

PLEASE CLICK ON THE PAGE NUMBER TO MOVE TO THE RELEVANT PAGE.

KEY HIGHLIGHTS

Sector Update

Plantation – Malaysia

Page 2

MPOB Oct 23: Oct 23 palm oil inventory came in lower than market forecast, mainly due to strong exports despite CPO production surpassing market forecasts.

Company Results

Maxis (MAXIS MK/HOLD/RM4.03/Target: RM4.10)

Page 4

3Q23: Results in line; third interim DPS of 4 sen/share. Muted dividend outlook as telcos prepare to roll out 5G on their own, slated for 2024.

TRADERS' CORNER

Page 7

Harbour-Link Group (HALG MK): Technical BUY

TRC Synergy (TRC MK): Technical BUY

KEY INDICES

	Index	pt chg	% chg
FBMKLCI	1,445.18	(7.1)	(0.5)
Bursa Emas	10,691.47	(51.6)	(0.5)
Ind Product	172.40	(0.7)	(0.4)
Finance	16,296.07	(69.5)	(0.4)
Consumer	554.30	(4.0)	(0.7)
Construction	186.72	(0.5)	(0.3)
Properties	848.52	(1.9)	(0.2)
Plantations	6,922.29	(1.1)	(0.0)

BURSA MALAYSIA TRADING & PARTICIPATION

Malaysia Turnover	10-Nov-23	% chg
Volume (m units)	3,195	(3.9)
Value (RMm)	1,611	(17.1)

By Investor type	(%)	ppt chg
Foreign investors	25.2	(2.9)
Local retail	31.3	3.3
Local institution	43.4	(0.4)

TOP TRADING TURNOVER / GAINERS / LOSERS

Top Trading Turnover	Price (RM)	Chg (%)	5-day ADT (RM'000)
CIMB Group	5.75	(0.5)	69,770
Public Bank	4.16	(1.2)	58,222
Top Glove	0.76	(3.2)	57,191
Hartalega	2.34	(0.8)	47,488
Malayan Banking	9.08	(0.4)	46,826

Top Gainers

IGB	2.35	4.0	226
Westports Holdings	3.46	2.4	4,670
7- Eleven Malaysia	2.00	1.5	89
FELDA	1.35	1.5	157
Datasonic Group	0.44	1.1	990

Top Losers

SapuraEnergy	0.05	(10.0)	254
Top Glove	0.76	(3.2)	57,191
BAT	9.15	(2.9)	2,693
YTL Power	2.20	(2.7)	40,988
Cahya Mata Sarawak	1.11	(2.6)	1,821

OTHER STATISTICS

	10-Nov-23	chg	% chg
RM/US\$	4.71	0.02	0.3
CPO 3rd mth future (RM/mt)	3,802	59.0	1.6

Notes:

ADT = Average daily turnover.

Top trading turnover, gainers and losers are based on FBM100 component stocks.

SECTOR UPDATE

Plantation – Malaysia

Strong Exports In Oct 23

Oct 23 palm oil inventory came in lower than market forecasts, mainly due to strong exports despite CPO production surpassing market forecasts. We expect Malaysia's inventory to peak in November and start to ease from Dec 23 into 1Q24. However, the potential constraint on vegoil supply in the market and the strengthening El Nino phenomena will support CPO prices. Maintain OVERWEIGHT and BUY on IOI Corporation, Hap Seng Plantations and KL Kepong.

MPOB'S OCT 23 STATISTICS

(m tonnes)	Oct 23	mom % chg	yoy % chg	10M23	yoy % chg
CPO Production	1.94	5.9	6.8	15.21	0.4
Palm Oil Stocks	2.45	5.8	1.7	2.45	5.7
Palm Oil Domestic Use	0.38	(20.1)	34.6	3.45	52.0
Palm Oil Exports	1.47	22.6	(2.5)	12.33	9.7
Oleochemical	0.27	11.0	16.6	2.36	3.5
Biodiesel	0.05	78.7	172.4	0.21	(23.3)
Palm Oil Imports	0.05	(3.1)	(28.3)	0.82	(9.3)
CPO Price (RM/tonne)	3,640.0	(2.3)	(1.1)	3,859.7	(27.8)

Source: MPOB, UOB Kay Hian

WHAT'S NEW

- Palm oil inventory in Malaysia for Oct 23 came in lower than market expectation at 2.45m tonnes vs market expectation of 2.56m-2.59m tonnes. This deviation was primarily driven by robust export performance during Oct 23, despite CPO production exceeding street forecasts.
- Some of the key highlights are:
 - Inventory: Lower than market expectations.** This was mainly due to strong export which grew 23% mom, despite CPO production surpassing market expectations.
 - Production: Higher than market expectations.** Production exceeded market expectations as FFB yield recovery was better than expected. This was due to the resumption of fertiliser application, which caught up with agro-management as labour resources had improved in estates since early-23. In addition, due to the El Nino event, there have been fewer operational and fruits evacuation disruptions during the year-end monsoon season. Rainfall was much lower compared with the past three years, with rains falling mainly in the evenings or nights.
 - Exports: Higher than market expectations with strong increment of 23% mom.** This was partly due to a lower base in Sep 23 and continuing exports to China and Africa as CPO prices weaken, while the most disruptive trade from sunflower oil also eased in Oct 23 compared with the past few months. Notably, biodiesel exports saw a substantial 79% mom increase, driven by the considerable spread between palm oil and gasoil, making non-mandated biodiesel financially viable.
- **Significant improvement in operational metrics.** The national fresh fruit bunch (FFB) yield hit 1.65 tonnes/ha in Oct 23, reaching a 40-month high. Simultaneously, the oil extraction rate improved to 20.34%, marking a 32-month high. This recovery can be attributed to: a) the resumption of fertiliser application since 2023, b) an adequate labour force in the estates, and c) less disruption from rains.

PEER COMPARISON

Company	Ticker	Rec	Share Price 10 Nov 23 (RM)	Target Price (RM)	Market Cap (US\$m)	PE			ROE (%)	P/B (x)	2023F Div (sen)	Div Yield (%)
						2022 (x)	2023F (x)	2024F (x)				
Hap Seng Plantations	HAPL MK	BUY	1.79	2.65	304.0	6.8	11.5	8.2	11.0	0.8	9.3	5.2
IOI Corporation	IOI MK	BUY	3.94	4.80	5,191.2	15.5	16.3	15.0	10.0	2.2	12.6	3.2
Kuala Lumpur Kepong	KLK MK	BUY	21.68	25.90	4,965.6	10.8	15.9	13.5	16.6	1.6	68.0	3.1
Sime Darby Plantation	SDPL MK	BUY	4.33	5.00	6,359.8	14.4	25.4	14.6	13.8	1.5	10.2	2.4
Genting Plantations	GENP MK	HOLD	5.53	6.40	1,053.7	10.5	16.0	14.7	9.1	0.9	15.2	2.7
Kim Loong Resources	KIML MK	HOLD	1.89	1.95	389.9	10.0	10.4	9.8	19.7	2.1	15.5	8.2
Sarawak Oil Palms	SOP MK	HOLD	2.56	3.00	484.1	4.7	7.4	5.9	15.7	0.7	13.9	5.4

Source: UOB Kay Hian

OVERWEIGHT

(Maintained)

STOCK PICKS

Company	Rec	Share Price (RM)	Target Price (RM)
Hap Seng Plantations	BUY	1.79	2.65
IOI Corporation	BUY	3.94	4.80
Kuala Lumpur Kepong	BUY	21.68	25.90
Sime Darby Plantation	BUY	4.33	5.00

Source: UOB Kay Hian

CPO PRICE ASSUMPTIONS (RM/TONNE)

	CPO Price (RM/tonne)
2020	2,686
2021	4,408
2022	5,088
Our Forecast:	
2023F	4,000
2024F	4,200
CPO Price:	
MPOB @ 10/11/2023	3,658
BMD 3 rd Month Contract	3,802

Source: UOB Kay Hian

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ACTION

- Maintain OVERWEIGHT.** We expect CPO prices to trade between RM3,800-4,200/tonne in Dec 23-1Q24. This projection is influenced by the intensifying El Nino phenomenon and the constrained supply of alternative vegetable oils. In light of this outlook, we recommend investors to strategically accumulate positions in upstream plantation companies exhibiting robust production growth. Thus, we recommend investors to accumulate plantation stocks. Top picks: Hap Seng Plantations and IOI Corporation. Trading BUY: Sime Darby Plantation, Kuala Lumpur Kepong.

ESSENTIALS

- Nov 23 outlook:**
 - Production to drop mom.** We anticipate a gradual decline in production on a mom basis as it appears to have reached its peak. Historical trends have pointed to a slowdown in production growth during 4Q. Nevertheless, we expect the deceleration in production growth to be less pronounced this time with better resources at estates and fewer disruptions during this monsoon season. With the improved labour situation in estates, we observed better harvesting and better crops recovery.
 - Exports: Lower mom.** We project a decrease in the demand for vegetable oil towards the end of the year, primarily influenced by the onset of the winter season.
 - End-stock: Higher mom.** We expect inventory level to inch up to 2.5m tonnes, due to weak demand, but this could be the peak and inventory level should ease from Dec 23 onwards into 1Q24.

SECTOR CATALYSTS

- 3Q23 earnings are poised for a substantial improvement.** We expect the majority of plantation companies to announce robust qoq improvements in earnings in 3Q23. This positive outlook is attributed to a significant reduction in the cost of production, primarily driven by the normalisation of fertiliser prices. Looking ahead, we anticipate continued strong financial performances from plantation companies over the next three quarters. This optimism stems from the expectation of sustained lower production costs and higher CPO ASP.
- Tight supply of other vegoils.** It is worth noting that the conclusion of the harvesting seasons for many annual crops has resulted in limited crop availability in the market. This scenario is particularly advantageous for CPO due to its year-round harvesting nature, positioning it favourably in a market where other crops may face scarcity. Additionally, the uncertain weather conditions in Brazil and the US present an ongoing factor of consideration. These weather uncertainties may persist and potentially impact the upcoming soybean yield in 2024.

ASSUMPTION CHANGES

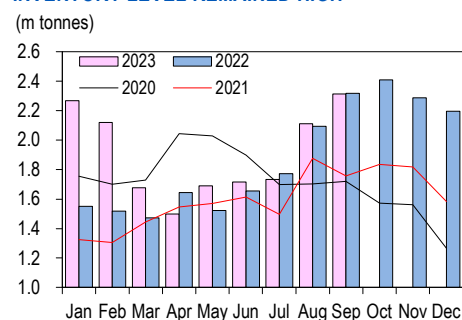
- No changes to CPO ASP assumptions.** We maintain our CPO price assumptions at RM4,000/tonne and RM4,200/tonne for 2023 and 2024 respectively.

CPO PRODUCTION BY REGION

(m tonne)	Oct 23	mom % chg	yoy % chg	10M23	yoy % chg
CPO Production	1.94	5.9	6.8	15.21	0.4
Peninsular Malaysia	1.04	6.3	6.1	8.03	(4.8)
Sabah	0.46	9.7	5.1	3.71	7.8
Sarawak	0.44	1.2	10.4	3.47	6.0

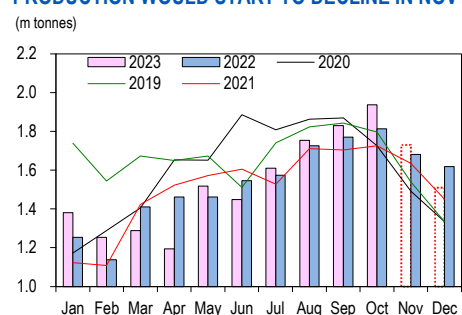
Source: MPOB

INVENTORY LEVEL REMAINED HIGH



Source: MPOB

PRODUCTION WOULD START TO DECLINE IN NOV 23



Source: MPOB

COMPANY RESULTS

Maxis (MAXIS MK)

3Q23: Results In Line; 5G And Enterprise To Supercharge Growth

Maxis' 3Q23 net profit declined 13% qoq and 7% yoy to RM287m due to its manpower right-sizing exercise and lower yoy USP income. This brought 9M23 net profit to RM937m (flat yoy). The results are in line with our expectations but 6% below consensus estimates. Maxis declared a third interim DPS of 4 sen/share (109% payout). The stock trades at 10x 2023F EV/EBITDA and offers a 4% dividend yield. Maintain HOLD. Target price: RM4.10.

3Q23 RESULTS

Year to 31 Dec (RMm)	3Q23	qoq % chg	yoy %chg	9M23	yoy %chg
Revenues	2,442	(1.1)	1.5	7,438	2.8
Reported EBITDA	929.0	(7.3)	(7.5)	2,903.0	(1.5)
Normalised EBITDA	929.0	(7.3)	(7.5)	2,904.0	(0.5)
Normalised EBITDA Margin (%)	38.0%	-2.5 ppt	-3.7 ppt	39.0%	-1.7 ppt
Pre-tax Profits	384	(15.2)	(17.9)	1,266	(9.6)
Net Profit	287	(13.0)	(6.8)	937	0.2
Core Net profit	287	(13.0)	(6.8)	937	0.2
EPS (sen)	3.7	(11.9)	(7.5)	12.0	(0.0)
DPS (sen)	4.0	-	(20.0)	12.0	(20.0)
Subscribers ('000)	9,215	0.9	1.3	-	-
Blended ARPUs (RM/mth)	55.2	(0.7)	(0.5)	-	-
Cost Structure (% of revenue)	3Q22	4Q22	1Q23	2Q23	3Q23
Traffic, Commissions & Other Direct Costs	42.3	49.4	48.4	44.4	41.7
Network & Spectrum	9.1	8.8	9.4	9.7	9.4
Resource	9.2	10.2	9.5	9.6	12.9
O&M	4.8	5.2	5.0	4.4	4.8
Marketing	2.3	2.5	1.8	2.0	2.1

Source: Maxis, UOB Kay Hian

RESULTS

- **3Q23 results in line.** Maxis' 3Q23 core net profit came in at RM287m (-13% qoq, -7% yoy). Both the yoy and qoq drops in net profit were due to the staff cost rationalisation exercise (right-sizing exercise) and lower USP income due to lesser USP project fulfilment in 2023. Net profit dropped yoy in a narrow quantum due to the absence of the Prosperity Tax. 9M23 core net profit of RM937m (flat yoy) accounts for 75% and 69% of our and consensus full-year estimates, within our expectations but below consensus'.

KEY FINANCIALS

Year to 31 Dec (RMm)	2021	2022	2023F	2024F	2025F
Net turnover	9,236	9,789	9,959	10,061	10,420
EBITDA	3,857	3,894	3,968	4,010	4,156
Operating profit	2,208	2,173	2,103	2,283	2,372
Net profit (rep./act.)	1,341	1,181	1,249	1,410	1,503
Net profit (adj.)	1,341	1,181	1,249	1,410	1,503
EPS (sen)	17.2	15.1	16.0	18.1	19.2
PE (x)	23.5	26.7	25.2	22.3	20.9
P/B (x)	4.7	4.9	4.9	4.8	4.7
EV/EBITDA (x)	10.4	10.3	10.1	10.0	9.7
Dividend yield (%)	4.2	5.0	4.0	4.0	4.1
Net margin (%)	14.5	12.1	12.5	14.0	14.4
Net debt/(cash) to equity (%)	132.3	145.0	134.2	123.2	109.3
Interest cover (x)	9.3	10.8	9.3	10.2	11.6
ROE (%)	19.5	18.0	19.6	21.9	22.7
Consensus net profit	-	-	1,360	1,411	1,474
UOBKH/Consensus (x)	-	-	0.92	1.00	1.02

Source: Maxis, Bloomberg, UOB Kay Hian

HOLD

(Maintained)

Share Price	RM4.03
Target Price	RM4.10
Upside	+1.7%

COMPANY DESCRIPTION

Mobile operator in Malaysia, providing GSM and 3G services.

STOCK DATA

GICS sector	Communication Services
Bloomberg ticker:	MAXIS MK
Shares issued (m):	7,832.1
Market cap (RMm):	31,563.3
Market cap (US\$m):	6,703.5
3-mth avg daily t'over (US\$m):	2.6

Price Performance (%)

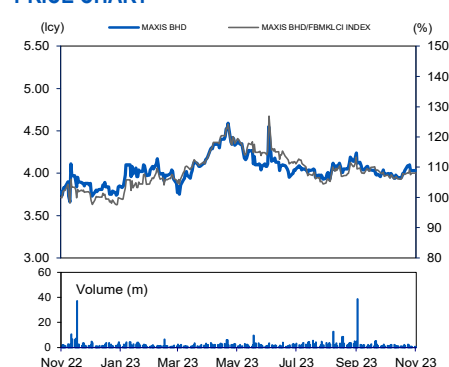
52-week high/low	RM4.59/RM3.66			
1mth	3mth	6mth	1yr	YTD
0.8	1.8	(8.8)	4.4	4.9

Major Shareholders

	%
Binariang GSM Sdn Bhd	64.9
Skim Amanah Saham	8.3
Employees Provident Fund	8.2

FY22 NAV/Share (RM)	0.82
FY22 Net Debt/Share (RM)	1.09

PRICE CHART



Source: Bloomberg

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- **Dividend remains at 4 sen/share.** Maxis declared a third interim DPS of 4 sen/share (109% earnings payout), within our expectations but below last year's consistent 5 sen/share payout. We believe this signals the start of elevated capex as telcos prepare to roll out 5G on their own, slated for 2024. We maintain our full-year net DPS of 16.0 sen/share, translating to a net dividend yield of 4%.

STOCK IMPACT

- **3Q23 postpaid revenue was strong**, rising 6% yoy and 2% qoq to RM1,154m. Maxis saw a net addition of 84,000 subscribers in the quarter. Key drivers were: a) encouraging take-up of Hotlink Postpaid, b) growth in shared lines, and c) continued pre-to-post conversion. 3Q23 postpaid ARPU decreased 1% qoq and 3% yoy to RM76.8/month due to the dilution effect caused by entry level Hotlink Postpaid and Family shared lines.
- **3Q23 prepaid revenue fell 4% yoy and was flat qoq**, coming in at RM652m. Maxis lost 2,000 prepaid subscribers due to pre-to-post migration. ARPU fell slightly to RM38.1/month for 3Q23 (2Q23: RM38.1/month, 3Q22: RM38.6/month) due to lower interconnect rates.
- **Growth in the home fibre segment remained strong** (9% of total revenue) with 3Q23 revenue jumping 13% yoy and 2% qoq while fibre subscribers grew 17% yoy and 4% qoq with resilient demand for fibre connectivity and wider fibre footprint under the JENDELA programme. Blended ARPU (together with wireless broadband) increased slightly to RM109.5/month (2Q23: RM108.2/month).
- **3Q23 normalised EBITDA margin decreased 3.7ppt yoy to 38.0%** due to the effects of the cost rationalisation exercise (right-sizing exercise) and lower USP income due to lesser USP project fulfilment in 2023. Together with lower device revenue in 3Q23, core net profit slipped 13% qoq to RM287m.

EARNINGS REVISION/RISK

- **No change to earnings.**
- **2023 guidance.** The group guided for: a) low single-digit increase in service revenue, b) flat yoy growth in EBITDA at around RM3.9b, and c) similar capex to 2022 at around RM1.1b. This does not take into account the commercial launch of 5G.
- **Key event to look out for: Maxis' roadmap for 5G.** Maxis may revise its guidance following the introduction of its 5G roadmap.

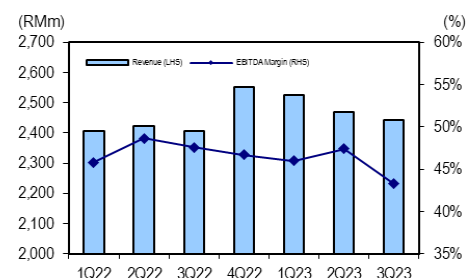
VALUATION/RECOMMENDATION

- **Maintain HOLD with an unchanged target price of RM4.10** (discount rate: 7.6%, growth rate: 3%). Our target price reflects a potential 5G DWN situation, suggesting a higher growth rate (from 2% to 3%), partly offset by higher capex of an additional RM500m annually over 2025-30F. Our target price also reflects the RM360m in opex after Maxis signed the Access Agreement over 2024-25F. The stock is fairly valued at 10x EV/EBITDA with a 4% dividend yield.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG)

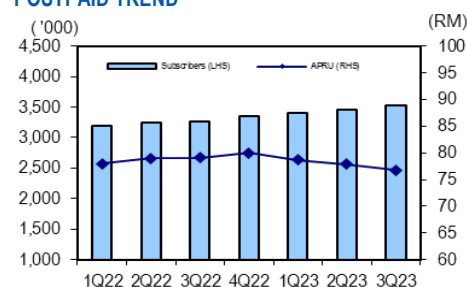
<ul style="list-style-type: none"> • Environmental <ul style="list-style-type: none"> - Key initiatives include the introduction of an on-grid solar system as renewable energy to power Maxis' servers inside Data and Switch Center.
<ul style="list-style-type: none"> • Social <ul style="list-style-type: none"> - Promoting digital literacy of entrepreneurs through digital marketing workshops. - Providing students greater access to digital learning through their eKelas programme.
<ul style="list-style-type: none"> • Governance <ul style="list-style-type: none"> - Good company transparency along with an anti-bribery and anti-corruption policy.

REVENUE AND EBITDA MARGIN



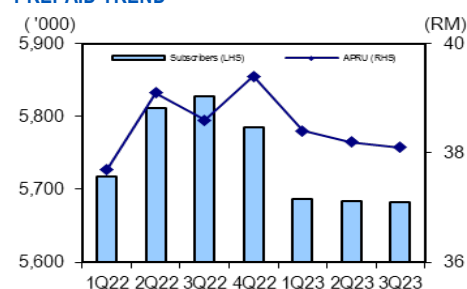
Source: Maxis, UOB Kay Hian

POSTPAID TREND



Source: Maxis, UOB Kay Hian

PREPAID TREND



Source: Maxis, UOB Kay Hian

KEY ASSUMPTIONS

Key Assumptions	2023F	2024F	2025F
Revenue Growth (%)	1.7	1.0	3.6
EBITDA Margin (%)	39.8	39.9	39.9
CAPEX to Revenue (%)	12.0	13.5	13.5
Mobile Subscribers (m)	9.8	9.9	10.2
Mobile ARPU (RM)	56.4	59.4	60.3

Source: UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Net turnover	9,789	9,959	10,061	10,420
EBITDA	3,894	3,968	4,010	4,156
Deprec. & amort.	1,721	1,865	1,727	1,784
EBIT	2,173	2,103	2,283	2,372
Net interest income/(expense)	(362)	(429)	(393)	(358)
Pre-tax profit	1,811	1,674	1,890	2,014
Tax	(630)	(425)	(480)	(512)
Minorities	0	0	0	0
Net profit	1,181	1,249	1,410	1,503
Net profit (adj.)	1,181	1,249	1,410	1,503

CASH FLOW

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Operating	2,684	3,559	3,547	3,705
Pre-tax profit	1,811	1,674	1,890	2,014
Tax	(630)	(425)	(480)	(512)
Deprec. & amort.	1,721	1,865	1,727	1,784
Associates	0	0	0	0
Working capital changes	(580)	16	17	61
Other operating cashflows	362	429	393	358
Investing	(1,296)	(1,140)	(1,284)	(1,313)
Capex (maintenance)	(1,720)	(1,195)	(1,358)	(1,407)
Proceeds from sale of assets	0	0	0	0
Others	424	55	74	93
Financing	(2,570)	(2,093)	(2,061)	(2,033)
Dividend payments	(1,566)	(1,249)	(1,269)	(1,277)
Issue of shares	21	0	0	0
Proceeds from borrowings	(213)	(360)	(325)	(304)
Others/interest paid	(812)	(484)	(467)	(451)
Net cash inflow (outflow)	(1,182)	326	201	359
Beginning cash & cash equivalent	1,164	628	954	1,156
Changes due to forex impact	27	0	0	0
Ending cash & cash equivalent	628	954	1,156	1,515

BALANCE SHEET

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Fixed assets	5,639	4,969	4,601	4,223
Other LT assets	14,625	14,625	14,625	14,625
Cash/ST investment	628	954	1,156	1,515
Other current assets	2,153	2,203	2,225	2,305
Total assets	23,045	22,751	22,607	22,668
ST debt	283	283	283	283
Other current liabilities	4,160	4,226	4,266	4,405
LT debt	9,582	9,222	8,897	8,593
Other LT liabilities	2,649	2,649	2,649	2,649
Shareholders' equity	6,371	6,371	6,512	6,737
Minority interest	0	0	0	0
Total liabilities & equity	23,045	22,751	22,607	22,668

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	39.8	39.8	39.9	39.9
Pre-tax margin	18.5	16.8	18.8	19.3
Net margin	12.1	12.5	14.0	14.4
ROA	5.2	5.5	6.2	6.6
ROE	18.0	19.6	21.9	22.7
Growth				
Turnover	6.0	1.7	1.0	3.6
EBITDA	1.0	1.9	1.1	3.7
Pre-tax profit	0.9	(7.5)	12.9	6.6
Net profit	(11.9)	5.8	12.9	6.6
Net profit (adj.)	(11.9)	5.8	12.9	6.6
EPS	(11.9)	5.8	12.9	6.6
Leverage				
Debt to total capital	60.8	59.9	58.5	56.8
Debt to equity	154.8	149.2	141.0	131.7
Net debt/(cash) to equity	145.0	134.2	123.2	109.3
Interest cover (x)	10.8	9.3	10.2	11.6

TRADERS' CORNER



Harbour-Link Group (HALG MK)

Technical BUY on breakout with +10.7% potential return

Last price: RM1.19

Target price: RM1.31, RM1.34

Support: RM1.14

Stop-loss: RM1.13

BUY on breakout with a target price of **RM1.34** and stop-loss at **RM1.13**. HALG's chart shows that the upside movement will remain intact if the price is able to penetrate the **RM1.21** level. This bullish movement is supported by an uptick in the RSI. Currently, both indicators such as the MACD and DMI show positive signals to support the upward momentum. We peg our targets at **RM1.31** and **RM1.34** in the near term.

Expected timeframe: Two weeks to two months

Note: Not available for CFD Trading



TRC Synergy (TRC MK)

Technical BUY with +17.1% potential return

Last price: RM0.38

Target price: RM0.405, RM0.445

Support: RM0.35

Stop-loss: RM0.345

BUY with a target price of **RM0.445** and stop-loss at **RM0.345**. Since correcting from the previous high, TRC has seen its share price recover gradually and move above the 7- and 21-day EMAs following last Friday's spike, effectively reversing its short-term downtrend. Last Friday's gain was also accompanied by high trading volume as well as rising MACD and RSI indicators, indicating that the positive momentum would strengthen in the near term. We peg our targets at **RM0.405** and **RM0.445** in the near term.

Expected timeframe: Two weeks to two months

Note: Not available for CFD Trading

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