



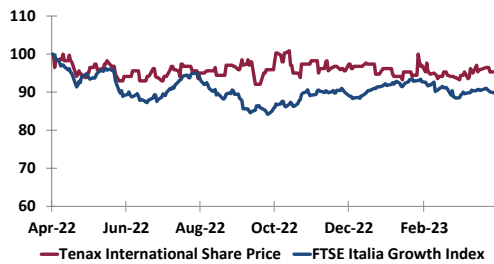
2022 above expectations, boost of backlog from new markets

OUTPERFORM

Current Share Price (€): 3.24

Target Price (€): 5.26

Tenax International - 1Y Performance



Source: S&P Capital IQ - Note: 19/04/2022=100

Company data

ISIN number	IT0005428898
Bloomberg code	TNX IM
Reuters code	TNX.IM
Industry	Manufacturing
Stock market	Euronext Growth Milan
Share Price (€)	3.24
Date of Price	18/04/2023
Shares Outstanding (m)	3.5
Market Cap (€m)	11.4
Market Float (%)	33.6%
Daily Volume	0
Avg Daily Volume YTD	2,595
Target Price (€)	5.26
Upside (%)	62%
Recommendation	OUTPERFORM

Share price performance

	1M	3M	6M	1Y
Tenax - Absolute (%)	2%	-1%	-5%	-5%
FTSE Italia Growth (%)	1%	-3%	3%	-10%
1Y Range H/L (€)			3.43	3.13
YTD Change (€) / %			-0.05	-1.5%

Source: S&P Capital IQ

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Trading update: upright

Over the last 12 months Tenax share price held the line (-5%), while the turmoil affecting global stock markets hit the Italia Growth index, which in the same period lost 10%.

FY22: sales up over 60%, 95% exports, profitability withstands

Tenax recorded a substantial sales growth in FY22, up to €17m from €10.4m in FY21, +64% YoY, exceeding our estimate at €15m, and total revenues up to €18.4m. According to management, these results have been achieved despite supply chain delays which led to delivery rescheduling. EBITDA at €1.8m, +71% YoY, 9.8% margin (stable compared to FY21), again above expectations, recovering most of the increase in operating costs (+62% YoY); materials increased (+111% YoY) more than other costs; services and personnel rose less than volume (respectively, +27% and +49% YoY). Net income at €0.3m, breakeven like prior years. Inventory increased by 23% on FY21, 37% on sales, while trade receivables decreased (-8% YoY) and trade payables increased (+57% YoY), resulting in Trade Working Capital down to €7m, from €8m at FY21 (-12%), 41% on sales. Net financial debt was €4.3m, from €2.8m as of June 2022 and €5.4m as of FY21 year-end, after investments in product development.

Outlook: new markets to boost sales

2022 performance and current backlog (€11.4m to date, 70% of FY22 sales, of which ca €10m covering H1 2023 budget) anticipate sales spreading in new countries such as South Korea, Germany, Canada, with India and USA as next steps. The launch of the new model Electra 5.0, the first high-capacity electric road sweeper, is expected within the end of 2023.

Target Price €5.26 per share (from €4.78), OUTPERFORM rating confirmed

Tenax performance in 2022 and the backlog growth trend were above our expectations, access to new markets and product launches call for an upgrade in estimates and rating. Our updated valuation outcome is a target price of €5.26 per share, from €4.78 of our previous note, corresponding to 1x 2023 EV/Revenues, while Tenax currently trades at 0.7x, at discount vs peers at 1.3x. We confirm the OUTPERFORM rating on the stock.

KEY FINANCIALS AND ESTIMATES

€m	2018	2019	2020	2021	2022	2023E	2024E	2025E
Sales	7.9	8.4	7.9	10.4	17.0	22.1	26.5	31.8
Total Revenues	8.4	8.9	8.9	10.9	18.4	23.6	28.6	34.2
EBITDA	1.1	1.0	1.0	1.1	1.8	2.4	3.2	4.0
Margin on Sales	13%	12%	13%	10%	11%	11%	12%	13%
Net (Debt) Cash	(3.3)	(3.8)	(2.9)	(5.4)	(4.3)	(4.3)	(4.3)	(4.4)
Equity	1.5	1.7	4.7	5.6	6.2	7.0	8.2	9.6

Source: Company data 2018-22A, EnVent Research 2023-25E

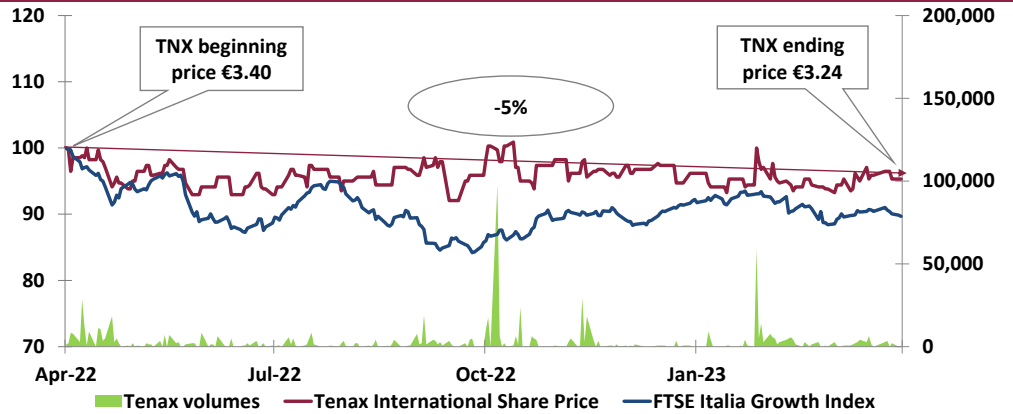
Market update

Immune from turmoil

-5% for Tenax, in the same period the Italia Growth Index decreased by 10%

Trading price range €3.13-3.43 per share

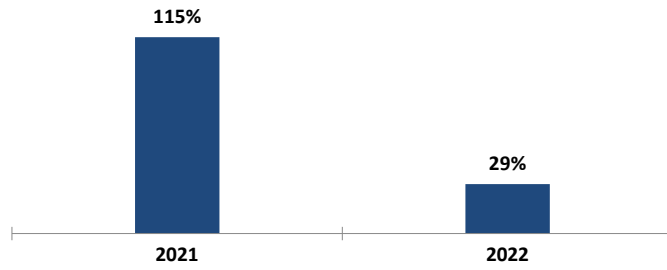
Tenax International - 1Y Share price performance and trading volumes



Source: EnVent Research on S&P Capital IQ - Note: 19/04/2022=100

Tenax International - Liquidity analysis and velocity turnover

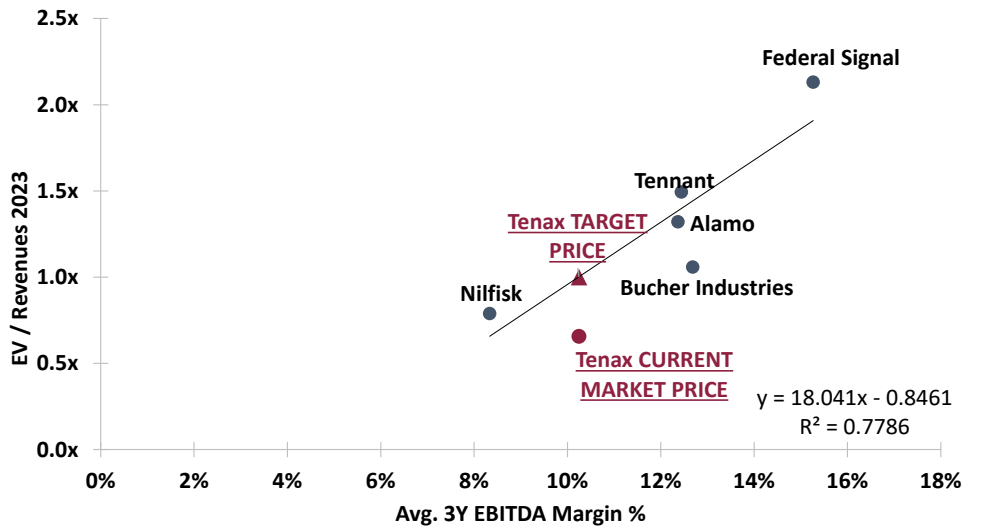
2021 trading volumes just after IPO



Source: EnVent Research on S&P Capital IQ - Velocity turnover=ratio of tot. traded shares to tot. ordinary shares

Industry peer group - Regression analysis and Tenax target positioning

Industry like positioning



Source: EnVent Research on S&P Capital IQ, April 2023

Investment case

Pioneer of zero emission city cleaning

In-house full electric vehicles

Public tenders worldwide, over 90% export

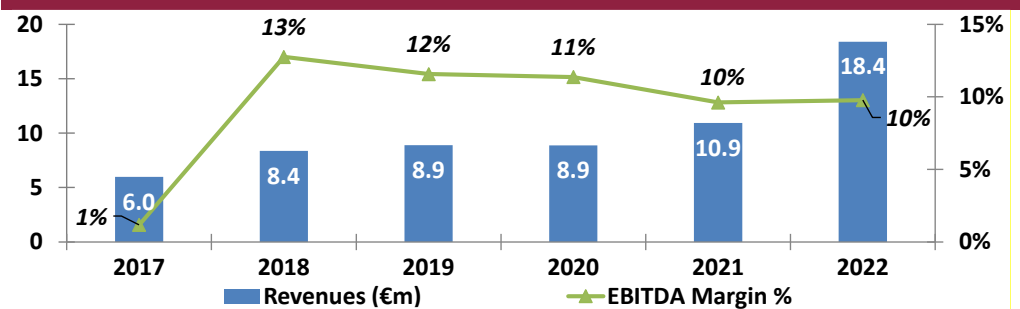
Strategy

Tenax International is an Italian producer of high performance full electric road sweepers and washers for cleaning on public and private roads or areas designed and engineered in-house. The major purpose of internal development is to unlock the full potential of electric power technologies, compared to electrification of competitors' older diesel-based models, providing light and efficient vehicles with zero emissions and with exchangeable power storage based on customers' needs. Tenax owns active patents for its in-house technology.

Major end-customers are public administrations and municipalities which are reached through a comprehensive dealer network. Sales are generated by selection and participation to public tenders. Tenax operates in the compact street sweepers segment and its full-electric vehicles are sold worldwide, with over 90% revenues generated internationally.

Main strategic goal is to foster leadership in the electric segment, developing next-generation sweepers for segments in which Tenax is not present and improving the existing range in response to customer requirements. Tenax will continue the geographical expansion into new markets and to pursue acquisition opportunities to enrich product and customer portfolio.

Historical Revenues and EBITDA



Source: Company data

Industry and Company drivers

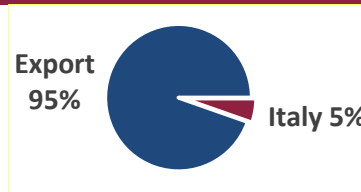
- Electric-based machines at the core of e-mobility innovation
- Feeding sustainability demand in the road sweepers market: wide room for growth of full electric vehicles
- The mobile machinery industry is a Europe-based world class industrial cluster
- Full-electric pioneer in a niche market segment destined to shift to electric
- Development and innovation skills, ability to design and develop cost-effective cleaning vehicles
- Diversified product portfolio and global presence

Challenges

- High rivalry: second and fast second movers may populate market and increase competition
- Municipal organization dependency

- International market exposure
- Sustainability of operating margins

Sales breakdown by geography, 2022



Source: Company data

Business update: new countries and products to boost sales

- New markets: Germany, South Korea and Canada; India and USA expected in H2 2023
- New products: market entry of Electra 5.0 Evos, the first electric road sweeper with capacity above 2.5m³, planned in H2 2023; Electra 2.0 Deck street washer for historic city centers and cobblestone streets, and Electra 5.0 Hydro, compact street washer with capacity of 6,000 liters, to be launched in 2024

Period corporate facts

- 128,800 Tenax 2020-23 warrants (IT0005428815) have been exercised during the second exercise period between November 8-23, 2022, at a strike price of €2.42, with a conversion ratio of 1 share:2 warrants, for a total amount of 64,400 shares and €156k raised

Industry outlook

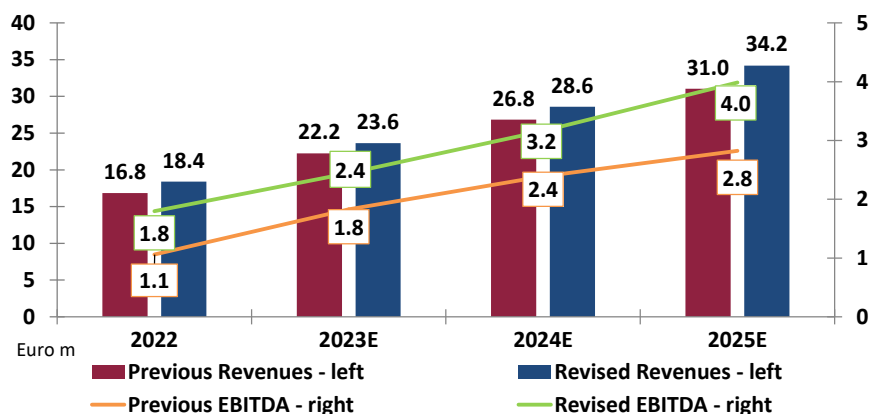
According to Swiss air quality company IQAir, in 2022 only 8 out of 116 regional capital cities reached PM_{2.5} level in line with WHO guidelines (< 5 µg/m³). If Europe is making progress towards 2050 pollution target (according to the European Environment Agency, from 2005 to 2020 PM_{2.5} emissions fell by 32%, source: EEA, *Source and emissions of air pollutants in Europe, 2022*), as well as North America, cities and territories in Africa and Central and South Asia are still lagging behind. With an over-stress on environmental sustainability for communities, electric street sweepers manufacturers are going to face endless demand by companies and municipalities which are not involved yet in sustainability operations.

Estimates revision

Based on FY22 results and current backlog, we have updated our sales and profit estimates and fine-tuned operating costs. On the BS, we have adjusted DOI and DSO to factor in current working capital dynamics, and capex.

Change in estimates

Previous vs Revised Revenues and EBITDA estimates (€m)



Source: EnVent Research

€m	Revised				Previous				Change %			
	2022	2023E	2024E	2025E	2022E	2023E	2024E	2025E	2022	2023E	2024E	2025E
Sales	17.0	22.1	26.5	31.8	15.1	20.4	25.5	29.3	13%	9%	4%	9%
Revenues	18.4	23.6	28.6	34.2	16.8	22.2	26.8	31.0	9%	6%	7%	10%
EBITDA	1.8	2.4	3.2	4.0	1.1	1.8	2.4	2.8	70%	34%	32%	41%
<i>Margin on Revenues</i>	10%	10%	11%	12%	6%	8%	9%	9%				
EBIT	0.8	1.4	1.9	2.3	0.2	1.1	1.6	2.0	391%	33%	19%	15%
<i>Margin on Revenues</i>	5%	6%	7%	7%	1%	5%	6%	7%				
Net Income (Loss)	0.3	0.8	1.1	1.5	(0.0)	0.6	1.0	1.3	-1360%	31%	15%	11%
Net (Debt) Cash	(4.3)	(4.3)	(4.3)	(4.4)	(3.2)	(3.9)	(3.9)	(3.7)	38%	11%	10%	18%
<i>Net Debt/EBITDA</i>	2.4x	1.8x	1.4x	1.1x	3.0x	2.1x	1.6x	1.3x				

Source: EnVent Research

Financial projections

Profit and Loss								
€m	2018	2019	2020	2021	2022	2023E	2024E	2025E
Sales	7.9	8.4	7.9	10.4	17.0	22.1	26.5	31.8
Change in inventory	0.4	0.4	0.7	(0.2)	0.8	0.9	1.5	1.7
Capitalization of R&D	0.0	0.0	0.2	0.4	0.4	0.4	0.4	0.4
Other income	0.1	0.1	0.0	0.3	0.2	0.2	0.2	0.2
Total Revenues	8.4	8.9	8.9	10.9	18.4	23.6	28.6	34.2
YoY %	39.7%	6.4%	-0.1%	23.2%	68.2%	28.5%	21.0%	19.6%
Materials	(4.1)	(4.3)	(4.1)	(4.2)	(8.8)	(12.0)	(14.6)	(17.5)
Services	(1.7)	(1.6)	(1.8)	(3.5)	(4.4)	(5.3)	(6.3)	(7.2)
Personnel	(1.4)	(1.7)	(1.7)	(1.9)	(2.9)	(3.3)	(3.8)	(4.5)
Other operating costs	(0.1)	(0.2)	(0.2)	(0.3)	(0.5)	(0.7)	(0.8)	(1.0)
Operating charges	(7.3)	(7.9)	(7.9)	(9.9)	(16.6)	(21.2)	(25.4)	(30.2)
EBITDA	1.1	1.0	1.0	1.1	1.8	2.4	3.2	4.0
Margin on Sales	13.5%	12.3%	12.8%	10.1%	10.6%	11.1%	11.9%	12.5%
Margin on Revenues	12.8%	11.6%	11.4%	9.6%	9.8%	10.3%	11.1%	11.7%
D&A	(0.5)	(0.6)	(0.6)	(0.7)	(1.0)	(1.0)	(1.3)	(1.6)
EBIT	0.6	0.4	0.4	0.4	0.8	1.4	1.9	2.3
Margin	7.3%	4.4%	4.7%	3.4%	4.5%	6.0%	6.5%	6.9%
Interest	(0.2)	(0.1)	(0.2)	(0.1)	(0.3)	(0.3)	(0.3)	(0.3)
EBT	0.4	0.2	0.2	0.3	0.5	1.1	1.6	2.1
Margin	5.4%	2.8%	2.7%	2.3%	2.9%	4.8%	5.5%	6.0%
Income taxes	(0.0)	(0.1)	(0.1)	(0.0)	(0.2)	(0.3)	(0.5)	(0.6)
Net Income (Loss)	0.4	0.1	0.2	0.2	0.3	0.8	1.1	1.5
Margin	4.8%	1.4%	1.9%	2.2%	1.8%	3.4%	3.9%	4.3%

Source: Company data 2018-22A, EnVent Research 2023-25E

Balance Sheet								
€m	2018	2019	2020	2021	2022	2023E	2024E	2025E
Inventory	3.1	3.9	4.9	5.2	6.4	7.3	8.7	10.5
Trade receivables	3.0	2.7	4.1	6.0	5.7	6.3	7.1	8.5
Trade payables	(2.3)	(2.6)	(3.2)	(3.2)	(5.0)	(6.0)	(7.2)	(8.6)
Trade Working Capital	3.8	4.0	5.7	8.0	7.0	7.6	8.6	10.4
Other assets (liabilities)	(0.1)	(0.2)	(0.1)	0.5	0.6	0.7	0.9	1.0
Net Working Capital	3.6	3.8	5.7	8.5	7.7	8.3	9.4	11.4
Intangible assets	0.9	1.5	2.0	2.5	2.8	2.9	2.8	2.2
Property, plant and equipment	0.3	0.5	0.4	0.3	0.5	0.6	0.7	0.9
Non-current assets	1.3	2.0	2.4	2.9	3.4	3.6	3.6	3.2
Provisions	(0.1)	(0.4)	(0.4)	(0.4)	(0.4)	(0.5)	(0.5)	(0.6)
Net Invested Capital	4.8	5.4	7.7	11.0	10.6	11.4	12.5	14.0
Net Debt (Cash)	3.3	3.8	2.9	5.4	4.3	4.3	4.3	4.4
Equity	1.5	1.7	4.7	5.6	6.2	7.0	8.2	9.6
Sources	4.8	5.4	7.7	11.0	10.6	11.4	12.5	14.0

Source: Company data 2018-22A, EnVent Research 2023-25E

Cash Flow

€m	2018	2019	2020	2021	2022	2023E	2024E	2025E
EBIT	0.6	0.4	0.4	0.4	0.8	1.4	1.9	2.3
Current taxes	(0.0)	(0.1)	(0.1)	(0.0)	(0.2)	(0.3)	(0.5)	(0.6)
D&A	0.5	0.6	0.6	0.7	0.9	1.0	1.3	1.6
Provisions	0.0	0.3	0.0	0.0	0.0	0.0	0.1	0.1
Cash flow from P&L operations	1.1	1.2	1.0	1.0	1.6	2.2	2.8	3.5
Trade Working Capital	(2.9)	(0.2)	(1.7)	(2.3)	1.0	(0.5)	(1.0)	(1.8)
Other assets and liabilities	0.5	0.0	(0.1)	(0.6)	(0.1)	(0.1)	(0.1)	(0.2)
Capex	(0.2)	(1.1)	(0.5)	(1.2)	(1.3)	(1.2)	(1.3)	(1.3)
Capex - IPO cost	0.0	0.0	(0.6)	0.0	0.0	0.0	0.0	0.0
Operating cash flow after WC and capex	(1.4)	(0.1)	(1.9)	(3.0)	1.2	0.3	0.3	0.2
Interest	(0.2)	(0.1)	(0.2)	(0.1)	(0.3)	(0.3)	(0.3)	(0.3)
Goodwill allocation	0.0	(0.2)	0.0	0.0	0.0	0.0	0.0	0.0
IPO proceeds	0.0	0.0	2.9	0.0	0.0	0.0	0.0	0.0
Warrant exercise	0.0	0.0	0.0	0.6	0.2	0.0	0.0	0.0
Changes in equity	0.0	(0.0)	0.0	0.0	0.1	0.0	0.0	0.0
Net cash flow	(1.6)	(0.5)	0.9	(2.5)	1.0	0.0	0.0	(0.1)
Net Debt (Beginning)	(1.7)	(3.3)	(3.8)	(2.9)	(5.4)	(4.3)	(4.3)	(4.3)
Net Debt (End)	(3.3)	(3.8)	(2.9)	(5.4)	(4.3)	(4.3)	(4.3)	(4.4)
Change in Net Debt (Cash)	(1.6)	(0.5)	0.9	(2.5)	1.0	0.0	0.0	(0.1)

Source: Company data 2018-22A, EnVent Research 2023-25E

Ratio analysis

KPIs	2018	2019	2020	2021	2022	2023E	2024E	2025E
ROE	26%	8%	4%	4%	5%	11%	14%	15%
ROS (EBIT/Sales)	8%	5%	5%	4%	5%	6%	7%	7%
ROIC (NOPAT/Invested Capital)	9%	5%	4%	2%	6%	9%	11%	12%
DOI	143	168	225	184	136	120	120	120
DSO	114	98	154	172	100	85	80	80
DPO	120	127	154	120	109	100	100	100
TWC/Sales	48%	48%	73%	77%	41%	34%	32%	33%
Net Debt/EBITDA	3.1x	3.7x	2.9x	5.1x	2.4x	1.8x	1.4x	1.1x
Net Debt/Equity	2.1x	2.3x	0.6x	1.0x	0.7x	0.6x	0.5x	0.5x
Net Debt/(Net Debt+Equity)	0.7x	0.7x	0.4x	0.5x	0.4x	0.4x	0.3x	0.3x
Cash flow from P&L operations/EBITDA	99%	114%	96%	98%	89%	89%	87%	87%
FCF/EBITDA	neg	neg	neg	neg	65%	12%	10%	5%
Per-capita sales (€k)	283	262	251	291	320	362	378	378
Basic EPS (€)	na	na	0.05	0.07	0.09	0.23	0.32	0.42
Fully-diluted EPS (€)	na	na	0.05	0.07	0.09	0.21	0.29	0.38

Source: Company data 2018-22A, EnVent Research 2023-25E

Valuation

We have updated our DCF valuation and market multiples analysis.

Discounted Cash Flows

Updated assumptions:

- Risk free rate: 3.7% (Italian 10-year government bonds interest rate - last 30 days average. Source: Bloomberg, April 2023)
- Market return: 11.9% (last 30 days average. Source: Bloomberg, April 2023)
- Market risk premium: 8.2%
- Beta: 1.0 (EnVent analysis on selected peers, rounded figures)
- Cost of equity: 11.9%
- Cost of debt: 4.0%

- Tax rate: 24% (IRES)
- 40% debt/(debt + equity) as target capital structure
- WACC calculated at 8.3%
- Perpetual growth rate after explicit projections: 3%
- Terminal Value assumes a normalized sustainable EBITDA margin of 12%

DCF Valuation									
€m	2018	2019	2020	2021	2022	2023E	2024E	2025E	Perpetuity
Revenues	8.4	8.9	8.9	10.9	18.4	23.6	28.6	34.2	35.2
EBITDA	1.1	1.0	1.0	1.1	1.8	2.4	3.2	4.0	4.2
<i>Margin</i>	12.8%	11.6%	11.4%	9.6%	9.8%	10.3%	11.1%	11.7%	12.0%
EBIT	0.6	0.4	0.4	0.4	0.8	1.4	1.9	2.3	3.6
<i>Margin</i>	7.3%	4.4%	4.7%	3.4%	4.5%	6.0%	6.5%	6.9%	10.3%
Taxes	(0.2)	(0.1)	(0.1)	(0.1)	(0.2)	(0.4)	(0.5)	(0.7)	(1.0)
NOPAT	0.4	0.3	0.3	0.3	0.6	1.0	1.3	1.7	2.6
D&A	0.5	0.6	0.6	0.7	1.0	1.0	1.3	1.6	0.6
Provisions	0.0	0.3	0.0	0.0	0.0	0.0	0.1	0.1	0.0
Cash flow from operations	0.9	1.2	0.9	1.0	1.6	2.1	2.7	3.4	3.2
Trade Working Capital	(2.9)	(0.2)	(1.7)	(2.3)	1.0	(0.5)	(1.0)	(1.8)	(1.1)
Other assets and liabilities	0.5	0.0	(0.1)	(0.6)	(0.1)	(0.1)	(0.1)	(0.2)	0.0
Capex	(0.2)	(1.1)	(1.0)	(1.2)	(1.3)	(1.2)	(1.3)	(1.3)	(0.6)
Yearly unlevered free cash flow	(1.6)	(0.1)	(2.0)	(3.1)	1.2	0.2	0.2	0.1	1.5
Free Cash Flow to be discounted						0.2	0.2	0.1	1.5
WACC	8.3%								
Long-term growth (G)	3.0%								
Discounted Cash Flows						0.2	0.2	0.1	
Sum of Discounted Cash Flows	0.5								
Terminal Value									28.3
Discounted TV	22.3								
Enterprise Value	22.8								
Net Debt as of 31/12/22	(4.3)								
Equity Value	18.5								
Equity Value per share (€)	5.26								

DCF - Implied multiples	2020	2021	2022	2023E	2024E	2025E
EV/Revenues	2.6x	2.1x	1.2x	1.0x	0.8x	0.7x
EV/EBITDA	22.6x	21.7x	12.7x	9.3x	7.2x	5.7x
EV/EBIT	54.2x	61.3x	27.3x	16.2x	12.2x	9.7x
P/E	109.0x	77.7x	neg	23.1x	16.3x	12.5x
Discount of current market price vs DCF -31%						
Current market price - Implied multiples	2020	2021	2022	2023E	2024E	2025E
EV/Revenues	1.8x	1.4x	0.9x	0.7x	0.5x	0.5x
EV/EBITDA	15.6x	15.0x	8.7x	6.4x	5.0x	3.9x
EV/EBIT	37.4x	42.2x	18.8x	11.2x	8.4x	6.7x
P/E	67.2x	47.9x	neg	14.2x	10.1x	7.7x

Source: EnVent Research

Market multiples

Company	EV/REVENUES			EV/EBITDA			EV/EBIT			P/E		
	2022	2023E	2024E	2022	2023E	2024E	2022	2023E	2024E	2022	2023E	2024E
Bucher Industries	1.1x	1.1x	1.1x	7.7x	7.7x	7.9x	9.0x	9.3x	9.8x	13.1x	13.4x	14.2x
Nilfisk	0.8x	0.8x	0.8x	8.5x	6.0x	5.2x	10.1x	10.3x	8.7x	12.3x	9.9x	8.3x
Tennant	1.3x	1.3x	1.3x	10.8x	9.9x	9.1x	16.8x	14.7x	12.9x	na	15.5x	13.6x
Federal Signal	2.4x	2.1x	2.0x	15.8x	13.2x	11.9x	21.2x	17.0x	14.9x	25.5x	22.4x	19.0x
Alamo	1.6x	1.5x	1.4x	12.1x	10.9x	10.2x	15.9x	13.7x	12.7x	20.5x	17.9x	16.3x
Mean	1.4x	1.4x	1.3x	11.0x	9.5x	8.9x	14.6x	13.0x	11.8x	17.9x	15.8x	14.2x
Median	1.3x	1.3x	1.3x	10.8x	9.9x	9.1x	15.9x	13.7x	12.7x	16.8x	15.5x	14.2x
Tenax International	0.8x	0.7x	0.5x	8.6x	6.3x	4.9x	18.6x	11.0x	8.3x	neg	14.0x	9.9x

Source: EnVent Research on S&P Capital IQ, 18/04/2023

We have applied to our 2023-24 estimates the corresponding multiples from the peer group.

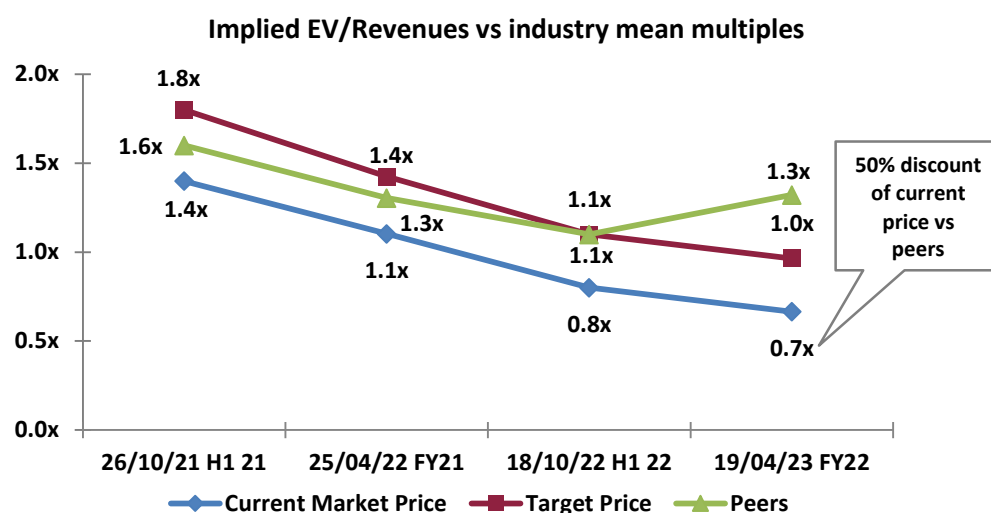
Application of market multiples

€m

Tenax (€m)	Market Multiples	EV	Net debt 31/12/2022	Equity value	Equity value per share (€)	
2023E Sales	22.1	1.3x	29.2	(4.3)	24.9	7.08
2024E Sales	26.5	1.3x	33.5	(4.3)	29.2	8.32
Mean					27.0	7.70
2023E EBITDA	2.4	9.9x	24.1	(4.3)	19.8	5.63
2024E EBITDA	3.2	9.1x	28.6	(4.3)	24.3	6.92
Mean					22.0	6.28

Source: EnVent Research

Target Price



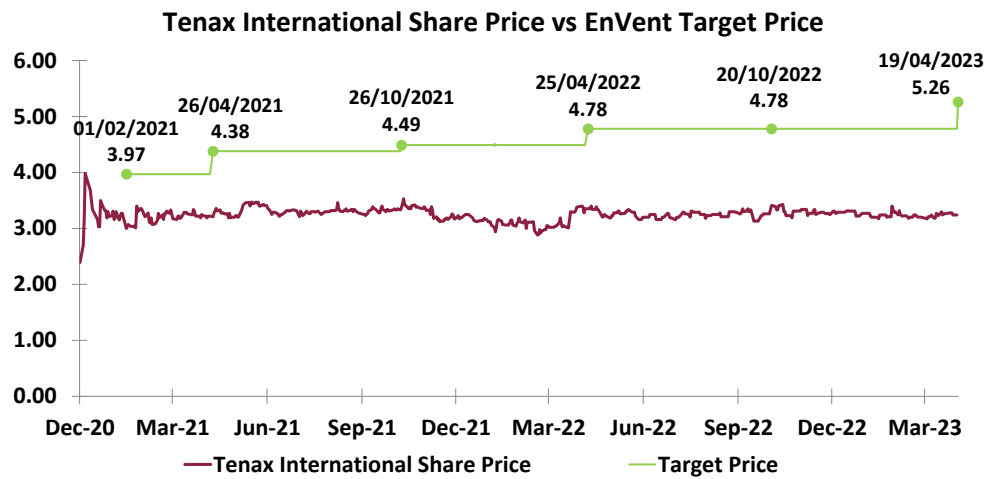
Source: EnVent Research on S&P Capital IQ, 19/04/2023

Our DCF-based valuation yields a target price of €5.26 per share, from €4.78 of our prior note, implying a 62% upside potential on Tenax International current stock price. Market multiples outcome is a range between €6-8 per share, representing a promising upside. We confirm the OUTPERFORM rating on the stock.

Tenax International Price per Share	€
Target Price	5.26
Current Share Price (18/04/2023)	3.24
Premium (Discount)	62%

Source: EnVent Research

Please refer to important disclosures at the end of this report.



Source: EnVent Research on S&P Capital IQ, 19/04/2023

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Date and time of Production: 18/04/2023 h. 6.55pm

Date and time of Distribution: 19/04/2023 h. 6.20pm

DETAILS ON STOCK RECOMMENDATION AND TARGET PRICE

Date	Recommendation	Target Price (€)	Share Price (€)
01/02/2021	OUTPERFORM	3.97	3.00
26/04/2021	OUTPERFORM	4.38	3.21
26/10/2021	OUTPERFORM	4.49	3.38
25/04/2022	OUTPERFORM	4.78	3.35
18/10/2022	OUTPERFORM	4.78	3.26
19/04/2023	OUTPERFORM	5.26	3.24

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