

COMPANY UPDATE

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Tech Team

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NC (036570)

Proven IP power, new-release momentum in 2H

- The success of new titles based on legacy IPs—Aion II and Lineage Classic—drove NC's quarterly operating profit into the KRW100b range in 1Q, validating the effectiveness of its legacy IP expansion strategy.
- We forecast NC's 2026 operating profit to exceed KRW50b this year, driven by expansion of its core IP portfolio, the launch of non-MMORPG titles, and the accelerating growth of casual games. We increase our target price by 25% and keep the company as our sector top pick.

▶ AT A GLANCE

BUY

Target price **KRW350,000** 20.9%

Current price **KRW289,500**

Market cap	KRW6.2t/USD4.1b
Shares (float)	21,544,022 (78.0%)
52-week high/low	KRW289,500/KRW152,500
Avg daily trading value (60-day)	KRW33.9b/ USD22.5m

▶ ONE-YEAR PERFORMANCE

	1M	6M	12M
NC (%)	4.3	37.9	82.2
Vs Kospi (%pts)	-17.6	-36.1	-41.5

▶ KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	350,000	350,000	0.0%
2026E EPS	20,834	20,834	0.0%
2027E EPS	24,764	24,764	0.0%

▶ SAMSUNG vs THE STREET

No of estimates	17
Target price	368,529
Recommendation	4.0

* Rating: 4 < → BUY, 3 = HOLD, 2 > → SELL

WHAT'S THE STORY?

Enduring power of legacy IPs: In 1Q, NC's sales surged 38% q-q, exceeding market expectations driven by strong performances of new titles based on legacy IPs—Lineage Classic and Aion II. Lineage Classic recorded an average daily payment of KRW2.1b in 1Q—more than double market expectations—and maintained robust revenue momentum through April and May. Aion II saw sales grow 77% q-q in 1Q (led by full-quarter recognition), despite a 20% q-q decline in average daily sales to KRW1.5b. Despite higher incentive costs, the strong new title performance propelled 1Q operating profit to KRW113.3b, surpassing consensus by 24.5%.

Hyper-casual gaming to gain momentum: LIHUUH and SpringComes, acquired last year, contributed sales of KRW35.5b in 1Q. NC will also start recognizing sales from JustPlay in 2Q. JustPlay posted sales of KRW98.3b (up 76% y-y) in 1Q and, with sustained growth in both sales and traffic, is on track to exceed KRW100b in 2Q. Beginning in 2H, NC plans to distribute its acquired games through the JustPlay platform, unlocking synergies.

(Continued on the next page)

SUMMARY 1Q RESULTS

(KRWb)	1Q26	Chg		Diff (%)	
		(% y-y)	(% q-q)	Samsung	Consensus
Sales	557.4	54.7	37.9	0.0	n/a
Operating profit	113.3	2,070.5	3,389.5	0.0	n/a
Pre-tax profit	187.3	499.3	563.1	0.0	n/a
Net profit	152.4	306.3	nm	-0.0	n/a
Margins (%)					
Operating profit	20.3				
Pre-tax profit	33.6				
Net profit	27.3				

Source: Company data, Fnguide, Samsung Securities estimates

VALUATION SUMMARY

	2025	2026E	2027E
Valuation (x)			
P/E	n/a	13.9	11.7
P/B	1.2	1.5	1.3
EV/EBITDA	33.1	8.7	7.0
Div yield (%)	0.6	2.6	2.8
EPS growth (% y-y)	nm	nm	18.9
ROE (%)	10.8	14.9	13.9
Per-share data (KRW)			
EPS	-2,480	20,834	24,764
BVPS	173,511	199,334	220,861
DPS	1,150	7,669	8,078

Strong new game lineup through 2H: Three non-MMORPG titles (Time Takers, Breakers, and Cinder City) have seen slight delays, with testing now set to begin in 2Q and full launches targeted for 2H. Meanwhile, Aion II's global release remains on track for 3Q. Complementing this pipeline are three spin-off games of legacy IPs slated for year-end launches, alongside Horizon Steel Frontiers scheduled for release next year—ensuring strong momentum through 2H.

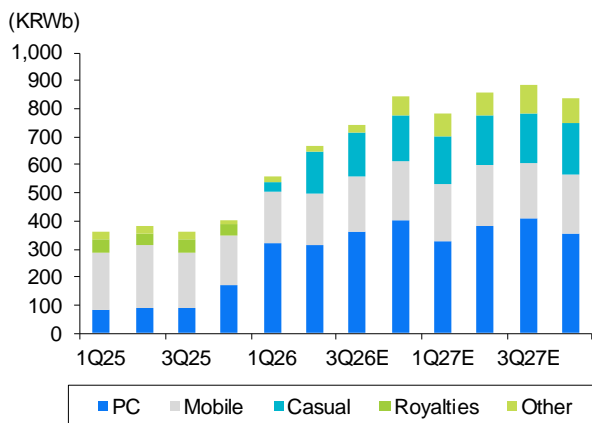
Staying as sector top pick: Reflecting the solid revenue from its legacy IP titles, we revise up our 2026 operating profit estimate by 40.5% and increase our target price from KRW280,000 to KRW350,000 (based on 17x 2026 P/E, the average at which domestic and overseas game companies are trading). We recommend the company as a top sector pick in consideration of growth in core IPs, successful entry into new genres, and improving cost efficiency.

1Q26 review

(KRWb)	1Q26		Diff (%)		1Q25	4Q25	Chg		
	Result	Samsung Consensus	Samsung	Consensus			(% y-y)	(% q-q)	
Sales	557.4	531.5	516.2	4.9	8.0	360.3	404.2	54.7	37.9
PC	318.4	270.6		17.7		83.3	168.2	282.1	89.3
Mobile	182.8	166.6		9.7		206.3	178.1	(11.4)	2.6
Casual	35.5	40.4		(12.1)		0.0	0.0	n/a	n/a
Royalties	0.0	38.5		(100.0)		45.0	42.4	n/a	n/a
Other	20.7	15.3		35.3		25.7	15.6	(19.4)	32.9
Operating expenses	444.1	454.6		(2.3)		355.1	401.0	25.1	10.8
Salaries and employee benefits	174.1	152.7		14.1		108.9	136.0	60.0	28.0
Commission paid	92.8	110.4		(15.9)		94.0	83.2	(1.2)	11.6
R&D expenses	86.2	93.5		(7.8)		90.9	83.3	(5.1)	3.4
Advertising expenses	36.8	47.8		(23.1)		13.3	49.5	175.8	(25.7)
Other	54.1	50.1		7.9		48.0	48.9	12.8	10.6
Operating profit	113.3	77.0	91.0	47.2	24.6	5.2	3.2	2,070.1	3,388.8
Pre-tax profit	187.3	83.5	114.1	124.4	64.1	31.3	28.2	499.3	563.1
Net profit	152.4	63.4	77.8	140.2	96.0	37.5	(1.5)	306.4	nm
Net profit (controlling)	148.8	64.7	83.1	129.9	79.1	37.8	(2.4)	294.0	nm
Margins (%)									
Operating profit	20.3	14.5				1.4	0.8		
Pre-tax profit	33.6	15.7				8.7	7.0		
Net profit	27.3	11.9				10.4	(0.4)		
Net profit (controlling)	26.7	12.2				10.5	(0.6)		

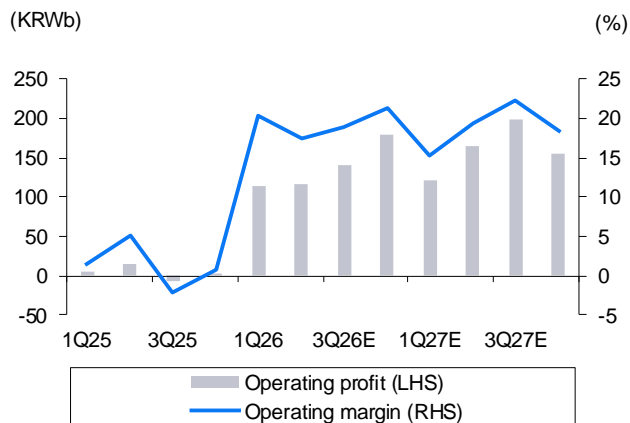
Source: Company data, Samsung Securities estimates

Sales, by platform



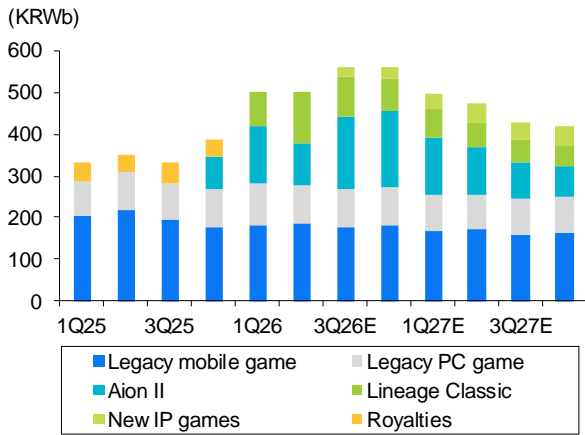
Source: NC, Samsung Securities estimates

Operating income



Source: NC, Samsung Securities estimates

Legacy IP game sales



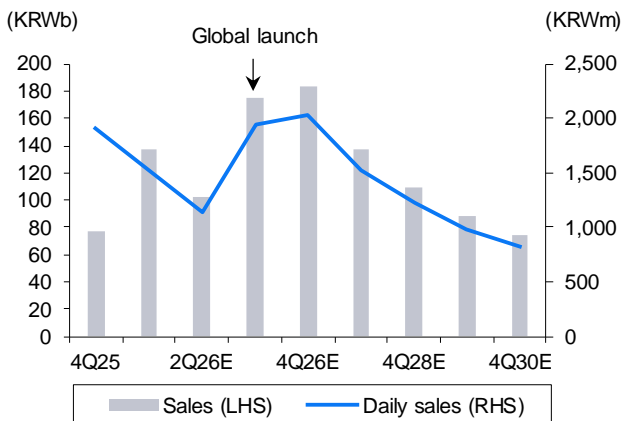
Source: NC, Samsung Securities estimates

New legacy IP PC café usage time trends



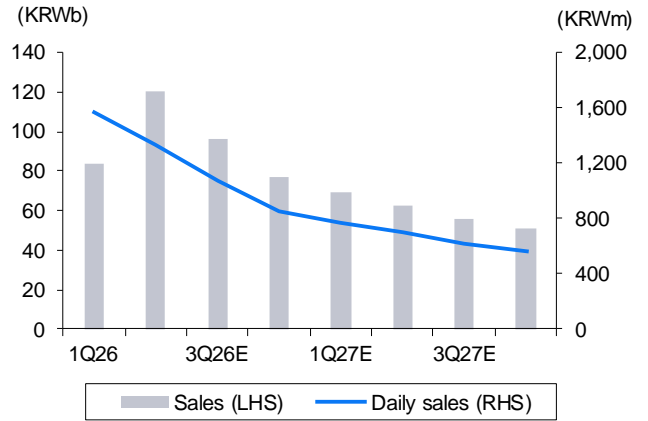
Source: thelog

Aion II sales



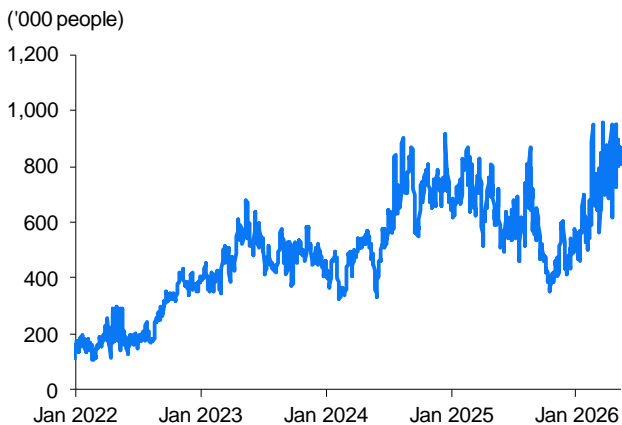
Source: NC, Samsung Securities estimates

Lineage Classic sales



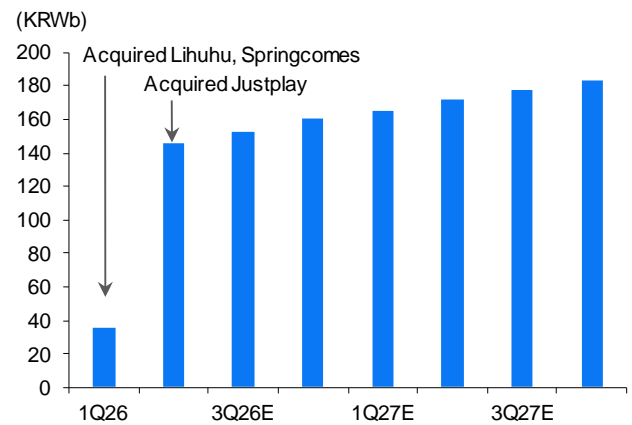
Source: NC, Samsung Securities estimates

Justplay DAU trend



Source: Sensor tower

Casual game sales



Source: NC, Samsung Securities estimates

Upcoming titles

Launch	Title	Genre	Platform	Note
4Q25	Aion II	MMORPG	PC/mobile	Korea and Taiwan in 4Q25
1Q26	Lineage Classic	MMORPG	PC	Pre-open Feb 7; official launch Feb 11
2H26	Aion II Global	MMORPG	PC/mobile	Self-publishing
	Time Takers	TPS	PC/console	Developed by Mistil Games
	Breakers: Unlock the World	Animation RPG	PC/mobile	Developed by VIC Game Studios; published by NC
	Cinder City	TPS	PC/console	Disclosed via YouTube on Nov 14, 2022
	Guild Wars Reforged Mobile*	MMORPG	Mobile	IP spin-off game
	Aion Mobile*	MMORPG	Mobile	Shengqu Games developing by porting the PC version of Aion
2027	Horizon Steel Frontiers	MMORPG	PC/console	Global action RPG game IP-based

Note: Three IP spin-off games to be released in 2026

Source: Company data, Samsung Securities

Major games: Results and forecasts

(KRWm)	2025	2026E	2027E	2028E	1Q26P	2Q26E	3Q26E	4Q26E	1Q27E	2Q27E	3Q27E	4Q27E
Lineage M	432,977	435,389	408,511	375,501	112,805	108,293	105,044	109,246	103,784	105,860	98,449	100,418
Daily sales	1,203	1,209	1,135	1,043	1,253	1,203	1,167	1,214	1,153	1,176	1,094	1,116
Days	360	360	360	360	90	90	90	90	90	90	90	90
Lineage II M	178,348	152,179	133,781	119,562	37,497	40,121	36,912	37,650	33,885	34,504	31,744	33,648
Daily sales	495	423	372	332	417	446	410	418	376	383	353	374
Days	360	360	360	360	90	90	90	90	90	90	90	90
Lineage W	183,086	135,435	119,379	107,233	32,485	35,734	33,947	33,268	29,941	30,540	29,013	29,884
Daily sales	509	376	332	298	361	397	377	370	333	339	322	332
Days	360	360	360	360	90	90	90	90	90	90	90	90
Casual game		495,143	697,787	802,990	35,509	145,800	153,090	160,745	165,567	172,190	177,355	182,676
Daily sales		1,375	1,938	2,231	450	1,620	1,701	1,786	1,840	1,913	1,971	2,030
Days		360	360	360	90	90	90	90	90	90	90	90
Aion II	77,361	596,747	409,722	167,167	136,751	102,563	174,357	183,075	137,306	109,845	87,876	74,695
Daily sales	1,934	1,658	1,138	464	1,519	1,140	1,937	2,034	1,526	1,221	976	830
Days	40	360	360	360	90	90	90	90	90	90	90	90
Lineage Classic		377,578	238,741	156,638	83,500	120,524	96,419	77,135	69,422	62,479	56,231	50,608
Daily sales		1,169	663	435	1,575	1,339	1,071	857	771	694	625	562
Days		323	360	360	53	90	90	90	90	90	90	90
Time Takers		46,800	97,456	55,215			9,000	37,800	30,240	25,704	21,848	19,664
Daily sales		446	271	153			600	420	336	286	243	218
Days		105	360	360			15	90	90	90	90	90
Limit Zero Breakers		14,000	40,607	22,444				14,000	12,600	10,710	9,104	8,193
Daily sales		200	113	62				200	140	119	101	91
Days		70	360	360				70	90	90	90	90
Cinder City		51,000	103,173	54,951				51,000	35,700	26,775	21,420	19,278
Daily sales		1,700	287	153				1,700	397	298	238	214
Days		30	360	360				30	90	90	90	90
HorizonSteel Frontiers			383,500	324,853						100,000	157,500	126,000
Daily sales			1,743	902						2500	1750	1400
Days			220	360						40	90	90

Source: Company data, Samsung Securities

Valuation

2026E EPS	20,834
Target P/E (x)*	17.0
Fair value per share	353,800
Target price	350,000
Current price	271,500
Upside (%)	28.9

Note: Peer group's 2026E P/E average; Based on May 15 closing prices

Source: Samsung Securities estimates

Global peers: P/E valuations

(x)	2026E	2027E
Krafton	11.5	10.5
Netmarble	12.0	10.7
EA	23.3	22.2
Nintendo	20.9	19.5
Bandai Namco	17.7	16.4
Nexon	16.6	16.1
Average	17.0	15.9

Note: Based on May 15 closing prices

Source: Bloomberg

Quarterly results and forecasts

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26P	2Q26E	3Q26E	4Q26E	1Q27E	2Q27E	3Q27E	4Q27E
Sales	360.3	290.7	360.0	404.2	557.4	664.9	739.1	842.7	786.2	857.1	885.5	837.6
Mobile	83.3	91.7	87.7	168.2	318.4	314.8	362.6	404.0	328.6	384.9	407.7	355.0
PC	206.3	219.0	197.2	178.1	182.8	184.1	195.9	209.0	205.1	215.8	199.6	208.4
Casual					35.5	145.8	153.1	160.7	165.6	172.2	177.4	182.7
Royalties	45.0	42.3	46.8	42.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	25.7	29.5	28.3	15.6	20.7	20.1	27.5	69.0	87.0	84.2	100.8	91.4
Operating expenses	355.1	367.3	367.5	401.0	444.1	549.6	599.4	663.5	665.6	691.8	687.4	683.3
Salaries and employee benefits	108.9	133.5	134.7	136.0	174.1	168.7	172.1	175.5	182.2	183.6	185.1	186.5
Commission paid	94.0	91.4	90.7	83.2	92.8	121.6	134.3	173.7	176.0	184.5	196.0	188.2
R&D expenses	90.9	70.2	77.3	83.3	86.2	88.8	91.5	95.1	95.9	96.6	97.4	101.1
Advertising expenses	13.3	22.7	15.8	49.5	36.8	114.6	144.6	159.4	150.6	165.0	145.4	145.2
Other	48.0	49.5	49.0	48.9	54.1	55.8	57.0	59.8	60.9	62.1	63.6	62.3
Operating profit	5.2	15.1	(7.5)	3.2	113.3	115.3	139.7	179.2	120.7	165.4	198.1	154.3
Pre-tax profit	31.3	(33.3)	435.1	28.2	187.3	135.1	163.5	199.3	140.5	187.4	220.1	177.2
Net profit	37.5	(36.0)	347.4	(1.5)	152.4	108.1	130.8	159.4	112.4	149.9	176.1	141.7
Net profit (controlling)	37.8	(35.4)	346.7	(2.4)	148.8	105.9	128.2	156.3	110.1	146.9	172.6	138.9
Adjusted EPS (KRW)	1,038	1,030	-3,858	-1,156	4,089	4,537	5,381	6,827	4,752	6,365	7,592	6,055
Margins (%)												
Operating profit	1.4	5.2	(2.1)	0.8	20.3	17.3	18.9	21.3	15.3	19.3	22.4	18.4
Pre-tax profit	8.7	(11.5)	120.9	7.0	33.6	20.3	22.1	23.7	17.9	21.9	24.9	21.2
Net profit	10.4	(12.4)	96.5	(0.4)	27.3	16.3	17.7	18.9	14.3	17.5	19.9	16.9
Net profit (controlling)	10.5	(12.2)	96.3	(0.6)	26.7	15.9	17.3	18.5	14.0	17.1	19.5	16.6

Source: Company data, Samsung Securities estimates

Revisions to full-year forecasts

(KRWb)	2026E			2027E			2028E		
	Old	New	Diff (%)	Old	New	Diff (%)	Old	New	Diff (%)
Sales	2,584.2	2,804.1	8.5	2,990.3	3,366.5	12.6	3,263.0	3,531.1	8.2
Mobile	1,141.3	1,399.8	22.7	1,180.9	1,476.3	25.0	1,222.2	1,474.7	20.7
PC	1,150.7	771.8	(32.9)	1,341.3	829.0	(38.2)	1,516.2	820.9	(45.9)
Casual		495.1	n/a		697.8	n/a		803.0	n/a
Royalties	139.2	0.0	(100.0)	115.1	0.0	(100.0)	99.2	0.0	(100.0)
Other	153.1	137.4	(10.3)	353.0	363.4	2.9	425.3	432.5	1.7
Operating expenses	2,194.4	2,256.6	2.8	2,562.5	2,728.0	6.5	2,776.3	2,910.5	4.8
Salaries	633.8	690.4	8.9	687.1	737.3	7.3	723.1	775.9	7.3
Commission paid	583.4	522.5	(10.4)	753.9	744.6	(1.2)	859.6	824.1	(4.1)
R&D expenses	397.3	361.6	(9.0)	456.6	391.1	(14.4)	504.6	415.6	(17.6)
Advertising expenses	370.2	455.4	23.0	435.0	606.2	39.4	449.7	636.9	41.6
Other	209.7	226.7	8.1	229.9	248.8	8.2	239.3	258.0	7.8
Operating profit	389.8	547.5	40.5	427.8	638.5	49.2	486.7	620.6	27.5
Pre-tax profit	449.2	685.2	52.5	496.0	725.2	46.2	561.7	722.6	28.7
Net profit	341.4	550.8	61.3	377.0	580.1	53.9	426.9	578.1	35.4
Net profit (controlling)	348.2	539.1	54.8	384.5	568.5	47.9	435.4	566.5	30.1
Adjusted EPS (KRW)	16,290	20,834	27.9	17,659	24,764	40.2	19,948	24,651	23.6
Margins (%)									
Operating profit	15.1	19.5		14.3	19.0		14.9	17.6	
Pre-tax profit	17.4	24.4		16.6	21.5		17.2	20.5	
Net profit	13.2	19.6		12.6	17.2		13.1	16.4	
Net profit (controlling)	13.5	19.2		12.9	16.9		13.3	16.0	

Source: Company data, Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Sales	1,578	1,507	2,804	3,366	3,531
Cost of goods sold	0	0	0	0	0
Gross profit	1,578	1,507	2,804	3,366	3,531
Gross margin (%)	100.0	100.0	100.0	100.0	100.0
SG&A expenses	1,687	1,491	2,257	2,728	2,910
Operating profit	-109	16	547	638	621
Operating margin (%)	-6.9	1.1	19.5	19.0	17.6
Non-operating gains (losses)	230	445	138	87	102
Financial profit	157	116	141	124	139
Financial costs	40	47	27	27	28
Equity-method gains (losses)	4	-20	-25	-26	-26
Other	109	396	49	16	16
Pre-tax profit	121	461	685	725	723
Taxes	27	114	134	145	145
Effective tax rate (%)	22.2	24.7	19.6	20.0	20.0
Profit from continuing operations	94	347	551	580	578
Profit from discontinued operations	0	0	0	0	0
Net profit	94	347	551	580	578
Net margin (%)	6.0	23.1	19.6	17.2	16.4
Net profit (controlling interests)	94	347	539	569	567
Net profit (non-controlling interests)	-0	1	12	12	12
EBITDA	-0	112	638	732	714
EBITDA margin (%)	-0.0	7.4	22.8	21.7	20.2
EPS (parent-based) (KRW)	4,291	16,023	25,025	26,390	26,296
EPS (consolidated) (KRW)	4,287	16,057	25,564	26,928	26,833
Adjusted EPS (KRW)*	-2,600	-2,480	20,834	24,764	24,651

Cash flow statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	107	162	528	764	745
Net profit	94	347	551	580	578
Non-cash profit and expenses	-7	-203	143	148	133
Depreciation	106	91	82	84	84
Amortization	3	5	9	9	9
Other	-116	-298	52	55	39
Changes in A/L from operating activities	-43	-7	-102	104	87
Cash flow from investments	1,294	-832	-355	-212	-138
Change in tangible assets	-83	-103	-244	-207	-87
Change in financial assets	987	-353	-102	4	-42
Other	390	-377	-9	-9	-9
Cash flow from financing	-523	-82	-16	-141	-148
Change in debt	-268	-24	7	8	9
Change in equity	0	0	0	0	0
Dividends	-64	-28	-22	-149	-157
Other	-191	-30	0	0	-0
Change in cash	895	-757	35	424	468
Cash at beginning of year	365	1,260	504	539	963
Cash at end of year	1,260	504	539	963	1,431
Gross cash flow	87	145	694	728	711
Free cash flow	23	59	283	107	658

Note: *Excluding one-off items

**Fully diluted, excluding one-off items

***From companies subject to equity-method valuation

Source: Company data, Samsung Securities estimates

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	1,789	2,267	2,622	3,040	3,574
Cash & equivalents	1,260	504	539	963	1,431
Accounts receivable	130	187	362	360	384
Inventories	1	1	3	3	3
Other current assets	397	1,574	1,718	1,714	1,756
Fixed assets	2,165	2,067	2,331	2,453	2,467
Investment assets	872	751	853	852	863
Tangible assets	998	1,035	1,197	1,320	1,322
Intangible assets	104	111	111	111	111
Other long-term assets	192	170	170	170	170
Total assets	3,954	4,333	4,954	5,494	6,040
Current liabilities	322	641	711	797	895
Accounts payable	0	0	0	0	0
Short-term debt	0	0	0	0	0
Other current liabilities	322	641	711	797	895
Long-term liabilities	568	322	344	367	395
Bonds & long-term debt	170	40	40	40	40
Other long-term liabilities	398	282	304	327	355
Total liabilities	890	963	1,055	1,164	1,290
Owners of parent equity	3,058	3,365	3,882	4,301	4,710
Capital stock	11	11	11	11	11
Capital surplus	433	433	433	433	433
Retained earnings	3,474	3,669	4,186	4,605	5,014
Other	-860	-749	-749	-749	-749
Non-controlling interests' equity	5	6	17	29	40
Total equity	3,064	3,370	3,899	4,330	4,750
Net debt	-1,060	-647	-733	-1,146	-1,640

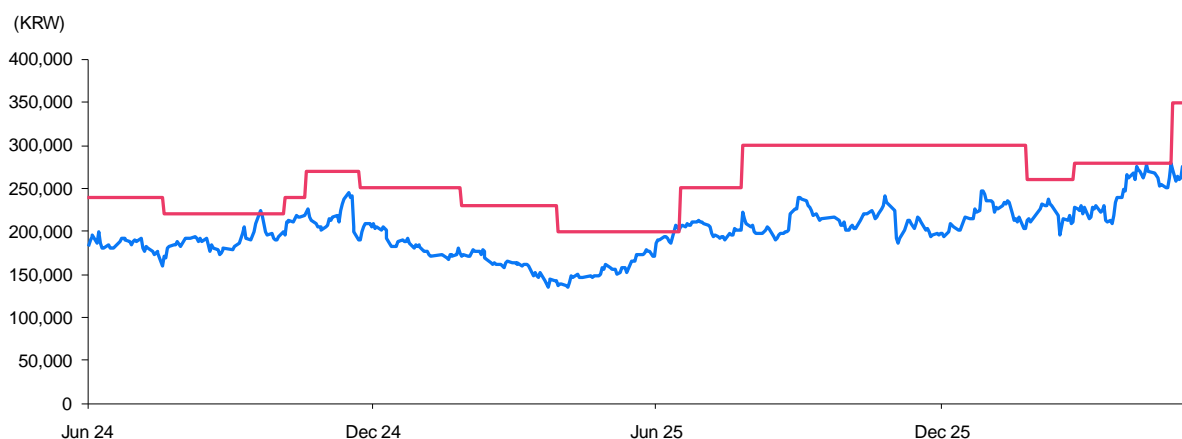
Financial ratios

Year-end Dec 31	2024	2025	2026E	2027E	2028E
Growth (%)					
Sales	-11.3	-4.5	86.1	20.1	4.9
Operating profit	nm	nm	3,305.1	16.6	-2.8
Net profit	-56.0	269.1	58.5	5.3	-0.4
Adjusted EPS**	nm	nm	nm	18.9	-0.5
Per-share data (KRW)					
EPS (parent-based)	4,291	16,023	25,025	26,390	26,296
EPS (consolidated)	4,287	16,057	25,564	26,928	26,833
Adjusted EPS**	-2,600	-2,480	20,834	24,764	24,651
BVPS	157,673	173,511	199,334	220,861	241,875
DPS (common)	1,460	1,150	7,669	8,078	8,050
Valuations (x)					
P/E***	n/a	n/a	13.9	11.7	11.7
P/B***	1.2	1.2	1.5	1.3	1.2
EV/EBITDA	n/a	33.1	8.7	7.0	6.5
Ratios (%)					
ROE	3.0	10.8	14.9	13.9	12.6
ROA	2.3	8.4	11.9	11.1	10.0
ROIC	-7.3	1.1	37.0	37.7	36.8
Payout ratio	1,549.6	331.7	27.7	27.7	27.7
Dividend yield (common)	0.8	0.6	2.6	2.8	2.8
Net debt to equity	-34.6	-19.2	-18.8	-26.5	-34.5
Interest coverage (x)	-10.6	3.6	54.3	62.0	58.9

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Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2024/5/13	8/6	10/22	11/5	12/10	2025/2/13	4/16	7/3	8/12	2026/2/11	3/13	5/15
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	240000	220000	240000	270000	250000	230000	200000	250000	300000	260000	280000	350000
Gap* (average)	-20.65	-13.65	-10.60	-20.02	-25.18	-30.22	-17.89	-18.99	-28.78	-15.50	-13.06	
(max or min)**	-8.33	2.05	-8.54	-9.44	-16.20	-22.43	3.25	-14.60	-17.50	-8.65	-0.36	

Note: * [(average, maximum, or minimum share price over duration of target price minus target price) / target price] x 100%

** Maximum/minimum share price if new target is higher/lower than market close on the business day prior to target price change

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- HOLD** Expected to increase/decrease in value by less than 15% within 12 months
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Industry

- OVERWEIGHT** Expected to outperform market by 5% or more within 12 months
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- UNDERWEIGHT** Expected to underperform market by 5% or more within 12 months

* Note: Effective Jul 27, 2023, BUY, HOLD, and SELL criteria are based on expectations of share-price moves of 15% or more within 12 months

Percentage of ratings in 12 months prior to 2026.03.31

BUY(85.2%)·HOLD(14.8%)·SELL(0%)

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