

Diploma Group Limited

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Diploma Group racks 194% higher profit

Perth-based Diploma Group (ASX:DGX) is positioned for further growth after reporting a bumper 194% increase in net profit to \$4.7 million for the year ended 30 June 2014 over the previous year on a 20% rise in revenue to \$195.3 million.

This continues its return to profit that begun in the 2013 financial year with its construction division already having secured work in hand totalling \$180 million.

In addition, the company has no corporate debt, financing secured on all internal development projects and had raised \$9.1 million through a share placement

Projects

During the 2014 financial year, Diploma's construction division completed seven projects with a combined contract value of circa \$267 million and secured another four totalling \$77 million.

It has nine active projects on hand with Heads of Agreements in place on a further 4 projects set to commence later in the year.

The properties division successfully completed its One on Aberdeen development during the year.

This development was the first undertaken in joint venture with the Western Australia Department of Housing and all lots in the \$73 million project were pre-sold.

Settlements commenced on 25 July 2014 with over 65% already settled with the remaining lots expected to be settled in the next few weeks.

Abode, also a joint venture with the Department of Housing reached 100% presales during the year and construction of this development is well underway and due for completion in Feb 2015.

The remaining four projects in the property division, being two residential developments and two Quest Serviced apartments have all secured finance and are due for completion throughout 2015 and 2016 financial years.

Recent wins include the contracts with long term client TRG Properties for the Empire Apartments development on Lots 229 and 230 in Perry Lakes and the binding Heads of Agreement with Sirona Capital Management Pty Ltd to construct a \$16 million Quest Serviced Apartment development on Pakenham Street, Fremantle.

Analysis

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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Diploma's 194% rise in net profit on 20% higher revenues is a terrific result. No two ways about it.

That its construction division has work in hand totalling \$180 million while its property division has secured finance for its four projects has set the stage for further growth.

This performance comes as Australia's construction sector had surged into expansion in June for the first time in six months.

The Ai Group/Housing Industry Association Performance of Construction Index rose 5.1 points to 51.8 in June, above the 50 level separating expansion from contraction.

New orders continue to grow at a faster pace for the housing and apartment building sub-sectors, the latter of which Diploma is focused in.

This has the potential to further support the company's future growth.

Diploma is lightly capitalised at \$18.83 million and a share price of \$0.04.

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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