

Land and Houses

1QFY16 profit up 48% y-y

THAILAND | SET | PROP | COMPANY RESULTS

BLOOMBERG LH TB | REUTERS LH.BK

17 May 2016

Buy (Maintain)

Closing Price(Bt) 8.45
Target Price(Bt) 10.00 (+24.84%)

COMPANY DATA

O/S Shares (mn):	11,772
Market Cap. (Btmn):	99,476
Market Cap. (USDmn):	2,813
52-WK Hi/Lo (Bt):	9.55/7.45
3M Average Daily T/O (mn):	16.49
Par Value (Bt):	1.00

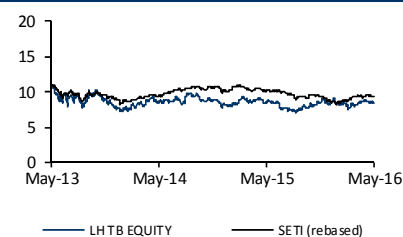
MAJOR SHAREHOLDERS (%) 15 March 2016

1. Anan Asavapokin	24.3
2. Thai NVDR	16.8
3. GIC PRIVATE LIMITED - C	16.5

PRICE PERFORMANCE (%)

	1MTH	3MTH	1YR
ABS	-4%	6%	-1%
REL TO SET INDEX	-4%	-2%	7%

PRICE VS SET INDEX



Source: Bloomberg, PSR

KEY FINANCIALS

FYE Dec	FY14	FY15	FY16E	FY17E
Sales(Btmn)	28,387	26,322	30,479	35,472
Net Profit(Btmn)	8,423	7,920	7,509	8,738
EPS (Bt)	0.80	0.69	0.64	0.74
P/E (X)	10.6	12.2	13.2	11.4
BVPS (Bt)	4.03	4.00	4.19	4.39
P/B (X)	2.1	2.1	2.0	1.9
DPS (Bt)	0.65	0.60	0.55	0.63
Dividend Yield (%)	7.7	7.1	6.5	7.5
ROE (%)	22.05	17.91	16.21	18.15
Debt/Equity (X)	1.61	1.37	1.50	1.62

Source: Company, PSR Est.

**Multiples and yields are based on latest closing price

VALUATION METHOD

P/E'16 (15x)

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Tel: 66 2 635 1700 #481

1QFY16 profit up 48% y-y on solid revenue, margin and profit from affiliates

LH notched up a profit of Bt1,996mn in 1QFY16, up 48% y-y chiefly boosted by brisk revenue growth, margin expansion and higher profits from affiliates. In this period, revenue leapt 35% y-y to Bt7,016mn driven by solid SDH/TH presales growth, continuation of condo transfers at 4-5 existing projects and the start of transfers at the new condo project *The Room Sukhumvit 69*. Gross profit margin widened to 34% from 32% in the year-earlier period as margin from condo projects transferred in this period came in at 30%, better than 24% in the same year-ago period. Despite robust revenue growth of 35% y-y, SG&A expenses inched up only 12% y-y thanks largely to transfer tax savings as part of the government's property stimulus measures. Profits from affiliates including HMPRO, QH and LHBANK edged higher. In this period, the results also included a net gain of Bt13mn as a Bt118mn loss on derivatives was offset by a Bt131mn gain from the refund of deposit for land purchase plus interest due to the breach of contract by the seller which was booked as other income. Overall, much of the profit growth was largely driven by its operating improvement and margin also overshot our forecast in this period.

FY16 norm profit poised to rise 13% y-y but net profit seen down 5% y-y

For the whole of FY16, we forecast LH to deliver norm profit growth on the back of revenue and margin expansion and better profits from affiliates but net profit is expected to be lower than what it achieved a year earlier, reflecting an exceptional gain from the spinoff of assets into REIT in FY15. Management has reaffirmed its revenue guidance of Bt28,000mn for FY16. Based on assumptions that LH currently has an estimated Bt14,767mn in revenue on hand, comprising a 1QFY16 revenue of Bt7,016mn and a backlog of Bt7,751mn to be booked as revenue in FY16, it still needs to generate another revenue of around Bt13,233mn mostly from SDH/TH presales over the remaining course of the year to meet its full-year revenue target. SDH/TH presales are estimated to be Bt15,938mn in 2QFY16-4QFY16 after it achieved SDH/TH presales of Bt5,162mn in 1QFY16. The forecast is based on LH's plan to launch 12 new SDH/TH projects worth a total of Bt15,890mn in FY16. Only three out of 12 new projects planned for FY16 worth a total of Bt4,170mn had been launched so far. In our view, more new project launches should likely accelerate the pace of SDH/TH presales over the remaining course of the year compared to 1QFY16. As things stand, we believe the above revenue target is likely to be achieved. On balance, we expect LH to see FY16 revenue growth of 15% y-y while margin should be better than what it achieved a year earlier as condo margin this year tends to be higher than that of last year. The pace of increase in SG&A expenses may be limited thanks to transfer tax savings as part of the government's property tax incentives in the first four months of this year. Profits from affiliates also tend to be better than what was seen a year ago. Overall we forecast LH to deliver FY16 norm profit growth of 13% y-y but net profit is expected to drop 5% y-y, reflecting the gain from the spinoff of assets into REIT a year earlier.

Norm profit growth set to continue well into FY17

We see scope for its norm profit growth to continue well into FY17 on the back of revenue expansion given that LH currently has an estimated condo backlog of Bt11,166mn carried forward into FY17. If we assume no additional condo sales in FY17, condo revenue will rise to Bt6,753mn in FY17. SDH/TH presales are also projected to rise 4% y-y to Bt21,944mn. On this basis, we estimate LH will achieve sequential norm profit growth of 14% y-y in FY17 based on assumptions that revenue will rise 17% y-y to Bt33,007mn.

'BUY' rating with new target price of Bt10/share

We reiterate a 'BUY' call on LH shares but we nudge up our target price to Bt10/share following the above 5% upgrade to FY16 profit outlook to reflect better-than-expected margin in 1QFY16. The rating is based on the fact that its operating performance has remained on track to meet this year's target and there is strong scope for growth momentum to continue well into next year, and its current valuation also remains compelling as LH is still trading at a discount to its historical P/E average of 15x and a dividend yield of roughly 6%.

Ref. No.: CO2016_0406

Income Statement

Btmn	1Q16	4Q15	1Q15	q-q+/-	y-y+/-
Sales realized	7,016	8,282	5,214	-15%	35%
Rental income	629	547	482	15%	30%
Costs of sales realized	4,609	5,409	3,524	-15%	31%
Costs of rental	458	383	313	19%	46%
Gross profit-Sales realized	2,407	2,874	1,690	-16%	42%
Gross profit-Rental income	172	164	169	5%	1%
Gross profit-Total	2,579	3,038	1,859	-15%	39%
Selling expenses	200	262	195	-24%	3%
Administrative expenses	741	783	645	-5%	15%
Operating profit	1,637	1,993	1,019	-18%	61%
Other income	274	109	134	151%	104%
Gain/loss from affiliates	654	835	484	-22%	35%
Other expense	0	0	0	n.m.	n.m.
EBIT	2,566	2,937	1,636	-13%	57%
Interest expense	88	95	54	-7%	62%
EBT	2,478	2,842	1,582	-13%	57%
Taxation	346	436	245	-21%	41%
EAT	2,131	2,406	1,337	-11%	59%
Minority	18	668	6	-97%	185%
Net profit before extra	2,114	1,738	1,331	22%	59%
Extraordinary items	-118	1,651	15	-107%	-913%
Net profit	1,996	3,389	1,345	-41%	48%
EPS (Bt)	0.17	0.30	0.12	-43%	42%

Key Financial Ratio

%	1Q16	4Q15	1Q15	q-q+/-	y-y+/-
Cost of sales/sales	65.69%	65.30%	67.59%	1%	-3%
SG&A exp/sales	13.42%	12.61%	16.11%	6%	-17%
Gross margin	34.31%	34.70%	32.41%	-1%	6%
Operating profit margin	23.34%	24.06%	19.54%	-3%	19%
Net profit margin	28.44%	40.92%	25.80%	-30%	10%

Balance Sheet

Btmn	1Q16	4Q15	1Q15	q-q+/-	y-y+/-
Assets	97,260	98,070	87,161	-1%	12%
Liabilities	47,422	51,175	39,025	-7%	22%
Paid-up (mn shrs) - Par Bt1	11,748	11,730	10,996	0%	7%
Equities	49,838	46,895	48,136	6%	4%
BVPS (Bt)	4.24	4.00	4.38	6%	-3%
Debt/equity (x)	1.0	1.1	0.8	-13%	17%

Corporate Governance -2015



ADVANC	BAFS	BCP	BIGC	BTS	CK	CPN	DRT	DTAC	DTC
EASTW	EGCO	GRAMMY	HANA	HMPRO	INTUCH	IRPC	IVL	KBANK	KCE
KKP	KTB	LHBANK	LPN	MCOT	MIINT	MONO	NKI	PHOL	PPS
PS	PSL	PTT	PTTEP	PTTGC	QTC	RATCH	ROBINS	SAMART	SAMTEL
SAT	SC	SCB	SCC	SE-ED	SIM	SNC	SPALI	THCOM	TISCO
TKT	TMB	TOP	VGI	WACOAL					



AAV	ACAP	AGE	AHC	AKP	AMATA	ANAN	AOT	APCS	ARIP
ASIMAR	ASK	ASP	BANPU	BAY	BBL	BDMS	BECL	BKI	BLA
BMCL	BOL	BROOK	BWG	CENDEL	CFRESH	CHO	CIMBT	CM	CNT
COL	CPF	CPI	CSL	DCC	DELTA	DEMCO	ECF	EE	ERW
GBX	GC	GFPT	GLOBAL	GUNKUL	HEMRAJ	HOTPOT	HYDRO	ICC	ICHI
INET	IRC	KSL	KTC	LANNA	LH	LOXLEY	LRH	MACO	MBK
MC	MEGA	MFEC	NBC	NCH	NINE	NSI	NTV	OCC	OGC
OISHI	OTO	PAP	PDI	PE	PG	PJW	PM	PPP	PR
PRANDA	PREB	PT	PTG	Q-CON	QH	RS	S & J	SABINA	SAMCO
SCG	SEAFCO	SFP	SIAM	SINGER	SIS	SITHAI	SMK	SMPC	SMT
SNP	SPI	SSF	SSI	SSSC	SST	STA	STEC	SVI	SWC
SYMC	SYNTEC	TASCO	TBSP	TCAP	TF	TGCI	THAI	THANA	THANI
THIP	THRE	THREL	TICON	TIP	TIPCO	TK	TKS	TMI	TMILL
TMT	TNDT	TNITY	TNL	TOG	TPC	TPCORP	TRC	TRU	TRUE
TSC	TSTE	TSYH	TTA	TTCL	TTW	TU	TVD	TVO	TWFP
TWS	UAC	UT	UV	VNT	WAVE	WINNER	YUASA	ZMICO	



2S	AEC	AEONTS	AF	AH	AIRA	AIT	AJ	AKR	AMANAH
AMARIN	AP	APCO	AQUA	AS	ASIA	AUCT	AYUD	BA	BEAUTY
BEC	BFIT	BH	BIG	BJC	BJCHI	BKD	BTNC	CBG	CGD
CHG	CHOW	CI	CITY	CKP	CNS	CPALL	CPL	CSC	CSP
CSS	CTW	DNA	EARTH	EASON	ECL	EFORL	ESSO	FE	FIRE
FOCUS	FORTH	FPI	FSMART	FSS	FVC	GCAP	GENCO	GL	GLAND
GLOW	GOLD	GYT	HTC	HTECH	IEC	IFEC	IFS	IHL	IRCP
ITD	JSP	JTS	JUBILE	KASET	KBS	KCAR	KGI	KKC	KTIS
KWC	KYE	L&E	LALIN	LHK	LIT	LIVE	LST	M	MAJOR
MAKRO	MATCH	MATI	MBKET	M-CHAI	MFC	MILL	MJD	MK	MODERN
MOONG	MPG	MSC	MTI	MTLS	NC	NOK	NUSA	NWR	NYT
OCEAN	PACE	PATO	PB	PCA	PCSGH	PDG	PF	PICO	PL
PLANB	PLAT	PPM	PRG	PRIN	PSTC	PTL	PYLON	QLT	RCI
RCL	RICHY	RML	RPC	S	SALEE	SAPPE	SAWAD	SCCC	SCN
SCP	SEAOL	SIRI	SKR	SMG	SOLAR	SORKON	SPA	SPC	SPCG
SPPT	SPVI	SRICHA	SSC	STANLY	STPI	SUC	SUSCO	SUTHA	SYNEX
TAE	TAKUNI	TCC	TCCC	TCJ	TEAM	TFD	TFI	TIC	TIW
TLUXE	TMC	TMD	TOPP	TPCH	TPIPL	TRT	TSE	TSR	UMI
UP	UPF	UPOIC	UREKA	UWC	VIBHA	VIH	VPO	WHA	WIN
XO									

Results Presentation

Score Range

- < 50%
- 50-59%
- 60-69%
- 70-79%
- 80-89%
- 90-100%

Number of Logo

No logo given



The disclosure of the survey result of the Thai Institute of Directors Association (IOD) regarding corporate governance is made pursuant to the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the Market for Alternative disclosure to the public and able to be accessed by a general public investor. The results, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information.

The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that data. Phillip Securities (Thailand) of securities company does not confirm nor certify the accuracy of such survey result.

Anti-corruption indicators

Level 5 (Extended)

BCP	CPN	GYT	PE	PM	PPP	PT	PTT	PTTGC	SAT	scc
THANI	TOP									

Level 4 (Certified)

DCC	DTC	DRT	EASTW	ECL	EGCO	ERW	FSS	GCAP	HANA	HTC
INTUCH	IRPC	IVL	KBANK	KCE	KGI	KKP	KTB	LANNA	LHBANK	MTI
NKI	PSL	PTG	PTTEP	SABINA	SCB	SNC	SNP	SSF	SSSC	TCAP
THCOM	TISCO	TMB	TMD	TNITY	TOG					

Level 3 (Established)

Level 3A: Declaration to join CAC, etc

ABC	ACAP	ADVANC	AGE	AH	AMANAHA	ANAN	AP	APCS	APURE	AS
ASIA	ASIAN	ASIMAR	BIGC	BROOK	BTS	BWG	CEN	CENTEL	CFRESH	CHARAN
CHO	CHOTI	CM	CNT	COL	CPF	CPI	CPL	DELTA	DEMCO	DIMET
DNA	DTAC	EA	ECF	EE	EVER	FPI	GBX	GC	GFPT	GLOW
HMPRO	HOTPOT	ICC	ICHI	IFEC	INOX	INSURE	IRC	JAS	JTS	JUBILE
KC	KTC	KYE	LHK	LPN	LRH	MAKRO	MC	MCOT	MFC	MFEK
MINT	MJD	MONO	MOONG	NBC	MSC	NDR	NINE	NMG	NSI	NTV
OGC	PACE	PCSGH	PDI	PG	PHOL	PLAT	PPS	PR	PRANDA	PREB
PS	QLT	RATCH	RML	ROBINS	ROJNA	RWI	SAMCO	SCCC	SCG	SEAOIL
SE-ED	SENA	SINGER	SITHAI	SMK	SMPC	SPALI	SPC	SPCG	SPI	SRICHA
SSI	STANLY	SUPER	SVI	SYMC	SYNEX	SYNTEC	TASCO	TCMC	TFI	THAI
THRE	THREL	TICON	TKT	TLUXE	TMILL	TMT	TNL	TPCORP	TSTE	TSTH
TTCL	TU	TVI	UOBKH	UREKA	VGI	VNT	WACOAL	WHA	ZMICO	

Level 3B: Organization's statement but no declaration to join CAC, etc

AAV	AHC	AIT	AKR	ARROW	ASK	BA	BDMS	BEC	BJCHI	BUI
CGH	CHG	CHOW	CIG	CITY	CK	CKP	COLOR	CWT	EARTH	EASON
EPG	F&D	FANCY	FIRE	FMT	FORTH	GENCO	GL	GOLD	GPSC	GRAMMY
HYDRO	IRCP	IT	JCT	KCM	KWC	LH	LIT	LOXLEY	MACO	MANRIN
MATI	MODERN	MSC	NOBLE	NOK	NPK	NUSA	OISHI	OTO	PAF	PAP
PATO	PF	PJW	PLANB	PLE	POLAR	PRG	PTL	Q-CON	QTC	RCI
S11	SALEE	SAM	SAMART	SAMTEL	SAPPE	SC	SCP	SFP	SIM	SLP
SMT	SPA	SPORT	SSC	SST	STEC	STPI	SUC	SUTHA	SVI	T
TBSP	TAE	TCC	TFD	TGCI	TGPRO	THANA	THIP	TIW	TK	TMW
TNDT	TOPP	TPC	TPCH	TPIPL	TSR	TT	TYCN	UAC	UBIS	UEC
UMI	UP	UPF	UT	UV	VPO	WAVE	WINNER	YUASA		

Level 2 (Declared)

2S	ABICO	AF	AKP	AMARIN	AMATA	AOT	APCO	AYUD	BEAUTY	BFIT
BH	BKD	BLAND	BTNC	CCP	CI	CSR	CSS	EFORL	EPCO	FE
FNS	FVC	GEL	GLOBAL	HEMRAJ	IEC	IFS	INET	JUTHA	KASET	KCAR
KKC	KSL	L&E	LALIN	LTX	M	MALEE	MBK	MBKET	MEGA	MK
MPG	MTLS	NCH	NCL	NPP	OCC	OCEAN	PB	PCA	PRINC	QH
ROCK	RPC	S & J	SGP	SIAM	SIS	SKR	SMG	SMIT	SORKON	SUSCO
TAKUNI	TEAM	TF	TIC	TIP	TIPCO	TMC	TMI	TPP	TRT	TRU
TRUE	TSC	TSI	TTW	TVD	TVO	UKEM	UNIQ	UWC	VNG	WIIK
WIN	XO									

Level 1 (Committed)

ACD	AEONTS	AFC	AIRA	AJ	ALUCON	AMC	AQUA	ARIP	AUCT	BAT-3K
BIG	BJC	BOL	BRR	BSBM	CBG	CCET	CCN	CGD	CMR	CPH
CSC	CSP	CTW	DCON	DRACO	DSGT	DTCI	E	EMC	ESSO	FOCUS
FSMART	GIFT	GLAND	GRAND	GUNKUL	HFT	HTECH	ILINK	ITD	JSP	IHL
KDH	KTIS	KTP	LEE	LST	MAJOR	MAX	M-CHAI	MDX	MIDA	MATCH
ML	MPIC	NC	NEP	NNCL	OHTL	PICO	PK	PL	PPM	NWR
PRAKIT	PRECHA	PRIN	PSTC	RAM	RICH	RS	SANKO	SAUCE	SAWAD	PYLON
SAWANG	SCN	SEAFCO	SHANG	SIRI	SMART	SMM	SOLAR	SPACK	SPG	SF
SPPT	SPVI	STAR	SVH	SVOA	SWC	TAPAC	TC	TCCC	TCJ	STA
TCOAT	TKS	TNH	TNPC	TPA	TPAC	TPOLY	TRC	TRUBB	TSE	TTA
TTI	TTL	TTTM	TWP	TWZ	U	UMS	UPA	UPOIC	UVAN	UTP
VARO	VI	VIBHA	VIH	VTE	WG					

Data not available/No policy

A	ACC	AJD	AQ	BCH	BGT	BROCK	BSM	BTC	CHUO	CRANE
CPR	EIC	FER	JMART	JMT	KAMART	KBS	KIAT	LDC	MCS	METCO
MBAX	NEW	NEWS	NYT	PAE	PDG	PERM	PMTA	RCL	RICHY	ROH
POST	S	SIMAT	TCB	TR	TSF	TVT				

Anti-corruption indicators

Level 5 : Extended

Anti-corruption policies extend to business partners, dealers, and distributors.

Level 4 : Certified

Anti-corruption policies can be engaged by audit committee and auditors approved by the SEC.

Anti-corruption policies are certified by CAC and independent assurance providers.

Level 3 : Established

Anti-corruption corruption policies cover anti-bribery, and communications and educating all employees anti-corruption policies.

Level 3A Public out statement to join CAC, etc.

Level 3B Declare statement and organization's anti-corruption policies but no intention to join CAC, etc.

Level 2 : Declared

Declare statement to participate CAC against corruption.

Level 1 : Committed

Organization and Board of Directors' statements against corruption and not getting involve in any malpractices.

Assessment

Anti-corruption progress indicator for listed companies is a part of SEC's commitment to create sustainability in anti-corruption and to become a role model to any

related business. The progress indicators comprise of five levels: 1) Committed, 2) Declared, 3) Established, 4) Certified, and 5) Extended. These indicators will

encourage listed firms to formulate anti-corruption policies to opt out of corruption, and investors can determine their investment based on anti-corruption indicator

or avoid investment in listed firms that could get involve in corruption.

Industry Group

Name	Sector Name	Sector Index
Agro & Food Industry[AGRO]	Agribusiness	AGRI
	Food & Beverage	FOOD
Consumer Products[CONSUMP]	Fashion	FASHION
	Home & Office Products	HOME
	Personal Products & Pharmaceuticals	PERSON
Financials [FINCIAL]	Banking	BANK
	Finance & Securities	FIN
	Insurance	INSUR
Industrials [INDUS]	Automotive	AUTO
	Industrial Materials & Machinery	IMM
	Packaging	PKG
	Paper & Printing Materials	PAPER
	Petrochemicals & Chemicals	PETRO
	Steel	STEEL
Property & Construction[PROPCON]	Construction Materials	CONMAT
	Construction Services	CONS
	Property Development	PROP
	Property Fund & REITs	PF&REIT
Resources [RESOURC]	Energy & Utilities	ENERG
	Mining	MINE
Services [SERVICE]	Commerce	COMM
	Media & Publishing	MEDIA
	Health Care Services	HEALTH
	Tourism & Leisure	TOURISM
	Professional Services	PROF
	Transportation & Logistics	TRANS
Technology [TECH]	Electronic Components	ETRON
	Information & Communication Technology	ICT

PSR Rating System

Capital Gain	Recommendation
> 15%	BUY
> 5% - 15%	ACCUMULATE / TRADING BUY
> 0% - 5%	NEUTRAL
0 <=	SELL

Remarks

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

Research Team

Fundamental	Analyst Reg No.	Tel	Sector
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Head Office	15th Fl., Vorawat Bldg. Tel : 0 2635 1700 , 0 2268 0999
Srinakarindr	17th Fl., Modernform Tower Tel : 0 2722 8344-53
Viphavadi	15th Fl., Lao Peng Nguan Tower 1 Tel : 0 2618 8400
Yaowarat	19th Fl., Kanchanadhat Bldg. Tel : 0 2622 7833
Bangkapi 1	8th Fl., The Mall Office Tower-Bangkapi Tel : 0 2363 3263
Bangkapi 2	9th Fl., The Mall Office Tower-Bangkapi Tel : 0 2363 3269
Hua Lumphong	4th Fl., Tang Hua Pak Bldg., 320 Rama 4 Rd. Tel : 0 2639 1200
Rangsit	G Fl., Room#PLZ.G.SHP065A Future Park Rangsit Tel : 0 2958 5040
Sindhorn	19th Fl., Sindhorn Tower 3 Building, Tel : 0 2650 9717
Siam Discovery	11st Floor, Unit A2, Siam Tower,Tel : 02 658 0776
CentralWorld Branch	999/9 The Offices at CentralWorld, 17 FL. Unit ML 1707, Rama 1 Rd, Patumwan Bangkok 10330

Provincial Offices

Chaing Mai	313/15 Moo6 Chaing Mai – Lamphun Nong Hoi, Tel 053-141969
Khon Kaen	4th Fl., Kow Yoo Hah Bldg.Tel : 0 4332 5044-8
Phisanulok	2nd Fl., Thai Sivarat Bldg., Tel : 0 5524 3646
Had Yai	4th Fl., Southland Rubber Bldg., Tel : 0 7423 4095-99110
Had Yai - Petkasem	3rd Fl., Unit 3D, Redar Group Bldg., Tel : 0 7422 3044
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Chumporn Investor Center	25/45 Krom Luang Chumporn Rd.,Tel : 0 7757 0652-3

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