

## Most shorted ahead of earnings

Monday, September 4<sup>th</sup> 2017

### We reveal how short sellers are positioning themselves in companies announcing earnings this week

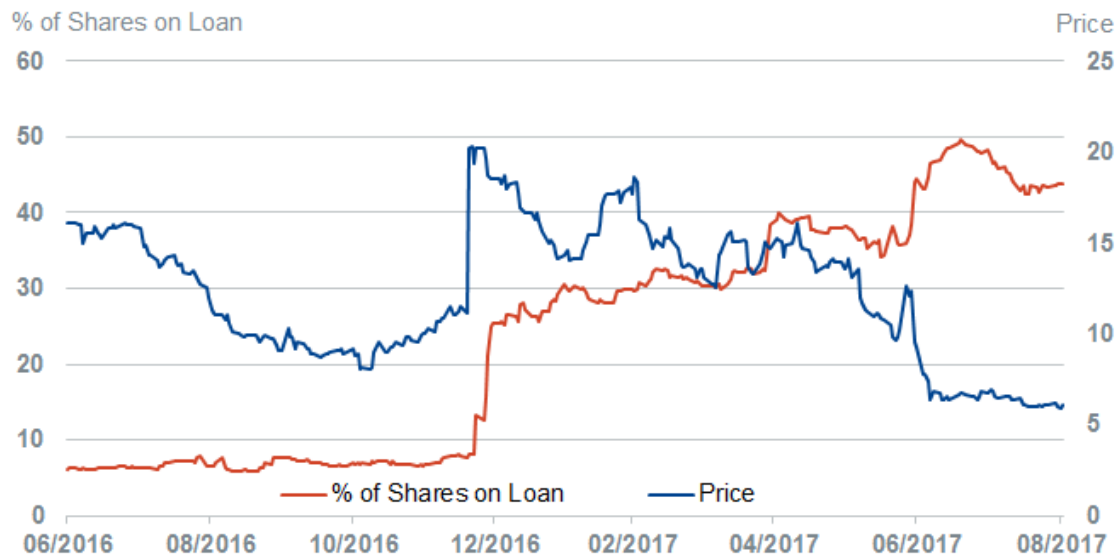
- Short sellers stay the course with avocado grower Calavo
- Enquest targeted after recent production disappointment
- Asukanet is the most shorted Asian company announcing earnings

#### North America

Name	Industry	Ticker	Report Day	% Shares Outstanding On Loan	1 Month % Change
Fred'S Inc	Multiline Retail	FRED	Wednesday	43.9	-4%
Rh	Specialty Retail	RH	Wednesday	30.7	-32%
Jinkosolar Hldg Adr Rep 4 Ord	Semiconductors & Semiconductor Equ	JKS	Wednesday	22.5	-6%
Calavo Growers Inc	Food Products	CVGW	Tuesday	19.4	4%
Conn'S Inc	Specialty Retail	CONN	Thursday	16.2	5%
G-ii Apparel Group Ltd	Textiles, Apparel & Luxury Goods	GIII	Wednesday	15.9	5%
Eros International Plc	Media	EROS	Friday	15.4	19%
Advaxis Inc	Biotechnology	ADXS	Wednesday	15.3	-5%
Duluth Holdings Inc	Internet & Direct Marketing Retail	DLTH	Tuesday	15.3	8%
Tailored Brands Inc	Specialty Retail	TLRD	Thursday	15.2	31%
Caseys General Stores Inc	Food & Staples Retailing	CASY	Wednesday	13.1	-7%
Francesca'S Holdings Corp	Specialty Retail	FRAN	Wednesday	10.6	67%
Global Eagle Entertainment Inc	Media	ENT	Wednesday	10.1	4%
Zumiez Inc	Specialty Retail	ZUMZ	Thursday	10.0	-5%

Pharmacy operator Fred's is this week's runaway short play – it has a massive 44% of its shares out on loan to short sellers. Short sellers are targeting Fred's to play the tie-up between competitors Walgreen's and Rite Aide. Fred's doubled its footprint in a related transaction to help its much larger peers meet regulatory approval.

## Fred'S Inc



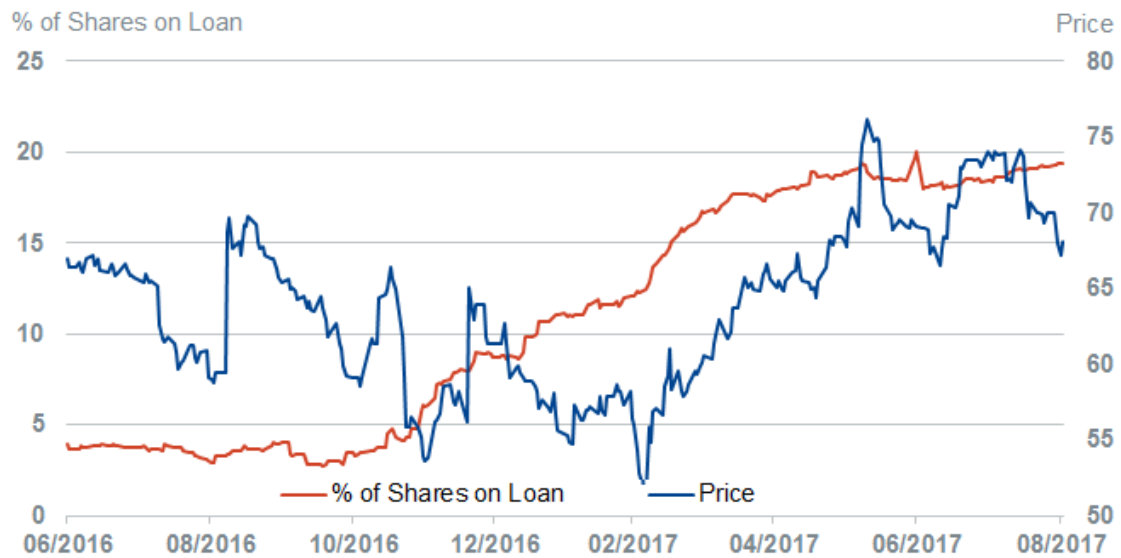
Source: IHS Markit

Short sellers were ultimately proven right in late June when the complicated deal came apart, and Fred's shares fell to a 15-year low. Despite their large recent payday, short sellers think there may be more bad news ahead for Fred's.

Although Fred's ongoing corporate action makes it a special case, it is not the only retailer with heavy short pressure ahead of earnings. The sector makes up more than two thirds of the companies seeing heavy short interest. Standout names in this group include homeware firm RH, teen fashion house Zumiez and department store Conn's.

One other interesting name popping up is avocado producer Calavo Growers. Its shares surged along with the demand for avocados, but short sellers are skeptical of this and have increased their bearish bets. With just under a fifth of its shares out on loan, Calavo short interest is at an all-time high.

## Calavo Growers Inc



Source: IHS Markit

## Europe

Name	Industry	Ticker	Report Day	% Shares Outstanding On Loan	1 Month % Change
Santhera Pharmaceuticals Holding	Biotechnology	SANN	Tuesday	6.5	15%
Enquest Plc	Oil, Gas & Consumable Fuels	ENQ	Thursday	5.5	53%
Sas Ab	Airlines	SAS	Tuesday	5.4	-3%
Vectura Group Plc	Pharmaceuticals	VEC	Wednesday	4.9	3%
Bourbon Corporation Sa	Energy Equipment & Services	GBB	Thursday	3.8	-1%
Iqe Plc	Semiconductors & Semiconductor Equ	IQE	Tuesday	3.4	75%

The largest short play among European companies is Swiss biotech firm Santhera. Short sellers took notice of the company in September of last year when its shares fell by more than a third on news that the US Food and Drug Administration (FDA) [blocked](#) the company's efforts to fast-track approval of its Raxone drug. Santhera has mostly recovered from this setback, but short sellers are still reticent to fully commit to this rally. More than 6% its shares are now out on loan.

## Santhera Pharmaceuticals Holding Ag



Source: IHS Markit

UK oil and gas exploration firm Enquest earns the runner-up spot on this week's screen of heavily shorted firms announcing earnings. Short sellers had given up on Enquest since the price of oil rallied in the second half of 2016. This covering turned out to be premature, and short sellers have returned with a vengeance. The demand to borrow Enquest shares increased by more than 50% in the last month to 5.5% of shares outstanding.

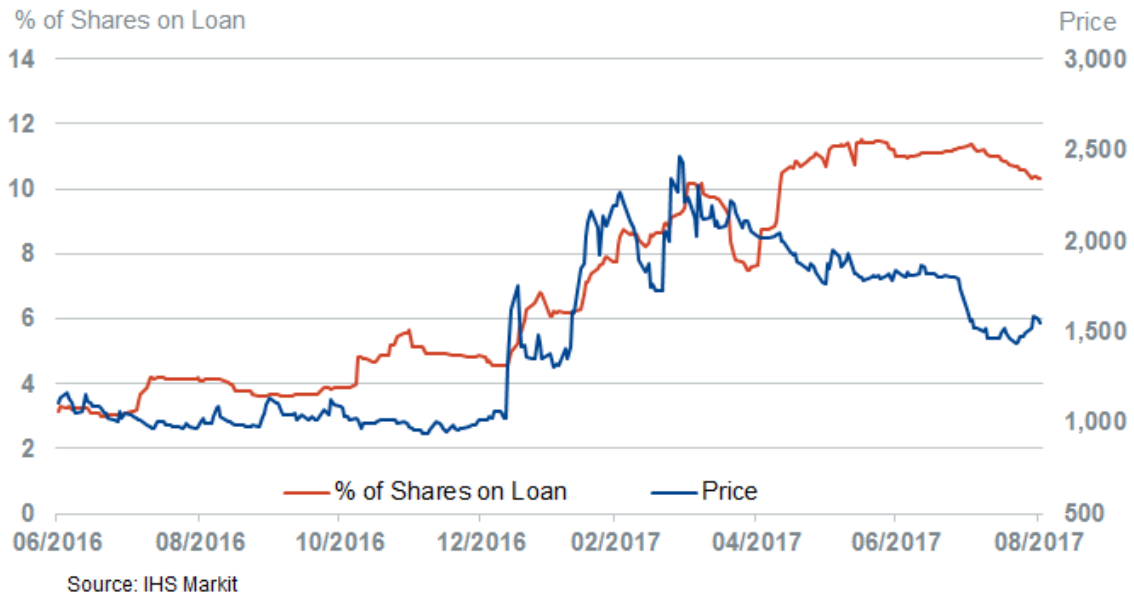
Scandinavian airline SAS is the only other European firm to see more than 5% of its shares out on loan ahead of earnings. While this figure is relatively high, it represents a massive improvement in investor sentiment. Short sellers borrowed more than three times this amount in the opening weeks of 2016.

### Asia

Name	Industry	Ticker	Report Day	% Shares Outstanding On Loan	1 Month % Change
Asukanet Co Ltd	Commercial Services & Supplies	2438	Wednesday	10.3	-8%
Freebit Co Ltd	Diversified Telecommunication Services	3843	Friday	8.0	10%
Caica Inc	IT Services	2315	Thursday	7.2	4%
Morpho Inc	Software	3653	Friday	6.0	7%
Seobu T&D Co Ltd	Specialty Retail	006730	Tuesday	4.6	46%
Besterra Co Ltd	Construction & Engineering	1433	Friday	4.0	-12%
Ateam Inc	Internet Software & Services	3662	Friday	3.7	14%
Viomed Co Ltd	Biotechnology	084990	Tuesday	3.7	-8%

The only Asian firm with a short interest greater than 10% of shares is digital publishing house Asukanet. This fits the pattern of high momentum Japanese shares, which have attracted more short interest in the last few months, and the demand to borrow its shares surged following a 50% increase in its share price.

## Asukanet Co Ltd



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