RENTRAK CORP
Form 10-K
June 14, 2010
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10-K

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Fiscal Year Ended: March 31, 2010

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number: 000-15159

RENTRAK CORPORATION

(Exact name of registrant as specified in its charter)

Oregon	**93-0780536**
(State or other jurisdiction of	**(I.R.S. Employer**
incorporation or organization)	**Identification No.)**

7700 NE Ambassador Place, Portland, Oregon	**97220**
(Address of principal executive offices)	**(Zip Code)**

Registrant s telephone number, including area code: 503-284-7581

Securities Registered pursuant to Section 12(b) of the Act: Title of each class	**Name of each exchange on which registered**
Common Stock, $0.001 par value per share	**The NASDAQ Stock Market LLC (NASDAQ Global Market)**

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act: Yes ¨ No x

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act: Yes ¨ No x

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 x 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 (§ 229.405 of this chapter) 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K, or any amendment to this Form 10-K. ¨

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

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

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates, computed by reference to the last sales price ($17.86) as reported by the Nasdaq Global Market, as of the last business day of the Registrant s most recently completed second fiscal quarter (September 30, 2009), was $183,471,226.

The number of shares outstanding of the Registrant s Common Stock as of June 1, 2010 was 10,662,975 shares.

Documents Incorporated by Reference

The Registrant has incorporated into Part III of Form 10-K, by reference, portions of its Proxy Statement for its 2010 Annual Meeting of Shareholders.

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RENTRAK CORPORATION

2010 FORM 10-K ANNUAL REPORT

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PART I

ITEM 1. BUSINESS

Forward-Looking Statements

Certain information included in this Annual Report on Form 10-K (including Management s Discussion and Analysis of Financial Condition and Results of Operations regarding revenue growth, gross profit margin and liquidity) constitute forward-looking statements that involve a number of risks and uncertainties. Forward-looking statements may be identified by the use of forward-looking words such as may, will, expects, intends, anticipates, estimates or continues or the negative thereof or variations thereon or comparable terminology. The following factors are among the factors that could cause actual results to differ materially from the forward-looking statements: our ability to retain and grow our customer base of retailers participating in the Pay-Per-Transaction system (the PPT System) (Participating Retailers) and customers for our business intelligence software and services; the financial stability of the Participating Retailers and performance of their obligations under our PPT System; business conditions and growth in the video industry and general economic conditions, both domestic and international; customer demand for movies in various media formats; competitive factors, including increased competition, expansion of revenue sharing programs other than the PPT System by motion picture studios or other licensees or owners of the rights to certain video programming content (Program Suppliers) and new technology; the continued availability of home entertainment content products (DVDs, Blue-ray Discs, etc.) (collectively Units) leased/licensed to home video specialty stores and other retailers from Program Suppliers; the loss of significant Program Suppliers; our ability to successfully develop and market new services, including our business intelligence services, to create new revenue streams; the development of similar business intelligence services by competitors with substantially greater financial and marketing resources than our company; and our ability to successfully integrate business acquisitions into our operations. Please refer to Item 1A. Risk Factors in this Annual Report on Form 10-K for a discussion of reasons why our actual results may differ materially from our forward-looking statements. We do not undertake to update our forward-looking statements or to provide periodic updates or guidance.

Where You Can Find More Information

We file annual, quarterly and other reports, proxy statements and other information with the Securities and Exchange Commission (SEC) under the Securities Exchange Act of 1934, as amended (Exchange Act). We also make available, free of charge on our website at www.rentrak.com, our Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after they are filed electronically with the SEC. You can inspect and copy our reports, proxy statements and other information filed with the SEC at the offices of the SEC s Public Reference Room located at 100 F Street, NE, Washington D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of Public Reference Rooms. The SEC also maintains an Internet website at http://www.sec.gov/ where you can obtain most of our SEC filings. You can also obtain paper copies of these reports, without charge, by contacting Investor Relations at (503) 284-7581.

Overview

Our corporate structure includes separate Home Entertainment and Advanced Media and Information (AMI) operating divisions and, accordingly, we report certain financial information by individual segment under this structure.

Our Home Entertainment Division, which was formerly known as the PPT Division, manages our business operations that deliver Units and related rental and sales information for the content to home video specialty stores and other retailers, on a revenue sharing basis. We lease product from various suppliers, typically motion picture studios. Under our Pay-Per-Transaction (PPT) System, Participating Retailers sublease that product from us and rent it to consumers. Participating Retailers then share a portion of the revenue from each retail rental transaction with us and we share a portion of the revenue with the Program Supplier. Since we collect, process and analyze rental and sales information at the title level, we report that information to both the Program Suppliers and the Participating Retailers.

Our Home Entertainment Division also includes our Direct Revenue Sharing (DRS) services. DRS encompasses the collection, tracking, auditing and reporting of transaction and revenue data generated by DRS retailers, such as Blockbuster Entertainment and Netflix, to our respective DRS clients, for rented entertainment content received both on physical product as well as digitally, under established agreements on a fee for service basis.

Our AMI Division manages our Essentials Suite of business information services. Our Essentials Suite software and services, offered primarily on a recurring subscription basis, provide unique data collection, management, analysis and reporting functions, resulting in business information valuable to our clients.

Acquisition of Nielsen s EDI Business

On January 29, 2010, we acquired 100% of the shares of Nielsen EDI Limited, a private limited liability company incorporated and registered under the laws of England and Wales, and certain of The Nielsen Company (U.S.), LLC (the Seller) assets in the United States, Australia, Germany, France, Mexico, Argentina and Spain relating exclusively to the portion of the Seller s business that provides comparable information and services which are similar to our Box Office Essentials line of business (collectively, the EDI-Business). The results of operations from the EDI-Business are included as a component of our AMI Division. See also Note 7 of Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K.

Home Entertainment Division

We distribute Units principally to Participating Retailers through our PPT System. The PPT System has various product programs that enable Participating Retailers to obtain Units at a significantly lower cost per Unit than if they purchased the Units from wholesale video distributors. Through our PPT System, Participating Retailers are given monthly access to a wide selection of box office hits, independent releases, documentaries and foreign films from the industry s leading suppliers.

After being accepted for participation in the PPT System, Units are subleased to the Participating Retailer, generally for a low initial up-front fee plus a percentage of revenues generated by the Participating Retailer from rentals and/or sales to consumers. We retain a portion of most fees and remit the balance to the appropriate Program Supplier that holds the distribution rights to the Units. Due to the lower cost of bringing Units in the door, Participating Retailers generally obtain a greater number of Units under the PPT System than they would if they purchased Units directly from a wholesale distributor (generally 2 to 4 times the quantity). This benefits Participating Retailers because having more Units available generally results in higher volumes of rental transactions thereby increasing Participating Retailer revenue, while lowering their risks and reducing their cost of capital. The Program Supplier benefits from an increase in the total number of Units shipped, resulting in increased Program Supplier revenues and opportunity for increased profit, as well as incremental shelf space for secondary titles that otherwise may not be ordered due to the risk associated with a higher wholesale cost. The perceived benefit to the consumer is the potential for more copies of newly released hit theatrical titles and a greater selection of direct to video titles or independent films.

Marketing and Relationships with Program Suppliers

We currently market our PPT System throughout the U.S. and Canada. This system greatly simplifies the landscape for each Program Supplier by consolidating the thousands of individual independent retailers participating in our PPT System into one business partner. Program Suppliers negotiate one lease/service arrangement with Rentrak and our PPT System manages the rest, including marketing and sales of content to Participating Retailers, order fulfillment, collection of point of sale (POS) data, audit, billing of revenue sharing fees and collection of payments.

During fiscal 2010, we offered titles from a number of Program Suppliers including, but not limited to: First Look Studios; Genius Products, Inc.; Lionsgate Films, Inc.; Maple Pictures Corp; Paramount Home Entertainment, Inc.; Sony Pictures Home Entertainment, Inc.; Summit Distribution, LLC; Twentieth Century Fox Home Entertainment, Inc.; Universal Studios Home Entertainment LLC; and Warner Home Video, a division of Warner Bros. Home Entertainment Inc. Our arrangements with our Program Suppliers are of varying duration, scope and formality. In some cases, we have obtained Units pursuant to contracts or arrangements with Program Suppliers on a title-by-title basis and, in other cases, the contracts or arrangements provide that all titles released for distribution by such Program Supplier will be provided to us for the PPT System. Many of our agreements with Program Suppliers may be terminated upon relatively short notice. Therefore, there is no assurance that any of the Program Suppliers will continue to distribute Units through the PPT System. Even if titles are otherwise available from Program Suppliers, there is no assurance that they will be made available on terms acceptable to us or the Participating Retailers. During the last three years, we have not experienced any material difficulty in acquiring suitable Units for our markets on acceptable terms and conditions from Program Suppliers.

During fiscal 2010, 2009 and 2008, we had several Program Suppliers that supplied product in excess of 10% of our total revenues as follows:

	2010	2009	2008
Program Supplier 1	12%	17%	17%
Program Supplier 2	11%	15%	17%
Program Supplier 3	11%	13%	12%
Program Supplier 4	10%	11%	15%

Although management does not believe that the relationships with our significant Program Suppliers will be terminated in the near term, a loss of any one of these Program Suppliers could have an adverse effect on our financial condition and results of operations.

Certain Program Suppliers have requested, and we have provided, financial or performance commitments, including advances or guarantees, as a condition of obtaining certain titles. We determine whether to provide such commitments on a case-by-case basis, depending upon the Program Supplier s success with such titles prior to home video distribution and our assessment of expected success in the home video rental market. At March 31, 2010, we had such guarantees with 18 Program Suppliers in amounts totaling approximately $1.2 million. We expect to make these payments during the first quarter of fiscal 2011. Most of these amounts were included in cost of sales during fiscal 2010, since we typically recognize these costs on each title s release date.

Relationships with Participating Retailers and Significant Customer

During fiscal 2010, we had one customer within our Home Entertainment Division that provided revenues in excess of 10% of our total revenues. They have been a customer for several years and represented 12.8% of our revenues in fiscal 2010. While we believe our relationship with this Participating Retailer remains strong, and we anticipate the relationship will continue to be mutually beneficial, there is no assurance that they will continue to participate in our PPT System and the loss of this Participating Retailer would have a material impact on our financial results.

The number of active Participating Retailers has fallen during the past year as a result of store closures, which are, in part, due to the economic climate, as well as an increase in use by consumers of kiosks and other forms of content delivery, which is more fully described in the Competition section below.

During fiscal 2010 and thereafter, there have also been significant store closures from major brick-and-mortar retailers that do not participate in our PPT System, such as Blockbuster and Movie Gallery. In February 2010, Movie Gallery filed Chapter 11 bankruptcy and subsequently announced its intention to cease doing business and close all of its remaining stores. While the overall industry is contracting as a result of these closures, we believe this presents opportunities that potentially benefit our Participating Retailers through increased traffic from new customers and the opportunity to expand their business through the addition of store locations. We are actively assisting with these initiatives; however, it is too soon to predict what effect, if any, this will have on our future financial results.

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Ordering and Distribution of Units

Our proprietary Rentrak Profit Maker Software (the RPM Software) and Video Retailer Essentials Software (the VRE Software) allow Participating Retailers to order Units through these systems and provide the Participating Retailers with substantial information regarding all offered titles. Ordering occurs via a networked computer interface (RPM Software) or over the Internet (VRE Software). To further assist the Participating Retailers in ordering, we also produce a monthly product catalog (Ontrak) both in print and electronic media.

To be competitive, Participating Retailers must be able to rent their Units on the street date announced by the Program Supplier for the title. We contract with third-party fulfillment providers to distribute the Units via both ground, which is our primary method, and overnight air courier to assure delivery to Participating Retailers on or prior to the street date. The handling and freight costs of such distribution were 3.3%, 3.4% and 3.3% of our cost of sales in fiscal 2010, 2009 and 2008, respectively.

Computer Operations

To participate in our PPT System, Participating Retailers must have Rentrak approved computer software and hardware to process all of their rental and sale transactions. Our RPM Software resides on the Participating Retailer s POS computer system and transmits a record of PPT transactions to us over a telecommunications network. The RPM Software or web-based VRE Software also assists the Participating Retailer in ordering newly released titles and in managing its inventory of Units.

Our PPT information system processes these transactions and prepares reports for Program Suppliers and Participating Retailers. In addition, it identifies variations from statistical norms for potential audit action. This information system also transmits information on new titles available and analytic information on active leased Units and sends confirmation of orders made via the RPM Software or VRE system.

Auditing of Participating Retailers

From time to time, we audit Participating Retailers in order to verify that they are reporting all rentals and sales of Units in a consistent, accurate and timely manner. Several different types of exception reports are produced weekly. These reports are designed to identify any Participating Retailers whose PPT business activity varies from our statistical norms. Depending upon the results of our analysis of these reports, we may conduct an in-store audit. Audits may be performed with or without notice and any refusal to allow an audit can be cause for immediate termination from the PPT System. If audit violations are found, the Participating Retailer is subject to fines, audit fees, immediate removal from the PPT System and/or repossession of all leased Units.

Seasonality

We believe that the home video industry is somewhat seasonal because Program Suppliers tend to theatrically release their most promising movies during two periods of the year, early summer and during the holidays in the fourth calendar quarter. Since the release of movies to home video usually follows the theatrical release by approximately three to five months (although significant variations occur on certain titles), the seasonal peaks of movies for home video also generally occur just prior to and/or during the fourth calendar quarter holidays and in late winter/early spring. We believe our volume of rental transactions and resulting revenues and earnings reflect, in part, this seasonal pattern. However, changes in the release of Program Suppliers titles available to Rentrak for Participating Retailers may obscure any seasonal effect.

Competition

The Home Entertainment Division continues to be affected by the changing dynamics in the home video rental market. This market is highly competitive, constantly changing and influenced greatly by consumer spending patterns and behaviors. The end consumer has a wide variety of choices from which to select their entertainment content and can easily shift from one provider to another. Some examples include renting Units of product from our Participating Retailers or any retailer, purchasing previously viewed Units from our Participating Retailers or any retailer, ordering product via online subscriptions and/or online distributors (mail delivery), renting or purchasing product from kiosk locations, subscribing to at-home movie channels, downloading or streaming content via the Internet, purchasing and owning the Unit directly or selecting an at-home pay-per-view or on demand option from a satellite or cable provider. Our PPT System focuses on the traditional brick and mortar retailer serviced by a distributor on a wholesale basis: for example, a

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retailer purchases Units from a distributor and then offers the Units for rental or sale to the general public. As described in greater detail above, our PPT System offers Participating Retailers an alternative method of obtaining Units. Accordingly, we face intense competition from all of the wholesale distributors, including Ingram Entertainment, Inc., Video Product Distributors, Inc. and Entertainment One. These and other wholesale distributors have extensive distribution networks, long-standing relationships with Program Suppliers and retailers, and, in some cases, significantly greater financial resources. In the past, certain wholesale distributors offered Units to retailers on a revenue sharing basis. However, to our knowledge, none do so today.

During the past twelve months, our Participating Retailers have experienced intense competition from kiosks, primarily Redbox, which offer significantly lower prices on rental Units. We have seen a dramatic increase in consumer use of this alternate delivery method. Currently, we believe that the timing, depth and breadth of Units available via kiosks are not as favorable as those available through our systems. Also, as these kiosk companies formalize their relationships with studios, we believe that our DRS services, which are described below, may potentially benefit from this shift.

We also face direct competition from the Program Suppliers. All major Program Suppliers work directly with major retailers, including Blockbuster, the world s largest chain of home video specialty stores, and Netflix, which is an online mail delivery subscription retailer. Many of the major Program Suppliers have direct revenue sharing arrangements with these retailers and a few mid-size retailers, like Hastings Entertainment or Video Warehouse. We do not believe that the Program Suppliers have executed direct revenue sharing agreements with other smaller retailers, but there can be no assurance that they will not do so in the future.

Growth in kiosks and by-mail subscription activity has shifted consumer behavior from sale to rental, causing studios to emphasize retail sales and video-on-demand activity, both of which provide them with greater earnings per transaction than the newer delivery methods. Recently, three Program Suppliers (Warner, Fox and Universal) created a 28-day retail window that delays the availability of their product in kiosks and by-mail subscription offerings. This delay creates an opportunity for our Participating Retailers to maximize rental and sales activity prior to competing with the lower cost rental alternatives. To compensate Redbox and Netflix for agreeing to receive product nearly a month after brick and mortar retailers, their product costs were reduced. Netflix was also given improved access to digital streaming content. Other studios may decide to implement similar windows in the future.

We also compete with businesses that use alternative distribution methods to provide video entertainment directly to consumers, such as the following: (1) online movie rental subscription services, such as Netflix; (2) direct broadcast satellite providers, such as DIRECTV and Echostar; (3) cable providers, such as Time Warner and Comcast, which offer pay-per-view and video-on-demand, or VOD, content; (4) telecommunication providers, such as AT&T and Verizon; and (5) delivery of programming via the Internet, such as Apple s iTunes, Hulu.com and Google s YouTube. Technological improvements in any of these distribution methods, perceived greater convenience by customers, as well as lower pricing models, may make these options more attractive to consumers and thereby materially diminish the demand for Unit rentals in brick and mortar locations. Such a reduction could have a material adverse effect on our results of operations and financial condition.

Direct Revenue Sharing (DRS)

Our DRS services include entertainment content relating to physical Units rented and/or purchased (Traditional DRS), as well as content downloaded and/or streamed via the Internet (Digital DRS). Our services are tailored to meet the needs of those content providers, which include major studios, independent program suppliers and major television networks, such as Twentieth Century Fox Home Entertainment, NBC Universal & ABC (collectively DRS clients). For each DRS client, we collect, process, audit, summarize and report the number of transactions and corresponding revenue generated on each title distributed to each DRS retailer on a revenue sharing basis. DRS retailers include large brick-and-mortar and online retailers and kiosks, such as Blockbuster Entertainment, Netflix, Redbox and Apple. We also provide in-depth inventory tracking by title, retailer and store. Additionally, we conduct numerous periodic physical audits of DRS retailers combined with mystery shopping and electronic auditing, using multiple methods of validation and recovery, to insure all DRS inventory is utilized in a manner consistent with the terms of its revenue sharing arrangement with our DRS clients.

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Our Digital DRS service is a web-based reporting service, which is accessible 24-hours-a-day, seven-days-a-week, and provides studios and television networks with a single integrated solution capable of collecting, verifying, consolidating and reporting all internet-based rental and sales transactions on a global basis.

For a number of years, our only direct competitor to our Traditional DRS business had been SuperComm, Inc., a small subsidiary of Sony Pictures Home Entertainment (SPHE). SuperComm was originally founded in 1991 as a third-party revenue sharing provider to the supermarket segment of the home entertainment business. It was later sold to SPHE who recently sold it to a third party, which renamed it Media Salvation. SPHE relies on Media Salvation for the services (collection, analysis, configuring and reporting of data) it requires to manage its DRS relationships. We do not believe that Media Salvation provides DRS services to any home entertainment content providers other than SPHE.

There are a number of risks that may adversely affect the size and profitability of our DRS services. For example, if the overall size of the home entertainment rental market contracts significantly, and/or the large brick-and-mortar and online retailers share of the overall rental market declines significantly, the amount of data we process and audit on behalf of our DRS clients would also be reduced, resulting in a corresponding decrease in our DRS revenues. As an example, our fiscal 2010 results have been impacted as a result of store closures of Blockbuster and Movie Gallery.

Formovies.com

Formovies.com is a website designed and hosted by us, dedicated to providing our Participating Retailers with an effective online marketing tool. The site is filled with entertainment content such as top rentals, upcoming releases, DVD of the week, theatrical show times, movie trivia and more. Each site is individually branded to contain the store name of our Participating Retailer, allowing them to promote their store with coupons or special promotions they enter and control on their custom site. Participating Retailers collect e-mail addresses from their customers, and the site sends a weekly newsletter announcing new releases and promotions.

AMI Division

The AMI Division concentrates on expanding our Essentials Suite of services offered primarily on a recurring subscription basis. Through patent pending software systems and business processes, we provide clients services from our Essentials Suite .

Essentials Suite

Currently included in the Essentials Suite are the following:

- Box Office Essentials for reporting domestic and international gross receipt theatrical ticket sales;

- Home Entertainment Essentials for reporting retail sales and rental data for DVDs and related products across the U.S. and Canada; and

- Multi-Screen Essentials provides a comprehensive suite of analytical tools related to tracking content in the multi-screen viewing environment, which includes OnDemand Essentials for measuring and reporting anonymous video on demand (VOD) usage data. It also includes TV Essentials , which includes StationView Essentials , Mobile Essentials and Internet TV Essentials .

Box Office Essentials

Box Office Essentials reports domestic and international theatrical gross receipt ticket sales to motion picture studios and movie theater owners. We provide studios with access to box office performance data pertaining to specific motion pictures and movie theater circuits, both real-time and historical. Data is primarily obtained via electronic connectivity to theater box offices and is collected for virtually all movie theaters in North America, Guam, Puerto Rico and Russia. Also, on January 29, 2010, we acquired Nielsen s EDI-Business, which was our major competitor, with operations in the United Kingdom, Australia, Germany, France, Mexico, Argentina and Spain. Please see Note 7 of Notes to Consolidated

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Financial Statements. Box Office Essentials delivers box office results from more than 50,000 movie screens across 26 countries. We continue to make on-going efforts to strengthen our business relationships with our existing clients and theaters as well as focus on our syndication services.

Home Entertainment Essentials

Home Entertainment Essentials provides accurate and comprehensive retail sales and rental data on DVD, UMD, Blu-ray Disc and video games. Through two separate web-based applications, Home Entertainment Essentials users can access current weekly and historical title and market level consumer sales and rental grosses to competitively benchmark industry performance.

Our rental application, Home Video Essentials , measures DVD, Blu-ray Disc and video game rentals from the brick-and-mortar and online channels across North America. We cover approximately 50% of the video specialty retailers within the United States, and approximately 85% in Canada. Clients have 24/7 web-access to current weekly market and title-level projection data on consumer rental spending and activity. Additionally, clients have access to historical data dating back to 2001. Clients include all the home entertainment divisions of the major and mini-major Hollywood studios such as Warner Home Video, Buena Vista Home Entertainment (Disney), Paramount/DreamWorks Home Entertainment, Universal Studios Home Entertainment, Sony Pictures Home Entertainment, Twentieth Century Fox Home Entertainment, Lionsgate Entertainment, Summit Entertainment, Walden Media, Vivendi Visual Entertainment and Microsoft Corporation.

Home Video Essentials rental data is published in the industry trade magazines Daily Variety and Billboard Magazine, as well as USA Today, The New York Times online and Entertainment Weekly.

Competitors include Adams Media Research and Home Media Retailing Research, although they do not offer a web-based database. Another key difference between our services and those of our competitors is that we collect daily POS bar code scan data from video retailers, which we believe provides a more reliable sample base and greater accuracy.

Our retail application, Retail Essentials , reports U.S. brick-and-mortar consumer sales estimates of DVDs to motion picture studios and retailers. We provide our clients with access to national consumer sales estimates at the industry level, by format and at the title level. Data is collected from thousands of retail locations throughout the U.S. via weekly data feeds and projected nationally. Existing clients for the retail application include motion picture studios, talent agencies and production companies. Our primary competitor for our Retail Essentials product is Nielsen VideoScan.

Home Entertainment Essentials data is published in the industry trade publications Video Business Magazine, Variety and DVD News, as well as The New York Times online, The Los Angeles Times and Entertainment Weekly.

Multi-Screen Essentials

Our Multi-Screen Essentials services provide our customers with second-by-second performance metrics that demonstrate real viewer behavior for broadcast, cable, high-definition, VOD and digital cable television content. We aggregate transaction-level data from larger sample sizes, in many cases full census tracking, which gives users the competitive advantage for more informed decision-making. These web-based reporting systems provide clients with instant access to the tools needed to track content and consumer behavior. We have currently launched component products for individual screens that will ultimately feed into cross platform products and analytical services. With each new component product launched, we expect to secure additional revenue from our current customer base while expanding the markets for our services. The component products that are currently commercially launched include OnDemand Essentials , TV Essentials , StationView Essentials , Mobile Essentials and Internet TV Essentials . These products are described below.

OnDemand Essentials (ODE) provides multi-channel operators, content providers (including broadcast/cable networks and studios) and advertisers with a transactional tracking and reporting system to view and analyze the performance of on demand content. We currently offer our services in the United States and Canada and provide information representing over 80 million set-top boxes (STBs) from every major operator that offers VOD programming. We are well positioned to continue to grow this business by adding new clients and adjusting rates as the business activity increases and as advanced advertising technology is rolled out by the industry.

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TV Essentials is a comprehensive suite of research tools that calculates anonymous second-by-second audience viewing patterns in all facets of television programming and advertising including VOD, DVR, interactive and linear television. By providing transaction-level performance metrics from millions of STBs, TV Essentials provides insight into programming effectiveness, enabling networks and network operators to optimize their TV advertising inventory. Designed to handle data from the nation s 110 million television households, our systems can isolate individual market, network, series or telecast performance, administer national and local estimates and provide an evaluation of influencing factors such as psychographics (attributes relating to personality, values, attitudes, interests or lifestyles), and demographics for competitive, in-depth intelligence. Today, based on data from our current operator partners across multiple platforms, including cable, satellite and telco providers, we are translating viewing patterns from approximately 17 million digital televisions into insights for our clients. We have announced 47 national network subscribers and expect continued growth.

On February 4, 2010, we expanded our agreement with one of our data partners, DISH Network (Dish), and entered into a multi-year contract, which will allow us to commercially integrate Dish viewing data into TV Essentials . The Dish relationship includes DVR and iTV reporting, which can be rolled out to other partners once the data to drive those services becomes available to us. We expect the integrated product to be available commercially during our quarter ending September 30, 2010. We have developed the capability to overlay segmentation databases to help our clients clearly define their advertising messages to consumers and we continue to build our research capabilities to move our products from data to knowledge-based products and services.

StationView Essentials is a television measurement and analytical service specifically designed to meet the unique needs of local television station management. Developed with input from, and beta-testing by, an advisory board made up of local television station operators and research consultants, StationView Essentials provides users with second-by-second viewing detail at the station level, enhancing their ability to understand viewer involvement and habits in local markets. By providing access to the linear television viewing patterns of millions, StationView Essentials ultimately allows station management to better understand their audience viewing patterns, view competitive data from other local stations in their market, monitor daily program performance and improve audience retention by appropriately adjusting programming. We have announced 25 StationView clients in 13 television markets and expect continued growth in this area.

Mobile Essentials service can be customized to fit the specific needs of our clients, with applications for both on demand and live content accessed via any mobile device. It uses functionality from OnDemand Essentials and TV Essentials , and gives users access to the data needed to monitor that content, which includes video clips, games, mobile web, small message servicing (SMS) data (also known as text messaging), ring tones, wallpaper and music downloads. The Mobile Essentials service enables users to perform in-depth analysis of their mobile content and its viewers including near real-time viewership, demographics analysis, geographic analysis and audience sharing and audience overlap, which provide clients with insights relating to viewers that watch one channel simultaneously while watching other channels. In August 2009, Qualcomm s FLO TV and Rentrak announced the launch of the first comprehensive audience measurement and reporting system for multicast mobile TV in the U.S. On February 2, 2010, we announced that we are working in tandem with the Open Mobile Video Coalition (OMVC) and Harris Interactive to study consumer viewing trend patterns processed using our Mobile Essentials services in Washington D.C.

Internet TV Essentials is an Internet measurement and analytical service which filters massive amounts of disparate usage data and presents it back to our clients in a uniform, easy-to-use format. Internet TV Essentials provides multi-platform content providers, online video aggregators and Web-only portals the tools necessary to analyze trends and track online video usage data for their decision-making.

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Our multi-platform product is in active development and will serve as the link tying all products together as we work toward measuring and comparing entertainment consumption across multiple platforms, which will help us expand our Multi-Screen Essentials suite of services.

Our primary competitors for the Multi-Screen product suite are Nielsen and Kantar (formerly known as Taylor Nelson Sofres), companies with significantly greater resources than Rentrak. Nielsen has the brand name recognition on which the industry depends and has announced plans to provide cross platform measurement services based on their current sampling methodology. Kantar has a system that processes data from a sample of 100,000 satellite homes. Both are formidable competitors with significant resources. We believe, however, that Rentrak is well positioned to provide the granular level of processing from millions of STBs and the user-friendly system that networks, agencies and advertisers are demanding and, consequently, that the market will accept our measurement product as an alternative to competitors products.

Trademarks, Copyrights, Proprietary Rights and Patents

We have registered our RENTRAK , PPT , Pay Per Transaction , Entertainment Essentials , Box Office Essentials , Home Video Essentials , Home Entertainment Essentials , Supply Chain Essentials , OnDemand Essentials , Video Game Essentials , Retail Essentials , AdEssentials , Business Intelligence Essentials , TV Essentials , Mobile TV Essentials , ForMovies , ForMovies.com , Ontrak , RPM and other marks under federal trademark laws. We have applied for and obtained registered status in several foreign countries for many of our trademarks. Our trademark registrations will remain valid for an unlimited period, as long as we continue using the trademarks in commerce or as long as we intend to resume use of the mark during any period of non-use. We claim a copyright on our RPM Software and consider it to be proprietary. We have also filed notice and claim a copyright on our Essentials software. Our copyright in our software is expected to last for at least 95 years from the first sale or licensing of the software. Our trademarks, copyrights and other proprietary rights give us the power to prevent competitors from competing with us unfairly. We believe that our intellectual property is important to our marketing efforts and the competitive value of our services and we intend to take appropriate action to halt any infringement and protect against improper usage.

We have applied for patents related to certain of our proprietary technologies, primarily for our Essentials Suite of products. We believe our proprietary technologies provide us with advantages over our competitors technologies.

Employees

As of March 31, 2010, including all subsidiaries, we employed 285 full-time employees and 97 part-time employees. We consider our relations with our employees to be good.

Financial Information About Industry Segments

See Note 16 of Notes to the Consolidated Financial Statements for information regarding our business segments and revenue by product line.

Geographic Information

Most of our revenues are generated within the U.S. We also generate revenue in Canada, Russia, Hong Kong, the United Kingdom, Australia, New Zealand, Germany, Austria, the Netherlands, Ireland, France, Mexico, Argentina, Chile, Venezuela, Columbia, Brazil and Spain. Cumulative revenue from these foreign locations accounted for less than 10% of total revenues in fiscal 2010. Our long-lived assets are located within the U.S., the United Kingdom, Germany and Spain. However, the amount of long-lived assets in any country, other than the U.S., is not material.

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ITEM 1A. RISK FACTORS

Economic conditions could negatively impact our business.

We primarily operate within the entertainment industry. Our overall success depends on the success of our Participating Retailers and Program Suppliers within our Home Entertainment Division, as well as data providers, networks, studios, cable operators and others within our AMI Division. The success of these businesses is dependent on consumer economic activity. For example, our Participating Retailers rely on their customers to rent DVDs, which is a discretionary activity for most consumers. Also, our Box Office Essentials clients depend on consumers being interested in, and financially able to attend, movies in theaters. If a prolonged recession occurs or the economy deteriorates further, or if consumers do not increase spending, our Participating Retailers, Program Suppliers, customers, studios, and others could experience lower revenues as a result of their customers decrease in spending or change in spending behaviors. Such changes that affect our customers could, in turn, decrease the demand for our products, which could have a material adverse effect on our financial condition, results of operations and liquidity.

Additionally, if our Participating Retailers and customers of our Essentials services experience financial difficulties, they may be unable to continue to purchase our services or pay for services in a timely manner, if at all. This could negatively affect our results of operations, financial condition and cash flows.

If we fail to successfully integrate and manage the international business operations we acquired from The Nielsen Company in January 2010, we may not realize the expected benefits of the acquisition and management and other resources may be diverted.

On January 29, 2010, we acquired 100% of the shares of Nielsen EDI Limited, a private limited liability company organized and registered under the laws of England and Wales, together with certain assets owned by The Nielsen Company (U.S.), LLC (the Seller) located in the United States, Australia, Mexico, Germany, France, Spain and Argentina relating exclusively to the portion of the Seller s business that provided information and services similar to our Box Office Essentials line of business (collectively, the EDI-Business). If we fail to successfully integrate the EDI-Business, we may not achieve anticipated revenue and cost benefits, and we may be forced to divert scarce management and other resources to the integration process.

We may acquire or invest in other companies, products or technologies, which may be costly, dilutive to shareholders and, in the event we experience difficulties in assimilating and integrating the personnel, technologies, operating systems and products and services of acquired businesses, less beneficial than we anticipate.

As part of our business strategy, we may acquire or invest in other companies, products or technologies that complement our current product offerings, enhance our technical capabilities, expand our operations into new markets or offer other growth opportunities. Such acquisitions may be costly and potentially dilutive to existing shareholders in the event we offer capital stock as consideration in an acquisition. Acquisitions could also pose risks to our operations and operating results, including the possibilities of:

- increased costs relating to the integration of acquired businesses or technologies;
- difficulties assimilating the acquired operations, personnel, technologies or products into our company;
- loss of key personnel at an acquired business who decide not to work for us;
- diversion of management s attention from our existing operations;
- adverse effects on relationships with our existing suppliers, customers or partners;
- a need for additional capital or debt financing to complete acquisitions; and

- the impairment of intangible assets acquired.

The described risks would be magnified as the size of an acquisition increases or if the acquisitions are in geographic or business markets in which we have little or no prior experience. As a result of these and other challenges, we may not realize any anticipated benefits from acquisitions even if we can find suitable acquisition opportunities at what we believe to be attractive valuations, which cannot be assured.

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We have recently acquired operations outside of the United States that will subject us to legal, business, political, cultural and other risks of international operations.

Our exposure to the business risks presented by operations in foreign countries has increased and will continue to grow to the extent we expand our global operations. International operations will subject us to a number of risks and burdens, including:

- staffing and managing international operations across different geographic areas;
- multiple, conflicting and changing governmental laws and regulations;
- the possibility of protectionist laws and business practices that favor local companies;
- price and currency exchange rates and controls;
- taxes and tariffs;
- different business practices and legal standards, particularly with respect to intellectual property;
- difficulties in collecting accounts receivable, including longer payment cycles;
- political, social, and economic instability;
- designing and maintaining effective operating and financial controls;
- the possibility of failure of internal controls, including any failure to detect unauthorized transactions; and
- increased costs relating to personnel management as a result of government and other regulations.

In addition, economic conditions in our overseas markets may negatively impact the demand for our products abroad and benefits we receive from those operations.

If our efforts to attract, retain and grow our base of Participating Retailers are not successful, our operations may be adversely affected.

The success of our Home Entertainment Division business depends on traditional brick and mortar retailers actively participating in our PPT System. Declines in the numbers of Participating Retailers and the volumes of Units leased from us by Participating Retailers could ultimately lead to reductions in revenue and have an adverse impact on our results of operations, financial condition and cash flows.

Our Participating Retailers could establish relationships with Program Suppliers and enter into direct revenue sharing agreements.

If our Participating Retailers formed direct revenue sharing relationships with Program Suppliers, the need for our PPT System would be greatly reduced, which could have an adverse impact on our business, financial condition and liquidity.

Our Participating Retailers may have financial difficulties and fail to satisfy their obligations to us.

Our ultimate success is highly dependent on the successful operations of our Participating Retailers. If their business declines due to changes in the economy, customer behavior, competition, management issues or other factors, they may be unable to meet their financial obligations to us. If a significant number of our Participating Retailers were to experience financial difficulties, there could be a material adverse effect on our results of operations, financial condition and cash flows.

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If we lose a significant Program Supplier or large number of smaller Program Suppliers, our Program Suppliers fail to maintain the quality and volumes of content, or there are adverse changes in the terms of our revenue sharing agreements with Program Suppliers, our revenues may decline.

We rely on our Program Suppliers for Units we sublease to Participating Retailers. A decrease in the number of Program Suppliers participating in our system, a decline in the financial stability of our Program Suppliers, or a decline in the quality (rental appeal) and quantity (number of theatrical titles) of content they produce, would result in a reduction in overall Units available to Participating Retailers, which could decrease our revenues. Additionally, many of our agreements with Program Suppliers may be terminated upon relatively short notice. Therefore, there is no assurance that any of the Program Suppliers will continue to distribute Units through the PPT System, continue to have titles available which we can distribute on a profitable basis, or continue to remain in business. Even if titles are otherwise available from Program Suppliers, there is no assurance that they will be made available on terms acceptable to us. A loss of any of our significant Program Suppliers or a change in any one of the above conditions could have a material adverse effect on our financial condition, results of operations and liquidity.

Our Participating Retailers may lose a competitive advantage if Program Suppliers change the timing of the release of movies to the various distribution channels.

Historically, after the initial release of a movie to theaters, studios would then exclusively distribute the movie to the home video retail market (typically 90 to 120 days after the theatrical release) prior to distributing it in other forms throughout the industry, such as video-on-demand. This created a competitive advantage for our Participating Retailers due to the early distribution window. Some studios have started testing the simultaneous release of their movies to the home video market and through cable, satellite and Internet video-on-demand channels on the same date. Recently, three Program Suppliers (Warner, Fox and Universal) created a 28-day retail window that delays the availability of their product in kiosks and by-mail subscription offerings. Should studios change the timing of their release windows, or eliminate the exclusive distribution window for the home video retail market, our Participating Retailers may experience reduced revenue as consumers would have simultaneous access to movies via additional distribution channels. As we share in our Participating Retailers revenue, this would negatively impact our results of operation, financial condition and cash flows.

The future success of our company is highly dependent on our ability to maintain and grow our base of clients who subscribe to our Essentials Suite of services.

The success of our AMI Division depends on effective software solutions, marketing, sales and customer relations for our current services, as well as acceptance of future enhancements and new services by our existing and prospective clients. If we are unable to both retain existing clients and secure new clients for our Essentials services, our results of operations, financial condition and cash flows will be adversely affected.

We may be unable to obtain requisite data and other content to source our systems which provide our Essentials services.

Our Essentials services rely on data collected from a wide variety of sources. Once received, the data must be reviewed, processed and, at times, converted to our required file format. If we are unable to obtain quality data feeds and process that data in a timely manner, we may not be able to meet the needs of our clients, and we could lose clients. The loss of a significant number of Essentials clients would have an adverse impact on our ability to grow our Essentials lines of business, which could have an adverse impact on our results of operations, financial condition, cash flows and future prospects.

Our Essentials services are highly dependent on employees who are skilled and experienced in information technologies.

If we are unable to attract, hire and retain high quality information technology personnel at a reasonable cost, we may not be able to meet the needs of existing clients, enhance existing services, or develop new lines of business. This could have an adverse effect on our results of operations, financial condition and cash flows.

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The market for on demand advertising has been slow to develop and may not grow for several years.

We have made significant investments in developing and are beginning to market our tracking module for advertisements in on demand programming. The success of our on demand ad tracking module is dependent on several uncertain factors, including market adoption of on demand advertising, rollout of dynamic ad insertion technologies, and the automation of files regarding the location of advertising in on demand content. If the market does not develop, we may be unable to recoup our investment.

Multi-Screen Essentials faces various obstacles to widespread market adoption, including competition from companies with significantly greater resources than us.

Our Multi-Screen Essentials products are dependent on several factors for long-term success, including our ability to compete with larger and more seasoned competitors in this market. Our primary competitors currently are Nielsen and Kantar (formerly known as Taylor Nelson Sofres). Each of these competitors has significantly greater resources than us, which could allow them to become more formidable competitors with enhanced technology service solutions. Additionally, we face other obstacles. For instance, data providers may be reluctant or ultimately decide not to grant us adequate access to their digital transaction data, which is the key component of this product. The owners of the data may also impose greater restrictions on the use and reporting of data, which may make it difficult to realize fully the opportunities we anticipate for our products and related services. Further, the marketplace (such as advertisers, advertising agencies and television networks) may be reluctant to adopt a new standard of viewership measurement. These factors could have an adverse effect on our ability to grow this line of business, which could lead to a material adverse effect on our results of operations, cash flows, financial condition and prospects.

Measurement services are receiving a high level of consumer group and government scrutiny relating to the privacy issue around the methodologies used in targeted advertising.

While we are confident that our anonymous data aggregation methodologies are compliant with all current privacy laws, it is possible that privacy trends and market perceptions of the transparency of set top box data could result in additional government restrictions or limitations on the use of that data, which would adversely affect many of our products. We believe it is unlikely that we will be required to change or limit our products. Nonetheless, if additional government restrictions are imposed, such restrictions could slow our ability to realize a return on our investments in new data-driven products or result in additional costs not currently anticipated.

Our DRS business is dependent on the studios maintaining direct revenue sharing relationships with brick-and-mortar and online retailers.

We currently collect, process, audit, summarize and report transactional data relating to rental and sales activity of Units at very large traditional and online retailers who have revenue sharing agreements directly with major studios. There are a number of risks that may adversely affect the size and profitability of this DRS business. First and foremost, our business is dependent on the DRS clients maintaining DRS relationships with the DRS retailers. Should the DRS clients end their DRS relationships, they would have no need for our DRS services. Second, our current DRS clients could decide to invest the resources necessary to provide DRS services internally. Third, our competitors, such as Media Salvation, or any new entrants, could improve their service offerings and successfully compete for one or more of our DRS clients. Fourth, our DRS clients could decide that the benefits of our services are not commensurate with their costs, ultimately leading to reduced DRS revenues. Lastly, if the overall size of the home entertainment rental market contracts significantly, or the large brick-and-mortar and online retailers share of the overall rental market declines substantially, the amount of data we process and audit on behalf of our DRS clients would also be reduced, resulting in a corresponding decrease in our DRS revenues. These and other factors could potentially reduce the demand for our services and the quantity of data we process, which would negatively affect our results of operations, financial condition and liquidity.

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We face intense competition in the markets in which we operate and those in which we are currently developing new service offerings.

Some of our competitors have extensive distribution networks, long-standing relationships with our suppliers and customers, stronger brand name recognition and significantly greater financial resources than us. These factors may enable our competition to have increased bargaining and purchasing power relating to resources that could enable them to operate in a more cost effective manner and/or to surpass our technological advancements. This could have a material adverse effect on our ability to grow our lines of business.

Our Home Entertainment Division is challenged by the combined effects of technological advancements, changing consumer behaviors and demand, and fundamental changes affecting the industries in which the division operates.

The markets in which our Home Entertainment Division operates are highly competitive, rapidly changing and influenced greatly by consumer spending patterns and behaviors. The end consumer has a wide variety of choices in entertainment generally and video entertainment content in particular, and can easily shift from one provider to another and from one technology to another. Some examples of options available to consumers include renting product from our Participating Retailers or other retailers, ordering product directly via online subscriptions or distributors (mail delivery), renting or purchasing product from kiosk locations, subscribing to at-home movie channels, downloading or streaming content via the internet, purchasing product directly, selecting an at-home pay-per-view or video-on-demand option, or relying on cable or satellite programming exclusively. Our systems primarily rely on the end consumer choosing to rent Units from traditional brick and mortar retailers, a practice that is decreasing in popularity. Technological advancements, changes in distribution methods, and pricing reductions have made other options more attractive to consumers in recent years and materially diminished the demand for obtaining Units via traditional retailers. This trend is likely to continue and is expected to result in lower revenues from our Home Entertainment Division, which could have a material adverse effect on our results of operations and financial condition.

Our services are highly dependent on the effective and efficient use of technology and our overall information management infrastructure.

If we are unable to acquire, establish and maintain our information management systems to ensure accurate, reliable and timely data processed in an efficient and cost effective manner, we may not be able to meet the needs of existing clients and may not be able to enhance existing services or develop new lines of business. This could have an adverse effect on our business and long-term growth.

The loss of our executive officers and key employees could have an adverse impact on our business and development initiatives.

We believe that the development of our business has been, and will continue to be, dependent on certain key executives and employees of Rentrak. The loss of any of these individuals could have a material adverse effect upon our business and development, and there can be no assurance that adequate replacements could be found in the event of their unavailability.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

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ITEM 2. PROPERTIES

Our most significant locations, all of which are leased under operating leases, include the following:

Location	Use
Portland, Oregon	Corporate headquarters
Los Angeles, California	AMI Division
New York City, New York	AMI Division
Fort Lauderdale, Florida	AMI Division
Munich, Germany	Box Office Essentials
Madrid, Spain	Box Office Essentials
London, England	Box Office Essentials
Paris, France	Box Office Essentials
Sydney, Australia	Box Office Essentials
Mexico City, Mexico	Box Office Essentials
Buenos Aires, Argentina	Box Office Essentials

See Note 13 of Notes to Consolidated Financial Statements for additional information.

ITEM 3. LEGAL PROCEEDINGS

We may, from time to time, be a party to legal proceedings and claims that arise in the ordinary course of our business. In the opinion of management, the amount of any ultimate liability with respect to these potential actions is not expected to materially affect our financial condition or results of operations. We currently have no material outstanding litigation.

ITEM 4. RESERVED

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PART II

ITEM 5. MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Stock Price and Dividends

Our common stock, $.001 par value, is traded on the NASDAQ Global Market, where its prices are quoted under the symbol RENT. As of June 1, 2010 there were 214 holders of record of our common stock.

The following table sets forth the reported high and low sales prices of our common stock for each of the quarters in the last two fiscal years as regularly quoted on the NASDAQ Global Market:

Fiscal 2010	**High**	**Low**
Quarter 1	$ 17.58	$ 8.79
Quarter 2	19.82	14.60
Quarter 3	18.73	14.26
Quarter 4	22.33	15.48

Fiscal 2009	**High**	**Low**
Quarter 1	$ 14.30	$ 11.83
Quarter 2	15.80	13.16
Quarter 3	14.19	9.01
Quarter 4	12.98	8.44

Holders of our common stock are entitled to receive dividends if, as, and when declared by the Board of Directors out of funds legally available therefor, subject to the dividend and liquidation rights of any preferred stock that may be issued.

No cash dividends have been paid or declared during the last eleven fiscal years. The present policy of the Board of Directors is to retain earnings to provide funds for operation and expansion of our business. We do not intend to pay cash dividends in the foreseeable future.

Securities Authorized for Issuance

Information regarding securities authorized for issuance under equity compensation plans is included in Item 12.

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Stock Performance Graph

This chart compares the five-year cumulative total return on our common stock with that of the Nasdaq Composite index and a group of peer companies selected by us. The chart assumes $100 was invested on March 31, 2005, in our common stock, the NASDAQ Composite index and the peer group, and that any dividends were reinvested. For fiscal 2010, we updated our peer group (New Peer Group) to make it more reflective of our peers going forward. The new peer group is composed of: Arbitron, Inc., Blockbuster, Inc., Coinstar, Inc., Comscore, Inc., Harris Interactive, Inc., Hastings Entertainment, Inc., Netflix, Inc. and Tivo, Inc. The previous peer group (Old Peer Group) was composed of companies within the video distribution business as follows: Hastings Entertainment, Inc., Blockbuster, Inc. and Netflix, Inc. The peer group indices utilize the same methods of presentation and assumptions for the total return calculation as does Rentrak and the NASDAQ Composite index. All companies in the peer group indices are weighted in accordance with their market capitalizations.

	Base Period	Indexed Returns Year Ended				
Company/Index	**03/31/05**	**03/31/06**	**03/31/07**	**03/31/08**	**03/31/09**	**03/31/10**
Rentrak Corporation	$ 100.00	$ 92.15	$ 141.06	$ 109.21	$ 81.23	$ 194.49
NASDAQ Composite	100.00	117.15	124.48	115.85	77.56	122.37
New Peer Group	100.00	110.60	121.85	127.75	105.95	174.71
Old Peer Group	100.00	122.28	120.83	141.91	149.05	249.40

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ITEM 6. SELECTED FINANCIAL DATA

	Year Ended March 31,				
(In thousands, except per share amounts)	**2010**	**2009**	**2008**	**2007**	**2006**
Statement of Operations Data					
Revenues:					
Home Entertainment Division	$ 71,252	$ 82,320	$ 82,805	$ 97,899	$ 87,157
AMI Division	19,824	12,646	10,383	7,822	6,126
Total revenues	91,076	94,966	93,188	105,721	93,283
Cost of sales	58,277	62,575	61,814	72,242	65,111
Gross margin	32,799	32,391	31,374	33,479	28,172
Operating expenses:					
Selling and administrative expense	33,055	26,619	25,650	25,249	22,240
Provision (benefit) for doubtful accounts	469	269	33	(61)	1
Asset impairment	199	257	85		
Total operating expenses	33,723	27,145	25,768	25,188	22,241
Income (loss) from operations	(924)	5,246	5,606	8,291	5,931
Other income, net	1,151	1,108	1,651	1,514	1,014
Income before income tax provision	227	6,354	7,257	9,805	6,945
Income tax benefit (provision)	349	(991)	(2,663)	(3,918)	(2,549)
Net income	$ 576	$ 5,363	$ 4,594	$ 5,887	$ 4,396
Basic net income per share	$ 0.05	$ 0.51	$ 0.43	$ 0.55	$ 0.42
Diluted net income per share	$ 0.05	$ 0.49	$ 0.41	$ 0.53	$ 0.40
Shares used in per share calculations:					
Basic	10,527	10,561	10,728	10,632	10,575
Diluted	11,013	11,047	11,227	11,170	11,047

	March 31,				
	2010	**2009**	**2008**	**2007**	**2006**
Balance Sheet Data					
Working capital	$ 30,627	$ 43,244	$ 41,043	$ 37,924	$ 30,796
Total assets	64,806	59,878	57,149	60,016	54,217
Long-term liabilities	2,267	2,938	4,145	2,338	
Stockholders equity	51,228	46,977	43,672	41,335	35,411

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ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
Business Trends

Our corporate structure includes separate Home Entertainment and Advanced Media and Information (AMI) operating divisions and, accordingly, we report certain financial information by individual segment under this structure.

Our Home Entertainment Division, which was formerly known as the PPT Division, manages our business operations that deliver Units and related rental and sales information for the content to home video specialty stores and other retailers, on a revenue sharing basis. We lease product from various suppliers, typically motion picture studios. Under our Pay-Per-Transaction (PPT) System, retailers sublease that product from us and rent it to consumers. Retailers then share a portion of the revenue from each retail rental transaction with us and we share a portion of the revenue with the studio. Since we collect, process and analyze rental and sales information at the title level, we report that information to both the studio and the respective retailers.

Our Home Entertainment Division also includes our Direct Revenue Sharing (DRS) services, which encompass the collection, tracking, auditing and reporting of transaction and revenue data generated by DRS retailers, such as Blockbuster Entertainment and Netflix, to our respective DRS clients, for rented entertainment content received both on physical product as well as digitally, under established agreements on a fee for service basis.

Our AMI Division manages our Essentials Suite of business information services. Our Essentials Suite software and services, offered primarily on a recurring subscription basis, provide unique data collection, management, analysis and reporting functions, resulting in business information valuable to our clients.

See Forward-Looking Statements in Part I, Item 1.

The Home Entertainment Division

The financial results from the Home Entertainment Division continue to be affected by the changing dynamics in the home video rental market as well as overall economic trends and conditions. This market is highly competitive and influenced greatly by consumer spending patterns and behaviors. The end consumer has a wide variety of choices from which to select their entertainment content and can easily shift from one provider to another. Some examples include renting Units of product from our Participating Retailers or other Retailers, purchasing previously viewed Units from our Participating Retailers or other Retailers, ordering product via online subscriptions and/or online distributors (mail delivery), renting or purchasing product from kiosk locations, subscribing to at-home movie channels, downloading or streaming content via the Internet, purchasing and owning the Unit directly, or selecting an at-home pay-per-view or on demand option from a satellite or cable provider. Our PPT System focuses on the traditional brick and mortar retailer. We believe that our system successfully addresses the many choices available to consumers and affords our Participating Retailers the opportunity to stock their stores with a wider selection of titles and a greater supply of popular box office releases. Many of our arrangements are structured so that the Participating Retailers pay minimal upfront fees and lower per transaction fees in exchange for ordering Units of all titles offered by a particular Program Supplier (referred to as output programs). Since these programs usually result in more overall Units rented, our Participating Retailers revenue and the corresponding share with the studios also increase.

In an effort to stabilize and maintain our current level of overall Home Entertainment Division revenue and earnings, we have implemented strategies to obtain new Participating Retailers, as well as assist in the retention and growth of our current Participating Retailers. The popularity of other choices, which an end consumer has to obtain entertainment content, has been growing and our Participating Retailers market share has been negatively affected. Thus, for the foreseeable future, we expect their market share to experience annual percentage declines and we are evaluating other initiatives to offset the effect this trend has on our Home Entertainment revenue and earnings.

We continue to be in good standing with our Program Suppliers, and we make on-going efforts to strengthen those business relationships through enhancements to our current service offerings and the development of new service offerings, such as the addition of Blu-ray product.

We are also continually seeking to develop business relationships with new Program Suppliers. Our relationships with Program Suppliers typically may be terminated without cause upon thirty days written notice by either party.

AMI Division

We continue to allocate significant resources towards our business information service offerings, both those services that are currently operational as well as those that are in various stages of development. Our AMI Division revenue increased $7.2 million, or 56.8%, in fiscal 2010 compared to fiscal 2009. During the second quarter of fiscal 2010, we completed a long-term contract and recognized $1.1 million of revenue, which had previously been deferred.

The AMI Division lines of business which contribute most of the revenues currently are:

- Box Office Essentials ;
- OnDemand Essentials ;
- TV Essentials , which includes StationView Essentials , Mobile Essentials and Internet TV Essentials ; and
- All Other, which primarily includes Home Entertainment Essentials .

Box Office Essentials reports domestic and international theatrical gross receipt ticket sales to motion picture studios and movie theater owners. We provide studios with access to box office performance data pertaining to specific motion pictures and movie theater circuits, both real-time and historical. On January 29, 2010, we acquired Nielsen s EDI-Business with operations in the United Kingdom, Australia, Germany, France, Mexico, Argentina and Spain. Please see Note 7 of Notes to Consolidated Financial Statements. Currently, Box Office Essentials delivers box office results from more than 50,000 movie screens across 26 countries.

OnDemand Essentials provides multi-channel operators, content providers (including broadcast/cable networks and studios) and advertisers with a transactional tracking and reporting system to view and analyze the performance of on demand content. We currently offer our services in the United States and Canada and provide information representing over 80 million set-top boxes (STBs) from every major operator that offers VOD programming.

TV Essentials is a comprehensive suite of research tools that calculates anonymous second-by-second audience viewing patterns in all facets of television programming and advertising including VOD, DVR, interactive and linear television. By providing transaction-level performance metrics from millions of STBs, TV Essentials provides insight into programming effectiveness, enabling networks and network operators to optimize their TV advertising inventory. Designed to handle data from the nation s 110 million television households, our systems can isolate individual market, network, series, or telecast performance, administer national and local estimates, and provide an evaluation of influencing factors such as psychographics and demographics for competitive, in-depth intelligence.

On February 4, 2010, we expanded our agreement with one of our data partners, DISH Network (Dish) and entered into a multi-year contract, which will allow us to commercially integrate Dish viewing data into TV Essentials . The Dish relationship includes DVR and iTV reporting, which can be rolled out to other partners once the data to drive those services becomes available to us. We expect the integrated product to be available commercially during our quarter ending September 30, 2010. We have developed the capability to overlay segmentation databases to help our clients clearly define their advertising messages to consumers and we continue to build our research capabilities to move our products from data to knowledge-based products and services.

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We intend to continue to invest in our existing, as well as new, business information services in the near-term as we expand the markets we serve and our service lines. The cost of these investments will likely lower our earnings in the short-term. For example, during fiscal 2010, we invested heavily in our Multi-Screen Essentials line of businesses, including expansion of our executive, sales and marketing team located in New York City, New York, which reduced our operating income. Cost of sales in the third quarter of 2010 also included a $0.9 million one-time fee relating to data integration services. In addition, selling and administrative expenses included $1.7 million of acquisition costs relating to international expansion in fiscal 2010. Longer-term, we believe we will be able to leverage these investments and generate revenue and earnings streams that contribute to our overall success.

Sources of Revenue

Revenue by segment includes the following:

Home Entertainment Division

- transaction fees generated when retailers rent Units to consumers; additionally, certain arrangements include guaranteed minimum revenues from our customers; we recognize the guaranteed minimum revenue on the street (release) date, provided all other revenue recognition criteria are met;

- sell-through fees generated when retailers sell previously-viewed rental Units to consumers and/or buy-out fees generated when retailers purchase Units at the end of the lease term;

- DRS fees from data tracking and reporting services provided to Program Suppliers; and

- Other fees, which primarily include order processing fees generated when Units are ordered by, and distributed to, Participating Retailers.

AMI Division

Subscription fee revenues from:

- Box Office Essentials ;

- OnDemand Essentials ;

- TV Essentials , which includes StationView Essentials , Mobile Essentials and Internet TV Essentials ; and

- All Other, which primarily includes Home Entertainment Essentials .

Results of Operations

	Year Ended March 31, (1)		
	2010	2009	2008
(Dollars in thousands)	**Dollars**	**Dollars**	**Dollars**

		% of revenues		% of revenues		% of revenues
Revenues:						
Home Entertainment Division	$ 71,252	78.2%	$ 82,320	86.7%	$ 82,805	88.9%
AMI Division	19,824	21.8	12,646	13.3	10,383	11.1
	91,076	100.0	94,966	100.0	93,188	100.0
Cost of sales	58,277	64.0	62,575	65.9	61,814	66.3
Gross margin	32,799	36.0	32,391	34.1	31,374	33.7
Operating expenses:						
Selling and administrative	33,055	36.3	26,619	28.0	25,650	27.5
Provision for doubtful accounts	469	0.5	269	0.3	33	
Asset impairment	199	0.2	257	0.3	85	0.1
	33,723	37.0	27,145	28.6	25,768	27.7