

## Most shorted ahead of earnings

Monday, August 7<sup>th</sup> 2017

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

- In North America, Hertz short interest is at an all-time high
- Europe's Basilea Pharmaceutica sees shorts cover in the lead-up to earnings
- Japanese shorts target Klab as its shares lose momentum

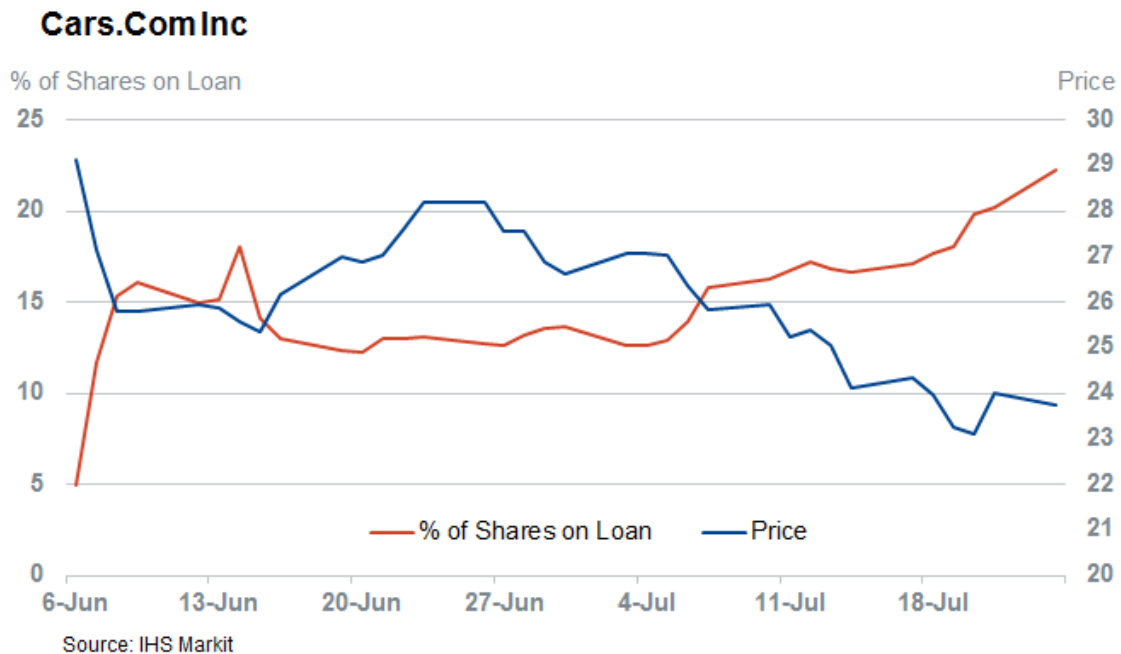
#### North America

Name	Industry	Ticker	Report Day	% Shares Outstanding On Loan	1 Month % Change
Hertz Global Holdings Inc	Road & Rail	HTZ	Tuesday	35.4	49%
Lgi Homes Inc	Household Durables	LGIH	Tuesday	31.5	-8%
Axon Enterprise Inc	Aerospace & Defense	AAXN	Tuesday	30.5	-4%
J C Penney Company Inc	Multiline Retail	JCP	Friday	29.6	-12%
Us Concrete Inc	Construction Materials	USCR	Tuesday	29.3	-8%
Dillard'S Inc	Multiline Retail	DDS	Thursday	28.7	18%
Invacare Corp	Health Care Equipment & Supplies	IVC	Monday	28.4	24%
Quebecor Inc	Media	QBR.B	Thursday	28.2	-1%
Compass Minerals International In	Metals & Mining	CMP	Monday	28.0	1%
Sanchez Energy Corp	Oil, Gas & Consumable Fuels	SN	Wednesday	26.5	15%
Ligand Pharmaceuticals Inc	Biotechnology	LGND	Monday	26.2	-3%
Tg Therapeutics Inc	Biotechnology	TGTX	Monday	25.2	-1%
Chicago Bridge & Iron Company N	Construction & Engineering	CBI	Monday	25.2	33%
Myriad Genetics Inc	Biotechnology	MYGN	Tuesday	24.3	-10%
Medicines Co	Pharmaceuticals	MDCO	Wednesday	24.2	-4%
Tenet Healthcare Corp	Health Care Providers & Services	THC	Monday	23.7	11%
Cars.Com Inc	Internet Software & Services	CARS	Wednesday	22.9	44%
Team Inc	Commercial Services & Supplies	TISI	Monday	22.6	54%

The big short play leading up to earnings is car rental firm Hertz – over the last four weeks, Hertz had a massive 50% increase in the demand to borrow its shares. This sent the firm to an all-time high of 35% of shares on loan.

The high demand to borrow Hertz demonstrates that short sellers are still wary of the ongoing weakness in the rental market and the firm's exposure to cratering secondhand car values. Hertz shares rallied in the last few weeks, but short sellers continued their bear raid undeterred. Short sellers aren't the only ones to have a bearish view of the car rental service: more than a quarter of analysts that cover Hertz have a sell or underweight rating.

Short sellers targeting woes in the secondhand car market have also targeted Cars.com since the company was spun off from online conglomerate Tegna back in June. The firm's first earnings announcement as an independent company promise to produce fireworks, as just under 23% of its shares are out on loan.



Two retail firms are also on the list of high conviction short targets announcing earnings this week. The most shorted of the pair is perennial short JC Penney, which has just under 30% of its shares out on loan. Surprisingly, JC Penney's current short interest represents a slight improvement in investor sentiment, as demand to borrow its shares was a fifth higher back in September.

Dillard's, the other high conviction retail play, hasn't seen such an improvement in sentiment. The demand to borrow its shares has climbed by a fifth in the last four weeks to a multi-year high of 28% of outstanding shares. This rise in short interest has come despite the fact that Dillard shares have rallied by over a quarter in the last three months; analysts covering the company boosted their revenue expectations for the upcoming quarter.

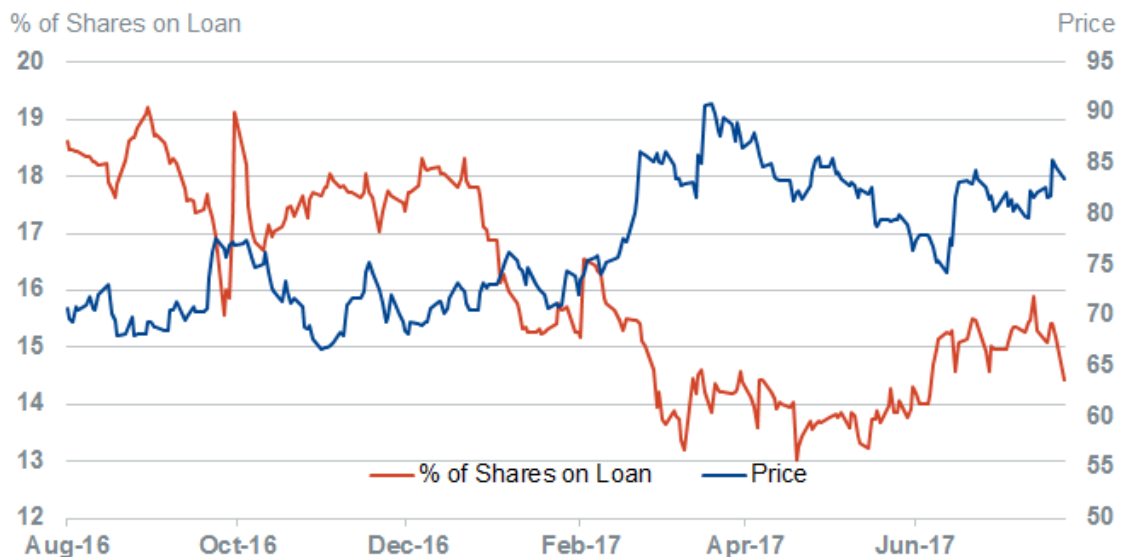
## Europe

Name	Industry	Ticker	Report Day	% Shares Outstanding On Loan	1 Month % Change
Basilea Pharmaceutica Ag	Biotechnology	BSLN	Thursday	14.0	-9%
Aurelius Equity Opportunities Se & Capital Markets		AR4	Thursday	13.7	2%
Vifor Pharma Ag	Pharmaceuticals	VIFN	Tuesday	11.6	-1%
Telit Communications Plc	Communications Equipment	TCM	Monday	10.7	5%
Cancom Se	IT Services	COK	Friday	10.4	0%
Heidelberger Druckmaschinen Ag	Machinery	HDD	Thursday	9.4	-20%
Sbm Offshore Nv	Energy Equipment & Services	SBMO	Wednesday	8.4	-9%
Pandora A/S	Textiles, Apparel & Luxury Goods	PNDOR	Tuesday	7.9	16%
Stroeer Se & Co Kga	Media	SAX	Thursday	7.1	6%
Zalando Se	Internet & Direct Marketing Retail	ZAL	Thursday	7.1	30%
Novozymes A/S	Chemicals	NZYM B	Friday	6.9	6%
Aurubis Ag	Metals & Mining	NDA	Thursday	6.8	-11%
Sma Solar Technology Ag	Semiconductors & Semiconductor Equ	S92	Thursday	6.4	2%

Swiss biotech firm Basilea is the most shorted European company announcing earnings in the coming week. Basilea has been on short sellers' radars for the last couple of years, although they have been paring back their positions in the run-up to earnings, and demand to borrow its shares fell by 9% in the last month.

This improvement in investor sentiment comes in the wake of the firm announcing a licensing deal with Pfizer to market an antifungal drug in Europe. Since the announcement, Basilea shares have rallied by over 10%. It's also worth noting that a portion of Basilea's short interest may be driven by the company relying on convertible bonds for funding.

### Basilea Pharmaceutica Ag



Source: IHS Markit

Fellow biotech peers Vifor and Novozymes also join Basilea on this week's list of heavily shorted companies in the lead-up to earnings.

Online retailer Zalando will be another key focus for short sellers next week. Shorting activity in the company's shares has increased by 30% in the last month to 7% of shares outstanding. The latest surge in short interest means that investors are now as bearish in Zalando as they have been at any-time since the firm listed two and a half years ago.

Short sellers will have to watch out, however, as Zalando competitor and fellow short target Yoox reported better than expected earnings last week, which sent its shares up sharply.

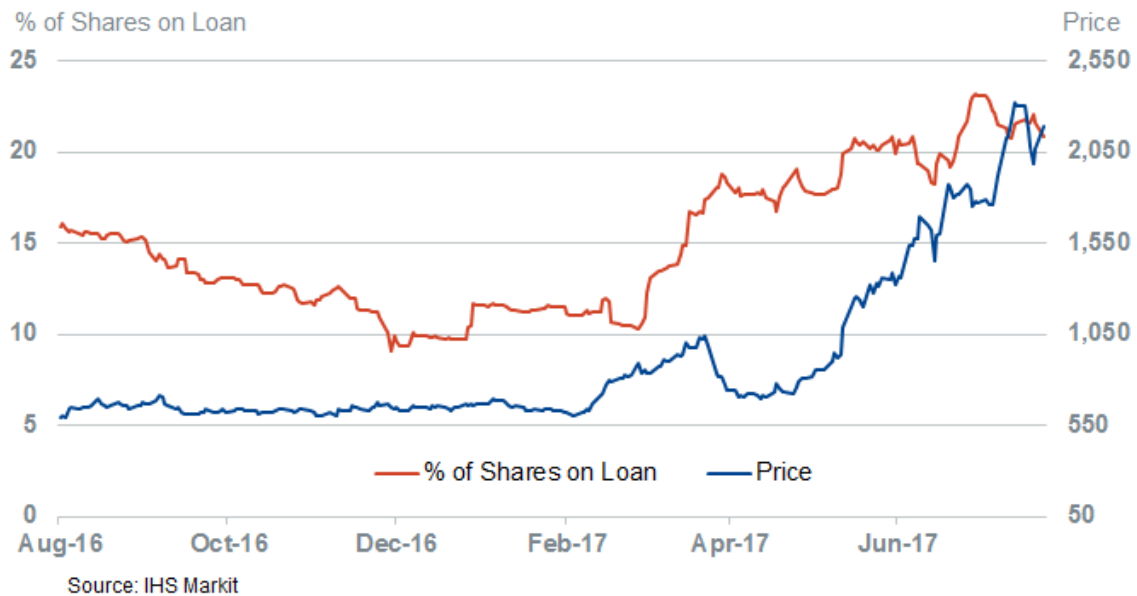
The other firm seeing a significant increase in short interest is jewelry retailer Pandora, which has seen a 16% increase in demand to borrow its shares this last month. This increase in shorting activity comes despite a rally in Pandora shares, and most recent shorts are now standing on a paper loss.

## Asia

Name	Industry	Ticker	Report Day	% Shares Outstanding On Loan	1 Month % Change
Klab Inc	Software	3656	Tuesday	22.5	5%
Altplus Inc	Software	3672	Thursday	16.1	5%
Jig-Saw Inc	Internet Software & Services	3914	Wednesday	15.8	0%
Japan Display Inc	Electronic Equipment, Instruments & C	6740	Wednesday	14.4	6%
Nippon Ichi Software Inc	Software	3851	Thursday	13.6	7%
Prospect Co Ltd	Real Estate Management & Developm	3528	Thursday	13.3	2%
W-Scope Corp	Chemicals	6619	Wednesday	13.2	3%
Future Venture Capital Co Ltd	Capital Markets	8462	Thursday	12.6	8%
V Technology Co Ltd	Electronic Equipment, Instruments & C	7717	Thursday	12.3	-6%
Sosei Group Corp	Pharmaceuticals	4565	Thursday	12.3	-35%
Anicom Holdings Inc	Insurance	8715	Monday	12.2	-16%
Nissha Printing Co Ltd	Electronic Equipment, Instruments & C	7915	Monday	11.9	-4%
Ignis Ltd	Software	3689	Thursday	11.9	-5%
Raqualia Pharma Inc	Pharmaceuticals	4579	Thursday	11.8	11%
Peptidream Inc	Biotechnology	4587	Wednesday	11.3	-24%
Nakamura Choukou Co Ltd	Machinery	6166	Thursday	11.1	8%
Mobcast Inc	Internet Software & Services	3664	Thursday	11.0	-17%
Kenedix Inc	Real Estate Management & Developm	4321	Thursday	11.0	76%

Japanese mobile apps developer Klab is this week's high conviction Asian short with more than 22% of its shares out on loan. Although its shares have nearly tripled in value year-to-date, short sellers remain unconvinced, and Klab's short interest has nearly doubled over the same period. This willingness to double down is starting to pay off: Klab shares have fallen by over fifth from the highs posted in early July.

## Klab Inc



The shorting momentum has also been profitable for sceptics of the recent Alplus rally. Alplus is the second most shorted firm of Asian companies announcing earnings, and has seen its shares fall by more than a third since highs posted in June. This reversal of fortunes has played into the hands of short sellers, and they have been actively shorting the company over the last six months.

### Contacts:

#### Simon Colvin

Analyst

+44 20 7260 7614

Simon.colvin@ihsmarkit.com

For further information, please visit [www.ihsmarkit.co](http://www.ihsmarkit.co)

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