

Diploma Group Limited

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Diploma Group builds \$167M construction pipeline

Diploma Group (ASX:DGX) has built a pipeline for continued strong revenue growth with a construction forward order book of \$167 million secured over the next 24 months.

In addition, the company is currently tendering or negotiating \$110 million of new construction work.

It has also commenced construction of four internal projects with a fifth to commence in October 2014.

This is in line with its strategy to generate an even spread of internal and external construction work by leveraging its integrated model and relationships.

It follows on the company reporting a 20% increase in revenue to \$195.3 million for the 2014 financial year.

Net profit after tax was up 194% to \$4.7 million, continuing its return to profit that begun in the 2013 financial year.

Projects

During the 2014 financial year, Diploma's construction division completed seven projects with a combined contract value of circa \$267 million

It has also started construction on five projects in Western Australia with total value of \$77 million.

Meanwhile its property development division completed the \$72 million One on Aberdeen development, received approval for the \$30 million Capri and started construction on four projects worth \$120 million.

Analysis

That Diploma Group has a pipeline for continued strong revenue growth – including \$167 million in secured work over the next 24 months – is welcome news for shareholders.

This could grow further with another \$110 million under tender or negotiation. The company may also secure more contracts as the 2015 financial year continues.

Diploma is lightly capitalised at \$19.4 million and a share price of \$0.04.

The company is well funded with \$6.9 million in cash and cash equivalents as at 30 June 2014.

Proactive Investors retains its share price target of \$0.047 - \$0.054, and

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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expects the contract wins to keep coming for Diploma in the near-term.

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