

BUY (Unchanged)

TP: Bt 0.95

(From: Bt 1.40)

Change in Numbers

Upside : 11.8%

27 SEPTEMBER 2024

# Euroasia Total Logistics (ETL TB)

## A fruit export play

Despite our 35-39% earnings cuts in 2024-26F, we maintain our BUY call on ETL with a new Bt0.95 TP. ETL is a logistics play on Thai fruit exports. We see cold-chain trucking service as a key growth driver and estimate a 2025-26F EPS CAGR of 18%.



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### Cutting our earnings; reaffirming BUY

We cut our earnings estimates for ETL by 35-39% in 2024-26F to reflect unexpected costs related to its new cold-chain business and lower-than-expected Thai durian output in 3Q24F. However, we maintain our BUY call on ETL with a lower DCF-based 12-month TP (rolled over to a 2025F base year) of Bt0.95 (from Bt1.4). **First**, we like ETL's cross-border cold-chain business, which we see as a play on Thai fruit exports. **Second**, ETL will enjoy a full year of cold-chain capacity growth expansion next year. **Third**, after a 56% EPS decline in 2024F, we estimate an 18% normalized EPS CAGR in 2025-26F from the capacity growth of its cold-chain business. **Lastly**, with its share price down 48% YTD, ETL looks inexpensive to us at 12x 2025F PE.

### A play on fruit exports

ETL launched its new cold-chain service in 2Q24 to capture the large Bt260bn fruit export market. Durian is the current key focus, transporting from Malaysia, Thailand, and Vietnam to the major importer, China. Following its recent entry, ETL expanded its capacity to 100 reefer containers in mid-June 2024 vs. 50 in 1Q24. As 3Q24F Thai durian output is lower than the company anticipated, ETL has shifted to focus on large-volume Vietnam durian exports. However, these have a lower margin due to the shorter distance between Vietnam and China. It is also exploring opportunities in other fruits and other segments, i.e., pharmaceuticals, dairy products, and electronics. ETL has an advantage as its service involves no transloading during border crossings, which is preferred as product damage risk is reduced. Cold chain is a higher-margin service; we see it as a key earnings driver for ETL. We estimate the cold-chain product mix to rise from 1% in 2023 to 19% of total revenue in 2026F.

### We project an 18% EPS CAGR in 2025-26F

We estimate normalized earnings to fall 33% in 2024F due to unexpected costs and the hiccup during the launch of its cold-chain business. 2024F EPS should fall 56% due to the impact of new IPO shares. However, we project a rebound with an 18% EPS CAGR 2025-26F, driven by revenue growth of 6/9% in 2025-26F on cold-chain business capacity expansion, gross margin widening to 14.1/14.4% in 2025-26F from 13.6% in 2024F, and a falling SG&A/sales ratio on a growing sales base.

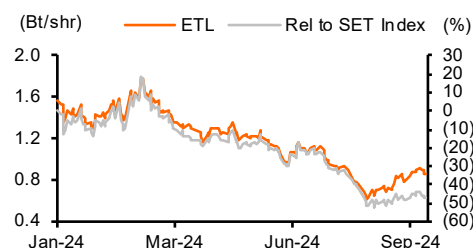
### No concern over Chinese logistics providers

Despite news about an influx of Chinese freight companies using Thai nominees, management is unconcerned as these Chinese operators focus mainly on the e-commerce market. ETL's customers are mainly large enterprises in the electronics, auto, and food sectors, which prioritize product safety and on-time delivery over pricing.

### COMPANY VALUATION

Y/E Dec (Bt m)	2023A	2024F	2025F	2026F
Sales	1,238	1,362	1,445	1,573
Net profit	58	37	43	52
Consensus NP	—	na	na	na
Diff frm cons (%)	—	na	na	na
Norm profit	56	37	43	52
Prev. Norm profit	—	61	67	82
Chg frm prev (%)	—	(39.1)	(35.1)	(36.4)
Norm EPS (Bt)	0.1	0.1	0.1	0.1
Norm EPS grw (%)	(47.7)	(55.5)	16.4	20.4
Norm PE (x)	6.3	14.1	12.1	10.1
EV/EBITDA (x)	2.8	4.9	4.1	3.6
P/BV (x)	0.8	0.8	0.7	0.7
Div yield (%)	0.0	2.1	2.5	3.0
ROE (%)	10.4	5.5	6.1	7.0
Net D/E (%)	(3.3)	1.8	5.2	7.2

### PRICE PERFORMANCE



### COMPANY INFORMATION

Price as of 27-Sep-24 (Bt)	0.85
Market Cap (US\$ m)	16.3
Listed Shares (m shares)	620.0
Free Float (%)	26.1
Avg Daily Turnover (US\$ m)	0.1
12M Price H/L (Bt)	1.78/0.61
Sector	Transportation & Logistics
Major Shareholder	WICE 36.86%

Sources: Bloomberg, Company data, Thanachart estimates

ESG Summary Report ..... P5

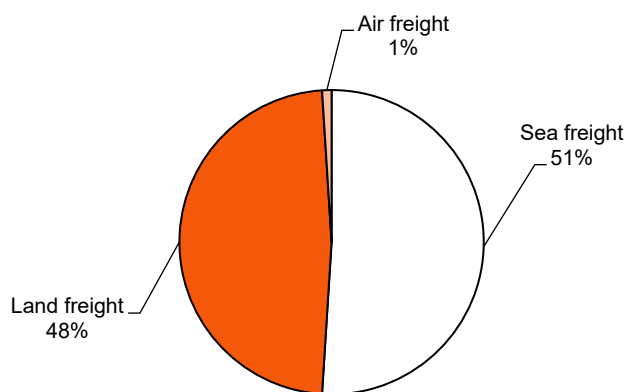


## Ex 1: Key Assumption Revisions

	2021	2022	2023	2024F	2025F	2026F
<b>Gross margin (%)</b>						
New	13.2	14.1	15.0	13.6	14.1	14.4
Old				16.7	17.0	17.2
Change (ppt)				(3.1)	(2.9)	(2.8)
<b>Normalized profit (Bt m)</b>						
New	106	68	56	37	43	52
Old				61	67	82
Change (%)				(39.1)	(35.1)	(36.4)

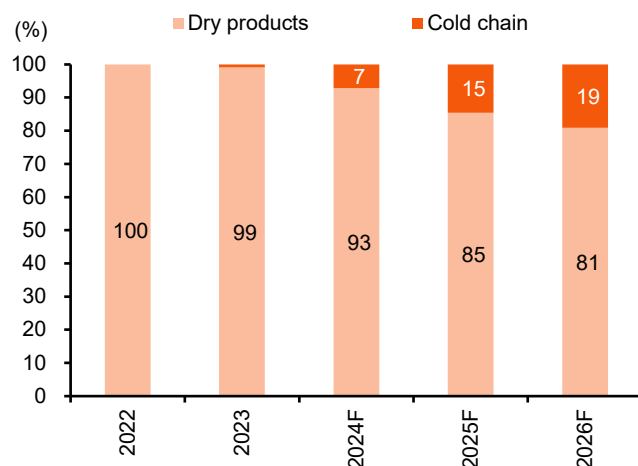
Sources: Company data, Thanachart estimates

## Ex 2: Fruit Exports To China Transportation Breakdown



Source: Thai Commerce Ministry

## Ex 3: We Forecast The Cold Chain Product Mix To Rise



Sources: Company data, Thanachart estimates

## Ex 4: 12-month DCF-based TP Calculation Using A Base Year Of 2025F

(Bt m)	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F	2035F	Terminal value
EBITDA	110	132	151	173	199	221	242	266	291	318	346	—
Free cash flow	10	24	40	51	66	80	92	106	114	128	125	1,082
PV of free cash flow	10	19	28	31	35	38	37	38	35	35	30	261
Risk-free rate (%)	2.5											
Market risk premium (%)	8.0											
Beta	1.4											
WACC (%)	13.3											
Terminal growth (%)	2.0											
Enterprise value - add investments	596											
Net debt (2024F)	13											
Minority interest	(3)											
Equity value	586											
# of shares (m)	620											
<b>Target price/share (Bt)</b>	<b>0.95</b>											

Sources: Company data, Thanachart estimates

## Valuation Comparison

### Ex 5: Valuation Comparison With Regional Peers

Name	BBG code	Country	EPS growth		— PE —		— P/BV —		EV/EBITDA		—Div yield—	
			24F (%)	25F (%)	24F (x)	25F (x)	24F (x)	25F (x)	24F (x)	25F (x)	24F (%)	25F (%)
Expeditors Int'l	EXPD US	US	(0.1)	5.8	25.5	24.1	8.1	7.8	17.4	16.9	1.1	1.2
CH Robinson Worldwide	CHRW US	US	24.2	13.7	26.2	23.1	8.3	7.7	18.2	16.5	2.3	2.4
Eastern Air Logistics	601156 CH	China	26.2	18.1	8.8	7.5	1.5	1.3	4.2	3.5	3.5	4.6
Triple I Logistics	III TB	Thailand	(30.8)	6.9	9.4	8.8	1.3	1.2	32.4	29.8	3.8	4.1
Euroasia Total Logistics	ETL TB	Thailand	(55.5)	16.4	14.1	12.1	0.8	0.7	4.9	4.1	2.1	2.5
Wice Logistics	WICE TB	Thailand	124.9	(54.2)	13.7	29.8	2.5	2.4	5.2	6.6	2.2	1.0
<b>Average</b>			<b>17.8</b>	<b>1.1</b>	<b>16.3</b>	<b>17.6</b>	<b>3.8</b>	<b>3.5</b>	<b>13.7</b>	<b>12.9</b>	<b>2.5</b>	<b>2.6</b>

Sources: Company data, Thanachart estimates

Note: \* Thanachart estimates, using normalized EPS

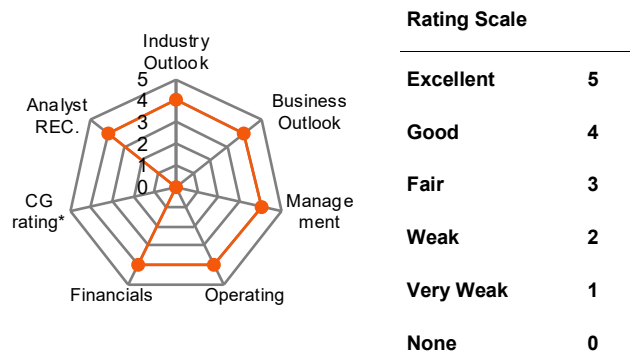
Based on 27 September 2024 closing prices

## COMPANY DESCRIPTION

Euroasia Total Logistics Pcl (ETL) is a cross-border transportation carrier between China and Southeast Asia. It has subsidiaries in Malaysia, Vietnam, and China. ETL focuses on electronics-related products, fruits/foods/beverages, and auto-related products in Asia.

Source: Thanachart

## COMPANY RATING



Source: Thanachart; \* No CG Rating

## THANACHART'S SWOT ANALYSIS

### S — Strength

- Lengthy experience with its main focus in Asia.
- Its niche position in intra-region road cross-border transport between Southeast Asia and China

### O — Opportunity

- Growing intra-ASEAN and China trade.
- Regional expansion with strong partners.

### W — Weakness

Highly sensitive to economic conditions.

### T — Threat

- A weakening global economy and sluggish growth in global trade.
- Competition from other freight forwarders.

## CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	na	0.95	na
Net profit 24F (Bt m)	na	37	na
Net profit 25F (Bt m)	na	43	na
Consensus REC	BUY: 2	HOLD: 0	SELL: 0

## HOW ARE WE DIFFERENT FROM THE STREET?

- As we are the only broker covering the stock, there is no consensus data.

## RISKS TO OUR INVESTMENT CASE

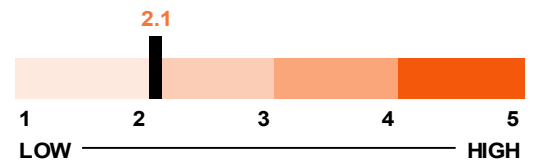
- If the Chinese and Southeast Asian economies were to recover more slowly than our current expectations, this would result in the key downside risk to transportation demand.
- If revenue and gross margin expansion for cross-border services, both for dry products and cold chain, were to come in lower than we currently anticipate, this would represent another downside risk.

Sources: Bloomberg consensus, Thanachart estimates

Source: Thanachart

ETL is a cross-border trucking logistics carrier that leases, owns, and operates trucking services. We assign an ESG score of 2.1, which is relatively low to reflect ETL’s business nature of using diesel-fuel trucks and its limited quantitative ESG outcome. The company is newly listed and in the process of data collection.

Thanachart ESG Rating



	SET ESG Index	SET ESG (BBB-AAA)	DJSI Index	MSCI (CCC-AAA)	ESG Book (0-100)	Refinitiv (0-100)	S&P Global (0-100)	Moody's (0-100)	CG Rating (0-5)
ETL	-	-	-	-	-	-	-	-	0.0

Sources: SETTRADE, SET ESG Index, SET ESG Rating, The Dow Jones Industrial Average (DJSI), MSCI ESG Research LLC, ESG Book, Refinitiv ESG Information, S&P Global Market Intelligence, Moody's ESG Solutions, Thai IOD (CG rating)  
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**Factors Our Comments**

**ENVIRONMENT**

- Environmental Policies & Guidelines
- Energy Management
- Carbon Management
- Water Management
- Waste Management

- ETL runs a cross-border road transport business. This involves operating a truck fleet that releases greenhouse gas (GHG) emissions. Most of ETL’s trucks still run on diesel.
- ETL, the newly listed company, is in the process of preparing and collecting data on GHG emissions and all other aspects of ESG issues.
- Within five years from 2022, the company targets lowering GHG emissions by 5-10%, energy consumption by 3-5%, electricity usage by 3-5%, water usage by 3-5%, and its waste amount by 3-5%.

**SOCIAL**

- Human Rights
- Staff Management
- Health & Safety
- Product Safety & Quality
- Social Responsibility

- ETL has a policy to support and respect the protection of human rights by treating all stakeholders with respect for the dignity of their humanity.
- ETL values respecting employees' rights according to human rights principles and complying with labor laws. It promotes personnel development at all levels by providing training and seminars.
- In 2023, ETL engaged in efforts to help society by donating blankets, sports equipment, and school signs. However, no quantitative data was gathered to measure the outcomes.

**GOVERNANCE & SUSTAINABILITY**

- Board
- Ethics & Transparency
- Business Sustainability
- Risk Management
- Innovation

- ETL’s board of directors (BOD) structure is decent, in our view. We believe an eight-member BOD is appropriate for the company’s business. Three members, or nearly half of the BOD, are independent directors. The BOD chairman is different from the chairman of the executive board.
- ETL has an anti-corruption policy that focuses on enhancing its organizational culture.
- ETL has a whistle-blowing policy.

Source: Thanachart

**INCOME STATEMENT**

<b>FY ending Dec (Bt m)</b>	<b>2022A</b>	<b>2023A</b>	<b>2024F</b>	<b>2025F</b>	<b>2026F</b>
Sales	1,477	1,238	1,362	1,445	1,573
Cost of sales	1,269	1,053	1,177	1,242	1,347
<b>Gross profit</b>	<b>208</b>	<b>186</b>	<b>185</b>	<b>204</b>	<b>227</b>
% gross margin	14.1%	15.0%	13.6%	14.1%	14.4%
Selling & administration expenses	132	118	136	144	155
<b>Operating profit</b>	<b>77</b>	<b>68</b>	<b>49</b>	<b>59</b>	<b>72</b>
% operating margin	5.2%	5.5%	3.6%	4.1%	4.6%
Depreciation & amortization	38	48	61	78	92
<b>EBITDA</b>	<b>115</b>	<b>115</b>	<b>110</b>	<b>137</b>	<b>164</b>
% EBITDA margin	7.8%	9.3%	8.1%	9.5%	10.4%
Non-operating income	4	12	11	12	13
Non-operating expenses	12	(3)	0	0	0
Interest expense	(16)	(14)	(12)	(15)	(17)
<b>Pre-tax profit</b>	<b>77</b>	<b>63</b>	<b>48</b>	<b>56</b>	<b>68</b>
Income tax	18	7	12	14	17
<b>After-tax profit</b>	<b>59</b>	<b>56</b>	<b>36</b>	<b>42</b>	<b>51</b>
% net margin	4.0%	4.5%	2.6%	2.9%	3.2%
Shares in affiliates' Earnings	1	(1)	0	0	0
Minority interests	8	1	1	1	2
Extraordinary items	(10)	2	0	0	0
<b>NET PROFIT</b>	<b>58</b>	<b>58</b>	<b>37</b>	<b>43</b>	<b>52</b>
<b>Normalized profit</b>	<b>68</b>	<b>56</b>	<b>37</b>	<b>43</b>	<b>52</b>
EPS (Bt)	0.2	0.1	0.1	0.1	0.1
Normalized EPS (Bt)	0.3	0.1	0.1	0.1	0.1

*A new growth driver of cold-chain trucking services*

**BALANCE SHEET**

<b>FY ending Dec (Bt m)</b>	<b>2022A</b>	<b>2023A</b>	<b>2024F</b>	<b>2025F</b>	<b>2026F</b>
<b>ASSETS:</b>					
Current assets:	646	697	714	753	813
Cash & cash equivalent	180	89	80	80	80
Account receivables	440	454	466	495	539
Inventories	0	0	0	0	0
Others	25	154	168	178	194
Investments & loans	1	4	4	4	4
Net fixed assets	200	168	251	280	300
Other assets	168	200	208	211	211
<b>Total assets</b>	<b>1,016</b>	<b>1,069</b>	<b>1,178</b>	<b>1,249</b>	<b>1,328</b>
<b>LIABILITIES:</b>					
Current liabilities:	482	312	367	394	428
Account payables	312	235	264	279	303
Bank overdraft & ST loans	50	0	0	0	0
Current LT debt	87	35	47	60	69
Others current liabilities	33	42	55	55	56
<b>Total LT debt</b>	<b>71</b>	<b>33</b>	<b>45</b>	<b>57</b>	<b>66</b>
Others LT liabilities	54	64	76	79	78
<b>Total liabilities</b>	<b>608</b>	<b>409</b>	<b>488</b>	<b>530</b>	<b>572</b>
Minority interest	(0)	(1)	(3)	(4)	(6)
Preferreds shares	0	0	0	0	0
Paid-up capital	174	310	310	310	310
Share premium	102	292	292	292	292
Warrants	0	0	0	0	0
Surplus	(6)	(8)	(8)	(8)	(8)
<b>Retained earnings</b>	<b>138</b>	<b>66</b>	<b>98</b>	<b>129</b>	<b>167</b>
Shareholders' equity	409	661	692	724	762
<b>Liabilities &amp; equity</b>	<b>1,016</b>	<b>1,069</b>	<b>1,178</b>	<b>1,249</b>	<b>1,328</b>

Sources: Company data, Thanachart estimates

**CASH FLOW STATEMENT**

<b>FY ending Dec (Bt m)</b>	<b>2022A</b>	<b>2023A</b>	<b>2024F</b>	<b>2025F</b>	<b>2026F</b>
Earnings before tax	77	63	48	56	68
Tax paid	(13)	(15)	(8)	(15)	(15)
Depreciation & amortization	38	48	61	78	92
Chg In working capital	(6)	(91)	17	(14)	(20)
Chg In other CA & CL / minorities	7	(112)	(6)	(9)	(16)
<b>Cash flow from operations</b>	<b>103</b>	<b>(108)</b>	<b>111</b>	<b>95</b>	<b>108</b>
Capex	(2)	1	(122)	(80)	(80)
Right of use	(48)	(47)	(30)	(30)	(30)
ST loans & investments	1	(1)	1	0	0
LT loans & investments	(1)	(3)	0	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	18	10	11	2	(1)
<b>Cash flow from investments</b>	<b>(31)</b>	<b>(39)</b>	<b>(140)</b>	<b>(108)</b>	<b>(111)</b>
Debt financing	(6)	(139)	25	25	17
Capital increase	52	325	0	0	0
Dividends paid	0	(79)	(6)	(12)	(14)
Warrants & other surplus	(64)	(52)	0	0	0
<b>Cash flow from financing</b>	<b>(19)</b>	<b>56</b>	<b>19</b>	<b>12</b>	<b>3</b>
<b>Free cash flow</b>	<b>101</b>	<b>(106)</b>	<b>(11)</b>	<b>15</b>	<b>28</b>

**VALUATION**

<b>FY ending Dec</b>	<b>2022A</b>	<b>2023A</b>	<b>2024F</b>	<b>2025F</b>	<b>2026F</b>
Normalized PE (x)	3.3	6.3	14.1	12.1	10.1
Normalized PE - at target price (x)	3.7	7.0	15.8	13.6	11.3
PE (x)	3.8	6.1	14.1	12.1	10.1
PE - at target price (x)	4.3	6.8	15.8	13.6	11.3
EV/EBITDA (x)	2.2	2.8	4.9	4.1	3.6
EV/EBITDA - at target price (x)	2.4	3.2	5.5	4.6	3.9
P/BV (x)	0.7	0.8	0.8	0.7	0.7
P/BV - at target price (x)	0.8	0.9	0.9	0.8	0.8
P/CFO (x)	2.1	(3.2)	4.7	5.5	4.9
Dividend yield (%)	23.3	0.0	2.1	2.5	3.0
FCF Yield (%)	45.5	(30.5)	(2.0)	2.9	5.2
<b>(Bt)</b>					
Normalized EPS	0.3	0.1	0.1	0.1	0.1
EPS	0.2	0.1	0.1	0.1	0.1
DPS	0.2	0.0	0.0	0.0	0.0
BV/share	1.2	1.1	1.1	1.2	1.2
CFO/share	0.4	(0.3)	0.2	0.2	0.2
FCF/share	0.4	(0.3)	(0.0)	0.0	0.0

Sources: Company data, Thanachart estimates

*Stock looks inexpensive  
to us, trading at a 12x  
2025F PE multiple*

## FINANCIAL RATIOS

FY ending Dec	2022A	2023A	2024F	2025F	2026F
<b>Growth Rate</b>					
Sales (%)	(20.4)	(16.2)	10.0	6.1	8.8
Net profit (%)	(45.5)	(0.7)	(35.1)	16.4	20.4
EPS (%)	(55.3)	(36.8)	(57.1)	16.4	20.4
Normalized profit (%)	(36.4)	(17.8)	(32.7)	16.4	20.4
Normalized EPS (%)	(47.9)	(47.7)	(55.5)	16.4	20.4
Dividend payout ratio (%)	118.9	0.0	30.0	30.0	30.0
<b>Operating performance</b>					
Gross margin (%)	14.1	15.0	13.6	14.1	14.4
Operating margin (%)	5.2	5.5	3.6	4.1	4.6
EBITDA margin (%)	7.8	9.3	8.1	9.5	10.4
Net margin (%)	4.0	4.5	2.6	2.9	3.2
D/E (incl. minor) (x)	0.5	0.1	0.1	0.2	0.2
Net D/E (incl. minor) (x)	0.1	(0.0)	0.0	0.1	0.1
Interest coverage - EBIT (x)	4.8	4.9	4.0	3.9	4.2
Interest coverage - EBITDA (x)	7.2	8.4	9.1	9.1	9.5
ROA - using norm profit (%)	6.3	5.3	3.3	3.6	4.1
ROE - using norm profit (%)	17.5	10.4	5.5	6.1	7.0
<b>DuPont</b>					
ROE - using after tax profit (%)	15.3	10.4	5.3	5.9	6.8
- asset turnover (x)	1.4	1.2	1.2	1.2	1.2
- operating margin (%)	6.3	6.2	4.4	4.9	5.4
- leverage (x)	2.8	1.9	1.7	1.7	1.7
- interest burden (%)	82.8	82.2	79.9	78.8	79.8
- tax burden (%)	76.8	88.4	75.0	75.0	75.0
WACC (%)	12.8	12.8	12.8	13.3	13.3
ROIC (%)	13.3	13.7	5.7	6.3	7.1
NOPAT (Bt m)	59	60	37	44	54
invested capital (Bt m)	437	639	705	761	816

Sources: Company data, Thanachart estimates

## ESG Information - Third Party Terms

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ESG Scores by Third Party data from www.SETTRADE.com

1. MSCI (CCC- AAA)
2. ESG Book (0-100)
3. Refinitiv (0-100)
4. S&P Global (0-100)
5. Moody's ESG Solutions (0-100)
6. SET ESG Rating (BBB-AAA)

### SETESG Index (SETESG)

The SETESG Index reflects the price movement of stock of companies that have sustainable business practices which consider environmental, social and governance (ESG) aspect.

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### SET ESG Index (SET ESG)

Currently, long-term investment guidelines abroad are beginning to focus on investing in companies that have sustainable business practices. which considers environmental, social and governance factors (Environmental, Social and Governance or ESG) of the company in making investment decisions along with analyzing the company's financial data.

Stock Exchange Has prepared the results of evaluating sustainable stocks which are stocks of listed companies (SETESG Rating) as an alternative for investors who want to invest in stocks of listed companies that are outstanding in ESG, including to support listed companies with operations. sustainable business Taking into account all stakeholders in both social and environmental aspects. There is a management process to create sustainability for the organization, such as risk management. Supply chain management and innovation development. Therefore, the SETESG index was created to be an index that reflects the price movement of a group of securities. of companies with sustainable business operations that meet the required size and liquidity criteria

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Score range	Description
CCC - B	<b>LAGGARD:</b> A company lagging its industry based on its high exposure and failure to manage significant ESG risks
BB - BBB - A	<b>AVERAGE :</b> A company with a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers
AA - AAA	<b>LEADER:</b> A company leading its industry in managing the most significant ESG risks and opportunities

### The Dow Jones Sustainability Indices (DJSI)

The Dow Jones Sustainability Indices (DJSI) are a family of best-in-class benchmarks for investors who have recognized that sustainable business practices are critical to generating long-term shareholder value and who wish to reflect their sustainability convictions in their investment portfolios. The family was launched in 1999 as the first global sustainability benchmark and tracks the stock performance of the world's leading companies in terms of economic, environmental and social criteria. Created jointly by S&P Dow Jones Indices and SAM, the DJSI combine the experience of an established index provider with the expertise of a specialist in Sustainable Investing to select the most sustainable companies from across 61 industries. The indices serve as benchmarks for investors who integrate sustainability considerations into their portfolios, and provide an effective engagement platform for investors who wish to encourage companies to improve their corporate sustainability practices.

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ESG risk combines the concepts of management and exposure to arrive at an absolute assessment of ESG risk. We identify five categories of ESG risk severity that could impact a company's enterprise value

### Moody's ESG Solutions

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90-100	▲▲▲▲▲	Excellent
80-89	▲▲▲▲	Very Good
70-79	▲▲▲	Good
60-69	▲▲	Satisfactory
50-59	▲	Pass
Below		N/A

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