

# Diploma Group Limited

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## Diploma Group clinches \$40M in new construction contracts

Diploma Group's (ASX: DGX) has won two more construction contracts valued at \$40 million, as the company continues to successfully convert its pipeline of business into confirmed orders.

This follows hot on the heels of a \$66 million contract win just last month.

**Proactive Investors believes DGX has the potential to continue to rapidly build its construction book in the near-term, with more contract wins likely in coming weeks.**

The new projects are with a long term client TRG Properties, and are to be constructed on Lots 229 and 230 in Perry Lakes, and will be named Empire Apartments - in recognition of the site's history.

Perry Lakes is located in the established leafy suburb of Floreat, and within Perth's blue chip Western Suburbs.

The location is well serviced and located near significant local amenities such as major shopping precincts, first class sporting facilities, established schools and local beaches.

### Diploma CEO

Nick Di Latte, Diploma CEO commented, "The award of Empire East and West caps off a terrific month for the company having secured \$110 million in new contract work.

"The Empire contracts, to commence later in the year, extend Diploma's involvement in the Perry Lakes precinct to late 2016.

"The award of Empire follows the award of the \$18 million Podium contracts, also for TRG Properties and now under construction in Perry Lakes."

### Empire East – Lot 229 - \$9 million

A Binding Heads of Agreement (HOA) has been executed with a subsidiary of TRG

Properties for the award of a contract to construct 27 apartments. The building will consist of 1, 2 & 3 bedroom apartments over 3 levels with basement car park.

The Binding HOA is subject to sufficient presales being secured in the development with construction anticipated to commence before end of January 2015.

## Share Information

**Code:** DGX

**Listing:** ASX

**Sector:** Builders and building materials

**Website:** [www.diploma.com.au](http://www.diploma.com.au)

### Company Synopsis:

*Diploma Group Limited is a commercial construction and property development business, which offers a vertically integrated business by managing the entire design process of a project from initial conception through to final handover of the completed product. The Company operates in two segments: construction and property development.*

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The contract duration is anticipated to extend for 60 weeks. Formal contract execution is expected within 6 months.

### **Empire West – Lot 230 - \$31 million**

A Binding Heads of Agreement (HOA) has been executed with a subsidiary of TRG Properties for the award of a contract to construct 96 apartments.

The building will consist of 1, 2 & 3 bedroom apartments over 4 levels plus basement car park.

The Binding HOA is subject to sufficient presales being secured in the development with construction anticipated to commence before end of January 2015.

Formal contract execution is expected to occur simultaneous with Lot 229 Empire East.

### **Analysis**

The new contract wins will be value accretive for Diploma, and have the potential to further build on the strong first half results for the six months ending December 2013.

These included EBIT of \$3.3 million on revenue of \$111.6 million - is up 34% on the previous period.

Proactive Investors retains its share price target of \$0.047 - \$0.054, and expects the contract wins to keep coming for Diploma in the near-term.

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