



Earnings Distortion Scorecard: Week of 7/27/20-7/31/20

For the week of 7/27/20-7/31/20, we focus on the [Earnings Distortion Scores](#) for 206 companies.

Our Earnings Distortion Scores¹ empower investors to make [smarter investments with superior data](#) as well as defend against management efforts to obfuscate financial performance.

Our proprietary measure of [earnings distortion \(as featured on CNBC Squawk Box\)](#) leverages proprietary data featured in [Core Earnings: New Data & Evidence](#). This paper shows that our adjusted core earnings are:

1. more accurate than “Operating Income After Depreciation” and “Income Before Special Items” from Compustat, owned by S&P Global (SPGI) and
2. remove significant bias from IBES Street Earnings from Refinitiv, owned by owned by Blackstone (BX) and Thomson Reuters (TRI).

COVID-19 is [not disrupting](#) our data collection and research. Our [Robo-Analyst](#) is more effective than ever.

[Learn more about the best fundamental research](#)

Weekly Earnings Distortion Insights

Figure 1 contains the 15 largest (by market cap) companies that earn a “Strong Beat” or “Strong Miss” Earnings Distortion Score and are expected to report the week of July 27, 2020.

Figure 1: Earnings Distortion Scorecard Highlights: Week of 7/27/20-7/31/20

Company	Ticker	EPS Estimate	Expected Earnings Date	Earnings Distortion Score
Pfizer Inc.	PFE	\$0.67	7/28/20	Strong Miss
Gilead Sciences Inc.	GILD	\$1.50	7/28/20	Strong Miss
Starbucks Corp	SBUX	-\$0.57	7/28/20	Strong Miss
Altria Group Inc.	MO	\$1.03	7/28/20	Strong Beat
Qualcomm Inc.	QCOM	\$0.70	7/29/20	Strong Beat
Boston Scientific Corp	BSX	-\$0.03	7/29/20	Strong Miss
Apple Inc.	AAPL	\$2.00	7/30/20	Strong Miss
Procter & Gamble Co.	PG	\$1.00	7/30/20	Strong Beat
Newmont Corporation	NEM	\$0.33	7/30/20	Strong Miss
ConocoPhillips	COP	-\$0.58	7/30/20	Strong Miss
Electronic Arts Inc.	EA	\$0.75	7/30/20	Strong Miss
Digital Realty Trust Inc.	DLR	\$0.30	7/30/20	Strong Miss
AbbVie Inc.	ABBV	\$2.13	7/31/20	Strong Beat
Phillips 66	PSX	-\$0.24	7/31/20	Strong Beat
Johnson Controls International	JCI	\$0.48	7/31/20	Strong Miss

Sources: New Constructs, LLC and company filings

The appendix shows the Earnings Distortion Scores for all the S&P 500 companies, plus those with market caps greater than \$10 billion, that are expected to report the week of July 27, 2020.

¹ Earnings Distortion scores on ~3,000 stocks are also available to clients of our website.



Details: Procter & Gamble Co. (PG): Earnings Distortion Score: Strong Beat

Over the trailing-twelve months (TTM), Procter & Gamble has -\$7.0 billion in net earnings distortion that cause earnings to be understated by \$2.77/share. Notable unusual expenses [hidden and reported](#) in Procter & Gamble’s filings include:

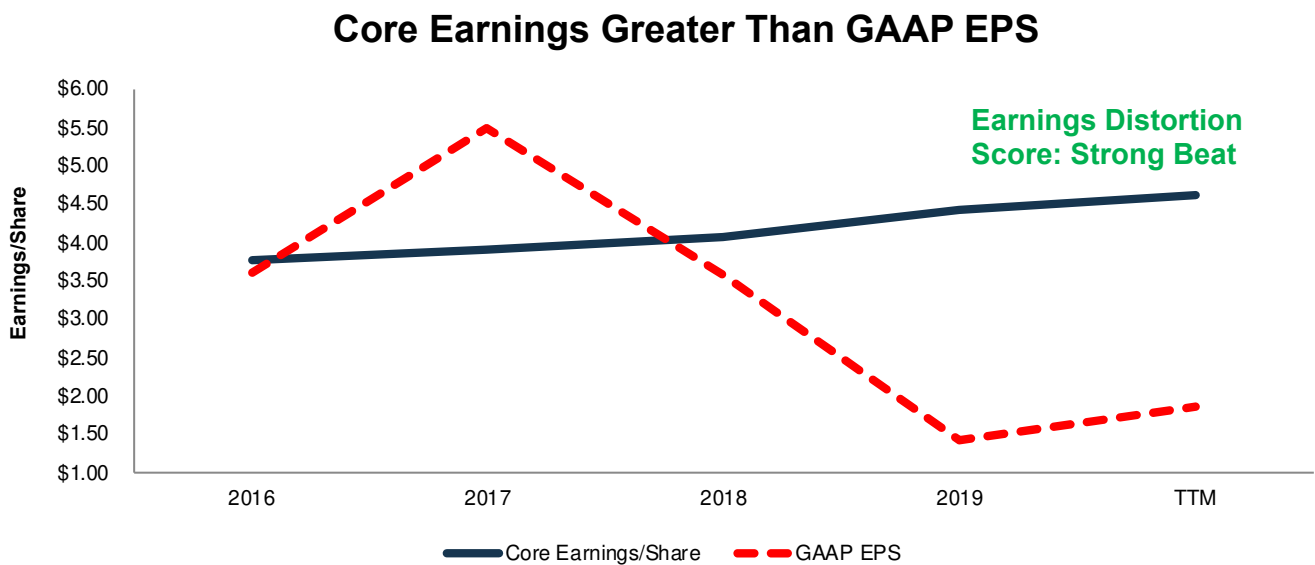
- [\\$8.3 billion](#) goodwill and indefinite-lived intangible impairment charge reported on the income statement – 2019 10-K
- [\\$521 million](#) in restructuring charges recorded in cost of products sold – 2019 10-K page 45
- [\\$213 million](#) in restructuring charges recorded in SG&A – 2019 10-K page 45

In addition, we made a \$1.3 billion adjustment for income tax distortion. This adjustment normalizes reported income taxes and removes the impact of unusual or less persistent items on the taxes applied to core earnings.

In total, we identified \$2.77/share (149% of GAAP EPS) in net unusual expense that cause Procter & Gamble’s TTM GAAP results to be understated. After removing this earnings distortion, Procter & Gamble’s TTM core earnings of \$4.63/share are greater than GAAP EPS of \$1.86, per Figure 2.

With understated earnings, Procter & Gamble gets our “Strong Beat” Earnings Distortion Score and is likely to beat consensus expectations.

Figure 2: Procter & Gamble Core Earnings Vs. GAAP: 2016 - TTM



Sources: New Constructs, LLC and company filings

Figure 1 shows that Procter & Gamble is one of five companies that earn our “Strong Beat” score for this week.

How to Make Money with Earnings Distortion Data

“Trading strategies that exploit {adjustments provided by New Constructs} produce abnormal returns of 8% per year.” – Page 1 in [Core Earnings: New Data & Evidence](#)

In Section 5.2, professors from HBS & MIT Sloan present a long/short strategy that holds the stocks with the most understated EPS and shorts the stocks with the most overstated earnings.

This strategy produced abnormal returns of 8% a year. Click [here](#) for more details on our data offerings.

We Provide 100% Audit-ability & Transparency

Clients can audit all of the unusual items used in our calculations in the [Marked-Up Filings section](#) of each of our [Company Valuation models](#). We are 100% transparent about what goes into our research because we want investors to trust our work and see how much goes into building the best earnings quality and valuation models.

This article originally published on [July 20, 2020](#).



Disclosure: David Trainer, Kyle Guske II, and Matt Shuler receive no compensation to write about any specific stock, sector, style, or theme.

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**Appendix: All Major Companies Expected to Report July 27 – July 31**

Figure 3 shows all the S&P 500 companies, plus those with market caps greater than \$10 billion, that are expected to report the week of July 27, 2020.

Figure 3: Earnings Distortion Scorecard: Week of 7/27/20-7/31/20

Company	Ticker	EPS Estimate	Expected Earnings Date	Earnings Distortion Score
NXP Semiconductors NV	NXPI	\$0.85	7/27/20	Miss
RingCentral Inc.	RNG	\$0.20	7/27/20	Beat
Alexandria Real Estate Equities	ARE	\$0.57	7/27/20	In-line
DISH Network Corp	DISH	\$0.59	7/27/20	In-line
Ceridian HCM Holding Inc.	CDAY	\$0.06	7/27/20	Miss
Neurocrine Biosciences Inc.	NBIX	\$0.79	7/27/20	Beat
Brown & Brown Inc.	BRO	\$0.28	7/27/20	In-line
Principal Financial Group Inc.	PFG	\$1.25	7/27/20	In-line
Cincinnati Financial Corp	CINF	\$0.67	7/27/20	Strong Miss
Quidel Corp	QDEL	\$1.09	7/27/20	Beat
Mylan NV	MYL	\$0.99	7/27/20	Beat
Leggett & Platt Inc.	LEG	-\$0.01	7/27/20	In-line
National Oilwell Varco Inc.	NOV	-\$0.13	7/27/20	Strong Beat
Mastercard Inc.	MA	\$1.17	7/28/20	Miss
Pfizer Inc.	PFE	\$0.67	7/28/20	Strong Miss
Amgen Inc.	AMGN	\$3.84	7/28/20	Miss
McDonald's Corp	MCD	\$0.74	7/28/20	In-line
Gilead Sciences Inc.	GILD	\$1.50	7/28/20	Strong Miss
3M Co.	MMM	\$1.77	7/28/20	Beat
Starbucks Corp	SBUX	-\$0.57	7/28/20	Strong Miss
S&P Global Inc.	SPGI	\$2.65	7/28/20	Miss
Altria Group Inc.	MO	\$1.03	7/28/20	Strong Beat
Mondelez International Inc.	MDLZ	\$0.56	7/28/20	Miss
Advanced Micro Devices Inc.	AMD	\$0.16	7/28/20	Beat
Ecolab Inc.	ECL	\$0.85	7/28/20	In-line
Chubb Ltd	CB	\$0.36	7/28/20	In-line
Sherwin-Williams Co.	SHW	\$5.77	7/28/20	Beat
Raytheon Technologies Corp	RTX	\$0.17	7/28/20	Beat
DexCom Inc.	DXCM	\$0.35	7/28/20	Miss
Centene Corp	CNC	\$2.39	7/28/20	In-line
Public Storage	PSA	\$1.60	7/28/20	In-line
MSCI Inc.	MSCI	\$1.66	7/28/20	In-line
T. Rowe Price Group Inc.	TROW	\$1.92	7/28/20	In-line
CoStar Group Inc.	CSGP	\$2.00	7/28/20	Miss
Willis Towers Watson	WLTW	\$1.63	7/28/20	In-line
Cummins Inc	CMI	\$0.88	7/28/20	Miss
Aflac Inc.	AFL	\$1.06	7/28/20	In-line
New Oriental Education & Technology	EDU	\$0.34	7/28/20	In-line
Trane Technologies PLC	TT	\$0.73	7/28/20	In-line
D.R. Horton Inc.	DHI	\$1.21	7/28/20	Miss

Sources: New Constructs, LLC and company filings



Figure 3: Earnings Distortion Scorecard: Week of 7/27/20-7/31/20 (continued)

Company	Ticker	EPS Estimate	Expected Earnings Date	Earnings Distortion Score
Equity Residential	EQR	\$0.35	7/28/20	Strong Miss
Edison International	EIX	\$1.16	7/28/20	Miss
Ametek Inc.	AME	\$0.73	7/28/20	Strong Miss
Akamai Technologies Inc.	AKAM	\$1.22	7/28/20	Beat
Paycom Software Inc.	PAYC	\$0.65	7/28/20	In-line
Maxim Integrated Products Inc.	MXIM	\$0.50	7/28/20	Strong Miss
Laboratory Corporation of America	LH	\$0.69	7/28/20	Beat
TransUnion	TRU	\$0.47	7/28/20	In-line
SS&C Technologies Holdings Inc.	SSNC	\$0.91	7/28/20	In-line
Zebra Technologies Corp	ZBRA	\$2.27	7/28/20	In-line
Boston Properties Inc.	BXP	\$0.51	7/28/20	Strong Miss
Martin Marietta Materials Inc.	MLM	\$2.92	7/28/20	In-line
Markel Corp	MKL	\$7.23	7/28/20	Beat
Extra Space Storage Inc.	EXR	\$0.74	7/28/20	In-line
Waters Corp	WAT	\$1.51	7/28/20	In-line
PerkinElmer Inc.	PKI	\$0.72	7/28/20	Beat
CH Robinson Worldwide Inc.	CHRW	\$0.60	7/28/20	In-line
ONEOK Inc	OKE	\$0.59	7/28/20	Beat
Westinghouse Air Brake Technologies	WAB	\$0.74	7/28/20	In-line
UDR Inc.	UDR	\$0.09	7/28/20	Miss
Gartner Inc.	IT	\$0.81	7/28/20	Miss
Zendesk Inc.	ZEN	\$0.10	7/28/20	In-line
Franklin Resources Inc.	BEN	\$0.55	7/28/20	In-line
Celanese Corp	CE	\$1.09	7/28/20	In-line
Lamb Weston Holdings Inc.	LW	\$0.15	7/28/20	Miss
IPG Photonics Corp	IPGP	\$0.58	7/28/20	Beat
Juniper Networks Inc.	JNPR	\$0.34	7/28/20	In-line
Under Armour Inc.	UAA	-\$0.40	7/28/20	Strong Beat
Unum Group	UNM	\$1.20	7/28/20	In-line
PayPal Holdings Inc.	PYPL	\$0.85	7/29/20	In-line
Shopify Inc.	SHOP	-\$0.02	7/29/20	In-line
Qualcomm Inc.	QCOM	\$0.70	7/29/20	Strong Beat
Vertex Pharmaceuticals Inc.	VRTX	\$2.06	7/29/20	In-line
Crown Castle International Corp	CCI	\$0.49	7/29/20	In-line
Anthem Inc.	ANTM	\$8.76	7/29/20	In-line
Automatic Data Processing Inc.	ADP	\$0.96	7/29/20	In-line
Dominion Energy Inc.	D	\$0.70	7/29/20	Beat
Equinix Inc.	EQIX	\$1.62	7/29/20	In-line
CME Group Inc.	CME	\$1.65	7/29/20	In-line
General Electric Co.	GE	-\$0.09	7/29/20	Beat
Spotify Technology SA	SPOT	-\$0.33	7/29/20	Beat
Lam Research Corp	LRCX	\$4.03	7/29/20	Beat
Boston Scientific Corp	BSX	-\$0.03	7/29/20	Strong Miss

Sources: New Constructs, LLC and company filings

**Figure 3: Earnings Distortion Scorecard: Week of 7/27/20-7/31/20 (continued)**

Company	Ticker	EPS Estimate	Expected Earnings Date	Earnings Distortion Score
Norfolk Southern Corp	NSC	\$1.40	7/29/20	In-line
Enterprise Products Partners LP	EPD	\$0.47	7/29/20	In-line
Eaton Corporation PLC	ETN	\$0.53	7/29/20	In-line
Twilio Inc.	TWLO	-\$0.09	7/29/20	Beat
O'Reilly Automotive Inc.	ORLY	\$3.93	7/29/20	Miss
Cognizant Technology Solutions Corp	CTSH	\$0.68	7/29/20	Beat
Eversource Energy	ES	\$0.78	7/29/20	In-line
Williams Companies Inc.	WMB	\$0.25	7/29/20	Beat
Archer-Daniels-Midland Co.	ADM	\$0.50	7/29/20	In-line
AvalonBay Communities Inc.	AVB	\$0.99	7/29/20	Miss
Welltower Inc.	WELL	\$0.23	7/29/20	Strong Miss
Entergy Corp	ETR	\$1.22	7/29/20	Miss
Yum China Holdings Inc.	YUMC	\$0.24	7/29/20	In-line
Garmin Ltd	GRMN	\$0.39	7/29/20	Strong Miss
Teladoc Health Inc.	TDOC	-\$0.24	7/29/20	In-line
CDW Corp	CDW	\$1.37	7/29/20	In-line
Hologic Inc.	HOLX	\$0.37	7/29/20	Miss
Healthpeak Properties Inc.	PEAK	\$0.05	7/29/20	Miss
Tyler Technologies Inc.	TYL	\$1.20	7/29/20	Miss
Altice USA Inc.	ATUS	\$0.15	7/29/20	In-line
Hess Corp	HES	-\$0.95	7/29/20	Strong Beat
Duke Realty Corp	DRE	\$0.12	7/29/20	Strong Miss
Mid-America Apartment Communities	MAA	\$0.54	7/29/20	Miss
Western Digital Corp	WDC	\$1.21	7/29/20	In-line
Masimo Corp	MASI	\$0.81	7/29/20	Miss
Fair Isaac Corp	FICO	\$2.16	7/29/20	Miss
Ingersoll Rand Inc.	IR	\$0.19	7/29/20	In-line
Alteryx Inc.	AYX	-\$0.15	7/29/20	Miss
Monolithic Power Systems Inc.	MPWR	\$1.00	7/29/20	In-line
Cognex Corp	CGNX	\$0.10	7/29/20	Strong Miss
United Rentals Inc.	URI	\$1.70	7/29/20	In-line
Trimble Inc.	TRMB	\$0.38	7/29/20	Strong Miss
Concho Resources Inc.	CXO	\$0.66	7/29/20	Strong Beat
NiSource Inc	NI	\$0.07	7/29/20	Beat
Fortune Brands Home & Security	FBHS	\$0.53	7/29/20	In-line
CF Industries Holdings Inc.	CF	\$0.70	7/29/20	In-line
Apache Corp	APA	-\$0.98	7/29/20	Strong Beat
Flowserve Corp	FLS	\$0.28	7/29/20	In-line
TechnipFMC PLC	FTI	\$0.06	7/29/20	Strong Beat
Apple Inc.	AAPL	\$2.00	7/30/20	Strong Miss
Procter & Gamble Co.	PG	\$1.00	7/30/20	Strong Beat
Comcast Corp	CMCSA	\$0.54	7/30/20	In-line

Sources: New Constructs, LLC and company filings

**Figure 3: Earnings Distortion Scorecard: Week of 7/27/20-7/31/20 (continued)**

Company	Ticker	EPS Estimate	Expected Earnings Date	Earnings Distortion Score
Eli Lilly and Co.	LLY	\$1.57	7/30/20	Miss
Linde PLC	LIN	\$1.64	7/30/20	Beat
American Tower Corp	AMT	\$1.04	7/30/20	In-line
Stryker Corp	SYK	\$0.57	7/30/20	In-line
Cigna Corp	CI	#N/A	7/30/20	In-line
Southern Co.	SO	\$0.69	7/30/20	Miss
Marsh & McLennan Companies Inc.	MMC	\$1.13	7/30/20	In-line
Mercadolibre Inc.	MELI	-\$0.15	7/30/20	Beat
Intercontinental Exchange Inc.	ICE	\$1.05	7/30/20	In-line
Newmont Corporation	NEM	\$0.33	7/30/20	Strong Miss
Northrop Grumman Corp	NOC	\$5.33	7/30/20	In-line
Waste Management Inc.	WM	\$0.77	7/30/20	In-line
Baxter International Inc.	BAX	\$0.72	7/30/20	Beat
ConocoPhillips	COP	-\$0.58	7/30/20	Strong Miss
Electronic Arts Inc.	EA	\$0.75	7/30/20	Strong Miss
Digital Realty Trust Inc.	DLR	\$0.30	7/30/20	Strong Miss
Kraft Heinz Co.	KHC	\$0.64	7/30/20	Beat
DuPont de Nemours Inc.	DD	\$0.58	7/30/20	Beat
Xcel Energy Inc.	XEL	\$0.47	7/30/20	Miss
IDEXX Laboratories Inc.	IDXX	\$1.16	7/30/20	In-line
Yum! Brands Inc.	YUM	\$0.51	7/30/20	Miss
Sirius XM Holdings Inc.	SIRI	\$0.06	7/30/20	In-line
Ford Motor Co.	F	-\$1.24	7/30/20	In-line
Consolidated Edison Inc.	ED	\$0.55	7/30/20	Miss
Xilinx Inc.	XLNX	\$0.57	7/30/20	In-line
Kellogg Co.	K	\$0.93	7/30/20	Beat
Biomarin Pharmaceutical Inc.	BMRN	-\$0.10	7/30/20	Strong Miss
Valero Energy Corp	VLO	-\$1.30	7/30/20	Miss
Motorola Solutions Inc.	MSI	\$1.21	7/30/20	Beat
Stanley Black & Decker Inc.	SWK	\$0.93	7/30/20	Beat
Mettler-Toledo International Inc.	MTD	\$4.17	7/30/20	In-line
Aptiv PLC	APTIV	-\$1.39	7/30/20	Strong Miss
Teleflex Inc.	TFX	\$1.25	7/30/20	Strong Miss
Pinterest Inc.	PINS	-\$0.15	7/30/20	In-line
Broadridge Financial Solutions Inc.	BR	\$2.08	7/30/20	Miss
Bio Rad Laboratories Inc.	BIO	\$1.15	7/30/20	Strong Miss
Exact Sciences Corp	EXAS	-\$0.64	7/30/20	Miss
International Paper Co.	IP	\$0.38	7/30/20	Beat
Hartford Financial Services Group	HIG	\$0.93	7/30/20	In-line
Etsy Inc.	ETSY	\$0.37	7/30/20	Miss
Masco Corp	MAS	\$0.62	7/30/20	Strong Miss
Qorvo Inc.	QRVO	\$1.12	7/30/20	Beat
Genuine Parts Co	GPC	\$0.84	7/30/20	Beat
Alliant Energy Corp	LNT	\$0.40	7/30/20	Miss

Sources: New Constructs, LLC and company filings

**Figure 3: Earnings Distortion Scorecard: Week of 7/27/20-7/31/20 (continued)**

Company	Ticker	EPS Estimate	Expected Earnings Date	Earnings Distortion Score
Xylem Inc.	XYL	\$0.06	7/30/20	Beat
Abiomed Inc.	ABMD	\$0.29	7/30/20	In-line
Apollo Global Management Inc.	APO	\$0.46	7/30/20	Strong Beat
Molina Healthcare Inc.	MOH	\$4.33	7/30/20	In-line
DaVita Inc.	DVA	\$1.29	7/30/20	In-line
Western Union Co.	WU	\$0.34	7/30/20	Strong Miss
LKQ Corp	LKQ	\$0.14	7/30/20	In-line
A. O. Smith Corp	AOS	\$0.41	7/30/20	In-line
Iron Mountain Inc.	IRM	\$0.13	7/30/20	In-line
Molson Coors Beverage Co.	TAP	\$0.72	7/30/20	Beat
Cabot Oil & Gas Corp	COG	\$0.03	7/30/20	Miss
Apartment Investment and Management	AIV	\$0.02	7/30/20	Strong Miss
Quanta Services Inc.	PWR	\$0.47	7/30/20	In-line
HanesBrands Inc.	HBI	-\$0.09	7/30/20	Beat
Merck & Co Inc.	MRK	\$1.05	7/31/20	Beat
Exxon Mobil Corp	XOM	-\$0.60	7/31/20	Miss
Chevron Corp	CVX	-\$0.84	7/31/20	Miss
AbbVie Inc.	ABBV	\$2.13	7/31/20	Strong Beat
Charter Communications Inc.	CHTR	\$2.49	7/31/20	In-line
Caterpillar Inc.	CAT	\$0.58	7/31/20	In-line
Colgate-Palmolive Co.	CL	-\$0.04	7/31/20	In-line
Aon PLC	AON	\$1.94	7/31/20	Beat
L3harris Technologies Inc.	LHX	\$2.61	7/31/20	Miss
Phillips 66	PSX	-\$0.24	7/31/20	Strong Beat
Public Service Enterprise Group Inc.	PEG	\$0.62	7/31/20	In-line
Johnson Controls International PLC	JCI	\$0.48	7/31/20	Strong Miss
LyondellBasell Industries NV	LYB	\$0.66	7/31/20	In-line
Church & Dwight Co Inc.	CHD	\$0.63	7/31/20	Miss
Ameren Corp	AEE	\$0.85	7/31/20	In-line
Weyerhaeuser Co.	WY	-\$0.01	7/31/20	In-line
CBRE Group Inc.	CBRE	\$0.42	7/31/20	Miss
Seagate Technology PLC	STX	\$1.29	7/31/20	Strong Miss
WP Carey Inc.	WPC	\$0.45	7/31/20	In-line
Booz Allen Hamilton Holding Corp	BAH	\$0.87	7/31/20	Miss
Dentsply Sirona Inc.	XRAY	-\$0.03	7/31/20	Beat
Newell Brands Inc.	NWL	\$0.14	7/31/20	Strong Beat
Howmet Aerospace Inc.	HWM	\$0.06	7/31/20	Beat

Sources: New Constructs, LLC and company filings



Footnotes adjustments matter. We are the ONLY source.

We provide ratings, models, reports & screeners on U.S. 3,000 stocks, 700 ETFs and 7,000 mutual funds.

HBS & MIT Sloan research reveals that:

- **Markets are inefficiently assessing earnings because no one reads the footnotes.**
- **Corporate managers hide gains/losses in footnotes to manage earnings.**
- **Our technology brings the material footnotes data to market for the first time ever.**

Combining human expertise with NLP/ML/AI technologies ([featured by Harvard Business School](#)), we shine a light in the dark corners (e.g. footnotes) of hundreds of thousands of financial filings to unearth critical details.

The HBS & MIT Sloan paper, [Core Earnings: New Data and Evidence](#), shows how our superior data drives uniquely comprehensive and independent debt and equity research.

This [paper](#) compares our analytics on a mega cap company to other major providers. The Appendix details exactly how we stack up.

Learn [more](#).

Quotes from HBS & MIT Sloan professors on our research:

Get better research:

“...the NC dataset provides a novel opportunity to study the properties of non-operating items disclosed in 10-Ks, and to examine the extent to which the market impounds their implications.” – page 20

Pick better stocks:

“Trading strategies that exploit cross-sectional differences in firms’ transitory earnings produce abnormal returns of 7-to-10% per year.” – Abstract

Avoid losses from using other firms’ data:

“...many of the income-statement-relevant quantitative disclosures collected by NC do not appear to be easily identifiable in Compustat...” – page 14

Build better models:

“Core Earnings [calculated using New Constructs’ novel dataset] provides predictive power for various measures of one-year-ahead performance...that is incremental to their current-period counterparts.” – page 4

Exploit market inefficiencies:

“These results ... suggest that the adjustments made by analysts and Compustat to better capture core earnings are incomplete. Moreover, the non-core items identified by NC produce a measure of core earnings that is incremental to alternative measures of operating performance in predicting an array of future income measures.” – page 26

Fulfill fiduciary duties:

“An appropriate measure of accounting performance for purposes of forecasting future performance requires detailed analysis of all quantitative performance disclosures detailed in the annual report, including those reported only in the footnotes and in the MD&A.” – page 33-34



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