

## BigCommerce Holdings, Inc.

**Good 4Q but outlook suggests challenging demand environment; Reiterate Neutral**

Reiterate Rating: NEUTRAL | PO: 11.00 USD | Price: 8.25 USD

**Has long-term potential, but 2024 guide is soft**

Reiterate Neutral and \$11 PO, as 4Q23 results beat Street expectations, but the 2024 revenue and PF op income guides are below consensus to account for ongoing soft demand. The business is investing for growth, but it could take time to build a visible pathway to double digit plus revenue growth, which could be a hurdle. We are constructive on BigCommerce's potential to be an enterprise eCommerce disruptor. But its underwhelming 2024 revenue growth profile leads us to believe that the risk/reward is balanced. \$11 PO is based on a 2.8x EV/CY24E revenue multiple (2.7x prior) for better execution balanced against a lower forecast. Adjust forecasts for 4Q23 results & guide.

**Making the right moves, may take some time to show**

While the 2024 revenue guidance does not suggest BigCommerce is a share gainer, we believe that over the long-term, it will prove to be a disruptive eCommerce software platform vendor. Notable deal wins with new logos such as NVIDIA, Muji, and Mizuno, among many others, suggests that large brands are viewing BigCommerce as strategic which is a positive for long-term share gains for the business. While the guidance doesn't bake in meaningful recovery in demand (i.e. conservatism), a stabilizing macro over the next few quarters could foretell better-than-expected pipeline generation and deal conversions ahead of the 2024 holiday season.

**Positives: PF operating margins inflect positive**

1) PF operating margin of 6.4% expanded 690bps q/q and 1,940bps y/y, and 4Q23 represents the first quarter of profitability; 2) enterprise ARR of \$245.1mn (+9% y/y) represents 73% of total ARR which is a 1pt increase from 72% last quarter; 3) enterprise ARPA grew +6% y/y to \$40.9mn from +4% in 3Q23; and 4) positive GTM commentary suggests improving cross-selling motion.

**Negatives: Subs ARR declined, tough optic**

1) Subscription ARR of \$256mn declined \$100K q/q; 2) enterprise NRR declined 11pts y/y to 100%, and could remain under pressure in 2024, though it is unlikely to move meaningfully lower from here; 3) retail ARR \$91.4mn declined by 20bps q/q, the second straight quarter of negative sequential growth, though this segment is not a core growth focus; and 4) commentary suggests the longer sales cycles trend is not easing and could continue in 2024, but this is baked into the guidance.

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	(0.63)	0.03	0.25	0.34	0.45
GAAP EPS	(1.90)	(0.87)	(0.43)	(0.36)	(0.29)
EPS Change (YoY)	-90.9%	NM	733.3%	36.0%	32.4%
Consensus EPS (Bloomberg)			0.24	0.35	0.44
DPS	0	0	0	0	0
Valuation (Dec)					
P/E	NM	275.0x	33.0x	24.3x	18.3x
EV / EBITDA*	NM	NM	213.2x	75.0x	43.3x
Free Cash Flow Yield*	-15.9%	-4.5%	1.0%	2.4%	3.5%

\* For full definitions of *IQmethod*<sup>SM</sup> measures, see page 6.

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22 February 2024

## Equity

**Key Changes**

(US\$)	Previous	Current
2024E Rev (m)	334.8	331.1
2025E Rev (m)	365.3	354.4
2026E Rev (m)	NA	378.7
2025E EPS	0.35	0.34
2026E EPS	NA	0.45

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**Stock Data**

Price	8.25 USD
Price Objective	11.00 USD
Date Established	8-Nov-2023
Investment Opinion	C-2-9
52-Week Range	6.81 USD - 12.75 USD
Mrkt Val (mn) / Shares Out (mn)	630 USD / 76.4
Free Float	84.5%
Average Daily Value (mn)	4.44 USD
BofA Ticker / Exchange	BIGC / NAS
Bloomberg / Reuters	BIGC US / BIGC.OQ
ROE (2024E)	65.1%
Net Dbt to Eqty (Dec-2023A)	NA
ESGMeter <sup>TM</sup>	Medium

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to "BofA ESGMeter Methodology".

ARR = annual recurring revenue

NRR = net revenue retention

ARPA = average revenue per account

GTM = go-to-market

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# iQprofile<sup>SM</sup> BigCommerce Holdings, Inc.

## iQmethod<sup>SM</sup> – Bus Performance\*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	-8.7%	1.4%	5.4%	6.9%	8.4%
Return on Equity	-50.3%	6.0%	65.1%	63.8%	54.2%
Operating Margin	-16.8%	-1.8%	3.2%	5.1%	7.0%
Free Cash Flow	(100)	(28)	6	15	22

## iQmethod<sup>SM</sup> – Quality of Earnings\*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	NM	-11.4x	0.6x	0.8x	0.8x
Asset Replacement Ratio	0.9x	0.3x	1.0x	1.0x	1.0x
Tax Rate	NM	NM	NM	NM	NM
Net Debt-to-Equity Ratio	NM	NM	NM	496.1%	291.2%
Interest Cover	-16.6x	-2.0x	3.5x	6.0x	8.9x

## Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	279	309	331	354	379
% Change	26.9%	10.9%	7.0%	7.0%	6.8%
Gross Profit	213	240	258	277	297
% Change	23.0%	12.6%	7.4%	7.4%	7.2%
EBITDA	(44)	(2)	4	12	21
% Change	-134.7%	96.5%	NM	184.3%	73.0%
Net Interest & Other Income	1	8	8	8	8
<b>Net Income (Adjusted)</b>	<b>(46)</b>	<b>2</b>	<b>18</b>	<b>26</b>	<b>35</b>
% Change	-96.6%	NM	764.9%	40.7%	34.2%

## Free Cash Flow Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	(140)	(65)	(32)	(28)	(22)
Depreciation & Amortization	6	12	5	5	6
Change in Working Capital	(21)	(16)	(6)	(5)	(6)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	60	44	45	48	51
Capital Expenditure	(5)	(4)	(5)	(5)	(6)
<b>Free Cash Flow</b>	<b>-100</b>	<b>-28</b>	<b>6</b>	<b>15</b>	<b>22</b>
% Change	-120.2%	71.6%	NM	137.3%	47.2%
Share / Issue Repurchase	0	1	0	0	0
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	0	1	0	0	0

## Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	92	72	76	91	113
Trade Receivables	52	38	79	96	116
Other Current Assets	231	233	216	217	218
Property, Plant & Equipment	9	10	10	10	10
Other Non-Current Assets	91	92	92	92	92
<b>Total Assets</b>	<b>474</b>	<b>444</b>	<b>473</b>	<b>506</b>	<b>550</b>
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	79	71	92	105	120
Long-Term Debt	337	340	340	340	340
Other Non-Current Liabilities	12	8	10	11	12
<b>Total Liabilities</b>	<b>428</b>	<b>419</b>	<b>442</b>	<b>456</b>	<b>472</b>
<b>Total Equity</b>	<b>46</b>	<b>26</b>	<b>31</b>	<b>50</b>	<b>78</b>
<b>Total Equity &amp; Liabilities</b>	<b>474</b>	<b>444</b>	<b>473</b>	<b>506</b>	<b>550</b>

\* For full definitions of iQmethod<sup>SM</sup> measures, see page 6.

## Company Sector

Server & Enterprise Software

## Company Description

BigCommerce is a vendor of digital commerce software solutions and services. It leverages a SaaS distribution model. The company enables organizations around the world to deploy B2C and B2B digital commerce strategies. The company was founded in 2003 and completed its IPO in August 2020. It has 60k+ customers.

## Investment Rationale

We rate BIGC Neutral. We believe that BIGC is a digital commerce disruptor that will likely benefit from secular eCommerce tailwinds. B2C and B2B organizations will need to have eCommerce strategies to survive, & BIGC's platform enables both, though in the near-term e-commerce growth could slow in a softer macro environment. While focus on the enterprise can accel its path to profitability, there are execution risks as the business pivots the majority of its go-to-market efforts to the upmarket.

## Stock Data

Average Daily Volume 537,619

## Quarterly Earnings Estimates

	2023	2024
Q1	-0.07A	0.05E
Q2	-0.02A	0.05E
Q3	0.01A	0.06E
Q4	0.11A	0.09E

## 4Q23 Performance

- Total revenue of \$84.1mn was above our/Street's \$81.7mn/\$81.4mn estimates.
- PF Operating income of \$5.4mn was above our/Street's \$2.9mn/\$2.7mn estimates.

## FY24 Guidance

- Total revenue guidance of \$327.1-335.1mn is below our/Street's \$334.8/\$335.1mn estimates.
- PF Operating income guidance of \$8.5-12.5mn is below our/Street's \$11.5/12.0mn estimates.

### Exhibit 1: Variance

Total revenue exceeded our estimates by 3.0%

	4Q23A		
	Actual	BofA estimate	Variance
Revenue build			
Subscription solutions ARR	256,371	256,377	(0.0%)
Y/Y change %	7.5%	7.5%	(0bps)
Subscription solutions revenue	60,613	62,492	(3.0%)
Y/Y change %	13.7%	17.3%	(353bps)
Partners and service revenue	23,536	19,230	22.4%
Y/Y change %	23.0%	0.5%	2251bps
Total ARR	336,500	332,200	1.3%
Y/Y change %	8.0%	6.6%	138bps
Total revenue	84,149	81,722	3.0%
Y/Y change %	16.2%	12.8%	335bps
Guidance			
PF operating income (loss)	5,363	2,860	87.5%
Operating Margin	6.4%	3.5%	287bps
Guidance			
Adjusted EBITDA	6,540	5,011	30.5%
Adjusted EBITDA margin	7.8%	6.1%	164bps
EPS (Pro Forma)	\$0.10	\$0.06	38.0%
Cash Flow from Operations	13,279	4,045	69.5%
OCF margin	15.8%	4.9%	1083bps
Free cash flow	12,236	2,940	76.0%
FCF margin	14.5%	3.6%	1094bps

**Source:** BofA Global Research estimates, company filings

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**Exhibit 2: Estimate revisions**

We forecast FY24 revenue of \$331.1mn

	1Q24E			FY24E			FY25E			FY26E		
	New Estimate	Old Estimate	Change %	New Estimate	Old Estimate	Change %	New Estimate	Old Estimate	Change %	New Estimate	Old Estimate	Change %
Revenue build												
Subscription solutions ARR	259,848	258,219	0.6%	274,676	273,946	0.3%	292,459	302,680	(3.4%)	313,479	N/A	N/A
Y/Y change %	6.7%	6.0%	67bps	7.1%	6.9%	29bps	6.5%	10.5%	(401bps)	7.2%	N/A	N/A
Subscription solutions revenue	60,902	62,618	(2.7%)	250,407	252,727	(0.9%)	269,707	275,064	(1.9%)	290,878	N/A	N/A
Y/Y change %	13.2%	16.4%	(319bps)	9.2%	9.3%	(12bps)	7.7%	8.8%	(113bps)	7.8%	N/A	N/A
Partners and service revenue	16,154	19,430	(16.9%)	80,688	82,078	(1.7%)	84,692	90,286	(6.2%)	87,787	N/A	N/A
Y/Y change %	(10.0%)	8.3%	(1825bps)	0.7%	8.3%	(755bps)	5.0%	10.0%	(504bps)	3.7%	N/A	N/A
Total ARR	338,183	335,522	0.8%	355,364	356,024	(0.2%)	377,152	392,966	(4.0%)	401,266	N/A	N/A
Y/Y change %	6.8%	5.9%	84bps	5.6%	7.2%	(157bps)	6.1%	10.4%	(424bps)	6.4%	N/A	N/A
Total revenue	77,056	82,048	(6.1%)	331,095	334,805	(1.1%)	354,399	365,349	(3.0%)	378,665	N/A	N/A
Y/Y change %	7.4%	14.3%	(696bps)	7.0%	9.1%	(205bps)	7.0%	9.1%	(208bps)	6.8%	N/A	N/A
Guidance												
PF operating income (loss)	1,421	2,334	(39.1%)	10,643	11,517	(7.6%)	18,109	19,389	(6.6%)	26,552	N/A	N/A
Operating Margin	1.8%	2.8%	(100bps)	3.2%	3.4%	(23bps)	5.1%	5.3%	(20bps)	7.0%	N/A	N/A
Guidance												
Adjusted EBITDA	(265)	(2,513)	89.5%	4,241	(7,606)	155.8%	12,057	1,487	711.1%	20,864	N/A	N/A
Adjusted EBITDA margin	(0.3%)	(3.1%)	272bps	1.3%	(2.3%)	355bps	3.4%	0.4%	300bps	5.5%	N/A	N/A
EPS (Pro Forma)	\$0.04	\$0.06	(29.9%)	\$0.24	\$0.25	(6.8%)	\$0.33	\$0.35	(6.5%)	\$0.43	N/A	N/A
Cash Flow from Operations	(639)	2,831	(542.9%)	11,264	19,561	(73.6%)	20,263	28,499	(40.6%)	27,685	N/A	N/A
OCF margin	(0.8%)	3.5%	(428bps)	3.4%	5.8%	(244bps)	5.7%	7.8%	(208bps)	7.3%	N/A	N/A
Free cash flow	(1,795)	1,601	(189.2%)	6,298	14,539	(130.8%)	14,947	23,019	(54.0%)	22,005	N/A	N/A
FCF margin	(2.3%)	2.0%	(428bps)	1.9%	4.3%	(244bps)	4.2%	6.3%	(208bps)	5.8%	N/A	N/A

**Source:** BofA Global Research estimates, company filings

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## Price objective basis & risk

### BigCommerce Holdings, Inc. (BIGC)

Our \$11 PO is based on 2.8x EV/C24E revenue or 0.4x EV/R/G. The multiple we use to calculate our PO is a discount to its horizontal SaaS peers at 7.4x (0.6x EV/R/G), which we believe is warranted given BigCommerce is disrupting a large, growing, and attractive digital commerce TAM, balanced against execution risks on its recent pivot to focus primarily on the upmarket.

Risks to our PO are: 1) competition, 2) pandemic driven supply chain bottlenecks, 3) tough pandemic comps, 4) cyclical spending pressures, 5) SMB exposure, and 6) execution risk.

## Analyst Certification

I, Koji Ikeda, CFA, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

### US - Enterprise Software Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	8x8	EGHT	EGHT US	Michael J. Funk
	Adobe	ADBE	ADBE US	Brad Sills
	Alarm.com	ALRM	ALRM US	Michael J. Funk
	Amplitude, Inc.	AMPL	AMPL US	Koji Ikeda, CFA
	BILL	BILL	BILL US	Brad Sills
	CCC Intelligent Solutions	CCCS	CCCS US	Michael J. Funk
	Dynatrace	DT	DT US	Koji Ikeda, CFA
	Elastic NV	ESTC	ESTC US	Koji Ikeda, CFA
	GitLab Inc.	GTLB	GTLB US	Koji Ikeda, CFA
	Global-e Online Ltd.	GLBE	GLBE US	Koji Ikeda, CFA
	HubSpot	HUBS	HUBS US	Brad Sills
	Informatica Inc.	INFA	INFA US	Koji Ikeda, CFA
	Intapp Inc.	INTA	INTA US	Koji Ikeda, CFA
	Intuit	INTU	INTU US	Brad Sills
	JFrog Ltd	FROG	FROG US	Koji Ikeda, CFA
	MeridianLink, Inc.	MLNK	MLNK US	Koji Ikeda, CFA
	Microsoft Corporation	MSFT	MSFT US	Brad Sills
	MongoDB Inc	MDB	MDB US	Brad Sills
	nCino, Inc.	NCNO	NCNO US	Adam Bergere
	NICE Ltd.	NICE	NICE US	Michael J. Funk
	NICE Ltd.	NCSYF	NICE IT	Michael J. Funk
	PagerDuty	PD	PD US	Koji Ikeda, CFA
	PowerSchool Holdings, Inc.	PWSC	PWSC US	Koji Ikeda, CFA
	RingCentral	RNG	RNG US	Michael J. Funk
	Salesforce.com	CRM	CRM US	Brad Sills
	ServiceNow	NOW	NOW US	Brad Sills
	UiPath	PATH	PATH US	Brad Sills
	Unity	U	U US	Michael J. Funk
	Weave	WEAV	WEAV US	Michael J. Funk
	Workday Inc.	WDAY	WDAY US	Brad Sills
	Zeta Global	ZETA	ZETA US	Koji Ikeda, CFA
	ZoomInfo	ZI	ZI US	Koji Ikeda, CFA
<b>NEUTRAL</b>				
	Autodesk	ADSK	ADSK US	Michael J. Funk
	Bentley Systems	BSY	BSY US	Michael J. Funk
	BigCommerce Holdings, Inc.	BIGC	BIGC US	Koji Ikeda, CFA
	Coveo	YCVO	CVO CN	Koji Ikeda, CFA
	Datadog Inc	DDOG	DDOG US	Koji Ikeda, CFA



## US - Enterprise Software Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	DocuSign	DOCU	DOCU US	Brad Sills
	Freshworks, Inc.	FRSH	FRSH US	Adam Bergere
	HashiCorp	HCP	HCP US	Brad Sills
	Jamf	JAMF	JAMF US	Koji Ikeda, CFA
	Lightspeed Commerce Inc.	LSPD	LSPD US	Koji Ikeda, CFA
	Lightspeed Commerce Inc.	YLSPD	LSPD CN	Koji Ikeda, CFA
	Oracle Corporation	ORCL	ORCL US	Brad Sills
	Paycom	PAYC	PAYC US	Adam Bergere
	Paylocity	PCTY	PCTY US	Adam Bergere
	Shopify, Inc.	SHOP	SHOP US	Brad Sills
	Snowflake	SNOW	SNOW US	Brad Sills
	Veeva Systems, Inc.	VEEV	VEEV US	Brad Sills
	Zoom Video Communications	ZM	ZM US	Michael J. Funk
<b>UNDERPERFORM</b>				
	AvidXchange, Inc.	AVDX	AVDX US	Brad Sills
	Blackbaud, Inc.	BLKB	BLKB US	Koji Ikeda, CFA
	BlackLine, Inc.	BL	BL US	Koji Ikeda, CFA
	C3.ai	AI	AI US	Brad Sills
	Confluent	CFLT	CFLT US	Brad Sills
	CS Disco, Inc.	LAW	LAW US	Koji Ikeda, CFA
	Dropbox	DBX	DBX US	Michael J. Funk
	Enfusion, Inc.	ENFN	ENFN US	Koji Ikeda, CFA
	Five9	FIVN	FIVN US	Michael J. Funk
	Guidewire Software, Inc.	GWRE	GWRE US	Michael J. Funk
	Twilio	TWLO	TWLO US	Michael J. Funk
	Vertex, Inc.	VERX	VERX US	Brad Sills
<b>RSTR</b>				
	Splunk	SPLK	SPLK US	Brad Sills

**iQmethod<sup>SM</sup> Measures Definitions****Business Performance**

Return On Capital Employed

Return On Equity  
Operating Margin  
Earnings Growth  
Free Cash Flow

**Quality of Earnings**

Cash Realization Ratio  
Asset Replacement Ratio  
Tax Rate  
Net Debt-To-Equity Ratio  
Interest Cover

**Valuation Toolkit**

Price / Earnings Ratio  
Price / Book Value  
Dividend Yield  
Free Cash Flow Yield  
Enterprise Value / Sales

EV / EBITDA

**Numerator**

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization  
  
Net Income  
Operating Profit  
Expected 5 Year CAGR From Latest Actual  
Cash Flow From Operations – Total Capex

**Numerator**

Cash Flow From Operations  
Capex  
Tax Charge  
Net Debt = Total Debt – Cash & Equivalents  
EBIT

**Numerator**

Current Share Price  
Current Share Price  
Annualised Declared Cash Dividend  
Cash Flow From Operations – Total Capex  
EV = Current Share Price × Current Shares + Minority Equity + Net Debt + Other LT Liabilities  
Enterprise Value

**Denominator**

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill  
Amortization  
Shareholders' Equity  
Sales  
N/A  
N/A

**Denominator**

Net Income  
Depreciation  
Pre-Tax Income  
Total Equity  
Interest Expense

**Denominator**

Diluted Earnings Per Share (Basis As Specified)  
Shareholders' Equity / Current Basic Shares  
Current Share Price  
Market Cap = Current Share Price × Current Basic Shares  
Sales

Basic EBIT + Depreciation + Amortization

iQmethod<sup>SM</sup> is the set of BofA Global Research standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and valuations. The key features of iQmethod are: A consistently structured, detailed, and transparent methodology. Guidelines to maximize the effectiveness of the comparative valuation process, and to identify some common pitfalls.

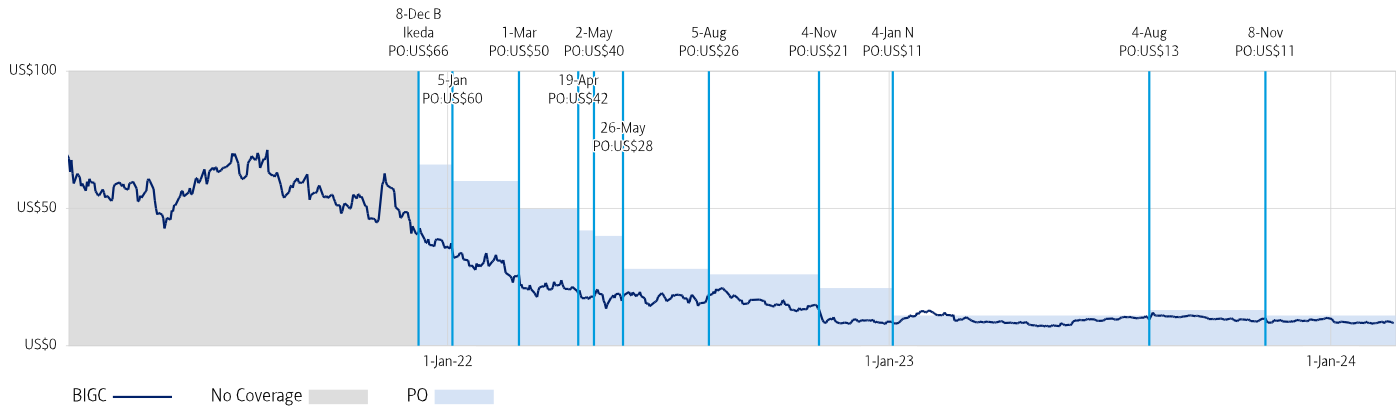
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# Disclosures

## Important Disclosures

### Bigcommerce (BIGC) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

### Equity Investment Rating Distribution: Technology Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	215	53.09%	Buy	111	51.63%
Hold	97	23.95%	Hold	45	46.39%
Sell	93	22.96%	Sell	24	25.81%

### Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

<sup>R1</sup> Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster <sup>R2</sup>
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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