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Zacks Small-Cap Research

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Adaptimmune Therapeutics plc (ADAP-NASDAQ)

ADAP 4Q24 Earnings: EPS Miss on 1x Restructuring/Impairment Costs; Potential Capital Raise Adds Risk to the Story

ADAP reported a net loss of $74.2 million for 4Q24, or $(0.05) per diluted ordinary share compared to our $(0.04) estimate. The miss primarily related to 1x restructuring/impairment costs. Lowering our 2025 EPS estimate from $(0.08) to $(0.09), and introducing a 2026 forecast of $(0.02). No change to our DCF-derived price target of $1.50, which we lowered following the release of ADAP's 4Q24 Business Update on 3/20/25.

Current Price (3/24/25)	$0.28
Valuation	**$1.50**

OUTLOOK

Key 4Q24 takeaways include: 1) Tecelra launch ahead of expectations based on the number of patients apheresed thus far and ATCs up and running, with management expressing confidence in generating at least $25 million of Tecelra sales in 2025; 2) Lete-cel on track for a quicker commercialization timeline, with an expected rolling BLA submission in late 2025 followed by FDA approval in 2026; 3) senior executives recently further narrowed R&D and capital allocations by pausing spending on the company's PRAME and CD70 programs, which is anticipated to generate $75 million to $100 million of cost savings through 2028 (on top of the $300 million of savings announced last quarter); and 4) despite anticipated cost reductions over the next several years, management conceded the need for incremental capital to remain a going concern through anticipated profitability in 2027, and recently engaged an investment bank to evaluate potential partnerships, strategic collaborations, business combinations, financial transactions, and/or pipeline monetizations.

SUMMARY DATA

52-Week High	**$1.65**
52-Week Low	**$0.26**
One-Year Return (%)	**-80.78**
Beta	**2.51**
Average Daily Volume (sh)	**1,594,910**
Shares Outstanding (mil)	**256**
Market Capitalization ($mil)	**$72**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**50**
Insider Ownership (%)	**12**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**N/A**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/A**
P/E using 2024 Estimate	**N/A**
P/E using 2025 Estimate	**N/A**

Risk Level	**High**
Type of Stock	**Small-Growth**
Industry	**Biomedical**

ZACKS ESTIMATES

Revenue

(in thousands of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2023	47,601 A	5,130 A	7,319 A	231 A	60,281 A
2024	5,678 A	128,231 A	40,901 A	3,222 A	178,032 A
2025	3,010 E	6,020 E	9,029 E	12,039 E	30,098 E
2026					71,973 E

Earnings/Share

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2023	$0.00 A	-$0.02 A	-$0.03 A	-$0.04 A	-$0.09 A
2024	-$0.03 A	$0.04 A	-$0.01 A	-$0.05 A	-$0.05 A
2025	-$0.04 E	-$0.03 E	-$0.02 E	-$0.01 E	-$0.09 E
2026					-$0.02 E

Quarterly revenues/EPS may not equal annual revenues/EPS due to rounding.

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4Q24 EARNINGS: ONE-TIME CHARGES DRIVE EPS MISS

After the market closed on 3/24/25, Adaptimmune filed the company's Form 10-K Annual Report. ADAP reported a net loss of $74.2 million for 4Q24, or $(0.05) per diluted ordinary share versus our $(0.04) estimate. Relative to our model, the EPS miss was largely a function of non-recurring restructuring costs of $6.0 million and a $10.4 million impairment loss on leasehold improvement assets relates to ADAP's UK manufacturing facility (Exhibit 1).

Focusing on the top line, ADAP generated $1.8 million of revenue during 4Q24 compared to $0.2 million for the year-ago quarter. The year-over-year increase was mostly a function of the inclusion of $1.2 million of product revenue related to the invoicing of two patients treated with Tecelra during the quarter.

Research and development (R&D) expenses totaled $39.1 million in 4Q24 versus $33.2 million in 4Q23, with much of the increase reflecting higher clinical trial and manufacturing costs. General and administrative (G&A) expenses totaled $27.2 million in 4Q24 compared to $16.9 million for the year-ago quarter. The year-over-year increase was mostly driven by stepped up costs related to business development and commercialization efforts.

Exhibit 1: 4Q24 Actual vs. Estimates
($ thousands)

	4Q24		Change	
	Actual	Estimate	$	%
Revenue	**3,222**	**1,799**	**1,423**	**79.1%**
Operating Expenses				
Cost of goods sold	70	0	70	NM
Research and development	39,101	36,653	2,448	6.7%
General and administrative	27,169	20,031	7,138	35.6%
Impairment of long-lived assets	10,401	0	10,401	NM
Total Operating Expenses	**76,741**	**56,684**	**20,057**	**35.4%**
Operating Income/(Loss)	**(73,519)**	**(54,884)**	**(18,635)**	**34.0%**
Interest income	1,779	1,697	82	4.8%
Interest expense	(1,713)	(1,203)	(510)	42.4%
Gain on bargain purchase	0	0	0	NM
Other income/(expense), net	931	0	931	NM
Pre-Tax Income/(Loss)	**(72,522)**	**(54,390)**	**(18,132)**	**33.3%**
Income tax expense	1,693	544	1,149	211.3%
Net Income/(Loss)	**(74,215)**	**(54,934)**	**(19,281)**	**35.1%**
Earnings per share, diluted	**($0.05)**	**($0.04)**	**($0.01)**	**37.3%**
Weighted average shares out, basic	1,535,856	1,534,614	1,242	0.1%
Weighted average shares out, diluted	1,510,204	1,534,614	(24,410)	-1.6%

Source: Company Reports and Zacks Small Cap Research estimates and calculations.

KEY TAKEAWAYS

Beyond the 4Q24 EPS miss, key takeaways from ADAP's 4Q24 business update and management's quarterly conference call (which we highlighted on 3/20/25) included:

1. **Tecelra launch ahead of expectations:** Following the commencement of commercialization efforts for Tecelra last year, sales momentum continues to build. Indeed, the number of patients apheresed ramped up from three in 2024 to 10 thus far in 2025, with another three likely in March. From a top line perspective, ADAP generated $1.2 million of sales in 4Q24 from two patients, with an incremental six to eight patients likely to be invoiced in 1Q25 driving $3.6 million to $4.8 million of related revenue for the quarter, we believe. Looking ahead, management expressed confidence in generating at least $25 million of Tecelra sales in 2025 reflecting a building pipeline of patients testing double positive for biomarker checks (20) that are likely to be apheresed/treated in 2Q25 and 3Q25, as well as in various stages of testing (30).

   From a distribution standpoint, 20 Authorized Treatment Centers (ATCs) are currently up and running and accepting referrals, with senior executives reiterating expectations to complete the rollout of the full network of 30 ATCs by end of 2025 (around nine months ahead of schedule based on the expected timeline at the time of launch). Moreover, manufacturing turnaround times have remained quicker than expected thus far, with ample supply likely reinforcing building capacity to meet accelerating demand.

2. **Lete-cel on track for a quicker commercialization timeline:** Lete-cel is a TCR T-cell therapy targeting the NY-ESO cancer biomarker for treatment of synovial sarcoma, as well as myxoid/round cell liposarcoma (MRCLS). On the call, management reiterated plans to initiate a rolling BLA submission in late 2025, with FDA approval anticipated in 2026 followed by commercialization in 2027. Importantly, senior officials plan to leverage existing clinical/testing processes and infrastructure (ATC network, commercial team) resulting in a shorter commercialization timeline versus Tecelra. Stepping back, lete-cel expands the addressable patient population for ADAP's combined sarcoma franchise, thereby driving $400 million of peak-year gross sales based on management's projections.

3. **Incremental cost savings; profitability inflection point in 2027:** In conjunction with ADAP's 3Q24 earnings announcement, management outlined plans to realize approximately $300 million in aggregate cost savings starting in 2025 and continuing through 2028 reflecting headcount reductions (completed in 1Q25), a reduced footprint, and lower development and manufacturing costs. More specifically, we expect ~$50 million of related cost savings across R&D and G&A costs in 2025 (translating into ~25% of the 2024 run-rate) followed by $70 million to $80 million per year in 2026 and 2027.

   In addition, senior executives recently further narrowed R&D and capital allocations by pausing spending on the company's PRAME and CD70 programs (following last quarter's decision to wind down clinical trials investigating uza-cel for the treatment of platinum-resistant ovarian cancer), which is anticipated to generate an incremental $75 million to $100 million of cost savings through 2028. Putting it all together, management reiterated the company's goal of reaching breakeven on a cash flow basis in 2027.

4. **Bridging the gap to profitability:** While ADAP maintained $152 million of total liquidity (cash and cash equivalents + marketable securities) as of December 31, 2024, and anticipated cost savings over the next several years reduces the need for additional financing to some degree, senior executives conceded the need for incremental capital to remain a going concern through anticipated profitability in 2027 (adding risk to the story). As such, the company recently engaged an investment bank to help identify and evaluate strategic options to maximize shareholder value. Potential options include partnerships, strategic collaborations, business combinations, financial transactions, and/or pipeline monetizations.

REFINING ESP ESTIMATES

After updating our model for 4Q24 actuals, we are refreshing our 2025 EPS estimates from $(0.08) to $(0.09). Our revisions primarily reflect a slightly more muted revenue outlook given a flatter trajectory for Tecelra uptake/sales, and modestly higher operating expenses in light of a higher starting base (2024 actuals). Moreover, we are introducing a 2026 EPS estimate of $(0.02).

Focusing on the top line, future revenues will primarily be a function of Tecelra product sales, which we forecast to build through 2025 and 2026. Management is targeting $400 million of peak sales for ADAP's sarcoma franchise (Tecelra and lete-cel), with gross margins of 70% at maturity. Next, our model assumes operating expenses decline by ~25% (~$50 million) in 2025, split about 60%/40% between R&D and G&A costs, with a further ~$75 million of cost reductions in 2026.

VALUATION

Following the 4Q24 Business Update, we lowered our price target from $2.25 to $1.50 based on our DCF model incorporating Tecelra economics in addition to probability-weighted cash flows for lete-cel. More specifically, we reined in our Tecelra and lete-cel sales uptakes and squeezed our margin trajectory assumptions, while incorporating a higher discount rate in light of the company's current financial condition and near-term cash flow outlook. That said, we still see material upside potential for the stock from current levels (though a meaningful upward revaluation likely necessitates clarity on ADAP's going concern prospects and strategic options).

As shown in Exhibit 2, we forecast 10-year free cash flows for each program based on underlying assumptions for patients, pricing, sales, gross profits, and operating costs. We then haircut FCFs based on the probability of commercialization. Finally, we sum FCFs and apply a 17.5% discount rate to come up with a net present value for ADAP.

Program Assumptions

Afami-cel

- 400 annual eligible patients in the U.S.
- 55% market penetration
- Gross pricing of $727,000
- Net pricing of ~$655,000
- 70% peak gross margins
- 70% peak operating margins

Lete-cel

- 700 annual eligible patients in the U.S.
- 55% market penetration
- Pricing consistent with Tecelra
- 70% peak gross margins
- 70% peak operating margins

Exhibit 2: Adaptimmune Probability-Weighted DCF Model
($ millions)

TECELRA	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Patients (US)	46	110	160	190	220	220	220	220	220	220
Price	$0.7	$0.7	$0.7	$0.7	$0.7	$0.7	$0.7	$0.7	$0.7	$0.7
Sales	$30.1	$72.0	$104.7	$124.3	$143.9	$143.9	$143.9	$143.9	$143.9	$143.9
Gross Profit	$9.0	$28.8	$52.3	$74.6	$100.8	$100.8	$100.8	$100.8	$100.8	$100.8
FCF	$4.5	$15.8	$31.4	$48.5	$70.5	$70.5	$70.5	$70.5	$70.5	$70.5
Prob.-Weighted FCF	$4.5	$15.8	$31.4	$48.5	$70.5	$70.5	$70.5	$70.5	$70.5	$70.5

LETE-CEL	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Patients (US)			81	193	280	333	385	385	385	385	385	385
Price			$0.7	$0.7	$0.7	$0.7	$0.7	$0.7	$0.7	$0.7	$0.7	$0.7
Sales			$52.7	$126.0	$183.2	$217.6	$251.9	$251.9	$251.9	$251.9	$251.9	$251.9
Gross Profit			$15.8	$50.4	$91.6	$130.5	$176.3	$176.3	$176.3	$176.3	$176.3	$176.3
FCF			$7.9	$27.7	$55.0	$84.8	$123.4	$123.4	$123.4	$123.4	$123.4	$123.4
Prob.-Weighted FCF			$5.9	$20.8	$41.2	$63.6	$92.6	$92.6	$92.6	$92.6	$92.6	$92.6

SARCOMA FRANCHISE	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Patients (US)	46	110	241	383	500	553	605	605	605	605	385	385
Sales	$30.1	$72.0	$157.4	$250.3	$327.2	$361.5	$395.9	$395.9	$395.9	$395.9	$251.9	$251.9
Gross Profit	$9.0	$28.8	$68.1	$125.0	$192.4	$231.3	$277.1	$277.1	$277.1	$277.1	$176.3	$176.3
FCF	$4.5	$15.8	$39.3	$76.2	$125.5	$155.4	$194.0	$194.0	$194.0	$194.0	$123.4	$123.4
Prob.-Weighted FCF	$4.5	$15.8	$37.3	$69.3	$111.8	$134.2	$163.1	$163.1	$163.1	$163.1	$92.6	$92.6

TOTAL	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Patients	46	110	241	383	500	553	605	605	605	605	385	385
Sales	$30.1	$72.0	$157.4	$250.3	$327.2	$361.5	$395.9	$395.9	$395.9	$395.9	$251.9	$251.9
Gross Profit	$9.0	$28.8	$68.1	$125.0	$192.4	$231.3	$277.1	$277.1	$277.1	$277.1	$176.3	$176.3
FCF	$4.5	$15.8	$39.3	$76.2	$125.5	$155.4	$194.0	$194.0	$194.0	$194.0	$123.4	$123.4
Prob.-Weighted FCF	$4.5	$15.8	$37.3	$69.3	$111.8	$134.2	$163.1	$163.1	$163.1	$163.1	$92.6	$92.6
NPV	$3.8	$11.5	$23.0	$36.3	$49.9	$51.0	$52.7	$44.9	$38.2	$32.5	$15.7	$13.4
Discount Rate	18%											

Total NPV	$373.0
ADS Outstanding	251.7
NPV/Share	**$1.48**
Current Price	$0.28
Updside	435%

Source: Zacks Small Cap Research estimates and calculations.

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INVESTMENT THESIS

1. **Unique T-cell therapy:** Adaptimmune's mission is to transform cancer treatment by engineering naturally-occurring TCRs to better recognize and bind to specific cancer biomarkers and activate the immune system to target and eradicate cancer cells. Over the last 15+ years, the company has developed a proprietary technology platform that identifies cancer targets and genetically engineers a patient's TCRs to enhance efficacy, while avoiding healthy cells. Adaptimmune's cell therapies can be engineered from a patient's own T-cells (autologous) or manufactured from stem cells (allogeneic).

   Adaptimmune's engineered T-cell therapy addresses solid tumor cancers. The first engineered T-cell products from Adaptimmune, Tecelra and lete-cel, target soft tissue sarcomas (STSs), specifically synovial sarcoma and myxoid/round cell liposarcoma (MRCLS). Approximately 13,000 soft tissue sarcomas are diagnosed each year in the U.S., of which synovial sarcoma and MRCLS account for an estimated 1,000+ cases. Both cancers are characterized by lower survival rates and limited treatment options, and mostly impact younger people and middle-aged adults.

2. **Ongoing commercialization efforts:** Last year's FDA approval of Tecelra marked the transition of Adaptimmune from a clinical-stage biopharmaceutical company to a commercial-stage cell therapy company. From the start, Adaptimmune has been constructed as an integrated company, with the vision of developing and delivering cell therapies to treat patients with cancer. The firm leverages integrated research, clinical development, translational sciences, manufacturing, and commercial capabilities to facilitate delivery in an efficient and timely manner. A key component of Adaptimmune's integrated approach is the company's in-house manufacturing facilities that allow for scaling supply to meet demand and quickly iterating on process and supply chain improvements.

   Following FDA approval, management has quickly transitioned to launching Tecelra targeting 30 Authorized Treatment Centers (ATCs) across the U.S. by the end of 2025 leveraging the company's established infrastructure and relationships. Looking ahead, we see opportunities for Tecelra to target other sarcomas and/or expand into different geographies over time.

3. **Powerful economic opportunity:** The key driver for an inflection in net income remains how quickly Tecelra and lete-cel sales ramp up. Our model assumes related sales ramp up through 2025 and 2026. Management is targeting $400 million of peak sales for ADAP's sarcoma franchise (Tecelra and lete-cel), with peak gross margins of 70%. Importantly, there are no other engineered cell therapies developed to treat solid tumors on the market. Over time, we expect operating leverage to build as revenues scale, particularly as the commercialization of lete-cel will follow similar development and distribution approaches as Tecelra.

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INVESTMENT RISKS

1. **Going concern:** Despite meaningful cost savings expected to be realized over the next several years and accelerating product revenue related to rising Tecelra sales, management recognizes the need for incremental capital to remain a going concern through anticipated profitability in 2027. Beyond a dilutive equity capital raise, strategic options may include partnerships, collaborations, business combinations, financial transactions, and/or pipeline monetizations.

2. **Tecelra commercialization:** Sales of Tecelra are dependent on a number of factors including: a) meaningful market uptake, particularly in light of the indication's more limited eligible patient pool; b) manufacturing capacity to meet product demand; c) economic pricing balancing supply/manufacturing costs and demand trends; d) establishing and maintaining a distribution network to deliver cell therapy products to clinical sites and patients in a timely manner; and e) reimbursement from third-party payors, including private insurance and government programs.

3. **Manufacturing capacity:** While existing capacity at ADAP's internal manufacturing facility in Philadelphia can process 600 to 700 patients per year (more than sufficient to handle peak sales of Tecelra), with lete-cel manufacturing likely to be outsourced, we anticipate the company will need to expand capacity over time assuming other products eventually move through clinical trials and potentially come to market. Further outsourcing potentially compromises manufacturing process controls and related economics, while expanding internal capacity will require significant financial resources. Moreover, proprietary manufacturing necessitates ongoing expenses, regulatory approvals, and supply chain management to deliver cell therapies for patients in a timely manner.

4. **Moving from pipeline to commercialization:** Biologics are heavily regulated in the U.S. under the Federal Food, Drug, and Cosmetic Act (FDCA). Federal and state regulations govern the research, development, testing, manufacture, storage, recordkeeping, approval, labeling, promotion and marketing, and distribution of biological products. FDA approval via a Biologics License Application (BLA) is required to introduce, or deliver for introduction, a biologic product into interstate commerce.

   The development and marketing of a new biological product requires significant infrastructure and resources. The process is time-consuming with multiple steps including:
   - preclinical studies to assess the potential for toxicity and to establish a rationale for therapeutic use;
   - the submission of preclinical tests, manufacturing information, and related data to the FDA as part of an Investigational New Drug (IND) application;
   - clinical trials to establish safety and effectiveness of the biological product; and
   - BLA review and approval by the FDA authorizing commercial marketing of the drug with specific labeling information for specific indications.

PROJECTED INCOME STATEMENT

Adaptimmune Therapeutics plc
($ thousands)

	Quarterly								Annual				Y/Y Growth		
	1Q24	2Q24	3Q24	4Q24	1Q25E	2Q25E	3Q25E	4Q25E	2023	2024	2025E	2026E	2024	2025E	2026E
	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Dec-23	Dec-24	Dec-25	Dec-26	Dec-24	Dec-25	Dec-26
Revenue	**5,678**	**128,231**	**40,901**	**3,222**	**3,010**	**6,020**	**9,029**	**12,039**	**60,281**	**178,032**	**30,098**	**71,973**	**195%**	**-83%**	**139%**
Operating Expenses															
Cost of goods sold				70	170	341	511	682	0	70	1,705	4,076			
Research and development	35,207	40,448	34,304	39,101	40,077	34,351	22,901	17,176	126,509	149,060	114,504	69,504	18%	-23%	-39%
General and administrative	19,732	19,083	21,277	27,169	20,396	17,482	11,655	8,741	73,513	87,261	58,274	28,274	19%	-33%	-51%
Impairment of long-lived assets				10,401	0	0	0	0	0	10,401	0	0			
Total Operating Expenses	**54,939**	**59,531**	**55,581**	**76,741**	**60,643**	**52,174**	**35,067**	**26,599**	**200,022**	**246,792**	**174,483**	**101,854**	**23%**	**-29%**	**-42%**
Operating Income/(Loss)	**(49,261)**	**68,700**	**(14,680)**	**(73,519)**	**(57,633)**	**(46,155)**	**(26,038)**	**(14,559)**	**(139,741)**	**(68,760)**	**(144,385)**	**(29,881)**	**NM**	**NM**	**NM**
Interest income	1,345	1,376	2,096	1,779	1,334	1,396	1,653	1,552	5,964	6,596	5,935	6,141	11%	-10%	3%
Interest expense	0	(526)	(1,109)	(1,713)	(1,212)	(1,212)	(1,272)	(1,333)	0	(3,348)	(5,029)	(5,330)			
Gain on bargain purchase	0	0	0	0	0	0	0	0	22,049	0	0	0	-100%	NM	NM
Other income/(expense), net	(61)	497	(3,093)	931	0	0	0	0	(807)	(1,726)	0	0	NM	NM	NM
Pre-Tax Income/(Loss)	**(47,977)**	**70,047**	**(16,786)**	**(72,522)**	**(57,511)**	**(45,971)**	**(25,657)**	**(14,340)**	**(112,535)**	**(67,238)**	**(143,479)**	**(29,070)**	**NM**	**NM**	**NM**
Income tax expense	526	526	831	1,693	575	460	257	143	1,336	3,576	1,435	291	168%	-60%	-80%
Net Income/(Loss)	**(48,503)**	**69,521**	**(17,617)**	**(74,215)**	**(58,086)**	**(46,431)**	**(25,913)**	**(14,483)**	**(113,871)**	**(70,814)**	**(144,914)**	**(29,361)**	**NM**	**NM**	**NM**
Earnings per share, diluted	**($0.03)**	**$0.04**	**($0.01)**	**($0.05)**	**($0.04)**	**($0.03)**	**($0.02)**	**($0.01)**	**($0.09)**	**($0.05)**	**($0.09)**	**($0.02)**	**NM**	**NM**	**NM**
Weighted average shares out, basic	1,451,242	1,533,532	1,534,614	1,535,856	1,535,856	1,535,856	1,535,856	1,535,856	1,206,441	1,513,811	1,535,856	1,535,856	25%	1%	0%
Weighted average shares out, diluted	1,451,242	1,559,184	1,534,614	1,510,204	1,535,856	1,535,856	1,535,856	1,535,856	1,206,441	1,513,811	1,535,856	1,535,856	25%	1%	0%
Earnings per ADS, diluted	**($0.20)**	**$0.27**	**($0.07)**	**($0.29)**	**($0.23)**	**($0.18)**	**($0.10)**	**($0.06)**	**($0.57)**	**($0.28)**	**($0.57)**	**($0.11)**	**NM**	**NM**	**NM**
Weighted average ADS out, basic	241,874	255,589	255,769	255,976	255,976	255,976	255,976	255,976	201,073	252,302	255,976	255,976	25%	1%	0%
Weighted average ADS out, diluted	241,874	259,864	255,769	251,701	255,976	255,976	255,976	255,976	201,073	252,302	255,976	255,976	25%	1%	0%

Source: Company reports and Zacks SCR estimates and calculations.

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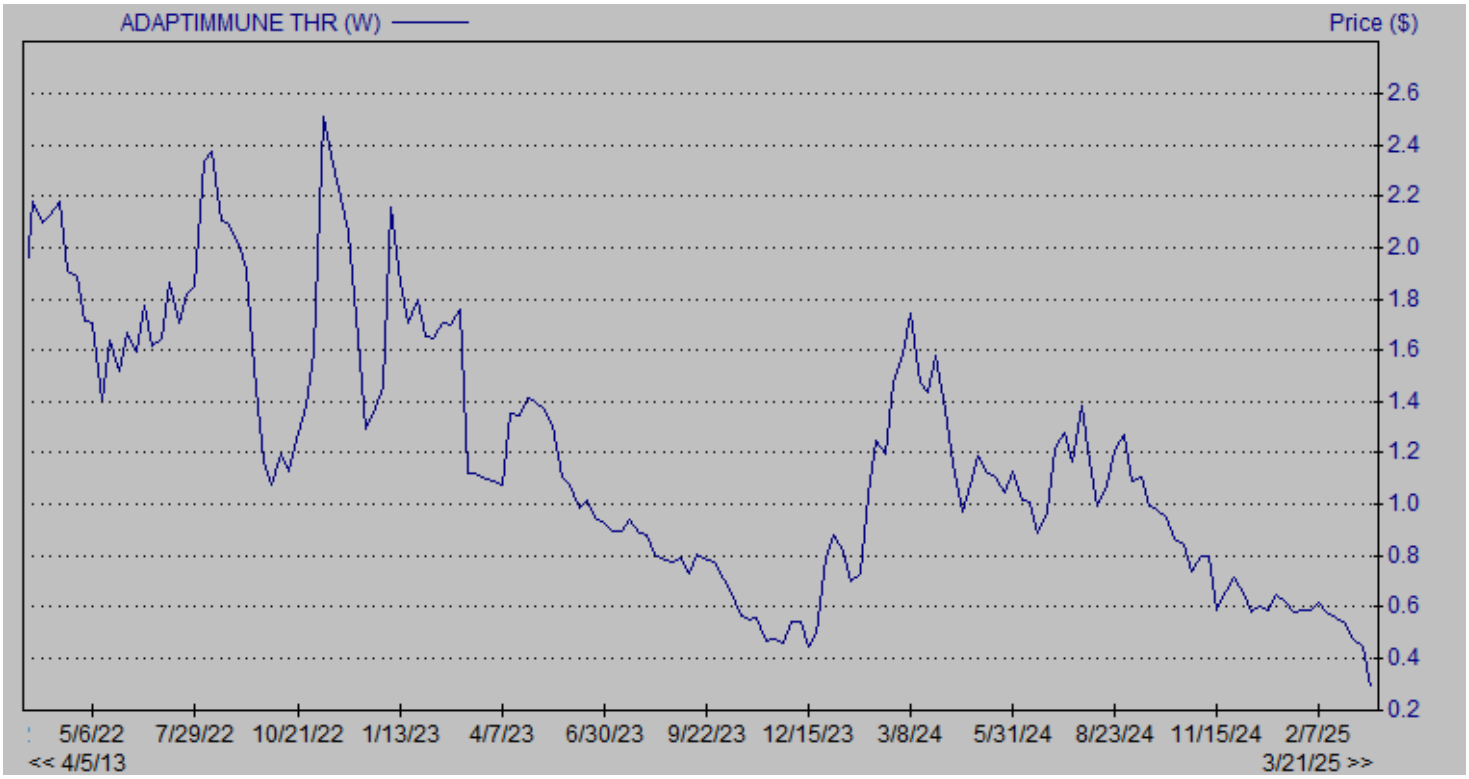
HISTORICAL STOCK PRICE



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