

# BYDE (285 HK)

## 1H23 beat and promising outlook; Lift TP to HK\$41.98

We raise TP to HK\$41.98 following strong 1H23 results and promising growth outlook. 1H23 revenue beat our/consensus estimates by 8%/6% on Apple share gain and strong NEV/new intelligent segment. NP growth of 139% YoY is in-line with profit alert thanks to higher GPM on better product mix and improving UTR. Looking into 2H23E, we remain positive on Android recovery, Apple share gain and improving mix to boost margin recovery. In addition, BYDE's acquisition of Jabil's mobility business in China is set to expand its smartphone business opportunity and drive share gain in Apple supply chain in the long run. We raise FY23-25E EPS by 5-9% to reflect 1H23 results and faster GPM recovery. The stock trades at 19.6x/16.0x FY23/24E P/E, which is attractive. Reiterate BUY.

- **1H23 earnings beat on better product mix and improving GPM.** BYDE 1H23 revenue growth of 28.6% YoY is above our/consensus estimates by 8%/6% on Apple share gain and stronger NEV/new intelligent segment. By segment, assembly/component/new intelligent/automobile segment posted +36%/-26%/+30%/+90% YoY growth. 1H23 GPM improved 2.5ppts to 7.8% thanks to better product mix and improving utilization. Therefore, net profit growth of 139% was in-line with preliminary profit earning.
- **2H23 outlook: Android recovery, Apple share gain and improving mix to boost margin recovery.** Mgmt. is positive on Android recovery driven by restocking and product launches from major Android client, and Apple share gain in iPad OEM/components. For new intelligent products, mgmt. expects high growth in 2H mainly driven by mass production of new customers' products. In addition, auto's thermal management module/high-end holder order ramp-up and rising sales mix will boost overall margin in 2H23E.
- **Acquisition of Jabil's Mobility biz to drive LT growth.** BYDE announced to buy Jabil's Mobility business (mobile electronics manufacturing) in China (Wuxi & Chengdu) for US\$2.2bn (Fig 7-8), which is backed by borrowings from banks and Parentco, in our view. We believe the acquisition is set to expand BYDE's customer base and product portfolio, which will accelerate share gain in iPhone supply chain. We are positive on synergy of the acquisition, which will strength BYDE's leadership in smartphone supply chain in the long run.
- **Maintain BUY; Raise TP to HK\$41.98.** We lifted FY23-25 EPS by 5-9% to reflect upbeat 1H23 results, auto momentum and margin recovery. We reiterate BUY for BYDE's positive outlook on Android recovery, Apple share gain and NEV/new intelligent upside. The stock now trades at 19.6x/16.0x FY23/24E, which is attractive in our view. Our new SOTP-based TP of HK\$41.98 is based on rolled-over 18.4x FY24E P/E.

### Earnings Summary

(YE 31 Dec)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue (RMB mn)	89,057	107,186	123,327	141,246	156,988
YoY growth (%)	21.8	20.4	15.1	14.5	11.1
Net profit (RMB mn)	2,309.9	1,857.6	3,476.7	4,273.2	5,320.4
YoY growth (%)	(57.5)	(19.6)	87.2	22.9	24.5
EPS (Reported) (RMB)	1.03	0.82	1.54	1.90	2.36
Consensus EPS (RMB)	na	0.82	1.31	1.80	2.35
P/E (x)	32.2	22.1	19.6	16.0	12.8
P/B (x)	3.1	1.6	2.4	2.1	1.8
Yield (%)	0.3	0.9	0.3	0.6	0.8
ROE (%)	10.0	7.5	12.7	13.8	15.1
Net gearing (%)	0.0	0.0	0.0	0.0	0.0

Source: Company data, Bloomberg, CMBIGM estimates

## BUY (Maintain)

Target Price	HK\$41.98
(Previous TP)	HK\$31.67)
Up/Downside	28.8%
Current Price	HK\$32.60

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### Stock Data

Mkt Cap (HK\$ mn)	73,454.5
Avg 3 mths t/o (HK\$ mn)	158.9
52w High/Low (HK\$)	32.90/17.02
Total Issued Shares (mn)	2253.2

Source: FactSet

### Shareholding Structure

Golden Link Worldwide Ltd	65.8%
Gold Dragonfly Ltd	5.0%

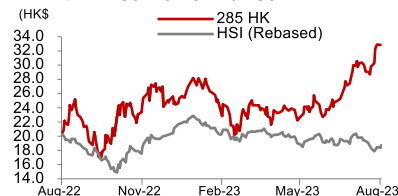
Source: HKEx

### Share Performance

	Absolute	Relative
1-mth	8.7%	17.1%
3-mth	43.0%	43.5%
6-mth	42.7%	52.7%

Source: FactSet

### 12-mth Price Performance



Source: FactSet

## 2Q23 Results review

Figure 1: 1H23 results review

RMB mn	2H21	1H22	2H22	1H23	YoY	CMBI		Consensus	
						FY23E	%Track	FY23E	%Track
Revenue	44,526	43,694	63,493	56,180	29%	123,327	46%	127,671	44%
Gross profit	2,968	2,328	4,022	4,409	89%	9,780	45%	8,999	49%
Operating profit	362	42	568	1,029	2326%	2,693	38%	2,596	40%
Net profit	667	634	1,224	1,516	139%	3,477	44%	2,931	52%
EPS (RMB)	0.30	0.28	0.54	0.67	139%	1.54	44%	1.31	51%
Gross margin	6.7%	5.3%	6.3%	7.8%	2.5ppt	6.0%		7.0%	
Operating margin	0.8%	0.1%	0.9%	1.8%	1.7ppt	0.6%		2.0%	
Net margin	1.5%	1.5%	1.9%	2.7%	1.2ppt	1.8%		2.3%	

Source: Company data, Bloomberg, CMBIGM estimates

Figure 2: 2Q23 results review

RMB mn	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	YoY	QoQ
Revenue	20,933	22,761	27,462	36,030	26,375	29,805	31%	13%
Gross profit	1,145	1,184	1,796	2,226	2,030	2,379	101%	17%
Net profit	180	454	603	621	459	1057	133%	130%
EPS (RMB)	0.08	0.20	0.27	0.27	0.20	0.47	135%	136%
Gross margin	5.5%	5.2%	6.5%	6.2%	7.7%	8.0%	2.8 ppt	0.3 ppt
Net margin	0.9%	2.0%	2.2%	1.7%	1.7%	3.5%	1.6 ppt	1.8 ppt
Revenue (YoY)	5.2%	-7.6%	28.3%	55.8%	26.0%	30.9%		
Gross profit (YoY)	-10.7%	-33.5%	16.4%	56.2%	77.4%	101.0%		
Net profit (YoY)	-77.7%	-45.7%	17.4%	305.5%	154.9%	132.9%		

Source: Company data, Bloomberg, CMBIGM estimates

## Earnings revision

Figure 3: Earnings revision

RMB mn	New			Old			Change (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	123,327	141,246	156,988	122,746	141,695	157,140	0.5%	-0.3%	-0.1%
Gross Profit	9,780	11,320	13,354	8,709	10,578	12,312	12.3%	7.0%	8.5%
Operating Profit	2,693	3,622	4,798	2,190	3,069	3,983	23.0%	18.0%	20.5%
Net profit	3,477	4,273	5,320	3,289	4,058	4,872	5.7%	5.3%	9.2%
EPS (RMB)	1.54	1.90	2.36	1.46	1.80	2.16	5.7%	5.3%	9.2%
Gross Margin	7.9%	8.0%	8.5%	7.1%	7.5%	7.8%	0.8 ppt	0.5 ppt	0.7 ppt
Operating Margin	2.2%	2.6%	3.1%	1.8%	2.2%	2.5%	0.4 ppt	0.4 ppt	0.5 ppt
Net Margin	2.8%	3.0%	3.4%	2.7%	2.9%	3.1%	0.1 ppt	0.2 ppt	0.3 ppt

Sources: Company data, CMBIGM estimates

Figure 4: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	123,327	141,246	156,988	127,671	148,738	169,632	-3%	-5%	-7%
Gross Profit	9,780	11,320	13,354	8,999	11,267	13,523	9%	0%	-1%
Operating Profit	2,693	3,622	4,798	2,596	3,791	5,353	4%	-4%	-10%
Net profit	3,477	4,273	5,320	2,931	4,024	5,251	19%	6%	1%
EPS (RMB)	1.54	1.90	2.36	1.31	1.80	2.35	18%	6%	0%
Gross Margin	7.9%	8.0%	8.5%	7.0%	7.6%	8.0%	0.9 ppt	0.4 ppt	0.5 ppt
Operating Margin	2.2%	2.6%	3.1%	2.0%	2.5%	3.2%	0.2 ppt	0 ppt	-0.1 ppt
Net Margin	2.8%	3.0%	3.4%	2.3%	2.7%	3.1%	0.5 ppt	0.3 ppt	0.3 ppt

Source: Company data, CMBIGM estimates

**Figure 5: Revenue breakdown**

RMB mn	FY22	1H23	2H23E	FY23E	FY24E	FY25E
<b>Assembly</b>	<b>68,054</b>	<b>36,062</b>	<b>37,075</b>	<b>73,137</b>	<b>78,750</b>	<b>82,000</b>
... YoY	22%	36.4%	-10.9%	7%	8%	4%
<b>Component (metal/glass/plastic)</b>	<b>14,155</b>	<b>4,986</b>	<b>8,675</b>	<b>13,661</b>	<b>13,386</b>	<b>13,419</b>
... YoY	-10%	-25.7%	16.5%	-3%	-2%	0%
Metal	7,304	3,104	3,104	6,208	5,277	4,486
Plastic	3,221	1,132	1,672	2,803	2,469	2,099
Glass/ceramic	5,130	2,472	3,916	6,388	5,915	6,802
<b>New intelligent</b>	<b>15,207</b>	<b>8,999</b>	<b>9,948</b>	<b>18,947</b>	<b>22,736</b>	<b>27,284</b>
... YoY	22%	30.1%	20.0%	25%	20%	20%
E-cigarette	1,540	450	1,612	2,062	2,887	3,464
... YoY	54%	50.0%	30.0%	34%	40%	20%
Household energy storage	1,500	555	2,400	2,955	5,024	7,535
... YoY	-	-	-	97%	70%	50%
<b>Auto intelligent</b>	<b>9,263</b>	<b>6,133</b>	<b>11,449</b>	<b>17,582</b>	<b>26,374</b>	<b>34,286</b>
... YoY	146%	89%	90%	90%	50%	30%
<b>Total</b>	<b>107,186</b>	<b>56,180</b>	<b>67,147</b>	<b>123,327</b>	<b>141,246</b>	<b>156,988</b>
... YoY	20%	28.6%	6%	15%	15%	11%

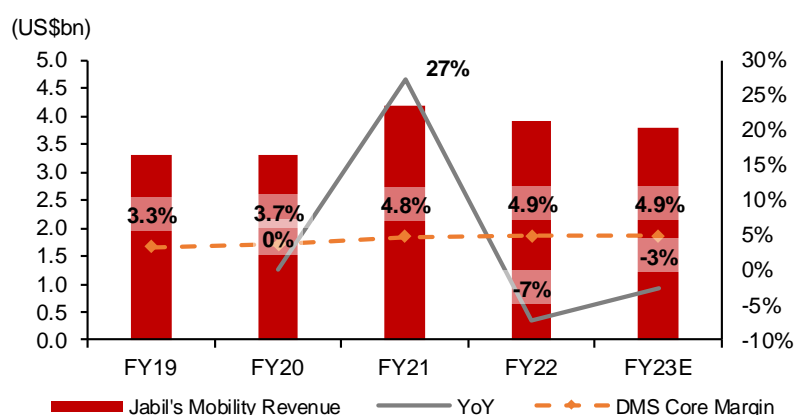
Source: Company data, CMBIGM estimates

**Figure 6: P&L forecast**

RMB mn	FY22	1H23	2H23E	FY23E	FY24E	FY25E
<b>Revenue</b>	<b>107,186</b>	<b>56,180</b>	<b>67,147</b>	<b>123,327</b>	<b>141,246</b>	<b>156,988</b>
... YoY	20.4%	28.6%	5.8%	15.1%	14.5%	11.1%
Cost of sales	(100,836)	(51,771)	(61,776)	(113,547)	(129,927)	(143,634)
<b>Gross profit</b>	<b>6,350</b>	<b>4,409</b>	<b>5,371</b>	<b>9,780</b>	<b>11,320</b>	<b>13,354</b>
GPM (%)	5.9%	7.8%	8.0%	7.9%	8.0%	8.5%
... YoY	5.3%	89.4%	33.5%	54.0%	15.7%	18.0%
SG&A	(1,770)	(921)	(1,021)	(1,942)	(2,331)	(2,590)
... % of rev	2%	2%	2%	2%	2%	2%
R&D	(3,969)	(2,459)	(2,686)	(5,145)	(5,367)	(5,966)
... % of rev	4%	4%	4%	4%	4%	4%
<b>Operating profit</b>	<b>611</b>	<b>1,029</b>	<b>1,665</b>	<b>2,693</b>	<b>3,622</b>	<b>4,798</b>
OPM (%)	1%	2%	2%	2%	3%	3%
... YoY	-57%	2326%	193%	341%	34%	32%
<b>Net profit</b>	<b>1,858</b>	<b>1,516</b>	<b>1,961</b>	<b>3,477</b>	<b>4,273</b>	<b>5,320</b>
NPM (%)	1.7%	2.7%	2.9%	2.8%	3.0%	3.4%
... YoY	-20%	139%	60%	87%	23%	25%

Source: Company data, CMBIGM estimates

Figure 7: Jabil's Mobility segment revenue in FY19-23E



Source: Company announcement

Figure 8: Overview of Jabil's mobility business location in China (Wuxi, Chengdu)

Location	Main Business	Overview	Applications	Service Offerings	Manufacturing Area
Wuxi	EMS	* Offer a full suite of supply chain solutions from design services to seamless customs clearance and after-market services (including non-Jabil made products).	* Hardware automation & manual job digitization * Software automation * Digital highway	* PCB assembly * Box build * Configure-to-order * Automated manufacturing systems	Factory areas: 156,485 sqm Floor space: 84,263 sqm
	JGP	* Established in Dec. 2015. * 1800+ sets of most advanced CNC machines * One of the most reliable suppliers of the famous mobile phone brand in the world.	* Mobile phone related parts	* Products include series of small metal parts, housing.	693,235 sq.ft.
	Metal	* Provides world-class engineering and manufacturing services to customers in China and overseas.	* Consumer lifestyle * Mobility		1,765,281 sq.ft.
	Plastics	A world leader in consumer handheld electronics	* Consumer electronics * Mobility	* Esthetic, precise and structural mechanical plastic and metal components * Innovative decorating technologies and optimized mechanical solutions	120,420 sq.ft.
	Stamping	One of the most reliable suppliers of the famous mobile phone brand in the world	* Electronics	* Production of mobile phone related parts, digital camera related parts, fine punching dies, precision cavity dies and mold standard parts	356,569 sq.ft.
	Tooling	* Diversified mold manufacturing capabilities * Deliver comprehensive design, manufacturing, supply chain and product management services for customers in a broad range of industries.	* Consumer electronics * Healthcare * Packaging * Automotive product	* From standard mold to high precision mold * Implement self-developed Tool Smart Manufacturing System to establish unique Smart Factory in Tooling industry	12,100 sq.ft.
Chengdu	Capacity Expansion	* As one of Jabil's largest sites in China, JGP Chengdu offers capacity for future expansion and development.	* Consumer * Mobile	* Layout conducive for strong security system control * Offers 24-hour customer support * The only government-certified site for Worldwide Tech Services (CNC and Anodizing) * Offers capacity for future expansion and development	7,170,000 sq.ft.

Source: Company website

## Valuation

### Maintain BUY with new TP of HK\$41.98 (29% upside)

We maintain BUY and derive our new TP based on SOTP valuation to reflect BYDE's business diversification with different growth profiles and visibility.

Our new TP of HK\$41.98 is based on weighted-average target P/E multiple of rolled-over 18.4x FY24E PE. We assign 15x P/E to its assembly EMS business and 15x P/E for component business, in-line with TW/HK-listed peers, given Android business margin recovery and Apple business expansion. We assign 20x for new intelligent and NEV segments to reflect its growth potential and higher earnings visibility.

**Figure 9: BYDE – SOTP valuation**

Business segment	% of FY24E Profit	FY24E EPS (RMB)	Target P/E
Assembly	16%	0.31	15x
Components	16%	0.31	15x
Masks	0%	0.00	8x
New Intelligent	30%	0.57	20x
Auto intelligent	37%	0.71	20x
Others	0%	0.0	10x
Total (RMB) /Implied P/E		<b>1.90</b>	<b>18.4x</b>
TP (HK\$)			<b>41.98</b>

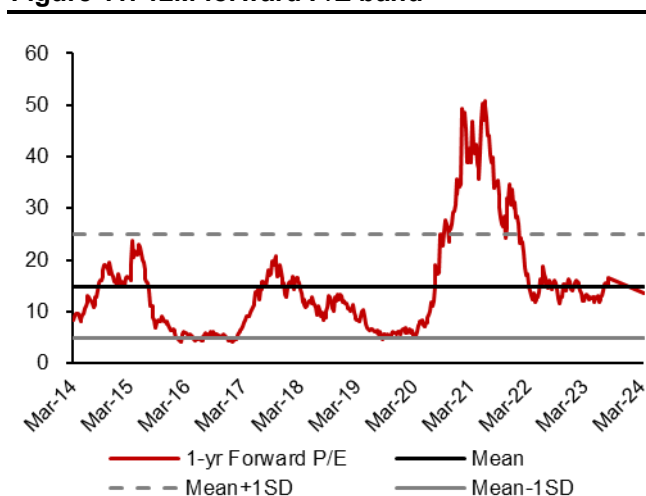
Sources: Company data, CMBIGM estimates

**Figure 10: Peers' valuation**

Company	Ticker	Rating	Market Cap (US\$ mn)	Price (LC)	TP (LC)	Up/Down -side	P/E (x)		P/B (x)		ROE (%)	
							FY23E	FY24E	FY23E	FY24E	FY23E	FY24E
BYDE	285 HK	BUY	9,362	32.60	42.0	29%	19.6	16.0	2.4	2.1	12.7	13.8
Tongda	698 HK	BUY	99	0.08	0.17	113%	3.6	2.6	0.1	0.1	1.8	3.8
AAC Tech	2018 HK	HOLD	2,371	15.52	15.6	0%	25.8	15.5	0.7	0.7	2.9	4.7
TK Group	2283 HK	BUY	140	1.32	3.4	156%	2.5	3.4	0.5	0.6	20.7	17.8
Ju Teng	3336 HK	NR	165	1.08	NA	NA	-	-	-	-	-	-
Everwin	300115 CH	NR	1,604	9.73	NA	NA	24.0	12.7	1.9	1.7	7.9	13.2
Lens Tech	300433 CH	NR	7,974	11.68	NA	NA	19.3	14.5	1.3	1.2	6.7	8.5
Foxconn	2354 TT	NR	2,431	54.80	NA	NA	11.7	11.0	0.5	0.4	5.7	5.9
Catcher	2474 TT	NR	3,649	171.00	NA	NA	12.8	14.9	0.7	0.7	5.6	4.5
Average							14.9	11.3	1.0	0.9	7.9	8.9

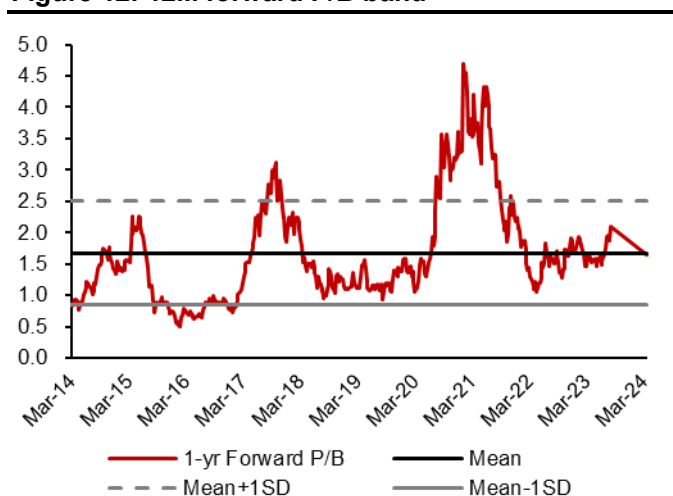
Source: Bloomberg, CMBIGM estimates

**Figure 11: 12M forward P/E band**



Source: Bloomberg, CMBIGM estimates

**Figure 12: 12M forward P/B band**



Source: Bloomberg, CMBIGM estimates

## Financial Summary

INCOME STATEMENT	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Revenue	73,121	89,057	107,186	123,327	141,246	156,988
Cost of goods sold	(63,492)	(83,028)	(100,836)	(113,547)	(129,927)	(143,634)
Gross profit	9,629	6,029	6,350	9,780	11,320	13,354
Selling expense	(237)	(275)	(535)	(639)	(706)	(785)
Admin expense	(673)	(1,041)	(1,235)	(1,302)	(1,624)	(1,805)
R&D expense	(2,913)	(3,308)	(3,969)	(5,145)	(5,367)	(5,966)
Operating profit	5,806	1,405	611	2,693	3,622	4,798
Other income/expense	487	1,104	1,386	1,272	1,272	1,272
Pre-tax profit	6,221	2,465	1,939	3,873	4,801	5,978
Income tax	(779)	(155)	(81)	(397)	(528)	(658)
Minority interest	0	0	0	0	0	0
Net profit	5,441	2,310	1,858	3,477	4,273	5,320
Adjusted net profit	5,441	2,310	1,858	3,477	4,273	5,320

BALANCE SHEET	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Current assets	26,069	27,630	40,488	35,508	45,207	43,327
Cash & equivalents	3,466	2,825	6,244	2,561	3,969	3,805
Account receivables	14,391	9,240	10,471	12,157	16,092	15,306
Inventories	6,891	10,567	17,046	14,062	18,419	17,489
ST bank deposits	0	0	0	0	0	0
Other current assets	1,320	4,998	6,727	6,727	6,727	6,727
Non-current assets	10,825	12,314	15,006	17,054	19,264	21,629
PP&E	9,693	11,182	12,941	15,195	17,625	20,227
Deferred income tax	0	201	481	481	481	481
Other non-current assets	1,132	931	1,583	1,378	1,157	921
Total assets	37,976	41,175	56,994	54,268	66,397	67,120
Current liabilities	14,840	16,220	30,143	23,987	32,271	28,205
Short-term borrowings	0	0	0	0	0	0
Account payables	8,146	11,724	22,002	15,847	24,131	20,065
Tax payable	57	184	363	363	363	363
Other current liabilities	6,636	4,312	7,777	7,777	7,777	7,777
Non-current liabilities	864	928	1,216	1,216	1,216	1,216
Deferred income	147	150	231	231	231	231
Other non-current liabilities	313	404	395	395	395	395
Total liabilities	15,704	17,148	31,359	25,204	33,488	29,422
Share capital	4,052	4,052	4,052	4,052	4,052	4,052
Other reserves	18,220	19,975	21,583	25,012	28,858	33,646
Total shareholders equity	22,272	24,027	25,635	29,064	32,910	37,698
Minority interest	0	0	0	0	0	0
Total equity and liabilities	37,976	41,175	56,994	54,268	66,397	67,120

CASH FLOW	2020A	2021A	2022A	2023E	2024E	2025E
<b>YE 31 Dec (RMB mn)</b>						
<b>Operating</b>						
Profit before taxation	6,221	2,465	1,939	3,873	4,801	5,978
Depreciation & amortization	1,760	1,717	1,987	2,298	2,654	3,050
Change in working capital	(4,745)	(2,228)	2,568	(4,858)	(7)	(2,350)
Others	(27)	(187)	(124)	(304)	(436)	(565)
<b>Net cash from operations</b>	<b>3,209</b>	<b>1,768</b>	<b>6,370</b>	<b>1,010</b>	<b>7,013</b>	<b>6,112</b>
<b>Investing</b>						
Capital expenditure	(2,795)	(3,206)	(3,859)	(4,440)	(5,085)	(5,652)
Others	(186)	0	0	0	0	0
<b>Net cash from investing</b>	<b>(2,981)</b>	<b>(3,206)</b>	<b>(3,859)</b>	<b>(4,440)</b>	<b>(5,085)</b>	<b>(5,652)</b>
<b>Financing</b>						
Dividend paid	(160)	(232)	(372)	(174)	(427)	(532)
Others	1,730	(43)	(59)	(93)	(93)	(93)
<b>Net cash from financing</b>	<b>1,570</b>	<b>(275)</b>	<b>(430)</b>	<b>(266)</b>	<b>(520)</b>	<b>(625)</b>
<b>Net change in cash</b>						
Cash at the beginning of the year	1,651	3,466	2,825	6,258	2,561	3,969
Exchange difference	16	1,072	1,352	0	0	0
<b>Cash at the end of the year</b>	<b>3,466</b>	<b>2,825</b>	<b>6,258</b>	<b>2,561</b>	<b>3,969</b>	<b>3,805</b>
GROWTH	2020A	2021A	2022A	2023E	2024E	2025E
<b>YE 31 Dec</b>						
Revenue	37.9%	21.8%	20.4%	15.1%	14.5%	11.1%
Gross profit	143.3%	(37.4%)	5.3%	54.0%	15.7%	18.0%
Operating profit	484.3%	(75.8%)	(56.5%)	340.9%	34.5%	32.5%
Net profit	240.6%	(57.5%)	(19.6%)	87.2%	22.9%	24.5%
Adj. net profit	240.6%	(57.5%)	(19.6%)	87.2%	22.9%	24.5%
PROFITABILITY	2020A	2021A	2022A	2023E	2024E	2025E
<b>YE 31 Dec</b>						
Gross profit margin	13.2%	6.8%	5.9%	7.9%	8.0%	8.5%
Operating margin	7.9%	1.6%	0.6%	2.2%	2.6%	3.1%
Adj. net profit margin	7.4%	2.6%	1.7%	2.8%	3.0%	3.4%
Return on equity (ROE)	27.7%	10.0%	7.5%	12.7%	13.8%	15.1%
GEARING/LIQUIDITY/ACTIVITIES	2020A	2021A	2022A	2023E	2024E	2025E
<b>YE 31 Dec</b>						
Net debt to equity (x)	0.0	0.0	0.0	0.0	0.0	0.0
Current ratio (x)	1.8	1.7	1.3	1.5	1.4	1.5
Receivable turnover days	59.8	48.4	33.6	33.5	36.5	36.5
Inventory turnover days	35.5	38.4	50.0	50.0	45.6	45.6
Payable turnover days	44.5	43.7	61.0	60.8	56.2	56.2
VALUATION	2020A	2021A	2022A	2023E	2024E	2025E
<b>YE 31 Dec</b>						
P/E	9.1	32.2	22.1	19.6	16.0	12.8
P/B	2.2	3.1	1.6	2.4	2.1	1.8
Div yield (%)	1.1	0.3	0.9	0.3	0.6	0.8
EV	22,272.3	24,027.1	25,635.1	29,063.9	32,909.9	37,698.2
EV/Sales	0.3	0.3	0.2	0.2	0.2	0.2

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.



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