	—	27,547	5,951	33,498
Total revenues	$157,284	13,681	6,256	31,157	118,208	326,586	23,425	350,011

[a] Revenues reported as “Other” include revenues earned through certain licensing revenues, revenues generated from online training programs for franchisees, advertising fees and related income from international advertising funds, and breakage and other revenue related to the gift card program, all of which are not allocated to a specific segment. Additionally, the allocation of royalty income from sales of ice cream and other products is reported as “Other.”

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	Three months ended September 30, 2017							
	Dunkin' U.S.	Baskin-Robbins U.S.	Dunkin' International	Baskin-Robbins International	U.S. Advertising Funds	Total reportable segment revenues	Other[(a)]	Total revenues
Revenues recognized under ASC 606								
Revenues recognized over time:								
Royalty income	$118,831	8,501	4,442	1,966	—	133,740	4,380	138,120
Franchise fees	4,638	190	460	326	—	5,614	—	5,614
Advertising fees and related income	—	—	—	—	113,862	113,862	547	114,409
Other revenues	528	3,015	3	6	—	3,552	8,498	12,050
Total revenues recognized over time	123,997	11,706	4,905	2,298	113,862	256,768	13,425	270,193
Revenues recognized at a point in time:								
Sales of ice cream and other products	—	771	—	26,512	—	27,283	(4,110)	23,173
Other revenues	405	47	8	24	—	484	257	741
Total revenues recognized at a point in time	405	818	8	26,536	—	27,767	(3,853)	23,914
Total revenues recognized under ASC 606	124,402	12,524	4,913	28,834	113,862	284,535	9,572	294,107
Revenues not subject to ASC 606								
Advertising fees and related income	—	—	—	—	—	—	8,251	8,251
Rental income	26,786	798	—	129	—	27,713	—	27,713
Total revenues not subject to ASC 606	26,786	798	—	129	—	27,713	8,251	35,964
Total revenues	$151,188	13,322	4,913	28,963	113,862	312,248	17,823	330,071

(a) Revenues reported as “Other” include revenues earned through certain licensing revenues, revenues generated from online training programs for franchisees, advertising fees and related income from international advertising funds, and breakage and other revenue related to the gift card program, all of which are not allocated to a specific segment. Additionally, the allocation of royalty income from sales of ice cream and other products is reported as “Other.”

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Nine months ended September 29, 2018

	Dunkin' U.S.	Baskin-Robbins U.S.	Dunkin' International	Baskin-Robbins International	U.S. Advertising Funds	Total reportable segment revenues	Other[(a)]	Total revenues
Revenues recognized under ASC 606								
Revenues recognized over time:								
Royalty income	$360,859	24,040	14,862	5,837	—	405,598	12,222	417,820
Franchise fees	14,312	911	2,037	660	—	17,920	—	17,920
Advertising fees and related income	—	—	—	—	341,549	341,549	17,062	358,611
Other revenues	1,720	8,400	5	8	—	10,133	24,877	35,010
Total revenues recognized over time	376,891	33,351	16,904	6,505	341,549	775,200	54,161	829,361
Revenues recognized at a point in time:								
Sales of ice cream and other products	—	2,426	—	84,006	—	86,432	(11,648)	74,784
Other revenues	960	213	(25)	164	—	1,312	705	2,017
Total revenues recognized at a point in time	960	2,639	(25)	84,170	—	87,744	(10,943)	76,801
Total revenues recognized under ASC 606	377,851	35,990	16,879	90,675	341,549	862,944	43,218	906,162
Revenues not subject to ASC 606								
Advertising fees and related income	—	—	—	—	—	—	16,406	16,406
Rental income	76,734	2,303	—	388	—	79,425	—	79,425
Total revenues not subject to ASC 606	76,734	2,303	—	388	—	79,425	16,406	95,831
Total revenues	$454,585	38,293	16,879	91,063	341,549	942,369	59,624	1,001,993

(a) Revenues reported as “Other” include revenues earned through certain licensing revenues, revenues generated from online training programs for franchisees, advertising fees and related income from international advertising funds, and breakage and other revenue related to the gift card program, all of which are not allocated to a specific segment. Additionally, the allocation of royalty income from sales of ice cream and other products is reported as “Other.”

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	Nine months ended September 30, 2017							
	Dunkin' U.S.	Baskin-Robbins U.S.	Dunkin' International	Baskin-Robbins International	U.S. Advertising Funds	Total reportable segment revenues	Other[(a)]	Total revenues
Revenues recognized under ASC 606								
Revenues recognized over time:								
Royalty income	$345,103	24,265	13,011	5,255	—	387,634	11,353	398,987
Franchise fees	13,500	589	1,368	899	—	16,356	—	16,356
Advertising fees and related income	—	—	—	—	330,007	330,007	1,270	331,277
Other revenues	1,645	8,515	7	7	—	10,174	23,913	34,087
Total revenues recognized over time	360,248	33,369	14,386	6,161	330,007	744,171	36,536	780,707
Revenues recognized at a point in time:								
Sales of ice cream and other products	—	2,179	—	82,602	—	84,781	(10,423)	74,358
Other revenues	1,129	261	(29)	133	—	1,494	556	2,050
Total revenues recognized at a point in time	1,129	2,440	(29)	82,735	—	86,275	(9,867)	76,408
Total revenues recognized under ASC 606	361,377	35,809	14,357	88,896	330,007	830,446	26,669	857,115
Revenues not subject to ASC 606								
Advertising fees and related income	—	—	—	—	—	—	23,947	23,947
Rental income	76,842	2,346	—	355	—	79,543	—	79,543
Total revenues not subject to ASC 606	76,842	2,346	—	355	—	79,543	23,947	103,490
Total revenues	$438,219	38,155	14,357	89,251	330,007	909,989	50,616	960,605

[(a)] Revenues reported as “Other” include revenues earned through certain licensing revenues, revenues generated from online training programs for franchisees, advertising fees and related income from international advertising funds, and breakage and other revenue related to the gift card program, all of which are not allocated to a specific segment. Additionally, the allocation of royalty income from sales of ice cream and other products is reported as “Other.”

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(c) Contract balances

Information about receivables and deferred revenue subject to ASC 606 is as follows (in thousands):

	September 29, 2018	December 30, 2017	Balance Sheet Classification
Receivables	$ 103,097	76,455	Accounts receivable, net and Notes and other receivables, net
Deferred revenue:			
Current	$ 30,724	27,724	Deferred revenue—current
Long-term	354,472	361,458	Deferred revenue—long term
Total	$ 385,196	389,182	

Receivables relate primarily to payments due for royalties, franchise fees, advertising fees, sales of ice cream and other products, and licensing fees. Deferred revenue primarily represents the Company's remaining performance obligations under its franchise and license agreements for which consideration has been received or is receivable, and is generally recognized on a straight-line basis over the remaining term of the related agreement.

The decrease in the deferred revenue balance as of September 29, 2018 is primarily driven by $24.0 million of revenues recognized that were included in the deferred revenue balance as of December 30, 2017, as well as franchisee incentives provided during fiscal year 2018, offset by cash payments received or due in advance of satisfying our performance obligations.

As of September 29, 2018 and December 30, 2017, there were no contract assets from contracts with customers.

(d) Transaction price allocated to remaining performance obligations

Estimated revenue expected to be recognized in the future related to performance obligations that are either unsatisfied or partially satisfied at September 29, 2018 is as follows (in thousands):

Fiscal year:	
2018[(a)]	$ 9,279
2019	26,031
2020	22,744
2021	22,628
2022	22,441
Thereafter	244,692
Total	$ 347,815

[(a)] Represents the estimate for remainder of fiscal year 2018 which excludes the nine months ended September 29, 2018.

The estimated revenue in the table above does not contemplate future franchise renewals or new franchise agreements for restaurants for which a franchise agreement or SDA does not exist at September 29, 2018. Additionally, the table above excludes $63.6 million of consideration allocated to restaurants that are not yet open at September 29, 2018. The Company has applied the sales-based royalty exemption which permits exclusion of variable consideration in the form of sales-based royalties from the disclosure of remaining performance obligations in the table above. Additionally, the Company has applied the transition practical expedient that allows the Company to omit the above disclosures for the fiscal year ended December 30, 2017.

(e) Change in accounting principle

In fiscal year 2018, the Company adopted new revenue recognition guidance which provides a single framework in which revenue is required to be recognized to depict the transfer of goods or services to customers in amounts that reflect the consideration to which a company expects to be entitled in exchange for those goods or services. The Company adopted the guidance using the full retrospective transition method which results in restating each prior reporting period presented. The restated amounts include the application of a practical expedient that permitted the Company to reflect the aggregate effect of all modifications that occurred prior to fiscal year 2016 when identifying the satisfied and unsatisfied performance obligations,

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determining the transaction price, and allocating the transaction price to the satisfied and unsatisfied performance obligations. The Company implemented new business processes, internal controls, and modified information technology systems to assist in the ongoing application of the new guidance.

Franchise Fees

The adoption of the new guidance changed the timing of recognition of initial franchise fees, including master license and territory fees for our international business, and renewal and transfer fees. Previously, these fees were generally recognized upfront upon either opening of the respective restaurant, when a renewal agreement became effective, or upon transfer of a franchise agreement. The new guidance generally requires these fees to be recognized over the term of the related franchise license for the respective restaurant. Additionally, transfer fees were previously included within other revenues, but are now included within franchise fees and royalty income in the consolidated statements of operations. The new guidance did not materially impact the recognition of royalty income.

Advertising

The adoption of the new guidance changed the reporting of advertising fund contributions from franchisees and the related advertising fund expenditures, which were not previously included in the consolidated statements of operations. The new guidance requires these advertising fund contributions and expenditures to be reported on a gross basis in the consolidated statements of operations. The assets and liabilities held by the advertising funds, which were previously reported as restricted assets and liabilities of advertising funds, respectively, are now included within the respective balance sheet caption to which the assets and liabilities relate. Additionally, advertising costs that have been incurred by the Company outside of the advertising funds were previously included within general and administrative expenses, net, but are now included within advertising expenses in the consolidated statements of operations.

Previously, breakage from Dunkin’ and Baskin-Robbins gift cards was recorded as a reduction to general and administrative expenses, net, to offset the related gift card program costs. In accordance with the new guidance, breakage revenue is now reported on a gross basis in the consolidated statements of operations within advertising fees and related income, and the related gift card program costs are included in advertising expenses.

Ice Cream Royalty Allocation

The adoption of the new guidance requires a portion of sales of ice cream products to be allocated to royalty income as consideration for the use of the franchise license. As such, a portion of sales of ice cream and other products has been reclassified to franchise fees and royalty income in the consolidated statements of operations under the new guidance. This allocation has no impact on the timing of recognition of the related sales of ice cream products or royalty income.

Other Revenue Transactions

The adoption of the new guidance requires certain fees generated by licensing of our brand names and other intellectual property to be recognized over the term of the related agreement, including a one-time upfront license fee recognized in connection with the Dunkin’ K-Cup® pod licensing agreement in fiscal year 2015. Additionally, gains associated with the refranchise, sale, or transfer of restaurants that were not company-operated to new or existing franchisees are recognized over the term of the related agreement under the new guidance, instead of upon closing of the sale transaction or transfer.

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Impacts to Prior Period Information
The new guidance for revenue recognition impacted the Company's previously reported financial statements as follows:
Consolidated Balance Sheets
December 30, 2017
(In thousands)

		Adjustments for new revenue recognition guidance			
	Previously reported	Franchise fees	Advertising	Other revenue transactions	Restated
Assets					
Current assets:					
Cash and cash equivalents	$1,018,317	—	—	—	1,018,317
Restricted cash	94,047	—	—	—	94,047
Accounts receivables, net	51,442	—	18,075	—	69,517
Notes and other receivables, net	51,082	—	1,250	—	52,332
Restricted assets of advertising funds	47,373	—	(47,373)	—	—
Prepaid income taxes	21,879	—	48	—	21,927
Prepaid expenses and other current assets	32,695	—	15,498	—	48,193
Total current assets	1,316,835	—	(12,502)	—	1,304,333
Property and equipment, net	169,005	—	12,537	—	181,542
Equity method investments	140,615	—	—	—	140,615
Goodwill	888,308	—	—	—	888,308
Other intangibles assets, net	1,357,157	—	—	—	1,357,157
Other assets	65,464	—	14	—	65,478
Total assets	$3,937,384	—	49	—	3,937,433
Liabilities and Stockholders’ Equity (Deficit)					
Current liabilities:					
Current portion of long-term debt	$31,500	—	—	—	31,500
Capital lease obligations	596	—	—	—	596
Accounts payable	16,307	—	37,110	—	53,417
Liabilities of advertising funds	58,014	—	(58,014)	—	—
Deferred revenue	39,395	1,502	(550)	4,529	44,876
Other current liabilities	326,078	—	29,032	—	355,110
Total current liabilities	471,890	1,502	7,578	4,529	485,499
Long-term debt, net	3,035,857	—	—	—	3,035,857
Capital lease obligations	7,180	—	—	—	7,180
Unfavorable operating leases acquired	9,780	—	—	—	9,780
Deferred revenue	11,158	328,183	(7,518)	29,635	361,458
Deferred income taxes, net	315,249	(91,488)	—	(9,416)	214,345
Other long-term liabilities	77,823	—	30	—	77,853
Total long-term liabilities	3,457,047	236,695	(7,488)	20,219	3,706,473
Stockholders’ equity (deficit)					
Preferred stock	—	—	—	—	—
Common stock	90	—	—	—	90
Additional paid-in-capital	724,114	—	—	—	724,114
Treasury stock, at cost	(1,060)	—	—	—	(1,060)

Accumulated deficit	(705,007)	(238,197)	(196)	(24,748)	(968,148)
Accumulated other comprehensive loss	(9,690)	—	155	—	(9,535)
Stockholders’ equity (deficit)	8,447	(238,197)	(41)	(24,748)	(254,539)
Total liabilities and stockholders’ equity (deficit)	$3,937,384	—	49	—	3,937,433

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Consolidated Statements of Operations
Three months ended September 30, 2017
(In thousands, except per share data)

	Previously reported	Adjustments for new revenue recognition guidance: Franchise fees	Advertising	Ice cream royalty allocation	Other revenue transactions	Restated
Revenues:						
Franchise fees and royalty income	$151,809	(12,453)	—	4,378	—	143,734
Advertising fees and related income	—	—	122,660	—	—	122,660
Rental income	27,713	—	—	—	—	27,713
Sales of ice cream and other products	27,551	—	—	(4,378)	—	23,173
Other revenues	17,095	(2,346)	—	—	(1,958)	12,791
Total revenues	224,168	(14,799)	122,660	—	(1,958)	330,071
Operating costs and expenses:						
Occupancy expenses—franchised restaurants	15,333	—	—	—	—	15,333
Cost of ice cream and other products	19,457	—	—	—	—	19,457
Advertising expenses	—	—	124,080	—	—	124,080
General and administrative expenses, net	61,996	—	(1,416)	—	—	60,580
Depreciation	4,941	—	—	—	—	4,941
Amortization of other intangible assets	5,341	—	—	—	—	5,341
Long-lived asset impairment charges	536	—	—	—	—	536
Total operating costs and expenses	107,604	—	122,664	—	—	230,268
Net income of equity method investments	5,466	—	—	—	—	5,466
Other operating income, net	3	—	—	—	—	3
Operating income	122,033	(14,799)	(4)	—	(1,958)	105,272
Other income (expense), net:						
Interest income	624	—	—	—	—	624
Interest expense	(24,436)	—	—	—	—	(24,436)
Other gains, net	155	—	—	—	—	155
Total other expense, net	(23,657)	—	—	—	—	(23,657)
Income before income taxes	98,376	(14,799)	(4)	—	(1,958)	81,615
Provision (benefit) for income taxes	46,130	(4,716)	—	—	(969)	40,445
Net income	$52,246	(10,083)	(4)	—	(989)	41,170
Earnings per share—basic	$0.58					0.46
Earnings per share—diluted	0.57					0.45

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Consolidated Statements of Operations
Nine months ended September 30, 2017
(In thousands, except per share data)

		Adjustments for new revenue recognition guidance				
	Previously reported	Franchise fees	Advertising	Ice cream royalty allocation	Other revenue transactions	Restated
Revenues:						
Franchise fees and royalty income	$426,944	(22,953)	—	11,352	—	415,343
Advertising fees and related income	—	—	355,224	—	—	355,224
Rental income	79,543	—	—	—	—	79,543
Sales of ice cream and other products	85,710	—	—	(11,352)	—	74,358
Other revenues	41,165	(4,501)	—	—	(527)	36,137
Total revenues	633,362	(27,454)	355,224	—	(527)	960,605
Operating costs and expenses:						
Occupancy expenses—franchised restaurants	43,758	—	—	—	—	43,758
Cost of ice cream and other products	58,578	—	—	—	—	58,578
Advertising expenses	—	—	358,828	—	—	358,828
General and administrative expenses, net	185,613	—	(3,590)	—	—	182,023
Depreciation	15,096	—	—	—	—	15,096
Amortization of other intangible assets	16,001	—	—	—	—	16,001
Long-lived asset impairment charges	643	—	—	—	—	643
Total operating costs and expenses	319,689	—	355,238	—	—	674,927
Net income of equity method investments	12,612	—	—	—	—	12,612
Other operating income, net	591	—	—	—	—	591
Operating income	326,876	(27,454)	(14)	—	(527)	298,881
Other income (expense), net:						
Interest income	1,370	—	—	—	—	1,370
Interest expense	(74,192)	—	—	—	—	(74,192)
Other gains, net	370	—	—	—	—	370
Total other expense, net	(72,452)	—	—	—	—	(72,452)
Income before income taxes	254,424	(27,454)	(14)	—	(527)	226,429
Provision (benefit) for income taxes	99,007	(8,550)	—	—	(583)	89,874
Net income	$155,417	(18,904)	(14)	—	56	136,555
Earnings per share—basic	$1.71					1.50
Earnings per share—diluted	1.68					1.48

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The adoption of the new revenue recognition guidance had no impact on the Company’s total cash flows. Adjustments presented in the cash flow information below result from full consolidation of the advertising funds, and reflect the investing activities, consisting solely of additions to property, equipment, and software, of such funds.
Select Cash Flow Information
(In thousands)

	Nine months ended September 30, 2017		
	Previously reported	Adjustments for new revenue recognition guidance	Restated
Net cash provided by operating activities	$121,529	4,651	126,180
Net cash used in investing activities	(9,099)	(4,651)	(13,750)
Net cash used in financing activities	(201,106)	—	(201,106)
Decrease in cash, cash equivalents, and restricted cash	(88,100)	—	(88,100)

(4) Debt

Debt at September 29, 2018 and December 30, 2017 consisted of the following (in thousands):

	September 29, 2018	December 30, 2017
2015 Class A-2-II Notes	$ 1,688,750	1,701,875
2017 Class A-2-I Notes	595,500	600,000
2017 Class A-2-II Notes	794,000	800,000
Other	1,438	—
Debt issuance costs, net of amortization	(30,757)	(34,518)
Total debt	3,048,931	3,067,357
Less current portion of long-term debt	31,650	31,500
Total long-term debt	$ 3,017,281	3,035,857

The Company's outstanding debt consists of Series 2015-1 3.980% Fixed Rate Senior Secured Notes, Class A-2-II (the “2015 Class A-2-II Notes”), Series 2017-1 3.629% Fixed Rate Senior Secured Notes, Class A-2-I (the “2017 Class A-2-I Notes”), and Series 2017-1 4.030% Fixed Rate Senior Secured Notes, Class A-2-II (the “2017 Class A-2-II Notes” and, together with the 2017 Class A-2-I Notes, the “2017 Class A-2 Notes”) issued by DB Master Finance LLC (the “Master Issuer”), a limited-purpose, bankruptcy-remote, wholly-owned indirect subsidiary of DBGI. In addition, the Master Issuer issued Series 2017-1 Variable Funding Senior Secured Notes, Class A-1 (the “2017 Variable Funding Notes” and, together with the 2017 Class A-2 Notes, the “2017 Notes”), which allow for the issuance of up to $150.0 million of 2017 Variable Funding Notes and certain other credit instruments, including letters of credit.

As of September 29, 2018 and December 30, 2017, $32.4 million and $32.3 million, respectively, of letters of credit were outstanding against the 2017 Variable Funding Notes which relate primarily to interest reserves required under the base indenture and related supplemental indentures. There were no amounts drawn down on these letters of credit as of September 29, 2018 or December 30, 2017.

The 2015 Class A-2-II Notes and 2017 Notes were each issued in a securitization transaction pursuant to which most of the Company’s domestic and certain of its foreign revenue-generating assets, consisting principally of franchise-related agreements, real estate assets, and intellectual property and license agreements for the use of intellectual property, are held by the Master Issuer and certain other limited-purpose, bankruptcy-remote, wholly-owned indirect subsidiaries of the Company that act as guarantors of the 2015 Class A-2-II Notes and 2017 Notes and that have pledged substantially all of their assets to secure the 2015 Class A-2-II Notes and 2017 Notes.

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(5) Other current liabilities

Other current liabilities consisted of the following (in thousands):

	September 29, 2018	December 30, 2017
Gift card/certificate liability	$ 156,938	228,783
Accrued payroll and benefits	29,846	30,768
Accrued interest	13,640	17,902
Accrued professional costs	6,587	5,527
Accrued advertising expenses	40,450	35,210
Franchisee profit-sharing liability	8,392	13,243
Other	40,769	23,677
Total other current liabilities	$ 296,622	355,110

The decrease in the gift card/certificate liability was driven by the seasonality of our gift card program. The franchisee profit-sharing liability represents amounts owed to franchisees from the net profits primarily on the sale of Dunkin' K-Cup® pods, retail packaged coffee, and ready-to-drink bottled iced coffee in certain retail outlets.

(6) Segment information

The Company is strategically aligned into two global brands, Dunkin' and Baskin-Robbins, which are further segregated between U.S. operations and international operations. Additionally, the Company administers and directs the development of all advertising and promotional programs in the U.S. advertising funds. As such, the Company has determined that it has five reportable segments: Dunkin' U.S., Dunkin' International, Baskin-Robbins U.S., Baskin-Robbins International, and U.S. Advertising Funds. Dunkin' U.S., Baskin-Robbins U.S., and Dunkin' International primarily derive their revenues through royalty income and franchise fees. Baskin-Robbins U.S. also derives revenue through license fees from a third-party license agreement and rental income. Dunkin' U.S. also derives revenue through rental income. Baskin-Robbins International primarily derives its revenues from sales of ice cream products, as well as royalty income, franchise fees, and license fees. U.S. Advertising Funds primarily derive revenues through continuing advertising fees from Dunkin' and Baskin-Robbins franchisees. The operating results of each segment are regularly reviewed and evaluated separately by the Company's senior management, which includes, but is not limited to, the chief executive officer. Senior management primarily evaluates the performance of its segments and allocates resources to them based on operating income adjusted for amortization of intangible assets, long-lived asset impairment charges, impairment of our equity method investments, and other infrequent or unusual charges, which does not reflect the allocation of any corporate charges. This profitability measure is referred to as segment profit. When senior management reviews a balance sheet, it is at a consolidated level. The accounting policies applicable to each segment are generally consistent with those used in the consolidated financial statements.

Revenues for all operating segments include only transactions with unaffiliated customers and include no intersegment revenues. Revenues reported as "Other" include revenues earned through certain licensing arrangements with third parties in which our brand names are used, including the licensing fees earned from the Dunkin' K-Cup® pod licensing agreement and sales of Dunkin' branded ready-to-drink bottled iced coffee and retail packaged coffee, revenues generated from online training programs for franchisees, advertising fees and related income from international advertising funds, and breakage and other revenue related to the gift card program, all of which are not allocated to a specific segment. Revenues by segment were as follows (in thousands):

	Revenues			
	Three months ended		Nine months ended	
	September 29, 2018	September 30, 2017	September 29, 2018	September 30, 2017
Dunkin' U.S.	$157,284	151,188	454,585	438,219
Dunkin' International	6,256	4,913	16,879	14,357
Baskin-Robbins U.S.	13,681	13,322	38,293	38,155
Baskin-Robbins International	31,157	28,963	91,063	89,251
U.S. Advertising Funds	118,208	113,862	341,549	330,007

Total reportable segment revenues	326,586	312,248	942,369	909,989
Other	23,425	17,823	59,624	50,616
Total revenues	$350,011	330,071	1,001,993	960,605

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Amounts included in “Corporate and other” in the segment profit table below include corporate overhead costs, such as payroll and related benefit costs and professional services, net of “Other” revenues reported above. Segment profit by segment was as follows (in thousands):

Segment profit	
Three months ended	Nine months ended