

Claranova

Stable performance in H125

Claranova's underlying revenue was essentially flat year-on-year in H125. While underlying revenue grew 3% for Avanquest, PlanetArt felt the effects of a shorter holiday season in the US, with underlying revenue down 1%. The company expects to report double-digit growth in adjusted EBITDA for H125 and maintains its revenue, margin and gearing targets for FY27. We have revised our forecasts to reflect stronger Avanquest and weaker PlanetArt revenues and have trimmed our EBITDA forecasts.

| Year end | Revenue (€m) | EBITDA (€m) | PBT (€m) | EPS (€) | P/E (x) |
|----------|--------------|-------------|----------|---------|---------|
| 6/23 | 507.0 | 32.5 | 2.2 | 0.05 | 33.0 |
| 6/24 | 495.6 | 45.9 | 5.8 | 0.09 | 16.9 |
| 6/25e | 498.4 | 49.5 | 25.8 | 0.34 | 4.5 |
| 6/26e | 535.0 | 55.7 | 30.8 | 0.41 | 3.7 |

Note: EBITDA is pre-IFRS 16. PBT and diluted EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments. From FY25e, excludes myDevices as held for sale.

Stable revenues, EBITDA growth in H125

PlanetArt reported flat revenue year-on-year for H125 and a 1% decline in constant currency which, in our view, was a good performance considering there were five fewer days between Thanksgiving and Christmas in the US compared to H124. Avanquest reported a 3% revenue decline for H125 but, on a constant currency organic basis, grew revenue by 3%. Management continues to focus on profitability and expects double-digit growth in H125 adjusted EBITDA despite flat revenue.

Drivers of growth for H225

PlanetArt recently launched a new product, FreePrints Photo Art, which is a continuation of its strategy to offer additional products to its FreePrints user base. In Avanquest, the focus on business-to-business (B2B) for both SodaPDF and InPixio should start to contribute to revenue in H225. Having made a start on combining the two businesses from an accounting and tax point of view, we expect management to shift the One Claranova focus to operations.

Valuation: Profitable growth is the key driver

Reflecting the different business models for each division, we continue to use a sum-of-the-parts approach to valuation. Using EV/sales multiples that reflect our views on divisional growth and profitability and are conservative compared to the peer group averages, we calculate a valuation of €5.3 per share (up from €5.1 due to the increasing proportion of revenue from Avanquest), before any group holding discount is applied. In our view, consistent growth in revenues and margins towards Claranova's targets will be fundamental to reducing the discount to peers. In the near term, key triggers for upside will be sustained growth in PlanetArt (while balancing profitability), disposal of myDevices and reducing net debt.

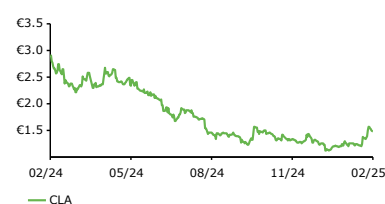
Q225 revenue update

Software and comp services

12 February 2025

| | |
|-----------------------------|--------------|
| Price | €1.52 |
| Market cap | €88m |
| Net cash/(debt) at end FY24 | €(102.0)m |
| Shares in issue | 57.2m |
| Free float | 84.0% |
| Code | CLA |
| Primary exchange | NXT PA |
| Secondary exchange | N/A |

Share price performance



| | | | |
|------------------|------|------|--------|
| % | 1m | 3m | 12m |
| Abs | 14.8 | 11.0 | (47.1) |
| 52-week high/low | | €3.1 | €1.1 |

Business description

Claranova consists of three businesses focused on mobile and internet technologies: PlanetArt (digital photo printing; personalised gifts), Avanquest (consumer software) and myDevices (IoT).

Next events

| | |
|--------------|----------|
| H125 results | 27 March |
|--------------|----------|

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Review of Q225 revenue update

Exhibit 1 summarises divisional performance for Q225 and H125. Since the company announced on 5 November 2024 that it had appointed bankers to undertake the sale of myDevices, it is now being treated as 'held for sale' and excluded from continuing operations. Total revenue for Q225 was down 1% y-o-y on a reported basis and on a constant currency, organic basis. For H125, total revenue was down 1% on a reported basis and flat on a constant currency, organic basis.

Exhibit 1: Q225 and H125 divisional revenue

| Revenues (€m) | Q225 | Q224 | y-o-y | | y-o-y | | y-o-y | |
|---------------|------|------|----------|-------------------|---------|---------------------------|-------|--|
| | | | Reported | Constant currency | Organic | Constant currency organic | | |
| PlanetArt | 174 | 174 | -1% | -2% | -1% | -2% | | |
| Avanquest | 33 | 33 | 0% | 0% | 0% | 1% | | |
| Total | 207 | 206 | -1% | -2% | 0% | -1% | | |
| | H125 | H124 | y-o-y | | y-o-y | | y-o-y | |
| | | | Reported | Constant currency | Organic | Constant currency organic | | |
| PlanetArt | 234 | 235 | 0% | -1% | 0% | -1% | | |
| Avanquest | 60 | 61 | -3% | -1% | 1% | 3% | | |
| Total | 294 | 296 | -1% | -1% | 0% | 0% | | |

Source: Claranova. Note: Excludes myDevices, which is held for sale.

PlanetArt: Reduced holiday period dampened sales

PlanetArt reported a 1% y-o-y revenue decline for Q225 and flat revenue for H125. On a constant currency basis, revenue was down 2% y-o-y in Q225 (vs flat in Q125) and down 1% in H125.

In the US, where the majority of PlanetArt revenue is generated, the holiday season was shorter than in the prior year and the shortest it has been for five years. This refers to the period between Thanksgiving (which falls on the fourth Thursday in November, ie the 28th in 2024) and Christmas. In 2024, this meant there were 27 shopping days between Thanksgiving and Christmas; the last time the season was this short was in 2019. In some years there can be as many as 33 days in this period and in 2023, there were 32 days. This gave the business fewer days for marketing and customers less time to order customised products (greetings cards, personalised gifts) for Christmas, particularly those relying on photos taken over the Thanksgiving break, and also put pressure on the supply chain to deliver products in time for Christmas.

This challenge affected the gifting part of the business but the mobile side of the business performed well despite this. While the absolute number of days for marketing was reduced, the cost of customer acquisition was higher as all participants in the market were fighting for consumer attention.

The business recently launched a new product, FreePrints Photo Art, in the US and the UK. This provides consumers with a free customisable 50cm x 40cm poster once a month for the cost of delivery. Frames, canvases and larger sizes are available for an additional cost.

Avanquest: Revenue up quarter-on-quarter

Avanquest reported flat revenue y-o-y for Q225, 21% growth q-o-q and a 3% decline for H125. On a constant currency, organic basis (excludes non-core business sold in October 2023), revenue was up 1% y-o-y in Q225 and up 3% in H125. The remaining non-core activities made up 8% of revenue in H125 versus 12% in H124.

Management noted that Adaware sales grew in the period, whereas SodaPDF and InPixio saw less demand and the company experienced higher customer acquisition costs in SodaPDF.

Adaware now contains no third-party intellectual property, which should help profitability. The business has developed the SodaPDF product and is in discussions with potential new partners. It is accelerating testing for web solutions in InPixio and is considering new distribution channels. B2B is a new area of focus for both SodaPDF and InPixio.

One Claranova: Initial focus on accounting and taxation

While product development and support teams were focused on the busy holiday season during Q225, management started working on strategies to manage R&D capitalisation and tax optimisation at a group, rather than business, level.

Update on litigation with previous CEO

Pierre Cesarini, the previous CEO, brought a case contesting his dismissal and seeking total compensation of €15m with the Luxembourg Labour Court. On 16 January, the court determined that it lacked jurisdiction to rule on the matter as it was not established that Mr Cesarini had been an employee of Claranova Development SARL and it ordered him to pay the costs of the proceedings. He has not yet appealed this ruling.

Outlook and changes to forecasts

The group has continued to focus on profitability and expects EBITDA (pre-IFRS 16) to grow by double digits in H125 versus H124. Based on EBITDA of €27.5m in H124 (excluding myDevices), this implies H125 EBITDA of at least €30.3m.

Management still expects to hit its revenue target of €575–625m, EBITDA margin target of 13–15% and net debt/EBITDA of less than 1x by FY27. Our forecasts are more conservative than this as we wait to see growth reaccelerate.

We have revised our forecasts to reflect Q225 performance, increasing our Avanquest revenue forecasts while trimming our PlanetArt forecasts. We have also trimmed our EBITDA forecasts. Note that our previous forecasts included myDevices, whereas our new forecasts exclude the business assuming a net neutral impact on earnings.

Exhibit 2: Changes to forecasts

| €m | FY25e | | | | FY26e | | | | FY27e | | | |
|--|--------------|--------------|--------------|-------------|--------------|--------------|---------------|---------------|--------------|--------------|---------------|---------------|
| | Old | New | Change | y-o-y | Old | New | Change | y-o-y | Old | New | Change | y-o-y |
| Revenues | 506.3 | 498.4 | -1.5% | 0.6% | 537.2 | 535.0 | (0.4%) | 7.3% | 571.2 | 568.1 | (0.5%) | 6.2% |
| EBITDA | 56.2 | 55.0 | -2.1% | 7.4% | 62.2 | 61.2 | (1.6%) | 11.3% | 67.0 | 66.6 | (0.5%) | 8.8% |
| EBITDA margin | 11.1% | 11.0% | -0.1% | 0.7% | 11.6% | 11.4% | -0.1% | 0.4% | 11.7% | 11.7% | 0.0% | 0.3% |
| EBITDA - pre IFRS 16 | 50.7 | 49.5 | -2.3% | 7.8% | 56.6 | 55.7 | (1.6%) | 12.5% | 61.3 | 61.0 | (0.5%) | 9.5% |
| EBITDA margin - pre IFRS 16 | 10.0% | 9.9% | -0.1% | 0.7% | 10.5% | 10.4% | -0.1% | 0.5% | 10.7% | 10.7% | 0.0% | 0.3% |
| Normalised operating profit | 47.1 | 45.9 | -2.5% | 14.1% | 52.1 | 51.2 | (1.9%) | 11.5% | 55.9 | 55.5 | (0.6%) | 8.5% |
| Normalised operating margin | 9.3% | 9.2% | -0.1% | 1.1% | 9.7% | 9.6% | -0.1% | 0.4% | 9.8% | 9.8% | 0.0% | 0.2% |
| Reported operating profit | 45.5 | 44.3 | -2.6% | 43.8% | 50.5 | 49.6 | (1.9%) | 11.9% | 54.3 | 53.9 | (0.6%) | 8.8% |
| Reported operating margin | 9.0% | 8.9% | -0.1% | 2.7% | 9.4% | 9.3% | -0.1% | 0.4% | 9.5% | 9.5% | 0.0% | 0.2% |
| Normalised PBT | 27.0 | 25.8 | -4.4% | 346.8% | 31.8 | 30.8 | (3.1%) | 19.4% | 35.7 | 35.3 | (1.0%) | 14.8% |
| Reported PBT | 25.4 | 24.2 | -4.7% | -765.3% | 30.2 | 29.2 | (3.3%) | 20.7% | 34.1 | 33.7 | (1.0%) | 15.6% |
| Normalised net income | 20.3 | 19.4 | -4.4% | 278.2% | 24.4 | 23.7 | (3.1%) | 21.8% | 27.6 | 27.4 | (0.7%) | 15.8% |
| Reported net income | 19.1 | 18.2 | -4.7% | N/A | 23.2 | 22.4 | (3.3%) | N/A | 26.2 | 25.9 | (1.0%) | N/A |
| Normalised basic EPS (€) | 0.36 | 0.34 | -4.4% | 278.2% | 0.43 | 0.42 | (3.1%) | 21.8% | 0.49 | 0.48 | (0.7%) | 15.8% |
| Normalised diluted EPS (€) | 0.36 | 0.34 | -4.4% | 278.2% | 0.43 | 0.41 | (3.1%) | 21.8% | 0.48 | 0.48 | (0.7%) | 15.8% |
| Reported basic EPS (€) | 0.34 | 0.32 | -4.7% | -261.4% | 0.41 | 0.40 | (3.3%) | 23.2% | 0.46 | 0.46 | (1.0%) | 15.4% |
| Net debt/(cash) | 111.8 | 112.0 | 0.2% | 9.8% | 85.7 | 86.2 | 0.6% | -23.0% | 56.8 | 57.7 | 1.6% | -33.0% |
| Net debt/EBITDA (x) | 2.2 | 2.3 | | | 1.5 | 1.5 | | | 0.9 | 0.9 | | |
| Divisional revenues | | | | | | | | | | | | |
| PlanetArt | 382.0 | 371.5 | -2.8% | 1.7% | 405.9 | 397.2 | (2.1%) | 6.9% | 430.2 | 421.0 | (2.1%) | 6.0% |
| Avanquest | 114.1 | 127.0 | 11.3% | 4.1% | 120.6 | 137.8 | 14.3% | 8.5% | 129.9 | 147.1 | 13.2% | 6.7% |
| myDevices | 10.2 | 0.0 | -100.0% | -100.0% | 10.7 | 0.0 | (100.0%) | N/A | 11.1 | 0.0 | (100.0%) | N/A |
| Total | 506.3 | 498.4 | -1.5% | 0.6% | 537.2 | 535.0 | (0.4%) | 7.3% | 571.2 | 568.1 | (0.5%) | 6.2% |
| Divisional EBITDA | | | | | | | | | | | | |
| PlanetArt | 23.5 | 22.3 | -5.1% | 14.4% | 27.3 | 26.4 | (3.3%) | 18.4% | 29.6 | 29.6 | (0.0%) | 12.1% |
| Avanquest | 27.2 | 27.2 | 0.0% | -1.6% | 29.0 | 29.3 | 1.0% | 7.7% | 31.2 | 31.4 | 0.6% | 7.2% |
| myDevices | (0.0) | 0.0 | -100.0% | -100.0% | 0.3 | 0.0 | (100.0%) | N/A | 0.5 | 0.0 | (100.0%) | N/A |
| Total EBITDA - pre IFRS 16 | 50.7 | 49.5 | -2.3% | 7.8% | 56.6 | 55.7 | (1.6%) | 12.5% | 61.3 | 61.0 | (0.5%) | 9.5% |
| Divisional EBITDA margin | | | | | | | | | | | | |
| PlanetArt | 6.2% | 6.0% | -0.1% | 0.7% | 6.7% | 6.6% | -0.1% | 0.6% | 6.9% | 7.0% | 0.2% | 0.4% |
| Avanquest | 23.8% | 21.4% | -2.4% | -1.2% | 24.0% | 21.3% | -2.8% | -0.2% | 24.0% | 21.3% | -2.7% | 0.1% |
| myDevices | -0.1% | N/A | N/A | N/A | 2.8% | N/A | N/A | N/A | 4.5% | N/A | N/A | N/A |
| Total EBITDA margin - pre IFRS 16 | 10.0% | 9.9% | -0.1% | 0.7% | 10.5% | 10.4% | -0.1% | 0.5% | 10.7% | 10.7% | 0.0% | 0.3% |

Source: Edison Investment Research

Exhibit 3: Financial summary

| | €'m | 2020 | 2021 | 2022 | 2023 | 2024 | 2025e | 2026e | 2027e |
|---|-----|---------------|---------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | | IFRS | IFRS | IFRS | IFRS | IFRS | IFRS | IFRS | IFRS |
| 30-June | | | | | | | | | |
| INCOME STATEMENT | | | | | | | | | |
| Revenue | | 409.1 | 470.6 | 473.7 | 507.0 | 495.6 | 498.4 | 535.0 | 568.1 |
| EBITDA | | 20.6 | 36.5 | 28.3 | 36.3 | 51.2 | 55.0 | 61.2 | 66.6 |
| Company adjusted EBITDA | | 17.4 | 32.9 | 25.5 | 32.5 | 45.9 | 49.5 | 55.7 | 61.0 |
| Normalised operating profit | | 15.8 | 31.0 | 23.7 | 30.3 | 40.2 | 45.9 | 51.2 | 55.5 |
| Amortisation of acquired intangibles | | (2.4) | (3.1) | (3.8) | (4.8) | (1.2) | (1.2) | (1.2) | (1.2) |
| Exceptionals | | (5.6) | (4.4) | (0.7) | (5.3) | (7.7) | 0.0 | 0.0 | 0.0 |
| Share-based payments | | 0.0 | 0.0 | (1.2) | (0.9) | (0.5) | (0.4) | (0.4) | (0.4) |
| Reported operating profit | | 7.8 | 23.5 | 18.0 | 19.3 | 30.8 | 44.3 | 49.6 | 53.9 |
| Net Interest | | (4.5) | (6.8) | (16.5) | (28.1) | (34.4) | (20.1) | (20.4) | (20.2) |
| Joint ventures & associates (post tax) | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Exceptionals | | 0.0 | 0.0 | (5.7) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Profit Before Tax (norm) | | 11.3 | 24.2 | 7.2 | 2.2 | 5.8 | 25.8 | 30.8 | 35.3 |
| Profit Before Tax (reported) | | 3.3 | 16.7 | (4.2) | (8.8) | (3.6) | 24.2 | 29.2 | 33.7 |
| Reported tax | | (2.1) | (3.5) | (5.7) | (2.0) | (8.4) | (5.6) | (6.7) | (7.8) |
| Profit After Tax (norm) | | 8.7 | 18.6 | 5.5 | 2.1 | 4.4 | 19.8 | 23.7 | 27.5 |
| Profit After Tax (reported) | | 1.2 | 13.2 | (10.0) | (10.8) | (12.0) | 18.6 | 22.5 | 26.0 |
| Minority interests | | (0.7) | (3.7) | (0.5) | 0.2 | 0.7 | (0.4) | (0.0) | (0.1) |
| Discontinued operations | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net income (normalised) | | 8.0 | 14.9 | 5.0 | 2.3 | 5.1 | 19.4 | 23.7 | 27.4 |
| Net income (reported) | | 0.5 | 9.5 | (10.5) | (10.6) | (11.3) | 18.2 | 22.4 | 25.9 |
| Basic ave. number of shares outstanding (m) | | 39.2 | 39.3 | 42.6 | 45.6 | 56.7 | 56.7 | 56.7 | 56.7 |
| EPS - basic normalised (€) | | 0.20 | 0.38 | 0.12 | 0.05 | 0.09 | 0.34 | 0.42 | 0.48 |
| EPS - diluted normalised (€) | | 0.20 | 0.37 | 0.11 | 0.05 | 0.09 | 0.34 | 0.41 | 0.48 |
| EPS - basic reported (€) | | 0.01 | 0.24 | (0.25) | (0.23) | (0.20) | 0.32 | 0.40 | 0.46 |
| Dividend (€) | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Revenue growth (%) | | 56.0 | 15.0 | 0.7 | 7.0 | (2.2) | 0.6 | 7.3 | 6.2 |
| EBITDA Margin (%) | | 5.0 | 7.7 | 6.0 | 7.2 | 10.3 | 11.0 | 11.4 | 11.7 |
| Company adjusted EBITDA margin (%) | | 4.3 | 7.0 | 5.4 | 6.4 | 9.3 | 9.9 | 10.4 | 10.7 |
| Normalised Operating Margin | | 3.9 | 6.6 | 5.0 | 6.0 | 8.1 | 9.2 | 9.6 | 9.8 |
| BALANCE SHEET | | | | | | | | | |
| Fixed Assets | | 93.7 | 96.6 | 123.3 | 151.8 | 145.9 | 146.8 | 147.4 | 147.7 |
| Intangible Assets | | 70.5 | 77.5 | 96.6 | 120.1 | 117.2 | 118.5 | 119.2 | 119.4 |
| Tangible Assets | | 15.7 | 12.2 | 18.2 | 18.2 | 16.7 | 16.3 | 16.2 | 16.3 |
| Investments & other | | 7.5 | 6.9 | 8.5 | 13.5 | 12.0 | 12.0 | 12.0 | 12.0 |
| Current Assets | | 116.3 | 128.4 | 146.8 | 112.6 | 82.4 | 86.5 | 109.3 | 137.2 |
| Stocks | | 14.4 | 16.1 | 22.0 | 20.4 | 15.7 | 20.9 | 22.4 | 23.8 |
| Debtors | | 9.9 | 9.2 | 8.3 | 9.8 | 12.0 | 12.3 | 13.2 | 14.0 |
| Cash & cash equivalents | | 82.8 | 90.4 | 100.3 | 66.8 | 36.8 | 35.4 | 55.8 | 81.5 |
| Other | | 9.2 | 12.7 | 16.2 | 15.6 | 17.9 | 17.9 | 17.9 | 17.9 |
| Current Liabilities | | (74.6) | (76.7) | (106.0) | (176.2) | (110.3) | (96.3) | (102.3) | (106.9) |
| Creditors | | (64.3) | (63.8) | (78.1) | (74.1) | (78.5) | (74.5) | (80.5) | (85.1) |
| Tax and social security | | (1.2) | (2.0) | (1.9) | (2.1) | (2.4) | (2.4) | (2.4) | (2.4) |
| Short term borrowings | | (6.1) | (7.7) | (22.6) | (93.8) | (24.6) | (14.6) | (14.6) | (14.6) |
| Other | | (3.0) | (3.2) | (3.4) | (6.2) | (4.8) | (4.8) | (4.8) | (4.8) |
| Long Term Liabilities | | (73.1) | (66.1) | (162.2) | (104.6) | (125.7) | (144.3) | (138.9) | (136.1) |
| Long term borrowings | | (62.8) | (57.4) | (148.9) | (85.0) | (114.2) | (132.8) | (127.4) | (124.6) |
| Other long term liabilities | | (10.3) | (8.7) | (13.3) | (19.6) | (11.5) | (11.5) | (11.5) | (11.5) |
| Net Assets | | 62.3 | 82.2 | 1.9 | (16.4) | (7.7) | (7.3) | 15.5 | 41.9 |
| Minority interests | | (11.7) | (16.2) | (3.3) | (2.9) | (2.2) | (2.6) | (2.6) | (2.7) |
| Shareholders' equity | | 50.6 | 66.0 | (1.4) | (19.3) | (9.9) | (9.9) | 12.9 | 39.2 |
| CASH FLOW | | | | | | | | | |
| Op Cash Flow before WC and tax | | 20.6 | 36.5 | 28.3 | 36.3 | 51.2 | 55.0 | 61.2 | 66.6 |
| Working capital | | 22.5 | (3.1) | 3.2 | (12.9) | 8.0 | (9.5) | 3.6 | 2.4 |
| Exceptional & other | | (6.3) | (8.9) | (4.2) | (8.1) | 16.5 | 0.0 | 0.0 | 0.0 |
| Tax | | (6.8) | (5.1) | (9.4) | (6.0) | (10.0) | (5.6) | (6.7) | (7.8) |
| Net operating cash flow | | 30.0 | 19.4 | 17.9 | 9.3 | 65.7 | 39.9 | 58.1 | 61.3 |
| Capex | | (1.2) | (3.8) | (2.2) | (10.9) | (5.2) | (6.5) | (7.2) | (7.9) |
| Acquisitions/disposals | | (31.9) | (3.8) | (73.3) | (21.2) | 0.0 | (18.5) | 0.0 | 0.0 |
| Net interest | | (0.5) | (0.7) | (1.7) | 0.0 | (7.3) | (13.5) | (18.3) | (18.1) |
| Equity financing | | 0.0 | 2.4 | 13.3 | (0.3) | 1.9 | 0.0 | 0.0 | 0.0 |
| Dividends | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other | | 0.4 | (2.6) | 1.9 | (3.4) | (5.1) | (4.7) | (4.7) | (4.7) |
| Net Cash Flow | | (3.2) | 11.0 | (44.1) | (26.5) | 50.0 | (3.2) | 27.9 | 30.6 |
| Opening net debt/(cash) | | (23.6) | (13.9) | (25.3) | 71.2 | 112.0 | 102.1 | 111.9 | 86.1 |
| FX | | (0.8) | 1.8 | 2.1 | (0.5) | 0.3 | 0.0 | 0.0 | 0.0 |
| Other non-cash movements | | (5.7) | (1.3) | (54.5) | (13.8) | (40.4) | (6.6) | (2.1) | (2.1) |
| Closing net debt/(cash) | | (13.9) | (25.3) | 71.2 | 112.0 | 102.1 | 111.9 | 86.1 | 57.7 |

Source: Company accounts, Edison Investment Research

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