Merlon Income Strategy

Merlon Australian Share Income Fund

Quarterly Report

March 2022

Contents

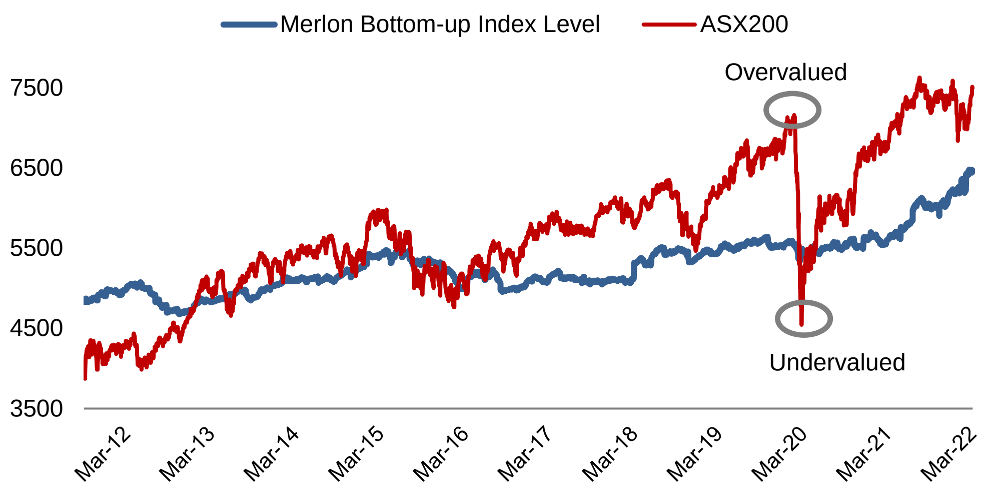
Market Outlook and Portfolio Positioning

Neil Margolis

Market around 20% overvalued using consistent bottom-up approach

As has been our historic practice, we continue to provide an aggregate assessment of the ASX200 valuation, based on the individual company valuations for the 150 stocks we actively cover. On this basis the market appears around 20% overvalued after advancing another 3% during the quarter.

Figure 1: Merlon bottom up market valuation vs ASX200 level



Source: Merlon

An overview of Merlon's approach and prior views

Our individual company valuations have been established using our estimates of sustainable free-cash-flows and franking, discounted at consistent mid-cycle interest rates and risk premiums. Our valuations are long-term and more stable than fluctuating share prices, creating good opportunities for patient long-term investors. Merlon's portfolio comprises our best research ideas, based on long-term valuations and analyst conviction.

In addition to being less volatile, Merlon's consistent valuation approach across all companies also gives insight into where the market is overly concerned or complacent with regard to stock specific risks. This lens on valuation dispersion is more useful than trying to predict when the market will price in "mid-cycle" interest rates and long-run average risk premiums.

Complacency about inflation is shifting to concern

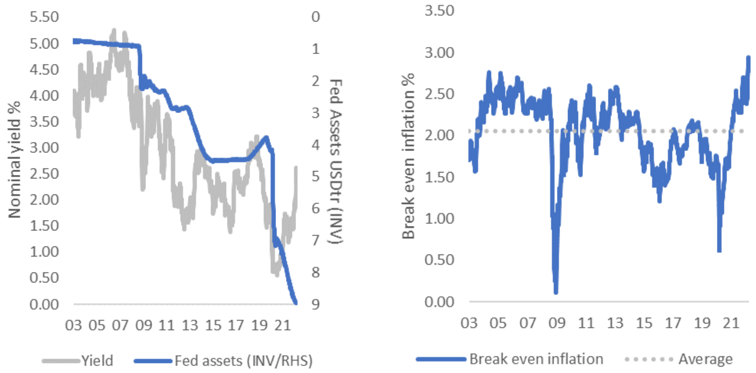
We always maintain a long-term view. In our **March 2020 COVID Roadmap** we were optimistic that there would be a vaccine, herd immunity would develop, and ordinary life could bounce back. In our **March 2021 Outlook for Interest Rates and Inflation** paper, we noted extreme complacency from investors that inflation would be transitory notwithstanding supply chain disruptions and record stimulus induced demand. We also noted our long-term approach had caused our portfolio to lag the market which was being driven higher by some stocks and sectors extrapolating record low rates almost indefinitely.

Market Outlook

Despite a surging COVID-19 Omicron variant, which peaked at more than four million cases in January, the world's attention was drawn to Russia's 'special operation' in Ukraine. The market's desire for sanctions on Russian energy exports has been thwarted by Europe's dependence on this energy so far.

From a macroeconomic standpoint, the impact on energy and food prices has seen central banks become more hawkish on policy settings. From the charts below, we can see that US Federal Reserve (Fed) policy may be at risk of losing control of treasury yields, driven in part by an overshooting of inflation. A quick resolution to the Russian / Ukraine conflict, combined with a post-COVID logistics easing may see inflation as transitory. A more bearish perspective would be a wage-price spiral leading to a more aggressive central bank policy on inflation, in turn driving global economic activity lower. In our view, markets appear to be pricing inflation as "transitory" which poses downside risk if it turns out differently.

Figure 2: Yield, inflation and policy

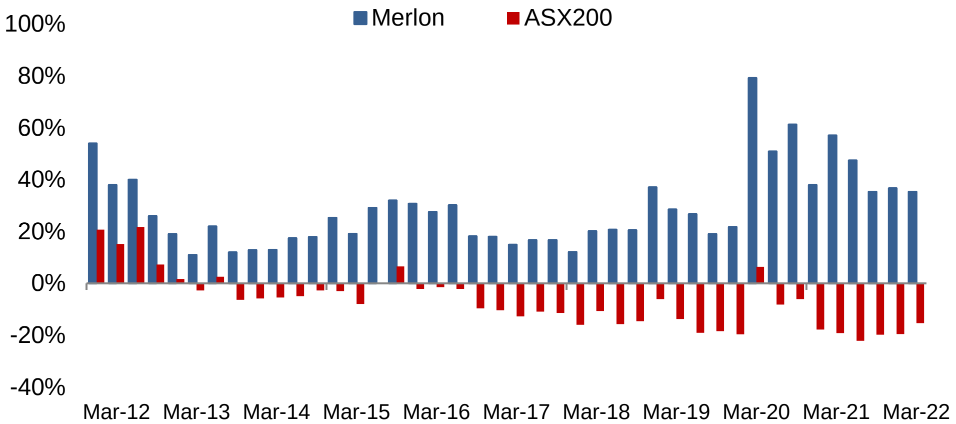


Source: Federal Reserve of St. Louis. Calculations: Merlon.

Merlon's focus on near-term cashflows rather than of long-dated growth potential may perform better in comparison to the broader market.

The Merlon portfolio continues to offer very attractive expected returns…

Figure 3: Expected return based on Merlon valuations

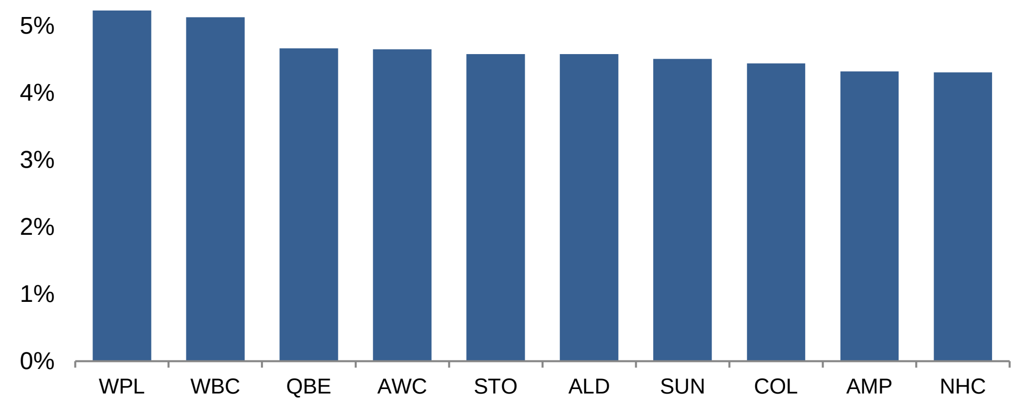


Source: Merlon

Portfolio Aligned to Value Philosophy and Fundamental Research

The portfolio reflects our best bottom-up fundamental views rather than macro or sector-specific themes. These are usually companies that are under-earning on a three-year view, or where cash generation and franking are being under-appreciated by the market.

Figure 4: Top ten holdings (gross weights)



Source: Merlon

The portfolio comprises undervalued businesses based on sensible interest rate and risk margin assumptions…

While we are not macro investors, as discussed above there are clearly some macro themes inherent within the portfolio. We need to be aware of these themes and ensure they do not expose us or our clients to unintended risks. In the first instance, any such risks are mitigated by our strategy of investing in companies that are under-valued relative to the sustainable free cash flows and the franking credits they generate for their owners. Attractive valuations strongly imply that market concerns are – at least to some extent – already reflected in expectations and provide a "margin of safety" in the event conditions deteriorate.

Our larger investments are typically in companies where investors have become overly pessimistic about long term prospects on account of weaker short-term performance. This tendency to extrapolate short-term conditions too far into the future and investors' focus on management manipulated measures of corporate financial performance instead of cash flow continue to present us with opportunities.

Top holdings:

woodside

Woodside Petroleum remains undervalued relative to our assessment of value, and despite the rally in oil prices. The market is currently discounting the value of Woodside's cash-generative operating asset base, in addition to its very large contingent reserve profile. We expect oil prices to continue to strengthen as demand recovers to pre-COVID levels, while the underinvestment in conventional and now unconventional oil supply should further support prices over the medium-term, regardless of a transition to renewable energy generation. While the proposed BHP Petroleum merger is roughly neutral to our valuation and conviction, it intelligently provides access to capital to develop its Scarborough project, amidst what is an increasingly favourable contract-pricing environment.

Westpac is undervalued with the market assuming returns are structurally lower as a result of lower interest rates and higher operating and compliance costs. Despite having a similar business mix and track record of "underlying returns" relative to CBA, the bank continues to trade at an unusually large discount reflecting less confidence in management, persistent mortgage market share losses, a higher cost base than peers and recurring "non-recurring" items. We expect these concerns to ease over time, with investors rewarded with a 7% mid-cycle free cash flow yield in the interim.

QBE is a leading global insurer, seeing the strongest rate increase environment in 20 years. The company is undervalued relative to our valuation, as the market is concerned by persistent earnings disappointments, as well as shorter term claims risks from business interruption and wild weather. With these concerns already reflected in the price, and our expectations that insurance margins are likely to overshoot to the upside given rate increases, we anticipate the market will ultimately recognise and value a likely 8% mid-cycle free cashflow yield, plus franking.

The position in **Alumina Limited** was established during the second half of 2020, with COVID-19 related market concerns providing attractive entry points for investment. While the stock has been impacted by the effect of COVID-19 on demand, as well as continued growth in Chinese alumina refining capacity, we expect Alumina's low-cost position to enable it to prevail relative to higher cost peers. Also, we expect China's capacity growth to rationalise and global fiscal stimulus to drive a recovery in demand for aluminium and its alumina-input. The market for alumina has tightened as Noble Group's Jamalco refinery fire in August impacted the supply of alumina, while a military coup in Guinea, the world's largest supplier of bauxite (the feedstock for alumina refining), further destabilised the market.

Having merged with **Oil Search**, a company the portfolio previously owned, **Santos** is now a top-ten position in the portfolio. We voted against the merger as we assessed it as having undervalued Oil Search, a view backed by the Independent Expert's valuation. Despite this, we believe Santos is undervalued by the market, albeit less than Oil Search was, as the consolidation of PNG exposures is likely to enable a smoother path to commercialising the undeveloped Papua LNG project. We also expect the company to reassess the less compelling Alaska project, previously pursued by Oil Search. Like with Woodside, we expect oil prices to continue to strengthen as demand recovers to pre-COVID levels, while the underinvestment in conventional and now unconventional oil supply should further support prices over the medium-term. As with Woodside, the pricing environment for determining new projects is strengthening.

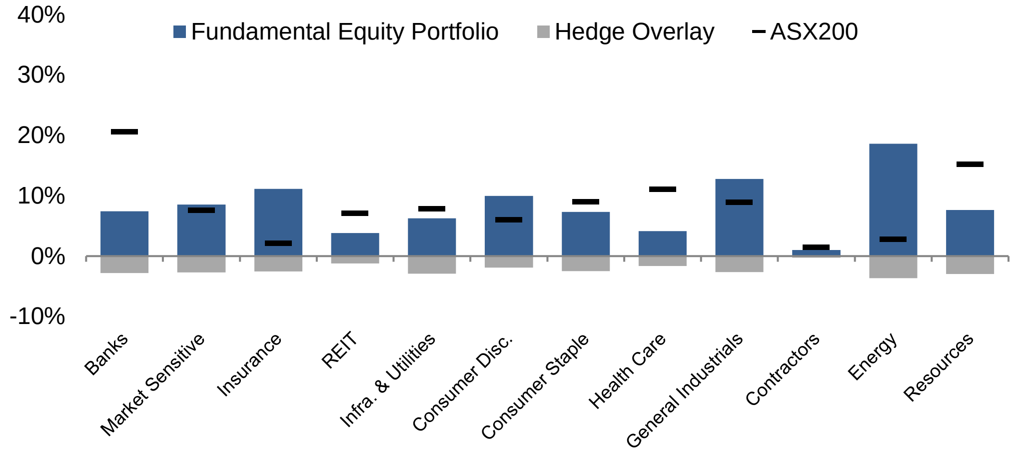
Ampol is Australia's largest integrated oil refining, fuel distribution and marketing company, operating in a strong industry structure dominated by vertically integrated companies. Volumes have been impacted by COVID-19 related disruptions, yet the company remains in a strong position to maintain and potentially grow share as the incentive for independent, non-integrated retail suppliers to enter the market is declining in anticipation of growth in electric vehicles. Operators who own / control their sites remain in a strong position to increase their convenience offering, while extracting strong conventional fuel margins given the long term need for supply of fuels to non-EV drivers. While the market continues to value the company's refining business as a high-risk asset, the Government's underwriting of refining margins has significantly reduced this risk. Ampol's counter-cyclical, cashflow-accretive takeover of Z Energy (ZEL), increases the company's regional market share - and hence buying power – and supply chain infrastructure utilisation.

Suncorp is a large domestic insurance and banking company. The company is undervalued relative to our valuation, as the market is concerned by shorter term earnings risks posed by the relatively high short term claims environment and business interruption charges. Yet valuing the company on the basis of a modest normalisation of insurance margins driven by higher rates, coupled with valuing the company's cashflows on an appropriate cash flow multiple sees appealing valuation upside. Further upside may be achieved via a favourable sale of the company's banking division.

Coles remains attractively priced relative to other "defensive" sectors that are included in the "bond proxy" group. Coles and Woolworths operate under an umbrella of a sound industry structure, provide long term inflation protection, have minimal debt and are still generating margins below historic levels despite the COVID demand boost.

AMP finally announced the demerger of its private markets fund manager, which we believe could trade between $2.5b and $4b (once growing again), including $1b in sponsor investments. This implies 5-8% of funds under management, supported by peer valuations and the recent sale of $6b infrastructure debt FUM to Ares for ~7% of FUM or ~10% including sponsor investments. With a market cap of only $3.2b, this implies negligible value for the remaining businesses, including $68b in contemporary platform FUM, a well-funded low cost bank with $21b loan book, a New Zealand wealth business, surplus capital (including the "board buffer") and currently loss-making advice and master trust businesses (we assume zero long-term value for these). The challenge will be successfully exiting the loss-making businesses without impacting the growing valuable businesses within the group. Governance failures have been largely addressed with a renewed board and management.

Figure 5: Portfolio exposures by sector (gross weights)



Source: Merlon

Figure 6: Portfolio Analytics[ii]

	Portfolio	ASX200
Number of Equity Positions	35	200
Active Share	83%	0%
Merlon Valuation Upside	35%	-15%
EV / EBITDA (year ahead)	12.1x	16.0x
Price / Earnings Ratio (year ahead)	13.0x	18.5x
Price / Book Ratio (year ahead)	2.0x	3.8x
Mid-cycle Free Cash Flow Yield	7.5%	5.1%
Distribution Yield (inc. franking)	7.1%	5.1%
Net Equity Exposure	67%	100%

Source: Merlon

The hedge overlay offers material downside protection

At quarter end, the hedge overlay was slightly above the targeted 30% reduction in market exposure, and will provide material protection if markets retrace towards the recent lows.

March Quarter Portfolio Activity

There were two new investments and one complete exit during the quarter

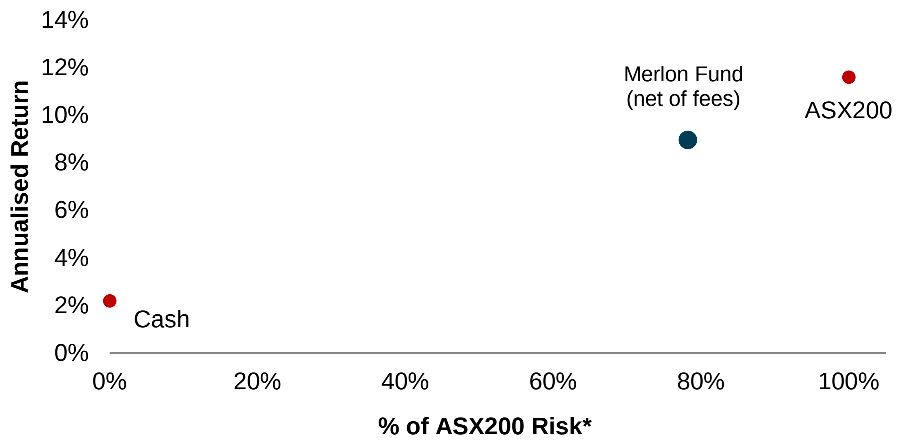
During the quarter, we established a new position in **Scentre Group**, and reduced positions in **APA Group** and **Lend Lease**. Across existing positions, we increased exposures to **Suncorp**, **A2 Milk**, **IAG Group** and **Qantas**, and reduced positions in outperforming companies including **Woodside**, **Santos**, **Whitehaven**, **New Hope Coal**, and **Origin Energy.**

Scentre Group is a large Australia and New Zealand shopping centre group, operating under the Westfield brand. Scentre Group's leading geographic footprint enables it to offer landlords a high-quality national exposure. The company remains undervalued when assuming a continued normalisation of operating conditions as the nation emerges from COVID-restricted environment, leading to an expected $1.0billion-plus free cashflow generation per annum, even after factoring in an estimated 10% impact from the switch to online shopping.

Performance[i] (%) (after fees, inc. franking)	Month	Quarter	FYTD	Year	3 Years (p.a.)	5 Years (p.a.)	7 Years (p.a.)	10 Years (p.a.)
Fund Total Return	4.1	8.5	10.6	13.6	8.0	6.4	6.8	9.0
70% ASX200 / 30% Bank Bills	4.9	2.0	5.3	11.4	8.7	8.0	7.1	8.8
ASX200	7.0	2.8	7.4	16.4	11.8	10.6	9.2	11.6
Average Daily Exposure	68%	69%	69%	69%	67%	68%	68%	68%
Gross Distribution Yield	0.6	1.7	5.0	6.4	6.8	7.0	7.2	7.6

Past performance is not a reliable indicator of future performance. Total returns above are grossed up for franking credits. Gross Distribution Yield represents the income return of the fund inclusive of franking credits. Portfolio inception date is 30/09/05.
The source of fund returns and benchmark returns is Fidante Partners Limited, 31 March 2022.

Figure 7: Rolling Ten Year Risk vs. Return (p.a.)[ii]



Source: Merlon

Market Review

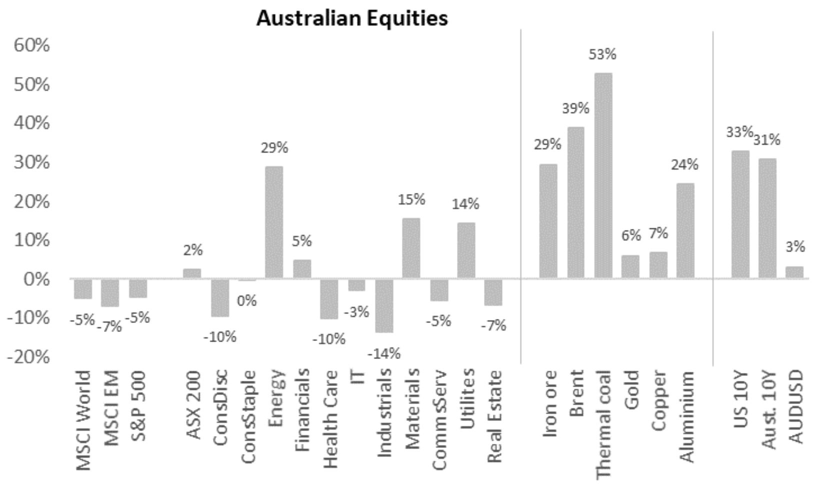
Markets continued their gains during the quarter, while oil prices, inflation and treasury yields all rose…

The Australian market returned 2.8% for the quarter, well ahead of global markets which lost 5%. The relatively strong quarter by the Australian market was driven by the Energy sector, following Russia's invasion of Ukraine, and subsequent announcements of sanctions of Russia's energy-heavy export sector. Strong returns were also seen in the Materials and Utilities sectors.

The oil price rallied more than 50% in 2021 yet the domestic Energy sector recorded a -2% return over the same period. Pleasingly, it in part made of up for this commodity-relative underperformance with a 29% return in the first quarter of the 2022 calendar year. This has seen the large valuation discount noted in our last quarterly report (see article) narrow somewhat.

US treasury yields rallied alongside implied long-term inflation rates, ensuring real yields remained at negative levels. Real yields ended the quarter at -0.51%, albeit above the -1% level where they ended 2021. As noted, in our prior report, the Fed has indicated that it is to begin tapering. History has shown this to be difficult, so we watch this attempt with interest.

Figure 8: Overview of key markets



Data source: Bloomberg, Merlon Capital. Inflation measured as the 10-year break even rate.

Portfolio review

The portfolio outperformed this quarter and financial year to date…

Energy prices continued to rally during the quarter, a function of underinvested supply chains, in conjunction with Russia's invasion of Ukraine risking supply further. Russia is a key global supplier of oil, gas and thermal coal. The portfolio's energy exposures rallied alongside these commodity price movements, driving much of the portfolio's outperformance.

Last quarter we noted the apparent valuation discount across Australian energy companies. This quarter saw some of that valuation gap closed as investors began to see the tightness evident in these commodities.

...which saw the prior quarter's Omicron-driven underperformance more than outweighed by Russia's invasion of Ukraine.

At a stock level, the key contributors to the portfolio during the **quarter** were **Woodside Petroleum**, **New Hope Coal**, **Whitehaven Coal**, **Santos**, and **Origin Energy**. Partly offsetting these contributions were underweight positions in **BHP**, **NAB**, **CBA** and **Rio Tinto**, and an overweight position in **Super Cheap Retail**.

The hedge overlay detracted given the strong performance from the underlying share portfolio however, will protect the Fund in the event of market declines.

Over the **financial year to date**, the Portfolio also outperformed, driven by many of the same energy exposed names as well as **Incitec Pivot**, which has benefited from its exposure to lower gas prices in regional specific markets. Partly offsetting these returns were underweight positions in **BHP** and **NAB**, and overweight positions in **AMP**, **Unibail** and **IAG**.

And over the rolling **twelve-month** period, the portfolio was also ahead of the market, again due to energy names including **Whitehaven Coal**, **New Hope Coal**, **Woodside Petroleum**, and **Origin Energy**. Key detractors over the year were overweight positions in **AMP**, **Unibail Group** and **Super Retail Group**, and underweight exposures to **BHP Group** and the **Commonwealth Bank** of **Australia**.

The additional performance information over the page is presented on a financial year basis and should be read in conjunction with the summary performance table on page 10.

Additional Performance Detail: Sources of Return

FY Performance[i] (%) (inc. franking)	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**10 Years (p.a.)**
Underlying Share Portfolio	26.8	-9.3	8.4	7.4	23.5	7.0	9.5	16.3	36.0	-3.4	12.7
Hedge Overlay	-9.1	3.9	-0.9	-2.3	-5.6	-0.9	-1.7	-3.5	-9.3	2.6	-2.7
Fund Return (before fees)	17.7	-5.4	7.5	5.1	17.9	6.1	7.8	12.8	26.7	-0.8	10.0
Fund Return (after fees)	16.6	-6.3	6.5	4.1	16.8	5.1	6.8	11.8	25.6	-1.8	9.0

FY Performance[i] (%) (before fees, inc. franking)	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**10 Years (p.a.)**
Underlying Share Portfolio	26.8	-9.3	8.4	7.4	23.5	7.0	9.5	16.3	36.0	-3.4	12.7
ASX200	28.8	-6.5	13.2	14.5	15.5	2.2	7.2	18.9	24.3	-5.1	11.6
Excess Return	-2.0	-2.8	-4.8	-7.1	8.0	4.8	2.3	-2.7	11.7	1.7	1.1

FY Performance[i] (%) (after fees)	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**10 Years (p.a.)**
Income	5.1	5.2	5.8	5.5	6.2	5.9	5.6	5.8	7.8	7.6	5.9
Franking	1.7	1.2	2.2	1.5	1.6	2.1	1.9	1.7	2.3	2.5	1.8
Growth	9.8	-12.7	-1.4	-2.8	9.0	-2.9	-0.7	4.3	15.5	-11.9	1.3
Fund Return (after fees)	16.6	-6.3	6.5	5.1	16.8	5.1	6.8	11.8	25.6	-1.7	9.0

FY Performance[i] (%) (after fees, inc. franking)	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**10 Years (p.a.)**
Fund Return (before fees)	17.7	-5.4	7.5	5.1	17.9	6.1	7.8	12.8	26.7	-0.8	10.0
70% ASX200/30% Bank Bills	19.7	-3.6	9.9	10.6	11.3	2.2	6.0	14.0	17.8	-2.1	8.8
Excess Return (before fees)	-2.0	-1.9	-2.4	-4.4	6.6	3.9	1.8	-1.2	8.9	1.3	1.1
Excess Return (after fees)	-3.1	-2.7	-3.4	-5.4	5.5	2.9	0.8	-2.2	7.7	0.4	0.1

Monthly Distribution Detail: Cents per Unit

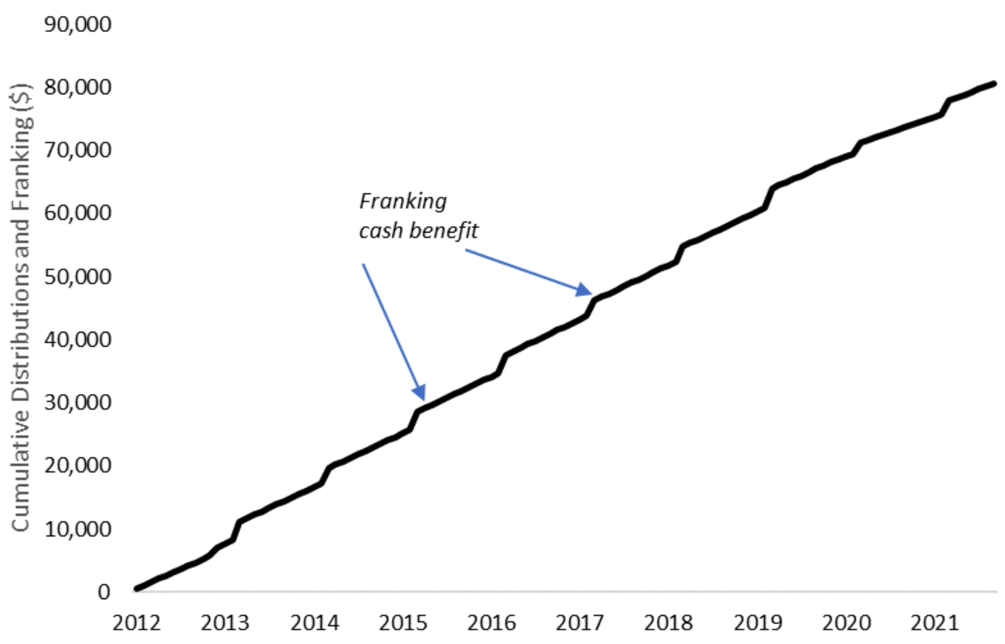
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total	Franking
FY2013	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	1.29	**6.79**	2.26
FY2014	0.51	0.51	0.51	0.51	0.51	0.51	0.51	0.51	0.51	0.51	0.51	0.52	**6.13**	1.98
FY2015	0.52	0.52	0.52	0.52	0.52	0.52	0.52	0.52	0.52	0.52	0.52	0.52	**6.24**	2.20
FY2016	0.53	0.53	0.53	0.53	0.53	0.53	0.53	0.53	0.53	0.53	0.53	0.52	**6.35**	1.92
FY2017	0.53	0.53	0.53	0.53	0.53	0.53	0.53	0.53	0.53	0.53	0.53	0.53	**6.36**	2.02
FY2018	0.53	0.53	0.53	0.53	0.53	0.53	0.53	0.53	0.53	0.53	0.53	0.52	**6.35**	1.84
FY2019	0.53	0.53	0.53	0.53	0.53	0.53	0.53	0.53	0.53	0.53	0.53	0.50	**6.33**	2.57
FY2020	0.51	0.51	0.51	0.51	0.51	0.51	0.51	0.51	0.51	0.51	0.51	0.44	**6.05**	1.40
FY2021	0.38	0.38	0.38	0.38	0.38	0.38	0.38	0.38	0.38	0.38	0.38	0.47	**4.65**	1.76
FY2022	0.41	0.41	0.41	0.41	0.41	0.41	0.41	0.41	0.41	*0.41*	*0.41*	*0.41*	***4.92***	*1.86*

Highlighted data are estimates at the date of this report.

Monthly income will be 0.41 cents per unit at least through to May 2022…

and the franking level is projected to be in the 70-80% range

Figure 9: Monthly since in July 2012[iii]



Source: Fidante

Links to Previous Research

Running on Empty

Forecasting with Humility

Who's Got the Energy

Australian Private Health Insurance

COVID-19 - One Year On

Interest Rates & Inflation

Reinventing Value Investing

The Merlon Approach to Corporate Governance

The Strategic Value of amaysim

Oil - Pricing in a More Realistic Recovery

Long-term Dividend Opportunity the Main Game

Oil - Pricing in More Realistic Recovery

COVID-19 Roadmap

Trade war – winners, losers and…is it over?

Why Telstra could be worth less than $2

Good Companies not Always Good Investments

The AMP Valuation Case

Iron Ore: Supply Disruption is Temporary

A Case Study in Poor Capital Allocation

Trade Wars and the Peak of the Chinese Growth Model

Some More Thoughts on Telstra

Rethinking Post Retirement Asset Allocation

Amazon Revisited - Muted Impact So Far

Some Thoughts on Asset Prices

Digital vs. Traditional Media - A Global Trend

Value Investing - An Australian Perspective: Part III

Oil: The Cycle Continues

Value Investing - An Australian Perspective: Part II

Telstra Revisited

Value Investing - An Australian Perspective: Part I

The Case for Fairfax Media Over REA Group

Some Thoughts on Australian House Prices

Amazon Not Introducing Internet to Australia

Iron Ore is Well Above Sustainable Levels

Boral's High Priced Acquisition of Headwaters

Fund Details^

Fund size	$ 447m	Merlon FUM	$ 1,086m
APIR Code	HBC0011AU	Distribution Frequency	Monthly
ASX Code	MLO02	Minimum Investment	$ 10,000
Inception Date	30 September 2005	Buy / Sell Spread	+/- 0.20%

^Source: Fidante Partners Limited, 30 September 2021.

About Merlon

Merlon Capital Partners is an Australian based fund manager established in May 2010. The business is majority owned by its five principals, with strategic partner Fidante Partners Limited providing business and operational support.

Merlon's **investment philosophy** is based on:

Value: We believe that stocks trading below fair value will outperform through time. We measure value by sustainable free cash flow yield. We view franking credits similarly to cash and take a medium to long term view.

Markets are mostly efficient: We focus on understanding why cheap stocks are cheap, to be a good investment market concerns need to be priced in or invalid. We incorporate these aspects with a "conviction score"

About the Fund

The Merlon Australian Share Income Fund's investment approach is to construct a portfolio of undervalued companies, based on sustainable free cash flow, whilst using options to overlay downside protection on holdings with poor short-term momentum characteristics. An outcome of the investment style is a higher level of tax-effective income, paid monthly, along with the potential for capital growth over the medium-term.

Differentiating Features of the Fund

- **Deep fundamental research** with a track record of outperformance. This is where we spend the vast majority of our time and ultimately how we expect to deliver superior risk-adjusted returns for investors.

- **Portfolio diversification** with no reference to index weights. The benchmark unaware approach to portfolio construction is a key structural feature, especially given the concentrated nature of the ASX200 index.

- **Downside protection** through fundamental research and the hedge overlay. In addition to placing a heavy emphasis on capital preservation through our fundamental research, we use derivatives to reduce the Fund's market exposure and risk by 30% whilst still retaining all of the dividends and franking credits from the portfolio.

- **Sustainable income**, paid monthly and majority franked. As the Fund's name suggests, sustainable above-market income is a key objective but it is an outcome of our investment approach.

Footnotes

[i] **Performance (%)**

Average Daily Market Exposure is calculated as the daily net market exposure divided by the average net asset value of the Fund.

Composite benchmark is calculated as 70% S&P/ASX200 Accumulation Index and 30% Bloomberg AusBond Bank Bills Index. The Fund reduces exposure to share market volatility to a typical range of 60-80% through the use of derivatives with the remaining 20-40% option protection seeking to deliver a cash-like risk/return profile.

Fund Franking^: Month 0.0%, Qtr 0.5%, FYTD 1.3%, Year 1.5%, 3 Years 1.6% p.a., 5 Years 1.6% p.a., 7 Years 1.7% p.a., 10 Years 1.8% p.a.

ASX200 Franking^: Month 0.2%, Qtr 0.5%, FYTD 1.3%, Year 1.4%, 3 Years 1.2% p.a., 5 Years 1.4% p.a., 7 Years 1.4% p.a.,10 Years 1.4% p.a.

^ Source: Fidante Partners Limited, 31 March 2022.

[ii] **Rolling Seven Year Performance History**

Past performance is not a reliable indicator of future performance. Returns for the Fund and ASX200 grossed up for accrued franking credits and the Fund return is stated after fees as at the date of this report, assumes distributions are reinvested.

% of ASX200 Risk represents the Fund's statistical beta relative to the ASX200

[iii] **Monthly Income since July 2012**

Past performance is not a reliable indicator of future performance.

[iv] **Portfolio Analytics**

Source: Merlon, Active share is the sum of the absolute value of the differences of the weight of each holding in the portfolio versus the benchmark, and dividing by two. It is essentially stating how different the portfolio is from the benchmark. Net equity exposure represents the Fund's net equity exposure after cash holding's and hedging Beta measures the volatility of the fund compared with the market as a whole. EV / EBITDA equals a company's enterprise value (value of both equity and debt) divided by earnings before interest, tax, depreciation, and amortization, a commonly used valuation ratio that allows for comparisons without the effects of debt and taxation.