

RENTRAK CORP  
Form 10-Q  
February 05, 2009  
Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**  
**FORM 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the quarterly period ended December 31, 2008

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 000-15159

**RENTRAK CORPORATION**

(Exact name of registrant as specified in its charter)

**Oregon**  
(State or other jurisdiction  
of incorporation or organization)

**93-0780536**  
(I.R.S. Employer  
Identification No.)

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

**97220**  
(Zip Code)

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

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

## Edgar Filing: RENTRAK CORP - Form 10-Q

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

Large accelerated filer  Accelerated filer  Non-accelerated filer

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

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

**Common stock \$0.001 par value**  
(Class)

**10,506,658**  
(Outstanding at February 2, 2009)

**Table of Contents**

**RENTRAK CORPORATION**

**FORM 10-Q**

**INDEX**

	<b>Page</b>
<b><u>PART I - FINANCIAL INFORMATION</u></b>	
Item 1. Financial Statements	
<u>Condensed Consolidated Balance Sheets - December 31, 2008 and March 31, 2008 (unaudited)</u>	2
<u>Condensed Consolidated Income Statements - Three and Nine Months Ended December 31, 2008 and 2007 (unaudited)</u>	3
<u>Condensed Consolidated Statements of Cash Flows - Nine Months Ended December 31, 2008 and 2007 (unaudited)</u>	4
<u>Condensed Consolidated Statements of Stockholders' Equity - Years Ended March 31, 2007 and 2008 and Nine Months Ended December 31, 2008 (unaudited)</u>	5
<u>Notes to Condensed Consolidated Financial Statements (unaudited)</u>	6
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	12
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	21
Item 4. <u>Controls and Procedures</u>	21
<b><u>PART II - OTHER INFORMATION</u></b>	
Item 1A. <u>Risk Factors</u>	22
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	22
Item 6. <u>Exhibits</u>	22
<u>Signatures</u>	23

**Table of Contents****Rentrak Corporation and Subsidiaries****Condensed Consolidated Balance Sheets****(Unaudited)****(In thousands, except per share amounts)**

	December 31, 2008	March 31, 2008
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	\$ 4,835	\$ 26,862
Marketable securities	29,496	4,986
Accounts receivable, net of allowances for doubtful accounts of \$643 and \$572	18,110	15,032
Note receivable	436	396
Advances to program suppliers, net of program supplier reserves of \$14 and \$17	82	95
Taxes receivable and prepaid taxes	2,210	1,455
Deferred income tax assets	103	253
Other current assets	735	1,296
<b>Total Current Assets</b>	<b>56,007</b>	<b>50,375</b>
Property and equipment, net of accumulated depreciation of \$8,978 and \$7,731	6,337	6,145
Other assets	566	629
<b>Total Assets</b>	<b>\$ 62,910</b>	<b>\$ 57,149</b>
<b>Liabilities and Stockholders Equity</b>		
Current Liabilities:		
Accounts payable	\$ 9,619	\$ 6,768
Accrued liabilities	520	671
Deferred rent, current portion	90	90
Accrued compensation	1,094	930
Deferred revenue	1,566	873
<b>Total Current Liabilities</b>	<b>12,889</b>	<b>9,332</b>
Deferred rent, long-term portion	944	989
Deferred income tax liabilities	676	226
Taxes payable, long-term	2,189	1,965
Notes payable	748	965
<b>Total Liabilities</b>	<b>17,446</b>	<b>13,477</b>
Commitments and Contingencies		
Stockholders Equity:		
Preferred stock, \$0.001 par value; 10,000 shares authorized; none issued		
Common stock, \$0.001 par value; 30,000 shares authorized; shares issued and outstanding: 10,507 and 10,605	11	11
Capital in excess of par value	46,420	47,189
Accumulated other comprehensive income (loss)	(385)	170
Accumulated deficit	(582)	(3,698)
<b>Total Stockholders Equity</b>	<b>45,464</b>	<b>43,672</b>
<b>Total Liabilities and Stockholders Equity</b>	<b>\$ 62,910</b>	<b>\$ 57,149</b>

Edgar Filing: RENTRAK CORP - Form 10-Q

See accompanying Notes to Condensed Consolidated Financial Statements.

**Table of Contents**

**Rentrak Corporation and Subsidiaries**  
**Condensed Consolidated Income Statements**

(Unaudited)

(In thousands, except per share amounts)

	For the Three Months Ended December 31,		For the Nine Months Ended December 31,	
	2008	2007	2008	2007
Revenue	\$ 22,973	\$ 23,875	\$ 72,653	\$ 70,890
Cost of sales	15,752	16,937	48,915	47,827
Gross margin	7,221	6,938	23,738	23,063
Selling and administrative	6,746	6,319	20,303	19,036
Income from operations	475	619	3,435	4,027
Other income (expense):				
Interest income	388	399	764	1,216
Interest expense		(3)	(2)	(7)
	388	396	762	1,209
Income before income taxes	863	1,015	4,197	5,236
Provision (benefit) for income taxes	(375)	468	1,081	2,331
Net income	\$ 1,238	\$ 547	\$ 3,116	\$ 2,905
Basic net income per share	\$ 0.12	\$ 0.05	\$ 0.29	\$ 0.27
Diluted net income per share	\$ 0.11	\$ 0.05	\$ 0.28	\$ 0.26
Shares used in per share calculations:				
Basic	10,538	10,757	10,587	10,747
Diluted	10,994	11,280	11,104	11,263

See accompanying Notes to Condensed Consolidated Financial Statements.

**Table of Contents****Rentrak Corporation and Subsidiaries****Condensed Consolidated Statements of Cash Flows****(Unaudited)****(In thousands)**

	<b>For the Nine Months Ended December 31,</b>	
	<b>2008</b>	<b>2007</b>
<b>Cash flows from operating activities:</b>		
Net income	\$ 3,116	\$ 2,905
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Tax benefit from stock-based compensation	(18)	483
Depreciation and amortization	1,256	1,043
Loss on disposal of fixed assets	121	13
Adjustment to allowance for doubtful accounts	71	(108)
Stock-based compensation	393	753
Excess tax benefits from stock-based compensation	(1)	(260)
Deferred income taxes	818	(593)
(Increase) decrease in:		
Accounts receivable	(3,305)	1,955
Note receivable issued to customer	21	(11)
Advances to program suppliers	14	76
Interest and dividends receivable	(113)	1
Taxes receivable and prepaid taxes	(752)	(313)
Other assets	526	(389)
Increase (decrease) in:		
Accounts payable	3,037	(2,718)
Taxes payable	224	242
Accrued liabilities and compensation	13	(545)
Deferred rent	(45)	(46)
Deferred revenue	694	603
<b>Net cash provided by operating activities</b>	<b>6,070</b>	<b>3,091</b>
<b>Cash flows from investing activities:</b>		
Purchase of marketable securities	(30,000)	
Maturity of marketable securities	4,986	9,717
Purchase of property and equipment	(1,786)	(1,835)
Proceeds from sale of assets	1	
<b>Net cash provided by (used in) investing activities</b>	<b>(26,799)</b>	<b>7,882</b>
<b>Cash flows from financing activities:</b>		
Issuance of common stock	140	756
Excess tax benefits from stock-based compensation	1	260
Repurchase of common stock	(1,284)	(1,222)
<b>Net cash used in financing activities</b>	<b>(1,143)</b>	<b>(206)</b>
Effect of foreign exchange translation on cash	(155)	(8)
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(22,027)</b>	<b>10,759</b>
<b>Cash and cash equivalents:</b>		
Beginning of period	26,862	11,351

Edgar Filing: RENTRAK CORP - Form 10-Q

End of period \$ 4,835 \$ 22,110

**Supplemental cash flow information:**

Cash paid during the period for income taxes, net	\$ 809	\$ 2,512
Deferred gain related to forgiven loan for capital assets	219	
Unrealized losses on marketable securities, net of tax of \$218	286	
Accounts receivable converted to notes receivable	60	

**Supplemental non-cash information**

Common stock withheld in payment of exercise price for stock options	\$	\$ 179
--	----	--------

See accompanying Notes to Condensed Consolidated Financial Statements.



**Table of Contents**

**Rentrak Corporation and Subsidiaries**

**Condensed Consolidated Statements of Stockholders' Equity**

**(Unaudited)**

**(In thousands, except share amounts)**

	Common Stock		Capital	Cumulative	Accumulated	Total
	Shares	Amount	In Excess	Other	Deficit	Stockholders
			of Par Value	Income		Equity
<b>Balance at March 31, 2006</b>	10,697,336	\$ 11	\$ 48,069	\$ 181	\$ (12,850) <sup>(1)</sup>	\$ 35,411 <sup>(1)</sup>
Net income						