



	Company Update	Property	Sweden	20 July 2020
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## Public ratings

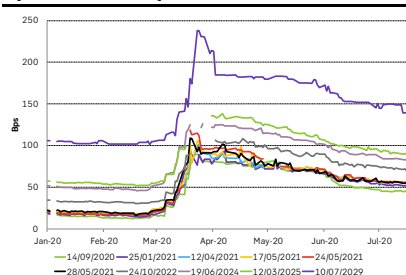
Moody's:	N.R.
S&P:	N.R.
Fitch:	N.R.

Market cap (SEKm) Not listed

## Help from savings and equity issue

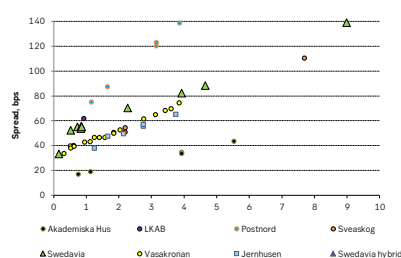
**Q2 profit and cash flow dropped significantly, albeit not as much as we feared, as a result of the near standstill at airports. While there are signs of a gradual recovery in traffic, the outlook remains highly uncertain and we continue to expect material cash outflow in 2020-21. However, savings and the government-backed equity issue should ensure adequate liquidity. We stay Marketweight on the bonds.**

## Spread development



Source: SEB and Bloomberg

## Relative value



Source: SEB and Bloomberg

### Savings estimated at SEK 1bn, capex down by about the same amount

Q2 traffic at Swedavia's airports was nearly at a standstill with signs of a gradual recovery in the last two weeks of June. Swedavia estimated its savings measures would reduce annual costs by around SEK 1bn (slightly over 20% of 2019 opex) and that investments would be reduced by about another SEK 1bn. Our estimates assume a gradual recovery in volumes and from Q3 onwards but that 2019 traffic levels would not be reached by 2022. Cash flow will thus likely remain under significant pressure despite the savings with material deterioration in 2020-21 credit metrics. The liquidity position improved from Q1, however, and the SEK 3.15bn equity issue (pending approval from the EU) should secure adequate funds to cover near-term cash uses. State support is positive for the credit profile, partly mitigating the fundamental operational challenges caused by Covid-19.

### Marketweight

We maintain Marketweight on the seniors and the hybrids which appear fairly priced compared with local and European peers. Spreads are indicated 28-35bps wider year-to-date while 32-71bps are down from the end of March.

### Pre-financing cash outflow of SEK 1bn in Q2, but liquidity improves

Q2 revenues fell by 79% y/y on 97% lower passenger volume. The adj. operating loss was SEK 646m compared with SEK 309m in Q2 2019. The operating loss was narrower than our estimated SEK 1,051m reflecting both higher revenue as well as lower operating costs. Opex was down SEK 362m y/y in the quarter. Q2 operating cash outflow amounted to SEK 350m with capex of SEK 761m. Liquidity (cash + committed facilities) however increased by SEK 0.5bn to SEK 3.3bn on additional borrowing and credit limits.

## Analyst

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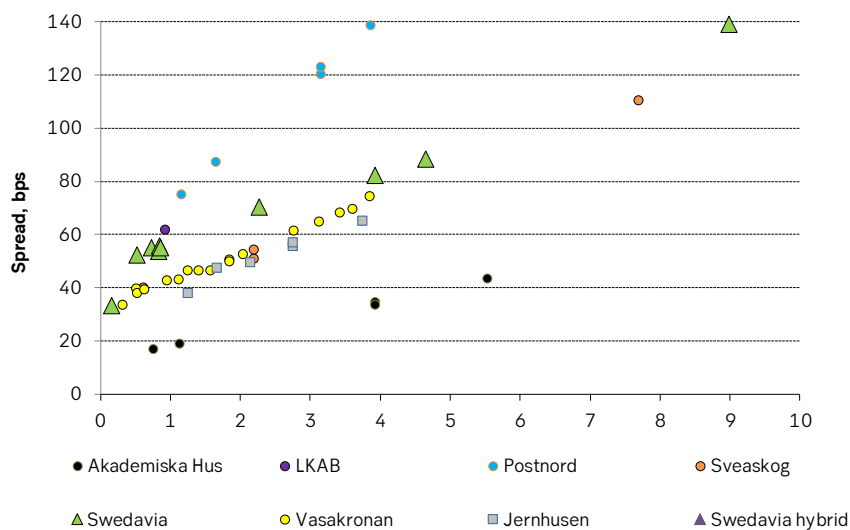
## Key credit metrics & ratios

	2016	2017	2018	2019	2020E	2021E	2022E
Revenues (SEKm)	5,546	5,745	5,922	6,235	2,299	3,843	5,589
EBITDA (SEKm)	1,954	1,703	1,784	2,018	-906.1	309.2	1,689
EBIT (SEKm)	966.0	651.0	681.0	709.0	-2,236	-1,091	249.1
FFO (SEKm)	1,483	1,330	1,496	1,796	-1,003	416	1,537
FOCF (SEKm)	-1,936	-1,563	-1,675	-1,069	-3,166	-1,067	57
Net debt (m)	4,896	7,290	9,195	10,713	9,553	10,620	10,603
Equity	7,351	7,665	8,066	9,440	11,068	10,244	10,323
EBITDA margin	35.2	29.6	30.1	32.4	-39.4	8.0	30.2
EBIT margin (%)	17.4	11.3	11.5	11.4	-97.3	-28.4	4.5
Adjusted EBITDA net int. cover. (x)	11.2	14.3	15.7	107.8	-9.4	3.1	13.8
Adjusted net debt to EBITDA (x)	3.2	4.2	5.4	5.7	-11.6	37.6	6.9
Adjusted FFO / Net debt	25%	16%	15%	15%	-10%	4%	13%
Adjusted net debt to capital	45%	52%	56%	58%	51%	56%	55%

Source: SEB

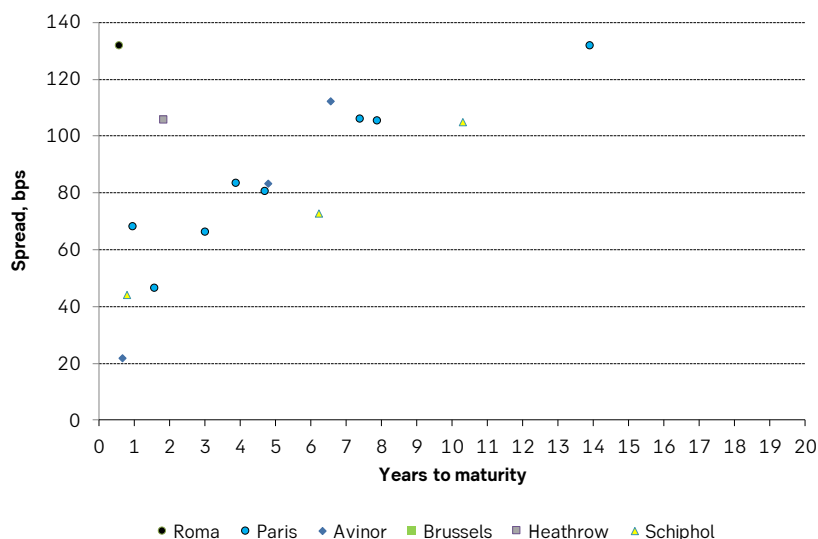
The estimates in this research report have been produced in collaboration with SEB equity research analysts

Relative value I



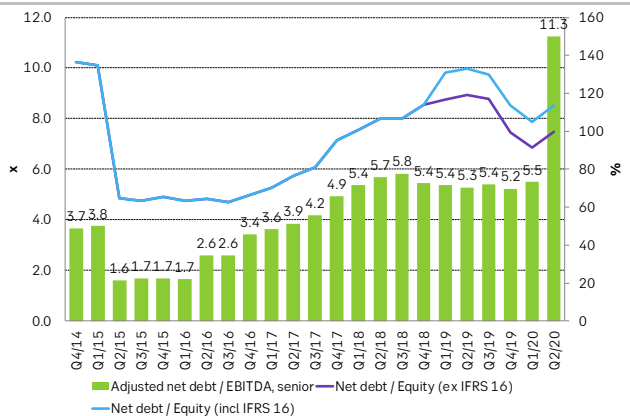
Source: SEB and Bloomberg

Relative value II



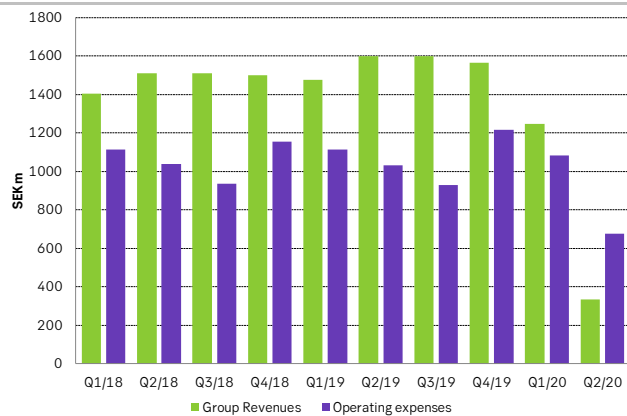
Source: SEB and Bloomberg

Credit metrics



Source: SEB

Revenue and opex



**Summary P&L, cash flow and key credit metrics**

(SEKm)	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
<b>Group Revenues</b>	<b>5,233</b>	<b>5,538</b>	<b>5,416</b>	<b>5,546</b>	<b>5,745</b>	<b>5,922</b>	<b>6,235</b>	<b>2,299</b>	<b>3,843</b>	<b>5,589</b>
Operating expenses	-3,346	-3,187	-2,746	-3,592	-4,042	-4,138	-4,219	-2,795	-3,394	-3,900
<b>EBITDA</b>	<b>1,886</b>	<b>2,351</b>	<b>2,670</b>	<b>1,954</b>	<b>1,703</b>	<b>1,784</b>	<b>2,016</b>	<b>-496</b>	<b>449</b>	<b>1,689</b>
Depreciation & amortisation	-940	-946	-915	-988	-1,052	-1,103	-1,309	-1,350	-1,400	-1,440
<b>EBIT</b>	<b>946</b>	<b>1,405</b>	<b>1,755</b>	<b>966</b>	<b>651</b>	<b>681</b>	<b>709</b>	<b>-1,846</b>	<b>-951</b>	<b>249</b>
Income from associated companies	8	0	22	41	37	53	46	20	21	22
Financial income	4	6	4	6	5	4	108	33	54	44
Financial expenses	-272	-248	-234	-144	-118	-96	-127	-130	-153	-166
<b>Pre-tax profit</b>	<b>686</b>	<b>1,162</b>	<b>1,547</b>	<b>869</b>	<b>575</b>	<b>642</b>	<b>736</b>	<b>-1,923</b>	<b>-1,029</b>	<b>148</b>
Tax	-185	-236	-136	-152	-167	-125	-153	0	206	-30
<b>Net Income</b>	<b>511</b>	<b>926</b>	<b>1,411</b>	<b>717</b>	<b>408</b>	<b>517</b>	<b>583</b>	<b>-1,923</b>	<b>-824</b>	<b>118</b>
<b>EBITDA ex capital gains, impairments and disposals</b>	<b>1,886</b>	<b>2,004</b>	<b>1,752</b>	<b>1,713</b>	<b>1,863</b>	<b>1,814</b>	<b>2,048</b>	<b>-906</b>	<b>309</b>	<b>1,689</b>
NRI	0	347	918	241	-160	-30	-32	410	140	0
EBITDA	1,886	2,351	2,670	1,954	1,703	1,784	2,016	-496	449	1,689
<b>Revenue growth, %</b>	<b>5</b>	<b>6</b>	<b>-2</b>	<b>2</b>	<b>4</b>	<b>3</b>	<b>5</b>	<b>-63</b>	<b>67</b>	<b>45</b>
<b>EBITDA margin ex NRI, %</b>	<b>36</b>	<b>36</b>	<b>32</b>	<b>31</b>	<b>32</b>	<b>31</b>	<b>33</b>	<b>-39</b>	<b>8</b>	<b>30</b>
<b>Passenger volume growth, %</b>	<b>3</b>	<b>7</b>	<b>5</b>	<b>5</b>	<b>6</b>	<b>0</b>	<b>-4</b>	<b>-69</b>	<b>124</b>	<b>46</b>
<b>Aviation business price/mix change, %</b>	<b>-1</b>	<b>-1</b>	<b>4</b>	<b>1</b>	<b>-3</b>	<b>4</b>	<b>11</b>	<b>5</b>	<b>-15</b>	<b>0</b>
<b>Cash flow summary</b>										
<b>FFO</b>	<b>1,498</b>	<b>1,765</b>	<b>1,397</b>	<b>1,483</b>	<b>1,330</b>	<b>1,496</b>	<b>1,795</b>	<b>-1,003</b>	<b>416</b>	<b>1,537</b>
Change in working capital	-158	344	-23	167	207	-137	181	36	18	20
<b>Cash flow from operating activities</b>	<b>1,340</b>	<b>2,109</b>	<b>1,374</b>	<b>1,650</b>	<b>1,537</b>	<b>1,359</b>	<b>1,976</b>	<b>-966</b>	<b>433</b>	<b>1,557</b>
<b>Cash flow from investing activities</b>	<b>-2,258</b>	<b>-378</b>	<b>1,943</b>	<b>-2,138</b>	<b>-3,765</b>	<b>-3,124</b>	<b>-3,105</b>	<b>-1,024</b>	<b>-1,500</b>	<b>-1,500</b>
Dividends paid	-9	-10	-231	-232	-143	-122	0	0	0	-40
<b>Cash flow before financing</b>	<b>-2,267</b>	<b>-388</b>	<b>1,712</b>	<b>-2,370</b>	<b>-3,908</b>	<b>-3,246</b>	<b>-1,129</b>	<b>-1,990</b>	<b>-1,067</b>	<b>-1,540</b>
<b>Net debt adjustments</b>										
Net debt ex IFRS 16	8,473	6,795	3,721	4,161	6,560	8,430	8,518	7,358	8,425	8,408
Leasing	0	0	0	1,184	1,118	1,154	1,321	1,321	1,321	1,321
Pensions	479	807	765	735	730	765	874	874	874	874
Hybrid	0	0	0	0	0	0	1,000	1,000	1,000	1,000
<b>Adjusted net debt</b>	<b>8,952</b>	<b>7,602</b>	<b>4,486</b>	<b>6,080</b>	<b>8,408</b>	<b>10,349</b>	<b>11,713</b>	<b>10,553</b>	<b>11,620</b>	<b>11,603</b>
<b>Key credit metrics</b>										
FFO/ Adjusted net debt, (%)	17	23	31	24	16	14	15	-10	4	13
Adjusted net debt / EBITDA, hybrid (x)	4.7	3.8	2.6	3.4	4.3	5.4	5.7	-11.6	37.6	6.9
Adjusted net debt / EBITDA, senior (x)	4.7	3.8	2.6	3.4	4.3	5.4	5.2	-10.5	34.3	6.3
EBITDA / Interest expenses, (x)	7	8	7	12	16	19	16	-7	2	10
FOCF/Adjusted net debt, (%)	-11	18	6	-13	-28	-18	-9	-29	-9	0
DCF/Adjusted net debt, (%)	-11	18	1	-16	-29	-19	-9	-29	-9	0
Net debt / Total equity (hybrid as equity, %)	182	136	65	67	95	114	113	86	104	103

Source: SEB

### Credit strengths

- Very strong competitive position
- 100% government owned
- Strong pricing power under normal circumstances

### Credit concerns

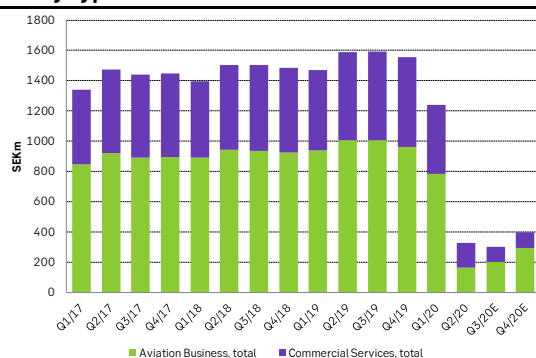
- Significant decline in cash flows due to COVID-19 outbreak
- Cash outflow increase liquidity risks although mitigated by planned equity issue
- Significant exposure to a few airlines, including SAS and Norwegian
- Large capex programme

### Selected outstanding bonds

Issuer	Public	Issue date	Maturity date	Cpn type	Cpn	Amount	Spread	Recommendation
Swedavia	N.R./N.R.	14-Sep-16	14-Sep-20	Fixed	0.435	SEK 250	45	Marketweight
Swedavia	N.R./N.R.	25-Jan-17	25-Jan-21	FRN	3mS+70	SEK 250	52	Marketweight
Swedavia	N.R./N.R.	12-Apr-18	12-Apr-21	Fixed	0.3625	SEK 500	56	Marketweight
Swedavia	N.R./N.R.	17-May-17	17-May-21	Fixed	0.7125	SEK 350	56	Marketweight
Swedavia	N.R./N.R.	24-May-17	24-May-21	FRN	3mS+100	SEK 200	56	Marketweight
Swedavia	N.R./N.R.	28-May-19	28-May-21	FRN	3mS+75	SEK 250	55	Marketweight
Swedavia	N.R./N.R.	24-Oct-17	24-Oct-22	Fixed	0.935	SEK 2,000	69	Marketweight
Swedavia	N.R./N.R.	05-Dec-19	12-Mar-25	Fixed	0.89	SEK 1,000	90	Marketweight
Swedavia	N.R./N.R.	10-Jul-14	10-Jul-29	Fixed	3mS+97	SEK 100	139	Marketweight

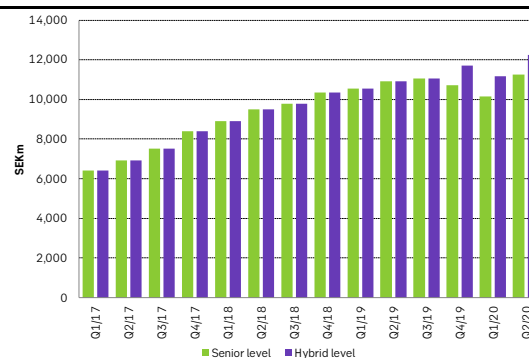
Source: Bloomberg and SEB

### Revenue by type



Source: SEB

### Adjusted net debt



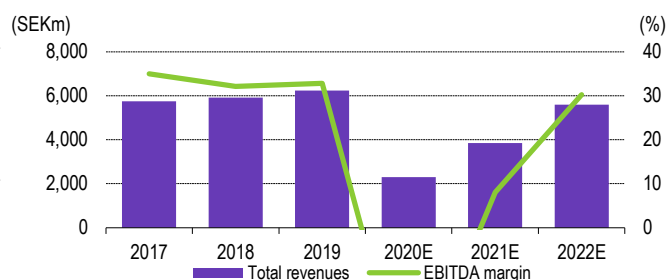
Source: SEB

### Financial statement summary - Adjusted numbers (SEKm)

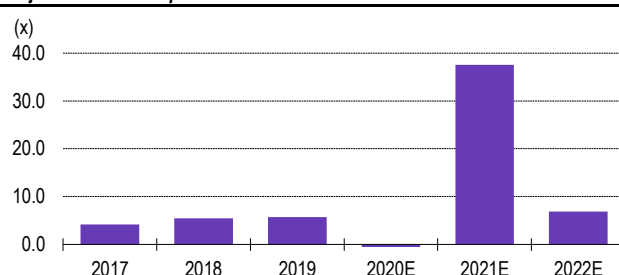
Income statement	2018	2019	2020E	2021E
Revenues	5,922	6,235	2,299	3,843
EBITDA	1,902	2,048	-906.1	309.2
Net income (reported)	517.0	583.0	-1,522	-823.5
Cash flow statement	2018	2019	2020E	2021E
Funds from operations (FFO)	1,554	1,796	-1,003	415.7
Operating Cash Flow	1,417	1,977	-966.2	433.5
Free Operating cash flow	-1,617	-1,069	-3,166	-1,067
Pre-financing cash flow	-1,739	-1,069	-1,990	-1,067
Balance sheet	2018	2019	2020E	2021E
Cash (and equivalents)	10.0	77.0	3,237	2,170
Total debt	10,360	11,790	13,790	13,790
Net debt	10,350	11,713	10,553	11,620
Equity	8,066	8,440	10,068	9,244
Total assets (reported)	19,725	22,952	24,835	24,322
Key credit metrics & ratios	2018	2019	2020E	2021E
Net debt to EBITDA (x)	5.4	5.7	-11.6	37.6
Net debt to capital	56%	58%	51%	56%
FFO / Net debt	15%	15%	-10%	4%
Equity ratio	41%	37%	41%	38%

Source: SEB and Swedavia financial reports

### Revenues and EBITDA margin



### Adjusted net debt / EBITDA



Source: SEB and Swedavia financial reports

**Profit & loss statement**

(SEKm)	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
Total revenues	4,693	4,965	5,233	5,538	5,416	5,546	5,745	5,922	6,235	2,299	3,843	5,589
Total expenses	-3,080	-3,284	-3,346	-3,187	-2,746	-3,592	-4,042	-4,138	-4,217	-3,205	-3,534	-3,900
<b>EBITDA</b>	<b>1,613</b>	<b>1,681</b>	<b>1,886</b>	<b>2,351</b>	<b>2,670</b>	<b>1,954</b>	<b>1,703</b>	<b>1,784</b>	<b>2,018</b>	<b>-906</b>	<b>309</b>	<b>1,689</b>
Depreciation	-831	-850	-940	-946	-915	-988	-1,052	-1,103	-1,309	-1,330	-1,400	-1,440
Intangibles amortisation	0	0	0	0	0	0	0	0	0	0	0	0
<b>EBIT</b>	<b>782</b>	<b>831</b>	<b>946</b>	<b>1,405</b>	<b>1,755</b>	<b>966</b>	<b>651</b>	<b>681</b>	<b>709</b>	<b>-2,236</b>	<b>-1,091</b>	<b>249</b>
Associated companies	14	19	8	0	22	41	37	53	45	20	21	22
Net interest expenses	-239	-296	-268	-242	-230	-138	-113	-92	-19	-97	-99	-123
Value changes	0	0	0	0	0	0	0	0	0	410	140	0
Other financial items	0	0	0	0	0	0	0	0	0	0	0	0
<b>Reported pre-tax profit</b>	<b>557</b>	<b>554</b>	<b>686</b>	<b>1,162</b>	<b>1,547</b>	<b>869</b>	<b>575</b>	<b>642</b>	<b>735</b>	<b>-1,903</b>	<b>-1,029</b>	<b>148</b>
Minority interests	9	10	10	0	0	0	0	0	0	0	0	0
Total taxes	-118	-108	-185	-236	-136	-152	-167	-125	-152	381	206	-30
<b>Net profit</b>	<b>448</b>	<b>456</b>	<b>511</b>	<b>926</b>	<b>1,411</b>	<b>717</b>	<b>408</b>	<b>517</b>	<b>583</b>	<b>-1,522</b>	<b>-824</b>	<b>118</b>
EBITDA margin	34.4	33.9	36.0	42.4	49.3	35.2	29.6	30.1	32.4	(39.4)	8.0	30.2
EBIT margin (%)	16.7	16.7	18.1	25.4	32.4	17.4	11.3	11.5	11.4	(97.3)	(28.4)	4.5
Tax rate (%)	21.2	19.5	27.0	20.3	8.8	17.5	29.0	19.5	20.7	20.0	20.0	20.0
<b>Growth rates y-o-y (%)</b>												
Total revenues	8.8	5.8	5.4	5.8	(2.2)	2.4	3.6	3.1	5.3	(63.1)	67.1	45.4
EBITDA	n.a.	4.2	12.2	24.6	13.6	(26.8)	(12.8)	4.8	13.1	(144.9)	134.1	446.2
EBIT	95.0	6.3	13.9	48.4	24.9	(45.0)	(32.6)	4.6	4.1	0.0	0.0	0.0
Pre-tax profit	309.6	(0.5)	23.9	69.4	33.1	(43.8)	(33.8)	11.7	14.5	0.0	0.0	0.0

**Cash flow**

(SEKm)	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
FFO	1,108	1,188	1,498	1,765	1,397	1,483	1,330	1,496	1,796	-1,003	416	1,537
Changes in working capital	70	305	-158	344	-23	167	207	-137	181	36	18	20
<b>Operating cash flow</b>	<b>1,178</b>	<b>1,493</b>	<b>1,340</b>	<b>2,109</b>	<b>1,374</b>	<b>1,650</b>	<b>1,537</b>	<b>1,359</b>	<b>1,977</b>	<b>-966</b>	<b>433</b>	<b>1,557</b>
Net capital expenditures	-1,584	-4,066	-679	-744	651	-3,586	-3,100	-3,034	-3,046	-2,200	-1,500	-1,500
<b>Free operating cash flow</b>	<b>-406</b>	<b>-2,573</b>	<b>661</b>	<b>1,365</b>	<b>2,025</b>	<b>-1,936</b>	<b>-1,563</b>	<b>-1,675</b>	<b>-1,069</b>	<b>-3,166</b>	<b>-1,067</b>	<b>57</b>
Dividend paid	-9	-9	-9	-10	-231	-232	-143	-122	0	0	0	-40
Acquisitions, divestments net	0	0	0	0	0	0	0	0	0	1,176	0	0
<b>Pre-financing cash flow</b>	<b>-415</b>	<b>-2,582</b>	<b>652</b>	<b>1,355</b>	<b>1,794</b>	<b>-2,168</b>	<b>-1,706</b>	<b>-1,797</b>	<b>-1,069</b>	<b>-1,990</b>	<b>-1,067</b>	<b>17</b>
Net loan proceeds	34	2,570	-729	-1,296	-1,900	2,332	1,524	1,749	141	2,000	0	0
Share issue	0	0	0	0	0	0	0	0	996	3,150	0	0
Other	0	0	0	1	0	0	0	0	0	0	0	0
<b>Net change in cash</b>	<b>-381</b>	<b>-12</b>	<b>-77</b>	<b>60</b>	<b>-106</b>	<b>164</b>	<b>-182</b>	<b>-48</b>	<b>68</b>	<b>3,160</b>	<b>-1,067</b>	<b>17</b>
Capex/sales (%)	33.8	81.9	13.0	13.4	-12.0	64.7	54.0	51.2	48.9	95.7	39.0	26.8

**Balance sheet**

(SEKm)	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
Cash and liquid assets	141	129	52	112	6	170	58	10	77	3,237	2,170	2,187
Other current assets	875	951	958	773	868	926	1,082	1,047	1,837	436	729	1,060
Long-term financial assets	215	211	147	108	1,254	1,022	1,089	1,192	0	20	41	62
Fixed tangible assets	10,487	13,040	14,524	13,652	10,515	11,897	14,741	16,699	20,263	20,367	20,607	20,667
Intangibles	439	457	452	621	615	632	618	777	775	775	775	775
<b>Total assets</b>	<b>12,157</b>	<b>14,788</b>	<b>16,133</b>	<b>15,266</b>	<b>13,258</b>	<b>14,647</b>	<b>17,588</b>	<b>19,725</b>	<b>22,952</b>	<b>24,835</b>	<b>24,322</b>	<b>24,751</b>
Interest bearing debt	5,830	7,674	8,525	6,907	3,727	4,331	6,618	8,440	9,916	11,916	11,916	11,916
Other liabilities	2,338	2,813	2,692	2,786	2,665	2,967	3,304	3,219	3,596	1,851	2,161	2,512
Minority interests	0	0	0	0	0	0	0	0	0	0	0	0
Shareholders' equity	3,989	4,300	4,915	5,571	6,863	7,351	7,665	8,066	9,440	11,068	10,244	10,323
<b>Total liabilities and equity</b>	<b>12,157</b>	<b>14,787</b>	<b>16,132</b>	<b>15,264</b>	<b>13,255</b>	<b>14,649</b>	<b>17,587</b>	<b>19,725</b>	<b>22,952</b>	<b>24,835</b>	<b>24,322</b>	<b>24,751</b>
Net debt (m)	6,423	8,329	8,952	7,602	4,486	4,896	7,290	9,195	10,713	9,553	10,620	10,603
Net debt/equity (%)	161.0	193.7	182.1	136.5	65.4	66.6	95.1	114.0	113.5	86.3	103.7	102.7
Equity/total assets (%)	32.8	29.1	30.5	36.5	51.8	50.2	43.6	40.9	41.1	44.6	42.1	41.7
Net debt/EBITDA (x)	4.0	5.0	4.7	3.2	1.7	2.5	4.3	5.2	5.3	(10.5)	34.3	6.3
EBITDA Interest cover	6.5	5.6	6.9	9.5	11.4	13.6	14.4	18.6	15.9	(7.0)	2.0	10.2

**Main shareholders**

Name	(%)	Votes	Capital
The state of Sweden	100.0	100.0	

**Management**

Title	Name
COB	Åke Svensson
CEO	Jonas Abrahamsson
CFO	Mats Pålsson

**Company information**

Contact	
Internet	www.swedavia.com
Phone number	+46 10 109 00 00

**Company description:** Swedavia was created in April 2010. It owns, operates and develops 10 airports in Sweden and is a part of the national airport infrastructure. Swedavia's most important customers are passengers, airlines and tenants. The main driver of revenues is the number of passengers. It is 100% owned by the Swedish state.

**Please note:** The data in several tables and charts in this document have been adjusted in line with common practice in the field of credit research. This mainly refers to adjustments of operating leases, pensions, derivatives and other contingent liabilities. For a detailed breakdown of the adjustments, please contact the author of this report.

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Marketweight	72.0%	43.1%
Underweight	14.3%	8.3%

A\* denotes recommendations for all companies covered

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**Recommendation History****Instrument Recommendation Date**

Swedavia Jul 2029 3mS+97	Marketweight	8 Sep 2015
Swedavia Apr 2021 0.3625	Marketweight	27 Jun 2019
Swedavia Jan 2021 3m+70	Marketweight	27 Jun 2019
Swedavia Jul 2029 3m+97	Marketweight	27 Jun 2019
Swedavia Mar 2020 0.075	Marketweight	27 Jun 2019
Swedavia May 2021 0.7125	Marketweight	27 Jun 2019
Swedavia May 2021 3m+100	Marketweight	27 Jun 2019
Swedavia May 2021 3m+75	Marketweight	27 Jun 2019
Swedavia Oct 2022 0.935	Marketweight	27 Jun 2019
Swedavia Sep 2020 0.435	Marketweight	27 Jun 2019
Swedavia Apr 2021 0.3625	Marketweight	28 Jun 2019
Swedavia Jan 2021 3m+70	Marketweight	28 Jun 2019
Swedavia Jul 2029 3m+97	Marketweight	28 Jun 2019
Swedavia Mar 2020 0.075	Marketweight	28 Jun 2019
Swedavia May 2021 0.7125	Marketweight	28 Jun 2019
Swedavia May 2021 3m+100	Marketweight	28 Jun 2019
Swedavia May 2021 3m+75	Marketweight	28 Jun 2019
Swedavia Oct 2022 0.935	Marketweight	28 Jun 2019
Swedavia Sep 2020 0.435	Marketweight	28 Jun 2019
Swedavia Mar 2025 0.89	Marketweight	26 Feb 2020

Recommendation changes by SEB Credit Research Analysts in the subject company over the past 12 months. If no recommendation changes were made in that period, the most recent change is stated.



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