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Haitong Bank in a report from 14th May (8:21 a.m.) initiates coverage of Wawel with a SELL rating and a FV of PLN 910.0, implying 12% downside.

Valuation Methodology

Based on a DCF Haitong Bank analysts arrive at PLN 880 per share, which has 80% weight in their valuation, while based on the peer valuation it is PLN 1,033, which they weigh at 20%. Analysts use a smaller weight for the peer valuation as it captures only the next 3 years of company development. Their final value is PLN 910.0 which offers 11.7% downside potential.

Risks to Fair Value

Downside risks:

- Growing commodities prices
- Unfavourable fx changes
- Growing salary pressure
- New products sales and margins lower than expected
- Lack of foreign expansion

Upside risks

- Signing international contracts
- New products sales and margins higher than expected
- Potential M&A
- Favourable fx changes

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