

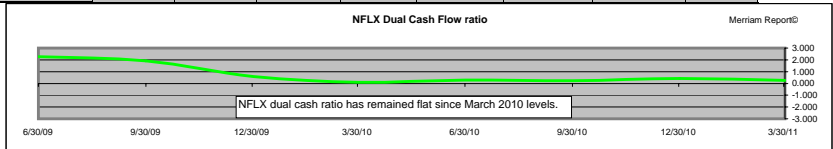
**The Merriam Report NFLX 3/31/11 Netflix Inc.**

All amounts in millions except for earnings per share

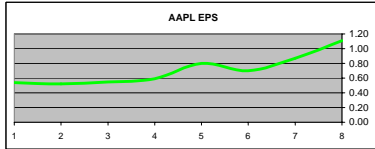
Quarterly period ending:	2 6/30/09	3 9/30/09	4 12/31/09	1 3/31/10	2 6/30/10	3 9/30/10	4 12/31/10	1 3/31/11	Averages
Earnings Per Share (Incl. Ext. Items)	\$ 0.540	\$ 0.520	\$ 0.550	\$ 0.590	\$ 0.80000	\$ 0.700	\$ 0.870	\$ 1.110	\$ 0.710
% Change in E.P.S. (from prev. qtr.)		-3.7%	5.8%	7.3%	35.6%	-12.5%	24.3%	27.6%	12.0%
Total Revenues	40850.9	42312.0	44454.2	49366.5	51981.9	55321.9	59592.2	71855.3	51966.9
% Change in Revenues (from prev. qtr.)		3.6%	5.1%	11.1%	5.3%	6.4%	7.7%	20.6%	8.5%
Cost of Revenues	26924.3	27527.0	275486.0	307162.0	314934.0	344469.0	390790.0	438151.0	296648.8
Accounts Receivable:	2610.1	2261.8	2962.4	2593.8	3383.7	5932.2	6221.7	7459.7	4178.2
% Change in Receivables (from prev. qtr.)		-13.3%	31.0%	-12.4%	30.5%	75.3%	4.9%	19.9%	19.4%
DSO's (# of days it took customers to pay)	5.8	4.9	6.1	4.8	5.9	9.8	9.5	9.4	7.0
Inventories:	3351.9	3293.7	3732.9	5556.6	9312.3	13838.9	18100.6	26593.3	10472.5
% Change in Inventory (from prev. qtr.)		-1.7%	13.3%	48.9%	67.6%	48.6%	30.8%	46.9%	36.3%
Inventory as a % of Sales	8.2%	7.8%	8.4%	11.3%	17.9%	25.0%	30.4%	37.0%	18.24%
Prepaid Expenses:	559.40	570.60	0.00	0.00	0.00	0.00	0.00	0.00	141.3
Other Current Assets:	1738.3	2238.1	1823.9	2381.8	3517.3	3772.3	4735.7	3835.1	3005.3
Property, Plant & Equip. (net):	12034.6	12211.9	13165.3	12716.5	12329.2	12505.7	12857.0	13480.0	12662.5
% Change in P,P& E (from prev. qtr.)		1.5%	7.8%	-3.4%	-3.0%	1.4%	2.8%	4.8%	1.7%
Accounts Payable:	10163.4	9345.1	9147.5	10270.3	12003.1	17012.0	22282.4	30100.9	15040.6
% Change in Payables (from prev. qtr.)		-8.1%	-2.1%	12.3%	16.9%	41.7%	31.0%	35.1%	18.1%
Quarterly period ending:	6/30/09	9/30/09	12/31/09	3/31/10	6/30/10	9/30/10	12/31/10	3/31/11	Averages
Total Liabilities:	26762.2	25992.9	48059.1	50155.8	51733.2	57830.8	69190.3	81446.6	51396.4
Shareholder equity:	32437.1	23220.2	19914.3	14673.5	17664.0	19197.5	29016.4	27572.2	22961.9
Retained Earnings (Accum. Deficit)	16325.8	19339.9	19881.7	14619.6	17578.6	19064.4	23773.9	27508.0	19761.5
Operating Cash Flow (OCF)	47038.9	40834.1	38198.5	27412.2	33045.3	36337.4	51040.5	52831.0	40842.2
OCF as % of Revenues	115.1%	96.5%	85.9%	55.5%	63.6%	65.7%	85.6%	73.5%	80.19%
Balance Sheet Cash Flow (BSCF)	26760.7	25991.5	48057.7	50154.3	51731.3	57828.1	69187.0	81442.5	51394.1
BSCF as % of Revenues	65.5%	61.4%	108.1%	101.6%	99.5%	104.5%	116.1%	113.3%	96.27%
Spread between OCF & BSCF	20278.2	14842.7	-9859.2	-22742.1	-18686.0	-21490.8	-18146.5	-28611.5	-10551.9
Ratios									
Spread to Revenues	49.64%	35.08%	-22.18%	-46.07%	-35.95%	-38.85%	-30.45%	-39.82%	-0.161
Spread to OCF	1.758	1.571	0.795	0.547	0.639	0.628	0.738	0.649	0.915
MR Dual Cash-Flow Figure	2.254	1.922	0.573	0.086	0.279	0.240	0.433	0.251	0.755
							0.289	0.167	0.503
									-66.81%
Netflix Inc.									-9.54%
Quarterly period ending:	6/30/09	9/30/09	12/31/09	3/31/10	6/30/10	9/30/10	12/31/10	3/31/11	
MR Dual Cash-Flow Figure	2.254	1.922	0.573	0.086	0.279	0.240	0.433	0.251	

**The Merriam Report**

**Merriam Report Signals:**  
 Recent Bearish  
 Confirmed Bearish  
 Recent Bullish  
 Confirmed Bullish



MR Dual Cash-Flow Figure (avg.) 0.755



	06/30/09	09/30/09	12/31/09	03/31/10	06/30/10	09/30/10	12/31/10	03/31/11	
P/E	24.9	24.82	26.87	32.34	42.61	59.18	57.42	76.75	-1 43.111
P/S	1.64	1.69	1.93	2.28	3.14	4.35	4.4	5.96	-1 3.1738
P/FCF	9.3661	9.5408	11.5291	13.9719	21.3007	35.8917	39.2551	1.651	20.122
PEG	0.522	0.4842	0.5375	0.6648	0.807	1.2682	1.1601	1.99	-1 0.9292
Earnings Yield	0.0402	0.0403	0.0372	0.0309	0.0235	0.0169	0.0174		0.0295
Cash to Total Asset	0.4307	0.3159	0.4711	0.4108	0.4022	0.3334	0.3568		0.3887
Debt-to-Assets	0.0652	0.0778	0.3501	0.3665	0.3417	0.3073	0.2405		0 0.2499

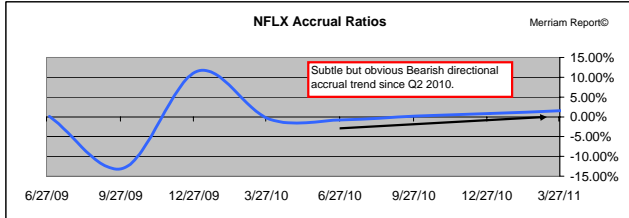
Accrual Ratios	6/30/09	9/30/09	12/31/09	3/31/10	6/30/10	9/30/10	12/31/10	3/31/11
Average Accruals	0.15%	-12.96%	11.53%	-0.63%	-0.76%	0.17%	0.87%	1.61%
								100.10%

**Revenue Metrics (as % of Sales)**

	Recent Qtr.	Combined Avg.
Research & Development	7.08%	7.33%
Cost of Sales	60.98%	62.91%
S/G/A	17.71%	16.97%
Payables	41.69%	28.94%

**Capital Productivity**

	Recent Qtr.	Combined Avg.
Inventory / Revenues	\$ 0.370	\$ 0.202
Receivables / Revenues	\$ 0.104	\$ 0.080
Inventory & Receivables / Revenues	\$ 0.474	\$ 0.282
P,P&E / Revenues	\$ 0.188	\$ 0.244



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

Operating Cash-Flow Trend  
Balance Sheet Cash-Flow Trend

**Confirmed Bearish**  
Bullish  
Bullish

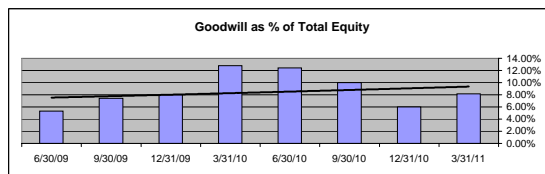
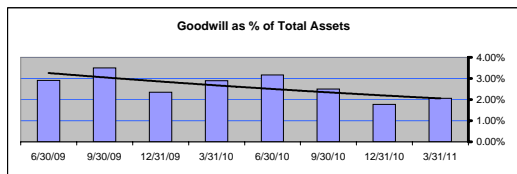
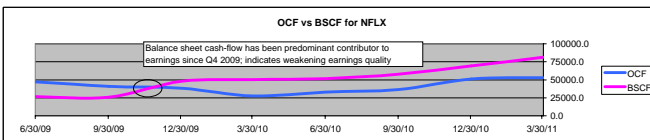
1.94% -0.74%

**Recent Bearish**

	6/30/09	9/30/09	12/31/09	3/31/10	6/30/10	9/30/10	12/31/10	3/31/11
OCF	47038.9	40834.1	38198.5	27412.2	33045.3	36337.4	51040.5	52831.0
BSCF	26760.7	25991.5	48057.7	50154.3	51731.3	57828.1	69187.0	81442.5

### Comparison of Recent Quarter Changes to Average

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



	6/30/09	9/30/09	12/31/09	3/31/10	6/30/10	9/30/10	12/31/10	3/31/11	AVG.
Goodwill as % of Total Assets	2.91%	3.50%	2.35%	2.90%	3.16%	2.50%	1.78%	2.06%	2.64%
Goodwill as % of Total Equity	5.31%	7.43%	8.01%	12.81%	12.43%	10.01%	6.02%	8.14%	8.77%
	1.83	2.12	3.41	4.42	3.93	4.01	3.38	3.95	3.32

Dual Cash Flow Trend	2
Financial Ratios (conventional)	-3
Balance Sheet and Income Statement	-8
Accrual Ratios	-0.125
Revenue Metrics and Capital Productivity	-4
Goodwill Trends	1
<b>Merriam Report Score</b>	<b>-12.125</b>

<b>Netflix Inc.</b>	<b>3/31/11</b>	<b>6/2/11</b>
Ending Period Share Price	237.78 \$	272.30
Estimated Fair Value	\$ 188.84	
End Price to Est. FV	9.96%	44.20%

Valuation

**OVERVALUED**  
Earnings Quality

B-

Adjustments (Payables)	\$	(5.24)
Adjustments (Receivables)	\$	(0.16)
Adjustments (DSO)	\$	(10.69)
Adjustments (OCF)	\$	(2.57)
Adjustments (BSCF)	\$	(5.48)
Adjustments (Inventory)	\$	(3.27)
<b>Total Adjustments</b>	<b>\$</b>	<b>(27.40)</b>

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