

BIORETEC

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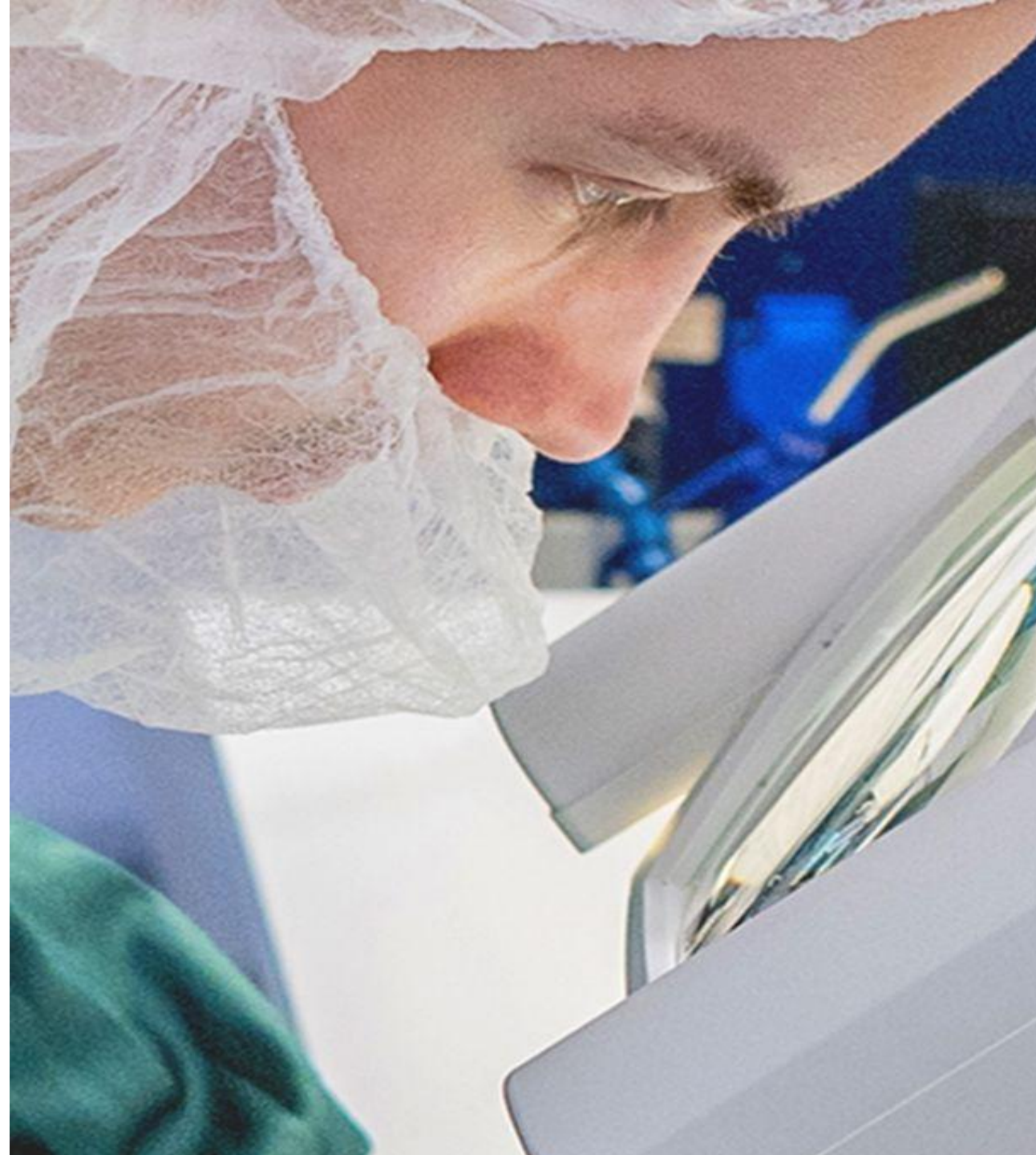
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INDERES CORPORATE CUSTOMER

COMPANY REPORT



Earnings turnaround is slipping further away

Bioretec updated its strategy and financial targets for 2026-28. The company cut its 2028 revenue target to 10 MEUR (was 65 MEUR). The earnings turnaround was also pushed further out, and the company does not expect profitability during the strategy period. We are lowering our forecasts, especially regarding earnings, for the coming years. We slash our target price to EUR 0.60 (was EUR 1.05) and downgrade our recommendation to Reduce (was Accumulate) due to changes in forecasts.

Targets were lowered exceptionally sharply

Bioretec's revenue target was radically cut from the previous 65 MEUR to 10 MEUR. However, even a large reduction in targets was not a complete surprise, as we had considered the company's previous targets to be unrealistic. The updated revenue target is roughly in line with our forecast (Inderes 2028e: 11 MEUR).

The decrease in the earnings outlook was another significant change. The company does not expect to achieve a positive result during the strategy period due to investments in research, development, and commercialization. Previously, the company aimed for cash flow positivity by the end of 2027. The financing outlook clearly weakened with the earnings expectations, and the company stated that it is currently evaluating financing options to implement the new strategy.

Bioretec also stated its goal is to maintain a gross margin of over 70%. The target is moderate, considering that the company has previously communicated that the RemeOs product family would bring upside potential to the gross margin. We believe the relatively low margin target indicates pricing pressure in China, where the volume-based model has driven down product prices.

The product development pipeline now has more flexibility than before

Bioretec plans to launch new trauma screw models in the US, as

well as a new DrillPin product, within the next 18 months. In addition, a cannulated screw will be launched from the Activa family. In the medium term (18-36 months), a new, more precisely undefined RemeOs launch is planned, and in the long term (over 3 years), the RemeOs product family will be expanded with plates, IM nails, and a spine portfolio. No timelines were provided for individual products, and the company appears to be incorporating more flexibility than before regarding the content and timing of future launches.

Profitability and cost structure are weakening in our forecasts

Our revenue forecasts for the coming years remain largely unchanged. Our previously significantly cut estimates realistically reflect, in our opinion, the company's updated targets. However, we are making moderate cuts to our long-term revenue forecasts based on slower-than-expected progress in product development. We are slightly lowering our gross margin expectations due to the company's cautious targets. We are moderately revising our operating costs upwards, reflecting increasing R&D and sales investments. Bioretec's cash flow outlook has turned significantly negative, and we expect the company to undertake at least two funding rounds. The first of these is expected to be implemented by summer at the latest.

Low valuation and high risks

The valuation of the stock has fallen to a very low absolute level due to the difficulties. EV/S multiples (2026 6x) are not particularly high in relation to the growth and profitability potential. On the other hand, the substantial financing need entails the possibility of significant share dilution. The lack of evidence for the commercial success of RemeOs products, combined with high financial risk, turns our view on the risk/reward ratio negative. Furthermore, based on the DCF model, we do not currently see any upside in the stock.

Recommendation

Reduce
(was Accumulate)

Target price:

0.60 EUR
(was EUR 1.05)

Share price:
0.68 EUR

Business risk



Valuation risk



	2024	2025e	2026e	2027e
Revenue	4.5	3.8	5.0	7.5
growth-%	16%	-17%	33%	49%
EBIT adj.	-4.2	-8.3	-7.7	-6.4
Net income	-4.6	-9.4	-8.8	-7.5
EPS (adj.)	-0.20	-0.31	-0.19	-0.13
P/E (adj.)	neg.	neg.	neg.	neg.
P/B	5.8	2.2	5.6	12.5
Dividend yield-%	0.0 %	0.0 %	0.0 %	0.0 %
EV/EBIT (adj.)	neg.	neg.	neg.	neg.
EV/EBITDA	neg.	neg.	neg.	neg.
EV/S	11.3	4.4	6.1	5.4

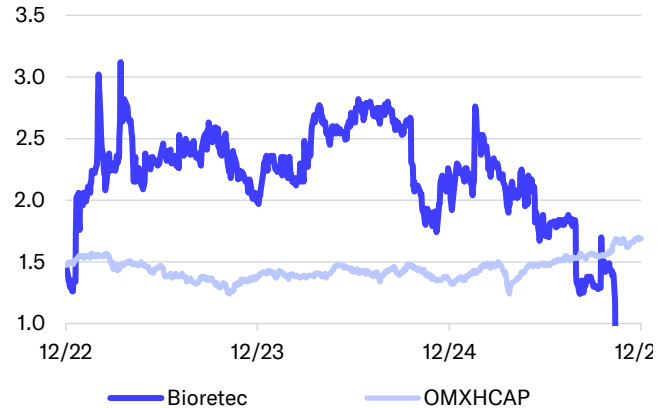
Source: Inderes

Guidance

(Unchanged)

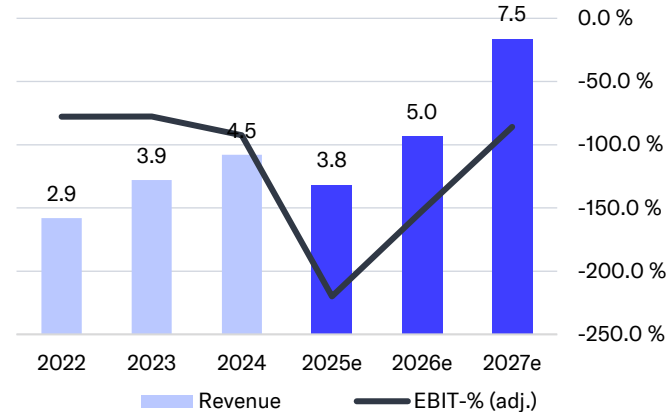
The company does not provide any guidance

Share price



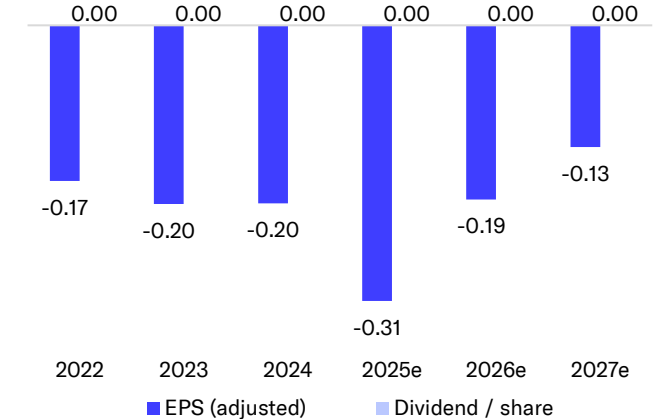
Source: Millstream Market Data AB

Revenue and EBIT-% (adj.)



Source: Inderes

EPS and dividend



Source: Inderes

Value drivers

- RemeOs™ products bring new solutions and clear added value to the healthcare system and patients
- First-mover advantage as the first commercializer of biodegradable metallic implants in the key US market
- Opportunity for strong long-term growth and strong profitability in a defensive industry
- Potential to become a takeover target in the medium term

Risk factors

- The breakthrough of RemeOs(™) products is uncertain and likely to be slow
- Due to investment needs and unprofitability, profitability is at best a few years away
- Share issues are still possible in the medium term

Valuation	2025e	2026e	2027e
Share price	0.68	0.68	0.68
Number of shares, millions	30.7	45.7	55.7
Market cap	21	31	38
EV	17	31	40
P/E (adj.)	neg.	neg.	neg.
P/E	neg.	neg.	neg.
P/B	2.2	5.6	12.5
P/S	5.5	6.2	5.1
EV/Sales	4.4	6.1	5.4
EV/EBITDA	neg.	neg.	neg.
EV/EBIT (adj.)	neg.	neg.	neg.
Payout ratio (%)	0.0 %	0.0 %	0.0 %
Dividend yield-%	0.0 %	0.0 %	0.0 %

Source: Inderes

Estimate revisions

Estimate revisions

- We are slightly lowering our revenue forecasts for 2027 and beyond.
- The decrease is due to delays in the product development pipeline compared to previous expectations.
- We had already significantly cut our revenue estimates for the coming years, and we now consider them sufficiently conservative given the company's difficulties.
- We slightly lowered our longer-term gross margin expectations and moderately raised our estimates for operating costs based on the strategy update.
- We also added financing costs to our model for 2026 and 2027, anticipating future funding rounds.
- Overall, our earnings forecasts are down, and we now expect the company to achieve zero EBIT in 2029.
- We believe Bioretec's new financial targets are quite conservative, so we think the company has a realistic chance of exceeding them.

Estimate revisions	2025e	2025e	Change	2026e	2026e	Change	2027e	2027e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	3.8	3.8	0%	5.0	5.0	0%	7.9	7.5	-5%
EBITDA	-8.0	-8.1	0%	-6.8	-6.9	-2%	-5.3	-5.8	-9%
EBIT (exc. NRIs)	-8.3	-8.3	0%	-7.5	-7.7	-2%	-6.0	-6.4	-8%
EBIT	-8.3	-8.3	0%	-7.5	-7.7	-2%	-6.0	-6.4	-8%
PTP	-9.5	-9.6	0%	-7.6	-8.8	-16%	-6.0	-7.5	-25%
EPS (excl. NRIs)	-0.31	-0.31	0%	-0.19	-0.19	-3%	-0.15	-0.13	9%
DPS	0.00	0.00		0.00	0.00		0.00	0.00	

Source: Inderes

Valuation justifiably low

DCF model indicates EUR 0.65

The baseline scenario in our DCF model gives a per-share value of future cash flows of EUR 0.65 after significantly decreased estimates. The calculation relies heavily on long-term growth and cash flows, with the coming years remaining clearly unprofitable. We assume terminal growth of 2% and EBIT of 20% of revenue, reflecting the good profitability of the industry's companies in a mature development phase.

The high-growth DCF scenario relies on the assumption that a large international medical device manufacturer would acquire Bioretec's product portfolio and rapidly commercialize RemeOs™ products utilizing its own international sales and distribution organization. In this scenario, we assume revenue to be 25% above the baseline scenario and the EBIT margin to be higher (TERM EBIT 25%) due to efficient sales and distribution. This scenario gives the share a value of around EUR 3.

Our low-growth DCF scenario is based on 50% lower growth compared to the baseline scenario and generates a share value of EUR 0.1. The calculation refers to the risk of permanent loss of capital should the company fail to commercialize the RemeOs™ product family as planned.

Investors should note that there are considerable uncertainties about the realization of estimated cash flows. The DCF model is also very sensitive to the assumptions used, especially when cash flows are far in the future. The cost of capital (WACC) used in the DCF model is 12.5%, reflecting our stance on the share's risk level.

EV/S ratios are moderate

Bioretec's EV/S ratio with our significantly cut estimates is 6x in 2026 and decreases to 5x in the following year. The multiples and absolute EV (2025: 17 MEUR) are low, which is also largely justified in the current situation. On the other hand, enterprise value will increase in the future due to the depletion of cash reserves and the increase in the number of shares. Our estimate for Bioretec's fair EV/S multiple range in a normal situation is 6x–10x. The multiples are low relative to the potential but still require success in growth.

We lower the target price and recommendation

We lower our recommendation to Reduce and slash the target price to EUR 0.60 due to changes in our estimates. The strategy update brought clarity and realism to the company's situation. For the RemeOs product line, commercialization requires greater sales investments and the launch of new products requires greater R&D investments, which, together with gross margin pressures, will impact the earnings turnaround. However, the company has initiated corrective actions, which we believe are moving in the right direction. Be that as it may, growth will likely have to wait longer than previously expected, and the cash balance will probably need to be replenished during H1'26. We also consider a second financing round after that to be highly likely. In our view, the short- and long-term potential of the stock is associated with more concerns than before, and the risk of capital loss remains elevated. On the other hand, the low valuation offers a positive option if successes are achieved in Europe on the RemeOs front in the coming quarters.

Valuation	2025e	2026e	2027e
Share price	0.68	0.68	0.68
Number of shares, millions	30.7	45.7	55.7
Market cap	21	31	38
EV	17	31	40
P/E (adj.)	neg.	neg.	neg.
P/E	neg.	neg.	neg.
P/B	2.2	5.6	12.5
P/S	5.5	6.2	5.1
EV/Sales	4.4	6.1	5.4
EV/EBITDA	neg.	neg.	neg.
EV/EBIT (adj.)	neg.	neg.	neg.
Payout ratio (%)	0.0 %	0.0 %	0.0 %
Dividend yield-%	0.0 %	0.0 %	0.0 %

Source: Inderes

Valuation table

Valuation	2020	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Share price		2.70	1.40	2.18	2.40	0.68	0.68	0.68	0.68
Number of shares, millions	150.4	14.1	14.1	19.1	23.3	30.7	45.7	55.7	55.7
Market cap		38	20	42	56	21	31	38	38
EV	-0.2	33	20	37	51	17	31	40	43
P/E (adj.)	0.0	neg.	neg.	neg.	neg.	neg.	neg.	neg.	neg.
P/E	0.0	neg.	neg.	neg.	neg.	neg.	neg.	neg.	neg.
P/B	0.0	8.8	10.3	5.1	5.8	2.2	5.6	12.5	neg.
P/S	0.0	19.0	6.7	10.7	12.3	5.5	6.2	5.1	3.6
EV/Sales	neg.	16.7	6.8	9.5	11.3	4.4	6.1	5.4	4.1
EV/EBITDA	0.1	neg.	neg.	neg.	neg.	neg.	neg.	neg.	neg.
EV/EBIT (adj.)	0.1	neg.	neg.	neg.	neg.	neg.	neg.	neg.	neg.
Payout ratio (%)	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Dividend yield-%		0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %

Source: Inderes

Income statement

Income statement	2023	2024	Q1'25	Q2'25	Q3'25	Q4'25e	2025e	2026e	2027e	2028e
Revenue	3.9	4.5	1.4	0.7	0.7	1.0	3.8	5.0	7.5	10.5
EBITDA	-2.8	-4.1	-1.2	-3.3	-1.8	-1.8	-8.1	-6.9	-5.8	-2.5
Depreciation	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	-0.3	-0.7	-0.6	-0.6
EBIT	-3.0	-4.2	-1.3	-3.4	-1.8	-1.9	-8.3	-7.7	-6.4	-3.1
Net financial items	-0.8	-0.4	-0.1	-1.1	0.0	0.0	-1.2	-1.2	-1.1	-0.2
PTP	-3.8	-4.6	-1.3	-4.5	-1.9	-1.9	-9.6	-8.8	-7.5	-3.3
Taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net earnings	-3.8	-4.6	-1.3	-4.5	-1.9	-1.9	-9.6	-8.8	-7.5	-3.3
EPS (rep.)	-0.20	-0.20	-0.04	-0.15	-0.06	-0.06	-0.31	-0.19	-0.13	-0.06

Key figures	2023	2024	Q1'25	Q2'25	Q3'25	Q4'25e	2025e	2026e	2027e	2028e
Revenue growth-%	32.8 %	16.3 %	104.7 %	-50.8 %	4.4 %	-44.4 %	-16.6 %	32.6 %	49.0 %	40.4 %
Adjusted EBIT growth-%	32.4 %	38.5 %	14.0 %	329.9 %	30.7 %	109.0 %	98.4 %	-8.1 %	-16.1 %	-51.6 %
EBITDA-%	-72.6 %	-89.2 %	-88.5 %	-480.7 %	-247.3 %	-179.6 %	-212.7 %	-138.2 %	-77.4 %	-24.0 %
Adjusted EBIT-%	-77.7 %	-92.5 %	-93.0 %	-495.9 %	-255.0 %	-185.2 %	-220.0 %	-152.5 %	-85.8 %	-29.6 %
Net earnings-%	-97.0 %	-101.3 %	-96.6 %	-659.1 %	-259.2 %	-189.2 %	-252.4 %	-175.4 %	-100.3 %	-31.5 %

Source: Inderes

Balance sheet

Assets	2023	2024	2025e	2026e	2027e
Non-current assets	1.3	1.7	1.6	1.4	1.3
Goodwill	0.0	0.0	0.0	0.0	0.0
Intangible assets	0.5	0.6	0.2	0.2	0.1
Tangible assets	0.8	1.1	1.4	1.2	1.1
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	0.0	0.0	0.0	0.0	0.0
Other non-current assets	0.0	0.0	0.0	0.0	0.0
Deferred tax assets	0.0	0.0	0.0	0.0	0.0
Current assets	9.4	9.8	9.7	4.9	4.5
Inventories	0.8	1.5	1.9	2.0	2.2
Other current assets	0.0	0.0	0.0	0.0	0.0
Receivables	1.6	2.0	1.5	1.8	1.9
Cash and equivalents	6.9	6.3	6.3	1.1	0.4
Balance sheet total	10.7	11.5	11.3	6.3	5.8

Source: Inderes

Liabilities & equity	2023	2024	2025e	2026e	2027e
Equity	8.2	9.7	9.4	5.6	3.0
Share capital	3.7	3.7	3.7	3.7	3.7
Retained earnings	-15.2	-19.8	-29.2	-38.0	-45.5
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	19.7	25.8	34.8	39.8	44.8
Minorities	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	0.7	0.4	1.4	0.4	2.0
Deferred tax liabilities	0.0	0.0	0.0	0.0	0.0
Provisions	0.0	0.0	0.0	0.0	0.0
Interest bearing debt	0.7	0.4	1.4	0.4	2.0
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long-term liabilities	0.0	0.0	0.0	0.0	0.0
Current liabilities	1.8	1.0	0.5	0.3	0.7
Interest bearing debt	1.8	1.0	0.5	0.3	0.7
Payables	0.0	0.0	0.0	0.0	0.0
Other current liabilities	0.0	0.0	0.0	0.0	0.0
Balance sheet total	10.7	11.2	11.3	6.3	5.8

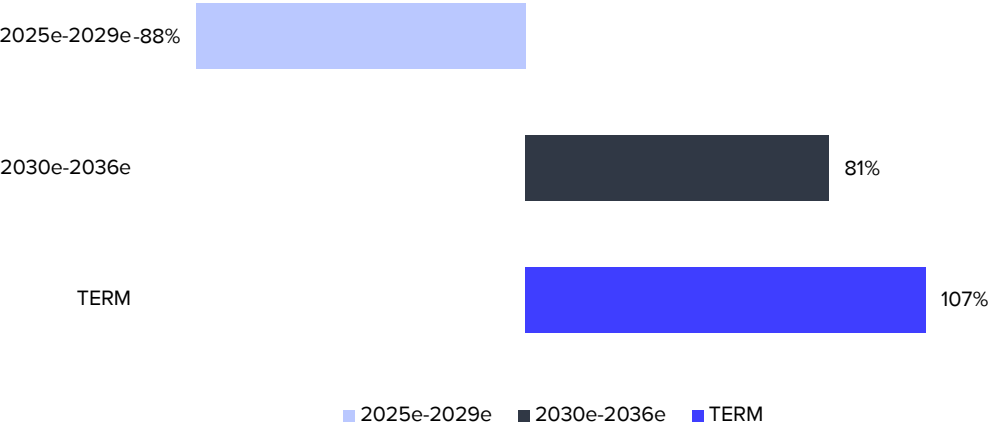
DCF calculation

DCF calculation	2024	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	2035e	2036e	TERM
Revenue growth-%	16.3%	-16.6%	32.6%	49.0%	40.4%	30.4%	36.2%	34.9%	11.4%	6.0%	8.0%	6.0%	3.0%	2.0%
EBIT-%	-92.5%	-220.0%	-152.5%	-85.8%	-29.6%	0.0%	4.0%	12.0%	16.0%	20.0%	20.0%	20.0%	20.0%	20.0%
EBIT	-4.2	-8.3	-7.7	-6.4	-3.1	0.0	0.7	3.0	4.5	5.9	6.4	6.8	7.0	
+ Kokonaispoistot	0.1	0.2	0.7	0.6	0.6	0.6	0.6	0.5	0.5	0.5	0.5	0.5	0.5	
- Taxes paid	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- verot rahoituskuluista	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
+ verot rahoitustuotoista	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Change in working capital	-1.0	0.1	-0.4	-0.3	1.0	0.3	0.2	-0.6	-0.1	-0.1	-0.3	-0.2	-0.1	
Operating cash flow	-5.0	-7.9	-7.3	-6.1	-1.6	0.8	1.5	3.0	4.9	6.4	6.6	7.1	7.4	
+ Korottomien pitkä aik. velk. lis.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross investments	-0.6	-0.1	-0.5	-0.5	-0.6	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	
Free operational cash flow	-5.6	-8.0	-7.8	-6.7	-2.1	0.3	0.9	2.5	4.4	5.9	6.1	6.6	6.9	
+/- Others	5.6	9.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Free cash flow	0.0	1.2	-7.8	-6.7	-2.1	0.3	0.9	2.5	4.4	5.9	6.1	6.6	6.9	67.0
Diskontattu vapaa kassavirta		1.2	-6.8	-5.1	-1.4	0.2	0.5	1.2	1.8	2.1	2.0	1.8	1.7	14.6
Diskontattu kumulatiiv. vapaakassavirta		15.4	14.1	21.0	26.1	27.6	27.4	26.9	25.8	24.0	21.8	19.9	18.0	14.6
Debt-free value DCF		15.4												
- Interest-bearing liabilities		-1.5												
+ Cash and cash equivalents		6.3												
- Minority interest		0.0												
- Dividend/returned capital		0.0												
Equity value DCF		20.2												
Equity value DCF per share		0.7												

Cost of capital (WACC)

Tax % (WACC)	20.0%
Targeted gearing D/(D+E)	10.0%
Cost of debt financing	10.0%
Beta	2.12
Market risk premium	4.75%
Liquidity premium	1.50%
Risk-free interest	2.5%
Cost of equity	14.1%
Weighted average cost of capital (WACC)	13.5%

Source: Inderes



Summary

Income statement	2022	2023	2024	2025e	2026e	Per share data	2022	2023	2024	2025e	2026e
Revenue	2.9	3.9	4.5	3.8	5.0	EPS (reported)	-0.17	-0.20	-0.20	-0.31	-0.19
EBITDA	-2.0	-2.8	-4.1	-8.1	-6.9	EPS (adj.)	-0.17	-0.20	-0.20	-0.31	-0.19
EBIT	-2.3	-3.0	-4.2	-8.3	-7.7	OCF / share	-0.32	-0.21	-0.22	-0.26	-0.16
PTP	-2.4	-3.8	-4.6	-9.6	-8.8	OFCF / share	-0.34	0.24	0.00	0.04	0.00
Net Income	-2.4	-3.8	-4.6	-9.4	-8.8	Book value / share	0.14	0.43	0.42	0.30	0.12
Extraordinary items	0.0	0.0	0.0	0.0	0.0	Dividend / share	0.00	0.00	0.00	0.00	0.00
Balance sheet	2022	2023	2024	2025e	2026e	Growth and profitability	2022	2023	2024	2025e	2026e
Balance sheet total	3.5	10.7	11.5	11.3	6.3	Revenue growth-%	47%	33%	16%	-17%	33%
Equity capital	1.9	8.2	9.7	9.4	5.6	EBITDA growth-%	-29%	42%	43%	100%	-15%
Goodwill	0.0	0.0	0.0	0.0	0.0	EBIT (adj.) growth-%	-14%	32%	38%	98%	-8%
Net debt	0.3	-4.5	-4.8	-4.4	-0.4	EPS (adj.) growth-%	-60%	15%	0%	55%	-37%
Cash flow	2022	2023	2024	2025e	2026e	EBITDA-%	-68.0 %	-72.6 %	-89.2 %	-214.3 %	-138.2 %
EBITDA	-2.0	-2.8	-4.1	-8.1	-6.9	EBIT (adj.)-%	-77.9 %	-77.7 %	-92.5 %	-220.0 %	-152.5 %
Change in working capital	-2.5	-1.1	-1.0	0.1	-0.4	EBIT-%	-77.9 %	-77.7 %	-92.5 %	-220.0 %	-152.5 %
Operating cash flow	-4.5	-4.0	-5.0	-7.9	-7.3	ROE-%	-77.8 %	-74.7 %	-51.2 %	-98.1 %	-118.1 %
CAPEX	-0.3	-0.5	-0.6	-0.1	-0.5	ROI-%	-46.8 %	-42.9 %	-38.4 %	-74.2 %	-98.9 %
Free cash flow	-4.8	4.7	0.0	1.2	0.2	Equity ratio	55.0 %	77.2 %	84.8 %	83.2 %	88.8 %
Valuation multiples	2022	2023	2024	2025e	2026e	Gearing	17.9 %	-54.5 %	-49.5 %	-46.5 %	-7.1 %
EV/S	6.8	9.5	11.3	4.4	6.1						
EV/EBITDA	neg.	neg.	neg.	neg.	neg.						
EV/EBIT (adj.)	neg.	neg.	neg.	neg.	neg.						
P/E (adj.)	neg.	neg.	neg.	neg.	neg.						
P/B	10.3	5.1	5.8	2.2	5.6						
Dividend-%	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %						

Source: Inderes

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Accumulate	The 12-month risk-adjusted expected shareholder return of the share is attractive
Reduce	The 12-month risk-adjusted expected shareholder return of the share is weak
Sell	The 12-month risk-adjusted expected shareholder return of the share is very weak

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Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
9/23/2022	Reduce	1.60 €	1.86 €
10/17/2022	Reduce	1.40 €	1.40 €
2/20/2023	Sell	1.90 €	3.04 €
4/1/2023	Sell	2.40 €	3.26 €
5/1/2023	Accumulate	2.70 €	2.25 €
8/14/2023	Accumulate	2.90 €	2.50 €
12/27/2023	Buy	2.80 €	2.18 €
2/19/2024	Accumulate	2.80 €	2.34 €
5/3/2024	Accumulate	3.00 €	2.50 €
5/17/2024	Accumulate	3.00 €	2.65 €
8/16/2024	Reduce	2.90 €	2.90 €
10/8/2024	Reduce	2.60 €	2.38 €
11/15/2024	Accumulate	2.40 €	1.94 €
2/17/2025	Accumulate	2.80 €	2.47 €
5/16/2025	Accumulate	2.80 €	2.30 €
5/30/2025	Accumulate	2.40 €	1.90 €
6/24/2025	Osta	2.40 €	1.70 €
8/15/2025	Accumulate	1.70 €	1.40 €
10/29/2025	Accumulate	1.20 €	0.91 €
11/14/2025	Accumulate	1.05 €	0.85 €
12/17/2025	Reduce	0.60 €	0.68 €



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