



OUTPERFORM

Current Share Price (€): 0.28

Target Price (€): 0.60

TrenDevice - 1Y Performance



Source: S&P Capital IQ - Note: 06/07/2022=100

Company data

ISIN number	IT0005422792
Bloomberg code	TD IM
Reuters code	TD.IM
Industry	Online consumer electronics retail
Stock market	Euronext Growth Milan
Share Price (€)	0.28
Date of Price	06/07/2023
Shares Outstanding (m)	15.3
Market Cap (€m)	4.3
Market Float (%)	36.4%
Daily Volume	3,000
Avg Daily Volume YTD	58,363
Target Price (€)	0.60
Upside (%)	114%
Recommendation	OUTPERFORM

Share price performance

	1M	3M	6M	1Y
TrenDevice - Absolute (%)	-8%	-21%	-31%	-69%
FTSE Italia Growth (%)	-2%	-4%	-4%	-1%
1Y Range H/L (€)			0.94	0.28
YTD Change (€) / %			-0.13	-31%

Source: S&P Capital IQ

Analysts

Luigi Tardella - Head of Research
ltardella@envent.it
Viviana Sepe vsepe@envent.it
Alberto Bacciga abacciga@envent.it

EnVent Italia SIM S.p.A.

Via degli Omenoni, 2 - 20121 Milano (Italy)
Phone +39 02 22175979

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Signs of recovery: direct sales improving profitability

Stock underperformance in H2 2022

Over the last 12 months TrenDevice share price posted a loss of 69%, starting in August 2022 when the share price was just below €1 per share, to reach a new phase in the range of €0.3-0.5 per share since beginning of 2023. In the meantime, the Italia Growth index was almost flat.

Sales growth in FY22, direct sales driving profitability

TrenDevice generated sales of €19.8m in FY22, up 25% YoY, slightly lower than our €20.8m estimate. Revenues include non-recurring income for €0.8m related to a grant by Regione Campania and tax incentives. EBITDA was €0.7m, +53% YoY, 4% of sales vs 3% in FY21, above our expectations (3%), mostly thanks to the higher profitability of direct sales through TrenDevice website and retail stores. Period net loss of €(1.4)m, vs €(1)m in FY21, after D&A and provisions for €2.1m, interest for €0.8m. Net financial debt, after paid-in capital of €1.2m, was €5.6m, up from FY21 €4.1m, mainly for period capex.

Q1 2023 trading update: the shift in sales channels starts to pay off

Sales in Q1 2023 were €4.1m, +16% on Q1 2022 on a like-for-like basis excluding the foreign marketplaces channel, discontinued in May 2022. EBITDA was €0.4m, vs breakeven in Q1 2022, improved thanks to direct sales higher profitability and cost cutting actions.

Business update: €1.2m paid-in capital, new retail store in Turin, partnership with Planetel

In December 2022 TrenDevice raised €1.2m to support growth. In the first months of 2023 TrenDevice opened a new retail store in Turin and announced three further openings (Brescia, Verona and Bergamo) throughout the year. TrenDevice and Planetel, connection services provider, have partnered for the supply of refurbished devices to Planetel FTTH subscribers.

Estimates revision

We factor FY22 figures and Q1 2023 KPIs in our estimates and, given the exit from the foreign marketplaces channel occurred in May 2022, we revise downwards our 2023-24E sales by ca 15% per year. We expect rising direct sales to result in higher profitability.

Target Price €0.60 per share (from €1.11), OUTPERFORM rating confirmed

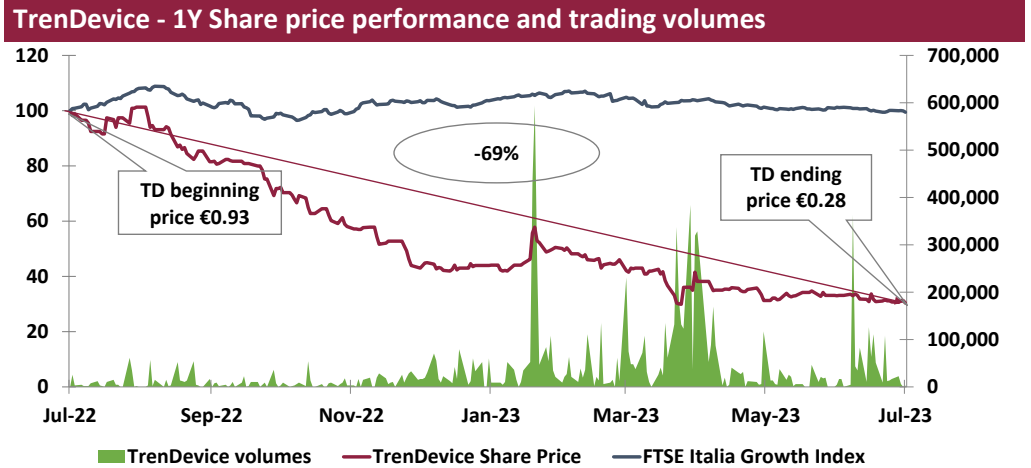
Our updated estimates and valuation reflect our general assessment, resulting in a target price of €0.60 per share (from €1.11), a 114% upside potential on current share price. We therefore confirm our OUTPERFORM rating on the stock.

KEY FINANCIALS AND ESTIMATES

€m	2018	2019	2020	2021	2022	2023E	2024E
Revenues	5.1	7.4	9.8	16.6	21.0	22.3	24.8
EBITDA	0.3	0.7	0.8	0.5	0.7	1.7	1.8
Margin	6%	9%	8%	3%	4%	8%	7%
Net Income (Loss)	0.0	0.0	(0.2)	(1.0)	(1.4)	(0.8)	(0.9)
Net (Debt) Cash	(2.0)	(1.8)	(1.5)	(4.1)	(5.6)	(5.7)	(5.9)
Equity	0.3	0.7	3.2	2.3	3.1	2.3	1.3
KEY RATIOS							
TWC/Sales	7%	2%	6%	10%	6%	5%	5%
Capex/Revenues	10%	14%	25%	11%	11%	7%	6%
Net Debt/EBITDA	6.9x	2.7x	2.0x	8.4x	7.6x	3.3x	3.3x

Source: Company data 2018-22A, EnVent Research 2023-24E

Market update



Source: EnVent Research on S&P Capital IQ - Note: 06/07/2022=100

Trading price range €0.28-0.94 per share

-69% for TrenDevice, underperforming the Italia Growth Index

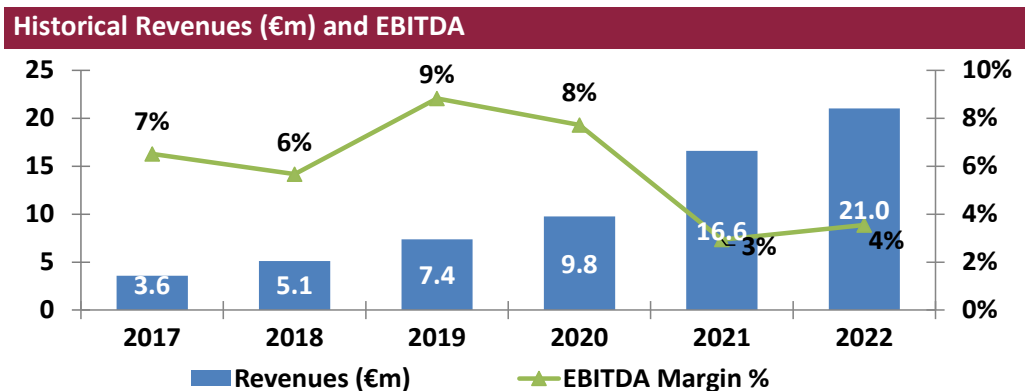
Investment case

Pioneer in the circular economy, a landmark for refurbished smart devices in Italy

Diversified sales channels and product&service portfolio

Strategy: from a pure B2C online retailer to a multi-service partner for the mobile industry

TrenDevice, listed on Euronext Growth Milan, is an Italian online re-commerce platform of refurbished premium smartphones, tablets, laptops and wearables, which offers fully performing products with mint/near mint appearance at a lower price than a brand-new item. Founded in 2013, TrenDevice is among the circular economy pioneers in Italy, providing a quality and hassle-free service to saving and sustainability-conscious customers. Products are sold through the own online e-commerce website TrenDevice.com, own retail stores (5) and franchised stores (1). Additional revenues come from: sale of own-branded accessories; services such as memberships, repair, warranty extension, insurance; device rental; fees from the C2C marketplace of used e-devices Validato.it; education courses; franchising fees. TrenDevice strategy envisages: 9 retail stores in key Italian cities within 2023 (both directly owned and franchised), to preside the unexplored physical channel for refurbished devices; the continuing expansion and diversification of the product&service portfolio.



Source: Company data

Industry and Company drivers

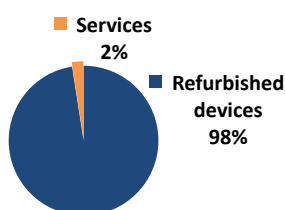
- Smartphones' sales driven by both new launches and replacement needs
- Smartphones become underperforming, refurbished ones are smarter options
- Amplified awareness on ESG themes
- Lifetime service of the used device, with control over the entire value chain
- Proprietary e-commerce platform and data
- Ancillary value-added services

Challenges

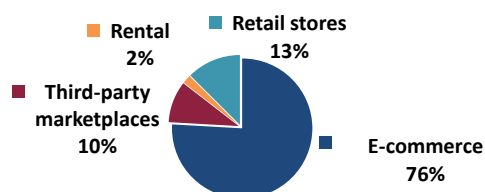
- Highly competitive arena
- Well-funded foreign competitors
- Price pressure within the industry challenges profitability
- Inventory required to meet retail stores and devices rental business demand

Sales breakdown, 2022

Product/service portfolio



Channels



Source: Company data

Business update

New store in Turin

- Opening of a retail store in Turin; three further openings in 2023 announced: Bergamo, Brescia and Verona

€0.5m grant from Invitalia

- Secured a grant of €0.5m by Invitalia to develop innovative processes in the next 12 months

Partnership with Planetel

- Sales agreement with Planetel, a listed Italian telco provider of connection services, to offer their FTTH subscribers refurbished devices

Corporate period facts

€1.2m share capital increase

- In December 2022 share capital increase, plus a secondary offer of the unexercised rights, worth €1.2m
- 10,952 TrenDevice 2020-23 warrants (IT0005422966) have been exercised during the anticipated period between November 25-28, 2022, at a strike price of €1.05, with a conversion ratio of 1 share:4 warrants, for a total amount of 2,738 shares and €2.9k raised. Along the last exercise period between June 1-30, 2023, 2,000 warrants have been exercised at a strike price of €1.01, for a total amount of 600 shares and €0.6k raised.

Sustainability update

In 2022, TrenDevice saved an estimated 2,433 tons of CO₂, thanks to e-waste reduction arising from refurbishment.

Industry outlook

The United Nations Institute for Training and Research spotlights the scale of current e-waste environmental concern: more than 5bn of the estimated 16bn mobile phones possessed worldwide will likely be discarded away in 2022 (Source: WEEE Forum, *Of 16 Billion Mobile Phones Possessed Worldwide, 5.3 Billion will Become Waste in 2022, 2022*).

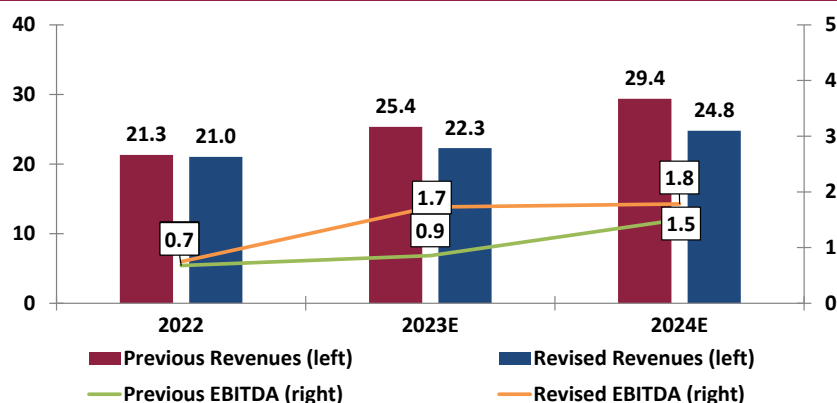
The EU Commission made a proposal to establish the “Right to reparation” of consumers. Among EU sustainability goals, there is the reduction of replacement of electronic devices that may be repaired, such as smartphones, tablets and pc. One of the measures is to create an online repair platform to connect consumers, repairers and sellers of refurbished goods in their area. According to EU, the preference to replacement over repairing costs to European consumers around €12bn every year and the proposals is expected to bring growth and investments for €4.8bn (source: EU Commission, *Right to reparation: Commission introduces new consumer rights to make repairing easy and attractive, 2022*).

Estimates revision

We factor FY22 figures and Q1 2023 KPIs in our estimates and, given the exit from the foreign marketplaces channel occurred in May 2022, we revise downwards our 2023-24E sales by ca 15% per year. After some fine-tuning on costs, capex and working capital, we expect rising direct sales to result in higher profitability. We plan to add 2025 figures after observing 2023 performance and trends.

Change in estimates

Previous vs Revised Revenues and EBITDA estimates (€m)



Source: EnVent Research

€m	Revised			Previous			Change %		
	2022	2023E	2024E	2022	2023E	2024E	2022	2023E	2024E
Sales	19.8	21.2	24.0	20.8	24.9	28.9	-5%	-15%	-17%
Revenues	21.0	22.3	24.8	21.3	25.4	29.4	-1%	-12%	-16%
EBITDA	0.7	1.7	1.8	0.7	0.9	1.5	11%	102%	19%
<i>Margin</i>	4%	8%	7%	3%	3%	5%			
EBIT	(1.3)	(0.4)	(0.6)	(0.9)	(1.1)	(0.8)	-45%	67%	24%
<i>Margin</i>	-6%	-2%	-2%	-4%	-4%	-3%			
Net Income (Loss)	(1.4)	(0.8)	(0.9)	(1.1)	(1.2)	(1.0)	-32%	36%	6%
Net Cash (Debt)	(5.6)	(5.7)	(5.9)	(5.2)	(6.2)	(6.4)			
<i>Net Debt / EBITDA</i>	7.6x	3.3x	3.3x	7.8x	7.2x	4.3x			

Source: EnVent Research

Financial projections

Profit and Loss							
€m	2018	2019	2020	2021	2022	2023E	2024E
Sales	5.1	7.2	9.3	15.8	19.8	21.2	24.0
Other income	0.0	0.2	0.5	0.8	1.2	1.1	0.8
Revenues	5.1	7.4	9.8	16.6	21.0	22.3	24.8
<i>YoY %</i>	42.7%	44.2%	32.4%	69.9%	26.6%	6.1%	11.1%
Materials	(4.2)	(5.6)	(7.4)	(12.8)	(16.4)	(16.4)	(18.4)
Services	(0.5)	(0.7)	(1.0)	(2.2)	(2.1)	(2.1)	(2.4)
Personnel	(0.1)	(0.3)	(0.5)	(1.1)	(1.7)	(1.8)	(2.0)
Other operating costs	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)	(0.2)	(0.2)
Operating costs	(4.8)	(6.7)	(9.0)	(16.1)	(20.3)	(20.6)	(23.0)
EBITDA	0.3	0.7	0.8	0.5	0.7	1.7	1.8
<i>Margin on Sales</i>	5.7%	9.0%	8.1%	3.1%	3.8%	8.2%	7.4%
<i>Margin on Revenues</i>	5.7%	8.8%	7.7%	2.9%	3.5%	7.8%	7.2%
D&A	(0.1)	(0.4)	(0.9)	(1.4)	(1.9)	(2.1)	(2.4)
Provisions	0.0	(0.0)	(0.1)	(0.1)	(0.2)	0.0	0.0
EBIT	0.2	0.2	(0.2)	(1.0)	(1.3)	(0.4)	(0.6)
<i>Margin</i>	3.3%	2.3%	-2.1%	-6.0%	-6.3%	-1.6%	-2.3%
Interest	(0.1)	(0.2)	(0.2)	(0.4)	(0.8)	(0.7)	(0.7)
EBT	0.0	0.0	(0.4)	(1.3)	(2.1)	(1.0)	(1.3)
<i>Margin</i>	0.6%	0.1%	-4.1%	-8.1%	-10.1%	-4.6%	-5.1%
Income taxes	(0.0)	(0.0)	0.2	0.4	0.7	0.3	0.3
Net Income (Loss)	0.0	0.0	(0.2)	(1.0)	(1.4)	(0.8)	(0.9)
<i>Margin</i>	0.6%	0.0%	-2.4%	-5.8%	-6.9%	-3.5%	-3.8%

Source: Company data 2018-22A, EnVent Research 2023-24E

Balance Sheet							
€m	2018	2019	2020	2021	2022	2023E	2024E
Inventory	0.6	0.7	1.5	1.9	1.9	2.0	2.3
Trade receivables	0.1	0.0	0.1	0.3	0.5	0.4	0.4
Trade payables	(0.3)	(0.6)	(1.1)	(0.6)	(1.1)	(1.3)	(1.4)
Trade Working Capital	0.3	0.1	0.5	1.6	1.3	1.1	1.3
Other assets (liabilities)	(0.0)	(0.1)	0.2	0.4	1.0	1.0	1.0
Net Working Capital	0.3	0.0	0.8	2.0	2.3	2.2	2.3
Intangible assets	2.0	2.5	4.0	4.3	6.2	5.4	4.4
Property, plant and equipment	0.0	0.1	0.1	0.3	0.9	1.1	1.2
Non-current assets	2.0	2.5	4.1	4.6	7.0	6.5	5.6
Provisions	(0.0)	(0.1)	(0.1)	(0.2)	(0.7)	(0.7)	(0.7)
Net Invested Capital	2.3	2.5	4.7	6.3	8.7	8.0	7.2
Net Debt (Cash)	2.0	1.8	1.5	4.1	5.6	5.7	5.9
Equity	0.3	0.7	3.2	2.3	3.1	2.3	1.3
Sources	2.3	2.5	4.7	6.3	8.7	8.0	7.2

Source: Company data 2018-22A, EnVent Research 2023-24E

Cash Flow

€m	2018	2019	2020	2021	2022	2023E	2024E
EBIT	0.2	0.2	(0.2)	(1.0)	(1.3)	(0.4)	(0.6)
Current taxes	(0.0)	(0.0)	0.2	0.4	0.7	0.3	0.3
D&A	0.1	0.4	0.9	1.4	1.9	2.1	2.4
Provisions	0.0	0.1	0.0	0.1	0.4	0.0	0.0
Cash flow from P&L operations	0.3	0.7	0.9	0.9	1.7	2.0	2.1
Trade Working Capital	0.3	0.2	(0.4)	(1.0)	0.3	0.2	(0.2)
Other assets and liabilities	0.0	0.1	(0.3)	(0.2)	(0.6)	0.0	0.0
Capex	(0.5)	(1.0)	(2.5)	(1.9)	(2.4)	(1.5)	(1.5)
Operating cash flow after WC and capex	0.1	(0.1)	(2.3)	(2.2)	(1.0)	0.7	0.5
Interest	(0.1)	(0.2)	(0.2)	(0.4)	(0.8)	(0.7)	(0.7)
Paid-in capital - IPO proceeds 2020	0.0	0.4	2.7	0.0	1.2	0.0	0.0
Other equity adjustments	0.0	0.0	0.0	0.0	(1.0)	0.0	0.0
Net cash flow	0.0	0.2	0.2	(2.5)	(1.6)	(0.0)	(0.2)
Net Debt (Beginning)	(2.0)	(2.0)	(1.8)	(1.5)	(4.1)	(5.6)	(5.7)
Net Debt (End)	(2.0)	(1.8)	(1.5)	(4.1)	(5.6)	(5.7)	(5.9)
Change in Net Debt (Cash)	0.0	0.2	0.2	(2.5)	(1.6)	(0.0)	(0.2)

Source: Company data 2018-22A, EnVent Research 2023-24E

Ratio analysis

KPIs	2018	2019	2020	2021	2022	2023E	2024E
ROE	10%	0%	-7%	-43%	-47%	-34%	-69%
ROS (EBIT/Sales)	3%	2%	-2%	-6%	-7%	-2%	-2%
ROIC (NOPAT/Invested Capital)	5%	5%	-3%	-11%	-11%	-3%	-6%
DSO	5	1	3	5	7	5	5
DPO	20	28	39	12	18	20	20
DOI	42	36	60	44	35	35	35
TWC/Sales	7%	2%	6%	10%	6%	5%	5%
Capex/Revenues	10%	14%	25%	11%	11%	7%	6%
Net Debt/EBITDA	6.9x	2.7x	2.0x	8.4x	7.6x	3.3x	3.3x
Net Debt/Equity	6.6x	2.4x	0.5x	1.8x	1.8x	248%	437%
Cash flow from P&L operations/EBITDA	108%	101%	121%	175%	229%	116%	119%
FCF/EBITDA	51%	neg	neg	neg	neg	38%	26%
Basic EPS (€)	na	na	neg	neg	neg	neg	neg

Source: Company data 2018-22A, EnVent Research 2023-24E

Valuation

We have updated our DCF and market multiples.

Discounted Cash Flows

Updated assumptions:

- Risk free rate: 3.5% (Italia 10-year government bonds interest rate – last 30 days average. Source: Bloomberg, July 2023)
- Market return: 11.9% (last 30 days average. Source: Bloomberg, July 2023)
- Market risk premium: 9.2%
- Beta: 1.1 (judgmental, on the back of peer market data)
- Cost of equity: 12.7%
- Cost of debt: 5%
- Tax rate: 24% IRES
- 50% debt/(debt + equity)
- WACC calculated at 8.3%, according to above data
- Perpetual growth rate after explicit projections (G): 3%

- Terminal Value assumes a normalized sustainable EBITDA margin of 8%

DCF Valuation

€m	2018	2019	2020	2021	2022	2023E	2024E	Perpetuity
Revenues	5.1	7.4	9.8	16.6	21.0	22.3	24.8	25.5
EBITDA	0.3	0.7	0.8	0.5	0.7	1.7	1.8	2.0
<i>Margin</i>	6%	9%	8%	3%	4%	8%	7%	8%
EBIT	0.2	0.2	(0.2)	(1.0)	(1.3)	(0.4)	(0.6)	1.0
<i>Margin</i>	3%	2%	-2%	-6%	-6%	-2%	-2%	4%
Taxes	(0.0)	(0.0)	0.1	0.3	0.4	0.1	0.2	(0.3)
NOPAT	0.1	0.1	(0.1)	(0.7)	(0.9)	(0.3)	(0.4)	0.8
D&A	0.1	0.4	0.9	1.4	1.9	2.1	2.4	1.0
Provisions	0.0	0.1	0.0	0.1	0.4	0.0	0.0	0.0
Cash flow from P&L operations	0.3	0.6	0.8	0.7	1.4	1.8	2.0	1.8
Trade Working Capital	0.3	0.2	(0.4)	(1.0)	0.3	0.2	(0.2)	0.1
Other assets and liabilities	0.0	0.1	(0.3)	(0.2)	(0.6)	0.0	0.0	0.0
Capex	(0.5)	(1.0)	(2.5)	(1.9)	(2.4)	(1.5)	(1.5)	(1.0)
Yearly unlevered free cash flow	0.1	(0.1)	(2.4)	(2.3)	(1.3)	0.5	0.3	0.9
Free Cash Flow to be discounted						0.5	0.3	0.9
WACC	8.3%							
Long-term growth (G)	3.0%							
Discounted Cash Flows						0.4	0.3	
Sum of Discounted Cash Flows	0.7							
Terminal Value								16.6
Discounted TV	14.2							
Enterprise Value	14.9							
Net Debt as of 31/12/22	(5.6)							
Equity Value	9.3							
Equity Value per share (€)	0.60							

Source: EnVent Research

DCF - Implied multiples	2018	2019	2020	2021	2022	2023E	2024E
EV/Revenues	2.9x	2.0x	1.5x	0.9x	0.7x	0.7x	0.6x
EV/EBITDA	51.3x	22.8x	19.7x	30.5x	20.0x	8.6x	8.4x
EV/EBIT	nm	nm	neg	neg	neg	neg	neg
P/E	nm	nm	neg	neg	neg	neg	neg
Discount of current market price vs DCF	-33%						
Current market price - Implied multiples	2018	2019	2020	2021	2022	2023E	2024E
EV/Revenues	1.9x	1.3x	1.0x	0.6x	0.5x	0.4x	0.4x
EV/EBITDA	34.3x	15.3x	13.2x	20.4x	13.4x	5.8x	5.6x
EV/EBIT	58.6x	58.6x	neg	neg	neg	neg	neg
P/E	nm	nm	neg	neg	neg	neg	neg

Source: EnVent Research

Market multiples

We have updated our peer group adding Unidevice, a B2B broker of consumer electronics focused on premium price smartphones, listed on Frankfurt stock exchange. FY22 sales €460m, EBITDA margin 1%.

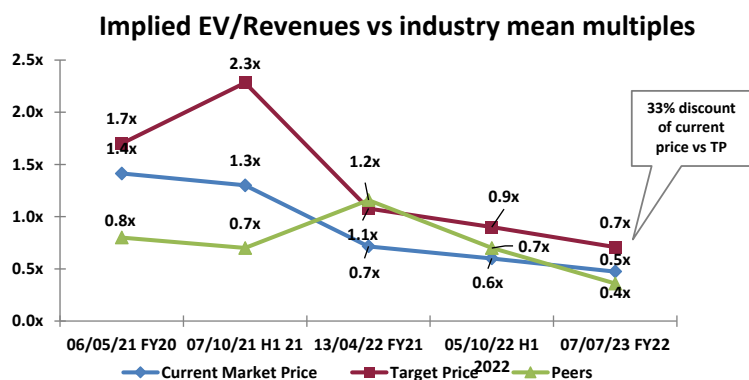
Reported peer group, except for Largo, includes quite different business models. Loss-making or negative performances may lead to abnormal multiples, not

appropriate as a reference for the valuation. As a consequence, for our rating we prefer to rely on DCF methodology, anyway taking into account multiples trend.

Company	EV/Revenues			EV/EBITDA			EV/EBIT			P/E		
	2022	2023E	2024E	2022	2023E	2024E	2022	2023E	2024E	2022	2023E	2024E
Jumia	0.5x	0.7x	0.7x	neg	neg	neg	neg	neg	neg	neg	neg	neg
Largo	0.4x	0.2x	0.1x	neg	neg	neg	neg	neg	neg	neg	neg	neg
Cellularline	0.7x	0.6x	0.6x	14.5x	4.3x	3.8x	neg	6.1x	5.2x	neg	5.5x	4.4x
UniDevice	0.0x	0.1x	0.1x	3.5x	6.3x	5.8x	4.3x	6.8x	6.3x	6.3x	6.8x	6.4x
musicMagpie	0.2x	0.2x	0.2x	11.9x	3.3x	2.6x	neg	neg	neg	neg	neg	neg
Mean	0.4x	0.4x	0.3x	10.0x	4.6x	4.1x	4.3x	6.5x	5.7x	6.3x	6.2x	5.4x
Median	0.4x	0.2x	0.2x	11.9x	4.3x	3.8x	4.3x	6.5x	5.7x	6.3x	6.2x	5.4x
TrenDevice	0.5x	0.4x	0.4x	14.3x	5.8x	5.6x	neg	neg	neg	neg	neg	neg

Source: EnVent Research on S&P Capital IQ, 06/07/2023

Target Price



Source: EnVent Research on S&P Capital IQ, 07/07/2023

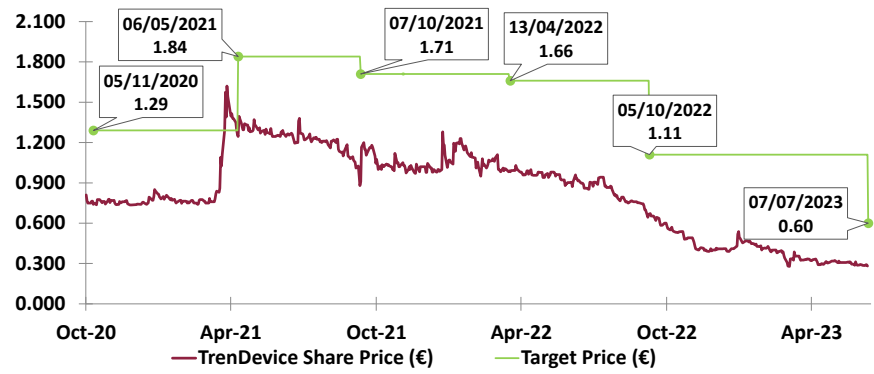
Our analysis on TrenDevice 2022 performance and competition market metrics evidences a picture of inconsistency between the market size and development and the general lack of sound profitability, which results in a misappreciation of an industry segment that contributes to sustainability. We keep believing that TrenDevice valuation should reflect the intangible values of customer base and proprietary platform, regardless of present weak financial performance.

Our updated estimates and valuation duly reflect our general assessment, resulting in a target price of €0.60 per share (from €1.11), a 114% upside potential on current share price. We therefore confirm our OUTPERFORM rating on the stock.

TrenDevice Price per Share	€
Target Price	0.60
Current Share Price (07/07/2023)	0.28
Premium (Discount)	114%

Source: EnVent Research

TrenDevice Share Price vs EnVent Target Price



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

Source: EnVent Research on S&P Capital IQ, 07/07/2023

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UNDERPERFORM: stocks are among the least attractive in a peer group, with the target price 10% below the current market price;

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Date and time of Production: 06/07/2023 h. 7.00pm

Date and time of Distribution: 07/07/2023 h. 6.30pm

DETAILS ON STOCK RECOMMENDATION AND TARGET PRICE

Date	Recommendation	Target Price (€)	Share Price (€)
05/11/2020	OUTPERFORM	1.29	0.74
06/05/2021	OUTPERFORM	1.84	1.25
07/10/2021	OUTPERFORM	1.71	0.91
13/04/2022	OUTPERFORM	1.66	0.99
01/08/2022	OUTPERFORM	1.66	0.89
05/10/2022	OUTPERFORM	1.11	0.67
07/07/2023	OUTPERFORM	0.60	0.28

ENVENT RECOMMENDATION DISTRIBUTION (July 7th, 2023)

Number of companies covered:	23	OUTPERFORM	NEUTRAL	UNDERPERFORM	SUSPENDED	UNDER REVIEW	NOT RATED
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of which EnVentCM clients % *		79%	100%	na	100%	50%	na

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