RENTRAK CORP
Form 10-K
June 13, 2013

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, 2013

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 incorporation or organization)	(I.R.S. Employer 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 ý

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 ý

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 ý 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 ý 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. x

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	ý
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 ý

The aggregate market value of the voting and non-voting common equity held by non-affiliates, computed by reference to the last sales price ($16.93) 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, 2012), was $193,963,421.

The number of shares outstanding of the Registrant’s Common Stock as of June 3, 2013 was 11,891,638 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 2013 Annual Meeting of Shareholders.

RENTRAK CORPORATION
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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 "could," "should," "plan," "depends on," "predict," "believe," "potential," "may," "will," "expects," "intends," "anticipate," "estimates" or "continues" or the negative thereof or variations t comparable terminology. Forward-looking statements in this Annual Report on Form 10-K include, in particular, statements regarding:

- our future results of operations and financial condition and future revenue and expenses, including possible declines in Home Entertainment ("HE") Division revenue and increases in our Entertainment Essentials™ revenue as a result of further investments, the addition of new retailers and development and expansion of new and existing services, both domestically and internationally;
- the future growth prospects for our business as a whole and individual business lines in particular, including adding new clients, adjusting rates and increasing business activity, and using funds in our foreign bank accounts to fund our international expansion and growth;
- increases in our costs over the next twelve months;
- continued contraction in the major "brick and mortar" retailers' share of the home video rental market;
- continued increases in end consumers' usage of non "brick and mortar" options for obtaining entertainment content, such as kiosks;
- the impact of changes in the timing of when major studios make their new movie releases available to "brick and mortar" rental outlets versus all other retail and rental options (e.g. mass merchants, kiosk, by mail);
- future acquisitions or investments;
- our plans or requirements to hold or sell our marketable securities;
- our relationships with our customers and suppliers;
- our ability to attract new customers;
- market response to our products and services;
- increased spending on property and equipment in Fiscal 2014 for the capitalization of internally developed software, computer equipment, and other purposes;
- expected amortization of our deferred rent; and
- the sufficiency of our available sources of liquidity to fund our current operations, the continued current development of our business information services and other cash requirements through at least March 31, 2014.

These forward-looking statements involve known and unknown risks and uncertainties that may cause our results to be materially different from results implied by such forward-looking statements. These risks and uncertainties include, in no particular order, whether we will be able to:

- successfully develop, expand and/or market new services to new and existing customers, including our media measurement services, in order to increase revenue and/or create new revenue streams;
- timely acquire and integrate into our systems various third party databases;
- compete with companies that may have financial, marketing, sales, technical or other advantages over us;
- successfully deal with our data providers, who are much larger than us and have significant financial leverage over us;
- successfully manage the impact on our business of the economic environment generally, both domestic and international, and in the markets in which we operate, including the financial condition of any of our suppliers or customers or the impact of the economic environment on our suppliers' or customers' ability to continue their services with us and/or fulfill their payment obligations to us;
- effectively respond to rapidly changing technology and consumer demand for entertainment content in various media formats;
- retain and grow our base of retailers ("Participating Retailers");
- continue to obtain home entertainment content products (e.g. DVDs, Blu-ray Discs) (collectively "Units") leased/licensed to home video specialty stores and other retailers from content providers, generally motion picture

studios and other licensors or owners of the rights to certain video programming content (“Program Suppliers”);

- retain and expand our relationships with our significant Program Suppliers;
- manage and/or offset any cost increases;
- add new clients or adjust rates for our services;
- adapt to government restrictions;
- leverage our investments in our systems and generate revenue and earnings streams that contribute to our overall success;

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- enhance and expand the services we provide in our foreign locations and enter into additional foreign locations; and
- successfully integrate business acquisitions or other investments in other companies, products or technologies into our operations and use those acquisitions or investments to enhance our technical capabilities, expand our operations into new markets or otherwise grow our business.

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. Although we may elect to update forward-looking statements in the future, we specifically disclaim any obligation to do so, even if our expectations change.

PART I
ITEM 1. BUSINESS

Overview

We are a global media measurement and distribution company serving the entertainment, television and advertising industries. Our technology merges television viewership, advanced demographics and actual consumer behavior information across multiple platforms, devices and distribution channels. We process and aggregate data from hundreds of billions of transactions from multiple screens wherever entertainment content is viewed, whether at the box office, on a television screen, over the internet, on a smart phone or other portable device, and whether purchased, rented, recorded, downloaded or streamed from multiple channels. These massive content databases measure viewership across every screen and are fused with third-party consumer segmentation and purchase databases. By linking multiscreen viewership information with information about the products those viewers consume and prefer, we provide our clients, such as content producers, distributors, advertisers and advertising agencies, with the knowledge necessary to more effectively manage their businesses and more precisely target their advertising.

Rentrak Corporation is an Oregon corporation and was incorporated in 1977. We are headquartered in Portland, Oregon, with additional United States and international offices.

We have two operating divisions within our corporate structure and, accordingly, we report certain financial information by individual segment under this structure. Our Advanced Media and Information ("AMI") operating division includes our media measurement services. Our HE operating division includes our distribution services as well as services that measure, aggregate and report consumer rental activity on film product from traditional "brick and mortar," online and kiosk retailers.

Our AMI Division encompasses media measurement services across multiple screens and platforms, and are primarily delivered via web-based products within our Entertainment Essentials™ lines of business. These services, offered primarily on a recurring subscription basis, provide consumer viewership information which is integrated with consumer segmentation and purchase behavior databases. We provide film studios, television networks and stations, cable, satellite and telecommunications company ("telco") operators, advertisers and advertising agencies insights into consumer viewing and purchasing patterns through our thorough and expansive databases of box office results and local, national, on demand and "Over the Top" television performance.

Our HE Division services incorporate a unique set of applications designed to help clients maintain and direct their business practices relating to home video products. Entertainment content is distributed to various retailers primarily on behalf of motion picture studios. We track and report performance of home entertainment products leased directly to video retailers or through our PPT® System. Within this system, video retailers are given access to a wide selection of box office hits, independent releases and foreign films from the industry's leading suppliers on a revenue sharing basis. By providing second- and third-tier retailers the opportunity to acquire new inventory in the same manner as major national chains, our PPT® System enables retailers, regardless of size, to increase the depth and breadth of their inventory, to more efficiently adjust ordering strategies to better satisfy consumer demand and to more effectively compete in the marketplace. We lease product from our Program Suppliers; 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 Suppliers. Our PPT® System supplies both content providers and retailers with the intelligence and infrastructure necessary to make revenue sharing a viable and productive option.

Our HE Division also includes our rental Studio Direct Revenue Sharing (“DRS”) services, which grant content providers constant, clear feedback and data, plus valuable checks and balances on how both their video products and retailers are performing. Data relating to rented entertainment content is received on physical product under established agreements on a fee for service basis.

AMI Division

Our media measurement services, offered primarily on a recurring subscription basis, are distributed to clients through patent pending software systems and business processes. Our systems capture consumer viewership data from multiple screens and platforms within the entertainment industry and merge that information with advanced demographics and data relating to actual consumer purchase behavior.

Our current spending, investments and long-term strategic planning are heavily focused on the development, growth and expansion of our AMI Division, both domestically and internationally. As such, we continue to allocate significant resources to our Entertainment Essentials™ services and product lines. Our AMI Division revenue increased $12.7 million, or 30.7%, in the fiscal year ended March 31, 2013 (“Fiscal 2013”) compared to the fiscal year ended March 31, 2012 (“Fiscal 2012”).

The AMI Division's most significant lines of business, which we refer to as Entertainment Essentials™ services, are:

- Box Office Essentials®;
- OnDemand Everywhere™, which includes OnDemand Essentials® and related products; and
- TV Essentials®, which includes StationView Essentials™.

Typical clients subscribing to our services include motion picture studios, television networks and stations, cable and telco operators, advertisers and advertising agencies.

Theatrical Box Office content:

Box Office Essentials® reports domestic and international theatrical gross receipts and attendance data combined with detailed analytics to motion picture studios and movie theater owners. Rentrak is the only provider of this key information to the motion picture industry. We provide studios with access to box office performance data pertaining to specific motion pictures and movie theater circuits, including real-time, geographic-specific and historical. Data is obtained via electronic connectivity, phone or fax to theater box offices and is collected for the majority of all movie theaters in the United States, Canada, Guam, Puerto Rico, Russia, China, Hong Kong, the United Kingdom, Ireland, Italy, Australia, New Zealand, Japan, South Korea, Taiwan, Germany, Austria, the Netherlands, France, Mexico, Colombia, Venezuela, Argentina, Brazil, Spain, Portugal, Chile, Bolivia, Costa Rica, El Salvador, Guatemala, Honduras, Malaysia, Singapore, Nicaragua, Panama, Paraguay, and Peru. Box Office Essentials® delivers box office results from more than 85,000 movie screens in 36 countries throughout the world.

We also recently launched a new exit polling service, PostTrak, which delivers additional real-time insights relating to a movie’s performance, such as audience reaction about the film, as well as specific demographic information relating to attendance, like gender, ethnicity and age.

Box Office Essentials® data is published in the Hollywood Reporter, Associated Press, USA Today, Yahoo and the LA Times and is the source for most box office reporting globally.

We have long-term relationships with each of the seven major Hollywood studios (“Global Clients”) in the United States and abroad. Currently, there are no other competitors who provide this service, and we believe that the barriers to entry are quite high because the Global Clients prefer a single provider with world-wide reporting capabilities. In particular, our service provides these Global Clients with access to information relating to all other market participants.

Television, Broadband Video and Mobile Device Content

We provide our customers with second-by-second performance metrics that demonstrate consumer viewing behavior for scheduled, interactive, video on demand ("VOD") and digital video recorder ("DVR") television content. We aggregate transaction-level data from large sample sizes, which in many cases is full census tracking, providing users with the competitive advantage of a more informed understanding of their viewing audience. These web-based reporting systems provide clients with instant access to the measurement tools and detailed analytics needed to track content and consumer behavior across multiple platforms. Our systems provide insights relating to how audiences respond to programming content and advertising combined with information about the products those viewers consume. The current commercially launched component products of these systems include TV Essentials®, which includes StationView Essentials™, and OnDemand Everywhere™ products, which includes OnDemand Essentials®, OnDemand AdEssentials®, Internet TV Essentials™, Digital Download Essentials™, VOD Monitor™ and Mobile Essentials™. These products are described below.

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Linear Television content:

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 linear and DVR television viewing. By providing transaction-level performance metrics from millions of televisions, TV Essentials® provides insight into programming effectiveness, enabling networks and network operators to optimize their TV advertising inventory. Developed with the potential capacity to handle data from the nation's 115 million television households, the system can isolate individual market, network, series or telecast performances, administer national and local estimates and provide an evaluation of influencing factors such as purchase behaviors and advanced 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 more than 24 million televisions into insights for our clients. Additionally, one of the biggest advantages of TV Essentials® is that it combines the stability and granularity of TV viewing information with marketing segmentation and advertiser databases, resulting in robust targeted TV viewership intelligence data. The TV Essentials® service provides advertisers, advertising agencies and networks with advanced television targeting, which enables our customers to spend their advertising dollars more efficiently. For example, advertisers are able to target consumers who typically purchase their products. In addition, TV Essentials® is able to measure the number of viewers of specific commercials, since it measures TV viewing on a second-by-second basis.

Currently, we obtain data from cable, satellite, and telco data partners with whom we have multi-year contracts. These agreements allow us to commercially integrate viewing data into TV Essentials®. We also have developed the capability to integrate segmentation and consumer purchase databases to help our clients clearly define their advertising messages to consumers. We continue to build our analytic capabilities to move our products from data- to knowledge-based products and services that interpret this data.

StationView Essentials™ is a television measurement and analytical service specifically designed to meet the unique needs of local television station sales, news and management teams. This service 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 television station management to better understand their audience viewing patterns and view competitive data from other local stations in their market. It also permits them to monitor daily program performance, improve audience retention by appropriately adjusting programming and selling their advertising more effectively, thus eliminating costly make good advertisements due to the stable and detailed viewing information our large database provides. The StationView Essentials™ database has been integrated with brand ratings and television household demographic ratings to provide stations with the tools they need to develop new advertising revenue streams.

VOD content:

OnDemand Essentials® ("ODE") provides multi-channel operators, content providers (including broadcast/cable networks and studios) with a transactional tracking and reporting system to view and analyze the performance of on demand content. This web-based system provides clients throughout the United States and Canada with access to the tools needed to track on demand content, trends and consumer behavior and represents information from over 107 million televisions from every operator that offers VOD programming. Our system includes daily, census-level data of current and historical market- and title-level content performance from 41 multi-channel operators. We are expanding the capability of our ODE service to provide cross platform reporting for on demand content viewed beyond the television set (e.g., internet streaming, portable and mobile devices). We continue to work to obtain and/or incorporate data from new and existing providers relating to online, mobile and "Over the Top" content. We are well positioned to continue to grow this business by adding new clients and adjusting rates as business activity increases and as advanced advertising technology is rolled out by the industry.

OnDemand AdEssentials® measures VOD advertising across a national footprint of operators, providing analytics that allow for more effective planning and execution of VOD advertising by tracking and reporting ad campaigns across impressions, reach and frequency. With OnDemand Essentials® and AdEssentials®, programmers and agencies have a robust set of tools needed to effectively manage and optimize VOD advertising revenue.

VOD Monitor™ tracks and reports on the availability of VOD content across numerous cable, telco and satellite systems. This service draws on an extensive pool of mystery shoppers to provide networks and studios with the tools needed to identify issues with their VOD content.

Broadband Video and Mobile Device content:

Digital Download Essentials™ is a reporting and auditing service providing performance intelligence on purchased and rented movie and television content downloaded or streamed via the internet, including royalty report tracking. It is tailored for clients who offer the majority of their online video products on a pay-per-transaction basis. The web-based system provides a single integrated solution to report electronic sell-through, internet video on demand and subscription-based streaming transactions, on a global basis. Data is collected from iTunes, Xbox, Vudu, PlayStation, Google and Amazon.

Internet TV Essentials™ processes online usage data to help clients manage their ad-supported and subscription-based television programming streamed online. The service filters massive amounts of raw, disparate usage data and presents it to our clients in a uniform, easy-to-use format. Data is collected from many websites, including Hulu and network owned sites and apps. Internet TV Essentials™ provides multi-platform content providers the tools necessary to analyze trends and track online video usage information for their decision-making.

Mobile Essentials™ services 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. Mobile Essentials™ uses functionality from ODE and TV Essentials®, and gives users access to the data needed to monitor content accessed via any mobile device including mobile web, video clips, games, small message servicing ("SMS") data (also known as text messaging), ring tones, wallpaper and music downloads. Data is collected from mobile content providers such as AT&T, T-Mobile and Mobi.tv. The Mobile Essentials™ services enable 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 overlap, which provides our clients with insights relating to viewers that simultaneously watch more than one channel. Rentrak was selected to provide the first-ever, mobile broadcast TV measurement tool for local markets by Mobile Content Venture ("MCV"), a joint venture consisting of 12 major broadcast groups that operate the Dyle™ mobile TV service. MCV leverages Rentrak's Mobile Essentials™ solution in combination with the StationView Essentials™ solution to help MCV members align traditional TV ratings with broadcast mobile TV performance.

Multiple Platform and Enhancements to Existing Services

We are investing significant resources in the continued development and expansion of a comprehensive service that will provide business insights, research and analytics across multiple media platforms to provide our clients with insight into movies and TV from every viewing device ("TV Everywhere"). Our services for TV Everywhere will include TV, DVR, internet TV, mobile, digital and on demand. This system will be designed to compile usage data, using common metrics, to illustrate each platform's individual contribution and compare it against other media platforms. With the ability to track records across various media, this new multiscreen service will be designed to allow users to comprehend how content is being consumed by end users, interpret the effect such consumption has on other media platforms, understand consumer adoption of new platforms, visualize cross-platform consumption and support more complex advertising models.

We are also making significant investments in our systems which support our existing service lines. We continue to integrate various third-party segmentation databases with our data, which we believe will help advertisers get the right message at the right time to the right consumer group. We continue to build our analytic capabilities, which enable us to move our products from data-based to more comprehensive and applicable knowledge-based products and services. These expenditures will likely increase our costs over the next twelve months. Longer-term, we believe we will be able to leverage these investments and generate revenue and earnings streams that contribute to our overall success.

Competition

Our primary competitors in these markets are Nielsen, Kantar (a subsidiary of WPP Group) and TiVo, which are companies with significantly greater resources than Rentrak. Nielsen's services are based on a sampling methodology used to measure television viewing data, and are currently the television industry's standard measurement of consumer viewing behavior for advertising purposes. Kantar and TiVo also use various sampling methodologies.

Our services and systems differ in that we use a large database approach, which is more far-reaching compared to the smaller sampling approach used by most of our competitors. We refer to our approach as “the database currency” and project the results to a national level across multiple platforms. This method results in granular levels of processing from millions of transactions and establishes us as one of the only companies that provide a television ratings database currency. We believe this positions us to offer a comprehensive, more targeted, 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.

HE Division

For the many regional chains and independent retailers who rent Units to consumers, it is more effective to acquire “new release” rental inventory on a lease basis instead of purchasing the inventory. Our PPT® System provides Participating Retailers the opportunity to increase both the depth and breadth of their inventory, better satisfy consumer demand and more effectively compete in the marketplace.

Under the PPT® System, Participating Retailers have Units delivered to their locations for a low, one-time upfront fee (ranging from $0 to $2 per Unit; most Units are $1.50 or less). Leased movie rental revenue is then shared between the lessee (Participating Retailer), Rentrak and the Program Supplier. After 28 to 31 days, Participating Retailers can begin selling leased Units as “previously viewed” inventory and the “sell-through” revenue is generally shared between the Participating Retailer, Rentrak and the Program Supplier. Most of our programs have a six-month lease term and once this period has concluded, Participating Retailers can either return the remaining Units or buy them at a fraction of the retail cost (typically $0 to $1.75 per Unit). Under the PPT® System, Participating Retailers can rent Units on the day of release and the average cost per Unit over the leasing term typically ranges between $8 to $12 per Unit, which is a fraction of the cost of using a wholesale distributor where Units generally cost between $18 and $20 per Unit.

Many of our arrangements are structured so that the Participating Retailers pay reduced 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).

Marketing and Relationships with Program Suppliers

We currently market our PPT® System throughout the United States 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, analytics, audit, billing of revenue sharing fees and collection of payments.

During Fiscal 2013, we offered titles from a number of Program Suppliers including: Alliance Films Inc.; Anchor Bay Entertainment, LLC; Lionsgate Films, Inc.; Millennium Media Services; Paramount Home Entertainment, Inc.; Sony Pictures Home Entertainment, Inc.; Twentieth Century Fox Home Entertainment, Inc. (“Fox”); Universal Studios Home Entertainment LLC (“Universal”); Vivendi Entertainment; and Warner Home Video, a division of Warner Bros. Home Entertainment Inc. (“Warner Bros.”). 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 the 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. A loss of any one of our significant Program Suppliers could have an adverse effect on our financial condition and results of operations.

During Fiscal 2013, 2012 and 2011, we had several Program Suppliers that supplied product in excess of 10% of our total revenue as follows:

	2013	2012	2011
Program Supplier 1	10%	7%	10%
Program Supplier 2	9%	10%	9%
Program Supplier 3	6%	9%	10%

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 in theatrical release and our assessment of expected success in the home video rental market. At March 31, 2013, we had such guarantees with 21 Program Suppliers in amounts totaling approximately $0.9 million. We expect to make these payments during the first quarter of Fiscal 2014. All of these amounts were included in cost of sales during Fiscal 2013, since we recognize these costs on each title's release date.

Relationships with Participating Retailers

None of our Participating Retailers provided revenue of more than 10% of our total revenue during Fiscal 2013, and we believe our relationships with our existing Participating Retailers remain strong.

The number of active Participating Retailers, excluding the addition of a major rental chain described below, has declined 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. We currently anticipate that this trend will continue as other entertainment content delivery channels gain a larger share of the market.

The popularity of the other choices from which a consumer can obtain entertainment content has been growing, and our Participating Retailers' market share has been negatively affected, contributing to a decline in our revenue. However, during the third quarter of Fiscal 2013, we added a major rental chain to our list of PPT customers and are providing Units to that retailer from at least one major Program Supplier.

The landscape of the home video rental market for "brick and mortar" retailers continues to see significant changes, and some major retailers, such as Movie Gallery, have exited the market entirely, while others, such as Blockbuster Entertainment ("Blockbuster") have closed a significant number of stores. As a result of these market changes, we believe the major "brick and mortar" retailers' share of the overall industry is contracting. It is difficult to predict what effect, if any, this will have on our Program Suppliers and/or the performance of our Participating Retailers.

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 analytical information regarding all offered titles. Ordering occurs via a networked computer interface (for RPM® Software) or over the internet (for VRE Software). To further assist the Participating Retailers in ordering, we also produce a monthly product catalog ("Ontrak®") both in print and electronic media format.

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 for those Units were 2.4%, 3.0% and 3.1% of our consolidated cost of sales in Fiscal 2013, 2012 and 2011, 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 penalties, 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 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 revenue and earnings for the HE Division, reflect, in part, this seasonal pattern. However, changes in the release of Units available to us for Participating Retailers and Units offered with minimum guarantees may obscure any seasonal effect. See also Note 2 of the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K.

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 a Participating Retailer, allowing it to promote its store with coupons or special promotions it enters and controls on its custom site. Participating Retailers collect e-mail addresses from their customers, and the site sends a weekly newsletter announcing new releases and promotions.

Competition

The HE 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, behaviors and technological advancements. The end consumer has a wide variety of choices from which to select his or her entertainment content and can easily shift from one provider to another. Some examples include renting Units from our Participating Retailers or other retailers, purchasing previously viewed Units from our Participating Retailers or other retailers, renting or purchasing product from kiosk locations, ordering Units via online subscriptions and/or online distributors (mail delivery), 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, telco or cable provider. Our PPT® System focuses on the traditional “brick and mortar” retailer serviced by a distributor on a wholesale basis. Accordingly, we face 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. These wholesale distributors do not offer retailers content on a revenue sharing basis.

During the past three years, our Participating Retailers have experienced intense competition from kiosks operated by Redbox that offer significantly lower prices on Units rented for one day. 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 Redbox formalizes revenue sharing agreements with certain studios, our DRS services, which are described below, benefit from this shift since we typically process that activity on behalf of these studios.

We also face direct competition from the Program Suppliers. Most major Program Suppliers work directly with major retailers, including Blockbuster, Netflix and Redbox. Many of the major Program Suppliers have direct revenue sharing arrangements with one or more of these retailers, and also possibly one or two mid-size retailers. We do not believe that the Program Suppliers have executed direct revenue sharing agreements with smaller retailers, but there is no assurance that they will not do so in the future. During the last quarter, we have seen an increased interest in our offerings as Program Suppliers look for ways to reduce expenses. It is too soon to tell what impact, if any, this will have on our revenue in the future.

Growth in kiosks and by-mail subscription activity has shifted consumer behavior from purchase to rental, causing studios to emphasize retail sales and VOD activity, both of which provide them with greater earnings per transaction than the rental methods. Approximately three years ago, three Program Suppliers (Warner Bros., 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 “brick and mortar” 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, product costs for Redbox and Netflix were reduced. Netflix was also given improved access to digital streaming content. Other studios may decide to implement similar “windows” in the future. A decrease or increase in the length of delay of product for any of these rental distributors could have a positive or negative impact on our Participating Retailers.

We also compete with businesses that use alternative distribution methods to provide video entertainment directly to consumers, including the following: (1) online movie rental subscription services, such as Netflix; (2) direct broadcast satellite providers, such as DIRECTV and DISH Network LLC (“DISH”); (3) cable providers, such as Time Warner and Comcast, which offer “pay-per-view” and 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 and Google. Technological improvements in any of these distribution methods, perceived greater convenience by customers, as well as potential 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 an adverse effect on our results of operations and financial condition.

Studio Direct Revenue Sharing (DRS)

Our DRS services include entertainment content relating to physical Units rented and/or purchased by large “brick and mortar” retailers, online retailers and kiosks, such as Blockbuster, Netflix and Redbox (“DRS Retailers”). Our services are tailored to meet the needs of content providers, which include major studios and independent program suppliers, such as Twentieth Century Fox Home Entertainment, Inc., Warner Home Video, and Sony Pictures Home Entertainment, Inc. For each DRS client we collect, process, audit, summarize and report the number of transactions and corresponding revenue generated on each title distributed to DRS Retailers on a revenue sharing basis. We also provide in-depth inventory tracking by title, retailer and location. Additionally, we conduct numerous periodic physical audits of DRS Retailers, combined with actual testing of transactions processed through their POS systems, and electronic auditing, using multiple methods of validation and recovery, to ensure all DRS inventory is utilized in a manner consistent with the terms of its revenue sharing arrangement with our DRS clients.

A number of risks 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,” kiosks and online retailers’ share of the overall rental market declines significantly, a major content provider discontinues the use of our services, 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 revenue.

Trademarks, Copyrights, Proprietary Rights and Patents

In the United States, we have registered our RENTRAK®, PPT®, Pay Per Transaction®, Box Office Essentials®, Home Video Essentials®, OnDemand Essentials®, Retail Essentials®, AdEssentials®, Business Intelligence Essentials®, TV Essentials®, Mobile TV Essentials®, ForMovies®, Ontrak®, Answers In Real Time®, Filmscope®, Filmsource®, Supercomm®, The Release Schedule®, The Worldwide Box Office Authority®, Theater Atlas® and RPM® trademarks and applied to register other marks under federal trademark laws. We have applied to register and obtained registered status in several foreign countries for many of our trademarks. We believe our Entertainment Essentials™ software is entitled to copyright protection. 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 infringement and protect against improper usage.

We own two patents directed to techniques for extracting revenue information from point-of-sale terminals and a number of patent pending applications covering various aspects of our technology. We have applied for additional patents related to certain of our proprietary technologies, primarily for our Entertainment Essentials™ Suite of products. We believe our proprietary technologies, in combination with our ability to innovate and our personnel, provide us with advantages over our competitors’ technologies. There is no assurance, however, that we will be able to obtain patents covering such proprietary technologies.

Employees

As of March 31, 2013, we employed 352 full-time associates and 119 part-time associates. We consider our relations with our associates to be good.

Financial Information About Industry Segments, Enterprise-Wide Data and Geographic Information

See Note 17 of Notes to the Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K.

Available 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. Information on our website does not constitute part of this report or of any other report we file or furnish 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.

ITEM 1A. RISK FACTORS

Our HE 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 HE 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 revenue from our HE Division, which could have a material adverse effect on our results of operations, financial condition and cash flows.

Certain Entertainment Essentials™ services face various obstacles to widespread market adoption, including competition from companies with significantly greater resources than ours.

Our Entertainment Essentials™ services 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, Kantar and TiVo. Each of these competitors has significantly greater resources than we do, which could allow them to become more formidable competitors with enhanced technology service solutions. Additionally, we face other obstacles. For instance, we may be unable to reasonably obtain the data and/or data providers may be reluctant or ultimately decide not to grant us adequate access to their digital transaction data, which is a key component of our systems. 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 these services, which could lead to a material adverse effect on our results of operations, financial condition and cash flows.

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

Our Entertainment Essentials™ services rely on data collected from a wide variety of sources. Once received, the data must be reviewed, processed, integrated 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 Entertainment Essentials™ clients would have an adverse impact on our ability to grow our Entertainment Essentials™ lines of business, which could result in a material adverse effect on our results of operations, financial condition and cash flows.

Our business model continues to shift from the HE Division to the AMI Division, which has a limited history and may not be able to grow as quickly as we expect.

Our business has historically focused on the HE Division, which represented 45.4%, 54.5%, 64.4% of our total revenue for Fiscal 2013, 2012 and 2011, respectively. Revenue has been steadily declining in this division, and, while we are attempting to slow that revenue decline, our future success depends upon the growth and success of the AMI Division, which has a limited history. An inability to grow revenue in the AMI Division and/or achieve our expected operating results could have a material adverse effect on our results of operations, financial condition and cash flows.

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

We operate globally, which subjects 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.

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

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benefits from acquisitions even if we can find suitable acquisition opportunities at what we believe to be attractive valuations, which cannot be assured.

Economic conditions could negatively impact our business.

We primarily operate within the entertainment industry. Our overall success depends on the success of national networks and local stations, studios, cable operators, data providers, advertisers, advertising agencies and others within our AMI Division and our Participating Retailers and Program Suppliers within our HE Division. The success of these businesses is dependent on consumer economic activity. For example, our Participating Retailers rely on their customers to rent Units, 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. Changes in the economic climate and consumer spending could impact the financial condition of our Participating Retailers, Program Suppliers, customers, studios and others. Such changes that affect our customers could, in turn, decrease the demand for our products, which could have a material adverse effect on our results of operations, financial condition and cash flows.

Additionally, if customers of our Entertainment Essentials™ services and our Participating Retailers 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 have a material adverse affect on our results of operations, financial condition and cash flows.

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 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 three to five months 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. Approximately two years ago, three Program Suppliers (Warner Bros., Fox and Universal) created a 28-day retail window that delays the availability of their product in kiosks and by-mail subscription offerings. During the last half of Fiscal 2012, Warner Bros. decided not to release product to Redbox or Netflix for the first 56 days after the initial release and to any of its rental distributors for the first 28 days after the initial release in an effort to stimulate retail sales. During the third quarter of Fiscal 2013, Warner Bros. reverted back to its previous distribution strategy, and our Participating Retailers are now receiving product again on the initial release date. 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. Since we share in our Participating Retailers' revenue, this would negatively affect our results of operation, financial condition and cash flows.

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 revenue 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 titles) of content they produce, would result in a reduction in overall Units available to Participating Retailers, which could decrease our revenue. 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 results of operations, financial condition, and cash flows.

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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 cash flows.

Our DRS business is dependent on the studios maintaining direct revenue sharing relationships with "brick-and-mortar," kiosks 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 and kiosk locations that 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 these clients end those relationships, they would have no need for our services. Second, our clients could decide to invest the resources necessary to provide these services internally. 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 clients would also be reduced, resulting in a corresponding decrease in our revenue. 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 cash flows.

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

The success of our HE Division business primarily 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.

The future success of our company is highly dependent on our ability to maintain and grow our base of clients who subscribe to our Entertainment 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 Entertainment Essentials™ services, our results of operations, financial condition and cash flows will be adversely affected.

We have voluntarily applied for accreditation from the Media Rating Council ("MRC") for certain TV Essentials® products and services within our Entertainment Essentials™ lines of business and we cannot predict when we will receive such accreditation.

We have voluntarily applied for accreditation from the MRC for our TV Essentials® products and services. The MRC is a third party nonprofit industry association whose members consist of companies within our industry including television broadcasters, cable casters, advertisers, internet organizations, advertising agencies and industry trade associations. The MRC's goal is to ensure measurement services are valid, reliable and effective. While we believe we will be successful in achieving this accreditation, and we have made significant investments and progress towards this initiative, we cannot predict the economic impact this accreditation will have, and there is no assurance we will receive it.

Our Entertainment 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 a material adverse effect on our results of operations, financial condition and cash flows.

The market for on demand advertising has been slow to develop and may grow slowly or not at all.

We have made significant investments in developing 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 investments.

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

Although 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 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 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 inability could have an adverse effect on our business and long-term growth prospects.

Interruption or failure of our information technology and communications systems could hurt our ability to effectively provide our products and services, which could damage our reputation and harm our operating results.

The availability of our products and services depends on the continuing operation of our information technology and communications systems. Our systems are vulnerable to damage or interruption from earthquakes, floods, fires, power loss, telecommunications failures, computer viruses, computer denial of service attacks, terrorist attacks, or other attempts to harm our systems. Our data centers are located in areas with potential risk of earthquakes. Our data centers are also subject to break-ins, sabotage, and intentional acts of vandalism, and to potential disruptions if the operators of these facilities have financial difficulties. Some of our systems are not fully redundant, and our disaster recovery planning cannot account for all eventualities. The occurrence of a natural disaster, a decision to close a facility we are using without adequate notice for financial reasons, or other unanticipated problems at our data centers could result in lengthy interruptions in our service. In addition, our products and services are highly technical and complex and may contain errors or vulnerabilities. Any errors or vulnerabilities in our products and services, or damage to or failure of our systems, could result in interruptions in our services, which could reduce our revenue and results of operations.

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 is no assurance that adequate replacements could be found in the event of their unavailability.

Our stock is subject to price and volume fluctuations due to a number of factors, many of which are beyond our control and may prevent our shareholders from reselling our common stock at a profit.

The trading price of our common stock has, at times, experienced substantial price volatility and may continue to be volatile. For example, our common stock price has fluctuated from a high of $22.09 to a low of $15.56 for the 52 weeks ended March 31, 2013. This market volatility, as well as general economic, market or political conditions, could reduce the market price of our common stock. The trading price of our common stock may fluctuate widely in response to various factors, some of which are beyond our control. These factors include:

- quarterly variations in our results of operations or those of our competitors;
- announcements by us or our competitors of acquisitions, new products, significant contracts, commercial relationships, or capital commitments;
- recommendations by securities analysts or changes in earnings estimates;
- announcements about our earnings that are not in line with analyst expectations;
- announcements by our competitors of their earnings that are not in line with analyst expectations;

- the volume of shares of our common stock available for public sale;
- sales of stock by us or by our shareholders (including sales by our directors, executive officers and other employees); and
- short sales, hedging and other derivative transactions on shares of our common stock.

Oregon law and our shareholder rights plan may have anti-takeover effects.

The Oregon Control Share Act and the Business Combination Act limit the ability of parties who acquire a significant amount of voting stock to exercise control over us. These provisions may have the effect of lengthening the time required to acquire control of us through a proxy contest or the election of a majority of the Board of Directors. In May 2005, we adopted a shareholder rights plan, which has the effect of making it more difficult for a person to acquire control of us in a transaction not approved by our Board of Directors. The provisions of the Oregon Control Share Act and the Business Combination Act and our shareholder rights plan could have the effect of delaying, deferring or preventing a change of control of us, could discourage bids for our common stock at a premium over the market price of our common stock and could materially adversely impact the market price of, and the voting and other rights of the holders of, our common stock.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

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, 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®
Rio de Janeiro, Brazil	Box Office Essentials®

See Note 14 of Notes to Consolidated Financial Statements for additional information.

ITEM 3. LEGAL PROCEEDINGS

We currently have no material outstanding litigation.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

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, $0.001 par value, is traded on the NASDAQ Global Market, where its prices are quoted under the symbol “RENT.” The closing price of our common stock on the NASDAQ Global Market on June 3, 2013 was $23.74. As of June 3, 2013 there were 190 holders of record of our common stock.

The following table sets forth the reported high and low closing 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 2013	High	Low
Quarter 1	$22.05	$15.56
Quarter 2	21.40	16.73
Quarter 3	21.03	16.67
Quarter 4	22.09	19.30
Fiscal 2012	High	Low
Quarter 1	$27.00	$16.56
Quarter 2	19.29	11.52
Quarter 3	14.78	11.57
Quarter 4	23.03	14.15

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 14 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 of this Annual Report on Form 10-K.

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 custom peer group, which was selected by us. The chart assumes $100 was invested on March 31, 2008, in our common stock, the NASDAQ Composite index and the peer group, and that any dividends were reinvested. The Peer Group is composed of: Acxiom Corp., Arbitron Inc., comScore, Inc., Harris Interactive Inc., Hastings Entertainment, Inc. and Nielsen Holdings N.V. The peer group index utilizes the same method of presentation and assumptions for the total return calculation as does Rentrak and the NASDAQ Composite index. All companies in the peer group index are weighted in accordance with their market capitalizations.

	Base Period	Indexed Returns Year Ended				
Company/Index	3/31/2008	3/31/2009	3/31/2010	3/31/2011	3/31/2012	3/31/2013
Rentrak Corporation	$100.00	$74.38	$178.10	$222.48	$187.60	$181.65
NASDAQ Composite	100.00	67.15	105.79	124.53	139.51	150.61
Peer Group	100.00	47.42	94.30	110.47	116.50	138.72

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ITEM 6. SELECTED FINANCIAL DATA

(In thousands, except per share amounts)	Year Ended March 31,				
Statement of Operations Data	2013	2012	2011	2010	2009
Revenue:					
AMI Division	$54,110	$41,415	$34,584	$19,979	$12,656
HE Division	45,067	49,656	62,504	71,097	82,310
Total revenue	99,177	91,071	97,088	91,076	94,966
Cost of sales	53,631	48,125	54,853	58,277	62,575
Gross margin	45,546	42,946	42,235	32,799	32,391
Operating expenses:					
Selling and administrative expense	67,757	48,854	44,838	33,723	27,145
Income (loss) from operations	(22,211)	(5,908)	(2,603)	(924)	5,246
Other income:					
Investment income, net	406	478	470	1,151	1,108
Other income (expense), net	(29)	(1)	125	—	—
Income (loss) before income taxes	(21,834)	(5,431)	(2,008)	227	6,354
Income tax provision (benefit)	844	995	(1,241)	(349)	991
Net income (loss)	(22,678)	(6,426)	(767)	576	5,363
Net loss attributable to noncontrolling interest	(61)	—	—	—	—
Net income (loss) attributable to Rentrak Corporation	$(22,617)	$(6,426)	$(767)	$576	$5,363
Net income (loss) per share attributable to Rentrak Corporation common stockholders:					
Basic	$(1.93)	$(0.57)	$(0.07)	$0.05	$0.51
Diluted	$(1.93)	$(0.57)	$(0.07)	$0.05	$0.49
Shares used in per share calculations:					
Basic	11,733	11,197	10,962	10,527	10,561
Diluted	11,733	11,197	10,962	11,013	11,047

	March 31,				
	2013	2012	2011	2010	2009
Balance Sheet Data					
Cash and marketable securities	$20,423	$27,753	$26,377	$19,925	$34,475
Working capital	20,560	23,844	28,460	30,627	43,244
Total assets	71,779	72,881	76,175	64,806	59,878
Long-term liabilities	4,075	3,154	2,203	2,267	2,938
Stockholders’ Equity attributable to Rentrak Corporation	47,982	50,525	56,373	51,228	46,977

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

Business Overview

We have two operating divisions within our corporate structure and, accordingly, we report certain financial information by individual segment under this structure. Our AMI Division includes our media measurement services. Our HE Division includes our distribution services as well as services that measure, aggregate and report consumer rental and retail activity on film product from traditional "brick and mortar", online and kiosk retailers.

Our AMI Division encompasses media measurement services across multiple screens and platforms, and are primarily delivered via web-based products within our Entertainment Essentials™ lines of business. These services, offered primarily on a recurring subscription basis, provide consumer viewership information, integrated with consumer segmentation and purchase behavior databases. We provide film studios, television networks and stations, cable, satellite and telecommunications company ("telco") operators, advertisers and advertising agencies insights into consumer viewing and purchasing patterns through our thorough and expansive databases of box office results and local, national, on demand and "Over the Top" television performance.

Our HE Division services incorporate a unique set of applications designed to help clients maintain and direct their business practices relating to home video products. Entertainment content is distributed to various retailers primarily on behalf of motion picture studios. We track and report performance of home entertainment products leased directly to video retailers or through our Pay-Per-Transaction® ("PPT®") System. Within this system, video retailers are given access to a wide selection of box office hits, independent releases and foreign films from the industry's leading suppliers on a revenue sharing basis. We provide second- and third-tier retailers, as well as a few major national chains, the opportunity to acquire new inventory, and our PPT® System enables retailers everywhere, regardless of size, the ability to increase the depth and breadth of their inventory, to more efficiently adjust ordering strategies to better satisfy consumer demand and to more effectively take advantage of trends and opportunities in the marketplace. We lease product from our Program Suppliers; 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 Suppliers. Our PPT® System supplies both content providers and retailers with the intelligence and infrastructure necessary to make revenue sharing a viable and productive option.

Our HE Division also includes our DRS services, which grant content providers constant, clear feedback and data, plus valuable checks and balances on how both their video products and retailers are performing. Data relating to rented entertainment content is received on physical product under established agreements on a fee for service basis.

See "Forward-Looking Statements" on page 2.

AMI Division

Our media measurement services, offered primarily on a recurring subscription basis, are distributed to clients through patent pending software systems and business processes. Our systems capture consumer viewership data from multiple screens across every platform within the entertainment industry and merge that information with advanced demographics and data relating to actual consumer purchase behavior.

Our current spending, investments and long-term strategic planning are heavily focused on the development, growth and expansion of our AMI Division, both domestically and internationally. As such, we continue to allocate significant resources to our Entertainment Essentials™ services and product lines. Our AMI Division revenue increased $12.7 million, or 30.7%, in Fiscal 2013 compared to Fiscal 2012.

The AMI Division lines of business, which we refer to as Entertainment Essentials™ services, are:

- Box Office Essentials®;

- OnDemand Everywhere™, which includes OnDemand Essentials® and related products; and
- TV Essentials®, which includes StationView Essentials™.

Typical clients subscribing to our services include motion picture studios, television networks and stations, cable and telco operators, advertisers and advertising agencies.

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HE Division

The financial results from the HE Division continue to be negatively 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, behaviors and technological advancements. The end consumer has a wide variety of choices from which to select his or her entertainment content and can easily shift from one provider to another. Some examples include renting Units from our Participating Retailers or other retailers, purchasing previously viewed Units from our Participating Retailers or other retailers, renting or purchasing Units from kiosk locations, ordering Units via online subscriptions and/or online distributors (mail delivery), 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, telco or cable provider.

Our PPT® System focuses primarily on the traditional "brick and mortar" retailer and provides those Participating Retailers the opportunity to increase the depth and breadth of their inventory, to more efficiently adjust ordering strategies to better satisfy consumer demand and to more effectively take advantage of trends and opportunities in the marketplace. Many of our arrangements are structured so that Participating Retailers pay reduced 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). These programs offer Participating Retailers a way to more effectively acquire "new release" rental inventory on a lease basis instead of purchasing and owning the inventory directly.

The landscape of the home video rental market for "brick and mortar" retailers continues to see significant changes, and some major retailers, such as Movie Gallery, have exited the market entirely, while others, such as Blockbuster have closed a significant number of stores. As a result of these market changes, we believe the major "brick and mortar" retailers' share of the overall industry is contracting. It is difficult to predict what effect, if any, this will have on our Program Suppliers and/or the performance of our Participating Retailers.

Also, end consumers' usage of non "brick and mortar" options for obtaining entertainment content, such as kiosks, continues to increase and our Participating Retailers' market share has been negatively affected, contributing to a decline in our revenue. However, during the third quarter of Fiscal 2013, we added a major rental chain to our list of PPT® customers and are providing Units to that retailer from at least one major Program Supplier. During Fiscal 2013, we generated revenue of $3.9 million from this retailer.

In general, we continue to be in good standing with our Program Suppliers, and we make ongoing efforts to strengthen those business relationships through enhancements to our current service offerings and the development of new service offerings. In the third quarter of Fiscal 2013, a former Program Supplier, Warner Bros., returned to the PPT® System, and we were able to begin offering their content to our Participating Retailers again. We are also continually seeking to develop business relationships with new Program Suppliers and in the last quarter, we have seen an increased interest in our offerings as Program Suppliers look for ways to reduce expenses. It is too soon to tell what impact, if any, this will have on total revenue in the future. Our relationships with Program Suppliers may typically be terminated without cause upon thirty days' written notice by either party.

Sources of Revenue

Revenue by segment includes the following:

AMI Division

Subscription fee and other revenue, primarily relating to custom reports, from our Entertainment Essentials™ services.

HE Division

- PPT® revenue includes fees generated when Participating Retailers rent Units or sell previously-viewed rental Units to consumers and upfront fees generated when Units are distributed to Participating Retailers. Additionally, certain arrangements include guaranteed minimum revenue from our customers, which are recognized on the street (release) date, provided all other revenue recognition criteria are met; and

- DRS fees, which are generated from data tracking and reporting services provided to Program Suppliers.

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Results of Operations

Certain information by segment was as follows (dollars in thousands):

	Year Ended March 31, (1)					
	2013		2012		2011	
(Dollars in thousands)	Dollars	% of revenue	Dollars	% of revenue	Dollars	% of revenue
Revenue:						
AMI Division	$54,110	54.6 %	$41,415	45.5 %	$34,584	35.6 %
HE Division	45,067	45.4	49,656	54.5	62,504	64.4
Total revenue	99,177	100.0	91,071	100.0	97,088	100.0
Cost of sales	53,631	54.1	48,125	52.8	54,853	56.5
Gross margin	45,546	45.9	42,946	47.2	42,235	43.5
Operating expenses:						
Selling and administrative	67,757	68.3	48,854	53.6	44,838	46.2
Loss from operations	(22,211)	(22.4)	(5,908)	(6.5)	(2,603)	(2.7)
Other income:						
Investment income, net	406	0.4	478	0.5	470	0.5
Other income (expense), net	(29)	(0.1)	(1)	—	125	0.1
Loss before income taxes	(21,834)	(22.0)	(5,431)	(6.0)	(2,008)	(2.1)
Income tax provision (benefit)	844	0.9	995	1.1	(1,241)	(1.3)
Net loss	(22,678)	(22.9)	(6,426)	(7.1)	(767)	(0.8)
Net loss attributable to noncontrolling interest	(61)	(0.1)	—	—	—	—
Net loss attributable to Rentrak Corporation	$(22,617)	(22.8)%	$(6,426)	(7.1)%	$(767)	(0.8)%

(1) Percentages may not add due to rounding.

Revenue

Revenue increased $8.1 million, or 8.9%, to $99.2 million in Fiscal 2013, compared to $91.1 million in Fiscal 2012. The increase in revenue was due to increases in AMI Division revenue, primarily related to growth in our existing lines of business, partially offset by declines in revenue from our HE Division. These fluctuations are described in more detail below.

Revenue decreased $6.0 million, or 6.2%, to $91.1 million in Fiscal 2012, compared to $97.1 million in Fiscal 2011. The decrease in revenue was due to a decline in revenue from our HE Division, partially offset by an increase in AMI revenue, primarily related to growth in our existing lines of business as described in more detail below.

AMI Division

Revenue related to our Entertainment Essentials™ business information service offerings increased primarily due to the addition of new customers, rate increases from existing customers and expansion of our systems and service offerings. We expect continued future increases in our Entertainment Essentials™ revenue as a result of further investments, development and expansion of new and existing services, both domestically and internationally.

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Revenue information related to our AMI Division is as follows (dollars in thousands):

	Year Ended March 31,		Dollar	% Change
	2013	2012	Change	
Box Office Essentials®	$23,949	$21,046	$2,903	13.8%
OnDemand Everywhere™	12,562	11,143	1,419	12.7%
TV Essentials®	17,599	9,226		