

Merriam Report Investment Research is designed to provide a baseline estimate of a security's "fair-value" by analyzing a company's reported financial statements during the prior seven quarterly periods.

To establish a FV estimate, our innovative model utilizes non-traditional methodologies to determine and identify the quality of earnings being presented and the source of the cash-flows supporting the earnings statement.

Page one displays consolidated financial statement data (1) used to generate the Merriam Report's robust signals and indicators.

Key line items from the balance sheet, income statement and statement of cash flow are arranged in columns by date starting with older data on the left and most recent quarterly data on the right.

The Merriam Report analyzes quarterly changes in the relationships and trends of the reported data. It also compares results of the most recent period to the average of all seven periods, generating a bullish (green) or bearish (red) indicator (2).

The section immediately below the line-item info (in brackets) identifies and compares the cash and non-cash "flows" used to build the earnings statement.

Our algorithm analyzes the relationships between these dual cash-flows and compares the spreads between each cash-flow to revenues.

This generates our MR Dual Cash-Flow figure, providing an accurate graphic view of the ratio between cash generated by actual operations (OCF) to "cash" built via balance-sheet engineering (BSCF).

It also displays color-coded signals to identify "Recent" and "Confirmed" bullish and/or bearish trends developing during the previous 7 quarters (3).

The Merriam Report also features relevant financial statement ratios, revenue metrics and capital productivity analysis (4).

Another very important clue in evaluating earnings quality and estimating the fair-value of a security price is to identify and compare changes in accrual accounting over consecutive quarterly periods.

This is critical in determining the impact of non-cash earnings and the effects of adjustments to depreciation, inventory changes, receivables, etc. The Merriam Report includes sophisticated accrual ratio analysis which is presented in a graphic format (5). The dotted line in the graph window represents an exponential trend line for the periods represented. More importantly, the accrual ratios provide an excellent verification tool for the dual cash-flow figures (explained further in "Putting it all Together").

