

Zoomlion (1157 HK/000157 CH)

2024 results below expectation; Still positive on the structural overseas growth trend

Zoomlion's 2024 results were weaker than our expectation, due to a slowdown of overseas revenue growth (14%) in 4Q24, reduction of other income, and increase in inventory turnover days. While we revise down our 2025E/26E earnings forecast by 7%/8%, after incorporating lower sales volume growth and higher distribution expenses due to overseas expansion, we remain positive on Zoomlion's structural overseas growth strategy with priorities on emerging economies. On inventory, management is confident of a reduction of the inventory level in 2025E. Our TP for Zoomlion A/H is revised down/up to RMB9.9/HK\$7.4, based on 2025E target P/E multiple of 19.5x for A-share and 30% discount for H-share. We see buying opportunities following the post-results pullback. Maintain **BUY**.

■ **4Q24 earnings highlight.** Revenue in 4Q24 dropped 4% YoY to RMB11.1bn, as the decline in China revenue (-18% YoY to RMB5.36bn) offset the growth overseas (+14% YoY to RMB5.74bn). Overseas revenue accounted for 52% of total revenue in 4Q24, slightly down from 57% in 3Q24. Blended gross margin expanded 0.6ppt YoY to 27.5%, as overseas markets commanded a higher margin. Given the decline of non-operating income (-89% YoY to RMB61mn), EBIT dropped 19% YoY to RMB519mn. Net profit declined 45% YoY to RMB382mn, as a result of higher minority interest due to higher growth of non-wholly owned AWP business. For the full year in 2024, revenue/net profit dropped 1.2%/0.8% YoY to RMB53bn/RMB3.5bn. Zoomlion proposed a dividend of RMB0.3/shr, representing a pay-out ratio of 74%.

■ **Low exposure to domestic property sector.** Domestic property related products such as concrete machinery and cranes sales accounted for only 13% of Zoomlion's total sales in 2024. For tower cranes, management revealed that only 30-40% are related to property, with the balance related to infrastructure, wind power installation and chemical plants construction. For truck cranes, only 10% of the demand comes from property, with the balance related to infrastructure, energy and municipal projects.

■ **2025 outlook.** Management did not provide much quantitative guidance in the post-results call, but provided some key directions: (1) overseas market expansion will be accelerated; (2) earth-working, mining, and agricultural machinery will continue to be growth drivers; (3) share-based expenses, which surged 2.1x YoY to RMB866mn, is expected to drop >50% in 2025; (4) other operating expenses are expected to be on a downtrend.

Earnings Summary - 1157 HK

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	47,075	45,478	52,999	61,848	69,277
YoY growth (%)	13.1	(3.4)	16.5	16.7	12.0
Adjusted net profit (RMB mn)	3,550.0	3,521.0	4,176.6	4,705.5	5,229.5
EPS (Reported) (RMB)	0.43	0.42	0.51	0.57	0.63
YoY growth (%)	54.9	(1.3)	19.2	12.7	11.1
Consensus EPS (RMB)	na	0.48	0.58	0.70	0.00
P/E (x)	13.3	13.5	11.3	10.0	9.0
P/B (x)	0.9	0.9	0.8	0.8	0.8
Yield (%)	5.6	5.2	5.9	6.6	7.4
ROE (%)	6.9	7.1	8.3	9.1	9.8
Net gearing (%)	12.2	21.7	26.8	30.8	33.7

Source: Company data, Bloomberg, CMBIGM estimates

	1157 HK	000157 CH
	BUY	BUY
	Maintain	Maintain

TP	HK\$7.40	RMB9.90
Prior TP	HK\$6.80	RMB10.50
Up/Downside	20.9%	26.6%
Current Price	HK\$6.1	RMB7.8

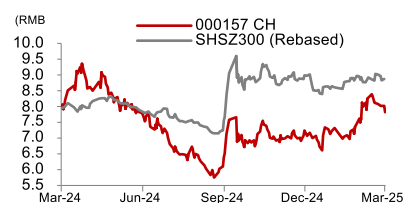
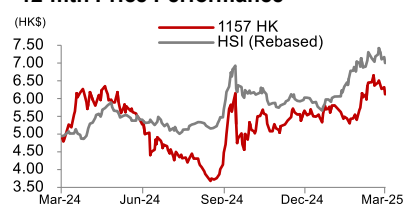
China Capital Goods

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12-mth Price Performance



Source: FactSet

Stock Performance

	1157 HK		000157 CH	
	Abs.	Rel.	Abs.	Rel.
1-mth	6.6%	5.2%	4.3%	6.4%
3-mth	8.1%	-6.9%	8.8%	9.5%
6-mth	36.0%	11.4%	20.1%	17.6%

Source: FactSet

Stock Data

(LC)	1157 HK	000157 CH
Mkt Cap (mn)	9681.623	55490.94
Avg 3 mths t/o (mn)	87.48	574.45
52w High	6.65	9.35
52w Low	3.68	5.75
Issued Shares (mn)	1581.965	7096.028

Source: FactSet

Related reports:

Capital Goods – Non-earth-moving machinery sales data mixed in Feb – 17 Mar 2025 ([link](#))

Capital Goods – Domestic excavator sales +99% YoY in Feb a surprise – 10 Mar 2025 ([link](#))

Valuation

We roll over our target valuation to 2025E, based on 19.5x 2025E P/E, to reach our new TP for A-share of RMB9.9 (previously RMB10.5). Our target P/E is based on the five-year average historical P/E of 15x plus 1SD (previously based on 22x 2024E P/E, equivalent to the peak valuation in 2021). We maintain our view that overseas expansion story will serve as a structural driver.

Our new TP for H-share (HK\$7.4, previously HK\$6.8) is based on a 30% H/A discount (previously 40%). Our narrowed target discount is to reflect the recent improvement in Hong Kong market appetite.

Major risk factors: (1) further weakness of property investment in China; (2) a slowdown of overseas demand; (3) increase in freight rates due to uncertain US tariff policy.

Figure 1: Zoomlion's 4Q24 results

(RMB mn)	1Q23	1Q24	Change YoY	2Q23	2Q24	Change YoY	3Q23	3Q24	Change YoY	4Q23	4Q24	Change YoY
Revenue breakdown												
China	6,695	6,071	-9%	9,008	6,417	-29%	6,783	4,255	-37%	6,541	5,356	-18%
Overseas	3,731	5,703	53%	4,641	6,345	37%	4,656	5,596	20%	5,020	5,737	14%
Total revenue	10,426	11,773	13%	13,650	12,762	-7%	11,439	9,851	-14%	11,561	11,092	-4%
Cost of sales	-7,674	-8,400	9%	-9,685	-9,189	-5%	-8,298	-7,041	-15%	-8,452	-8,038	-5%
Gross profit	2,752	3,373	23%	3,964	3,573	-10%	3,141	2,810	-11%	3,109	3,054	-2%
Other income	-6	-51	697%	135	988	630%	256	164	-36%	550	61	-89%
S&D expenses	-677	-866	28%	-1,018	-1,036	2%	-875	-863	-1%	-987	-956	-3%
Administrative expenses	-567	-719	27%	-727	-998	37%	-617	-710	15%	-1,157	-728	-37%
R&D expenses	-645	-665	3%	-940	-641	-32%	-983	-551	-44%	-873	-912	4%
EBIT	856	1,072	25%	1,415	1,886	33%	923	850	-8%	641	519	-19%
Net finance income/(cost)	-124	-54	-57%	247	-65	n/a	22	122	453%	139	-31	n/a
Other gains/(losses)	180	119	-34%	-180	-119	-34%	-78	26	n/a	78	-26	n/a
Share of profit of JV and associates	32	39	22%	43	-14	n/a	40	30	-24%	38	29	-25%
Pretax profit	944	1,177	25%	1,525	1,687	11%	906	1,028	13%	897	491	-45%
Income tax	-86	-156	82%	-163	-166	2%	-64	-77	21%	-144	25	n/a
After tax profit	859	1,020	19%	1,361	1,522	12%	843	950	13%	752	517	-31%
MI	-49	-105	115%	-131	-149	14%	-28	-99	260%	-57	-135	135%
Net profit	810	916	13%	1,230	1,372	12%	815	851	4%	695	382	-45%
Key ratios			Change (ppt)			Change (ppt)			Change (ppt)			Change (ppt)
Gross margin	26.4%	28.7%	2.3	29.0%	28.0%	-1.0	27.5%	28.5%	1.1	26.9%	27.5%	0.6
S&D expenses ratio	6.5%	7.4%	0.9	7.5%	8.1%	0.7	7.6%	8.8%	1.1	8.5%	8.6%	0.1
Administrative expense ratio	5.4%	6.1%	0.7	5.3%	7.8%	2.5	5.4%	7.2%	1.8	10.0%	6.6%	-3.4
R&D expense ratio	6.2%	5.7%	-0.5	6.9%	5.0%	-1.9	8.6%	5.6%	-3.0	7.6%	8.2%	0.7
Net margin	8.2%	8.7%	0.4	10.0%	11.9%	1.9	7.4%	9.6%	2.3	6.5%	4.7%	-1.8
Effective tax rate	9.1%	13.3%	4.2	10.7%	9.8%	-0.9	7.0%	7.5%	0.5	16.1%	-5.1%	-21.2

Source: Company data, CMBIGM

Figure 2: Revenue and gross profit breakdown in 2024

(RMB mn)	1H23	1H24	Change (YoY)	2H23	2H24	Change (YoY)
Revenue						
Construction machinery	22,747	21,987	-3.3%	21,739	18,369	-15.5%
Concrete machinery	4,555	4,210	-7.6%	4,043	3,803	-5.9%
Crane machinery	9,979	8,228	-17.5%	9,312	6,558	-29.6%
Aerial work platform	3,355	3,953	17.8%	2,352	2,880	22.5%
Excavator	2,932	3,516	19.9%	3,716	3,155	-15.1%
Others	1,926	2,080	8.0%	2,316	1,973	-14.8%
Agricultural machinery	1,101	2,341	112.6%	991	2,309	133.0%
Financial services	227	207	-8.8%	270	265	-1.8%
Total revenue	24,075	24,535	1.9%	23,000	20,943	-8.9%
Gross profit						
Construction machinery	6,405	6,426	0.3%	5,835	5,359	-8.2%
Concrete machinery	1,057	925	-12.5%	914	892	-2.4%
Crane machinery	2,978	2,667	-10.4%	3,011	2,125	-29.4%
Aerial work platform	885	1,084	22.5%	408	946	131.9%
Excavator	885	1,134	28.1%	972	879	-9.6%
Others	600	616	2.7%	530	517	-2.5%
Agricultural machinery	94	319	239.4%	152	251	65.1%
Financial services	217	201	-7.4%	263	254	-3.4%
Total gross profit	6,716	6,946	3.4%	6,250	5,864	-6.2%
Gross margin						
			Change (ppt)			Change (ppt)
Construction machinery	28.2%	29.2%	1.1	26.8%	29.2%	2.3
Concrete machinery	23.2%	22.0%	(1.2)	22.6%	23.5%	0.8
Crane machinery	29.8%	32.4%	2.6	32.3%	32.4%	0.1
Aerial work platform	26.4%	27.4%	1.0	17.3%	32.8%	15.5
Excavator	30.2%	32.3%	2.1	26.2%	27.9%	1.7
Others	31.2%	29.6%	(1.5)	22.9%	26.2%	3.3
Agricultural machinery	8.5%	13.6%	5.1	15.3%	10.9%	(4.5)
Financial services	95.6%	97.1%	1.5	97.5%	95.9%	(1.6)
Average gross margin	27.9%	28.3%	0.4	27.2%	28.0%	0.8

Source: Company data, CMBIGM

Figure 3: Key financials in 2024

(RMB mn)	1H23	1H24	Change (YoY)	2H23	2H24	Change (YoY)
Total revenue	24,075	24,535	1.9%	23,000	20,943	-8.9%
Cost of sales	-17,359	-17,589	1.3%	-16,750	-15,079	-10.0%
Gross profit	6,716	6,946	3.4%	6,250	5,864	-6.2%
Other income	129	937	626.4%	806	225	-72.1%
S&D expenses	-1,695	-1,902	12.2%	-1,862	-1,819	-2.3%
Administrative expenses	-1,294	-1,717	32.7%	-1,774	-1,438	-18.9%
R&D expenses	-1,585	-1,306	-17.6%	-1,856	-1,463	-21.2%
EBIT	2,271	2,958	30.3%	1,564	1,369	-12.5%
Net finance income/(cost)	123	-119	n/a	161	91	-43.5%
Finance income	387	320	-17.3%	527	333	-36.8%
Finance expenses	-264	-439	66.3%	-366	-242	-33.9%
Other gains/(losses)	0	0	n/a	0	0	n/a
Share of profit of JV and associate	75	25	-66.7%	78	59	-24.4%
Pretax profit	2,469	2,864	16.0%	1,803	1,519	-15.8%
Income tax	-249	-322	29.3%	-208	-52	-75.0%
After tax profit	2,220	2,542	14.5%	1,595	1,467	-8.0%
MI	-180	-254	41.1%	-85	-234	175.3%
Net profit	2,040	2,288	12.2%	1,510	1,233	-18.3%
D&A	676	679	0.4%	469	395	-15.8%
EBITDA	2,947	3,637	23.4%	2,033	1,764	-13.2%
Key ratios						
			Change (ppt)			Change (ppt)
Gross margin	27.9%	28.3%	0.4	27.2%	28.0%	0.8
S&D expenses ratio	7.0%	7.8%	0.7	8.1%	8.7%	0.6
Administrative expense ratio	5.4%	7.0%	1.6	7.7%	6.9%	-0.8
R&D expense ratio	6.6%	5.3%	-1.3	8.1%	7.0%	-1.1
Net margin	9.2%	10.4%	1.1	6.9%	7.0%	0.1
Effective tax rate	10.1%	11.2%	1.2	11.5%	3.4%	-8.1

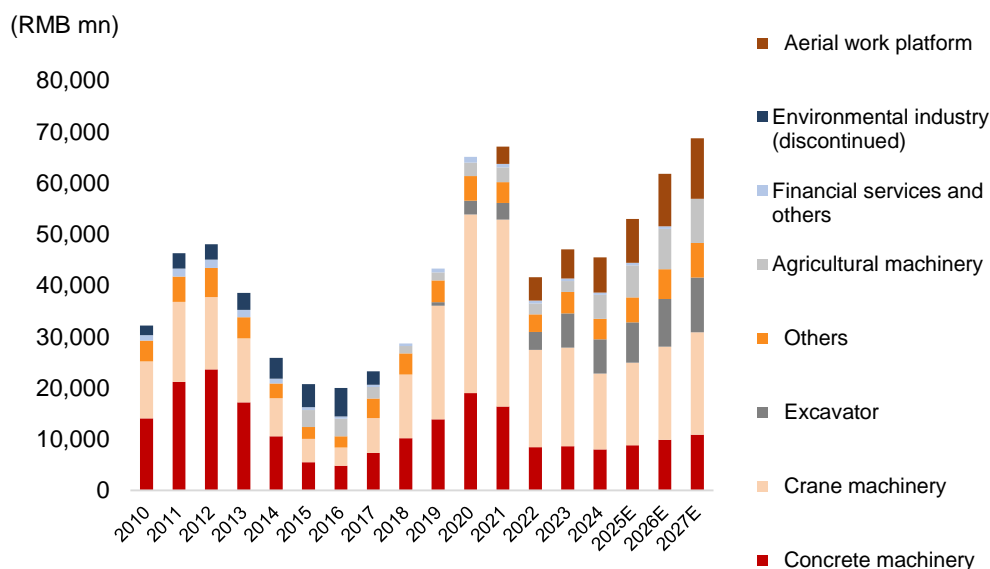
Source: Company data, CMBIGM

Figure 4: Change in key assumptions

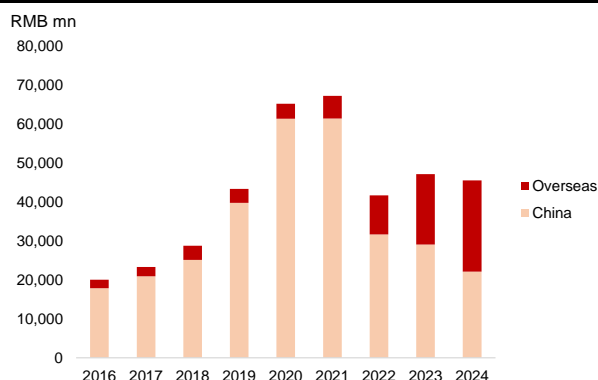
	Old			New			Change		
	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E
(RMB mn)									
Revenue									
Construction machinery	56,226	64,569	-	46,226	53,481	60,099	-18%	-17%	-
Concrete machinery	9,286	10,029	-	8,815	9,872	10,859	-5%	-2%	-
Crane machinery	20,985	23,293	-	16,117	18,212	20,033	-23%	-22%	-
Aerial work platform	8,560	10,272	-	8,560	10,272	11,813	0%	0%	-
Excavator	11,235	13,707	-	7,871	9,288	10,681	-30%	-32%	-
Others	6,159	7,268	-	4,863	5,836	6,711	-21%	-20%	-
Agricultural machinery	4,707	5,413	-	6,278	7,847	8,632	33%	45%	-
Financial services and others	516	542	-	496	520	546	-4%	-4%	-
Total revenue	61,449	70,524	-	52,999	61,848	69,277	-14%	-12%	-
Gross margin									
							Change in ppt		
Construction machinery	28.7%	29.0%	-	29.5%	29.6%	29.7%	0.72	0.65	-
Concrete machinery	22.6%	22.8%	-	22.8%	23.0%	23.0%	0.20	0.20	-
Crane machinery	33.3%	33.8%	-	32.8%	33.0%	33.2%	-0.50	-0.80	-
Aerial work platform	24.0%	24.0%	-	31.0%	31.0%	31.0%	7.00	7.00	-
Excavator	29.3%	29.5%	-	29.3%	29.5%	29.5%	0.00	0.00	-
Others	28.0%	28.2%	-	28.0%	28.2%	28.2%	0.00	0.00	-
Agricultural machinery	15.0%	15.5%	-	14.0%	15.5%	16.0%	-1.00	0.00	-
Financial services	97.0%	97.0%	-	97.0%	97.0%	97.0%	0.00	0.00	-
Blended gross margin	28.3%	28.5%	-	28.3%	28.4%	28.5%	0.00	-0.07	-
S&D expense ratio	7.8%	7.8%	-	8.1%	8.1%	8.1%	0.3	0.3	-
Administrative expense ratio	6.6%	6.4%	-	6.6%	6.4%	6.3%	0.0	0.0	-
R&D expense ratio	6.9%	6.8%	-	5.5%	5.4%	5.3%	(1.4)	(1.4)	-
Effective tax rate	12.0%	12.5%	-	10.0%	11.0%	11.0%	(2.0)	(1.5)	-
MI	7.5%	7.5%	-	13.0%	13.0%	13.0%	5.5	5.5	-
Net profit	4,488	5,132	-	4,177	4,705	5,229	-6.9%	-8.3%	-

Source: Company data, CMBIGM estimates

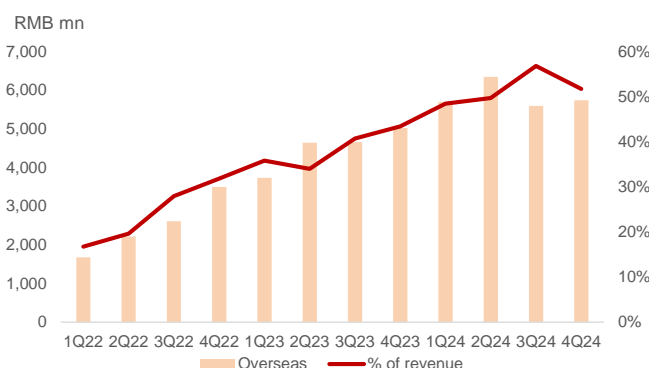
Figure 5: Zoomlion's revenue breakdown



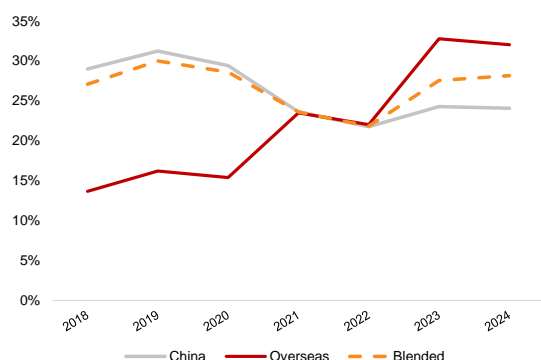
Source: Company data, CMBIGM estimates

Figure 6: Zoomlion revenue breakdown by region

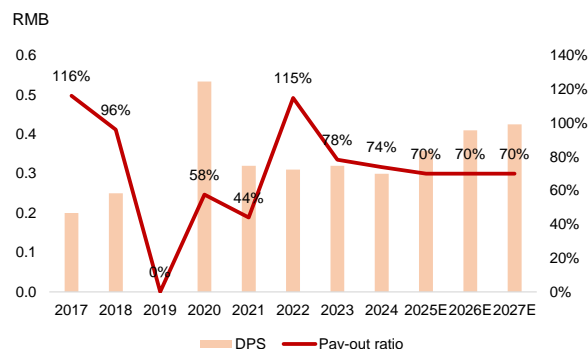
Source: Company data, CMBIGM

Figure 7: Overseas revenue ratio has hit 50% since 2Q24

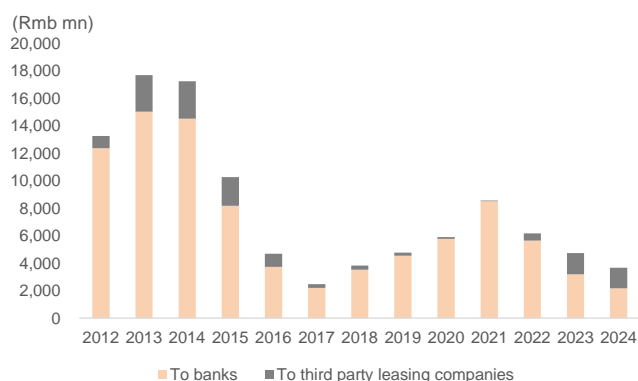
Source: Company data, CMBIGM

Figure 8: Gross margin overseas has exceeded that in China since 2023

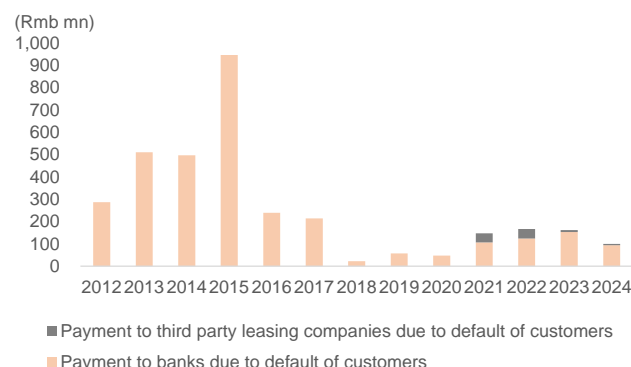
Source: Company data, CMBIGM

Figure 9: Zoomlion's DPS and payout ratio

Source: Company data, CMBIGM estimates

Figure 10: Zoomlion's financial guarantee issued (max. exposure as of year-end)

Source: Company data, CMBIGM

Figure 11: Zoomlion's payment due to default of customers

Source: Company data, CMBIGM

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	41,631	47,075	45,478	52,999	61,848	69,277
Cost of goods sold	(32,543)	(34,109)	(32,668)	(38,022)	(44,276)	(49,511)
Gross profit	9,088	12,966	12,810	14,977	17,572	19,765
Selling expense	(2,635)	(3,557)	(3,721)	(4,293)	(5,010)	(5,611)
Admin expense	(2,846)	(3,068)	(3,155)	(3,498)	(3,958)	(4,364)
R&D expense	(2,507)	(3,441)	(2,769)	(2,915)	(3,340)	(3,672)
Other income	982	935	1,162	1,023	923	873
Other gains/(losses)	0	0	0	0	0	0
Share of (losses)/profits of associates/JV	130	153	84	91	92	94
EBITDA	3,116	4,980	5,401	6,685	7,625	8,459
Depreciation	1,034	1,145	1,074	1,391	1,438	1,468
EBIT	2,082	3,835	4,327	5,294	6,187	6,991
Interest income	989	914	653	738	590	464
Interest expense	(689)	(630)	(681)	(789)	(792)	(795)
Net Interest income/(expense)	300	284	(28)	(51)	(202)	(331)
Pre-tax profit	2,512	4,272	4,383	5,334	6,077	6,754
Income tax	(86)	(457)	(374)	(533)	(668)	(743)
Minority interest	(79)	(265)	(488)	(624)	(703)	(781)
Net profit	2,426	3,815	4,009	4,801	5,409	6,011
Adjusted net profit	2,347	3,550	3,521	4,177	4,705	5,229
Gross dividends	2,694	2,777	2,603	2,924	3,294	3,661
BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	73,602	78,006	74,478	89,458	88,524	102,700
Cash & equivalents	13,791	13,606	12,155	8,912	6,097	3,768
Account receivables	33,962	32,033	32,400	41,654	43,069	51,451
Inventories	14,203	22,504	22,564	28,896	30,786	36,224
ST bank deposits	1,708	2,265	1,565	1,565	1,565	1,565
Financial assets at FVTPL	4,011	1,767	1,622	1,622	1,622	1,622
Other current assets	5,927	5,831	4,172	6,809	5,385	8,071
Non-current assets	49,915	52,819	49,234	60,362	53,778	63,996
PP&E	13,903	17,364	20,577	21,398	21,674	21,420
Deferred income tax	1,907	2,303	2,637	2,637	2,637	2,637
Investment in JVs & assos	4,476	4,497	4,484	4,575	4,667	4,761
Intangibles	1,926	1,988	2,019	1,957	1,793	1,629
Goodwill	2,562	2,641	2,580	2,580	2,580	2,580
Financial assets at FVTPL	2,263	2,669	2,017	2,017	2,017	2,017
Other non-current assets	22,878	21,357	14,920	25,198	18,410	28,952
Total assets	123,517	130,825	123,712	149,820	142,302	166,696
Current liabilities	48,393	49,996	42,987	66,897	56,895	78,571
Short-term borrowings	11,018	7,377	10,837	10,937	11,037	11,137
Account payables	35,259	40,513	29,763	53,573	43,471	65,047
Tax payable	107	154	310	310	310	310
Other current liabilities	2,009	1,952	2,077	2,077	2,077	2,077
Non-current liabilities	18,185	21,698	20,923	20,923	20,923	20,923
Long-term borrowings	10,962	14,922	15,412	15,412	15,412	15,412
Other non-current liabilities	7,223	6,776	5,511	5,511	5,511	5,511
Total liabilities	66,578	71,694	63,910	87,820	77,818	99,494
Total shareholders equity	54,705	56,371	57,101	58,675	60,456	62,392
Minority interest	2,234	2,760	2,701	3,325	4,028	4,810
Total equity and liabilities	123,517	130,825	123,712	149,820	142,302	166,696

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	2,512	4,272	4,383	5,334	6,077	6,754
Depreciation & amortization	1,034	1,145	1,074	1,391	1,438	1,468
Tax paid	(436)	(401)	(374)	(533)	(668)	(743)
Change in working capital	(2,015)	(2,837)	(3,239)	(4,741)	(5,245)	(5,521)
Others	856	113	(370)	(40)	110	237
Net cash from operations	1,951	2,292	1,474	1,411	1,711	2,195
Investing						
Capital expenditure	(1,027)	(1,727)	(4,134)	(2,000)	(1,500)	(1,000)
Acquisition of subsidiaries/ investments	(191)	0	0	0	0	0
Others	2,259	1,870	1,880	638	590	464
Net cash from investing	1,041	143	(2,254)	(1,362)	(910)	(536)
Financing						
Dividend paid	(2,777)	(2,694)	(2,777)	(2,603)	(2,924)	(3,294)
Net borrowings	2,751	319	3,950	100	100	100
Proceeds from share issues	(1,556)	(1,085)	(54)	0	0	0
Others	(912)	816	(1,798)	(789)	(792)	(795)
Net cash from financing	(2,494)	(2,644)	(679)	(3,292)	(3,616)	(3,989)
Net change in cash						
Cash at the beginning of the year	13,190	13,791	13,606	12,155	8,912	6,097
Exchange difference	103	24	8	0	0	0
Cash at the end of the year	13,791	13,606	12,155	8,912	6,097	3,768
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	(38.0%)	13.1%	(3.4%)	16.5%	16.7%	12.0%
Gross profit	(42.7%)	42.7%	(1.2%)	16.9%	17.3%	12.5%
EBITDA	(61.5%)	59.8%	8.5%	23.8%	14.1%	10.9%
EBIT	(71.1%)	84.2%	12.8%	22.4%	16.9%	13.0%
Net profit	(62.2%)	57.3%	5.1%	19.7%	12.7%	11.1%
Adj. net profit	(62.8%)	51.3%	(0.8%)	18.6%	12.7%	11.1%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	21.8%	27.5%	28.2%	28.3%	28.4%	28.5%
EBITDA margin	7.5%	10.6%	11.9%	12.6%	12.3%	12.2%
Adj. net profit margin	5.6%	7.5%	7.7%	7.9%	7.6%	7.5%
Return on equity (ROE)	4.4%	6.9%	7.1%	8.3%	9.1%	9.8%
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Net debt to equity (x)	0.1	0.1	0.2	0.3	0.3	0.3
Current ratio (x)	1.5	1.6	1.7	1.3	1.6	1.3
Receivable turnover days	413.2	343.9	329.6	325.0	317.0	316.0
Inventory turnover days	155.4	196.4	251.8	247.0	246.0	247.0
Payable turnover days	403.0	405.4	392.6	400.0	400.0	400.0
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/E	20.6	13.3	13.5	11.3	10.0	9.0
P/B	0.9	0.9	0.9	0.8	0.8	0.8
Div yield (%)	5.4	5.6	5.2	5.9	6.6	7.4

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

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