

**The Merriam Report** **NFLX** 12/31/10 **NETFLIX INC**

All amounts in millions except for earnings per share

Quarterly period ending:	2	3	4	1	2	3	4	Averages
	6/30/09	9/30/09	12/31/09	3/31/10	6/30/10	9/30/10	12/31/10	
Earnings Per Share (Incl. Ext. Items)	\$ 0.540	\$ 0.520	\$ 0.550	\$ 0.590	\$ 0.80000	\$ 0.700	\$ 0.870	\$ 0.653
% Change in E.P.S. (from prev. qtr.)		-3.7%	5.8%	7.3%	35.6%	-12.5%	24.3%	9.5%
Total Revenues	40850.9	42312.0	44454.2	49366.5	51981.9	55321.9	59592.2	49125.7
% Change in Revenues (from prev. qtr.)		3.6%	5.1%	11.1%	5.3%	6.4%	7.7%	6.5%
Cost of Revenues	26924.3	275274.0	275486.0	307162.0	314934.0	344469.0	390790.0	276434.2
Accounts Receivable:	2610.1	2261.8	2962.4	2593.8	3383.7	5932.2	6221.7	3709.4
% Change in Receivables (from prev. qtr.)		-13.3%	31.0%	-12.4%	30.5%	75.3%	4.9%	19.3%
DSO's (# of days it took customers to pay)	5.8	4.9	6.1	4.8	5.9	9.8	9.5	6.7
Inventories:	3351.9	3293.7	3732.9	5556.6	9312.3	13838.9	18100.6	8169.6
% Change in Inventory (from prev. qtr.)		-1.7%	13.3%	48.9%	67.6%	48.6%	30.8%	34.6%
Inventory as a % of Sales	8.2%	7.8%	8.4%	11.3%	17.9%	25.0%	30.4%	15.56%
Prepaid Expenses:	559.40	570.60	0.00	0.00	0.00	0.00	0.00	161.4
Other Current Assets:	1738.3	2238.1	1823.9	2381.8	3517.3	3772.3	4735.7	2886.8
Property, Plant & Equip. (net):	12034.6	12211.9	13165.3	12716.5	12329.2	12505.7	12857.0	12545.7
% Change in P, P & E (from prev. qtr.)		1.5%	7.8%	-3.4%	-3.0%	1.4%	2.8%	1.2%
Accounts Payable:	10163.4	9345.1	9147.5	10270.3	12003.1	17012.0	22282.4	12889.1
% Change in Payables (from prev. qtr.)		-8.1%	-2.1%	12.3%	16.9%	41.7%	31.0%	15.3%
Quarterly period ending:	6/30/09	9/30/09	12/31/09	3/31/10	6/30/10	9/30/10	12/31/10	
Total Liabilities:	26762.2	25992.9	48059.1	50155.8	51733.2	57830.8	69190.3	47103.5
Shareholder equity:	32437.1	23220.2	19914.3	14673.5	17664.0	19197.5	29016.4	22303.3
Retained Earnings (Accum. Deficit)	16325.8	19339.9	19881.7	14619.6	17578.6	19064.4	23773.9	18654.8
Operating Cash Flow (OCF)	47038.9	40834.1	38198.5	27412.2	33045.3	36337.4	51040.5	39129.6
OCF as % of Revenues	115.1%	96.5%	85.9%	55.5%	63.6%	65.7%	85.6%	81.14%
Balance Sheet Cash Flow (BSCF)	26760.7	25991.5	48057.7	50154.3	51731.3	57828.1	69187.0	47101.5
BSCF as % of Revenues	65.5%	61.4%	108.1%	101.6%	99.5%	104.5%	116.1%	93.83%
Spread between OCF & BSCF	20278.2	14842.7	-9859.2	-22742.1	-18686.0	-21490.8	-18146.5	-7971.9
Ratios								
Spread to Revenues	49.64%	35.08%	-22.18%	-46.07%	-35.95%	-38.85%	-30.45%	-0.127
Spread to OCF	1.758	1.571	0.795	0.547	0.639	0.628	0.738	0.954
MR Dual Cash-Flow Figure	2.254	1.922	0.573	0.086	0.279	0.240	0.433	0.827

**The Merriam Report**

NETFLIX INC

NFLX

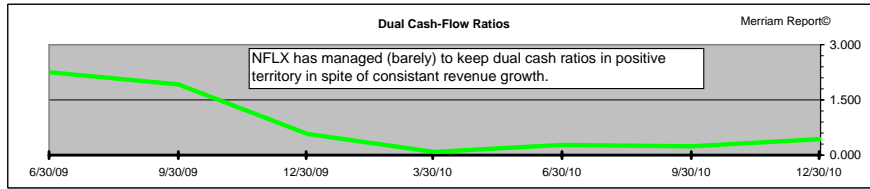
12/31/10

Quarterly period ending:

	6/30/09	9/30/09	12/31/09	3/31/10	6/30/10	9/30/10	12/31/10
MR Dual Cash-Flow Figure	2.254	1.922	0.573	0.086	0.279	0.240	0.433

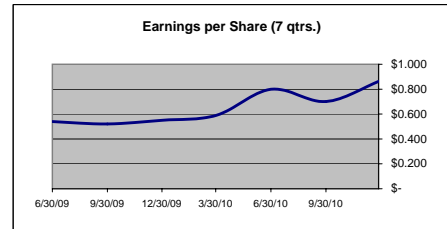
**Merriam Report Signals:**

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



MR Dual Cash-Flow Figure (avg.)

0.827



	06/30/09	09/30/09	12/31/09	03/31/10	06/30/10	09/30/10	12/31/10	
P/E	24.9	24.82	26.87	32.34	42.61	59.18	57.42	38.306
P/S	1.64	1.69	1.93	2.28	3.14	4.35	4.4	2.7757
P/FCF	9.3661	9.5408	11.5291	13.9719	21.3007	35.8917	39.2551	20.122
PEG	0.522	0.4842	0.5375	0.6648	0.807	1.2682	1.1601	0.7777
Earnings Yield	0.0402	0.0403	0.0372	0.0309	0.0235	0.0169	0.0174	0.0295
Cash to Total Asse	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	0.2499

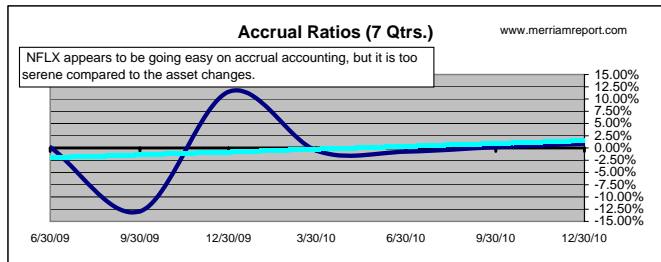
Accrual Ratios	6/30/09	9/30/09	12/31/09	3/31/10	6/30/10	9/30/10	12/31/10
Average Accruals	0.15%	-12.96%	11.53%	-0.63%	-0.76%	0.17%	0.87%

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

	Recent Qtr.	Combined Avg.
Research & Development	7.71%	7.38%
Cost of Sales	65.58%	63.32%
S/G/A	13.75%	16.81%
Payables	37.39%	26.24%

**Capital Productivity**

	Recent Qtr.	Combined Avg.
Inventory / Revenues	\$ 0.304	\$ 0.166
Receivables / Revenues	\$ 0.104	\$ 0.076
Inventory & Receivables / Revenues	\$ 0.408	\$ 0.242
P,P&E / Revenues	\$ 0.216	\$ 0.255



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.

-2.26% 3.06%

## Summary of Merriam Report Signals

Dual Cash-Flow Figures

Recent Bearish

Confirmed Bearish

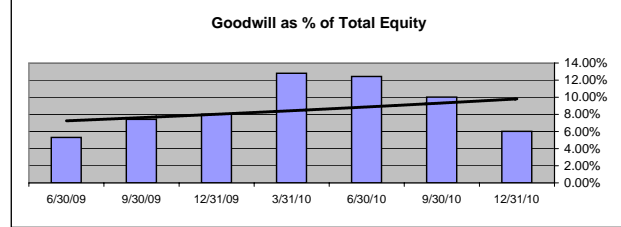
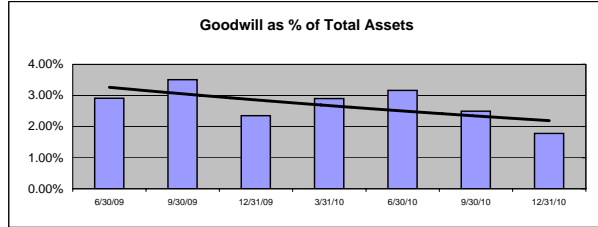
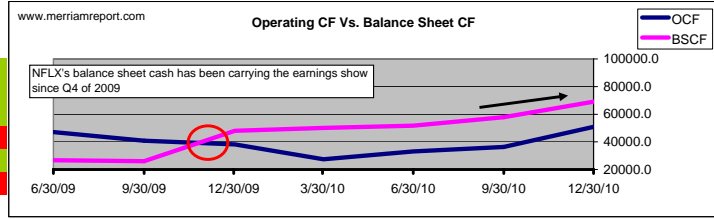
Operating Cash-Flow Trend  
Balance Sheet Cash-Flow Trend

Bullish  
color: red;">Bearish

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

### Comparison of Recent Quarter Changes to Average

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



	6/30/09	9/30/09	12/31/09	3/31/10	6/30/10	9/30/10	12/31/10	AVG.
Goodwill as % of Total Assets	2.91%	3.50%	2.35%	2.90%	3.16%	2.50%	1.78%	2.73%
Goodwill as % of Total Equity	5.31%	7.43%	8.01%	12.81%	12.43%	10.01%	6.02%	8.86%
	1.83	2.12	3.41	4.42	3.93	4.01	3.38	3.25

Dual Cash Flow Trend	0
Financial Ratios (conventional)	-1
Balance Sheet and Income Statement	-2
Accrual Ratios	0
Revenue Metrics and Capital Productivity	-2
Goodwill Trends	1
<b>Merriam Report Score</b>	<b>-4</b>

<b>NETFLIX INC</b>	<b>12/31/10</b>	<b>2/17/11</b>	<b>SHORT CANDIDATE</b>	<input checked="" type="checkbox"/>
<b>Ending Period Share Price</b>	<b>\$ 175.70</b>	<b>\$ 237.72</b>	<b>AVOID</b>	<input checked="" type="checkbox"/>
<b>Estimated Fair Value</b>	<b>\$ 150.42</b>			
<b>End Price to Est. FV</b>	<b>7.12%</b>	<b>58.04%</b>		

**OVERVALUED**  
Earnings Quality

B+

Recreational Activities  
Services  
Video Tape Rental

Adjustments (Payables)	\$	(3.68)
Adjustments (Receivables)	\$	3.38
Adjustments (DSO)	\$	(9.93)
Adjustments (OCF)	\$	1.30
Adjustments (BSCF)	\$	(5.56)
Adjustments (Inventory)	\$	0.89
<b>Total Adjustments</b>	<b>\$</b>	<b>(13.61)</b>

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