



## ERIK PENSER BANK

Penser Access | Industrial Conglomerates | Sweden | 17 February 2022

# Beijer Alma

## Strong fourth-quarter growth

### Strong growth rounds off a strong 2021

Sales for Q4 were SEK 1,435m (SEK 1,079m) against our estimate of SEK 1,322m. This means y/y growth was 33%, of which 16% was organic. A strong contributor to the high growth was Beijer Tech, which grew 23% organically, but all subsidiaries had good growth. The acquisitions of recent quarters in Lesjöfors and Beijer Tech contributed to the subsidiaries growing by a total of 32% and 44%, respectively.

### Squeezed margins

EBIT in Q4 was SEK 189m (SEK 188m), giving a margin of 13%. Our estimate was 15%. Beijer Alma was up against tough comparisons for its EBIT margin since Q4 2020 had positive EO items of about SEK 32m. The margin is also squeezed somewhat as a result of factors like higher material and production costs, plus seasonal effects in acquired companies that differ from the rest of the group. See more detail about profitability below.

### Valuation

We are adjusting our estimates to include acquisitions during 2022 and a slightly improved growth outlook. See details below. We are also adjusting the margin slightly. We value the company using multiples and a DCF, as detailed below. At EV/EBIT 16x for 2023, we see a fair value of SEK 255–260 per share (unchanged from our last report).

| Estimate Changes (kr)   |      |        |      | Estimates (kr) |       |       |       | Risk and Potential |  |          |
|---|------|--------|------|----------------|-------|-------|-------|--------------------|--|----------|
|   | Now  | Before |      | 21             | 22e   | 23e   | 24e   | Motivated value    | 255.0 - 260.0  |          |
| EPS, adjusted 22e   | 11.8 | 11     | 6.4% | Sales, mkr     | 5,389 | 6,166 | 6,537 | 6,931              | Current price  | SEK225.0 |
| EPS, adjusted 23e   | 13.7 | 13.5   | 1.5% | Growth         | 27%   | 14%   | 6%    | 6%                 | Risk level   | Medium   |
| EPS, adjusted 24e   | 15.2 | 15.2   | 0.0% | EBITDA, mkr    | 1,021 | 1,192 | 1,349 | 1,465              | <div style="background-color: #004a33; color: white; padding: 5px; text-align: center;">One Year Performance Chart</div> |          |
| <div style="background-color: #004a33; color: white; padding: 5px;">Calendar Events</div> <p><i>Q1-rapport</i>      <i>2022-04-26</i></p> |      |        |      | EBIT, mkr      | 775   | 925   | 1,069 | 1,185              |  |          |
|   |      |        |      | EPS, adjusted  | 9.4   | 11.8  | 13.7  | 15.2               |  |          |
|   |      |        |      | EPS growth     | 39%   | 25%   | 16%   | 11%                |  |          |
|   |      |        |      | Equity/share   | 47.3  | 39.6  | 51.6  | 63.6               |  |          |
| <div style="background-color: #004a33; color: white; padding: 5px;">Key Figures (mkr)</div>   |      |        |      | Dividend/share | 3.5   | 3.5   | 3.5   | 3.5                |  |          |
|   |      |        |      | EBIT margin    | 14.4% | 15.0% | 16.4% | 17.1%              |  |          |
|   |      |        |      | ROE            | 20.1% | 29.7% | 26.5% | 23.9%              |  |          |
|   |      |        |      | ROCE           | 9.0%  | 10.7% | 11.2% | 11.2%              |  |          |
|   |      |        |      | EV/Sales       | 2.8x  | 2.4x  | 2.3x  | 2.1x               |  |          |
|   |      |        |      | EV/EBITDA      | 14.6x | 12.5x | 11.0x | 10.2x              |  |          |
|   |      |        |      | EV/EBIT        | 19.2x | 16.1x | 13.9x | 12.6x              |  |          |
|   |      |        |      | P/E, adjusted  | 23.9x | 19.1x | 16.5x | 14.8x              |  |          |
|   |      |        |      | P/Equity       | 4.8x  | 5.7x  | 4.4x  | 3.5x               |  |          |
|   |      |        |      | Dividend yield | 1.6%  | 1.6%  | 1.6%  | 1.6%               |  |          |
| FCF yield   | 5.7% | 7.0%   | 7.9% | 0.0%           |       |       |       |                    |  |          |
| Net debt/EBITDA   | 1.3g | 1.4g   | 0.8g | 0.0g           |       |       |       |                    |  |          |

### Analysts

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## Overview

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### Strong fourth-quarter growth

#### Investment Case

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Beijer Alma's subsidiaries have a broad product range, attractive financial profiles and good prospects for long-term profitable growth. Acquisitions form a central part of the company's operational strategy, and we believe that this acquisition strategy is well implemented. The acquisitions take place mainly within Beijer Tech and Lesjöfors, and growth within Habia Cable is primarily organic.

#### Company Profile

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A decentralised group of companies. Beijer Alma is a group of companies with operations in component manufacturing and industrial trading. Its strategy is based on acquiring, owning and developing companies with good growth prospects. Lesjöfors, Habia Cable and Beijer Tech are subsidiaries of Beijer Alma.

#### Valuation approach

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Beijer Alma's sector exposure and focus on acquisitions means that we value it against both large Swedish engineering companies and acquisition-driven companies. Applying our estimates, Beijer Alma is valued at EV/EBIT 16x for 2022e, which is a discount compared to the average multiple for engineering companies. A discount is justified based on Beijer Alma's exposure to the offshore industry and thus the price of oil. Other acquisition-driven companies have certainly seen multiple contraction in 2022, but are still valued at a large premium to Beijer Alma.

We believe that a realistic multiple is 16x EBIT 2023e, which is justified by an increasing acquisition rate and indications of accelerating organic growth. We are lowering our multiple for 2023e from 17 to 16, which is explained by the fact that the sector was downwardly valued during early 2022. We believe that Beijer Alma's increasing acquisition rate is not fully reflected in its valuation, and that more acquisitions can be expected. EBIT of 16x for 2023e corresponds to SEK 258 per share. Overall, we see a fair value of SEK 255-260 per share (unchanged from our last publication) and medium risk.

#### Target Price

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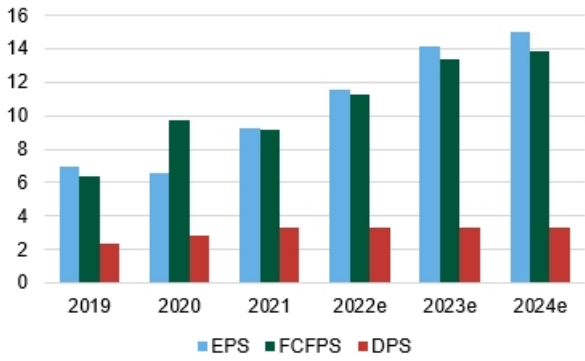
255-260

## The quarter in detail

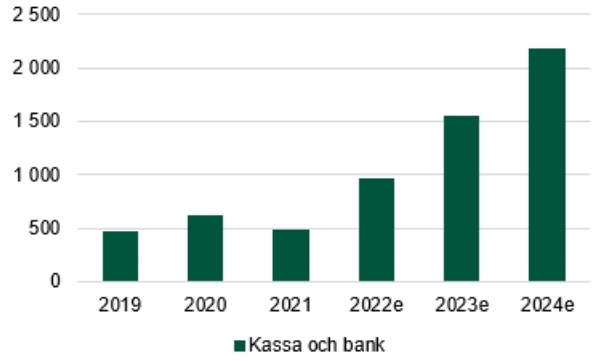
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Order intake for Q4 amounted to SEK 1,563 million (SEK 1,133 million), with 23% organic growth. Sales in the quarter were SEK 1,435 million (SEK 1,079 million), corresponding to growth of 33%, of which 16% was organic. All subsidiaries showed strong growth during the quarter. Lesjöfors grew 32% to SEK 823 million, of which 13% was organic. EBIT for Lesjöfors in the quarter amounted to SEK 135 million, corresponding to an operating margin of 16%. Habia Cable reported sales of SEK 214 million, corresponding to growth of 21%, of which 20% was organic. Operating profit in Q4 was SEK 15 million in the subsidiary, corresponding to a margin of 7%. Beijer Tech grew its sales by 44%, of which 23% was organic. EBIT for Beijer Tech was SEK 12 million, corresponding to an operating margin of 12%. Beijer Alma faced tough comparative figures in terms of its EBIT margin since Q4 2020 had positive non-recurring items of approximately SEK 32 million. The operating margin for Q4 was 13% (17%). The board is proposing a dividend of SEK 3.50 per share. Debt, cash flows, cash and acquisition rates are summarized below.

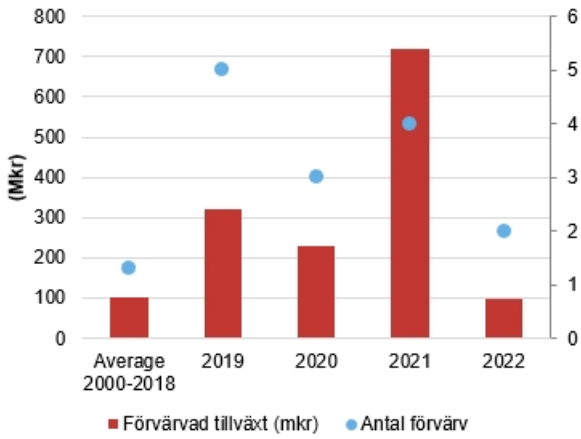
FCFPS, DPS, EPS



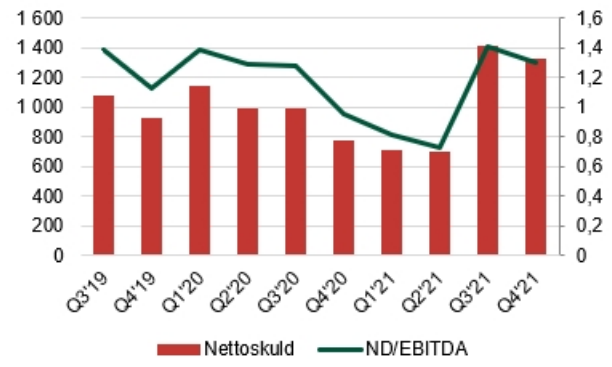
Kassa & bank



Förvärv



ND/EBITDA



## Deviations from forecasts

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Below is a summary of this quarter's deviations from our forecasts. Revenues exceeded our estimates due to strong growth in all subsidiaries. EBIT was stronger than our estimate in absolute terms, but the margin was slightly weaker. The margin was squeezed somewhat by cost inflation in the quarter.

| Parameter | Utfall  | EPB<br>estimat | Diff | Kommentar                                |
|-----------|---------|----------------|------|--|
| Intäkter  | 1 435,0 | 1 322          | 9%   | Stark återhämtning organiskt i Lesjöfors |
| EBIT      | 189     | 184            | 3%   | Högre intäkter                           |

## Changes to estimates

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Below is a summary of our estimate changes. We are adding acquisitions during the period and raising our growth estimates slightly for 2022 given the high order intake and strong growth at the end of 2021.

| <b>New estimates</b> | <b>2022e</b> | <b>2023e</b> | <b>2024e</b> |
|----------------------|--------------|--------------|--------------|
| Revenue              | 6 166        | 6 537        | 6 931        |
| Growth               | 14%          | 6%           | 6%           |
| EBIT                 | 925          | 1 069        | 1 185,0      |
| Operating margin     | 15%          | 16%          | 17%          |
| EPS                  | 11,75        | 13,66        | 15,19        |

| <b>Previous estimates</b> | <b>2022e</b> | <b>2023e</b> | <b>2024e</b> |
|---------------------------|--------------|--------------|--------------|
| Revenue                   | 5 818        | 6 170        |              |
| Growth                    | 10%          | 6%           |              |
| EBIT                      | 918          | 1 045        |              |
| Operating margin          | 16%          | 17%          |              |
| EPS                       | 11,05        | 13,46        |              |

| <b>Change, %</b> | <b>2022e</b> | <b>2023e</b> | <b>2024e</b> |
|------------------|--------------|--------------|--------------|
| Revenue          | 2022e        | 2023e        |              |
| EBIT             | 6%           | 6%           |              |
| EPS              | 1%           | 2%           |              |

## Valuation

We value Beijer Alma using a combination of a DCF model and a multiple approach. We still choose to value Beijer Alma relative to other acquisition-driven companies. Beijer Alma is currently trading at a large discount to other acquisitive companies, but we believe this discount could be reduced as the company begins to be valued as an acquisitive company. Our valuation method is summarised below.

| Förvärvsdrivna bolag         | EV/EBIT |      |      |      | P/E  |      |      |      |
|------------------------------|---------|------|------|------|------|------|------|------|
|                              | 2021    | 2022 | 2023 | 2024 | 2021 | 2022 | 2023 | 2024 |
| Lifco AB Class B             | 39,0    | 28,5 | 27,3 | 26,0 | 31,1 | 29,4 | 27,9 | 28,7 |
| Indutrade AB                 | 36,2    | 26,7 | 25,1 | 22,8 | 37,9 | 29,6 | 27,8 | 25,8 |
| Addtech AB Class B           | 31,9    | 30,1 | 28,3 | N/A  | 33,6 | 32,0 | 30,1 | N/A  |
| Lagercrantz Group AB Class B | 29,3    | 26,8 | 25,3 | 25,7 | 34,1 | 30,8 | 28,9 | 28,8 |
| Sdipotech AB Class B         | 41,6    | 24,4 | 21,8 | 19,7 | 46,7 | 30,4 | 26,0 | 21,9 |
| NIBE Industrier AB Class B   | 60,7    | 35,8 | 31,9 | 24,5 | 54,0 | 48,6 | 43,1 | 36,7 |
| Beijer Ref AB Class B        | 57,2    | 32,7 | 28,5 | 25,9 | 53,3 | 41,6 | 35,9 | 32,6 |
| Instalco AB                  | 34,3    | 20,8 | 19,1 | N/A  | 30,5 | 24,5 | 22,3 | N/A  |
| Bravida Holding AB           | 19,2    | 16,2 | 15,3 | 14,5 | 22,9 | 20,0 | 19,0 | 18,0 |
| Average                      | 38,8    | 26,9 | 24,7 | 22,7 | 38,2 | 31,9 | 29,0 | 27,5 |
| Median                       | 36,2    | 26,8 | 25,3 | 24,5 | 34,1 | 30,4 | 27,9 | 28,7 |

Källa: Factset

The clear picture is that Beijer Alma has a large valuation discount compared to the rest of the acquisitive companies sector. This discount can probably be attributed to multiple factors. We note, among other things, that Beijer Alma had relatively low acquired growth in 2018–2020, and that there is a correlation where companies with a historically high acquisition rate have a high forward-looking multiple, which potentially reflects expectations of continued acquisitions. In addition, Beijer Alma has exposure to sectors with a large cyclical element, such as the offshore industry.

The increased rate of acquisition since 2020–2022 is an attractive development that we do not consider to be fully valued in at current share price levels. We also believe that a continued well-executed acquisition journey will further strengthen the multiple for Beijer Alma. Forward-looking EV/EBIT for 2023 of approximately 16x gives a fair value of SEK 255–260, which is unchanged from our last publication.

The valuation is supported by a DCF model with a forecast period of 2022–2030. We assume a WACC of 8%, a long-term operating margin of 16% and growth beyond the forecast period of 2%. The DCF model indicates a value of SEK 249 per share.

| Sensitivity analysis |      |                       |       |            |       |       |
|----------------------|------|-----------------------|-------|------------|-------|-------|
|                      |      | Long-term growth rate |       |            |       |       |
|                      |      | 1,5%                  | 2,0%  | 2,5%       | 3,0%  | 3,5%  |
| WACC                 | 7,0% | 267                   | 286   | 310        | 339   | 377   |
|                      | 7,5% | 242                   | 258   | 276        | 299   | 327   |
|                      | 8,0% | 222                   | 234   | <b>249</b> | 267   | 289   |
|                      | 8,5% | 204                   | 215   | 227        | 241   | 258   |
|                      | 9,0% | 189                   | 198   | 208        | 219   | 233   |
|                      |      | Long-term EBIT margin |       |            |       |       |
|                      |      | 11,0%                 | 13,5% | 16,0%      | 18,5% | 21,0% |
| WACC                 | 7,0% | 226                   | 268   | 310        | 351   | 393   |
|                      | 7,5% | 204                   | 240   | 276        | 313   | 349   |
|                      | 8,0% | 185                   | 217   | <b>249</b> | 281   | 313   |
|                      | 8,5% | 170                   | 198   | 227        | 255   | 284   |
|                      | 9,0% | 156                   | 182   | 208        | 233   | 259   |

| Case score card  |  |
|--|--|
| <p><b>Triggers</b></p> <p><i>Starka kvartalsrapporter</i></p> <p><i>Förvärv</i></p>                            | <p><b>Risker</b></p> <p><i>Energipriser</i></p> <p><i>Problem i distributionsled</i></p> |
| <p><b>Stöd</b></p> <p><i>Diversifierad kund- och produktlista</i></p> <p><i>Nära relationer med kunder</i></p> | <p><b>Agenda</b></p> <p><i>Q1-rapport</i>      <i>2022-04-26</i></p>                     |

## Income statement

|                               | 2016A        | 2017A        | 2018A        | 2019A        | 2020A        | 2021A        | 2022E        | 2023E        | 2024E        |
|-------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Revenue                       | 3 528        | 3 971        | 4 408        | 4 622        | 4 250        | 5 389        | 6 166        | 6 537        | 6 931        |
| Cost of goods sold            | -2 262       | -2 706       | -3 032       | -3 242       | -2 959       | -3 644       | -4 193       | -4 428       | -4 644       |
| <b>Gross profit</b>           | <b>1 266</b> | <b>1 265</b> | <b>1 376</b> | <b>1 379</b> | <b>1 291</b> | <b>1 745</b> | <b>1 973</b> | <b>2 108</b> | <b>2 287</b> |
| Selling expenses              | -369         | -376         | -409         | -422         | -383         | -468         | -555         | -556         | -589         |
| Admin expenses                | -324         | -348         | -346         | -375         | -382         | -468         | -493         | -484         | -513         |
| Other revenue                 | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            |
| Other expenses                | 0            | 0            | 0            | 0            | 0            | 16           | 0            | 0            | 0            |
| <b>EBITDA</b>                 | <b>573</b>   | <b>659</b>   | <b>761</b>   | <b>813</b>   | <b>785</b>   | <b>1 021</b> | <b>1 192</b> | <b>1 349</b> | <b>1 465</b> |
| Depreciation and amortization | -117         | -131         | -139         | -231         | -240         | -247         | -267         | -280         | -280         |
| <b>EBIT</b>                   | <b>455</b>   | <b>528</b>   | <b>623</b>   | <b>583</b>   | <b>545</b>   | <b>775</b>   | <b>925</b>   | <b>1 069</b> | <b>1 185</b> |
| Financial income              | 1            | 2            | 2            | 1            | 1            | 2            | 1            | 1            | 1            |
| Financial expenses            | -9           | -12          | -16          | -26          | -30          | -33          | -35          | -34          | -34          |
| <b>Profit before taxes</b>    | <b>447</b>   | <b>517</b>   | <b>609</b>   | <b>557</b>   | <b>515</b>   | <b>743</b>   | <b>891</b>   | <b>1 036</b> | <b>1 152</b> |
| Tax                           | -119         | -129         | -140         | -127         | -118         | -170         | -183         | -212         | -236         |
| Minority interest             | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            |
| <b>Net result</b>             | <b>328</b>   | <b>388</b>   | <b>469</b>   | <b>431</b>   | <b>397</b>   | <b>574</b>   | <b>708</b>   | <b>823</b>   | <b>916</b>   |
| <b>Net result (adjusted)</b>  | <b>328</b>   | <b>388</b>   | <b>469</b>   | <b>431</b>   | <b>397</b>   | <b>574</b>   | <b>708</b>   | <b>823</b>   | <b>916</b>   |

## Balance sheet

|  | 2016A        | 2017A        | 2018A        | 2019A        | 2020A        | 2021A        | 2022E        | 2023E        | 2024E        |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Goodwill                               | 541          | 578          | 594          | 763          | 960          | 1 853        | 1 853        | 1 853        | 1 853        |
| Other intangible assets                | 9            | 29           | 34           | 35           | 27           | 237          | 237          | 237          | 237          |
| Tangible assets                        | 905          | 892          | 988          | 1 196        | 1 362        | 1 312        | 1 353        | 1 400        | 1 466        |
| Other fixed assets                     | 49           | 52           | 61           | 268          | 40           | 35           | 63           | 63           | 63           |
| <b>Total fixed assets</b>              | <b>1 505</b> | <b>1 552</b> | <b>1 677</b> | <b>2 262</b> | <b>2 389</b> | <b>3 437</b> | <b>3 506</b> | <b>3 553</b> | <b>3 619</b> |
| Inventories                            | 718          | 825          | 952          | 1 051        | 945          | 1 361        | 1 233        | 1 307        | 1 386        |
| Receivables                            | 655          | 731          | 809          | 777          | 735          | 1 066        | 925          | 981          | 1 040        |
| Other current assets                   | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            |
| Cash and cash equivalents              | 274          | 328          | 291          | 465          | 616          | 481          | 962          | 1 511        | 2 131        |
| <b>Total current assets</b>            | <b>1 646</b> | <b>1 884</b> | <b>2 052</b> | <b>2 293</b> | <b>2 296</b> | <b>2 907</b> | <b>3 120</b> | <b>3 799</b> | <b>4 557</b> |
| <b>TOTAL ASSETS</b>                    | <b>3 151</b> | <b>3 435</b> | <b>3 729</b> | <b>4 555</b> | <b>4 685</b> | <b>6 344</b> | <b>6 627</b> | <b>7 352</b> | <b>8 176</b> |
| <b>EQUITY AND LIABILITIES</b>          | <b>0</b>     | <b>0</b>     | <b>0</b>     | <b>0</b>     | <b>0</b>     | <b>0</b>     | <b>0</b>     | <b>0</b>     | <b>0</b>     |
| Equity                                 | 1 902        | 1 991        | 2 232        | 2 413        | 2 500        | 2 850        | 2 382        | 3 107        | 3 832        |
| Minority interest                      | 4            | 4            | 4            | 4            | 4            | 4            | 4            | 4            | 4            |
| <b>Total equity</b>                    | <b>1 905</b> | <b>1 995</b> | <b>2 236</b> | <b>2 417</b> | <b>2 504</b> | <b>2 854</b> | <b>2 386</b> | <b>3 111</b> | <b>3 836</b> |
| Long-term interest bearing liabilities | 243          | 145          | 190          | 532          | 614          | 999          | 999          | 999          | 999          |
| Other non-current liabilities          | 66           | 75           | 81           | 254          | 304          | 1 607        | 1 607        | 1 607        | 1 607        |
| <b>Total non-current liabilities</b>   | <b>309</b>   | <b>220</b>   | <b>270</b>   | <b>786</b>   | <b>918</b>   | <b>2 607</b> | <b>2 607</b> | <b>2 607</b> | <b>2 607</b> |
| Accounts payable                       | 237          | 253          | 251          | 224          | 170          | 269          | 308          | 327          | 347          |
| Other short-term liabilities           | 700          | 968          | 971          | 1 128        | 1 092        | 614          | 1 326        | 1 307        | 1 386        |
| <b>Total current liabilities</b>       | <b>937</b>   | <b>1 221</b> | <b>1 222</b> | <b>1 352</b> | <b>1 262</b> | <b>884</b>   | <b>1 634</b> | <b>1 634</b> | <b>1 733</b> |
| <b>Total liabilities</b>               | <b>1 246</b> | <b>1 440</b> | <b>1 493</b> | <b>2 138</b> | <b>2 180</b> | <b>3 490</b> | <b>4 241</b> | <b>4 241</b> | <b>4 339</b> |
| <b>TOTAL EQUITY AND LIABILITIES</b>    | <b>3 151</b> | <b>3 435</b> | <b>3 729</b> | <b>4 555</b> | <b>4 685</b> | <b>6 344</b> | <b>6 627</b> | <b>7 352</b> | <b>8 176</b> |

## Cash flow statement

|                                  | 2016A      | 2017A       | 2018A      | 2019A       | 2020A      | 2021A       | 2022E        | 2023E        | 2024E        |
|----------------------------------|------------|-------------|------------|-------------|------------|-------------|--------------|--------------|--------------|
| Net result                       | 328        | 388         | 469        | 431         | 397        | 574         | 708          | 823          | 916          |
| Other non-cash items             | 109        | 132         | 138        | 239         | 237        | 247         | 267          | 280          | 280          |
| Changes in working capital       | 29         | -132        | -155       | -81         | 87         | 15          | 26           | 0            | 0            |
| <b>Cash flow from operations</b> | <b>465</b> | <b>388</b>  | <b>452</b> | <b>589</b>  | <b>721</b> | <b>835</b>  | <b>1 001</b> | <b>1 104</b> | <b>1 196</b> |
| Capex                            | -291       | -118        | -228       | -300        | -125       | -269        | -308         | -327         | -347         |
| <b>Free cash flow</b>            | <b>174</b> | <b>270</b>  | <b>224</b> | <b>289</b>  | <b>596</b> | <b>566</b>  | <b>693</b>   | <b>777</b>   | <b>849</b>   |
| Dividends                        | -286       | -286        | -286       | -307        | -151       | -181        | -211         | -211         | -211         |
| Share issue / buy backs          | 0          | 0           | 0          | 0           | 0          | 0           | 0            | 0            | 0            |
| Acquisitions / disposals         | -78        | -84         | -4         | -356        | -219       | -753        | 0            | 0            | 0            |
| Cash flow from financing         | 134        | -60         | 0          | 66          | -52        | 0           | 0            | -17          | -19          |
| <b>Cash flow</b>                 | <b>-57</b> | <b>-160</b> | <b>-66</b> | <b>-309</b> | <b>175</b> | <b>-368</b> | <b>482</b>   | <b>549</b>   | <b>620</b>   |
| Other non-cash adjustments       | 0          | 0           | 0          | 0           | 0          | 0           | 0            | 0            | 0            |
| <b>Cash &amp; CE</b>             | <b>274</b> | <b>328</b>  | <b>291</b> | <b>465</b>  | <b>616</b> | <b>481</b>  | <b>962</b>   | <b>1 511</b> | <b>2 131</b> |



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