

Singapore

ADD (no change)

Consensus ratings*: Buy 3 Hold 0 Sell 0

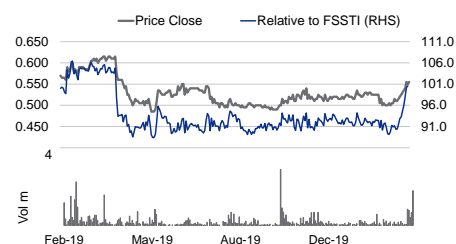
Current price:	S\$0.56
Target price:	S\$0.70
Previous target:	S\$0.68
Up/downside:	25.7%
CGS-CIMB / Consensus:	9.9%

Reuters:	PROP.SI
Bloomberg:	PROP SP
Market cap:	US\$146.9m
	S\$205.4m
Average daily turnover:	US\$0.05m
	S\$0.09m
Current shares o/s:	370.0m
Free float:	21.8%

*Source: Bloomberg

Key changes in this note

- FY20F EPS increased by 45.9%.
- FY21F EPS increased by 44%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	5.7	6.7	-2.6
Relative (%)	9.5	9.8	1.5

Major shareholders	% held
P&N Holdings	55.6
Ismail Mohamed	8.5
Kelvin Fong	7.6

Analyst(s)

LOCK Mun Yee

T (65) 6210 8606

E munyee.lock@cgs-cimb.com

Propnex Ltd

Ending the year on a high note

- 4Q/FY19 EPS of 2.22/5.42 Scts were ahead of expectations, at 54%/132% of our full-year forecasts.
- Boost from a greater proportion of higher-margin project marketing revenue.
- Reiterate Add, with a higher TP of S\$0.70.

4Q19 PATMI beat expectations

Propnex's 4Q19 PATMI surged 349.5% yoy to S\$8.2m, on a 91.7% yoy jump in revenue to S\$131.0m. The improvement was led by an increase in commission income from project marketing services, as more transactions were completed following the recovery in the private residential market. Property marketing services generated 42% of the group's 4Q19 topline, and led to stronger gross margins of 11.4% (vs 9.4% in 4Q18). FY19 PATMI of 20.0m was ahead of our expectations, at 132% of our full-year forecasts. The group proposed a total final and special DPS of 2.25 Scts, bringing its full-year DPS to 3.5 Scts, which translates into a yield of 6.25%.

Gaining overall market share

Propnex also garnered an estimated 1-11% pts yoy additional market share across its project marketing and agency services activities. Singapore's Urban Redevelopment Authority (URA) recorded average monthly primary private home sales of 814 units in 4Q19 (higher than the 612 units/month recorded in 4Q18). In addition, the resale market also stabilised, with an average of 820 units/month changing hands in 2H19 (compared with 674 units/month in 4Q18). We think this is encouraging and maintain our primary private transaction volume forecast of a stable 9,000-10,000 units for FY20F. Sales of HDB resale units also remained relatively stable at c.2,100 units/month.

Strong balance sheet

The company's balance sheet remains strong with a net cash balance of S\$81.6m as at end-FY19. This puts the group in a position to explore diversification opportunities. In Nov 19, Propnex took a 20% stake in PropNex Realty Sdn Bhd (PRSB). This is in line with its overseas expansion strategy of taking direct stakes in licensee companies after they have sufficiently scaled up. Propnex said that PRSB started with 60 agents in Mar 18 and currently has nearly 500 agents (as at end-3Q19) and is profitable.

Reiterate Add

We lift our FY20-21F EPS forecasts by 44-46% as we factor in higher gross margins of 10.2%, which is in tandem with FY19 but ahead of our previous expectation of 9%. We believe this is achievable as the primary residential sales volume remains stable. Accordingly, our TP rises to S\$0.70, based on an average of 10x FY21F P/E and DCF valuation. Key potential catalysts include a higher proportion of potential buyers exercising their options to purchase, while downside risks include cooling measures from the government.

Financial Summary

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Net Revenues (S\$m)	431.5	419.8	489.3	493.0	501.0
Operating EBITDA (S\$m)	26.39	25.55	28.66	28.88	29.45
Net Profit (S\$m)	19.41	20.01	22.55	22.81	23.34
Normalised EPS (S\$)	0.052	0.054	0.061	0.062	0.063
Normalised EPS Growth	7.9%	3.1%	12.7%	1.1%	2.3%
FD Normalised P/E (x)	10.08	10.26	9.11	9.00	8.80
DPS (S\$)	0.035	0.035	0.040	0.041	0.042
Dividend Yield	6.31%	6.31%	7.21%	7.39%	7.57%
EV/EBITDA (x)	5.05	4.94	4.10	3.81	3.48
P/FCFE (x)	8.66	7.99	8.62	8.42	8.21
Net Gearing	(107%)	(114%)	(111%)	(109%)	(107%)
P/BV (x)	3.07	2.96	2.59	2.35	2.15
ROE	45.7%	29.4%	30.4%	27.4%	25.5%
% Change In Normalised EPS Estimates			45.9%	44.0%	
Normalised EPS/consensus EPS (x)			1.30	1.26	

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 1: Results comparison

FYE Dec (\$m)	4Q		4Q yoy %		3Q qoq %		FY19	FY18	yoy %		Prev.
	FY19	FY18	chg	FY19	chg	Cum	Cum	chg	FY19F	Comments	
Revenue	131.0	83.0	57.9	122.5	6.9	419.8	431.5	-2.7	407.6	Above. 4Q/FY19 at 32%/103% of our FY19 forecasts	
Operating costs	(121.8)	(81.7)	49.1	(114.9)	6.1	(396.8)	(408.6)	-2.9	(388.9)		
EBITDA	9.2	1.3	619.9	7.6	20.2	23.0	22.9	0.3	18.7		
EBITDA margin (%)	7.0%	1.5%	356.1	6.2%	12.4	5.5%	5.3%	3.1	4.6%		
Depreciation/Amortisation	(1.0)	(0.2)	330.0	(1.0)	0.3	(3.8)	(0.8)	392.7	(3.8)		
EBIT	8.2	1.1	681.3	6.7	23.0	19.2	22.2	-13.4	14.9		
Interest expense	(0.0)	-	n/a	(0.0)	63.2	(0.1)	-	n/a	-		
Interest & invnt inc	1.6	1.0	57.6	1.4	13.5	6.4	4.2	53.0	5.5		
Pretax profit	9.8	2.1	369.6	8.1	21.2	25.6	26.4	-3.0	20.4		
Tax	(1.7)	(0.2)	671.9	(1.5)	13.5	(4.5)	(4.4)	0.5	(3.5)		
Tax rate (%)	-17%	-11%	64.4	-19%	-6.4	-17%	-17%	3.6	(0.2)		
Minority interests	0.1	(0.0)	-311.4	(0.5)	-118.5	(1.1)	(2.5)	-57.3	(1.7)		
Net profit	8.2	1.8	349.5	6.1	34.6	20.0	19.4	3.2	15.2		
EPS (Scts)	2.2	0.5	349.5	1.7	34.6	5.4	5.7	-5.3	4.1		
Core profit	8.2	1.8	349.5	6.1	34.6	20.0	19.4	3.2	15.2	Above. 4Q/FY19 at 54%/132% of our FY19 forecasts	
Core EPS (Scts)	2.22	0.49	349.5	1.65	34.6	5.42	5.72	-5.3	4.11		

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 2: Key earnings revisions

FYE Dec	Old		New	
	FY20F	FY21F	FY20F	FY21F
Revenue (\$m)	400.2	407.2	482.5	486.1
PATMI (\$m)	15.7	16.0	22.8	23.0
EPS (\$m)	4.23	4.34	6.15	6.22

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

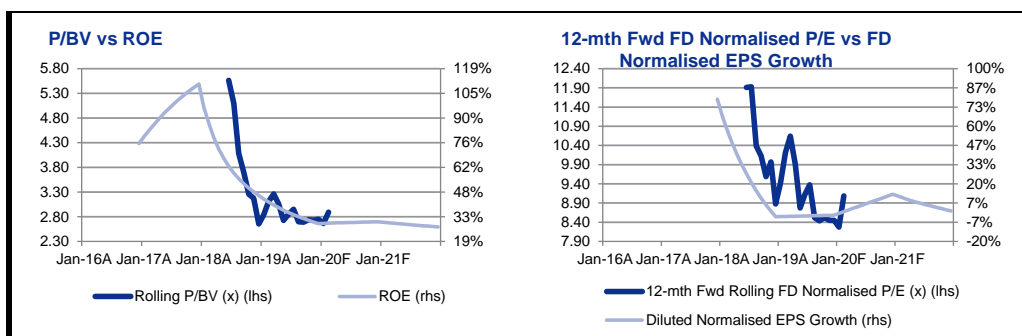
Figure 3: Singapore developers peer comparison table

Company	Bloomberg Ticker	Recom.	Price (lc)	Tgt Px (lc)	Mkt Cap (US\$ m)	Core P/E (x)			RNAV FY20F	Prem./(Disc.) to RNAV (%)	P/BV (x)		Div. Yield (%)	
						FY19F	FY20F	FY21F			FY19F	FY20F	FY19F	FY20F
APAC Realty Ltd	APAC SP	Add	0.49	0.61	123	12.3	11.3	10.4	n.a.	n.a.	1.18	1.16	4.1%	4.9%
CapitaLand	CAPL SP	Add	3.64	4.25	13,128	18.7	13.6	12.9	6.54	-44%	0.76	0.74	3.3%	3.4%
City Developments	CIT SP	Add	10.17	12.09	6,597	21.2	18.6	17.3	18.59	-45%	0.92	0.89	2.0%	2.0%
Frasers Property Limited	FPL SP	Add	1.58	2.08	3,307	13.2	8.0	12.3	3.20	-51%	0.49	0.47	3.8%	3.8%
Guocoland	GUOL SP	Add	1.70	2.88	1,439	9.3	9.6	na	3.85	-56%	0.48	0.46	4.1%	4.1%
Ho Bee Land	HOBEE SP	Add	2.29	3.00	1,090	16.1	11.8	na	4.99	-54%	0.46	0.45	4.4%	4.4%
Hongkong Land Holdings Ltd	HKL SP	Add	5.03	6.90	11,835	11.6	9.7	9.7	13.50	-63%	0.33	0.33	4.6%	5.0%
Propnex Ltd	PROP SP	Add	0.56	0.70	147	10.3	9.1	9.0	n.a.	n.a.	2.96	2.59	6.3%	7.2%
UOL Group	UOL SP	Add	7.75	8.73	4,676	18.0	17.2	18.6	12.47	-38%	0.66	0.65	2.3%	2.3%
Wing Tai Holdings	WINGT SP	Hold	2.00	1.97	1,100	22.3	12.0	10.1	3.58	-44%	0.46	0.45	4.0%	4.0%
Singapore average						15.4	12.3	12.6		-49%	0.53	0.52	3.4%	3.6%

SOURCES: CGS-CIMB RESEARCH ESTIMATES, BLOOMBERG, COMPANY REPORTS

Share price as at 27 Feb 2020

BY THE NUMBERS



Profit & Loss

(\$m)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Net Revenues	431.5	419.8	489.3	493.0	501.0
Gross Profit	41.4	44.3	49.8	50.2	51.1
Operating EBITDA	26.4	25.5	28.7	28.9	29.5
Depreciation And Amortisation	(0.7)	(1.1)	(1.1)	(1.1)	(1.1)
Operating EBIT	25.6	24.4	27.5	27.8	28.3
Financial Income/(Expense)	0.7	1.1	1.3	1.4	1.5
Pretax Income/(Loss) from Assoc.	0.0	0.0	0.0	0.0	0.0
Non-Operating Income/(Expense)	0.0	0.0	0.0	0.0	0.0
Profit Before Tax (pre-EI)	26.4	25.5	28.8	29.2	29.8
Exceptional Items					
Pre-tax Profit	26.4	25.5	28.8	29.2	29.8
Taxation	(4.4)	(4.5)	(5.1)	(5.1)	(5.2)
Exceptional Income - post-tax					
Profit After Tax	21.9	21.1	23.8	24.0	24.6
Minority Interests	(2.5)	(1.1)	(1.2)	(1.2)	(1.3)
Pref. & Special Div	0.0	0.0	0.0	0.0	0.0
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Preference Dividends (Australia)					
Net Profit	19.4	20.0	22.6	22.8	23.3
Normalised Net Profit	21.9	21.1	23.8	24.0	24.6
Fully Diluted Normalised Profit	19.4	20.0	22.6	22.8	23.3

Cash Flow

(\$m)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
EBITDA	26.39	25.55	28.66	28.88	29.45
Cash Flow from Invnt. & Assoc.	0.00	0.00	0.00	0.00	0.00
Change In Working Capital	(0.46)	5.03	(0.23)	0.06	0.12
Straight Line Adjustment					
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	0.81	1.15	1.15	1.15	1.15
Other Operating Cashflow	(0.61)	(1.12)	(1.30)	(1.42)	(1.52)
Net Interest (Paid)/Received	0.73	1.12	1.30	1.42	1.52
Tax Paid	(2.97)	(4.98)	(5.06)	(5.12)	(5.24)
Cashflow From Operations	23.90	26.75	24.52	24.97	25.49
Capex	(1.85)	(1.88)	(2.00)	(2.00)	(2.00)
Disposals Of FAs/subsidiaries	0.01	0.00	0.00	0.00	0.00
Disposals of Investment Properties					
Acq. Of Subsidiaries/Investments	(0.21)	(0.36)	0.00	0.00	0.00
Other Investing Cashflow	0.73	1.20	1.30	1.42	1.52
Cash Flow From Investing	(1.32)	(1.04)	(0.70)	(0.58)	(0.48)
Debt Raised/(repaid)					
Proceeds From Issue Of Shares	40.89	0.00	0.00	0.00	0.00
Shares Repurchased					
Dividends Paid	(13.30)	(19.62)	(14.95)	(16.80)	(17.17)
Preferred Dividends					
Other Financing Cashflow					
Cash Flow From Financing	27.59	(19.62)	(14.95)	(16.80)	(17.17)

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd
Balance Sheet

(S\$m)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Cash And Equivalents	75.7	81.6	89.6	96.2	103.1
Properties Under Development					
Total Debtors	63.5	63.5	65.2	65.7	66.8
Inventories					
Total Other Current Assets	0.0	0.0	0.0	0.0	0.0
Total Current Assets	139.1	145.1	154.8	162.0	169.9
Fixed Assets	2.8	3.5	4.4	5.3	6.1
Total Investments	0.0	0.0	0.0	0.0	0.0
Intangible Assets	0.2	0.2	0.1	0.1	0.1
Total Other Non-Current Assets	0.0	5.7	5.7	5.7	5.7
Total Non-current Assets	3.0	9.4	10.2	11.1	11.9
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors	65.8	71.7	73.2	73.8	75.0
Other Current Liabilities	5.8	7.8	7.8	7.8	7.8
Total Current Liabilities	71.5	79.5	81.0	81.6	82.8
Total Long-term Debt					
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	0.0	0.0	0.0	0.0	0.0
Total Non-current Liabilities	0.0	0.0	0.0	0.0	0.0
Total Provisions	0.2	3.0	3.0	3.0	3.0
Total Liabilities	71.7	82.5	84.1	84.6	85.8
Shareholders' Equity	66.9	69.3	79.1	87.4	95.7
Minority Interests	3.5	2.6	1.8	1.0	0.3
Total Equity	70.4	71.9	80.9	88.4	96.0

Key Ratios

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Revenue Growth	30.0%	(2.7%)	16.5%	0.7%	1.6%
Operating EBITDA Growth	17.6%	(3.2%)	12.2%	0.8%	2.0%
Operating EBITDA Margin	6.12%	6.09%	5.86%	5.86%	5.88%
Net Cash Per Share (S\$)	0.20	0.22	0.24	0.26	0.28
BVPS (S\$)	0.18	0.19	0.21	0.24	0.26
Gross Interest Cover	N/A	313.1	N/A	N/A	N/A
Effective Tax Rate	16.8%	17.5%	17.6%	17.6%	17.6%
Net Dividend Payout Ratio	66.7%	64.7%	65.6%	66.5%	66.6%
Accounts Receivables Days	53.45	55.17	48.14	48.49	48.28
Inventory Days	-	-	-	-	-
Accounts Payables Days	62.20	66.80	60.36	60.61	60.35
ROIC (%)	(403%)	(479%)	(413%)	(497%)	(590%)
ROCE (%)	57.4%	35.2%	36.3%	33.3%	31.3%
Return On Average Assets	18.1%	13.5%	14.1%	13.4%	13.0%

Key Drivers

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Unbooked Presales (m) (S\$)	N/A	N/A	N/A	N/A	N/A
Unbooked Presales (area: m sm)	N/A	N/A	N/A	N/A	N/A
Unbooked Presales (units)	N/A	N/A	N/A	N/A	N/A
Unsold attrib. landbank (area: m sm)	N/A	N/A	N/A	N/A	N/A
Gross Margins (%)	9.6%	10.6%	10.2%	10.2%	10.2%
Contracted Sales ASP (per Sm) (S\$)	N/A	N/A	N/A	N/A	N/A
Residential EBIT Margin (%)	N/A	N/A	N/A	N/A	N/A
Investment rev / total rev (%)	N/A	N/A	N/A	N/A	N/A
Residential rev / total rev (%)	N/A	N/A	N/A	N/A	N/A
Invnt. properties rental margin (%)	N/A	N/A	N/A	N/A	N/A
SG&A / Sales Ratio (%)	N/A	N/A	N/A	N/A	N/A

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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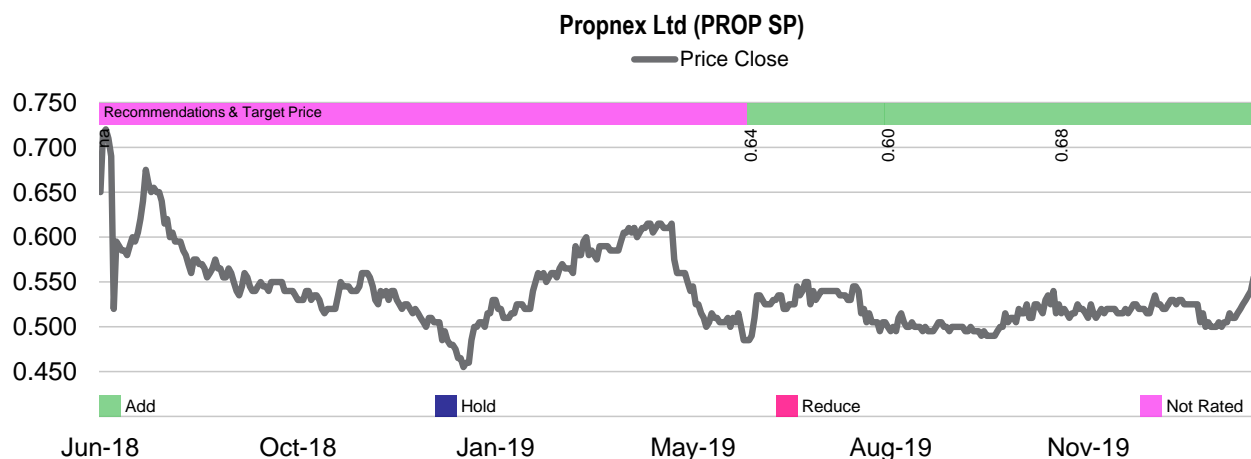
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	Rating Distribution (%)	Investment Banking clients (%)
Add	61.4%	0.0%
Hold	25.2%	0.0%
Reduce	13.4%	0.0%

Spitzer Chart for stock being researched (2 year data)



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2019, Anti-Corruption 2019

ADVANC – Excellent, Certified, **AEONTS** – Good, n/a, **AH** – Very Good, n/a, **AMATA** – Excellent, Declared, **ANAN** – Excellent, Declared, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Very Good, Certified, **BAM** – not available, n/a, **BANPU** – Excellent, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Certified, **BCP** - Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Very Good, n/a, **BEAUTY** – Good, n/a, **BEC** – Very Good, n/a, **BGRIM** – Very Good, Declared, **BH** - Good, n/a, **BJC** – Very Good, n/a, **BJCHI** – Very Good, Certified, **BLA** – Very Good, Certified, **BPP** – Very Good, Declared, **BR** - Good, n/a, **BTS** - Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – Good, n/a, **CENDEL** – Very Good, Certified, **CHAYO** - Good, n/a, **CHG** – Very Good, Declared, **CK** – Excellent, n/a, **COL** – Excellent, Declared, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** - Excellent, Certified, **CPNREIT** – not available, n/a, **CRC** – not available, n/a, **DELTA** - Excellent, Declared, **DEMCO** – Excellent, Certified, **DDD** – Very Good, n/a, **DIF** – not available, n/a, **DREIT** – not available, n/a, **DTAC** – Excellent, Certified, **EA** – Excellent, n/a, **ECL** – Very Good, Certified, **EGCO** - Excellent, Certified, **EPG** – Very Good, n/a, **ERW** – Very Good, n/a, **GFPT** – Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Very Good, n/a, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Certified, **GULF** – Very Good, n/a, **GUNKUL** – Excellent, Certified, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Declared, **III** – Excellent, n/a, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** - Excellent, Certified, **JASIF** – not available, n/a, **BJC** – Very Good, n/a, **JMT** – Very Good, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MACO** – Very Good, n/a, **MAJOR** – Very Good, n/a, **MAKRO** – Excellent, Certified, **MALEE** – Excellent, Certified, **MC** – Excellent, Certified, **MCOT** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MK** – Very Good, n/a, **MTC** – Excellent, n/a, **NETBAY** – Very Good, n/a, **OSP** – Very Good, n/a, **PLANB** – Excellent, Certified, **PLAT** – Very Good, Certified, **PR9** – Excellent, n/a, **PSH** – Excellent, Certified, **PSTC** – Very Good, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, Certified, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RATCH** – Excellent, Certified, **ROBINS** – Excellent, Certified, **RS** – Excellent, n/a, **RSP** – not available, n/a, **S** – Excellent, n/a, **SAPPE** – Very Good, Declared, **SAT** – Excellent, Certified, **SAWAD** – Very Good, n/a, **SC** – Excellent, Certified, **SCB** - Excellent, Certified, **SCC** – Excellent, Certified, **SCN** – Excellent, Certified, **SF** – Good, n/a, **SHR** – not available, n/a, **SIRI** – Very Good, Certified, **SPA** - Good, n/a, **SPALI** - Excellent, n/a, **SPRC** – Excellent, Certified, **STA** – Very Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Excellent, Certified, **TASCO** – Excellent, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIPCO** – Very Good, Certified, **TISCO** - Excellent, Certified, **TKN** – Very Good, n/a, **TMB** - Excellent, Certified, **TNR** – Very Good, Certified, **TOP** - Excellent, Certified, **TPCH** – Good, n/a, **TPIPP** – Good, n/a, **TRUE** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Declared, **UNIQ** – not available, n/a, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – not available, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

1 CG Score 2019 from Thai Institute of Directors Association (IOD)

2 AGM Level 2018 from Thai Investors Association

3 Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of November 30, 2018) are categorised into:

companies that have declared their intention to join CAC, and companies certified by CAC.

4 The Stock Exchange of Thailand : the record of listed companies with corporate sustainable development "Thai sustainability Investment 2018" included:

SET and mai listed companies passed the assessment conducted by the Stock Exchange of Thailand: THSI (SET) and THSI (mai)

SET listed companies passed the assessment conducted by the Dow Jones Sustainability Indices (DJSI)

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Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

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- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
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Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

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