

Page Industries

Refer to important disclosures at the end of this report

Exceeding growth expectations; upgrade to Buy

- We upgrade PAG to Buy from Hold as the strong Q4 beat and management's aggressive growth initiatives provide confidence of robust growth momentum ahead. Step-up in growth plans for athleisure/women/kids portfolios, faster network ramp-up (incl. MBO/EBO addition) and focus on rural penetration offer an improved mid-teens growth outlook.
- Q4 performance exceeded expectations. Sales grew 63% to Rs8.8bn (8% beat), led by 53% volume growth. Growth in EBITDA/PAT was in line with estimates and was impacted by higher overhead spends, up 37%, which should normalize ahead.
- Excluding the lockdown impact in Q1FY22, management commentary pointed to a strong growth outlook. Secondary growth was higher vs. primary in Q4. Margins are expected to remain stable as the 4-5% price hike effected in Apr'21 is likely to offset the input inflation.
- Factoring in the strong revenue run rate in Q3/Q4, we raise our FY23 estimates by 15%. FY22E EPS is unchanged due to the lockdown impact. We raise the TP to Rs36,500, valuing PAG at 55x Jun'23E EPS (vs. 50x earlier) supported by DCF working.

Aggressive product and distribution expansion plans improve growth outlook: PAG's strong beat in Q4 and aggressive growth plans provide increased confidence of better growth momentum ahead. PAG's stronger growth was led by 1) acceleration in athleisure growth, which should continue; 2) aggressive growth plans for women and kids juniors with increased focus from separate sales teams; 3) faster ramp-up in distribution, including MBO's/EBO's (added 12k+ MBO and 180 EBO's), special focus on rural and increasing contribution from e-commerce (up from 4% to 8%); and 4) improved supply chain (ARS implementation 90% covered) providing better sales efficiencies. Management appeared confident of sustaining growth momentum post the lockdown impact in Q1FY22.

Q4 performance exceeded expectations: PAG recorded 63% growth in Q4, led by healthy 53% volume growth. Distribution expansion was healthy with ~14,000 MBO additions (up ~18%) and 180 EBO additions (up ~29%) in FY21. Manufacturing operations are currently suspended but PAG expects a quick recovery post unlocking, based on strong supply chain and last year's learnings. EBITDA margins at 19.3% were up 850bps YoY but declined sequentially due to higher ad/corporate overheads (up 37%). Gross margins improved 220bps on low-priced inventory. Price hikes of 4-5% effected in Apr'21 is expected to offset input inflation. Working capital saw strong improvement to ~6% of sales (vs. 15% of sales in FY20).

Increase earnings by 15%; upgrade to Buy: Factoring in the improved revenue run rate in Q3/Q4, we increase our FY23 forecasts by 15%. FY22 estimates remain largely unchanged due to the lockdown impact in Q1. With supply chain issues behind, PAG's stronger product expansion plans and faster increase in distribution offer better visibility of mid-teens growth sustaining ahead. Valuations at 50x FY23E are at a discount to other high growth peers. We, hence, upgrade the stock to Buy and raise the TP to Rs36,500, (from Rs28,000) based on 55x Jun'23E EPS (vs. 50x Mar'23 earlier).

Please see our sector model portfolio (Emkay Alpha Portfolio): [Consumer Goods & Retail \(page 8\)](#)

Financial Snapshot (Standalone)

(Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
Revenue	29,454	28,356	37,153	44,764	51,341
EBITDA	5,326	5,292	7,772	10,053	11,712
EBITDA Margin (%)	18.1	18.7	20.9	22.5	22.8
APAT	3,432	3,432	5,308	7,023	8,222
EPS (Rs)	307.7	307.7	475.9	629.6	737.1
EPS (% chg)	(12.9)	0.0	54.7	32.3	17.1
ROE (%)	43.0	40.3	54.8	59.6	56.3
P/E (x)	103.2	103.2	66.8	50.4	43.1
EV/EBITDA (x)	66.3	66.1	45.0	34.7	29.6
P/BV (x)	43.2	40.0	33.7	27.1	22.0

Source: Company, Emkay Research

CMP	Target Price
Rs 31,764 as of (May 27, 2021)	Rs 36,500 (▲) 12 months
Rating	Upside
BUY (▲)	14.9 %

Change in Estimates

EPS Chg FY22E/FY23E (%)	(1)/15
Target Price change (%)	30.4
Target Period (Months)	12
Previous Reco	HOLD

Emkay vs Consensus

	EPS Estimates	
	FY22E	FY23E
Emkay	475.9	629.6
Consensus	459.9	550.5
Mean Consensus TP (12M)	Rs 28,388	

Stock Details

Bloomberg Code	PAG IN
Face Value (Rs)	10
Shares outstanding (mn)	11
52 Week H/L	32,460 / 17,636
M Cap (Rs bn/USD bn)	354 / 4.88
Daily Avg Volume (nos.)	38,394
Daily Avg Turnover (US\$ mn)	15.6

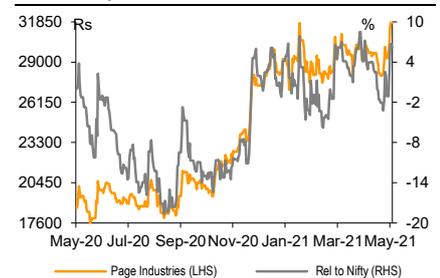
Shareholding Pattern Mar '21

Promoters	48.3%
FII's	25.9%
DII's	15.5%
Public and Others	10.3%

Price Performance

(%)	1M	3M	6M	12M
Absolute	5	13	40	71
Rel. to Nifty	-	7	18	4

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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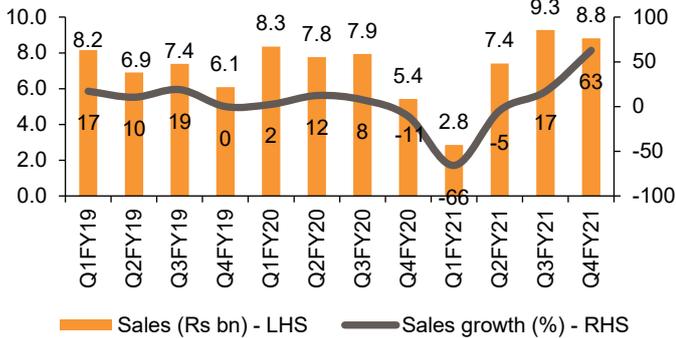
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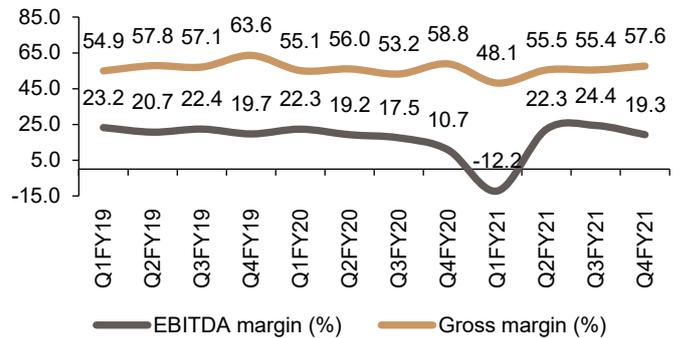
Story in Charts

Exhibit 1: Best-ever Q4, led by expansion and emerging channels



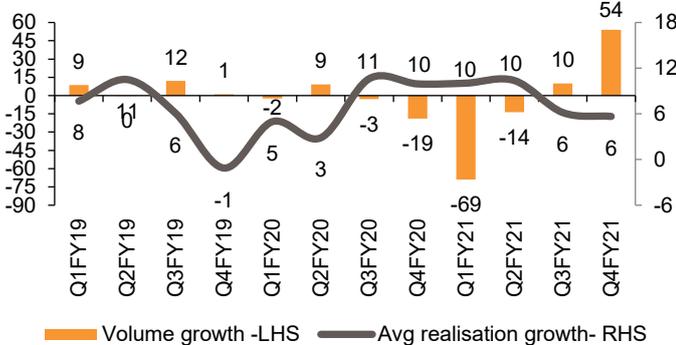
Source: Company, Emkay Research

Exhibit 2: EBITDA margins largely recovered to Q4FY19 levels



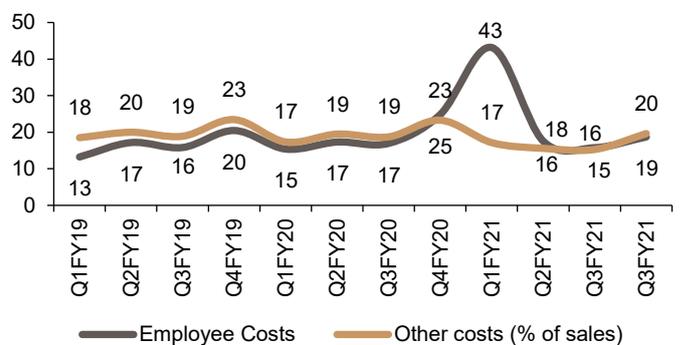
Source: Company, Emkay Research

Exhibit 3: Athleisure, Kids and E-Com are driving volume growth



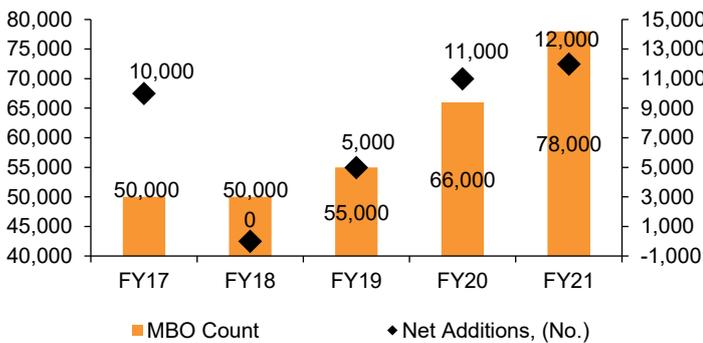
Source: Company, Emkay Research

Exhibit 4: Higher Ad/overheads led to increase in other costs



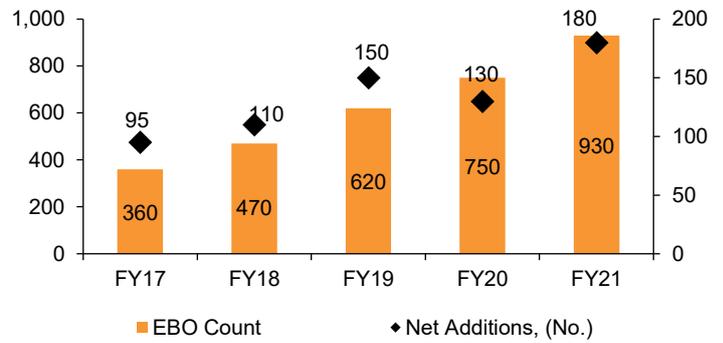
Source: Company, Emkay Research

Exhibit 5: MBO network addition has picked up in FY21



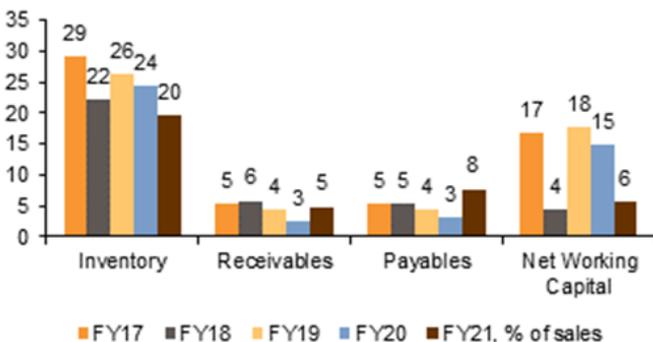
Source: Company, Emkay Research, * PPT reported gross margins

Exhibit 6: Pace of EBO expansion has accelerated



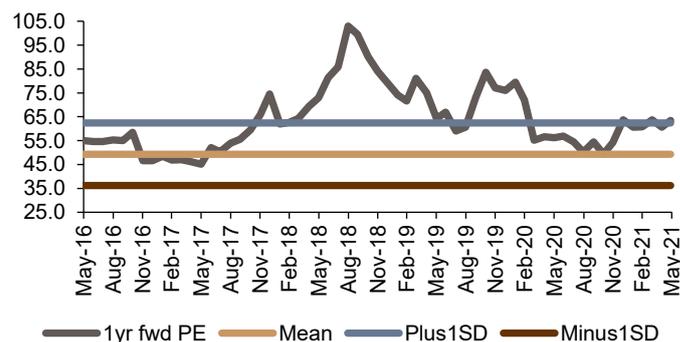
Source: Company, Emkay Research

Exhibit 7: Working capital seeing sharp reduction



Source: Company, Emkay Research

Exhibit 8: Page 1-Yr forward PE chart



Source: Company, Emkay Research

Exhibit 9: Actual vs. Estimates (Q4FY21)

Rs mn	Actual	Estimates (Emkay)	Consensus Estimates	% Variation		Comment
				Emkay	Consensus	
Revenues	8,808	8,188	7,842	7.6%	12.3%	Revenues beat was led by higher volumes
EBITDA	1,698	1,792	1,701	-5.3%	-0.2%	
EBITDA margin (%)	19.3%	21.9%	21.7%	-261	-242	Higher operating expenses led to lower margins
APAT	1,155	1,201	1,131	-3.8%	2.1%	

Source: Company, Emkay Research

Exhibit 10: Quarterly performance (standalone)

Y/E, Mar (Rs mn)	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	YoY (%)	QoQ (%)	FY20	FY21	Gr (%)
Operating Income	5,413	2,848	7,403	9,271	8,808	62.7	-5.0	29,454	28,329	-3.8
Expenditure	4,831	3,195	5,749	7,009	7,110	47.2	1.4	24,128	23,063	-4.4
Consumption of RM	2,228	1,478	3,297	4,131	3,733	67.5	-9.6	13,108	12,639	-3.6
as % of sales	41.2	51.9	44.5	44.6	42.4			44.5	44.6	
Employee Cost	1,344	1,229	1,299	1,462	1,648	22.7	12.8	5,317	5,638	6.0
as % of sales	24.8	43.1	17.5	15.8	18.7			18.1	19.9	
Other expenditure	1,260	488	1,153	1,417	1,729	37.2	22.0	5,703	4,787	-16.1
as % of sales	23.3	17.1	15.6	15.3	19.6			19.4	16.9	
EBITDA	581	-347	1,654	2,261	1,698	192.1	-24.9	5,326	5,266	-1.1
Depreciation	163	160	157	156	156	-4.4	-0.3	614	629	2.5
EBIT	418	-508	1,497	2,105	1,542	268.7	-26.7	4,712	4,637	-1.6
Other Income	99	61	37	42	56	-43.9	33.9	246	195	-21.0
Interest	85	77	75	74	72	-16.2	-3.1	339	297	-12.2
PBT	432	-524	1,459	2,073	1,526	253.4	-26.4	4,620	4,534	-1.9
Total Tax	122	-128	350	536	371	204.8	-30.8	1,188	1,128	-5.0
APAT	310	-396	1,109	1,537	1,156	272.4	-24.8	3,432	3,406	-0.8
Minority Interest	0	0	0	0	0			0	0	
APAT (after minority)	310	-396	1,109	1,537	1,156	272.4	-24.8	3,432	3,406	-0.8
Extraordinary Items	0	0	0	0	0			0	0	
Reported PAT	310	-396	1,109	1,537	1,156	272.4	-24.8	3,432	3,406	-0.8
Adjusted EPS	27.8	-35.5	99.4	137.8	103.6	272.4	-24.8	307.7	305.3	-0.8

Margins (%)						(bps)	(bps)			(bps)
Gross margin	58.8	48.1	55.5	55.4	57.6	-120	220	55.5	55.4	-10
EBIDTA	10.7	-12.2	22.3	24.4	19.3	850	-510	18.1	18.6	50
EBIT	7.7	-17.9	20.2	22.7	17.5	980	-520	16.0	16.4	40
EBT	8.0	-18.4	19.7	22.4	17.3	930	-500	15.7	16.0	30
PAT	5.7	-13.9	15.0	16.6	13.1	740	-350	11.7	12.0	40
Effective Tax rate	28.1	24.4	24.0	25.8	24.3	-380	-150	25.7	24.9	-80

Source: Company, Emkay Research

Exhibit 11: Changes in estimates

Y/E Mar (Rs mn)	FY22E			FY23E			FY24E
	Earlier	Revised	% Change	Earlier	Revised	% Change	Introduced
Revenues	35,883	37,153	3.5	40,287	44,764	11.1	51,341
EBITDA	8,105	7,772	(4.1)	9,219	10,053	9.0	11,712
EBITDA Margin (%)	22.6	20.9	-170 bps	22.9	22.5	-40 bps	22.8
APAT	5,383	5,308	(1.4)	6,125	7,023	14.7	8,222
EPS (Rs)	482.6	475.9	(1.4)	549.1	629.6	14.7	737.1

Source: Company, Emkay Research

Exhibit 12: Peer comparison

Companies	Price (Rs)	Mcap (Rs bn)	Reco	Target Price (Rs)	EPS (Rs)			P/E (x)			EV / EBITDA (x)		
					FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
ABFRL	186	170	Buy	206	-5.7	2.6	3.7	-32.5	72.3	50.1	65.9	11.9	9.9
Jubilant FoodWorks	3,096	415	Buy	2,750	18.0	44.6	54.5	171.8	69.4	56.8	53.4	32.4	27.2
Page Industries	31,764	355	Hold	28,000	307.7	475.9	629.6	103.2	66.8	50.4	66.3	45.1	34.8
Shoppers Stop	222	25	Hold	230	-23.1	-7.8	6.9	-9.6	-28.3	32.1	81.6	18.2	7.0
Titan Company	1,594	1,405	Buy	1,725	11.0	25.6	32.8	145.3	62.2	48.6	79.6	39.6	31.3
Westlife Development	487	73	Buy	600	-6.7	0.0	4.0	-73.1	9973.8	121.0	131.9	38.0	23.1

Source: Company, Emkay Research

Concall Highlights

- In terms of categories, volume growth was led by Athleisure/Junior/E-Com categories, while innerwear volumes were flat to slightly negative in FY21.
- For the core innerwear category, PAG highlighted healthy penetration improvement scope as it is currently only catering to ~20% addressable men's innerwear market and 6-8% in women's innerwear market.
- Kids and E-com businesses saw 75-80% growth in FY21 and share of E-commerce rose to ~8% in FY21 (vs. 4% in FY20). PAG expects new categories viz. Kids, Athleisure, E-Com to drive strong growth. In Kids category, PAG currently has 38 kids specific 'Jockey-Junior' EBOs and is also catering to 50 cities through MBOs.
- Management highlighted increased focus on tier-2/3 towns and on rural opportunity. It has created a rural portfolio of ~30 products from existing portfolio. Will focus on value for money and sustainability of distributor ROI.
- EBITDA margins for online e-commerce business are higher than the company average, while margins for kids business were indicated to be slightly lower.
- On the increase in Input inflation, PAG did not indicate much concerns and expects to negate the impact with price hikes. PAG took a price hike of 4-5% in April-21 (vs. 3-4% historically). Expect inflation may moderate again due to lower demand during recent lockdown
- New CEO Mr V S Ganesh expects the transition to be smooth with him being an incumbent for seven years and PAG having a strong culture and team.
- Net Cash equivalents stood at Rs4.4bn (vs. Rs0.9bn at FY20-end). Improvement was led by a profit recovery (Rs3.4bn in FY20/21), reduction of working capital and low capex (Rs0.2bn in FY21). PAG paid ~Rs2.8bn in dividends, Rs1.3bn as tax and retired Rs0.3bn debt in FY21.
- PAG stated that ~90% of its network is now on ARS. Distributors are finding ARS to be beneficial and ARS is helping to improve the RoI.

Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
Revenue	29,454	28,356	37,153	44,764	51,341
Expenditure	24,128	23,064	29,382	34,711	39,629
EBITDA	5,326	5,292	7,772	10,053	11,712
Depreciation	614	629	696	766	861
EBIT	4,712	4,663	7,076	9,288	10,851
Other Income	246	195	246	296	355
Interest expenses	339	297	227	194	214
PBT	4,620	4,560	7,096	9,389	10,992
Tax	1,188	1,128	1,788	2,366	2,770
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	3,432	3,432	5,308	7,023	8,222
Adjusted PAT	3,432	3,432	5,308	7,023	8,222

Balance Sheet

Y/E Mar (Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
Equity share capital	112	112	112	112	112
Reserves & surplus	8,087	8,737	10,405	12,948	16,018
Net worth	8,199	8,849	10,517	13,060	16,130
Minority Interest	0	0	0	0	0
Loan Funds	1,652	1,270	1,328	1,408	1,460
Net deferred tax liability	2	0	0	0	0
Total Liabilities	9,853	10,119	11,844	14,468	17,590
Net block	4,055	3,863	4,267	4,802	5,241
Investment	0	0	0	0	0
Current Assets	10,787	12,857	15,154	18,066	21,973
Cash & bank balance	1,169	4,350	4,568	5,066	7,345
Other Current Assets	0	0	0	0	0
Current liabilities & Provision	5,277	6,879	7,855	8,678	9,903
Net current assets	5,510	5,978	7,298	9,388	12,071
Misc. exp	0	0	0	0	0
Total Assets	9,853	10,119	11,844	14,468	17,590

Cash Flow

Y/E Mar (Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
PBT (Ex-Other income) (NI+Dep)	4,620	4,534	7,096	9,389	10,992
Other Non-Cash items	0	0	0	0	0
Chg in working cap	741	2,713	(1,103)	(1,591)	(404)
Operating Cashflow	4,755	6,848	4,881	6,096	8,538
Capital expenditure	(564)	(228)	(800)	(1,000)	(1,000)
Free Cash Flow	4,192	6,621	4,081	5,096	7,538
Investments	0	0	0	0	0
Other Investing Cash Flow	0	0	0	0	0
Investing Cashflow	(317)	(33)	(554)	(704)	(645)
Equity Capital Raised	0	0	0	0	0
Loans Taken / (Repaid)	(457)	(268)	70	70	70
Dividend paid (incl tax)	(2,716)	(2,789)	(3,640)	(4,480)	(5,152)
Other Financing Cash Flow	(355)	(438)	(490)	(483)	(532)
Financing Cashflow	(3,709)	(3,634)	(4,110)	(4,893)	(5,614)
Net chg in cash	729	3,181	218	498	2,279
Opening cash position	440	1,169	4,350	4,568	5,066
Closing cash position	1,169	4,350	4,568	5,066	7,345

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY20	FY21	FY22E	FY23E	FY24E
EBITDA Margin	18.1	18.7	20.9	22.5	22.8
EBIT Margin	16.0	16.4	19.0	20.7	21.1
Effective Tax Rate	25.7	24.7	25.2	25.2	25.2
Net Margin	11.7	12.1	14.3	15.7	16.0
ROCE	60.2	56.3	75.6	81.3	76.8
ROE	43.0	40.3	54.8	59.6	56.3
RoIC	57.2	67.2	113.3	115.2	113.7

Per Share Data (Rs)	FY20	FY21	FY22E	FY23E	FY24E
EPS	307.7	307.7	475.9	629.6	737.1
CEPS	362.7	364.1	538.2	698.3	814.3
BVPS	735.1	793.3	942.9	1,170.8	1,446.1
DPS	202.0	250.0	326.3	401.6	461.9

Valuations (x)	FY20	FY21	FY22E	FY23E	FY24E
PER	103.2	103.2	66.8	50.4	43.1
P/CEPS	88.0	87.7	59.3	45.7	39.2
P/BV	43.2	40.0	33.7	27.1	22.0
EV / Sales	12.2	12.6	9.6	7.9	6.9
EV / EBITDA	66.3	66.1	45.0	34.7	29.6
Dividend Yield (%)	0.6	0.8	1.0	1.3	1.5

Gearing Ratio (x)	FY20	FY21	FY22E	FY23E	FY24E
Net Debt/ Equity	(0.1)	(0.5)	(0.4)	(0.4)	(0.5)
Net Debt/EBIDTA	(0.2)	(0.8)	(0.6)	(0.5)	(0.6)
Working Cap Cycle (days)	53.8	21.0	26.8	35.2	33.6

Growth (%)	FY20	FY21	FY22E	FY23E	FY24E
Revenue	3.3	(3.7)	31.0	20.5	14.7
EBITDA	(13.7)	(0.6)	46.9	29.4	16.5
EBIT	(19.6)	(1.0)	51.8	31.3	16.8
PAT	(12.9)	0.0	54.7	32.3	17.1

Quarterly (Rs mn)	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21
Revenue	5,413	2,848	7,403	9,271	8,808
EBITDA	581	(348)	1,653	2,261	1,698
EBITDA Margin (%)	10.7	(12.2)	22.3	24.4	19.3
PAT	310	(396)	1,109	1,537	1,155
EPS (Rs)	27.8	(35.5)	99.4	137.8	103.6

Source: Company, Emkay Research

Shareholding Pattern (%)	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Promoters	48.3	48.3	48.3	48.3	48.3
FIs	29.2	25.5	25.2	25.3	25.9
DIs	10.0	13.4	14.8	15.5	15.5
Public and Others	12.5	12.8	11.7	10.8	10.3

Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
11-Feb-21	30,606	28,000	12m	Hold	Ashit Desai
13-Nov-20	21,715	19,250	12m	Hold	Ashit Desai
03-Sep-20	18,980	17,800	12m	Hold	Ashit Desai
24-Jun-20	20,556	17,500	12m	Hold	Ashit Desai
14-Apr-20	16,340	18,200	12m	Hold	Ashit Desai
08-Apr-20	16,597	18,200	12m	Hold	Ashit Desai
14-Feb-20	22,176	21,500	12m	Hold	Ashit Desai
25-Dec-19	21,665	23,000	12m	Hold	Ashit Desai
15-Nov-19	23,421	23,000	12m	Hold	Ashit Desai
20-Sep-19	22,309	22,200	12m	Hold	Ashit Desai
08-Aug-19	18,165	18,400	12m	Hold	Ashit Desai
24-May-19	21,524	23,000	12m	Hold	Ashit Desai
09-Apr-19	24,107	26,000	12m	Hold	Ashit Desai
14-Feb-19	23,404	26,000	12m	Hold	Ashit Desai
15-Nov-18	24,834	26,600	12m	Hold	Ashit Desai
13-Aug-18	31,383	30,500	12m	Hold	Ashit Desai

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Emkay Alpha Portfolio – Consumer Goods & Retail



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Sector

Consumer Goods & Retail

Analyst bio

Ashit Desai holds a PGDM and FRM (US GARP) with 12 years of research experience on the sell side. His team currently covers 24 stocks in the Indian Consumer and Retail space.

EAP sector portfolio

Company Name	BSE200 Weight	EAP Weight	OW/UW (%)	OW/UW (bps)	EAP Weight (Normalised)
Consumer Goods & Retail	10.67	10.67	0%	0	100.00
Asian Paints	1.52	0.62	-60%	-91	5.77
Berger Paints	0.23	0.00	-100%	-23	0.00
Britannia Industries	0.46	0.51	10%	5	4.79
Colgate-Palmolive	0.26	0.31	21%	5	2.93
Dabur India	0.35	0.32	-6%	-2	3.04
Emami	0.12	0.16	26%	3	1.45
Godrej Consumer Products	0.36	0.37	4%	2	3.51
Hindustan Unilever	2.42	1.88	-22%	-54	17.61
ITC	2.11	2.20	4%	8	20.61
Marico	0.27	0.27	1%	0	2.57
Nestle India	0.72	0.64	-11%	-8	6.01
Pidilite Industries	0.37	0.00	-100%	-37	0.00
Radico Khaitan	0.00	0.35	NA	35	3.26
United Breweries	0.10	0.55	441%	45	5.20
United Spirits	0.00	0.35	NA	35	3.28
Varun Beverages	0.11	0.15	39%	4	1.45
ABFRL	0.06	0.16	148%	10	1.51
Jubilant FoodWorks	0.22	0.27	21%	5	2.54
Page Industries	0.21	0.24	15%	3	2.24
Shoppers Stop	0.00	0.00	NA	0	0.00
Titan Company	0.76	1.03	35%	27	9.64
Westlife Development	0.00	0.27	NA	27	2.58
Cash	0.00	0.00	NA	0	0.00

Source: Emkay Research

* Not under coverage: Equal Weight

■ High Conviction/Strong Over Weight ■ High Conviction/Strong Under Weight

Sector portfolio NAV

	Base					Latest
	1-Apr-19	29-May-20	25-Nov-20	24-Feb-21	26-Apr-21	26-May-21
EAP - Consumer Goods & Retail	100.0	100.6	109.1	117.0	118.8	125.5
BSE200 Neutral Weighted Portfolio (ETF)	100.0	95.5	104.8	111.2	114.8	121.1

*Performance measurement base date 1st April 2019

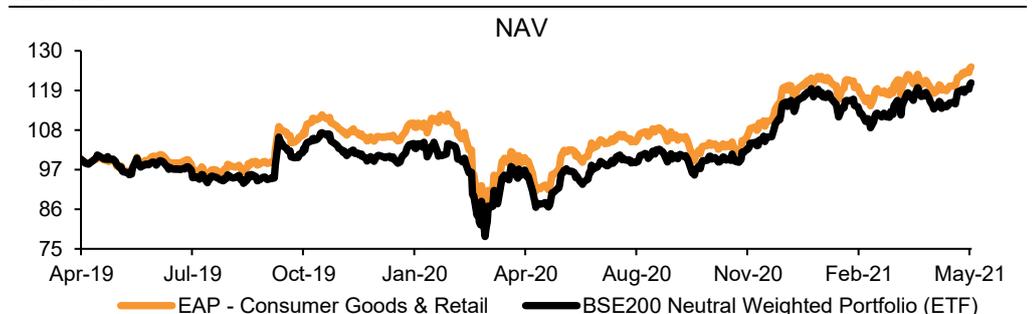
Source: Emkay Research

Price Performance (%)

	1m	3m	6m	12m
EAP - Consumer Goods & Retail	5.7%	7.3%	15.1%	24.7%
BSE200 Neutral Weighted Portfolio (ETF)	5.5%	8.9%	15.5%	26.8%

Source: Emkay Research

NAV chart



Source: Emkay Research

Please see our model portfolio (Emkay Alpha Portfolio): [Nifty](#)

Please see our model portfolio (Emkay Alpha Portfolio): [SMID](#)

“Emkay Alpha Portfolio – SMID and Nifty are a supporting document to the Emkay Alpha Portfolios Report and is updated on regular intervals”

Emkay Rating Distribution

Ratings	Expected Return within the next 12-18 months.
BUY	Over 15%
HOLD	Between -5% to 15%
SELL	Below -5%

Completed Date: 28 May 2021 05:34:23 (SGT)
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