Morning Wrap

Today's Newsflow

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Economic view UK Housing Chartbook – July 2025

DCC Infotech Disposal Likely Removes an Overhang

Equity Research 14 Jul 2025

08:27

Upcoming Events

Company Events

15-Jul	Barratt Redrow; Q425 Trading Update
16-Jul	Trustpilot Group; Q225 Trading Update
21-Jul	Ryanair; Q1 FY26

Economic Events

Ireland

17-Jul	Trade Balance

United Kingdom

14-Jul	Permanent Job Placements
16-Jul	CPI
	PPI
	Retail Price Index
17-Jul	ILO Unemployment Rate

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Economic view UK Housing Chartbook – July 2025

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It was a very poor month for share prices in the largest UK homebuilders, underperforming the market by 10%. The context here was increased concerns about the UK public finances and a threat of the need for further tax rises in the Autumn. This is the context behind the publication of our latest UK Housing Chartbook published this morning.

Some of the main market themes this month are: **Pricing** - Based on latest RICS data stamp duty hangover looks to have almost washed out with both price & sales expectations improving in June & LT expectations remaining positive, supporting a H2 recovery. **Demand** - Stronger than expected mortgage approvals in May (63K) provide encouraging signs into H2. **Supply** - Data continues to suggest weaker housing starts. **Policy** - Chancellor Reeves to launch a permanent >95% loan-to-value (LTV) mortgage guarantee scheme extending a temporary scheme introduced in April 2021 – impact expected to be quite limited.

There are opposing forces driving the UK housing market currently. On the negative front, strained public finances will continue speculation around further tax rises this Autumn. On the positive side, interest rates are likely to fall over the coming months as inflation pressures ease and growth concerns increase.

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DCC Infotech Disposal Likely Removes an Overhang

Recommendation: Buy
Closing Price: £47.34

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DCC has announced the disposal of the UK & Irish Infotech business for an EV of £100m to PE group Aurelius.

The disposed activities generated sales of ~£2bn but only ~1% of group uOP (so ~£1m of the FY25 Tech division uOP of £82m) and compose the vast bulk of the infotech activities (France/Spain sold, Mideast closed and small remaining ops in Netherlands/Nordics) and have been a source of trading weakness and investor concern. The group expects no material cash inflow on a reported basis due to the seasonal working capital cycle in the business (FYE is the low point, with infotech accounting for around half, £200m of the group's mid year WC £400m peak vs YE). The release also discloses that £156m of off-balance sheet supply chain finance was associated with the activities (which we hadn't been aware of, and is not present in any other activities within DCC) and will therefore be removed along with some small leasehold liabilities. This likely means a small reduction in our annual interest charge estimates from lower average WC (but SC finance cost was against operating profits). The group retains the freehold of the Burnley distribution centre, with an estimated £50m value, to be sold separately. The net value is thus not far short of our £183m estimate, albeit this was a reduced figure.

The remaining tech activities ProAV-Life, largely in the USA with a growth presence in Europe, are in the process of a cost reduction rationalisation programme due to deliver £20-£30m by FY27 on a base of £82m in FY25. We assume that a disposal here is thus likely to await the completion of that programme, but the business is profitable and less of a risk.

Overall, whilst the outcome is another (very small in context) disappointment on total value, the removal of the trading uncertainty and a business which the market was not attributing any value to may prove to be a positive, or at least the absence of a negative/risk.

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