

**FSK** | FS KKR Capital Corp.

# **FS KKR Capital Corp.**

Financial Information

Quarter Ended March 31, 2022

All information is as of March 31, 2022 unless otherwise noted

# Summary of Quarterly Results

## First Quarter Performance

- Net investment income (NII) for the quarter ended March 31, 2022 was \$220 million, or \$0.77 per share, as compared to \$189 million, or \$0.66 per share, for the quarter ended December 31, 2021.
- Adjusted net investment income (Adjusted NII) for the quarter ended March 31, 2022 was \$206 million, or \$0.72 per share, as compared to \$185 million, or \$0.65 per share, for the quarter ended December 31, 2021<sup>(1)</sup>.
- Net asset value (NAV) per share as of March 31, 2022 was \$27.33, compared to \$27.17 as of December 31, 2021.
- New investment fundings in the first quarter were approximately \$2.1 billion. Net investment activity in the first quarter was \$949 million, including \$554 million of sales to Credit Opportunities Partners JV, LLC (COPJV).

## Dividend

- Paid a dividend of \$0.63 per share for the first quarter of 2022.
- Declared a total dividend of \$0.68 per share for the second quarter of 2022, which consists of a base dividend amount of \$0.60 per share and a supplemental dividend amount of \$0.08 per share.
- For the quarter ended March 31, 2022, the Adjusted NII / Dividend coverage ratio was 106%<sup>(2)</sup>.
- Annualized dividend yield on market value of common stock was 12.9% as of May 6, 2022<sup>(3)</sup>.

## Portfolio Diversification

- Diversified portfolio with 193 portfolio companies spread across 22 industries.
- Exposure to the top ten largest portfolio companies by fair value was 19% as of March 31, 2022.

## Capital Structure Enhancement

- In January 2022 we issued \$500 million of 3.250% unsecured notes maturing in 2027.
- 53% of our drawn leverage was unsecured as of March 31, 2022 and our weighted average effective rate on borrowings was 3.14%.
- In April 2022 we redeemed our \$450 million 4.750% unsecured notes maturing in 2022.

1. See the Appendix for a reconciliation between NII and Adjusted NII.

2. Based on the declared second quarter distribution of \$0.68 per share.

3. Based on the declared second quarter distribution of \$0.68 per share annualized as a percentage of FSK's closing market price as of May 6, 2022.

# Financial Results

<i>(Dollar amounts in millions, except per share data)</i>	3/31/21	6/30/21	9/30/21	12/31/21	3/31/22
NII per share	\$0.63	\$0.77	\$0.71	\$0.66	\$0.77
Adjusted NII per share <sup>(1)</sup>	\$0.63	\$0.74	\$0.64	\$0.65	\$0.72
Net realized and unrealized gains (losses) per share	\$0.98	\$4.98	\$0.24	(\$0.02)	\$0.02
Adjusted net realized and unrealized gains (losses) per share	\$0.98	\$0.87 <sup>(2)</sup>	\$0.31	\$0.03	\$0.07
Net increase (decrease) in net assets resulting from operations (earnings per share)	\$1.61	\$5.75	\$0.95	\$0.64	\$0.79
Adjusted Net increase (decrease) in net assets resulting from operations (earnings per share)	\$1.61	\$1.64 <sup>(2)</sup>	\$0.95	\$0.64	\$0.79
Stockholder distributions declared per share	\$0.60	\$0.65	\$0.62	\$0.63	\$0.68
Net asset value per share at period end	\$26.03	\$26.84	\$27.14	\$27.17	\$27.33
Weighted average shares outstanding (in millions)	123.8	150.4	285.1	284.9	284.3
Shares outstanding, end of period (in millions)	123.8	285.1	285.1	284.5	284.1
Total investments at fair value	\$6,457	\$14,734	\$15,824	\$16,101	\$16,554
Total assets	\$6,964	\$15,723	\$16,620	\$17,228	\$17,985
Cash <sup>(3)</sup>	\$149	\$499	\$241	\$377	\$369
Total debt <sup>(4)</sup>	\$3,633	\$7,740	\$8,511	\$9,179	\$9,879
Debt-to-equity, Net <sup>(5)</sup>	1.00x	0.90x	1.03x	1.07x	1.12x
Adjusted NII / stockholder distributions declared	105%	114%	103%	103%	106%

1. See the Appendix for a reconciliation between NII and Adjusted NII.

2. Excludes the impact of the Merger in Q2 2021. On June 16, 2021, FS KKR Capital Corp. ("FSK") completed its merger (the "Merger") with FS KKR Capital Corp. II. Pursuant to the Merger, FS KKR Capital Corp. II merged with and into FSK, with FSK continuing as the surviving company.

3. Includes cash, restricted cash, and cash denominated in foreign currency.

4. Principal amount outstanding.

5. Net debt-to-equity ratio is debt outstanding, net of cash and foreign currency and net payable/receivable for investments purchased/sold and repaid, divided by net assets.

# Portfolio Highlights

<i>(Dollar amounts in millions)</i>	As of and for Three Months Ended				
	3/31/21	6/30/21	9/30/21	12/31/21	3/31/22
<b>Investment at Fair Value:</b>					
First Lien Senior Secured Loans	51.2%	56.4%	61.2%	60.7%	59.9%
Second Lien Senior Secured Loans	11.0%	12.4%	10.6%	9.7%	8.6%
Other Senior Secured Debt	1.3%	1.3%	0.9%	0.7%	0.7%
Subordinated Debt	1.2%	0.7%	0.6%	0.7%	0.5%
Asset Based Finance	14.7%	12.9%	12.6%	13.9%	13.2%
Credit Opportunities Partners JV, LLC	11.3%	9.5%	8.8%	8.7%	8.9%
Preferred Equity <sup>(1)</sup>	2.2%	2.3%	2.4%	2.6%	4.2%
Equity/Other	7.1%	4.5%	2.9%	3.0%	4.0%
<b>Total Investments</b>	<b>\$6,457</b>	<b>\$14,734</b>	<b>\$15,824</b>	<b>\$16,101</b>	<b>\$16,554</b>
Number of portfolio companies <sup>(2)</sup>	152	195	190	189	193
<b>Interest Rate Type:<sup>(3)</sup></b>					
% Floating Rate	87.4%	88.3%	88.1%	87.2%	87.1%
% Fixed Rate	12.6%	11.7%	11.9%	12.8%	12.9%
<b>Net Interest Margin:</b>					
Weighted average annual yield on accruing debt investments <sup>(4)</sup>	8.6%	8.5%	8.1%	8.4%	8.3%
Weighted average interest rate on borrowings <sup>(5)</sup>	4.2%	3.4%	3.2%	3.0%	3.1%

1. Included within Equity/Other in FSK's Quarterly and Annual Reports on Form 10-Q and 10-K, respectively.

2. Does not look through to FSK's portfolio companies held solely in COPJV. COPJV is a joint venture between FSK and South Carolina Retirement Systems Group Trust (SCRS).

3. Represents interest rates on debt investments (see FSK's Quarterly Report on Form 10-Q for the definition of debt investments) at US\$ Fair Value. Floating Rate includes variable interest rates on Asset Based Finance investments that can change quarter to quarter.

4. Excludes the impact of the Merger beginning in Q2 2021. Excluding the impact of the Merger, FSK's weighted average annual yield on all debt investments was 7.9% as of March 31, 2022. See FSK's Quarterly Report on Form 10-Q for additional information on the calculation of weighted average annual yield on accruing debt investments and weighted average annual yield on all debt investments. On a GAAP basis, FSK's weighted average annual yield was 8.9% on accruing debt investments and 8.6% on all debt investments as of March 31, 2022.

5. Includes the effect of non-usage fees.

# FSK Investment Portfolio Overview

**193**

portfolio companies<sup>(1)</sup>

**19%**

FV in top-10 portfolio companies<sup>(2)</sup>

**69%**

of investments in senior secured debt<sup>(2)</sup>

**\$76mm / 5.9x**

median portfolio company EBITDA & leverage<sup>(3)</sup>

**87%**

of debt investments are floating rate<sup>(4)</sup>

**8.3%**

wtd. avg. annual yield on accruing debt investments<sup>(5)</sup>

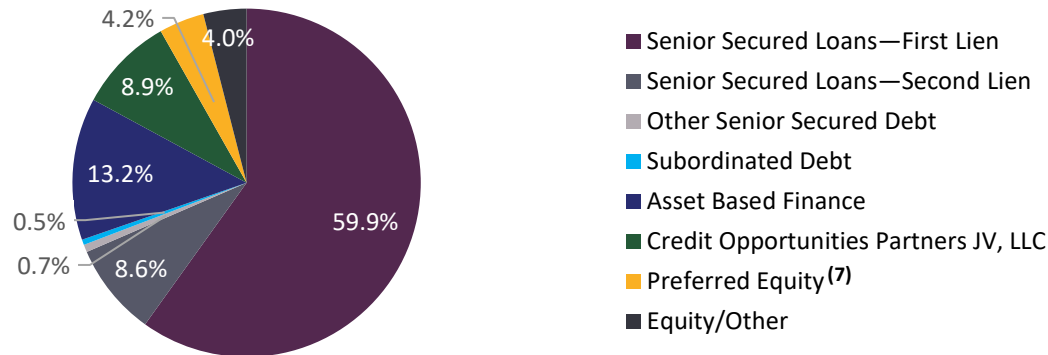
**1.5%**

non-accrual rate at FV

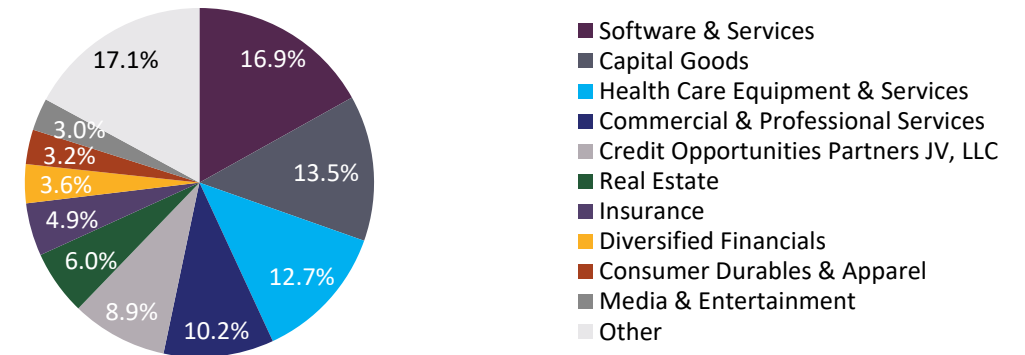
**~90%**

lead, co-lead, or sole origination<sup>(6)</sup>

## Security Exposure (by fair value)



## Sector Exposure (by fair value)

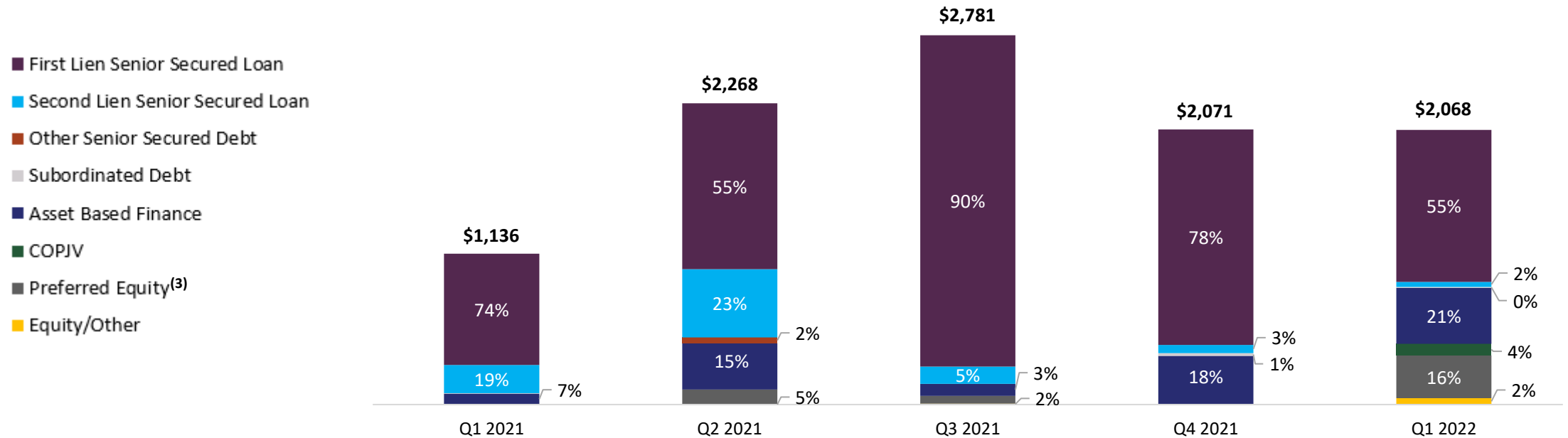


**Total Investment Portfolio at Fair Value: \$16.6bn**

- Does not look through to FSK's portfolio companies held solely in COPJV.
- Figure excludes the impact of FSK's investment in COPJV.
- Based on underlying Direct Origination corporate investments using most recently reported financial information and may include pro forma adjustments. Certain Asset Based Finance, Equity/Other and portfolio companies with negative or de minimis EBITDA are excluded.
- See FSK's Quarterly Report on Form 10-Q for its definition of debt investments.
- Excludes the impact of the Merger. See FSK's Quarterly Report on Form 10-Q for additional information on the calculation of weighted average annual yield on accruing debt investments. On a GAAP basis, FSK's weighted average annual yield on accruing debt investments was 8.9% as of March 31, 2022.
- Figure based on fair value of Direct Origination investments only. KKR & BDC accounts' participation, KKR Capital Markets' involvement, and deal teams leading the negotiations/structuring are all considered when determining the Origination Role.
- Included within Equity/Other in FSK's Quarterly and Annual Reports on Form 10-Q and 10-K, respectively.

# Quarterly Investment Activity

## Asset Mix of New Purchases<sup>(1)(2)</sup>



Portfolio Roll (\$ in millions) <sup>(1)</sup>	3/31/21	6/30/21 <sup>(4)</sup>	9/30/21	12/31/21	3/31/22
Investment Purchases	\$1,136	\$2,268	\$2,781	\$2,071	\$2,068
Sales and Redemptions <sup>(5)</sup>	(2,030)	(1,769)	(1,806)	(1,855)	(1,673)
<b>Net Investment Activity</b>	<b>(\$894)</b>	<b>\$499</b>	<b>\$975</b>	<b>\$216</b>	<b>\$395</b>
Net Sales to COPJV	193	58	364	1,005	554
<b>Adjusted Net Investment Activity</b>	<b>(\$701)</b>	<b>\$557</b>	<b>\$1,339</b>	<b>\$1,221</b>	<b>\$949</b>

- Information for all periods is shown pro-forma for the Merger. For illustrative purposes only.
- Zero represents an amount less than 0.5%.
- Included within Equity/Other in FSK's Quarterly and Annual Reports on Form 10-Q and 10-K, respectively.
- Excludes the impact of the Merger. Including the purchase of investments from the Merger, total Investment Purchases would have been \$9,945.
- Includes net sales to COPJV.

# Net Asset Value Bridge



Note: Per share data derived using the weighted average shares outstanding during the period, except NAV per share which is based on shares outstanding at the end of the period. Numbers may not sum due to rounding.

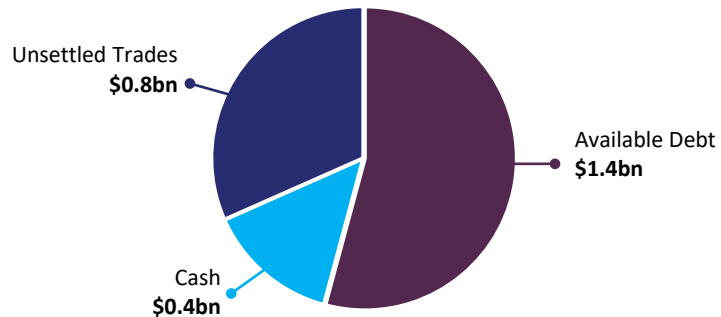
# Capital Structure: Overview

## Key Highlights

- 1.12x Net Debt-to-Equity as of March 31, 2022, compared to 1.07x as of December 31, 2021<sup>(1)</sup>
- 3.14% weighted average effective rate on borrowings as of March 31, 2022, compared to 3.04% as of December 31, 2021<sup>(2)</sup>
- Rated Investment Grade by Moody's (Baa3) Stable, Fitch (BBB-) Stable & Kroll (BBB) Stable
- Issued \$500mm 3.25% unsecured bonds in Q1 with 5.5 year maturity
- Redeemed \$450mm 4.75% unsecured bonds due 2022 effective April 15
- 53% of drawn leverage is unsecured as of March 31, 2022

## Liquidity Analysis

3/31/2022 Liquidity: \$2.6bn

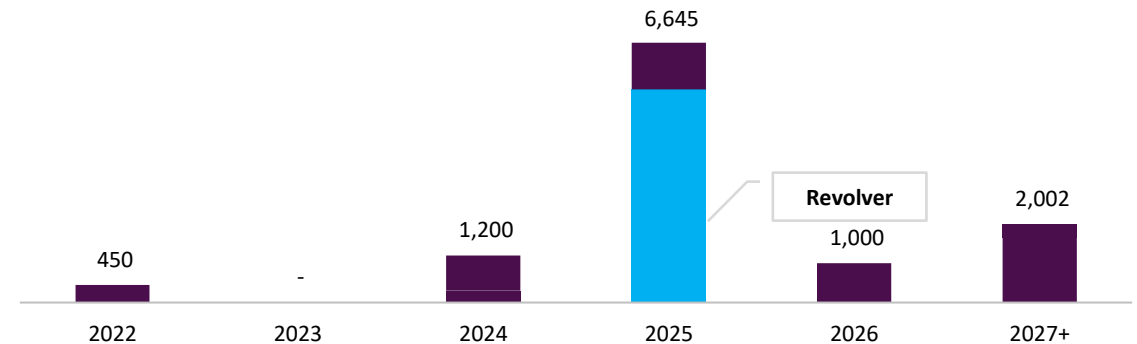


## Capital Structure Overview

Funding Source	Committed	Outstanding	Undrawn	Maturity	Wtd. Avg. Rate
Senior Secured Revolver due 2025	4,200	2,846	1,345 <sup>(3)</sup>	12/23/2025	L+1.75% - 2.00%
Additional Bilateral Facilities	1,550	1,486	64	Various	Various
<b>Total Secured</b>	<b>5,750</b>	<b>4,332</b>	<b>1,409</b>		
FS KKR MM CLO 1	352	352	-	1/15/2031	L+1.85% - 3.01%
<b>Total CLO</b>	<b>352</b>	<b>352</b>	<b>-</b>		
4.750% Notes due 2022	450	450	-	5/15/2022	4.750%
4.625% Notes due 2024	400	400	-	7/15/2024	4.625%
1.650% Notes due 2024	500	500	-	10/12/2024	1.650%
4.125% Notes due 2025	470	470	-	2/1/2025	4.125%
4.250% Notes due 2025	475	475	-	2/14/2025	4.250%
8.625% Notes due 2025	250	250	-	5/15/2025	8.625%
3.400% Notes due 2026	1,000	1,000	-	1/15/2026	3.400%
2.625% Notes due 2027	400	400	-	1/15/2027	2.625%
3.250% Notes due 2027	500	500	-	7/15/2027	3.250%
3.125% Notes due 2028	750	750	-	10/12/2028	3.125%
<b>Total Unsecured</b>	<b>5,195</b>	<b>5,195</b>	<b>-</b>		
<b>TOTAL</b>	<b>11,297</b>	<b>9,879</b>	<b>1,409</b>		<b>3.14%<sup>(2)</sup></b>

## Long Term Maturity Ladder

96% of our liabilities mature 2024 and beyond



1. Net debt-to-equity ratio is debt outstanding, net of cash and foreign currency and net payable/receivable for investments purchased/sold and repaid, divided by net assets.  
 2. Weighted average effective interest rate on borrowings, including the effect of non-usage fees.  
 3. Amount available for borrowing reduced by any standby letters of credit issued. As of March 31, 2022, \$9 of such letters of credit have been issued.



# Credit Opportunities Partners JV, LLC Overview

## FSK's joint venture with South Carolina Retirement Systems Group Trust (SCRS)

- > **Primarily senior secured assets**

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- > **Key Portfolio Benefits**
  - Allows FSK to access the full capabilities of KKR platform
  - Yield enhancing

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- > **Key Terms of the Partnership**
  - FSK and SCRS share voting control 50% / 50%
  - Equity ownership 87.5% FSK / 12.5% SCRS
  - FSK provides day-to-day administrative oversight

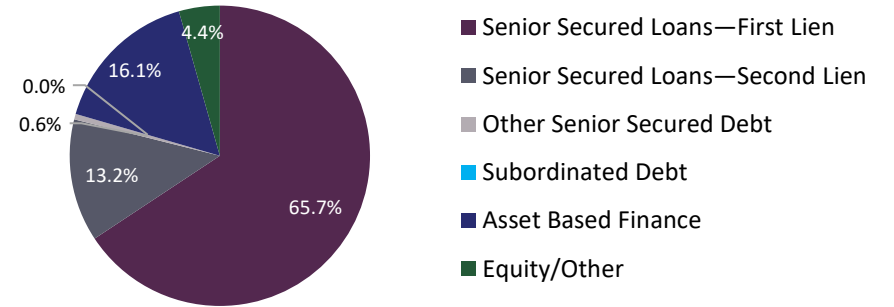
## March 31, 2022 update

- > **Portfolio**
  - Fair value of investments was \$3.8bn
  - 95% floating rate debt investments

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- > **Key stats**
  - NAV of \$1.7bn (FSK's equity of COPJV was \$1.5bn)
  - \$300mm of uncalled equity capital (\$263mm allocated to FSK)
  - 1.22x net debt-to-equity ratio<sup>(1)</sup>

## Security Exposure (by fair value)

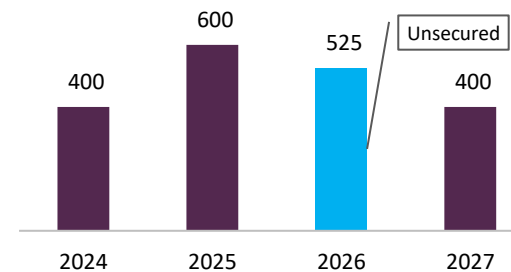


## Sector Exposure (by fair value)



## Capital Structure

### Long Term Maturity Ladder



**Total debt:** committed \$1.9bn, funded \$1.7bn

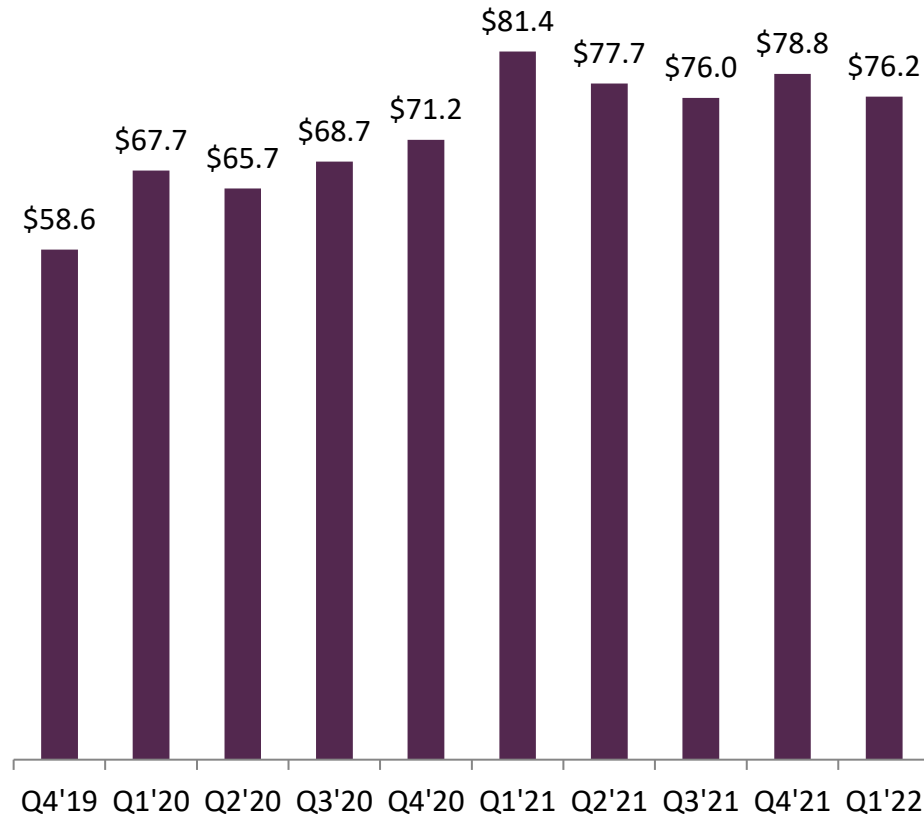
**Unsecured debt:** 27% committed, 31% drawn

**Wtd. average interest rate on borrowings:** 3.09%<sup>(2)</sup>

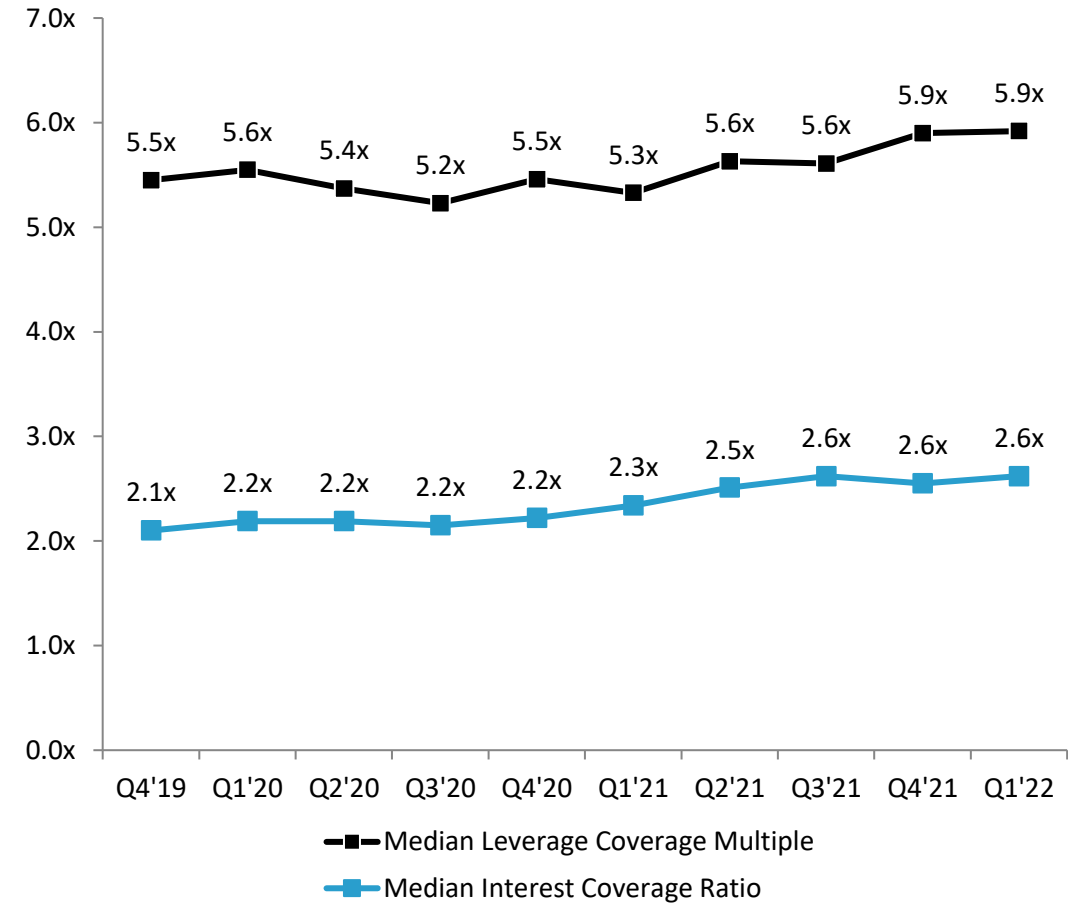
1. Net debt-to-equity ratio is debt outstanding, net of cash and foreign currency and net payable/receivable for investments purchased/sold and repaid, divided by net assets.  
 2. Includes the effect of non-usage fees.

# Direct Origination Investments EBITDA and Credit Statistics

Direct Origination Portfolio Company Median EBITDA



Direct Origination Portfolio Company Coverage Ratios



Note: Based on underlying Direct Origination corporate investments using most recently reported financial information and may include pro forma adjustments. Prior periods are shown pro forma for the Merger. Certain Asset Based Finance, Equity/Other and portfolio companies with negative or de minimis EBITDA are excluded. The weighted average Direct Origination portfolio company EBITDA was \$182.2 million as of March 31, 2022.

# NII Growth Opportunities – September 2021 Investor Day Bridge



Note: Per share data based on shares outstanding at end of period. Numbers may not sum due to rounding.

1. Does not include the positive effect of ~\$0.01 per share of future income from recent Asset Based Finance investments which are in the ramping phase.
2. Reflects the change in weighted average portfolio yield from 8.5% in Q2 2021 to 8.3% in Q1 2022.
3. Reflects the increase of rising interest rates and operating at higher effective leverage during Q1 2022.
4. Please see the Forward-Looking Statements disclaimer on page 17 of the presentation.



# APPENDIX

# Operating Results

<i>(Dollar amounts in millions, except per share data)</i>	For The Three Months Ended				
	3/31/21	6/30/21	9/30/21	12/31/21	3/31/22
Total investment income	\$151	\$206	\$360	\$364	\$396
Net expenses	(73)	(90)	(159)	(163)	(176)
<b>Net investment income before taxes</b>	<b>\$78</b>	<b>\$116</b>	<b>\$201</b>	<b>\$201</b>	<b>\$220</b>
Excise taxes	-	-	-	(12)	-
<b>Net investment income</b>	<b>\$78</b>	<b>\$116</b>	<b>\$201</b>	<b>\$189</b>	<b>\$220</b>
Plus: excise taxes	-	-	-	12	-
Plus: net merger accretion and one-time expenses <sup>(1)</sup>	-	(4)	(20)	(16)	(14)
<b>Adjusted net investment income<sup>(2)</sup></b>	<b>\$78</b>	<b>\$112</b>	<b>\$181</b>	<b>\$185</b>	<b>\$206</b>
Total net unrealized and realized gains (losses)	121	749	69	(5)	5
Realized loss on extinguishment of debt	-	-	-	(3)	-
<b>Net increase (decrease) in net assets resulting from operations</b>	<b>\$199</b>	<b>\$865</b>	<b>\$270</b>	<b>\$181</b>	<b>\$225</b>
<b>Per Share:</b>					
Net investment income	\$0.63	\$0.77	\$0.71	\$0.66	\$0.77
Adjusted net investment income <sup>(2)</sup>	\$0.63	\$0.74	\$0.64	\$0.65	\$0.72
Net increase (decrease) in net assets results from operations	\$1.61	\$5.75	\$0.95	\$0.64	\$0.79
Stockholder distributions	\$0.60	\$0.60	\$0.65	\$0.62	\$0.63
Weighted average shares outstanding (millions)	123.8	150.4	285.1	284.9	284.3
Shares outstanding, end of period (millions)	123.8	285.1	285.1	284.5	284.1

1. Net merger accretion represents a reversal of all Merger-related accretion for the specified period.

2. Adjusted net investment income is a non-GAAP financial measure. Adjusted net investment income is presented for all periods as GAAP net investment income excluding (i) the accrual for the capital gains incentive fee for realized and unrealized gains; (ii) excise taxes; (iii) the impact of accretion resulting from merger accounting; and (iv) certain non-recurring operating expenses that are one-time in nature and are not representative of ongoing operating expenses incurred during FSK's normal course of business (referred to herein as one-time expenses). FSK uses this non-GAAP financial measure internally in analyzing financial results and believes that the use of this non-GAAP financial measure is useful to investors as an additional tool to evaluate ongoing results and trends and in comparing its financial results with other business development companies. The presentation of this additional information is not meant to be considered in isolation or as a substitute for financial results prepared in accordance with GAAP.

# Operating Results Detail

<i>(Dollar amounts in millions, except per share data)</i>	For The Three Months Ended				
	3/31/21	6/30/21	9/30/21	12/31/21	3/31/22
<b>Investment income:</b>					
Interest income	\$92	\$111	\$239	\$245	\$261
Payment-in-kind interest income	17	18	35	37	43
Fee income	11	23	31	26	29
Total dividend and other income	31	54	55	56	63
<b>Total investment income</b>	<b>\$151</b>	<b>\$206</b>	<b>\$360</b>	<b>\$364</b>	<b>\$396</b>
<b>Operating expenses:</b>					
Investment advisory fees & expenses	25	30	58	60	62
Interest expense	42	46	70	73	77
Incentive fees <sup>(1)</sup>	-	8	20	19	25
Other operating expenses	6	6	11	11	12
<b>Total operating expenses</b>	<b>\$73</b>	<b>\$90</b>	<b>\$159</b>	<b>\$163</b>	<b>\$176</b>
Net investment income before taxes	78	116	201	201	220
Income taxes, including excise taxes	-	-	-	(12)	-
<b>Net investment income</b>	<b>\$78</b>	<b>\$116</b>	<b>\$201</b>	<b>\$189</b>	<b>\$220</b>
Total net unrealized and realized gains (losses)	121	749	69	(5)	5
Realized loss on extinguishment of debt	-	-	-	(3)	-
<b>Net increase in net assets resulting from operations</b>	<b>\$199</b>	<b>\$865</b>	<b>\$270</b>	<b>\$181</b>	<b>\$225</b>

1. Net of the \$15 million incentive fee waiver beginning in Q3 2021. The Advisor has agreed to waive income incentive fees in the amount of \$15 million per quarter for the first six full fiscal quarters of operations following the closing of the Merger.

# Balance Sheet

<i>(Dollar amounts in millions, except per share data)</i>	As of				
	3/31/21	6/30/21	9/30/21	12/31/21	3/31/22
<b>Assets</b>					
Total investments, at fair value	\$6,457	\$14,734	\$15,824	\$16,101	\$16,554
Cash	144	485	229	258	362
Foreign currency, at fair value	5	14	12	119	7
Receivable for investments sold and repaid	263	325	365	567	856
Income receivable	72	140	163	153	176
Unrealized appreciation on foreign currency forward contracts	1	2	6	9	10
Deferred financing costs	14	14	15	16	15
Prepaid expenses and other assets	8	9	6	5	5
<b>Total Assets</b>	<b>\$6,964</b>	<b>\$15,723</b>	<b>\$16,620</b>	<b>\$17,228</b>	<b>\$17,985</b>
<b>Liabilities</b>					
Payable for investments purchased	-	-	\$57	\$2	\$33
Debt	3,590	7,720	8,492	9,142	9,835
Unrealized depreciation on derivative instruments	2	2	1	1	1
Shareholders' distributions payable	74	168	186	176	179
Interest Payable	41	65	55	70	66
Other liabilities <sup>(1)</sup>	36	115	93	107	104
<b>Total Liabilities</b>	<b>\$3,743</b>	<b>\$8,070</b>	<b>\$8,884</b>	<b>\$9,498</b>	<b>\$10,218</b>
<b>Total Net Assets</b>	<b>\$3,221</b>	<b>\$7,653</b>	<b>\$7,736</b>	<b>\$7,730</b>	<b>\$7,767</b>
<b>Net Asset Value per Share</b>	<b>\$26.03</b>	<b>\$26.84</b>	<b>\$27.14</b>	<b>\$27.17</b>	<b>\$27.33</b>

1. Includes accrued performance-based incentive fees, accrued investment advisory fees, accrued directors' fees, administrative expenses payable and deferred tax liabilities.

# Quarterly Gain/Loss Information

<i>(Dollar amounts in millions, except per share data)</i>	For The Three Months Ended				
	3/31/21	6/30/21	9/30/21	12/31/21	3/31/22
<b>Realized gain/loss</b>					
Net realized gain (loss) on investments:					
Non-controlled/unaffiliated investments	(\$83)	\$1	\$60	\$50	(\$26)
Non-controlled/affiliated investments	-	64	139	(11)	(6)
Controlled/affiliated investments	(43)	(13)	(2)	9	-
Net realized gain (loss) on foreign currency forward contracts	-	-	-	-	5
Net realized gain (loss) on foreign currency	(2)	(1)	(1)	(3)	1
<b>Total net realized gain (loss)</b>	<b>(\$128)</b>	<b>\$51</b>	<b>\$196</b>	<b>\$45</b>	<b>(\$26)</b>
<b>Unrealized gain/loss</b>					
Net change in unrealized appreciation (depreciation) on investments:					
Non-controlled/unaffiliated investments	\$109	\$466	(\$49)	(\$48)	(\$40)
Non-controlled/affiliated investments	27	142	(104)	29	30
Controlled/affiliated investments	106	76	11	(37)	37
Net change in unrealized appreciation (depreciation) on foreign currency forward contracts	1	2	5	4	1
Net change in unrealized gain (loss) on foreign currency	6	12	10	2	3
<b>Total net unrealized gain (loss)</b>	<b>\$249</b>	<b>\$698</b>	<b>(\$127)</b>	<b>(\$50)</b>	<b>\$31</b>
<b>Total net realized and unrealized gain (loss)</b>	<b>\$121</b>	<b>\$749</b>	<b>\$69</b>	<b>(\$5)</b>	<b>\$5</b>



# Important Disclosure Notice

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## Forward-Looking Statements

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Certain figures in this presentation have been rounded.