

The Merriam Report EBAY QESep-09 Ebay

All amounts in millions except for earnings per share

Quarterly period ending:	QESep-08	QEDec-08	QEMar-09	QEJun-09	QESep-09	Averages
Earnings Per Share (Incl. Ext. Items)	\$ 0.380	\$ 0.290	\$ 0.280	\$ 0.250	\$ 0.270	\$ 0.294
% Change in E.P.S. (from prev. qtr.)		-23.7%	-3.4%	-10.7%	8.0%	-7.5%
Total Revenues	2117.53	2035.85	2020.59	2097.99	2237.85	2101.96
% Change in Revenues (from prev. qtr.)		-3.9%	-0.7%	3.8%	6.7%	1.5%
Cost of Revenues	561.0	579.6	573.4	591.8	643.9	589.9
Accounts Receivable:	436.5	435.2	392.0	422.1	420.0	421.2
% Change in Receivables (from prev. qtr.)		-0.3%	-9.9%	7.7%	-0.5%	-0.8%
DSO's (# of days it took customers to pay)	18.8	19.5	17.7	18.3	17.1	18.3
Inventories:	0.0	0.0	0.0	0.0	0.0	0.0
% Change in Inventory (from prev. qtr.)		#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Inventory as a % of Sales	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%
Prepaid Expenses:	0.00	0.00	0.00	0.00	0.00	0.0
Other Current Assets:	1928.0	1928.7	2024.0	2305.8	2382.5	2113.8
Property, Plant & Equip. (net):	1215.5	1198.7	1197.4	1254.8	1293.8	1232.0
% Change in P,P & E (from prev. qtr.)		-1.4%	-0.1%	4.8%	3.1%	1.6%
Accounts Payable:	217.3	170.3	160.2	186.5	209.3	188.7
% Change in Payables (from prev. qtr.)		-21.6%	-6.0%	16.4%	12.2%	0.3%
Quarterly period ending:	QESep-08	QEDec-08	QEMar-09	QEJun-09	QESep-09	
Total Liabilities:	3546.5	4508.6	4012.1	4644.7	4605.2	4263.4
Shareholder equity:	10693.7	11083.9	11115.7	11921.6	12751.2	11513.2
Retained Earnings (Accum. Deficit)	5602.8	5970.0	6327.1	6654.5	7004.2	
Operating Cash Flow (OCF)	8908.9	8829.8	9462.3	9525.2	10445.1	9434.3
OCF as % of Revenues	420.7%	433.7%	468.3%	454.0%	466.7%	455.7%
Balance Sheet Cash Flow (BSCF)	964.7	1974.4	1435.9	1730.3	1593.4	1539.7
BSCF as % of Revenues	45.6%	97.0%	71.1%	82.5%	71.2%	80.4%
Spread between OCF & BSCF	7944.2	6855.4	8026.4	7794.9	8851.7	7894.5
Ratios						
Spread to Revenues	375.16%	336.73%	397.23%	371.54%	395.55%	3.752
Spread to OCF						5.41%
MR Dual Cash-Flow Figure	3.752	3.367	3.972	3.715	3.955	3.752

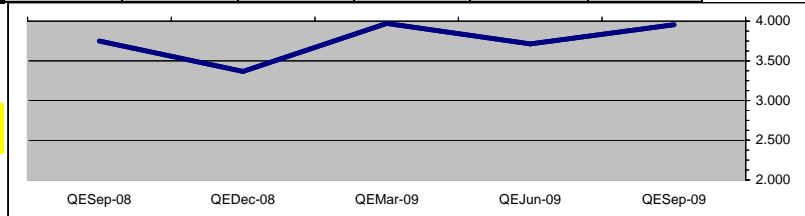
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The Merriam Report

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MR Dual Cash-Flow Figure	3.752	3.367	3.972	3.715	3.955

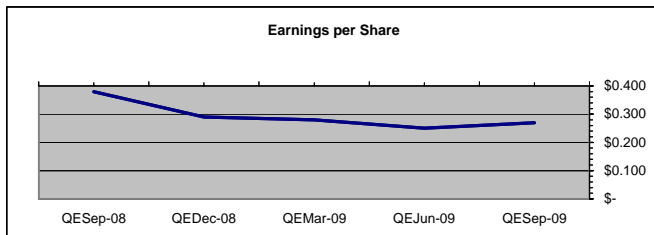
Merriam Report Signals:

- Recent Bearish
- Confirmed Bearish
- Recent Bullish
- Confirmed Bullish



MR Dual Cash-Flow Figure (avg.)

3.752



Accrual Ratios
Average Accruals

QESep-08	QEDec-08	QEMar-09	QEJun-09	QESep-09
-0.72%	6.12%	-1.71%	4.31%	5.35%
2.67%				

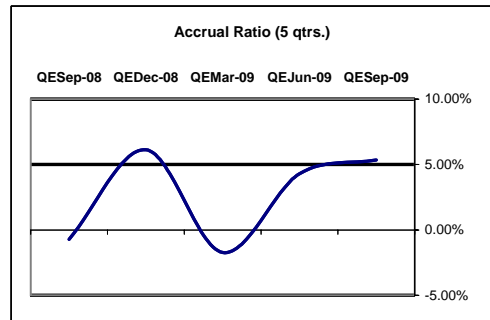
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Revenue Metrics (as % of Sales)

	Recent Qtr.	Combined Avg.
Research & Development	9.17%	9.20%
Cost of Sales	28.77%	28.07%
S/G/A	34.12%	30.64%
Payables	9.35%	8.98%

Capital Productivity

	Recent Qtr.	Combined Avg.
Inventory / Revenues	\$ -	\$ -
Receivables / Revenues	\$ 0.188	\$ 0.200
Inventory & Receivables / Revenues	\$ 0.188	\$ 0.200
P,P&E / Revenues	\$ 0.58	\$ 0.59



Accrual Ratios: According to the MR model, a ratio of -5 or less is very bullish and a ratio of +5 or more is very bearish.

Summary of Merriam Report Signals

Dual Cash-Flow Figures

Confirmed Bullish / Recent Bullish

Operating Cash-Flow Trend

Bullish

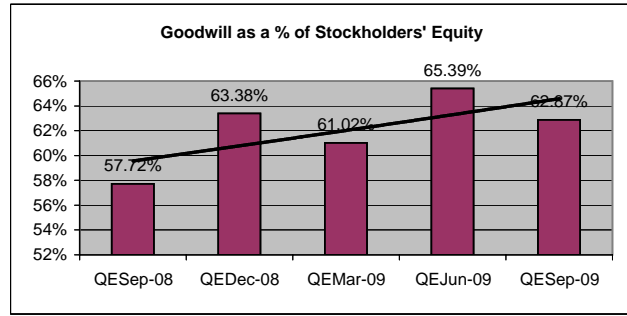
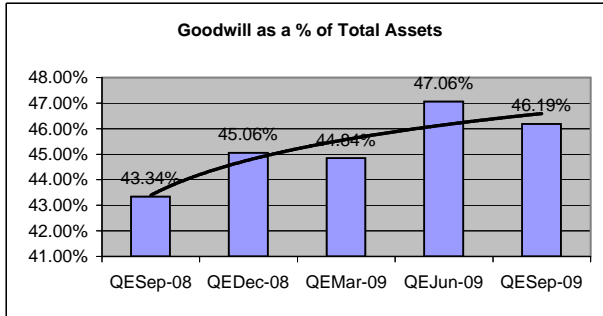
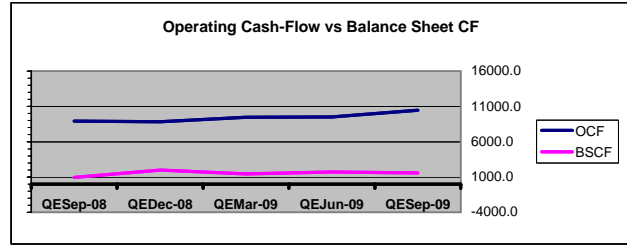
	QESep-08	QEDec-08	QEMar-09	QEJun-09	QESep-09
OCF	8908.9	8829.8	9462.3	9525.2	10445.1
BSCF	964.7	1974.4	1435.9	1730.3	1593.4

Balance Sheet Cash-Flow Trend

Bullish

Comparison of Recent Quarter Changes to Average

EPS	Bullish	
Revenues	Bullish	
Accounts Receivable	Bearish	
Days Sales Outstanding	Bullish	
Inventory		
Accounts Payable	Bearish	
Accrual Ratios	Bearish	



Balance Sheet and Income Statement	3		
Accrual Ratios	-1		
Revenue Metrics and Capital Productivity	-2		
Goodwill Trends	-2		
Merriam Report Score	-2	\$ 2.07	\$ 19.93
		10.39%	

Investment Opinion: **HOLD**

Fair Value: \$19.93

Current Price to Fair Value: +10.39%

Although EBAY displays bullish dual cash-flow signals, erratic use of accruals and higher exponential trends in Goodwill % (of assets and equity) provide us justification for the "HOLD" opinion.

We would also note that accounts payable in the previous two quarters rose significantly faster than sales in the similar periods.

Consider any pull-back to the \$20 area for partial positions. Full positions at \$18 or under. Trading range appears to be in the \$21 - 24 area.

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Disclosure of holdings: None

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