

Most shorted ahead of earnings

Friday, December 2nd 2016

A look at how short sellers are positioning themselves in companies announcing earnings in the coming week

- Restoration Hardware has almost a third of its shares shorted ahead of earnings
- Short sellers flee Sports Direct in the lead up to results
- Japanese app designer Morpho sees short sellers triple their bets as its share price halves

North America

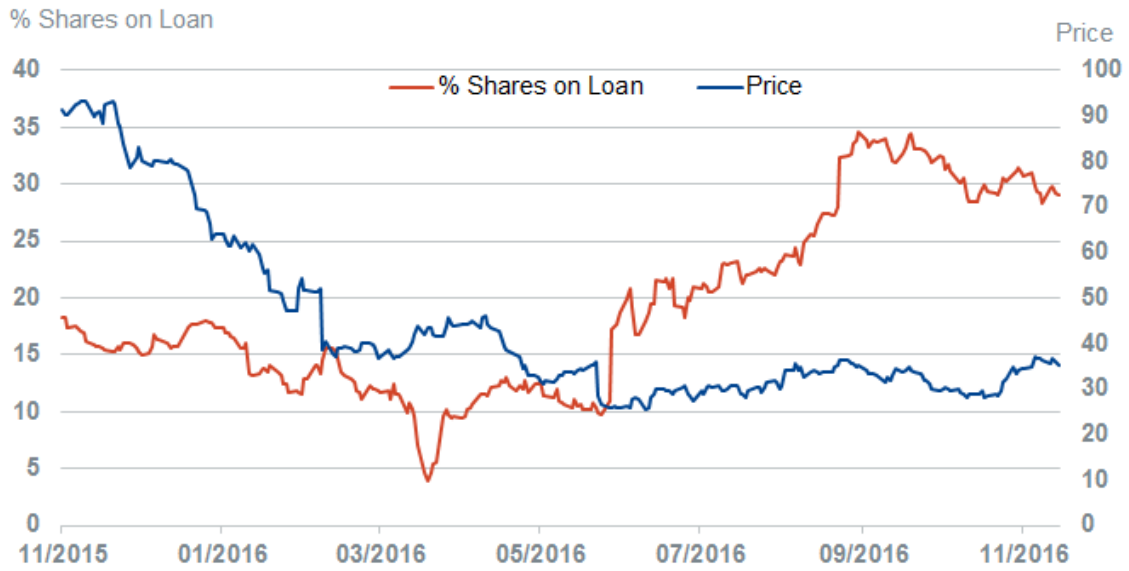
Name	Industry	Ticker	Earnings Date	% Shares Outstanding On Loan	1 Month % Change
Restoration Hardware Holdings Inc	Retailing	RH	12/8/2016	29.0	-1%
Straight Path Communications Inc	Telecommunication Services	STRP	12/8/2016	14.0	-10%
Layne Christensen Co	Capital Goods	LAYN	12/8/2016	13.8	-10%
Duluth Holdings Inc	Retailing	DLTH	12/8/2016	12.7	7%
Ollie'S Bargain Outlet Holdings Inc	Retailing	OLLI	12/7/2016	11.5	-9%
Aerovironment Inc	Capital Goods	AVAV	12/6/2016	11.3	28%
Sears Holdings Corp	Retailing	SHLD	12/8/2016	10.5	-7%
H & R Block Inc	Consumer Services	HRB	12/7/2016	10.3	-6%
Conn'S Inc	Retailing	CONN	12/6/2016	10.2	-3%
Hudson'S Bay Co	Retailing	HBC	12/5/2016	7.6	5%
Autozone Inc	Retailing	AZO	12/6/2016	7.5	-1%
Ciena Corp	Technology Hardware & Equipment	CIEN	12/8/2016	7.3	-4%
Advanced Drainage Systems Inc	Capital Goods	WMS	12/6/2016	7.1	47%
Transcontinental Inc	Commercial & Professional Services	TCL.A	12/6/2016	7.0	0%
Analogic Corp	Health Care Equipment & Services	ALOG	12/6/2016	7.0	-1%
United Natural Foods Inc	Food & Staples Retailing	UNFI	12/7/2016	6.8	-4%
Ocean Rig Udw Inc	Energy	ORIG	12/7/2016	6.8	17%
Fred'S Inc	Retailing	FRED	12/8/2016	6.8	-5%
Destination Maternity Corp	Retailing	DEST	12/8/2016	6.7	-5%
Tailored Brands Inc	Retailing	TLRD	12/7/2016	6.2	-14%
Mainstreet Equity Corp	Real Estate	MEQ	12/9/2016	6.1	0%

Next week is relatively quiet on the earnings front, but short sellers are still fairly active as this week's relatively small herd of companies announcing results includes 21 firms which see a relatively high 6% or more of their shares out on loan.

Retailers make up the over half of this week's crop of relatively heavily shorted firms, with short sellers holding tight despite the fact that the post-election rally has disproportionately benefited these shares.

Chief among short targets next week is retailer Restoration Hardware, whose current short interest comes in at 29% of shares outstanding, more than twice that of any other firm announcing results this week. Short sellers have zeroed in on Restoration in the wake of a string of disappointing earnings update which have seen the retailer's shares lose two thirds of their value. This strong demand to short Restoration shares has continued unabated despite the fact that its latest earnings update largely outperformed expectations which halted some of their negative momentum.

Restoration Hardware Holdings Inc



Source: IHS Markit

Other in focus retailers this week include Sears, Saks Fifth Avenue owner Husdon's Bay and Autozone.

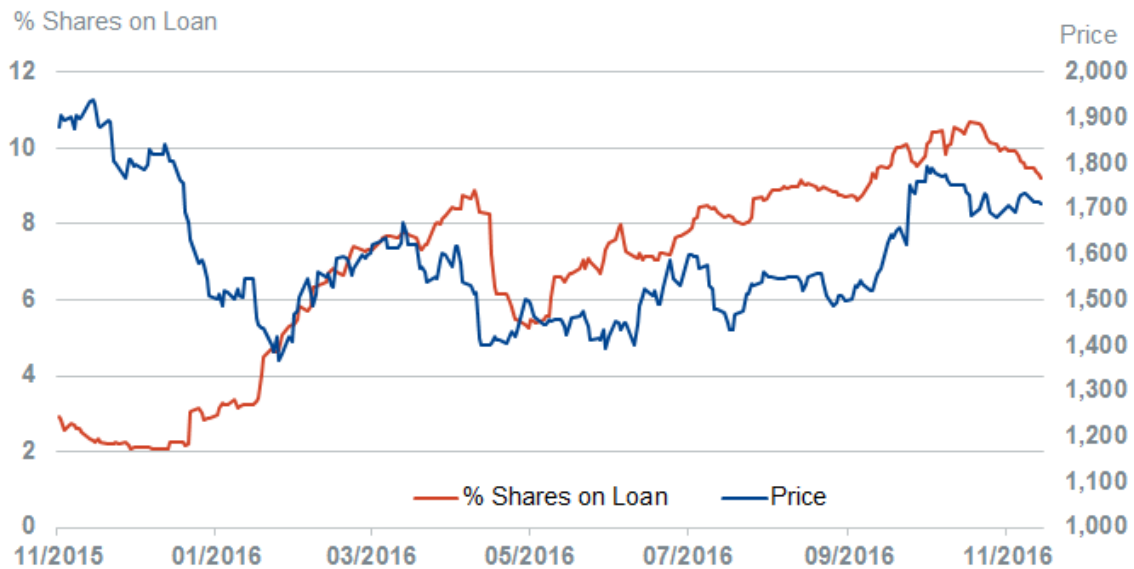
The largest jump in short interest leading up to earnings was registered in unmanned drone firm Aerovironment which has seen the demand to borrow its shares surge by a quarter over the last month. Short sellers have more than double their positions in Aero since its last disappointing first quarter earnings update. This trend shows no signs of slowing down despite the fact that the post-election rally, which has boosted defense related shares, has seen Aero recover most of the ground lost in the wake of its last earnings update.

Europe

Name	Industry	Ticker	Earnings Date	% Shares Outstanding On Loan	1 Month % Change
Victrex Plc	Materials	VCT	12/6/2016	9.2	-14%
Sports Direct International Plc	Retailing	SPD	12/8/2016	6.8	-34%
Imagination Technologies Group P	Semiconductors & Semiconductor Equ	IMG	12/6/2016	3.7	4%
Zumtobel Group Ag	Capital Goods	ZAG	12/6/2016	3.0	-3%

UK polymer firms Victrex is the highest conviction short target in Europe this week as just over 9% of its shares are out on loan. Victrex whose products serves a diverse range of industry including the energy sector has come to the attention of short sellers over the first quarter volatility and demand to borrow its shares has continued to tick ahead despite the fact that they have recovered most of the ground lost in the opening weeks of the year.

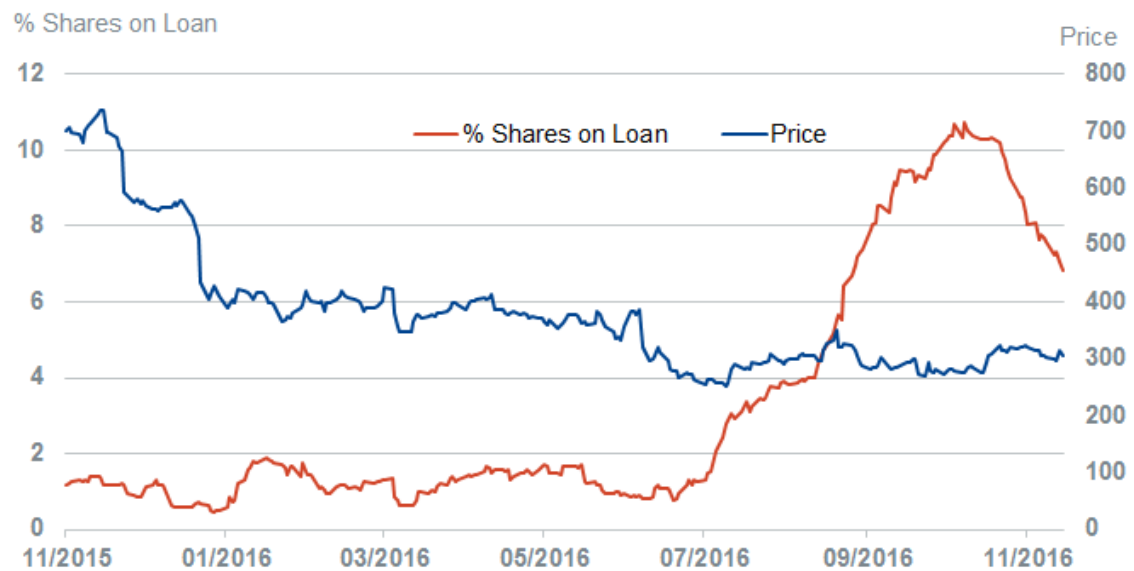
Victrex Plc



Source: IHS Markit

Short sellers haven't shown nearly the same resolve in Sports Direct, the second most shorted company announcing earnings in Europe this week. Short appetite heading in Sports Direct has nearly collapsed in the last four weeks as the proportion of its shares out on loan has fallen by a third.

Sports Direct International Plc



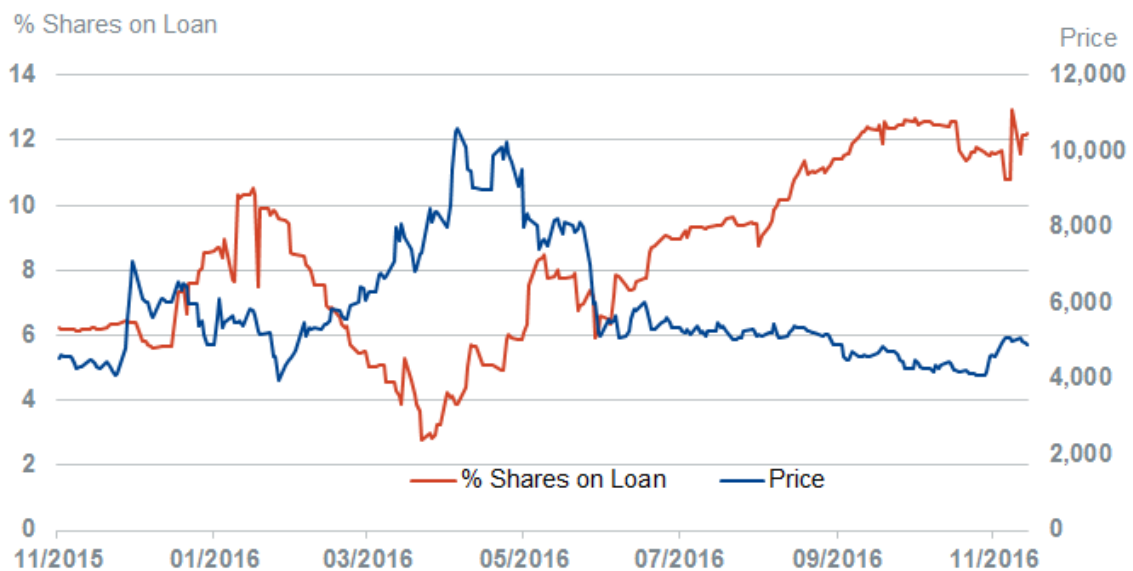
Source: IHS Markit

Asia

Name	Industry	Ticker	Earnings Date	% Shares Outstanding On Loan	1 Month % Change
Morpho Inc	Software & Services	3653	12/9/2016	12.2	4%
Digital China Holdings Ltd	Technology Hardware & Equipment	861	12/5/2016	7.0	-5%
H.I.S. Co Ltd	Consumer Services	9603	12/9/2016	6.3	-11%
Ateam Inc	Software & Services	3662	12/9/2016	3.7	-2%
Pigeon Corp	Household & Personal Products	7956	12/5/2016	3.3	-3%

The only company to see significant short interest out of the company announcing earnings in Asia this week Japanese app developer Morpho. Short sellers have steadily increased their bets in Morpho as its shares lost half their value from their all-time highs set back in April. This poor momentum saw demand to borrow Morpho shares triple in the last six months.

Morpho Inc



Source: IHS Markit

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