

Diploma Group Limited

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Diploma Group secures \$16M construction agreement

Diploma Group (ASX:DGX) has executed a binding Heads of Agreement with Sirona Capital Management Pty Ltd to construct a \$16 million Quest Serviced Apartment development on Pakenham Street, Fremantle.

This follows on the company winning two construction contracts valued at \$40 million earlier this month.

It also validates Proactive Investors belief that the company has the potential to continue building its construction book in the near-term.

Development Details

The development will consist of 73 rooms with 122 keys over 5 levels plus basement to be integrated with an existing 1920's heritage façade.

The project, designed by architects Bollig Design Group is expected to commence forward works in September 2014 with a completion date of March 2016.

Diploma will work collaboratively with the design team on an exclusive basis over the coming months to achieve the target construction price at which time a formal construction contract will be entered into.

Recent Contract Wins

The agreement follows on the company winning two construction contracts valued at \$40 million earlier this month and three contracts worth \$66 million last month.

Diploma is building a total of 123 apartments – the Empire Apartments in Perry Lakes, Perth – under the \$40 million contracts.

The three contracts consist of a \$17 million contract for the construction of a development of 34 residences and office space in Mount Pleasant for new client Norup+Wilson, a \$38 million appointment to construct 109 apartments, and an \$11 million Quest Serviced Apartment development.

Analysis

While not yet a formal construction contract, the binding Heads of Agreement to construct a \$16 million Quest Serviced Apartment development on Pakenham Street, Fremantle, is a step forward towards building Diploma Group's construction book.

This promises to be value accretive on confirmation, supporting its future

Share Information

Code: DGX

Listing: ASX

Sector: Builders and building materials

Website: 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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results.

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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