

Consumer Staples & Household Products

In this edition of the MRQ, we go under the hood to evaluate the investment potential for several mid and large-cap companies in the consumer non-discretionary space.

However, many of these stocks enjoyed parabolic moves (up) from the July market lows. Enough in fact, that several are currently sitting at or near eight month highs.

The defensive characteristics of these businesses are obvious and much of this “benefit” appears to be already priced in. Yet, not all consumer product companies are created equal. Better managed firms are adroit at product innovation, marketing **and** skilled in generating copious amounts of cash flow.

Even with rising raw material costs and dampened consumer confidence, a savvy investor can find some great value if they are patient and selective.

Companies Reviewed in this edition

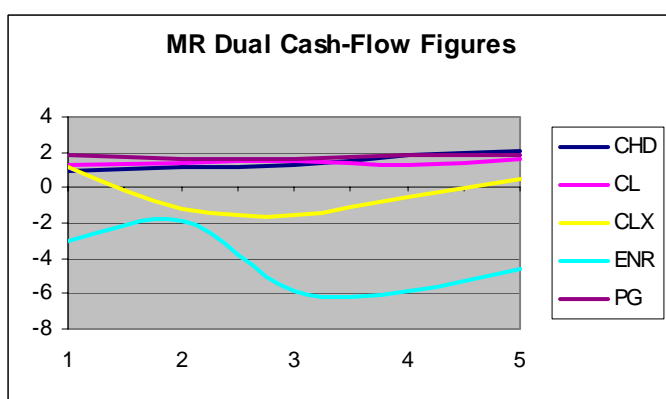
Church & Dwight (CHD)

Clorox (CLX)

Colgate Palmolive (CL)

Energizer Holdings (ENR)

Proctor & Gamble (PG)



The bottom line here is that demand for basic and necessary consumer products isn't going away anytime soon.

Merriam Report Signals: Operating cash-flow spreads are strongest with CHD, CL and PG. These companies also have “double” bullish signals (recent and confirmed).

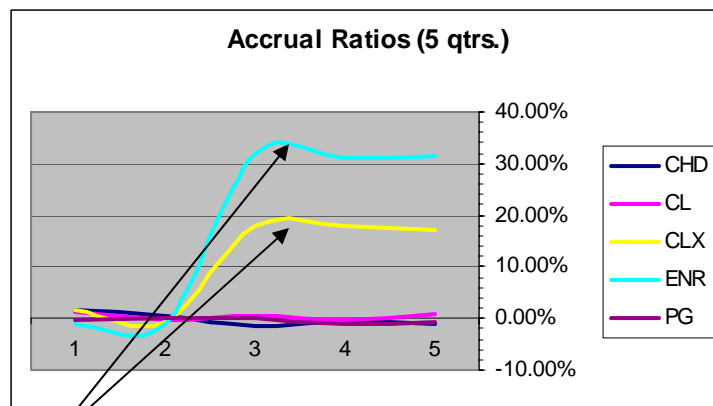
CLX and ENR each display weaker operating cash flow performance and both are displaying mixed signals (recent bullish and confirmed bearish).

Accrual Ratios: According to our model, an accrual ratio of -5 or less is very bullish and a ratio of +5 or more is very bearish. Although none of these companies display extreme bullish accrual readings, there is quite a contrast within this group as a whole.

Non-cash accounting was less prevalent for CHD, CL and PG and they are assigned a **neutral** accrual rating.

We would also note CHD and PG are the only two companies in the entire group displaying improved accrual ratios as compared to their five period average.

In contrast, accrual ratios for CLX and ENR are at **extreme bearish** levels and have been for several periods consecutively.



Financial Statements

Revenues: CL was the only company of this group to report sales growth in each of the periods reviewed.

Earnings: CHD is the only company of this group to report a decline in earnings for the most recent period.

Balance Sheet: Accounts Receivable in the latest period increased for all companies except PG, which reported a -2.5% decline vs. the prior quarter. CHD and CLX saw growth in receivables > revenues in the latest period. There was also quite a contrast in the Days-Sales-Outstanding of our group. ENR waited an average 84.6 days for its customers to pay versus 28.9 days for customers of PG.

Inventory levels of all five companies were for the most part, in-line with revenues in the latest period. However, inventory as a percentage of sales was highest for ENR (66.4%) and lowest for CLX (25.7%).

The Merriam Report Quarterly

September 2008

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Property, Plant & Equipment: Capacity growth for our study group was flat in the most recent quarter and comparable to the average P/P/E changes in all periods reviewed (except for ENR, 0.6% last qtr. vs. 7.0% avg.). This trend is likely the result of industry wide capital preservation mandates and an effort to preserve return-on-assets via efficient capacity utilization.

Note: Readers may also find it useful to compare changes in P/P/E to changes in inventory during and after acquisitions or when a company is ramping up with a new product launch (this data is included with each newsletter).

Accounts Payable: The most surprising balance-sheet changes in our view is a **significant increase in** accounts payable for CLX, PG and CHD during the latest period. Growth in accounts payable at these firms was 2 times > revenue growth. This did grab our attention.

Companies occasionally slow payments to vendors as a means to preserve cash. This may be the case with PG. In their latest 8-K filing, management states “*operating cash flow was up 14% to \$4.1 billion for the quarter behind strong earnings growth and an increase in accounts payable*”.

Stretching short-term liabilities over 1 or 2 quarters is not unusual but investors should pay close attention to these trends going forward.

	AP Growth	Sales Growth
CHD	17.2%	7.4%
CL	3.2%	6.8%
CLX	22.9%	10.5%
ENR	-6.5%	12.2%
PG	22.4%	3.9%

Revenue Metrics (Lowest as % of Sales)

Research & Development: N / A
Cost-of-Sales: **Colgate Palmolive**
S/G/A: **Clorox**
Payables: **Energizer Holdings**

Capital Productivity (Lowest per each \$ of Sales):

Inventory / Revenues: **Clorox**
Receivables / Revenues: **Procter & Gamble**
Inventory & Receivables / Revenues: **Clorox**
P,P&E / Revenues: **Church & Dwight**

Summary Analysis

Best Earnings Quality: Church & Dwight (B), Procter & Gamble (B), Colgate Palmolive (B+)

Worst Earnings Quality: Energizer Holdings (C-), Clorox (C)

Church & Dwight (CHD): BUY - Company makes everything from baking soda products (Arm & Hammer) to condoms (Trojan). Any pullback to \$55 or under would be attractive for adding or initiating partial positions. \$50 or below is a screaming value. Income investors may want to consider the 6.00% bonds due 12/15/2012 if under par. BB/Ba2

Procter & Gamble (PG): BUY - Company makes Tide, Folgers, Duracell, Pampers, etc. A pull-back to \$66 or under may provide attractive entry point for adding or initiating partial positions. Full positions could be taken at \$63 or under. Income investors may want to consider the 5.50% notes due 02/01/2034 or the 5.80% notes due 08/15/2034 if under par. Both bonds are AA-/Aa3.

Colgate Palmolive (CL): BUY - Maker of Colgate, Mennen, Ajax, Fabuloso, Science Hill, etc. Shares have pulled back a bit off recent rally highs, but we'd wait for \$73 or under to initiate/add partial positions. Full positions would be **very** attractive at \$69 or under.

Clorox (CLX): HOLD - Maker of Clorox bleach, Formula 409, Brita, Burt's Bees, Armour All, etc. Shares have pulled-back a bit off recent rally highs, but are sitting near 2008 highs. Our HOLD rating is given by the “Recent Bullish” dual cash-flow signal and improving revenue metrics / capital use. However, these positives are offset by heavy use non-cash accounting to build earnings.

Energizer Holdings (ENR): AVOID Maker of Eveready / Energizer batteries and Schick shaving products. Biggest knock against ENR is the **dangerous** level of accruals used in earnings. Shares are up some 15% from July lows and the company carries a ton 'o debt. Steer clear of the “Bunny” for now. But...if the stock rallies further, ENR might be an interesting short idea.

Merriam Reports for companies mentioned are included with this newsletter.

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The Merriam Report

CHD

6/27/08

Church & Dwight

All amounts in millions except for earnings per share

Quarterly period ending:	6/29/2007	9/28/2007	12/31/2007	3/28/2008	6/27/2008	Averages
Earnings Per Share (Incl. Ext. Items)	\$ 0.590	\$ 0.750	\$ 0.460	\$ 0.810	\$ 0.640	\$ 0.650
% Change in E.P.S. (from prev. qtr.)		27.1%	-38.7%	76.1%	-21.0%	10.9%
Total Revenues	546.47	580.44	579.70	552.87	593.96	570.69
% Change in Revenues (from prev. qtr.)		6.2%	-0.1%	-4.6%	7.4%	2.2%
Cost of Revenues	329.8	351.0	357.8	328.8	351.5	343.8
Accounts Receivable:	246.6	273.1	249.2	244.8	272.1	257.2
% Change in Receivables (from prev. qtr.)		10.7%	-8.8%	-1.7%	11.1%	2.8%
DSO's (# of days it took customers to pay)	41.1	42.8	39.1	40.3	41.7	41.0
Inventories:	211.5	220.2	213.7	215.0	219.2	215.9
% Change in Inventory (from prev. qtr.)		4.1%	-3.0%	0.6%	2.0%	0.9%
Inventory as a % of Sales	38.7%	37.9%	36.9%	38.9%	36.9%	37.86%
Prepaid Expenses:	13.63	10.73	9.22	11.55	14.78	12.0
Other Current Assets:	10.0	5.4	13.5	13.4	13.3	11.1
Property, Plant & Equip. (net):	344.0	346.9	350.9	339.8	340.0	344.3
% Change in P,P& E (from prev. qtr.)		0.8%	1.2%	-3.1%	0.0%	-0.3%
Accounts Payable:	261.1	298.7	303.1	270.0	316.5	289.9
% Change in Payables (from prev. qtr.)		14.4%	1.5%	-10.9%	17.2%	5.5%
Quarterly period ending:	6/29/2007	9/28/2007	12/31/2007	3/28/2008	6/27/2008	
Total Liabilities:	1402.2	1451.3	1452.2	1332.0	1351.3	1397.8
Shareholder equity:	973.1	1029.2	1080.3	1133.3	1200.2	1083.2
Retained Earnings (Accum. Deficit)	819.0	865.5	891.9	942.8	983.2	
Operating Cash Flow (OCF)	1236.6	1327.7	1407.6	1521.3	1624.2	1423.5
% Change in OCF (from prev. qtr.)		7.4%	6.0%	8.1%	6.8%	7.1%
Balance Sheet Cash Flow (BSCF)	870.8	863.5	877.3	792.2	734.7	827.7
% Change in BSCF (from prev. qtr.)		-0.8%	1.6%	-9.7%	-7.3%	-4.1%
Spread between OCF & BSCF	365.8	464.2	530.4	729.1	889.5	595.8
Ratios						
Spread to Revenues	0.669	0.800	0.915	1.319	1.498	1.040
Spread to OCF	0.296	0.350	0.377	0.479	0.548	
MR Dual Cash-Flow Figure	0.965	1.149	1.292	1.798	2.045	

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1.040

Church & Dwight

CHD

6/27/08

Quarterly period ending:

6/29/07

9/28/07

12/31/07

3/28/08

6/27/08

MR Dual Cash-Flow Figure

0.965

1.149

1.292

1.798

2.045

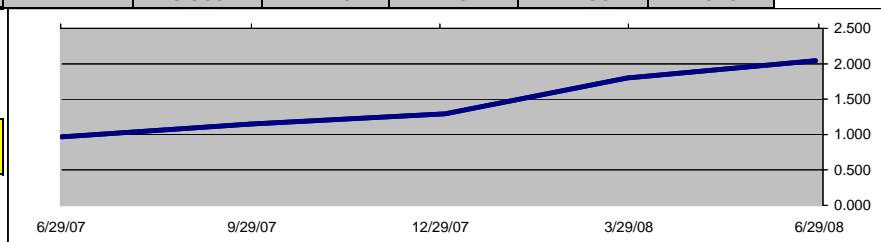
Merriam Report Signals:

Recent Bearish

Confirmed Bearish

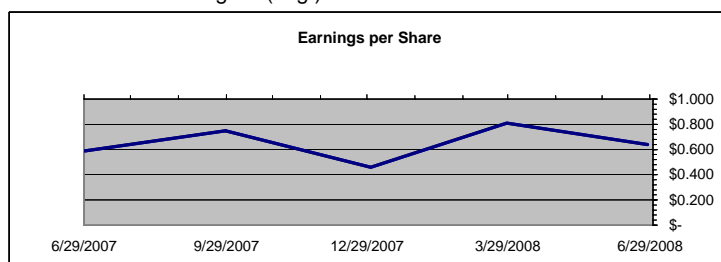
Recent Bullish

Confirmed Bullish



MR Dual Cash-Flow Figure (avg.)

1.450



Accrual Ratios

Average Accruals

6/29/07

9/28/07

12/31/07

3/28/08

6/27/08

1.54%

0.31%

-1.47%

-0.43%

-0.92%

-0.19%

Revenue Metrics (as % of Sales)

Research & Development

Recent Qtr.

0.00%

Combined Avg.

0.00%

Cost of Sales

59.18%

60.24%

S/G/A

27.04%

25.83%

Payables

53.29%

50.79%

Capital Productivity

Inventory / Revenues

Recent Qtr.

\$ 0.369

Combined Avg.

\$ 0.378

Receivables / Revenues

\$ 0.458

\$ 0.451

Inventory & Receivables / Revenues

\$ 0.827

\$ 0.829

P,P&E / Revenues

\$ 0.57

\$ 0.60

Summary : Church & Dwight

Merriam Report Signals: Dual-Cash Flow indicators for period ending June 30, 2008 are both bullish (recent and confirmed). Growth in operating cash flow is very constant and declines in Balance sheet cash-flow over the last two periods is encouraging.

Financial Statements: EPS in most recent quarter declined -21% on a 7.4% increase in revenues. Accounts receivables increased 11.1% pushing DSO's to 41.7 days, slightly higher than the 41 day average of all periods. Although inventory levels rose a modest 2% in the latest period, inventory as a percentage of sales was only 36.9% and less than the average of all periods shown. Accounts payable however, rose 17.2% in June, the highest level of all periods shown.

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. CHD's most recent ratio of -0.92% is **neutral** (w/ bullish bias) and better than the average. Revenue Metrics show slight improvements in cost-of-sales, but declines in S/G/A and accounts payable. Capital productivity improved in all categories except for accounts receivable.

Comments: Although June 2008 eps fell -21% from previous period, earnings quality appears to be stable. However, several issues in the last qtr. caught our attention. 1) Gross Margins: Any improvements in cost-of-sales were more than offset by higher S/G/A expenses. 2) The deterioration of payables / sales points a tattle-tale finger at the big spike in accounts payable hogging the balance-sheet. These might be temporary issues, but investors should keep on eye on the situation going forward.

Earnings Quality: B

Recommendation: Buy on any pull-back to \$55 or under (for adds or partial positions). A re-test of \$50 or under (for whole positions). Date of report: 8-26-08

All amounts in millions except for earnings per share

Quarterly period ending:	6/30/2007	9/30/2007	12/31/2007	3/31/2008	6/30/2008	Averages
Earnings Per Share (Incl. Ext. Items)	\$ 1.060	\$ 0.760	\$ 0.650	\$ 0.710	\$ 1.120	\$ 0.860
% Change in E.P.S. (from prev. qtr.)		-28.3%	-14.5%	9.2%	57.7%	6.1%
Total Revenues	1344.00	1239.00	1186.00	1353.00	1495.00	1323.40
% Change in Revenues (from prev. qtr.)		-7.8%	-4.3%	14.1%	10.5%	3.1%
Cost of Revenues	750.0	711.0	707.0	815.0	865.0	769.6
Accounts Receivable:	460.0	408.0	397.0	456.0	505.0	445.2
% Change in Receivables (from prev. qtr.)		-11.3%	-2.7%	14.9%	10.7%	2.9%
DSO's (# of days it took customers to pay)	31.1	30.0	30.5	30.7	30.7	30.6
Inventories:	309.0	332.0	421.0	423.0	384.0	373.8
% Change in Inventory (from prev. qtr.)		7.4%	26.8%	0.5%	-9.2%	6.4%
Inventory as a % of Sales	23.0%	26.8%	35.5%	31.3%	25.7%	28.45%
Prepaid Expenses:	0	0	0	0	0	0.0
Other Current Assets:	81.0	115.0	117.0	108.0	146.0	113.4
Property, Plant & Equip. (net):	976.0	966.0	967.0	943.0	960.0	962.4
% Change in P,P& E (from prev. qtr.)		-1.0%	0.1%	-2.5%	1.8%	-0.4%
Accounts Payable:	329.0	318.0	312.0	340.0	418.0	343.4
% Change in Payables (from prev. qtr.)		-3.3%	-1.9%	9.0%	22.9%	6.7%
Quarterly period ending:	6/30/2007	9/30/2007	12/31/2007	3/31/2008	6/30/2008	
Total Liabilities:	3410.0	4310.0	5407.0	5222.0	5078.0	4685.4
Shareholder equity:	171.0	-637.0	-554.0	-472.0	-370.0	-372.4
Retained Earnings (Accum. Deficit)	185.0	219.0	248.0	295.0	386.0	
Operating Cash Flow (OCF)	-929.0	-1716.0	-1694.0	-1543.0	-1328.0	-1442.0
% Change in OCF (from prev. qtr.)		-84.7%	1.3%	8.9%	13.9%	-15.1%
Balance Sheet Cash Flow (BSCF)	2540.0	3469.0	4581.0	4318.0	4009.0	3783.4
% Change in BSCF (from prev. qtr.)		36.6%	32.1%	-5.7%	-7.2%	13.9%
Spread between OCF & BSCF	-3469.0	-5185.0	-6275.0	-5861.0	-5337.0	-5225.4
Ratios						
Spread to Revenues	-2.581	-4.185	-5.291	-4.332	-3.570	-3.992
Spread to OCF	3.734	3.022	3.704	3.798	4.019	
MR Dual Cash-Flow Figure	1.153	-1.163	-1.587	-0.533	0.449	

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-3.992

Clorox

CLX

6/30/08

Quarterly period ending:

6/30/07

9/30/07

12/31/07

3/31/08

6/30/08

MR Dual Cash-Flow Figure

1.153

-1.163

-1.587

-0.533

0.449

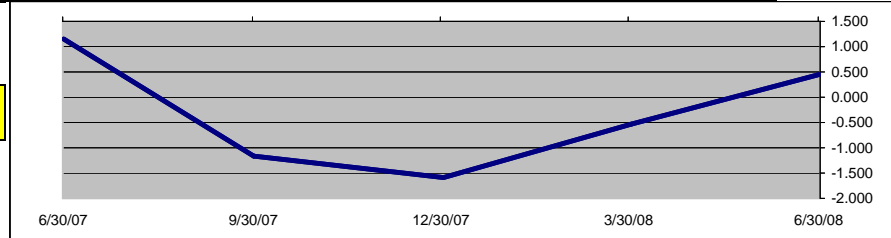
Merriam Report Signals:

Recent Bearish

Confirmed Bearish

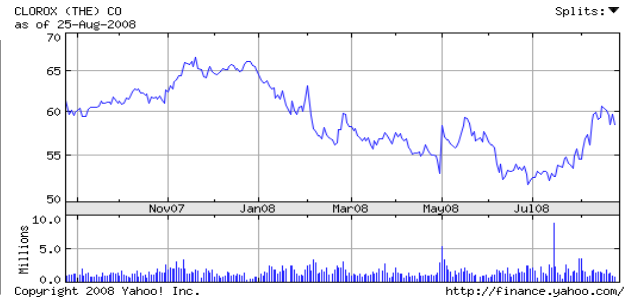
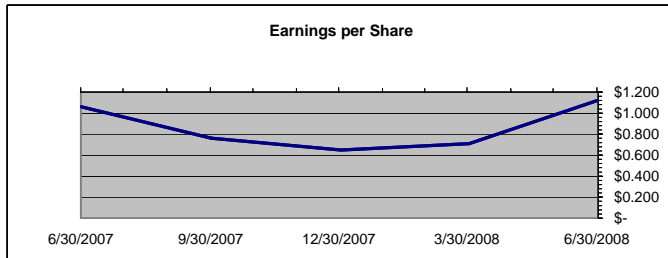
Recent Bullish

Confirmed Bullish



MR Dual Cash-Flow Figure (avg.)

-0.336



Accrual Ratios	6/30/07	9/30/07	12/31/07	3/31/08	6/30/08
Average Accruals	1.54%	-0.65%	18.07%	17.75%	17.27%

Revenue Metrics (as % of Sales)

Research & Development

Recent Qtr.

2.21%

Combined Avg.

2.12%

Cost of Sales

57.86%

58.15%

S/G/A

21.47%

22.19%

Payables

27.96%

25.95%

Capital Productivity

Inventory / Revenues

Recent Qtr.

\$ 0.257

Combined Avg.

\$ 0.282

Receivables / Revenues

\$ 0.338

\$ 0.336

Inventory & Receivables / Revenues

\$ 0.595

\$ 0.619

P,P&E / Revenues

\$ 0.64

\$ 0.73

Accrual ratio trends for CLX have been extremely bearish for 3 qtrs.

Summary : Clorox

Merriam Report Signals: Dual-Cash Flow indicators for period ending June 30, 2008 are **mixed** (confirmed bearish and recent bullish). DCF spreads have been improving the past two periods, but remain below last year levels.

Financial Statements: EPS in for the most recent quarter is up 57.5% on a 10.5% increase in revenues. Accounts receivables kept pace with revenue growth and days sales outstanding (DSO's) are within normalized average range. We would note that inventory levels in the latest period declined -9.2%, the first decline in four quarters. Accounts payable in the latest period jumped 22.9%, more than twice the rate of sales.

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. CLX's most recent ratio of +17.27% is very **bearish** and worse than the average. Revenue Metrics and capital productivity show modest improvements except for accounts payable (noted earlier).

Comments: Although Dual cash-flow signals show improvement, earnings appear to be heavily supported by non-cash accounting. The huge jump in accounts payable (June '08) could be a temporary situation, but would be a concern if the trend continues. Modest improvements in revenue metrics and capital productivity might be helping to preserve gross margins, but this is overshadowed by the lofty non-cash components used to "create" the bottom-line.

Earnings Quality: C

Recommendation: Avoid - Stock had a nice run off July lows, but we think it is overvalued at current levels.

Date of report: 8-26-08

The Merriam Report

CL

6/30/08

Colgate Palmolive

All amounts in millions except for earnings per share

Quarterly period ending:	6/30/2007	9/30/2007	12/31/2007	3/31/2008	6/30/2008	Averages
Earnings Per Share (Incl. Ext. Items)	\$ 0.760	\$ 0.780	\$ 0.770	\$ 0.860	\$ 0.920	\$ 0.818
% Change in E.P.S. (from prev. qtr.)		2.6%	-1.3%	11.7%	7.0%	5.0%
Total Revenues	3405.40	3528.20	3642.20	3713.00	3964.80	3650.72
% Change in Revenues (from prev. qtr.)		3.6%	3.2%	1.9%	6.8%	3.9%
Cost of Revenues	1462.3	1507.2	1549.0	1587.3	1714.0	1564.0
Accounts Receivable:	1666.5	1758.0	1680.7	1784.8	1872.5	1752.5
% Change in Receivables (from prev. qtr.)		5.5%	-4.4%	6.2%	4.9%	3.1%
DSO's (# of days it took customers to pay)	44.5	45.3	42.0	43.7	43.0	43.7
Inventories:	1135.4	1167.0	1171.0	1287.0	1340.5	1220.2
% Change in Inventory (from prev. qtr.)		2.8%	0.3%	9.9%	4.2%	4.3%
Inventory as a % of Sales	33.3%	33.1%	32.2%	34.7%	33.8%	33.41%
Prepaid Expenses:	0	0	0	0	0	0.0
Other Current Assets:	324.7	382.4	315.5	360.7	400.7	356.8
Property, Plant & Equip. (net):	2774.8	2831.7	3015.2	3082.3	3149.3	2970.7
% Change in P,P& E (from prev. qtr.)		2.1%	6.5%	2.2%	2.2%	3.2%
Accounts Payable:	993.4	1036.0	1066.8	1130.9	1167.6	1078.9
% Change in Payables (from prev. qtr.)		4.3%	3.0%	6.0%	3.2%	4.1%
Quarterly period ending:	6/30/2007	9/30/2007	12/31/2007	3/31/2008	6/30/2008	
Total Liabilities:	7909.3	8061.6	7825.8	8557.2	8403.7	8151.5
Shareholder equity:	1771.3	2022.1	2286.2	2252.2	2666.6	2199.7
Retained Earnings (Accum. Deficit)	10177.9	10411.8	10627.5	10704.7	11185.6	
Operating Cash Flow (OCF)	8039.0	8435.2	8727.5	8587.6	9362.4	8630.3
% Change in OCF (from prev. qtr.)		4.9%	3.5%	-1.6%	9.0%	4.0%
Balance Sheet Cash Flow (BSCF)	4924.7	4885.2	4762.8	5280.8	4962.9	4963.3
% Change in BSCF (from prev. qtr.)		-0.8%	-2.5%	10.9%	-6.0%	0.4%
Spread between OCF & BSCF	3114.3	3550.0	3964.7	3306.8	4399.5	3667.1
Ratios						
Spread to Revenues	0.915	1.006	1.089	0.891	1.110	1.002
Spread to OCF	0.387	0.421	0.454	0.385	0.470	
MR Dual Cash-Flow Figure	1.302	1.427	1.543	1.276	1.580	

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1.002

Colgate Palmolive

CL

6/30/08

Quarterly period ending:

6/30/07

9/30/07

12/31/07

3/31/08

6/30/08

MR Dual Cash-Flow Figure

1.302

1.427

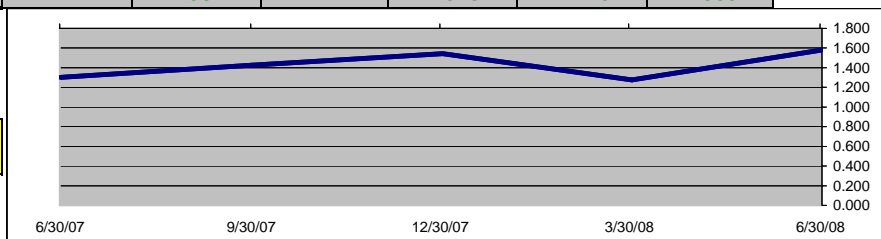
1.543

1.276

1.580

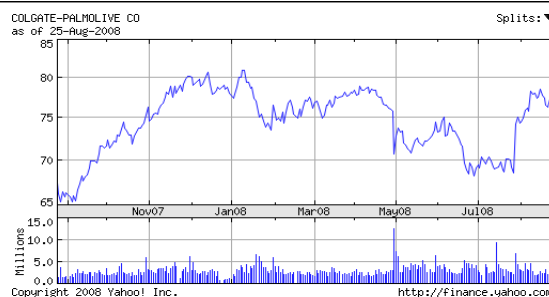
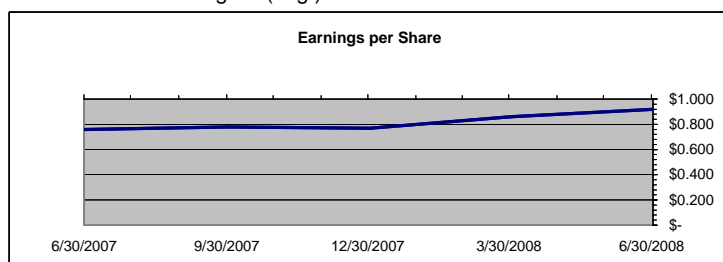
Merriam Report Signals:

Recent Bearish
Confirmed Bearish
Recent Bullish
Confirmed Bullish



MR Dual Cash-Flow Figure (avg.)

1.425



Accrual Ratios
Average Accruals

6/30/07	9/30/07	12/31/07	3/31/08	6/30/08
1.39%	-0.12%	0.61%	-0.37%	0.92%
0.49%				

Revenue Metrics (as % of Sales)

	Recent Qtr.	Combined Avg.
Research & Development	0.00%	0.00%
Cost of Sales	43.23%	42.84%
S/G/A	35.36%	35.62%
Payables	29.45%	29.55%

Capital Productivity

	Recent Qtr.	Combined Avg.
Inventory / Revenues	\$ 0.338	\$ 0.334
Receivables / Revenues	\$ 0.472	\$ 0.480
Inventory & Receivables / Revenues	\$ 0.810	\$ 0.814
P,P&E / Revenues	\$ 0.79	\$ 0.81

Summary : Colgate Palmolive

Merriam Report Signals: Dual-Cash Flow indicators for period ending June 30, 2008 are both bullish (recent and confirmed). We do note improvements in both operating cash-flow (increasing) and balance-sheet cash flow (decreasing) in the latest period.

Financial Statements: EPS in the most recent quarter rose 7% on a 6.8% increase in sales. Accounts receivables rose 4.9% and Days-sales-outstanding (DSO's) are near the average of all periods. Inventory levels increased 4.2%, fractionally lower than the average. Inventory as % of sales remained stable and near average levels. Accounts Payable rose 3.2%, in-line with sales and below payables average.

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. CL's most recent ratio of +0.92% is **neutral** (w/ a slight bearish bias). Revenue Metrics show slight improvements in S/G/A expenses and payables offset by a slight decrease in cost-of-sales. Capital productivity remained flat compared to the average.

Comments: Management at CL appears to be very consistent in its accounting practices, which is a good thing. The only knocks against it are a slight weakening in the accrual figures and a fully valued stock price.

Earnings Quality: B+

Recommendation: BUY on a pull-back to \$73 or under (for partial and additions). At \$69 or under for full positions. Date of Report: 8-26-08

All amounts in millions except for earnings per share

Quarterly period ending:	6/30/2007	9/30/2007	12/31/2007	3/31/2008	6/30/2008	Averages
Earnings Per Share (Incl. Ext. Items)	\$ 1.060	\$ 1.190	\$ 1.740	\$ 1.030	\$ 1.130	\$ 1.230
% Change in E.P.S. (from prev. qtr.)		12.3%	46.2%	-40.8%	9.7%	6.8%
Total Revenues	800.00	875.00	1189.90	951.00	1066.70	976.52
% Change in Revenues (from prev. qtr.)		9.4%	36.0%	-20.1%	12.2%	9.4%
Cost of Revenues	421.5	449.3	653.7	493.2	557.7	515.1
Accounts Receivable:	743.8	829.4	1056.9	904.9	991.8	905.4
% Change in Receivables (from prev. qtr.)		11.5%	27.4%	-14.4%	9.6%	8.5%
DSO's (# of days it took customers to pay)	84.6	86.3	80.8	86.6	84.6	84.6
Inventories:	551.8	582.3	647.1	717.5	708.7	641.5
% Change in Inventory (from prev. qtr.)		5.5%	11.1%	10.9%	-1.2%	6.6%
Inventory as a % of Sales	69.0%	66.5%	54.4%	75.4%	66.4%	66.36%
Prepaid Expenses:	0	68.1	84.5	87.7	92.8	66.6
Other Current Assets:	263.5	168.4	149.0	149.7	148.6	175.8
Property, Plant & Equip. (net):	635.8	649.9	798.9	816.9	822.1	744.7
% Change in P,P& E (from prev. qtr.)		2.2%	22.9%	2.3%	0.6%	7.0%
Accounts Payable:	195.2	255.6	248.0	246.4	230.5	235.1
% Change in Payables (from prev. qtr.)		30.9%	-3.0%	-0.6%	-6.5%	5.2%
Quarterly period ending:	6/30/2007	9/30/2007	12/31/2007	3/31/2008	6/30/2008	
Total Liabilities:	2885.4	2899.1	5132.8	4992.7	4980.1	4178.0
Shareholder equity:	497.9	653.9	786.2	914.5	994.1	769.3
Retained Earnings (Accum. Deficit)	1307.1	1362.7	1464.5	1523.9	1587.0	
Operating Cash Flow (OCF)	617.4	784.4	804.7	904.0	1050.3	832.2
% Change in OCF (from prev. qtr.)		27.0%	2.6%	12.3%	16.2%	14.5%
Balance Sheet Cash Flow (BSCF)	1682.9	1577.6	3594.4	3604.0	3516.4	2795.1
% Change in BSCF (from prev. qtr.)		-6.3%	127.8%	0.3%	-2.4%	29.9%
Spread between OCF & BSCF	-1065.5	-793.2	-2789.7	-2700.0	-2466.1	-1962.9
Ratios						
Spread to Revenues	-1.332	-0.907	-2.344	-2.839	-2.312	-1.947
Spread to OCF	-1.726	-1.011	-3.467	-2.987	-2.348	
MR Dual Cash-Flow Figure	-3.058	-1.918	-5.811	-5.826	-4.660	

The Merriam Report

-1.947

Energizer Holdings

ENR

6/30/08

Quarterly period ending:

6/30/07

9/30/07

12/31/07

3/31/08

6/30/08

MR Dual Cash-Flow Figure

-3.058

-1.918

-5.811

-5.826

-4.660

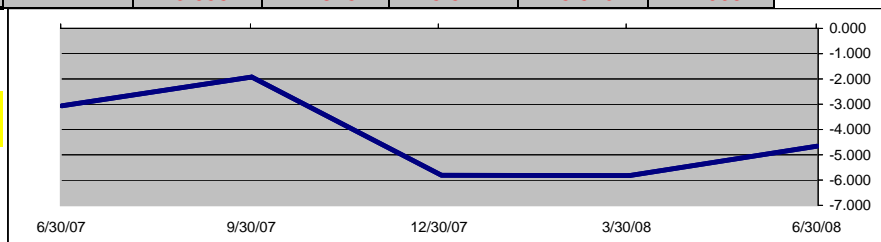
Merriam Report Signals:

Recent Bearish

Confirmed Bearish

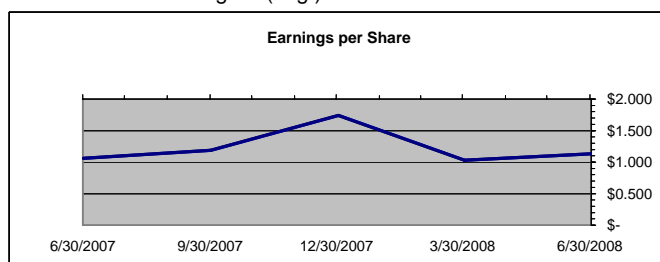
Recent Bullish

Confirmed Bullish



MR Dual Cash-Flow Figure (avg.)

-4.254



Accrual Ratios

Average Accruals

6/30/07

-1.25%

9/30/07

-1.17%

12/31/07

31.92%

3/31/08

30.91%

6/30/08

31.43%

Revenue Metrics (as % of Sales)

Research & Development

Recent Qtr.

2.17%

Combined Avg.

2.14%

Cost of Sales

52.28%

52.75%

S/G/A

31.92%

31.20%

Payables

21.61%

24.08%

Capital Productivity

Inventory / Revenues

Recent Qtr.

\$ 0.664

Combined Avg.

\$ 0.657

Receivables / Revenues

\$ 0.930

\$ 0.927

Inventory & Receivables / Revenues

\$ 1.594

\$ 1.584

P,P&E / Revenues

\$ 0.77

\$ 0.76

Accrual ratio has been extremely bearish 3 consecutive periods.

Summary : Energizer Holdings

Merriam Report Signals: Dual-Cash Flow indicators for period ending June 30, 2008 are **mixed** (confirmed bearish and recent bullish). DCF spreads improved in the most recent period, but remain negative.

Financial Statements: EPS for the most recent quarter increased 9.7% on a 12.2% rise in revenues. Accounts receivables rose 9.6%, but in line with revenue growth. Days sales outstanding (DSO's) are consistent with average trends. We would note that inventory levels in the latest period declined a modest -1.2% on a 0.6% rise in property, plant and equipment (P,P,E). Accounts payable declined -6.5% in the latest period, well below the average 5.2% growth in payables for all quarters shown.

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. ENR's most recent ratio of +31.43% is very **bearish** and worse than the average. Revenue Metrics show modest improvements in all categories except S/G/A. Capital productivity declined in all categories.

Comments: We are encouraged by improvements in operating cash-flow for the previous two quarters, but earnings appear to be heavily supported by non-cash accounting. Declines in capital productivity don't help the situation either, because it pressures returns on assets and invested capital.

Earnings Quality: C-

Recommendation: Avoid - The extremely bearish trend in the accrual ratios is reason enough to stay away from this stock. In fact, should shares rally further (absent a takeover bid by another company), ENR might be an interesting "short" idea.

Date of report: 8-26-08

All amounts in millions except for earnings per share

Quarterly period ending:	6/30/2007	9/30/2007	12/31/2007	3/31/2008	6/30/2008	Averages
Earnings Per Share (Incl. Ext. Items)	\$ 0.670	\$ 0.920	\$ 0.980	\$ 0.820	\$ 0.920	\$ 0.862
% Change in E.P.S. (from prev. qtr.)		37.3%	6.5%	-16.3%	12.2%	9.9%
Total Revenues	19272.00	20199.00	21575.00	20463.00	21266.00	20555.00
% Change in Revenues (from prev. qtr.)		4.8%	6.8%	-5.2%	3.9%	2.6%
Cost of Revenues	9477.0	9519.0	10394.0	9974.0	10808.0	10034.4
Accounts Receivable:	6629.0	7432.0	7688.0	6934.0	6761.0	7088.8
% Change in Receivables (from prev. qtr.)		12.1%	3.4%	-9.8%	-2.5%	0.8%
DSO's (# of days it took customers to pay)	31.3	33.5	32.4	30.8	28.9	31.4
Inventories:	6819.0	7668.0	7690.0	8427.0	8416.0	7804.0
% Change in Inventory (from prev. qtr.)		12.5%	0.3%	9.6%	-0.1%	5.5%
Inventory as a % of Sales	35.4%	38.0%	35.6%	41.2%	39.6%	37.95%
Prepaid Expenses:	3300	3160	3394	4259	0	2822.6
Other Current Assets:	1727.0	1925.0	2143.0	2044.0	5797.0	2727.2
Property, Plant & Equip. (net):	19540.0	19812.0	19888.0	20334.0	20640.0	20042.8
% Change in P,P& E (from prev. qtr.)		1.4%	0.4%	2.2%	1.5%	1.4%
Accounts Payable:	5710.0	5230.0	4829.0	5535.0	6775.0	5615.8
% Change in Payables (from prev. qtr.)		-8.4%	-7.7%	14.6%	22.4%	5.2%
Quarterly period ending:	6/30/2007	9/30/2007	12/31/2007	3/31/2008	6/30/2008	
Total Liabilities:	71254.0	74144.0	76158.0	75816.0	74498.0	74374.0
Shareholder equity:	66760.0	67559.0	68243.0	69589.0	69494.0	68329.0
Retained Earnings (Accum. Deficit)	41797.0	43507.0	45647.0	47239.0	47109.0	
Operating Cash Flow (OCF)	82198.0	83586.0	86312.0	88067.0	87547.0	85542.0
% Change in OCF (from prev. qtr.)		1.7%	3.3%	2.0%	-0.6%	1.6%
Balance Sheet Cash Flow (BSCF)	53888.0	56397.0	58104.0	57044.0	55165.0	56119.6
% Change in BSCF (from prev. qtr.)		4.7%	3.0%	-1.8%	-3.3%	0.6%
Spread between OCF & BSCF	28310.0	27189.0	28208.0	31023.0	32382.0	29422.4
Ratios						
Spread to Revenues	1.469	1.346	1.307	1.516	1.523	1.432
Spread to OCF	0.344	0.325	0.327	0.352	0.370	
MR Dual Cash-Flow Figure	1.813	1.671	1.634	1.868	1.893	

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1.432

Procter & Gamble

PG

6/30/08

Quarterly period ending:

6/30/07

9/30/07

12/31/07

3/31/08

6/30/08

MR Dual Cash-Flow Figure

1.813

1.671

1.634

1.868

1.893

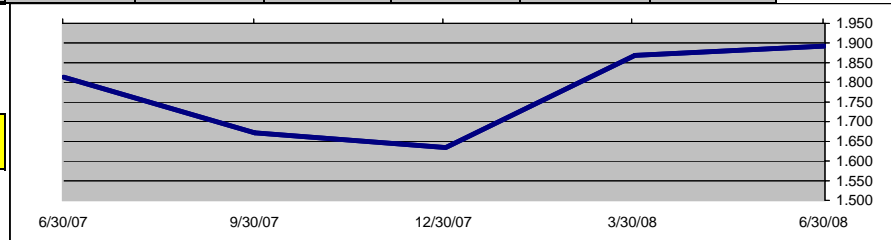
Merriam Report Signals:

Recent Bearish

Confirmed Bearish

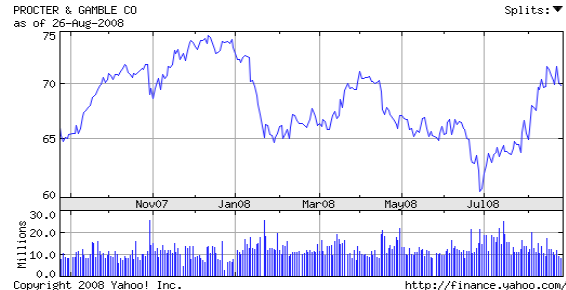
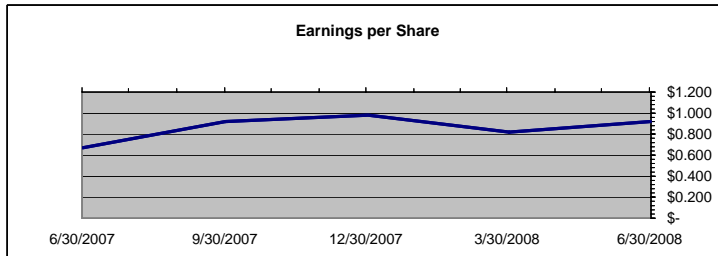
Recent Bullish

Confirmed Bullish



MR Dual Cash-Flow Figure (avg.)

1.776



Accrual Ratios
Average Accruals

6/30/07

9/30/07

12/31/07

3/31/08

6/30/08

-0.44%

0.19%

-0.07%

-0.97%

-0.83%

-0.43%

Revenue Metrics (as % of Sales)

Recent Qtr.

Combined Avg.

Research & Development

0.00%

0.00%

Cost of Sales

50.82%

48.82%

S/G/A

31.12%

31.25%

Payables

31.86%

27.32%

Capital Productivity

Recent Qtr.

Combined Avg.

Inventory / Revenues

\$ 0.396

\$ 0.380

Receivables / Revenues

\$ 0.318

\$ 0.345

Inventory & Receivables / Revenues

\$ 0.714

\$ 0.725

P,P&E / Revenues

\$ 0.97

\$ 0.98

Summary : Procter & Gamble

Merriam Report Signals: Dual-Cash Flow indicators for period ending June 30, 2008 are both bullish (recent and confirmed). However, DCF spreads declined modestly in the latest quarter and are lower than the average for all periods.

Financial Statements: EPS in for the most recent quarter is up 12.2% on a 3.9% rise in revenues. Accounts receivables declined -2.5% and days sales outstanding (DSO's) remain below normalized average range. Inventory levels in the recent period declined fractionally. Inventory as a % of sales declined, but remains above its average. Accounts Payable jumped 22.4% the latest quarter on a 3.9% rise in sales. We would note that this is the second quarter of rising accounts payable > sales growth.

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. PG's most recent ratio of -0.83% is rated **neutral**, but the recent reading is better than its average. Revenue Metrics are mixed and capital productivity shows modest improvements in three of the four categories.

Comments: June '08 marks the first decline in operating cash-flow in four quarters. It's modest though and we are encouraged that balance sheet cash-flow has been declining at a faster rate. However, we would like to see some improvement in the accounts payables trends going forward. Keep an eye on this.

Earnings Quality: B

Recommendation: BUY on a pull-back to \$65 or under (additions or partial positions). \$63 or under for full positions. Date of Report: 8-26-08