Floor & Decor Holdings, Inc.

**Recommendation** [as of January 03, 2019]: HOLD

**Risk Evaluation**: MODERATE  
**Price**: 27.68 [Jan 04, 2019 close]  
**Trading Currency**: USD  
**Country**: United States

**GICS Sector**: Consumer Discretionary  
**GICS Industry**: Home Improvement Retail

**Business Summary**: Floor & Decor Holdings, Inc. operates as a multi-channel specialty retailer of hard surface flooring and related accessories. The company’s stores offer tile, wood, laminate, and natural stone flooring products, as well as decorative and installation accessories. It serves professional installers, commercial contd...

**Quantitative Model Drivers** [as of January 03, 2019]

- **Recommendation**: HOLD
  
- **Valuation**: Neutral
  
- **Quality**: Neutral
  
- **Growth**: Neutral
  
- **Financial Health**: Neutral
  
- **Street Sentiment**: Negative
  
- **Price Momentum**: Neutral

**Price Performance**

- **Relative Strength vs Index**:  
- **As Reported Earnings vs Previous Year**: Up  
- **Volume**: Below Avg.  
- **Quantitative Ranking**: Neutral

**Risk Evaluation**: MODERATE

- **Asset/Market Size Risk**: Moderate
- **Financial Leverage Risk**: Low
- **Price Volatility Risk**: Moderate
- **Liquidity Risk**: Low

**Model Ranking Commentary**

- NYSE: FND’s HOLD recommendation is based on its score from CFRA’s quantitative model for the United States.
- Valuation and Growth model sub-categories are the largest positive and negative drivers, respectively, of the HOLD recommendation.
- Valuation includes factors such as price to earnings, price to EBITDA, and price to cash flow.
- Growth includes factors that measure EPS growth and stability and cash flow growth and stability.
- NYSE: FND’s overall score ranked in the 49th percentile of all stocks in the model universe (1 = best and 100 = worst).

**Key Statistics**

- **Market Cap (Mln of USD)**: 2,694
- **52-Wk Range [USD]**: 23.30 - 58.28
- **Value of USD 10K Invested 5 Yrs ago**: NA
- **Beta vs S&P 500**: NA
- **Common Shares Outstanding [Mln]**: 97.3
- **Average Daily Volume [Min]**: 1.768
- **Insider Ownership [%]**: 0.97

**Dividend Data**

- **Indicated Rate/Share**: Nil
- **Yield [%]**: NM
- **Payout Ratio [%]**: NM

**Payment Details**

- **No Dividend Data Available**

**Compound Annual Growth Rates**

**Revenue - %CAGR**

- **Company**: 30.5  
- **Peer Average**: 3.0  
- **S&P 500**: 9.5

**Operating EPS - %CAGR**

- **Company**: 87.4  
- **Peer Average**: -15.2  
- **S&P 500**: 22.2

**5 year P/E Ratio Comparisons** [forward 12-month Diluted EPS estimates]

- **NYSE:FND**: 20.4  
- **Peer Average**: 15.2  
- **S&P 500**: 14.9

- **NYSE:FND**: 42.2  
- **Peer Average**: 24.4  
- **S&P 500**: 17.1

**Quantitative Rankings**: SB = Strong Buy, H = Hold, SS = Strong Sell

Source: CFRA, S&P Global Market Intelligence [SPGMI]

This document is not intended to provide personal investment advice and it does not take into account the specific investment objectives, financial situation and the particular needs of any specific person who may receive this report. Refer to important disclosures at the end of this report.  

Source: CFRA, S&P Global Market Intelligence [SPGMI]
Floor & Decor Holdings, Inc.

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Key Profitability Ratios

<table>
<thead>
<tr>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>LTM</th>
</tr>
</thead>
<tbody>
<tr>
<td>% Operating Margin</td>
<td>6.1</td>
<td>6.3</td>
<td>6.7</td>
<td>7.6</td>
<td>8.5</td>
</tr>
<tr>
<td>Peer Average</td>
<td>9.6</td>
<td>8.7</td>
<td>6.8</td>
<td>6.8</td>
<td>7.4</td>
</tr>
</tbody>
</table>

% Net Margin

Average | 2.5   | 2.6   | 3.4   | 4.1   | 7.4   |
Peer Average | 2.7   | 5.0   | 3.6   | 3.8   | 3.8   |

% Return on Capital

Average | 4.3   | 5.3   | 7.1   | 9.8   | 12.7  | 13.7  
Peer Average | 16.9  | 15.0  | 12.5  | 11.9  | 13.6  | 13.1  

% Cash Flow to Sales

Average | -3.5  | 7.5   | 2.6   | 8.5   | 7.9   | NA   |
Peer Average | 7.2   | 8.6   | 8.1   | 8.2   | 8.4   | NA   |

Key Valuation Ratios

EPS Per Share and Revenues [Millions USD, except per share]

Fiscal year ends Dec 28

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<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>EPS Quarterly - Actual &amp; Estimated</td>
<td>0.09</td>
<td>0.15</td>
<td>0.13</td>
<td>0.18</td>
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<tr>
<td>EPS Annual - Actual &amp; Estimated</td>
<td>0.69</td>
<td>0.95</td>
<td>1.14</td>
<td>NA</td>
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Revenues Quarterly - Actual & Estimated

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<tbody>
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<td>Q1'17</td>
<td>Q1'18</td>
<td>Q2'18</td>
<td>Q3'18</td>
<td>Q4'18E</td>
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<td>Q3'18</td>
<td>Q4'18E</td>
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</table>

Revenues Annual - Actual & Estimated

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<td>Q1'18</td>
<td>Q2'18</td>
<td>Q3'18</td>
<td>Q4'18E</td>
</tr>
</tbody>
</table>

Source: S&P Global Market Intelligence

Note: EPS & Revenues in graphs above may represent analyst-adjusted actuals and estimates and therefore may not match numbers in the financial data presentation below.
Floor & Decor Holdings, Inc.

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Peer Group Comparison

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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Floor &amp; Decor Holdings, Inc.</td>
<td>NYSE:FND</td>
<td>2,694.04</td>
<td>NA</td>
<td>27.68</td>
<td>24.0/57.5</td>
<td>Nil</td>
<td>24.3</td>
<td>4.8</td>
<td>Hold</td>
<td>8.8</td>
<td>30.7</td>
<td>20.1</td>
</tr>
<tr>
<td>Joyful Honda Co., Ltd.</td>
<td>TSE:3191</td>
<td>885.91</td>
<td>NA</td>
<td>12.8</td>
<td>12.14/18.71</td>
<td>Nil</td>
<td>NA</td>
<td>0.0</td>
<td>NA</td>
<td>3.8</td>
<td>5.8</td>
<td>18.3</td>
</tr>
<tr>
<td>Kohnan Shoji Co., Ltd.</td>
<td>TSE:7516</td>
<td>851.34</td>
<td>NA</td>
<td>24.69</td>
<td>20.65/27.81</td>
<td>Nil</td>
<td>NA</td>
<td>0.0</td>
<td>NA</td>
<td>2.8</td>
<td>-</td>
<td>42.6</td>
</tr>
<tr>
<td>Lixil Viva Corporation</td>
<td>TSE:3564</td>
<td>658.41</td>
<td>NA</td>
<td>14.84</td>
<td>13.68/20.37</td>
<td>Nil</td>
<td>NA</td>
<td>0.0</td>
<td>NA</td>
<td>3.6</td>
<td>12.9</td>
<td>49.0</td>
</tr>
<tr>
<td>Lowe’s Companies, Inc.</td>
<td>NYSE:LOW</td>
<td>75,373.57</td>
<td>1.36</td>
<td>93.87</td>
<td>81.48/116.84</td>
<td>2</td>
<td>15.5</td>
<td>14.0</td>
<td></td>
<td>5.2</td>
<td>66.1</td>
<td>69.0</td>
</tr>
<tr>
<td>Lumber Liquidators Holdings, Inc.</td>
<td>NYSE:LL</td>
<td>287.35</td>
<td>1.67</td>
<td>10.04</td>
<td>9.4/31.8</td>
<td>Nil</td>
<td>12.9</td>
<td>1.4</td>
<td>Sell</td>
<td>0.5</td>
<td>2.8</td>
<td>17.4</td>
</tr>
<tr>
<td>NAFCO Co., Ltd.</td>
<td>JASDAQ:2790</td>
<td>400.10</td>
<td>NA</td>
<td>14.01</td>
<td>12.52/19.77</td>
<td>Nil</td>
<td>NA</td>
<td>0.0</td>
<td>NA</td>
<td>1.7</td>
<td>2.8</td>
<td>2.2</td>
</tr>
<tr>
<td>The Home Depot, Inc.</td>
<td>NYSE:HD</td>
<td>196,108.61</td>
<td>1.16</td>
<td>173.62</td>
<td>158.14/213.85</td>
<td>2.4</td>
<td>16.9</td>
<td>NM</td>
<td></td>
<td>10.0</td>
<td>NM</td>
<td>86.1</td>
</tr>
<tr>
<td>Tile Shop Holdings, Inc.</td>
<td>NasdaqGS:TTS</td>
<td>300.20</td>
<td>1.77</td>
<td>5.69</td>
<td>5.2/10.35</td>
<td>3.5</td>
<td>17.3</td>
<td>2.0</td>
<td>Sell</td>
<td>1.2</td>
<td>2.8</td>
<td>23.7</td>
</tr>
<tr>
<td>Tractor Supply Company</td>
<td>NasdaqGS:TSCO</td>
<td>10,051.08</td>
<td>1.22</td>
<td>82.34</td>
<td>58.32/97.13</td>
<td>1.5</td>
<td>17.5</td>
<td>6.7</td>
<td></td>
<td>6.5</td>
<td>35.2</td>
<td>27.5</td>
</tr>
<tr>
<td>Williams-Sonoma, Inc.</td>
<td>NYSE:WSM</td>
<td>4,052.65</td>
<td>0.94</td>
<td>50.56</td>
<td>45.54/72.94</td>
<td>3.4</td>
<td>11.3</td>
<td>3.7</td>
<td></td>
<td>5.0</td>
<td>24.2</td>
<td>20.6</td>
</tr>
</tbody>
</table>

1 Quantitative Rankings: Strong Buy, Buy, Hold, Sell, Strong Sell; Qualitative Rankings(STARS): 5 = Strong Buy, 4 = Buy, 3 = Hold, 2 = Sell, 1 = Strong Sell
Rankings are not predictive of future performance. For full definitions of Rankings, see the glossary section of this report.

Note: Peer Group selection is performed using CFRA’s proprietary peer ranking system. Peers are selected based on factors such as similarity of analyst coverage, industry, size, and region. The subject company is ranked against a universe of companies (the “Universe”) which has been compiled by CFRA and consists of a list of companies with similar characteristics, but may not include all the companies within the same industry and/or that engage in the same line of business. The subject company and some of the companies in the Peer Group may be ranked by two different ranking systems. For the purpose of the overall ranking/recommendation, the subject company is ranked against all the companies in the Universe and not necessarily against the companies listed in the Peer Group.

Wall Street Consensus Estimates

<table>
<thead>
<tr>
<th>Fiscal Years</th>
<th>Avg Est.</th>
<th>High Est.</th>
<th>Low Est.</th>
<th># of Est.</th>
<th>Est. P/E</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>1.14</td>
<td>1.33</td>
<td>0.99</td>
<td>17</td>
<td>24.3</td>
</tr>
<tr>
<td>2018</td>
<td>0.95</td>
<td>0.97</td>
<td>0.94</td>
<td>17</td>
<td>29.0</td>
</tr>
<tr>
<td>2019 vs. 2018</td>
<td>▲20%</td>
<td>▲37%</td>
<td>▲5%</td>
<td></td>
<td>▼16%</td>
</tr>
</tbody>
</table>

Source: S&P Global Market Intelligence (SPGMI)
Forecasts are not reliable indicator of future performance.
Note: A company’s earnings outlook plays a major part in any investment decision. S&P Global Market Intelligence organizes the earnings estimates of over 2,300 Wall Street analysts, and provides their consensus of earnings over the next two years, as well as how those earnings estimates have changed over time. Note that the information provided in relation to consensus estimates is not intended to predict actual results and should not be taken as a reliable indicator of future performance.
Floor & Decor Holdings, Inc. operates as a multi-channel specialty retailer of hard surface flooring and related accessories. The company's stores offer tile, wood, laminate, and natural stone flooring products, as well as decorative and installation accessories. It serves professional installers, commercial businesses, and do it yourself customers. As of December 28, 2017, the company operated 83 warehouse-format stores; and a small-format standalone design center in 21 states. Floor & Decor Holdings, Inc. also sells products through its Website, FloorandDecor.com. The company was formerly known as FDO Holdings, Inc. and changed its name to Floor & Decor Holdings, Inc. in April 2017. Floor & Decor Holdings, Inc. was founded in 2000 and is headquartered in Smyrna, Georgia.
Quantitative Model Overall Recommendation and drivers of the recommendation

CFRA’s global quantitative stock reports provide a 5-tier recommendation assigning a Strong Buy, Buy, Hold, Sell, or Strong Sell recommendation based on a series of quantitative inputs from four separate regional models:

- United States
- Canada
- Developed Europe
- Developed Asia excluding Japan

Each of these regional models is based on between 25 and 40 different investment factors (financial ratios), selected from S&P Global Market Intelligence’s Alpha Factor Library.

To provide its recommendation, CFRA ranks a universe of common stocks based on 5 measures or model categories: Valuation, Quality, Growth, Street Sentiment, and Price Momentum. In the U.S., a sixth sub-category for Financial Health will also be displayed.

Within these categories, factors are chosen based on their historical predictive strength [alpha] within the region and their correlation with other factors. Each regional model contains two separate sub-models; one that uses factors specific to financial companies and one that focuses on non-financial companies. Due to the large number of banks in the U.S., the U.S. model also has a third sub-model specifically for banks.

Each company within a region is grouped with a universe of stocks and receives a score on each of the five (or six in the U.S.) model categories. Percentile scores are used to compare each company to all other companies in the same universe for each model category. The five (six) model category scores are then weighted and rolled up into a single percentile ranking for that company. Rankings are then assigned investment labels, as follows:

- Strong Buy: top 10% by model score
- Buy: next 20%
- Hold: next 40%
- Sell: next 20%
- Strong Sell: bottom 10%

Risk Evaluation

Risk Evaluation is a relative ranking, which represents an assessment of the risk of investing in a company’s stock relative to the risk of investing in other companies’ stocks in the same universe. To perform this assessment the following risk categories are evaluated:

- Asset/Market Size Risk
- Financial Leverage Risk
- Price Volatility Risk
- Liquidity Risk

Each company’s stock is percentile ranked from 1 to 100 against the other companies within the universe on each of the four risk categories mentioned above, with 1 being low risk and 100 being high risk. The overall risk evaluation represents the combined scores on these Risk categories, calculated as an equal-weighted average of percentile ranks of the 4 risk categories. The highest 40% of companies in each universe receive a high risk ranking, the next 35% receive a moderate risk ranking and, the lowest 25% receive a low risk ranking.

All investments carry some sort of risk and a low risk ranking represents a relative ranking of CFRA’s assessment of the risk of investing in a company’s stock versus the risk of investing in other companies that are part of that company’s universe. Therefore, a low risk ranking should not be interpreted as an absolute risk evaluation, but as a relative measurement of the risk of investing in a company’s stock.

Sector Ranking

CFRA’s Investment Policy Committee [IPC] consists of a team of five seasoned investment professionals. It meets weekly to discuss market trends and projections, maintain an S&P 500 12-month forward price target, and make asset allocation/sector recommendations. The IPC establishes over, market, and underweight recommendations on the 10 sectors within the S&P 500. Overweight and underweight recommendations imply that the group expects these sectors to outperform or underperform the S&P 500 during the coming six-to-12 month period, respectively. A “marketweight” recommendation indicates that the sector is expected to be a market performer during this same timeframe. The IPC analyses economic projections, fundamental forecasts, technical considerations, and historical precedent when making such recommendations. Changes in recommendations can be made more frequently than every six-12 months as market conditions evolve. Sector rankings will only be made available for sectors in the S&P 500. If a ranking is not available, the value will be N/A.

Qualitative STARS Ranking system and definition:

- 5-STARS (Strong Buy):
  
  Total return is expected to outperform the total return of a relevant benchmark, by a wide margin over the coming 12 months, with shares rising in price on an absolute basis.

- 4-STARS (Buy):
  
  Total return is expected to outperform the total return of a relevant benchmark over the coming 12 months, with shares rising in price on an absolute basis.

- 3-STARS (Hold):
  
  Total return is expected to closely approximate the total return of a relevant benchmark over the coming 12 months, with shares generally rising in price on an absolute basis.

- 2-STARS (Sell):
  
  Total return is expected to underperform the total return of a relevant benchmark over the coming 12 months, and the share price not anticipated to show a gain.

- 1-STARS (Strong Sell):
  
  Total return is expected to underperform the total return of a relevant benchmark by a wide margin over the coming 12 months, with shares falling in price on an absolute basis.

S&P Global Market Intelligence’s Quality Ranking

[also known as S&P Global Market Intelligence’s Earnings & Dividend Rankings]- Growth and stability of earnings and dividends are deemed key elements in establishing S&P Global Market Intelligence’s earnings and dividend rankings for common stocks, which are designed to capitalize the nature of this record in a single symbol. It should be noted, however, that the process also takes into consideration certain adjustments and modifications deemed desirable in establishing such rankings. The final score for each stock is measured against a scoring matrix determined by analysis of the scores of a large and representative sample of stocks. The range of scores in the array of this sample has been aligned with the following ladder of rankings:

- A+: Highest
- B: Below Average
- A: High
- B+: Below Average
- A-: Average
- C: Lowest
- B-: Lower
- D: In Reorganization
- NR: Not Ranked

S&P Capital IQ Consensus Estimates

S&P Capital IQ Consensus Estimates represent the aggregation of individual estimates provided by analysts that are covering a public company. A consensus number can be provided as either the mean or the median. The size of the company and the amount of analyst coverage will determine the size of the group from which the Consensus is derived. All of the available analysts’ estimates may not necessarily be included in the Consensus. The Consensus will only include analysts’ estimates that are based on the same methodology. Consensus Mean: The mathematical average of the detailed estimates after the appropriate exclusions have been applied. Consensus Median: This represents the midpoint of the range of estimates that are ranked from highest to lowest after the appropriate exclusions have been applied. If the number of estimates is even, then the average of the middle two figures is the median.

Global Industry Classification Standard (GICS)

An industry classification standard, developed by Standard and Poor’s in collaboration with Morgan Stanley Capital International [MSCI]. Under the GICS structure, companies are classified in one of 154 sub-industries, which are grouped into 68 industries, 24 industry groups, and 10 economic sectors [consumer discretionary, consumer staples, energy, financials, health care, industrials, information technology, materials, telecom services, and utilities]. This four-tier structure accommodates companies across the world and facilitates sector analysis and investing.
Glossary

Peer Group
A subset of a universe that groups companies by specific criteria, such as industry, geography (local, regional, national, and international), size of business (e.g., in terms of revenue), performance criteria, etc.

Universe
A set of companies that shares a common feature such as the same market capitalization, industry or index.

Beta
Beta is a measurement of the sensitivity of a company’s stock price to the overall fluctuation of a given benchmark index. The beta values used in this report are levered, unadjusted and derived from a least squares regression analysis using stock and benchmark index returns based on a monthly frequency. Beta is calculated using 60 monthly returns [each as of month end] but if the company’s trading history is too short to provide such a sample, fewer than 60 but not fewer than 24 monthly returns are used to run the regression. Beta in this report uses five different benchmark indices to better estimate a stock’s volatility against a respective market: the S&P 500 for all US stocks, the S&P/TSX index for all Canadian stocks, the S&P Europe 350 for all European stocks, the S&P/ASX 200 index for all Australian stocks, and the S&P Global 1200 for all other international stocks.

Free Cash Flow (FCF)
Operating Cash Flow minus Capital Expenditures over the past 12 months

Funds from Operations (FFO)
Funds from Operations (FFO) represents a REIT’s net income, excluding gains or losses from sales of property, plus real estate depreciation.

Not Meaningful (NM)
Value is available but it is not meaningful. Examples are certain negative ratios such as P/E, as well as certain ratios that are over +/- 100%

Not Available (NA)
Value is not available for this data item

Return on Capital
EBIT / [(Total Equity + Total Debt + Deferred Tax Liability Non Current + Deferred Tax Liability Current) Notes:
[1] If the denominator is less than or equal to zero then the ratio will be shown as NM
[2] If the return is less than (300%) then the value will be shown as NM

Return on Equity
Earnings From Continuing Operations / [(Total Equity(t) + Total Equity (t-1)) / 2] Notes:
[1] If both periods of data (t and t-1) are not available then the ratio will be shown as NM
[2] If the denominator is less than or equal to zero then the ratio will be shown as NM

Relative Strength vs Index
Relative Strength vs Index measures the stock performance of the company verse all other stocks in the benchmark index each week. Weekly readings are accumulated to form the cumulative Relative Strength line.

Relevant benchmarks:

<table>
<thead>
<tr>
<th>Region</th>
<th>Country</th>
<th>Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>US</td>
<td>S&amp;P 500 Index</td>
</tr>
<tr>
<td>Canada</td>
<td>Canada</td>
<td>S&amp;P/TSX Composite Index</td>
</tr>
<tr>
<td>Europe</td>
<td>All</td>
<td>S&amp;P Europe 350 Index</td>
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<tr>
<td>Asia ex Japan</td>
<td>Australia</td>
<td>S&amp;P/ASX 200 Index</td>
</tr>
<tr>
<td>Asia ex Japan</td>
<td>All except Australia</td>
<td>S&amp;P Global 1200</td>
</tr>
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</table>

Abbreviations used in CFRA Equity Research Reports

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
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<td>CAGR</td>
<td>Compound Annual Growth Rate</td>
</tr>
<tr>
<td>EBIT</td>
<td>Earnings Before Interest and Taxes</td>
</tr>
<tr>
<td>EBITDA</td>
<td>Earnings Before Interest Taxes Depreciation and Amortization</td>
</tr>
<tr>
<td>EPS</td>
<td>Earnings Per Share</td>
</tr>
<tr>
<td>EV</td>
<td>Enterprise Value</td>
</tr>
<tr>
<td>FCF</td>
<td>Free Cash Flow</td>
</tr>
<tr>
<td>FF0</td>
<td>Funds from Operations</td>
</tr>
<tr>
<td>LTD</td>
<td>Long Term Debt</td>
</tr>
<tr>
<td>NM</td>
<td>Not Meaningful [see definition above]</td>
</tr>
<tr>
<td>P/E</td>
<td>Price/Earnings</td>
</tr>
</tbody>
</table>

Dividends on American Depository Receipts (ADRs) and American Depository Shares (ADSs) are net of taxes [paid in the country of origin].
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