

May 18, 2025

Americas - Enterprise Software

**BUY**  
**EARNINGS PREVIEW**

Financial Summary			
Changes	Previous	Current	
Rating	—	Buy	
Target Price	—	\$210.00	
FY26E EPS	—	\$1.22	
FY27E EPS	—	\$1.64	
FY26E Revenue	—	\$4.48B	
FY27E Revenue	—	\$5.43B	
Price ( 05/16/25 ):		\$183.08	
52-Week Range:		\$194 - \$107	
Market Cap.(mm):		\$66,311.6	
Shr.O/S-Diluted (mm):		362.2	
Enterprise Val. (mm):		\$57,131.0	
Avg Daily Vol (3 Mo):		5,406,134	
Dividend / Yield:		\$0.00 / 0.0%	
FYE		Jan	
<b>EPS</b>	<b>2025A</b>	<b>2026E</b>	<b>2027E</b>
<b>Q1</b>	\$0.14	\$0.20	\$0.31
<b>Q2</b>	\$0.18	\$0.25	\$0.35
<b>Q3</b>	\$0.20	\$0.35	\$0.45
<b>Q4</b>	\$0.30	\$0.43	\$0.54
	\$0.83A	\$1.22	\$1.64
<b>P/E</b>	<b>NM</b>	<b>NM</b>	<b>NM</b>
<b>Revenue</b>	<b>2025A</b>	<b>2026E</b>	<b>2027E</b>
<b>Q1</b>	\$828.7	\$1.00B	\$1.23B
<b>Q2</b>	\$868.8	\$1.07B	\$1.31B
<b>Q3</b>	\$942.1	\$1.17B	\$1.41B
<b>Q4</b>	\$986.8	\$1.23B	\$1.47B
	\$3.63B	\$4.48B	\$5.43B
<b>EV/Rev</b>	15.8x	12.8x	10.5x
	<b>2025A</b>	<b>2026E</b>	<b>2027E</b>
<b>FCF</b>	\$884.1A	\$1.12B	\$1.48B
<b>EV/FCF</b>	64.6x	51.0x	38.7x

**Price Performance****Expecting a Down-the-Middle Report and Guide****Summary**

Given stable consumption commentary from March quarter peers and better/inline hyperscaler results, in combination with growing contribution from newer products/capabilities, we expect a typical upside quarter. That said, while Snowflake beat Product revenue guidance/consensus by ~4% throughout FY25, given management commentary and our belief that FY25 guidance was set more conservatively, we expect more measured upside in the 2-3% range.

Looking forward, we believe that management's expectations that newer product features begin to more materially supplement the stabilizing core in 2H26 might somewhat limit the potential for upside to the current 2Q consensus (~\$1,013M), but we believe it should enable the company to consider larger 2H revisions.

Net/net, we believe that the combination of stability within the core business, incremental new product contribution, and operational efficiency, should enable Snowflake to maintain mid-to-upper 20% product revenue/fcf growth and margin expansion in coming years

**Key Points**

**1Q Setup.** Given stable consumption commentary from March quarter peers and better/inline hyperscaler results (+Azure, =AWS, =GCP), in combination with growing contribution from newer products/capabilities (Iceberg, Snowpark, AI/ML), we expect a typical upside quarter in the 2-3% range. While Snowflake has beat Product revenue guidance/consensus by an average of ~4% over the past four quarters, last quarter, CFO Mike Scarpelli called out that given their scale, they believe that a 3% beat should be considered a big beat. Given this and our belief that last year's (FY25) guidance reflected increased conservatism given various moving parts in the business (Iceberg cannibalization risk, NRR deceleration, setting up new CEO for success), we are expecting more measured upside vs. the past few quarters, and believe that FY26 beats are much more likely to be in the 2-3% range. We note that upside in this range would imply ~\$40M of Q/Q adds, roughly flat vs. the year-ago sequential adds (adj. for leap day).

**2Q26 and FY26 Guidance.** After factoring in 1Q25 upside in the 2-3% range, 2Q25 product revenue consensus (\$1,013M) implies ~\$30M of Q/Q adds. While this is below the 2Q25 and 2Q24 Q/Q adds of \$50N (adj. for leap day in 1Q25), after factoring in additional 2-3% upside in 2Q26, this would imply ~\$55M of Q/Q adds, a 10% YY increase. Given stability within the core and ramping contribution from newer products, we believe this to be reasonable, and expect only modest upside revisions vs. 2Q26 consensus. Further, management's guidance assumes that revenue from newer product features begins to more materially supplement the stabilizing core in 2H26, and while this assumption could also somewhat limit the potential for upside to the current 2Q consensus, we believe it should enable the company to consider larger 2H revisions.

**Bookings.** Last quarter, Q/Q RPO adds decreased Y/Y, as management highlighted that several large customers ran out of capacity as their consumption outpaced bookings, and went to on-demand consumption rather than early renewing, although we note that it did not impact the guide. While the bookings will catch up when the larger, multi-year, renewals occur, given the timing difference, this dynamic may cause some divergence between revenue, bookings, and collections growth. We also note that last quarter management highlighted slight changes to the sales comp plan that reinstates a bookings element in order to more closely align customers' deal size with their consumption run rate, which we believe should also help the convergence of bookings and revenue growth.

**Margins.** After margins compressed ~180bps Y/Y in FY25, management's FY26 OM guidance now implies expansion to 8%, slightly below FY24 margins of 8.2%. Given multiple margin levers within the business, including ongoing hiring and performance management, reshaping R&D with more targeted early-career hiring, as well as easier GPU access and growing AI revenue that should benefit product GMs associated with new product features over the longer term, we ultimately expect margins to move higher beyond FY24 levels.

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**Investment Thesis**

Snowflake's leading cloud-based data platform helps organizations gain greater insights from structured and semi-structured data. Given a true consumption-based model along with an easy-to-use and scalable platform, Snowflake is disrupting the data warehousing market and given a number of drivers (growth in data/workloads, new logos, up-sells/cross-sells, new products, international expansion, etc.), we think Snowflake can sustain 35%+ top-line growth in coming years. Not surprisingly, given the success and opportunity, we expect Snowflake to remain in growth mode for the foreseeable future, although we believe there is plenty of leverage in the model over time.

**Target Price Methodology/Risks**

**Target Price:** We arrive at our \$210 target price by applying a ~50x CY26E EV/FCF multiple.

**Risks to Target Price:** The market for cloud-based data warehouses may not develop as expected; macro/regulatory risk can impact demand; consumption model offers less visibility than a pure subscription model; M&A integration risk; markets are highly competitive and evolving; operational/security risks in the event of an interruption/privacy breach; international markets may not grow as quickly as anticipated; seasonality; and dual-class structure.

**Company Description**

Snowflake Inc. is a leading provider of a cloud-based data warehouse platform that helps organizations gain greater insights from structured and semi-structured data.

## Snowflake Income Statement

\$ in millions, except EPS	FY 2024 F24/C23	Apr 24 F1Q23	Jul 24 F2Q23	Oct 24 F3Q23	Jan 25 F4Q23	FY 2025 F25/C24	Apr 25E F1Q24E	Jul 25E F2Q24E	Oct 25E F3Q24E	Jan 26E F4Q24E	FY 2026E F26/C25E	Apr 26E F1Q25E	Jul 26E F2Q25E	Oct 26E F3Q25E	Jan 27E F4Q25E	FY 2027E F27/C26E	
<b>Revenues</b>																	
Product Revenue	2,666.8	789.6	829.3	900.3	943.3	3,462.4	957.7	1,025.0	1,125.8	1,179.3	4,287.8	1,180.4	1,261.2	1,359.4	1,416.9	5,217.4	
Professional Services and Other Revenue	139.6	39.1	39.6	41.8	43.5	164.0	44.8	46.1	47.5	48.9	187.3	50.4	51.9	53.5	55.1	210.4	
<b>Total Revenue</b>	<b>2,806.5</b>	<b>828.7</b>	<b>868.8</b>	<b>942.1</b>	<b>986.8</b>	<b>3,626.4</b>	<b>1,002.5</b>	<b>1,071.1</b>	<b>1,173.3</b>	<b>1,228.2</b>	<b>4,475.1</b>	<b>1,230.4</b>	<b>1,313.1</b>	<b>1,412.8</b>	<b>1,471.9</b>	<b>5,428.2</b>	
<b>Total Cost of Product Revenue (Non-GAAP)</b>																	
R&D as % of Revenue	13.2%	3.7%	3.9%	4.1%	4.6%	15.9%	4.6%	4.8%	4.7%	5.0%	16.7%	5.0%	5.4%	5.5%	5.7%	17.0%	
SG&A (Non-GAAP)	72.6%	22.6%	25.4%	27.0%	27.7%	28.4%	30.4%	32.0%	34.0%	34.5%	34.5%	34.5%	36.7%	39.3%	40.9%	41.5%	
Gross Profit of Product Revenue (Non-GAAP)	2,076.0	607.3	633.8	686.9	715.3	2,643.3	718.3	768.8	844.4	884.5	3,215.9	885.0	945.9	1,019.5	1,062.6	3,913.6	
Gross Profit of Professional Services and Other Revenue (Non-GAAP)	6.9	1.8	2.4	0.3	0.9	5.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
<b>Gross Profit (Non-GAAP)</b>	<b>2,082.9</b>	<b>609.1</b>	<b>636.2</b>	<b>687.2</b>	<b>716.2</b>	<b>2,648.7</b>	<b>718.3</b>	<b>768.8</b>	<b>844.4</b>	<b>884.5</b>	<b>3,215.9</b>	<b>885.0</b>	<b>945.9</b>	<b>1,019.5</b>	<b>1,062.6</b>	<b>3,913.6</b>	
<b>Operating Expenses</b>																	
S&M (Non-GAAP)	1,041.5	312.6	309.1	346.6	338.9	1,201.2	359.9	364.2	387.2	393.0	1,465.3	418.3	446.4	465.2	471.0	1,602.0	
R&D (Non-GAAP)	812.1	203.2	224.2	224.8	226.0	283.0	253.6	267.8	262.5	270.9	1,072.0	301.4	315.1	324.9	332.8	1,265.4	
SG&A (Non-GAAP)	199.6	57.1	59.1	62.9	63.6	242.8	64.2	69.6	76.3	73.7	283.7	73.8	78.8	84.8	88.1	325.7	
Total Stock-comp	(1,229.5)	(360.4)	(373.3)	(381.4)	(449.1)	(1,564.3)	(370.9)	(396.3)	(434.1)	(454.4)	(1,655.8)	(430.6)	(459.6)	(494.5)	(515.2)	(1,899.9)	
Total Amortization expense of acquired intangible assets	(82.2)	(23.4)	(23.9)	(31.7)	(25.5)	(104.6)	(30.1)	(32.1)	(35.2)	(36.8)	(134.3)	(36.9)	(39.4)	(42.4)	(44.2)	(162.8)	
<b>Total Operating Expenses (Non-GAAP)</b>	<b>1,853.2</b>	<b>572.9</b>	<b>592.5</b>	<b>628.3</b>	<b>623.4</b>	<b>2,417.0</b>	<b>668.7</b>	<b>701.6</b>	<b>739.2</b>	<b>749.2</b>	<b>2,858.6</b>	<b>793.6</b>	<b>840.4</b>	<b>875.9</b>	<b>883.2</b>	<b>3,393.1</b>	
<b>Operating Income (Non-GAAP)</b>	<b>229.7</b>	<b>36.2</b>	<b>43.7</b>	<b>58.9</b>	<b>92.8</b>	<b>231.7</b>	<b>49.6</b>	<b>67.2</b>	<b>105.2</b>	<b>135.3</b>	<b>357.2</b>	<b>91.4</b>	<b>105.5</b>	<b>143.6</b>	<b>179.5</b>	<b>520.0</b>	
Interest Income (Non-GAAP)	29.7	4.9	5.0	5.1	5.2	10.0	2.0	2.0	2.0	2.0	50.0	50.0	50.0	50.0	50.0	200.0	
Other Income (Expense) (Non-GAAP)	44.9	(21.1)	(7.9)	(8.5)	2.4	(58.9)	(0.5)	(0.5)	(0.5)	(0.5)	(1.9)	(0.5)	(0.5)	(0.5)	(0.5)	(1.9)	
Total Other Income (Expense) (Non-GAAP)	245.6	33.5	41.1	40.2	58.7	173.7	49.5	49.5	49.5	49.5	181.1	49.5	49.5	49.5	49.5	181.1	
Income (Loss) before taxes (Non-GAAP)	475.3	69.7	85.1	99.1	151.5	405.4	99.1	116.7	154.7	184.8	555.3	140.9	155.0	193.1	229.0	718.0	
Income tax expense (benefit) (Non-GAAP)	123.6	18.3	22.0	25.8	39.4	105.4	25.0	25.0	25.0	25.0	100.0	25.0	25.0	25.0	25.0	100.0	
<b>Net Income (Non-GAAP)</b>	<b>353.3</b>	<b>51.9</b>	<b>63.9</b>	<b>73.2</b>	<b>112.1</b>	<b>301.1</b>	<b>74.1</b>	<b>91.7</b>	<b>129.7</b>	<b>159.8</b>	<b>455.3</b>	<b>115.9</b>	<b>130.0</b>	<b>168.1</b>	<b>204.0</b>	<b>618.0</b>	
<b>EPS (Non-GAAP)</b>	<b>0.97</b>	<b>0.14</b>	<b>0.18</b>	<b>0.20</b>	<b>0.30</b>	<b>0.83</b>	<b>0.20</b>	<b>0.25</b>	<b>0.35</b>	<b>0.43</b>	<b>1.22</b>	<b>0.31</b>	<b>0.35</b>	<b>0.45</b>	<b>0.54</b>	<b>1.64</b>	
<b>Diluted Shares Outstanding (Non-GAAP)</b>	<b>362.2</b>	<b>363.3</b>	<b>359.3</b>	<b>362.2</b>	<b>370.7</b>	<b>363.9</b>	<b>374.0</b>	<b>374.0</b>	<b>374.0</b>	<b>374.0</b>	<b>374.0</b>	<b>375.0</b>	<b>376.0</b>	<b>377.0</b>	<b>378.0</b>	<b>379.5</b>	
<b>FCF</b>	<b>778.9</b>	<b>315.1</b>	<b>58.8</b>	<b>78.2</b>	<b>415.4</b>	<b>884.1</b>	<b>465.5</b>	<b>(16.9)</b>	<b>93.0</b>	<b>578.4</b>	<b>1,120.0</b>	<b>610.0</b>	<b>(10.1)</b>	<b>159.2</b>	<b>718.2</b>	<b>1,477.2</b>	
<b>Incremental Product Gross Margin</b>							<b>76.8%</b>	<b>71.4%</b>	<b>69.3%</b>	<b>67.9%</b>		<b>66.0%</b>	<b>68.9%</b>	<b>69.8%</b>	<b>71.7%</b>		
<b>Margin Analysis</b>																	
<b>Revenue Mix</b>																	
Product Revenue as % of Total Revenue	95.0%	95.3%	95.4%	95.6%	95.6%	95.6%	95.5%	95.7%	96.0%	96.0%	95.8%	95.9%	96.0%	96.2%	96.3%	96.1%	
Professional Services and Other Revenue (Self-Managed) as % of Total Revenue	5.0%	4.7%	4.6%	4.4%	4.4%	4.5%	4.5%	4.3%	4.0%	4.0%	4.2%	4.1%	4.0%	3.8%	3.7%	3.9%	
<b>Margin Analysis</b>																	
<b>Gross Margin of Product Revenue (Non-GAAP)</b>	<b>77.8%</b>	<b>76.9%</b>	<b>76.4%</b>	<b>76.3%</b>	<b>75.8%</b>	<b>76.3%</b>	<b>75.0%</b>	<b>75.0%</b>	<b>75.0%</b>	<b>75.0%</b>	<b>75.0%</b>	<b>75.0%</b>	<b>75.0%</b>	<b>75.0%</b>	<b>75.0%</b>	<b>75.0%</b>	
<b>Gross Margin of Professional Services and Other Revenue (Non-GAAP)</b>	<b>5.0%</b>	<b>4.6%</b>	<b>6.1%</b>	<b>0.6%</b>	<b>2.1%</b>	<b>3.3%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	
<b>Gross Margin of SG&amp;A (Non-GAAP)</b>	<b>72.6%</b>	<b>73.0%</b>	<b>72.7%</b>	<b>72.6%</b>	<b>72.6%</b>	<b>72.6%</b>	<b>71.7%</b>	<b>71.8%</b>	<b>72.0%</b>	<b>72.0%</b>	<b>72.0%</b>	<b>71.9%</b>	<b>72.2%</b>	<b>72.2%</b>	<b>72.2%</b>	<b>72.2%</b>	
<b>SG&amp;A as % of Revenue (Non-GAAP)</b>	<b>21.8%</b>	<b>24.5%</b>	<b>25.8%</b>	<b>23.9%</b>	<b>23.4%</b>	<b>24.3%</b>	<b>23.5%</b>	<b>23.6%</b>	<b>23.6%</b>	<b>23.6%</b>	<b>23.6%</b>	<b>23.5%</b>	<b>24.1%</b>	<b>24.5%</b>	<b>24.0%</b>	<b>23.0%</b>	<b>23.3%</b>
<b>SG&amp;A as % of Revenue (Non-GAAP)</b>	<b>7.1%</b>	<b>6.9%</b>	<b>6.8%</b>	<b>6.7%</b>	<b>6.4%</b>	<b>6.7%</b>	<b>6.4%</b>	<b>6.5%</b>	<b>6.5%</b>	<b>6.0%</b>	<b>6.3%</b>	<b>6.0%</b>	<b>6.0%</b>	<b>6.0%</b>	<b>6.0%</b>	<b>6.0%</b>	<b>6.0%</b>
<b>Total Stock-comp as % of Revenue</b>	<b>(43.8%)</b>	<b>(43.5%)</b>	<b>(43.0%)</b>	<b>(40.5%)</b>	<b>(45.5%)</b>	<b>(43.1%)</b>	<b>(37.0%)</b>	<b>(37.0%)</b>	<b>(37.0%)</b>	<b>(37.0%)</b>	<b>(37.0%)</b>	<b>(37.0%)</b>	<b>(37.0%)</b>	<b>(37.0%)</b>	<b>(35.0%)</b>	<b>(35.0%)</b>	<b>(35.0%)</b>
Total Amortization expense of acquired intangible assets as % of Revenue	(2.9%)	(2.8%)	(2.8%)	(3.4%)	(2.6%)	(2.8%)	(3.0%)	(3.0%)	(3.0%)	(3.0%)	(3.0%)	(3.0%)	(3.0%)	(3.0%)	(3.0%)	(3.0%)	(3.0%)
Other Non-GAAP add backs as % of Revenue	(0.5%)	(0.1%)	(0.2%)	(1.2%)	(0.5%)	(0.5%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)
Total Non-GAAP add backs as % of Revenue	(47.3%)	(46.2%)	(45.1%)	(46.0%)	(46.8%)	(45.8%)	(40.0%)	(40.0%)	(40.0%)	(40.0%)	(40.0%)	(40.0%)	(40.0%)	(40.0%)	(38.0%)	(38.0%)	(38.0%)
<b>Operating Margin (Non-GAAP)</b>	<b>8.2%</b>	<b>4.4%</b>	<b>5.0%</b>	<b>6.3%</b>	<b>8.4%</b>	<b>6.4%</b>	<b>5.0%</b>	<b>6.3%</b>	<b>9.0%</b>	<b>11.0%</b>	<b>8.0%</b>	<b>7.4%</b>	<b>6.0%</b>	<b>10.2%</b>	<b>12.5%</b>	<b>9.6%</b>	
<b>Tax Rate (Non-GAAP)</b>	<b>26.0%</b>	<b>26.2%</b>	<b>25.8%</b>	<b>26.0%</b>	<b>26.0%</b>	<b>26.0%</b>	<b>25.2%</b>	<b>21.4%</b>	<b>16.2%</b>	<b>13.5%</b>	<b>18.0%</b>	<b>17.7%</b>	<b>16.1%</b>	<b>12.9%</b>	<b>10.9%</b>	<b>13.9%</b>	
<b>Net Income Margin (Non-GAAP)</b>	<b>12.6%</b>	<b>6.3%</b>	<b>7.3%</b>	<b>7.8%</b>	<b>11.4%</b>	<b>8.3%</b>	<b>7.4%</b>	<b>8.6%</b>	<b>11.1%</b>	<b>13.0%</b>	<b>10.2%</b>	<b>9.4%</b>	<b>9.9%</b>	<b>11.9%</b>	<b>13.9%</b>	<b>11.4%</b>	
<b>FCF Margin (Non-GAAP)</b>	<b>27.8%</b>	<b>40.0%</b>	<b>6.8%</b>	<b>8.3%</b>	<b>42.1%</b>	<b>24.4%</b>	<b>46.4%</b>	<b>(1.6%)</b>	<b>7.9%</b>	<b>47.1%</b>	<b>25.0%</b>	<b>49.6%</b>	<b>(0.8%)</b>	<b>11.3%</b>	<b>48.8%</b>	<b>27.2%</b>	
<b>V/Y Growth</b>																	
Product Revenue	37.6%	33.8%	29.5%	28.9%	27.8%	29.8%	21.3%	23.8%	25.1%	26.0%	23.6%	23.2%	23.0%	23.0%	23.0%	23.0%	23.0%
Professional Services and Other Revenue	10.1%	16.7%	17.0%	17.1%	18.7%	17.4%	14.4%	16.5%	19.0%	12.6%	14.2%	12.6%	12.6%	12.6%	12.6%	12.6%	12.6%
Total Revenue	35.9%	32.9%	28.9%	28.3%	27.4%	29.2%	21.0%	23.3%	24.5%	24.5%	23.4%	22.7%	22.6%	20.4%	19.8%	21.3%	
Gross Profit of Product Revenue (Non-GAAP)	42.4%	33.7%	27.1%	25.8%	24.2%	27.3%	18.3%	21.3%	22.9%	23.6%	21.7%	23.2%	23.0%	20.7%	20.1%	21.7%	
Gross Profit of Professional Services and Other Revenue (Non-GAAP)	(24.5%)	1361.5%	48.4%	(90.5%)	(65.5%)	(22.2%)	0.0%	(100.0%)	(100.0%)	(100.0%)	0.0%	0.0%	0.0%	0.0%	0.0%	#DIV/0!	
Gross Profit (Non-GAAP)	42.0%	34.2%	27.1%	25.0%	23.8%	27.2%	17.9%	20.8%	22.9%	23.5%	21.4%	23.2%	23.0%	20.7%	20.1%	21.7%	
S&M (Non-GAAP)	26.5%	27.8%	23.2%	26.6%	18.8%	24.0%	12.3%	17.8%	13.7%	19.5%	15.8%	19.2%	22.6%	20.4%	19.8%	20.5%	
R&D (Non-GAAP)	60.6%	57.9%	55.6%	41.4%	26.1%	32.3%	24.3%	21.4%	22.6%	22.6%	22.6%	18.9%	17.6%	14.6%	14.6%	14.6%	
SG&A (Non-GAAP)	0.7%	1.6%	16.4%	25.9%	24.7%	21.7%	12.3%	17.3%	21.2%	16.8%	16.9%	15.1%	13.2%	11.2%	14.8%	14.8%	
Total Stock-comp	(38.3%)	(25.3%)	(19.8%)	(24.1%)	(40.2%)	(27.7%)	(2.0%)	(6.2%)	(13.8%)	(1.2%)	(5.8%)	(16.1%)	(16.0%)	(13.9%)	(13.4%)	(14.7%)	
Operating Expense (Non-GAAP)	35.1%	36.0%	32.8%	31.4%	22.8%	30.4%	16.7%	18.4%	17.7%	20.2%	18.3%	18.7%	19.8%	18.5%	17.9%	18.7%	
141.1%	11.2%	(19.3%)	(18.1%)</td														

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**Snowflake Inc. (SNOW) as of May 16, 2025 (in USD)**

\*Represents the value(s) that changed.

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Earnings Preview

May 18, 2025

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