

ABTG

Vital leader in unique educational niche

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Alfio Bardolla Training Group (ABTG) is Italian leader in financial/economic personal training and coaching services. The group creates, develops and markets its proprietary content in the form of books and courses. Topics include money psychology, real estate investment, trading and the creation and development of businesses. Headed by well-known expert, Alfio Bardolla, and run by a seasoned management team, the company aims to grow organically in Italy in the years ahead and to export its business model to select countries.

An experienced management team

ABTG's young and dynamic management team is led by Alfio Bardolla, an Italian training and coaching entrepreneur who – since launching his career in 2004 – has reportedly coached more than 23,000 people. The firm was born from Bardolla's ambition to reach a wider audience by bringing a well-defined corporate structure and a disciplined, business-like approach to running his growing company.

ABTG has an opportunity to grow its business in Italy and expand abroad

ABTG is currently ramping up the number and reach of its marketing leads, aiming to almost double from the current 4,000. We estimate this might drive revenues steeply upwards over 2016-21 at an estimated 22.4% CAGR. During this period ABTG plans to begin offering its services in Spain, the UK, India, Russia, Brazil and China.

ABTG sees demand for informal education to improve personal financial culture

ABTG focuses on informal education, a sector that in Italy alone is estimated to address a potential target audience of some 13.8m. The economy, finance and social sciences segment is estimated at 2.5m, of which ABTG is focused on around 0.9m individuals.

DCF and peer comparable analysis indicate equity value of EUR20.08-24.02m

Our DCF indicates an equity value of around EUR20m. Our peer group sample of comparable companies, albeit with no names that are 100% directly comparable to ABTG, indicates an equity value of around EUR24m, on 2017 EV/EBIT.

Key Financials & ratios (EUR/k)	2015	2016 A	2017 E	2018 E	2019 E	2020 E	2021 E
Sales	3.750,0	5.962,0	8.163,4	11.666,4	13.666,3	15.301,3	16.363,8
Ebitda	1.088,0	1.331,9	2.063,2	4.044,2	4.797,1	5.776,8	6.231,3
Ebitda margin	29,0%	22,3%	25,3%	34,7%	35,1%	37,8%	38,1%
Ebit	941,2	289,1	1.621,4	3.483,0	3.877,3	4.418,8	4.434,1
Ebit margin	25,1%	4,8%	19,9%	29,9%	28,4%	28,9%	27,1%
P/E adj.	n/a	n/a	n/a	n/a	n/a	n/a	n/a
EV/Sales	n/a	n/a	n/a	n/a	n/a	n/a	n/a
EV/Ebitda	n/a	n/a	n/a	n/a	n/a	n/a	n/a
EV/Ebit	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Net Debt/Ebitda	1,29	0,30	n/m	n/m	n/m	n/m	n/m
ROCE (%)	13,6%	3,7%	22,3%	41,2%	38,8%	39,9%	37,8%
FCF yield (%)	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Dividend yield (%)	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Source: Hammer Partners

ABTG: Corporate profile

Alfio Bardolla Training Group (ABTG) is an established Italian coaching and training group and among the biggest players in the personal financial coaching and training sector. Headquartered in Milan, the company aims to help individuals to raise their personal financial culture. Over its history ABTG has coached more than 23,000 men and women, including top executives, sports celebrities and company owners.

ABTG takes its name from founder Alfio Bardolla, a seasoned author and entrepreneur who has published several books on financial freedom and how to achieve financial independence. Bardolla is also the founder of Arnold Coffee, a coffee chain present in Italy.

When in 2004 Bardolla founded and began to develop ABTG to further the growth and development of independent financial education in Italy, he saw the sector as driven by demand from families and small entrepreneurs disillusioned by the countries numerous banking scandals. This proved prescient, as the same conditions have since followed a similar path in many anglo-saxon democracies.

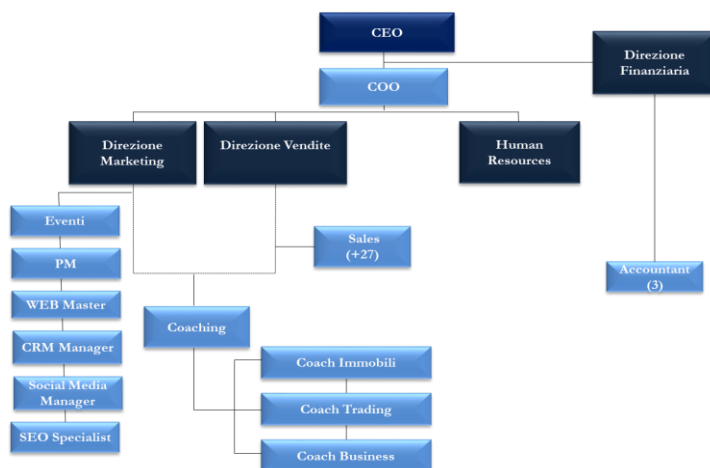
ABTG's strong management team includes founder and CEO Alfio Bardolla, COO Federica Parigi, who drives marketing and sales activities, and CFO Tomaso Buscema.

Alfio Bardolla, Chief Executive Officer, has a degree in Banking Sciences at the Università Cattolica, Milano. He has authored many books: *I Soldi fanno la felicità* (2006), *L'Arte della Ricchezza* (2010), *Business Revolution* (2011), *Il Denaro Spiegato ai miei figli* (2012). All books have been published by Sperling & Kupfer and have sold more than 250,000 copies. Recently the Italian newspaper *Liberò* marketed six Bardolla volumes titled *Tutto Quello che devi sapere sul denaro*. The Bardolla family controls 58.2% of the shares of ABTG (the remaining 41.8% is owned by 136 investors) through 100% ownership of King Holding.

Federica Parigi, Chief Operating Officer, has a Master of Science in International Marketing at Università Bocconi, Milano. She has more than a decade's experience in understanding and analyzing customer behavior to optimize marketing strategies. She has been COO of ABTG since its inception.

Tomaso Buscema, Chief Financial Officer, has a full grade degree in Business Administration at Università Bocconi, Milano. He has more than twenty years experience in managing the finance function in luxury and consumers' goods companies.

Corporate structure



Source: ABTG

Education, coaching, training and learning sector

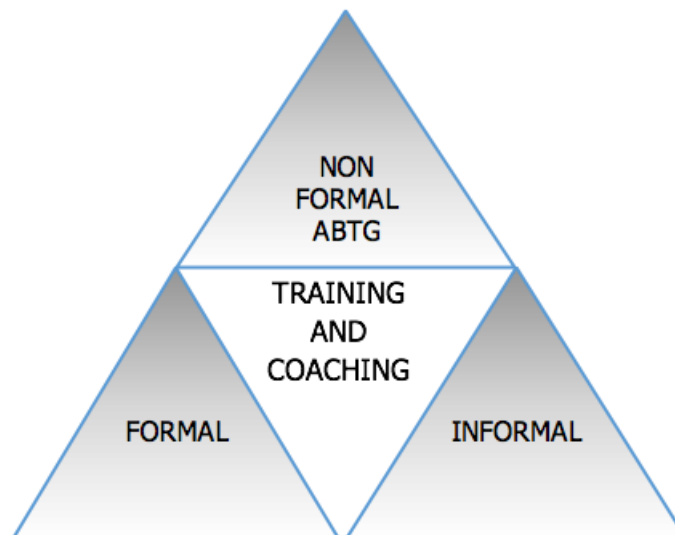
The market of education, coaching, training and learning is a broad definition that can qualitatively be divided, according to the type of services delivered, into:

- **Formal education:** traditional education taught in academic places such as schools, colleges and universities. Formal education caters to the 5-25 years age group.
- **Non-Formal Education:** education not falling under the definition of formal education. Includes programmes like adult alphabetization, base instruction for kids dropping out, general culture.
- **Informal Learning:** learning that includes activities in the work place or in the family and organized by the family and/or social basis.

Characteristics of ABTG

- Delivering an organized and continuous learning and training activity.
- Delivering skills useful for daily activities, for professional life and general culture.
- Delivering its own services in an organized learning environment.
- Non-issuing titles certified by the Italian Ministry of Education and/or any National Framework of Qualification (NFQ).

In this sense ABTG is totally focused on delivering non-formal education services.



Source: ABTG

ABTG services and business model

ABTG delivers the following educational services:

Coaching services split into:

1. Wake-up Call (WUP).
2. Seminars.
3. Coaching.

Publishing on financial issues:

1. Books on personal finance and self-help.
2. Complementary products (board game).
3. Multimedia products.

Wake-up call course (WUP)

The entry level educational service provided by ABTG and the first choice for new clients. This is usually delivered in a congress arena to over 1,500 people for each event. WUP lasts for two, full-immersion, days and its average subscription fee is EUR244.

WUP aims to educate attendees to think about money management in a specific way, to correct errors in the structure of personal income streams and to teach specific investment techniques. The format of the course is by cases and active participation is encouraged.

As an “anchor course” WUP specific goal is to generate further revenues through the promotion and the development of interest towards more advanced and more expensive courses.

Specialist courses

1. Real Estate investment

The training on real estate begins with the preliminary course Investing in Real Estate which explains the right approach, the theory and the techniques needed to invest in commercial and/or residential real estate. The arguments include legal and tax issues, purchasing techniques on open markets and in repossession auctions.

Three other specialist courses are also offered:

- Auctions, sale of preliminary contracts and income:** this course focuses on purchasing at repossession auctions and purchasing with minimal down payment. A section is dedicated to income-generating strategies in short, long and holiday rent.
- Haircut settlements:** this is the only course that allows an understanding of all the elements and processes that lead to a haircut settlement purchase. The course focuses on how to get information, relations with the bank, the executed landlord and all creditors. This course is not only technical/theoretical but also discusses all the behavioral issues.
- Real Estate Sales and Marketing:** this course focuses on all issues related to the sale of real estate. It starts from the real estate analysis and its valuation, continues identifying restructuring work to enhance value and shorten sales time.

2. Business and corporate

This training course begins with **A Scuola di Business** (Educated to Business) which teaches to manage a company over its life cycle, from the start-up to a possible sale.

Three other specialist courses are also offered:

- **From Lead to Client: state-of-the-art techniques:** this course focuses on how to establish and launch a brand, how to identify a market target, how to generate leads and transform them into clients. Several testimonials are employed in order to stimulate new ideas that will allow the attendants to increase the sale of goods and services.
- **Key numbers for entrepreneurs and investors:** this course aims to explain how to exploit the key indicators of any business to take strategic decisions. The ability to gauge choices as rational and strategic is undertaken in light of numbers and performance indicators to avoid incorrect decisions.
- **Estate Protection and Tax Planning:** how to protect the estate from external creditors, how to transmit the estate to heirs and how to optimize dividend payments. The course is taught by accountants, lawyers and tax planners that introduce analysis of their own estate and how to protect it.

3. Financial trading

The introductory course to financial trading is **AB Forex**, designed to allow the attendant to be immediately independent in the trading environment, regardless of his/her background. The aim of this course is to teach a wide audience (from the rookie trader to the most experienced) strategies to earn money on the foreign exchange market. In this field the specialistic courses are:

- **Trading in Options:** covers all aspects related to options trading, including risk management. Each attendant is tutored on PC settings, choice of broker and strategic configuration.
- **Commodity Spread Trading:** teaches how to exploit seasonality and intra/inter market spreads in commodities.
- **Money Management:** deals with money management and risk-control techniques.

4. Coaching

Coaching takes the form of one-to-one lessons, usually following attendance of the courses. Coaching allows to manage complex individual situations and to support the client during training. This offer entails a more personalized approach and is usually the starting point of a consultancy relationship. Coaching events are usually held at ABTG HQ or through Skype calls. The issues covered by coaching are: money psychology; real estate investments; corporate development; financial investments.

Publishing and correlated products

ABTG CEO Alfio Bardolla is author of several best sellers about personal finance. These books are published by Sperling & Kupfer and Gribaudo. The peculiarity in common between the books is the union between technical, legal and psychological notions.

ABTG offers to clients free and paying e-books, video and audio courses. The goal of these products, which are sold online and offline, is twofold: 1) as a source of revenue; 2) as a promotional instrument to access new clients. In the second case the download is subject to registration, which allows the marketing department to contact him/her and to propose the payment products.

There is also a blog moderated by the CEO that can be accessed freely. This is divided into the subject of the courses.

Business model

ABTG's rather traditional business model is divided into five steps.

- **First step:** the acquisition of the lead occurs thanks to online promotion, either web or social, offline promotion and word-of-mouth. ABTG makes available for free PDF documentation, videos and images in exchange for the registration with personal details like name, e-mail and/or telephone number, becoming a lead.
- **Second step:** the lead is attributed to a marketing manager who contact him/her to sound his/her interest to purchase a product or a book. If he/she does so becomes a client.
- **Third step:** the client, if satisfied with the first purchase, decides to sign up to attend a course.
- **Fourth step:** the client wants to deepen his/her knowledge of an argument and decides to purchase a specific course. During this step the client can purchase more than one course.
- **Fifth step:** the client might need a personalized approach and purchases a coaching course.

ABTG CLIENTS LIFE CYCLE



Source: ABTG, Hammer Partners

This approach has allowed ABTG to build a strong database that feeds the company's top line and allows the company to record the following numbers.

ABTG Snapshot



Source: ABTG

Market size and positioning

ABTG estimates that its reference market is around 0.9m clients, which represents only a small amount of the Italian population that usually accesses training and coaching services. ABTG so far has cumulated 23,000 total clients, a number which witnesses that most of the prospects are ahead of the company.

In terms of competitors these can be broadly divided into three specialistic layers, depending on the arguments they focus on:

- Financial training:** related to the activity of trading and real estate investments;
- Self-improvement:** including motivational coaching;
- Corporate advisory:** including advisory to start-ups and already established businesses.

However, it must be noted that none of the ABTG competitors offer the size, scope and organization of ABTG as most are businesses related to the founder who acts as a frontman or are organized/specialized in a single offer. ABTG, instead, can offer a broad spectrum of services/arguments delivered by several coaches (the founder Alfio Bardolla only teaches the general course).

Target audience

ABTG targets a very broad age group between 35 and 55 years old. This bracket allows to recruit those who are outside the labour circuit but are still active and wish to gain new skills.

The ideal client is interested in Economics, Personal Finance and Social Sciences. ABTG deals with these arguments in light of psychology and adapting to encompass a psychological approach.

New ventures

ABTG aims to expand its model outside Italy, namely in Spain, UK, India, Russia, Brazil and China.

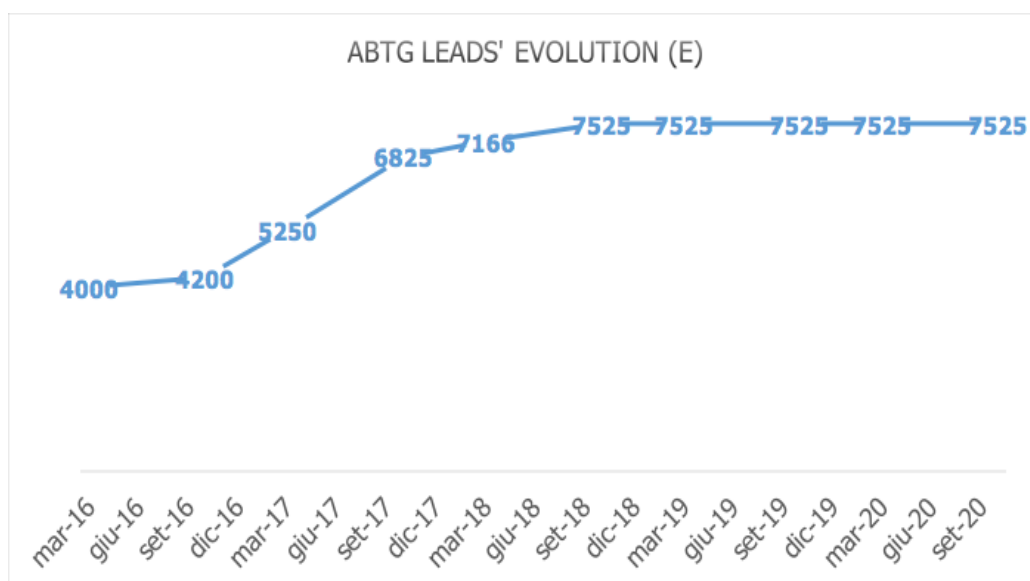
As far as Spain and the UK is concerned ABTG has signed an agreement with Instituto para la Educaciòn Financieira S.L. (IEF) and Global Financial Education Ltd. (GFE). Both agreements foresee the payment of EUR150,000 for 2015 and royalties equal to 15% of sales above EUR1m with a minimum of EUR150,000 for the following years.

In 2018 ABTG will add India starting while Russia and Brazil are expected to begin operations in 2019. China is scheduled to offer courses in 2020. New countries have been chosen on the basis of the growing interest of the population towards personal finance; the business model to be implemented is the same of Italy.

Forecasts: Growth set to accelerate through 2020

We expect ABTG management might pursue a more aggressive growth strategy in the following years. Given the nature of the business that generates liquidity and enjoys a favorable net working capital cycle ABTG is able to fund its development without requiring equity injections, barring any m&a.

P&L: New customers attending courses drive expansion of EBITDA



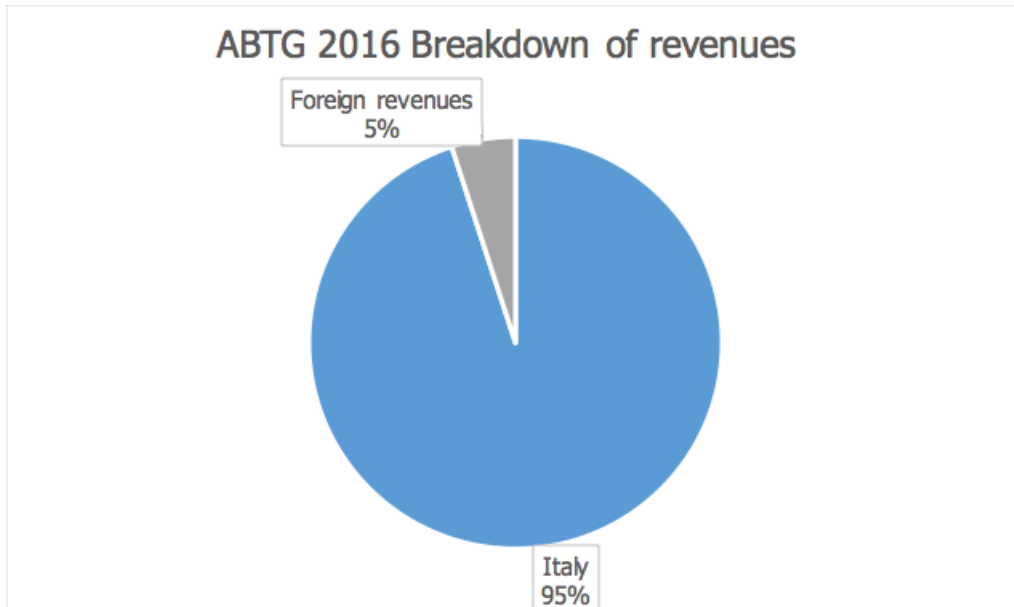
Source: Hammer Partners

We expect ABTG to increase the number of marketing leads steeply from its 4,000 at the end of 2015, to the new regime of 8,300 starting from 2018. This will likely push upward the number of clients attending the Wake Up Call, with ABTG able to convert between 0.8 and 2.4% of these leads in a period of between 1 and 4 months.

Further we expect that 35% of those attending WUP go on purchasing other courses/services of ABTG, which means that as the company increases the leads the mix of products acquired also improves, driving margins higher.

Foreign expansion to contribute to top line

In the period through 2020, top line will also be influenced by the company's efforts of the company to gain a string foothold abroad. We expect ABTG might record several revenue sources, namely: 1) royalties paid by a US company for the right to use ABTG database to promote real estate investments; 2) revenues generated by courses not differently from Italy.



Source: ABTG

Revenues expected to grow steadily; strong EBITDA growth to follow

Our base case calls for revenue to grow by 22.4% CAGR over 2016-21. As the vast majority of costs are incurred during the period when the lead has not signed to attend, we expect that as ABTG's marketing effort matures EBITDA might outpace revenue growth. Over the next years ABTG EBITDA margin should grow steadily to slightly more than 38% in 2021.

Balance sheet set to strengthen further

ABTG's business model allows the group to run with a very limited net working capital requirement. Furthermore, ABTG is divesting some real estate investments during 2016 whose proceeds will free up capex to strengthen ABTG's database to accommodate the wider customer base.

Cash-flow statement: compressed through 2018

This year free cash flow is expected to generate around EUR0.8m, afterwards ABTG's cash flow statement will be influenced by the need to fund foreign development and to enlarge its database, which will prompt FCF to bottom this year. Starting 2018, given the sharp top-line growth FCF will start again to grow steadily reaching around EUR2.6m in 2021.

Valuation: DCF points to EUR20m equity value

We applied a standard DCF model to assess ABTG's equity. We believe that the inputs chosen tend to underestimate to some degree the potential of ABTG because: 1) the novelty of the business makes it difficult to choose an appropriate Beta; 2) all the cash-generative businesses tend to be undervalued when visibility is low on the amount of cash that will actually be generated.

ABTG DCF MODEL								
	2016E	2017E	2018E	2019E	2020E	2021E		
EBIT	289,1	1621,4	3483,0	3877,3	4418,8	4434,1	WACC=	12,41%
(Taxes)	(115,0)	(504,7)	(1.039,9)	(1.167,3)	(1.318,8)	(1.330,2)	Rf	1,50%
Depreciation	391,6	441,8	561,2	919,8	1.358,0	1.797,2	P	5,40%
(Capex)	98,4	(418,8)	(1.601,6)	(1.905,7)	(2.092,2)	(2.134,0)	D	8,6%
(NWC Change)	163,0	(487,7)	(11,1)	(207,4)	(195,6)	(243,0)	MP	91,4%
Free cash-Flows (FCF)	827,1	652,0	1391,6	1516,6	2170,3	2524,0	t	32,3%
Terminal Value						22.609,3	g	1,25%
PV Period	0	0,5	1,5	2,5	3,5	4,5	C	20,1%
PV of FCF	827,1	614,9	1167,6	1131,9	1440,9	1490,8	b	2,00
Total PV of FCF						5.846,1		
PV of Terminal value						13.353,7		
ENTERPRISE VALUE						19.199,8		
Average NFP 17-18 (E)						1.062,2		
Minorities as at 31/12/17 (E)						0,0		
SSF as at 31/12/17 (E)						(178,5)		
Equity Value						20.083,5		

Source: Hammer Partners

Listed peers analysis: no real direct comparables

ABTG is a peculiar business with no real direct comparable listed on public markets. While many companies are active in formal education (the educational sector counts nearly 20 listed companies around the world) there is no pure play in informal education, specialised in coaching and training on “personal financial welfare and happiness”.

Therefore, in defining our comparable sample we tried to sort out:

- 1) Companies with no heavy fixed assets like campuses.
- 2) Have online activities.

Following these criteria we identified six companies that, however, trade at multiples different between them.

COMPARABLE ANALYSIS						
	EV/SALES		EV/EBITDA		EV/EBIT	
	2017E	2018E	2017E	2018E	2017E	2018E
LINCOLN EDUCATIONAL	0,35	0,35	24,57	7,57	n/a	n/a
CHINA DISTANCE ED.	2,41	2,15	12,00	12,24	14,16	14,72
FRANKLIN COVEY	1,58	1,44	24,29	15,61	n/m	35,04
GP STRATEGIES	0,93	0,87	12,00	9,97	n/a	n/a
QUINSTREET	0,46	0,44	22,18	7,05	n/a	32,70
Average	1,15	1,05	19,01	10,49	14,16	27,49

Source: Bloomberg 23/06/2017

We would argue that EV/EBIT 2017 is a fair metric with which to evaluate ABTG considering that:

- 1) **ABTG is a new company** still in its infancy so sales are still ramping up.
- 2) **2017 is the first year** in which margins have begun to normalize.

ABTG VALUATION BASED ON COMPARABLE ANALYSIS (EUR M)						
	EV/SALES		EV/EBITDA		EV/EBIT	
	2017E	2018E	2017E	2018E	2017E	2018E
ABTG	10413,07	13302,84	40277,08	43481,91	24021,54	96793,13

Source: Hammer Partners on Bloomberg data

P&L	2015	2016A	2017E	2018E	2019E	2020E	2021E	CAGR 21-16
REVENUES	3.750,0	5.962,0	8.163,4	11.666,4	13.666,3	15.301,3	16.363,8	
TOTAL REVENUES	3.750,0	5.962,0	8.163,4	11.666,4	13.666,3	15.301,3	16.363,8	22,4%
Other revenues	38,5	442,9	515,2	515,2	515,2	515,2	515,2	
VALUE OF PRODUCTION	3.788,4	6.404,9	8.678,6	12.181,6	14.181,5	15.816,5	16.879,0	21,4%
External Costs	(1.868,2)	(4.097,7)	(4.924,2)	(6.048,6)	(6.857,3)	(7.512,2)	(7.946,4)	
Other	(210,1)							
VAL. ADDED	1.710,2	2.307,2	3.754,3	6.133,0	7.324,2	8.304,2	8.932,6	31,1%
in % of sales	45,6%	38,7%	46,0%	52,6%	53,6%	54,3%	54,6%	
Cost of Labor	(622,2)	(975,3)	(1.691,1)	(2.088,9)	(2.527,1)	(2.527,4)	(2.701,4)	
EBITDA	1.088,0	1.331,9	2.063,2	4.044,2	4.797,1	5.776,8	6.231,3	36,2%
EBITDA margin	29,0%	22,3%	25,3%	34,7%	35,1%	37,8%	38,1%	
Depreciations	(146,8)	(391,6)	(441,8)	(561,2)	(919,8)	(1.358,0)	(1.797,2)	
EBITA	941,2	940,3	1.621,4	3.483,0	3.877,3	4.418,8	4.434,1	36,4%
EBITA margin	25,1%	15,8%	19,9%	29,9%	28,4%	28,9%	27,1%	
Amortizations		(142,5)						
Non recurring D&A, impairment, fair value var.		(508,7)						
EBIT	941,2	289,1	1.621,4	3.483,0	3.877,3	4.418,8	4.434,1	72,6%
EBIT margin	25,1%	4,8%	19,9%	29,9%	28,4%	28,9%	27,1%	
Fin. Income/(Charges), Net	(140,8)	(83,4)	(57,0)	(55,6)	(54,1)	(52,6)	(51,0)	
Extraord. Items	(586,0)	(401,2)						
Other income/(losses)								
PRE-TAX PROFIT	214,4	-195,5	1.564,4	3.427,4	3.823,2	4.366,2	4.383,0	
Taxation	(126,3)	(115,0)	(504,7)	(1.039,9)	(1.167,3)	(1.318,8)	(1.330,2)	
Tax rate	58,9%	-58,8%	32,3%	30,3%	30,5%	30,2%	30,3%	
Minorities								
NET PROFIT	88,1	-310,5	1.059,8	2.387,5	2.655,8	3.047,4	3.052,8	
CASH FLOW	235,0	223,7	1.501,6	2.948,7	3.575,6	4.405,4	4.850,0	

Source: Hammer Partners

BALANCE SHEET							
	2015	2016A	2017E	2018E	2019E	2020E	2021E
Net Work. Cap.	102,3	(148,6)	334,2	327,5	505,2	660,1	903,1
Net Tangible Assets	5.220,6	3.591,0	3.544,3	3.486,3	3.428,2	3.370,2	3.314,8
Net Intangible Assets	649,8	1.290,7	1.314,4	2.412,8	3.456,7	4.248,9	4.641,2
Net Financial Assets & Others	10,5	0,6	0,6	0,6	0,6	0,6	0,6
Other	0,0	0,0	0,0	0,0	0,0	0,0	0,0
CAPITAL EMPLOYED	5.983,3	4.733,6	5.193,4	6.227,1	7.390,7	8.279,7	8.859,6
Staff. S. Fund & other funds	(6,6)	(49,5)	(178,5)	(297,3)	(407,0)	(508,4)	(653,4)
CAPITAL REQUIREMENTS	5.976,7	4.684,1	5.014,9	5.929,8	6.983,8	7.771,3	8.206,1
Met by:							
S'HOLD. EQUITY	4.576,5	4.281,0	5.340,8	7.728,3	10.384,2	13.431,6	16.484,4
MINORITIES	0,0	0,0	0,0	0,0	0,0	0,0	0,0
NET FIN POS.	(1.400,2)	(403,0)	325,9	1.798,6	3.400,4	5.660,3	8.278,3
CASH FLOW STATEMENT							
	2015	2016A	2017E	2018E	2019E	2020E	2021E
CASH ON HAND							
AT YEAR BEG.	93,6	385,1	183,4	792,2	2.199,1	3.728,9	5.920,0
EBITDA, gross of allocation to SSF Fund	1.094,6	1.380,8	2.197,2	4.180,8	4.936,4	5.918,9	6.376,3
Taxes	(126,6)	(115,0)	(504,7)	(1.039,9)	(1.167,3)	(1.318,8)	(1.330,2)
Other	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Cash-Flow from Operations	968,0	1.265,8	1.692,5	3.140,9	3.769,1	4.600,2	5.046,1
Change in Net Working Capital	319,0	163,0	(487,7)	(11,1)	(207,4)	(195,6)	(243,0)
Free Cash-Flow from Operations	1.287,0	1.428,8	1.204,8	3.129,8	3.561,7	4.404,6	4.803,1
Total Investments	445,1	98,4	(418,8)	(1.601,6)	(1.905,7)	(2.092,2)	(2.134,0)
Free Cash-Flow to the Firm	1.732,1	1.527,2	785,9	1.528,2	1.656,0	2.312,4	2.669,0
Dividends	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Buy-Back, other changes in eqi	(446,3)	0,0	0,0	0,0	0,0	0,0	0,0
Financing	(267,5)	(1.259,7)	(120,2)	(65,7)	(72,1)	(68,7)	(71,5)
Fin. Income/(Charges), Net	(140,8)	(66,8)	(57,0)	(55,6)	(54,1)	(52,6)	(51,0)
Other	(583,1)	(402,5)					
CHANGE IN CASH	294,5	(201,7)	608,8	1.406,9	1.529,8	2.191,1	2.546,5
CASH ON HAND	385,1	183,4	792,2	2.199,1	3.728,9	5.920,0	8.466,6
AT YEAR END							

Source: Hammer Partners

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