

Max Life delivered a healthy performance for H1FY25, with APE growing 31% at Rs36.2bn and VNB margin at 21.1% (Emkay: 20.5%) resulting in VNB of Rs7.7bn (+15.5% YoY) as against our estimate of Rs6.9bn. With growth firing across the proprietary channels, management remains optimistic about growth outlook. While VNB margins are impacted by the new surrender regulations, management expects these to hover within the 23-24% range for FY25, thus resulting in VNB growth in the teens. The company plans refreshing its corporate name and brand identity with inclusion of 'Axis'; this would further strengthen the company's brand, hence driving more growth. To reflect the Q2 developments, we raise FY25-27E APE by ~4% and cut VNB margin by 10-20bps, which leads to a ~3-4% increase in VNB estimates. We reiterate ADD on the stock, while revising up Sep-25E TP to Rs1,450 (from Rs1,350 earlier), implying FY26E P/EV of 2.1x

Max Financial: Financial Snapshot

Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
GWP	253,419	295,290	347,749	406,335	472,351
APE	62,480	74,330	93,137	107,313	122,642
VNB	19,490	19,730	22,167	25,970	30,047
VNB margin (%)	31.2	26.5	23.8	24.2	24.5
APE growth (%)	11.8	19.0	25.3	15.2	14.3
VNB growth (%)	27.6	1.2	12.3	17.2	15.7
Adj. EPS (Rs)	11.0	9.9	17.2	20.2	24.0
EV	162,630	194,940	254,520	298,851	350,135
EVOP	31,320	32,850	37,992	46,122	53,411
Op. RoEV (%)	22.1	20.2	19.5	18.1	17.9
EVPS (INR)	377.1	452.0	590.1	692.9	811.8
P/EV (x)	3.4	2.8	2.2	1.8	1.6
P/EVOP (x)	17.5	16.7	14.4	11.9	10.3

Source: Company, Emkay Research

Strong APE growth and better-than-expected margins drive a healthy VNB

During H1FY25, Max Life reported a strong 31% APE growth at Rs36.2bn, higher than our estimate of Rs33.7bn. VNB margin at 21.1% (-2.8ppt YoY) came in better than our expectation of 20.5%. For Q2FY25, VNB margin stood at 23.6% vs our estimate of 22.8%. The 600bps QoQ increase in margin was driven by operating leverage and volume growth (500bps), and an increase (100bps) in rider attachments. Driven by the robust APE growth and better-than-expected margin, VNB at Rs7.7bn grew 15.5% YoY vs our estimate of Rs6.9bn. Embedded Value at Rs233.4bn grew 30% YoY (driven by capital raise) and logged a tad higher than our estimate of Rs230bn. AUM at Rs1,701bn grew 6% QoQ, and was 1.7% higher than our estimate. Persistency across major cohorts saw YoY improvement, while cost ratios witnessed sequential improvement. Solvency ratio stood at 198% for the quarter.

Growth to remain in high gear; rebranding with inclusion name 'Axis' for a stronger tomorrow

Max Life delivered robust 31% APE growth on the back of strong demand in ULIPs driven by buoyant equity markets. Increased focus on rider attachment resulted in strong growth in the protection segment, with a positive effect on margins. While management continues to invest in the proprietary channels of distribution, it remains optimistic about the growth outlook. Management expects VNB margin to remain in the 23-24% range, given impact of the new surrender regulations that would lead to VNB growth in the teens. Plan to refresh the corporate name and brand identity by including 'Axis' will further strengthen the company's brand positioning, thus driving increased trust among customers and so leading to further growth. Additionally, the rebranding will aid the company to penetrate in areas beyond Tier-1 where the 'Axis' branding is much stronger. Overall, combining of the two brands will result in further brand strengthening and increased customer preference, thus driving further growth for the company.

We retain ADD with revised Sep-25E TP of Rs1,450

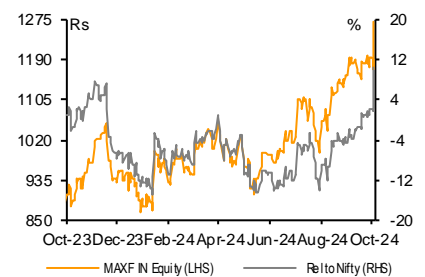
To reflect the developments in Q2, we tweak our FY25-27 estimates which has resulted in ~4% increase in APE; we however cut our VNB margin by 10-20bps, leading to a 3-4% increase in VNB estimate. We retain ADD on the stock, and revise up our TP to Rs1,450 (from Rs1,350 earlier), implying FY26E P/EV of 2.1x. While VNB margins remain under pressure, we believe Max Life's investment in distribution channels and rebranding via inclusion of the 'Axis' name will drive healthy APE growth in coming quarters.

Target Price – 12M	Sep-25
Change in TP (%)	7.4
Current Reco.	ADD
Previous Reco.	ADD
Upside/(Downside) (%)	14.0
CMP (23-Oct-24) (Rs)	1,271.9

Stock Data	Ticker
52-week High (Rs)	1,311
52-week Low (Rs)	854
Shares outstanding (mn)	345.1
Market-cap (Rs bn)	439
Market-cap (USD mn)	5,221
Net-debt, FY22E (Rs mn)	0
ADTV-3M (mn shares)	1
ADTV-3M (Rs mn)	1,458.9
ADTV-3M (USD mn)	17.4
Free float (%)	-
Nifty-50	24,436
INR/USD	84.1
Shareholding, Sep-24	
Promoters (%)	3.3
FPIs/MFs (%)	46.2/44.0

Price Performance (%)	1M	3M	12M
Absolute	6.4	23.3	42.9
Rel. to Nifty	12.9	23.5	12.7

1-Year share price trend (Rs)



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Exhibit 1: Max Life – H1FY25 Financial Results

(Rs bn)	H1FY25	H1FY24	% YoY	H1FY25E	% Var	2QFY25	Q2FY24	% YoY	Q2FY25E	% Var
Annualized Premium Equivalent (APE)	36.2	27.7	31.0	33.7	7.5	21.7	16.5	31.3	19.2	13.1
--o/w Savings	31.7	24.6	28.8			20.1	15.6	28.7		
--o/w Protection	6.7	5.1	32.5			3.8	2.9	28.9		
Protection (% of APE)	18.5	18.3	0.2ppt			17.4	17.8	-0.3ppt		
Value of New Business	7.7	6.6	15.5	6.9	10.8	5.1	4.2	23.1	4.4	17.1
New Business Margin (%)	21.1	24.0	-2.8ppts	20.5	0.6ppt	23.6	25.2	-2ppts	22.8	0.8ppt
Embedded Value	233.4	179.1	30.3	230.0	1.5					
Operating RoEV (%)	16.8	17.5	-0.7ppt							
Total New Business Premium	51.0	42.8	19.0			30.2	24.2	24.6		
Renewal premium	80.4	72.2	11.4			47.2	42.0	12.3		
Gross written premium	131.4	115.0	14.3			77.4	66.3	16.8		
PAT - MAXF	2.95	2.36	25.3			1.7	1.5	NM		
AUM	1,701	1,342	26.8	1,673	1.7					
13 th month persistency (%)	87.0	84.0	3.0ppts							
49 th month persistency (%)	67.0	65.0	2.0ppts							
61 st month persistency (%)	58.0	58.0	0.0ppt							
Solvency ratio (%)	198	184	14ppts							

Source: Company, Emkay Research

Exhibit 2: MAX Financial – Appraisal-based valuation methodology

Parameter (Rs bn)	Value
FY24-39E APE CAGR	10.5%
FY24-39E VNB CAGR	10.0%
Terminal growth rate	5.5%
Cost of Equity	13.0%
FY25 EV	255
Present value of future new business	483
FY 25 Appraisal value	737
Max Financial ownership in Max Life	80.0%
FY25 Fair value of Max Financials (20% Holdco discount)	472
No of shares	345.1
FV per share (Rs)	1,367
Sep-25E Target Price (Rs)	1,450

Source: Company, Emkay Research

Exhibit 3: Implied Valuation multiple for MAX Financial

Target multiples on FY26 estimates	Rs1,450
Implied P/EV	2.1x
RoEV (%)	18.1
P/EVoP	13.6x
Implied FY26E VNB multiple	14.3x
Current price multiple on FY26 estimates	Rs1,272
P/EV	1.8x
RoEV (%)	18.1
P/EVOP	11.9x
Implied FY26E VNB multiple	13.3x

Source: Company, Emkay Research

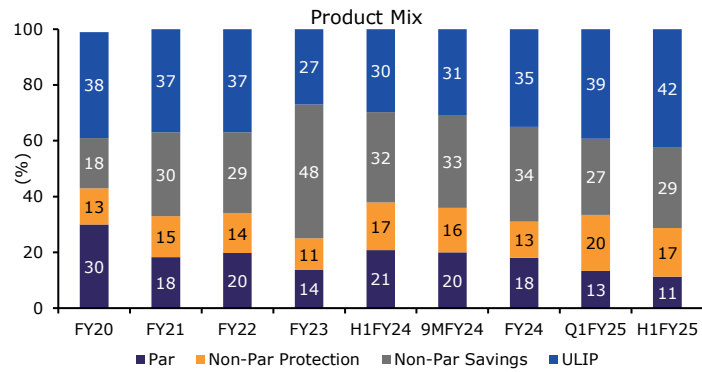
Exhibit 4: Changes in Estimates

(Rs bn)	FY25E			FY26E			FY27E		
	Old	Revised	% Change	Old	Revised	% Change	Old	Revised	% Change
APE	90.0	93.1	3.5	102.8	107.3	4.4	117.5	122.6	4.3
VNB	21.6	22.2	2.6	25.0	26.0	3.9	28.9	30.0	3.9
VNB margin (%)	24.0	23.8	-0.2pt	24.3	24.2	-0.1pt	24.6	24.5	-0.1pt
Embedded Value	247.0	254.5	3.1	290.0	298.9	3.1	339.7	350.1	3.1
Consolidated EPS (Rs)	17.1	17.2	0.6	20.0	20.2	1.0	23.7	24.0	1.4

Source: Company, Emkay Research

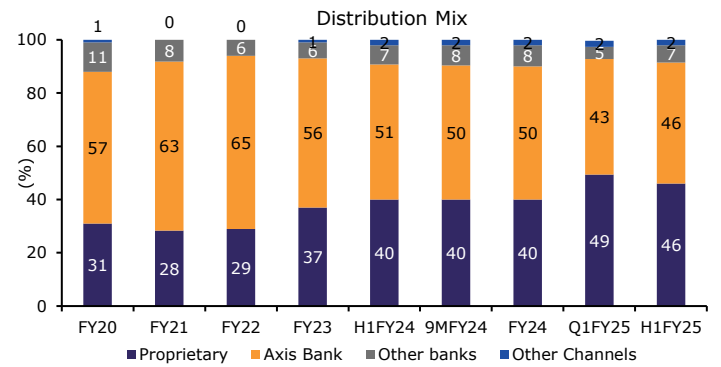
Story in Charts

Exhibit 5: ULIPs contribute to 42% of the product mix



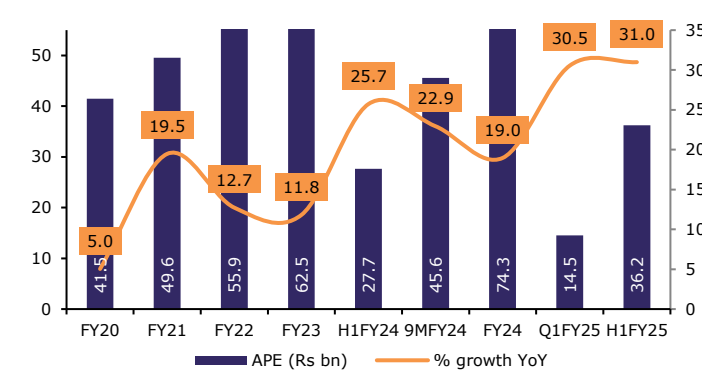
Source: Company, Emkay Research

Exhibit 6: Proprietary channel contributes to 46%



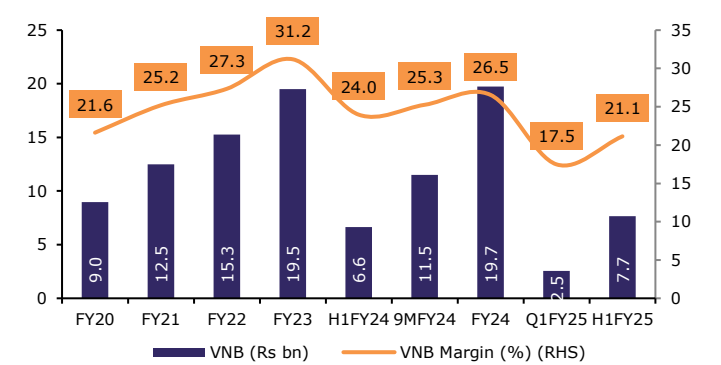
Source: Company, Emkay Research

Exhibit 7: MAXF posts robust APE growth of 31% for H1FY25



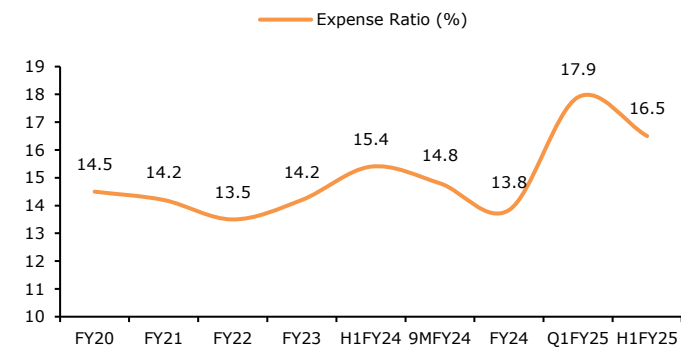
Source: Company, Emkay Research

Exhibit 8: VNB margin slips to 21.1% owing to higher ULIPs



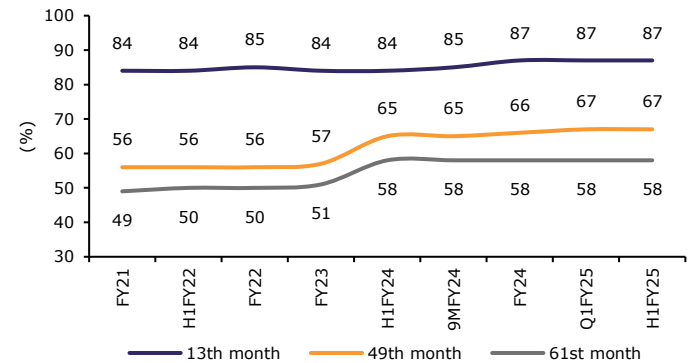
Source: Company, Emkay Research

Exhibit 9: Total expense ratio improves sequentially



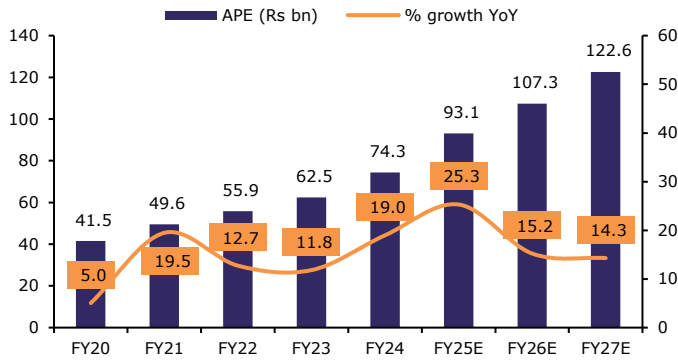
Source: Company, Emkay Research

Exhibit 10: Persistency across cohorts improves on YoY basis



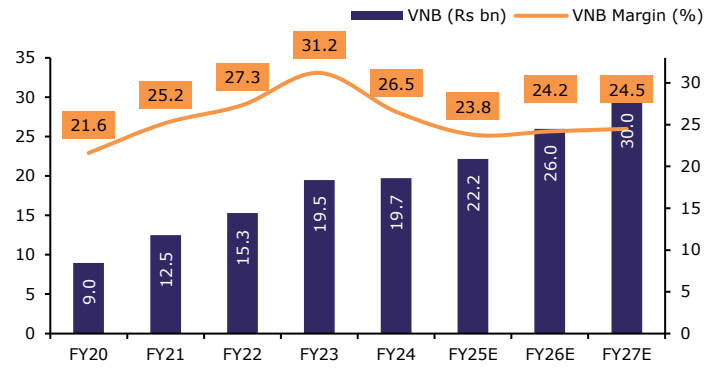
Source: Company, Emkay Research

Exhibit 11: We expect MAXF to deliver ~25% APE growth during FY25E



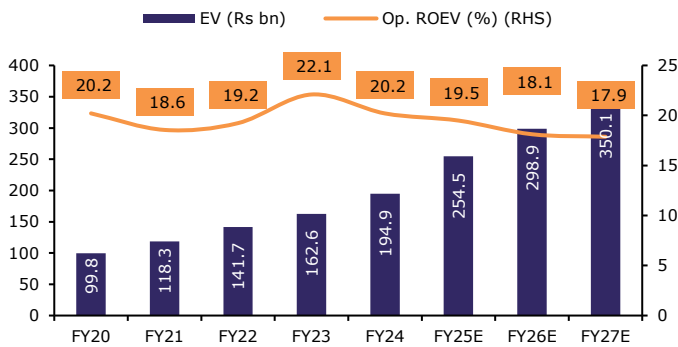
Source: Company, Emkay Research

Exhibit 12: VNB margin is expected to remain at around 24%



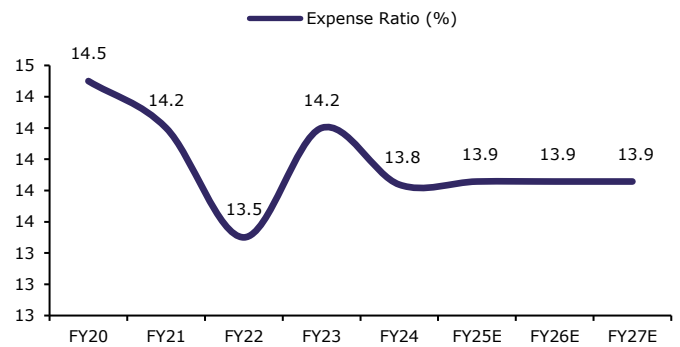
Source: Company, Emkay Research

Exhibit 13: We expect MAX Life's EV to grow to Rs350bn by FY27E



Source: Company, Emkay Research

Exhibit 14: Expense ratio estimated to stay at ~14%



Source: Company, Emkay Research

Earnings Conference Call Highlights

- While Axis Bank has been a co-promoter, the Board has approved the use of 'Axis' in the branding of the company and for corporate identity purposes. Combining the two brands will result in strong brand association and increased trust among customers. The new corporate identity will come through once the company receives regulatory approvals.
- Continued investments in proprietary channels resulted in strong growth in these channels. Strong focus on such channels grew 46% on 2Y CAGR basis. Online channels continue to hold leadership position in the industry.
- The company has on-boarded 20 new partners, including the India Post Payments banks and a few brokers.
- Despite the slow disbursement market, the company saw 34% growth in group credit life.
- Management remains committed to delivering strong growth.
- Company will continue to introduce new products. New product launch in the ULIP segment resulted in strong growth of 74%.
- Operating leverage (500bps) and strong growth in rider attachments (100bps) resulted in a 600bps QoQ growth in VNB.
- Net margin impact was 100-200bps on account of new surrender regulations which will mitigate in the medium term.
- The management has had recent conversations with channel partners, and the management has worked on a combined solution, including claw-back in commission and deferment of commission. Management stated that the market should normalize by the end of Q3FY25.
- Management targets double-digit VNB growth for the whole year. It mentioned that VNB margins will be in the range of 23-24% for FY25, and the company will focus on mitigating the impact over the medium term.
- Management stated that company growth will be 5-7% better than the industry growth. The company will make efforts to drive VNB growth in the teens.
- Max Life is a dominant brand in the life insurance space. However, Axis is a large financial services conglomerate with presence in the deeper parts of Indian tier 2/3 markets, where the 'Max Life' brand is not so strong. Hence, with expansion in smaller cities, the strengthening after both brands combining will drive increased brand strength among customers. Further, the combined brand will result in increased presence in the Axis Bank channel.
- The company has chosen 'Protection and Health' as a critical area of growth. It is making efforts to rebalance the overall mix and aspires to reduce the share of ULIPs.
- The company maintains intense focus on driving growth in the Credit Life segment, which comes at increased commissions.
- Top-agent engagement programs have helped see strong growth in the agency channel. Further, targeting of new customer segments for up-selling and cross-selling have aided robust growth in the direct channel.
- Management mentioned that its presence in the savings space on the e-commerce channel is limited. With efforts toward driving the presence of savings products on e-commerce channels, management has seen significant growth here.
- Two-thirds of the Economic Variance gains are from Equity and one-third from Debt.

Exhibit 15: MAXF – Consolidated Financial Summary

Y/E March (Rs mn)	2023	2024	2025E	2026E	2027E
Income statement					
Max Life Profit before Tax	5,046	3,749	7,979	9,340	11,084
Holding company expenses net of income	-226	200	210	221	232
Profit before Tax	5,272	4,148	7,769	9,120	10,853
Tax expense	753	222	324	379	449
Profit after Tax	4,519	3,926	7,445	8,741	10,403
Minorities	734	525	1,523	1,783	2,116
Group Net Income	3,785	3,401	5,922	6,958	8,287
Balance Sheet					
Source of Funds					
Shareholders' Equity	35,182	38,659	44,581	51,539	59,826
Minorities	4,503	5,036	11,544	12,567	13,781
Financial Liabilities	1,270,126	1,575,165	1,682,506	1,934,590	2,239,560
Non-financial Liabilities	8,427	8,875	188,965	214,290	246,055
Total	1,318,238	1,627,735	1,927,596	2,212,987	2,559,222
Application of Funds					
Investments	1,282,139	1,593,587	1,848,149	2,022,967	2,341,869
Other Financial Assets	2,205	1,726	42,991	145,992	163,009
Cash and Bank balance	11,778	9,059	18,082	20,754	23,986
Non-financial Assets	22,116	23,363	18,375	23,274	30,358
Total	1,318,238	1,627,735	1,927,596	2,212,987	2,559,222
No. Of shares outstanding (mn)	345.1	345.1	345.1	345.1	345.1
Weighted average number of shares (mn)	345.1	345.1	345.1	345.1	345.1
Weighted average diluted shares (mn)	345.1	345.1	345.1	345.1	345.1

Source: Company, Emkay Research

Max Financial: Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Gross premium	253,419	295,290	347,749	406,335	472,351
Net premium	248,818	289,847	344,271	402,271	467,627
Investment income	61,625	170,875	217,779	161,638	197,444
Other income	104	77	0	0	0
Total revenue	310,547	460,800	562,050	563,909	665,071
Commission expense	16,138	23,983	28,486	32,883	37,757
Operating expense	35,808	40,861	48,189	56,307	65,455
Benefits paid (net)	99,792	133,212	165,949	201,373	231,544
Change in reserves	150,603	257,486	311,552	265,352	321,021
Total expenses	304,550	457,636	556,679	558,840	659,179
Surplus/Deficit	5,997	3,164	5,371	5,069	5,892
Trf from policyholders' acct	4,563	2,612	5,371	5,069	5,892
Shareholders' results	484	1,136	2,608	4,271	5,192
PBT	5,046	3,749	7,979	9,340	11,084
Tax expense	694	152	324	379	449
Reported PAT	4,352	3,597	7,655	8,961	10,635
PAT growth (%)	12.6	(17.4)	112.9	17.1	18.7
Adjusted PAT	4,352	3,597	7,655	8,961	10,635
Diluted EPS (Rs)	0.0	0.0	0.0	0.0	0.0
Diluted EPS growth (%)	0.0	0.0	0.0	0.0	0.0
DPS (Rs)	0.0	0.0	0.0	0.0	0.0
Dividend payout (%)	0.0	0.0	0.0	0.0	0.0
Effective tax rate (%)	14	4	4	4	4
Shares outstanding (mn)	345	345	345	345	345

Source: Company, Emkay Research

Miscellaneous Metrics					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
APE	62,480	74,330	93,137	107,313	122,642
VNB	19,490	19,730	22,167	25,970	30,047
VNB margin (%)	31.2	26.5	23.8	24.2	24.5
APE growth (%)	11.8	19.0	25.3	15.2	14.3
VNB growth (%)	27.6	1.2	12.3	17.2	15.7
Operating ratios (%)					
NB commission/APE	18.4	26.3	NA	NA	NA
Commissions/TWRP	7.1	9.3	NA	NA	NA
Total exp ratio/TWRP	23.0	25.1	NA	NA	NA
Conservation ratio	82.6	83.1	83.1	83.1	83.1
Solvency ratio	190.0	172.0	NA	NA	NA
RoE	10.2	9.2	14.2	14.5	14.9
Historical metrics					
APE mix (%)	FY23	FY24	FY25E	FY26E	FY27E
A. Retail protection	6.4	8.0	NA	NA	NA
B. Group protection	4.9	5.0	NA	NA	NA
C. Savings - individual	0.0	0.0	NA	NA	NA
Par	13.7	18.0	NA	NA	NA
Non-Par	48.0	34.0	NA	NA	NA
ULIP	27.0	35.0	NA	NA	NA
D. Group Savings	0.0	0.0	NA	NA	NA
Persistency ratios (%)					
13th Month	84.0	87.0	NA	NA	NA
49th Month	57.0	66.0	NA	NA	NA

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Share capital	19,188	19,188	20,614	20,614	20,614
Reserves & surplus	16,209	20,184	39,471	44,848	51,229
Net worth	35,397	39,372	60,085	65,462	71,843
Borrowings	4,960	4,960	4,960	4,961	4,961
Policy liabilities	805,354	973,550	1,181,367	1,358,368	1,572,502
Prov for linked liab.	303,656	387,991	470,813	541,353	626,692
FFA	35,803	38,727	5,371	5,069	5,892
Current liabilities & prov	38,656	36,183	95,041	107,401	122,291
Total liabilities & equity	1,242,553	1,538,216	1,831,754	2,102,483	2,429,885
Shareholders' investment	55,043	58,484	88,782	96,647	105,980
Policyholders' investment	821,021	1,008,078	1,223,267	1,406,545	1,628,274
Assets to cover linked liab.	352,502	441,793	536,100	616,422	713,595
Current assets	39,942	51,286	61,073	70,099	81,015
Total assets	1,242,553	1,538,216	1,831,754	2,102,483	2,429,885
BV/share (INR)	101.9	112.0	129.2	149.3	173.4
EV/share (INR)	377.1	452.0	590.1	692.9	811.8
EVOP/share (INR)	72.6	76.2	88.1	106.9	123.8
Embedded value	162,630	194,940	254,520	298,851	350,135
ANW	34,060	39,260	59,973	65,350	71,731
VIF	128,570	155,680	194,547	233,500	278,404
VIF share in EV (%)	79.1	79.9	76.4	78.1	79.5
Total AUM	1,228,566	1,508,355	1,848,149	2,119,614	2,447,849
Investment yield (%)	5.6	12.8	13.3	8.5	9.0
Yield on PH funds (%)	5.6	13.0	13.6	8.5	9.0
Yield on SH funds (%)	5.9	6.9	7.2	7.0	7.0

Source: Company, Emkay Research

Valuation & key ratios					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
P/E (x)	116.0	129.1	74.1	63.1	53.0
P/B (x)	12.5	11.4	9.8	8.5	7.3
P/EV (x)	3.4	2.8	2.2	1.8	1.6
P/EVOP (x)	17.5	16.7	14.4	11.9	10.3
Implied P/VNB (x)	20.7	19.6	16.0	11.3	8.3
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
EV account and RoEV					
Opening EV	141,740	162,630	194,940	254,520	298,851
Premium unwind	12,450	13,690	15,825	20,153	23,364
VNB	19,490	19,730	22,167	25,970	30,047
Operating variance	(620)	(570)	0	0	0
EVOP	31,320	32,850	37,992	46,122	53,411
Investment variance	(10,440)	(540)	7,000	0	0
Capital movement	0	0	14,589	(1,792)	(2,127)
Other changes	0	0	0	0	0
Closing EV	162,630	194,940	254,520	298,851	350,135
Change in EV	20,890	32,310	59,580	44,330	51,284
RoEV (%)	14.7	19.9	23.1	18.1	17.9
Operating RoEV (%)	22.1	20.2	19.5	18.1	17.9
EVOP growth (%)	37.6	4.9	15.7	21.4	15.8
EV growth (%)	14.7	19.9	30.6	17.4	17.2
Core operating RoEV (%)	22.1	20.2	19.5	18.1	17.9
Unwind rate (%)	8.8	8.4	8.1	7.9	7.8
VNB-to-opening EV (%)	13.8	12.1	11.4	10.2	10.1

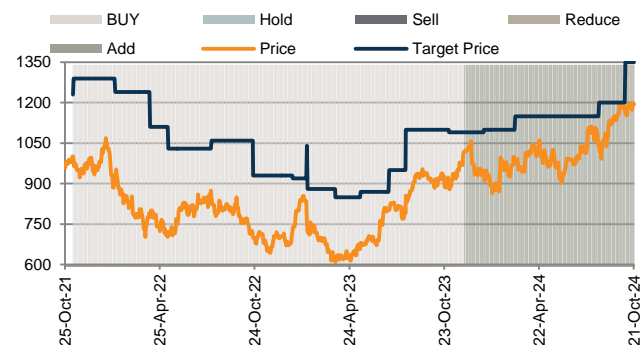
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
13-Oct-24	1,186	1,350	Add	Avinash Singh
04-Oct-24	1,161	1,350	Add	Avinash Singh
09-Sep-24	1,123	1,200	Add	Avinash Singh
15-Aug-24	1,040	1,200	Add	Avinash Singh
04-Jul-24	1,002	1,150	Add	Avinash Singh
10-Jun-24	954	1,150	Add	Avinash Singh
10-Jun-24	954	1,150	Add	Avinash Singh
05-Jun-24	926	1,150	Add	Avinash Singh
01-Jun-24	918	1,150	Add	Avinash Singh
10-May-24	976	1,150	Add	Avinash Singh
08-May-24	983	1,150	Add	Avinash Singh
19-Apr-24	1,022	1,150	Add	Avinash Singh
03-Apr-24	1,007	1,150	Add	Avinash Singh
26-Mar-24	988	1,150	Add	Avinash Singh
09-Mar-24	978	1,150	Add	Avinash Singh
07-Mar-24	978	1,150	Add	Avinash Singh
07-Feb-24	960	1,100	Add	Avinash Singh
09-Jan-24	947	1,100	Add	Avinash Singh
07-Jan-24	948	1,100	Add	Avinash Singh
28-Dec-23	951	1,090	Add	Avinash Singh
18-Dec-23	973	1,090	Add	Avinash Singh
07-Dec-23	1,032	1,090	Add	Avinash Singh
30-Nov-23	1,019	1,090	Add	Avinash Singh
07-Nov-23	914	1,090	Buy	Avinash Singh
01-Nov-23	884	1,090	Buy	Avinash Singh
09-Oct-23	896	1,100	Buy	Avinash Singh
04-Oct-23	884	1,100	Buy	Avinash Singh
08-Sep-23	936	1,100	Buy	Avinash Singh
21-Aug-23	873	1,100	Buy	Avinash Singh
10-Aug-23	855	1,100	Buy	Avinash Singh
09-Aug-23	790	950	Buy	Avinash Singh
09-Jul-23	802	950	Buy	Avinash Singh
10-Jun-23	686	870	Buy	Avinash Singh
01-Jun-23	703	870	Buy	Avinash Singh
16-May-23	682	870	Buy	Avinash Singh
15-May-23	672	870	Buy	Avinash Singh
21-Apr-23	624	850	Buy	Avinash Singh
03-Apr-23	634	850	Buy	Avinash Singh
28-Mar-23	609	850	Buy	Avinash Singh
09-Mar-23	675	880	Buy	Avinash Singh
07-Feb-23	714	880	Buy	Avinash Singh
06-Feb-23	711	880	Buy	Avinash Singh
02-Feb-23	722	880	Buy	Avinash Singh
01-Feb-23	753	1,040	Buy	Avinash Singh
10-Jan-23	770	920	Buy	Avinash Singh
05-Jan-23	735	920	Buy	Avinash Singh
03-Jan-23	710	930	Buy	Avinash Singh
13-Dec-22	704	930	Buy	Avinash Singh
08-Dec-22	707	930	Buy	Avinash Singh
08-Nov-22	713	930	Buy	Avinash Singh
21-Oct-22	699	930	Buy	Avinash Singh
10-Oct-22	758	1,060	Buy	Avinash Singh
29-Sep-22	770	1,060	Buy	Avinash Singh
07-Sep-22	813	1,060	Buy	Avinash Singh
05-Sep-22	804	1,060	Buy	Avinash Singh

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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