



## Most shorted ahead of earnings

Monday, June 5<sup>th</sup> 2017

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

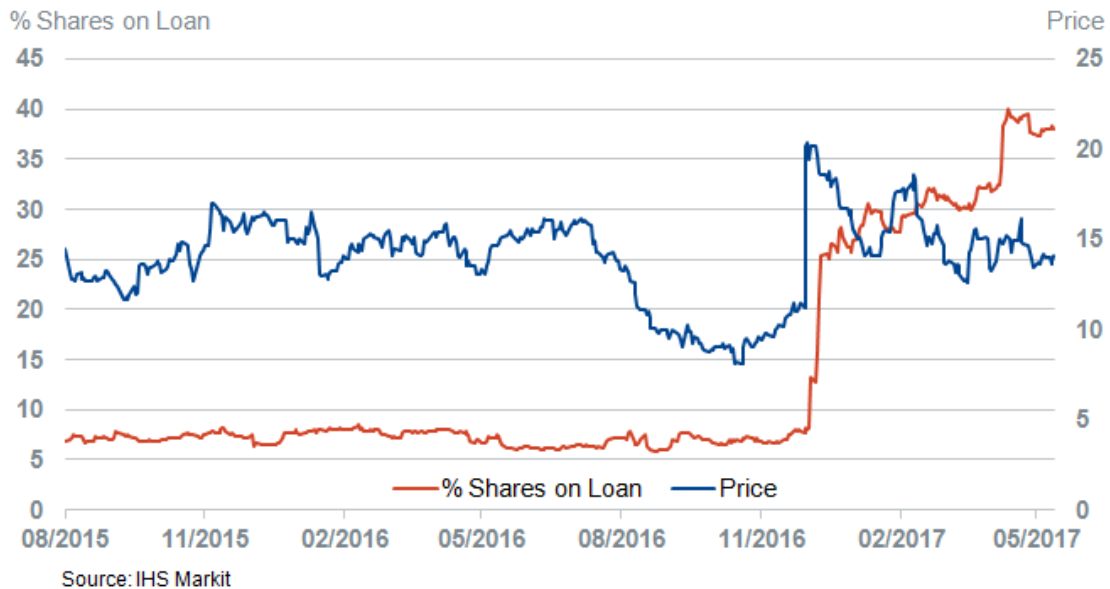
- Short sellers target avocado grower Calavo after strong run
- Burckhardt Compression has 20% of its shares out on loan ahead of earnings
- Japanese software firms make up the entirety of highly shorted Asian firms

#### North America

Name	Industry	Ticker	Report Day	% Shares Outstanding On Loan	1 Month % Change
Fred'S Inc	Multiline Retail	FRED	Tuesday	38.3	-2%
Ascena Retail Group Inc	Specialty Retail	ASNA	Monday	21.1	8%
G-iii Apparel Group Ltd	Textiles, Apparel & Luxury Goods	GIII	Tuesday	20.9	7%
Calavo Growers Inc	Food Products	CVGW	Wednesday	18.9	5%
Carvana Co	Specialty Retail	CVNA	Tuesday	17.0	45%
Jinkosolar Hldg Adr Rep 4 Ord	Semiconductors & Semiconductor Equ	JKS	Monday	16.0	-2%
Advaxis Inc	Biotechnology	ADX	Thursday	15.5	-4%
Canadian Solar Inc	Semiconductors & Semiconductor Equ	CSIQ	Tuesday	14.4	11%
Tailored Brands Inc	Specialty Retail	TLRD	Wednesday	13.9	-23%
Duluth Holdings Inc	Internet & Direct Marketing Retail	DLTH	Tuesday	13.2	11%
Organovo Holdings Inc	Biotechnology	ONVO	Wednesday	12.0	-1%
Caseys General Stores Inc	Food & Staples Retailing	CASY	Monday	11.5	-12%
United Natural Foods Inc	Food & Staples Retailing	UNFI	Tuesday	10.9	-10%
Conn'S Inc	Specialty Retail	CONN	Tuesday	10.3	-2%

The retail sector has delivered for shorts time and time again this earnings season- as evidenced by RH last week- and short sellers are lining up to profit from further earnings disappointments in five general and specialty retail firms next week.

## Fred'S Inc



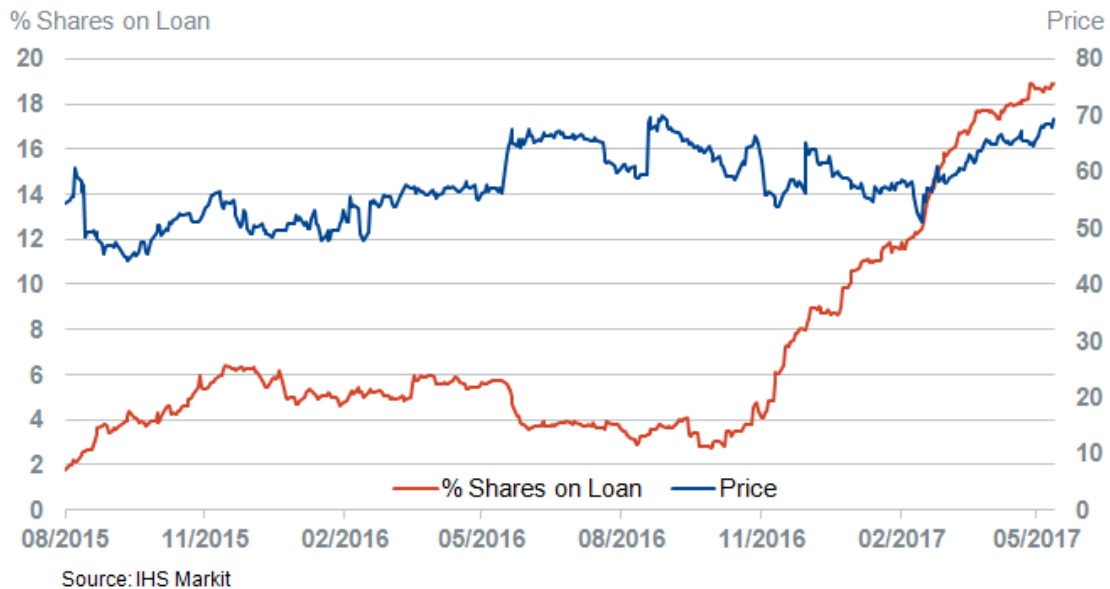
This week's highest conviction short is pharmacy Fred's which has seen short sellers steadily build their positions to the current all-time high of 38% of all outstanding shares. Most of this buildup in short interest happened since the firm announced a deal that would see it pickup over 850 stores spun out from the Walgreen's/Rite Aid merger. The high elevated shorting activity represents skepticism about the deal's completion after the initial euphoria surrounding the tie-up, which doubled Fred's share price, waned as Walgreen merger failed to gain regulatory approval. This loss of momentum has seen Fred's shares lose half of the ground gained back in December.

Ascena Retail, Tailored Brands and Conn's join Fred's in the bricks and mortar retail short.

While short sellers are most active among bricks and mortar retailers, an online presence doesn't exempt a firm from short sellers' scrutiny as newly listed car website Carvana has been the target of heavy short selling in the run-up to its inaugural set of earnings. The-still unprofitable-e commerce platform is promising to transform the car buying experience by cutting out dealers from the used buying process. While promising, the company's ambitious plans have failed to inspire the equity market as its shares are trading a third lower than their IPO price. Short sellers feel the fall in the company's shares may have some room to run as demand to borrow Carvana shares represents over a fifth of the free float.

The other interesting trade that will be tested among this weeks' earnings announcements will be the ongoing avocado short which has developed in recent months after prices of the on trend fruit "[skyrocketed](#)". This trend boosted shares of avocado grower Calavo to new all-time highs. This surge has started to attract some skeptics however as demand to borrow Calavo shares has jumped to over 20% of the total shares outstanding, over four times the levels seen 12 months ago.

## Calavo Growers Inc

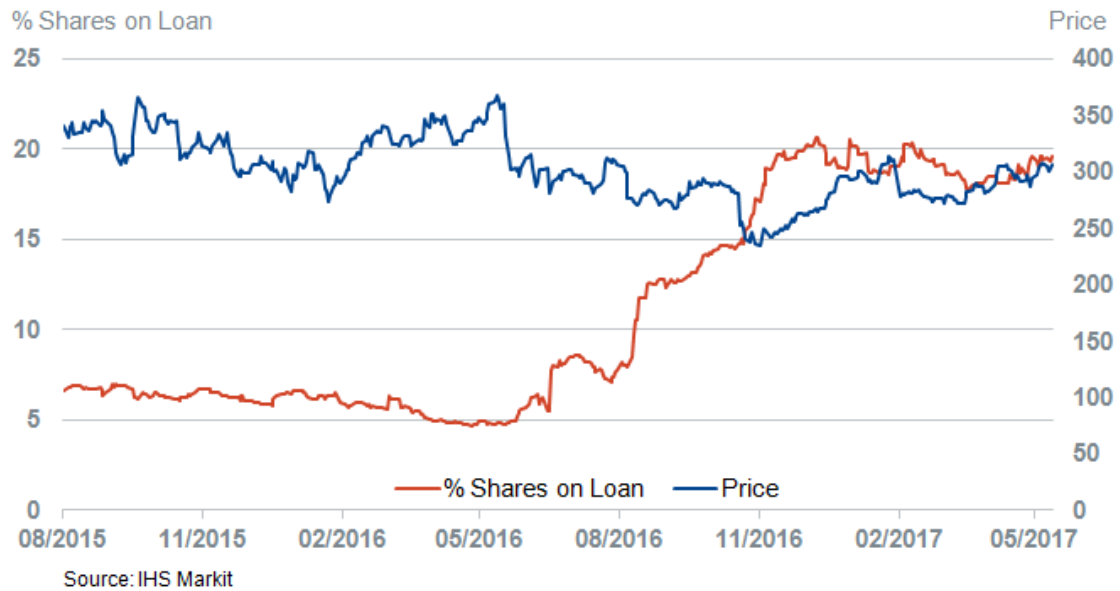


## Europe

Name	Industry	Ticker	Report Day	% Shares Outstanding On Loan	1 Month % Change
Burckhardt Compression Holding A	Machinery	BCHN	Tuesday	19.6	7%
Heidelberger Druckmaschinen Ag	Machinery	HDD	Thursday	9.2	6%
Ao World Plc	Internet & Direct Marketing Retail	AO.	Tuesday	3.8	-17%
Marie Brizard Wine And Spirits Sa	Beverages	MBWS	Tuesday	3.7	22%
Remy Cointreau Sa	Beverages	RCO	Thursday	3.1	-9%

Swiss mechanical firm Burckhardt Compression tops the list of European firms announcing earnings this week as it has just under 20% of its shares outstanding on loan, more than twice that of Heidelberger which comes in as the second most shorted company set to announce results. The Swiss company has been the target of consistent short selling in recent months as bears targeted the firm's high exposure to the oil & gas sector which has been actively trimming the kind of capital investments which Burckhardt draws its revenues from.

## Burckhardt Compression Holding Ag



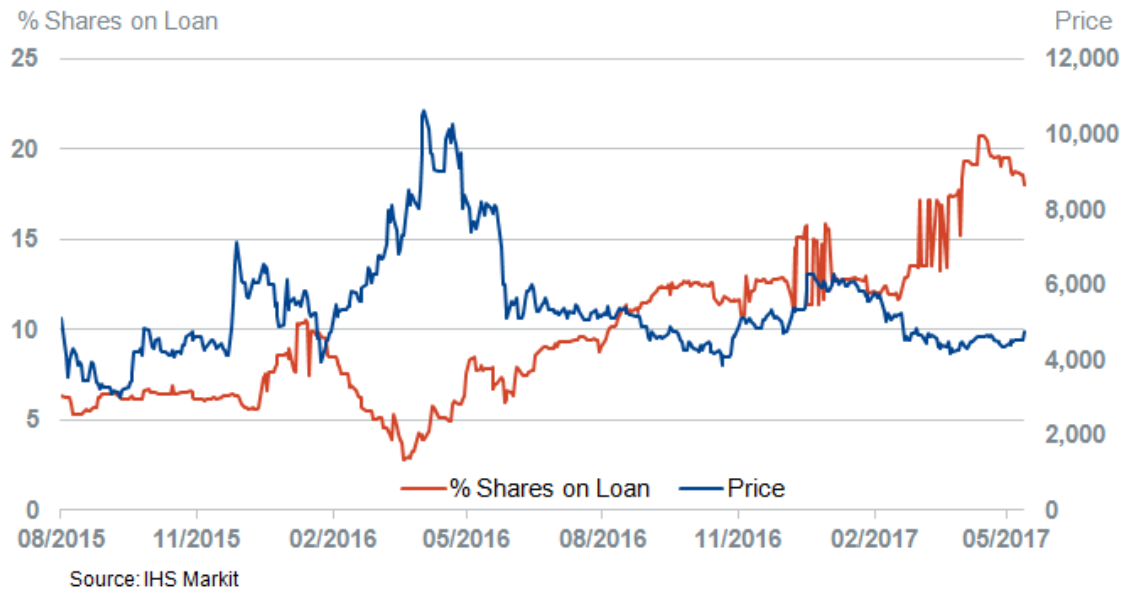
French beverage firms Marie Brizard and Remy Cointreau also find themselves the target of short selling in the run-up to earnings as they both have over 3% of their shares out on loan. The latter of the two firms used to be much more shorted, however, recovery in the Chinese end market has prompted short sellers to more than halve their positions over the last 12 months.

### Asia

Name	Industry	Ticker	Report Day	% Shares Outstanding On Loan	1 Month % Change
Morpho Inc	Software	3653	Friday	18.0	-13%
Asukanet Co Ltd	Commercial Services & Supplies	2438	Friday	11.1	27%
Gumi Inc	Software	3903	Friday	7.8	10%
Freebit Co Ltd	Diversified Telecommunication Services	3843	Friday	7.2	21%
Ateam Inc	Internet Software & Services	3662	Friday	4.0	2%

Small cap Japanese software firms make up the entirety of the most Asian firms seeing high short interest in the run-up to earnings next week. The most shorted of this quixotic lot is Morpho Inc, a developer of imaging technology which has 18% of its shares out on loan.

## Morpho Inc



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