



## Most shorted ahead of earnings

Friday, December 9<sup>th</sup> 2016

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

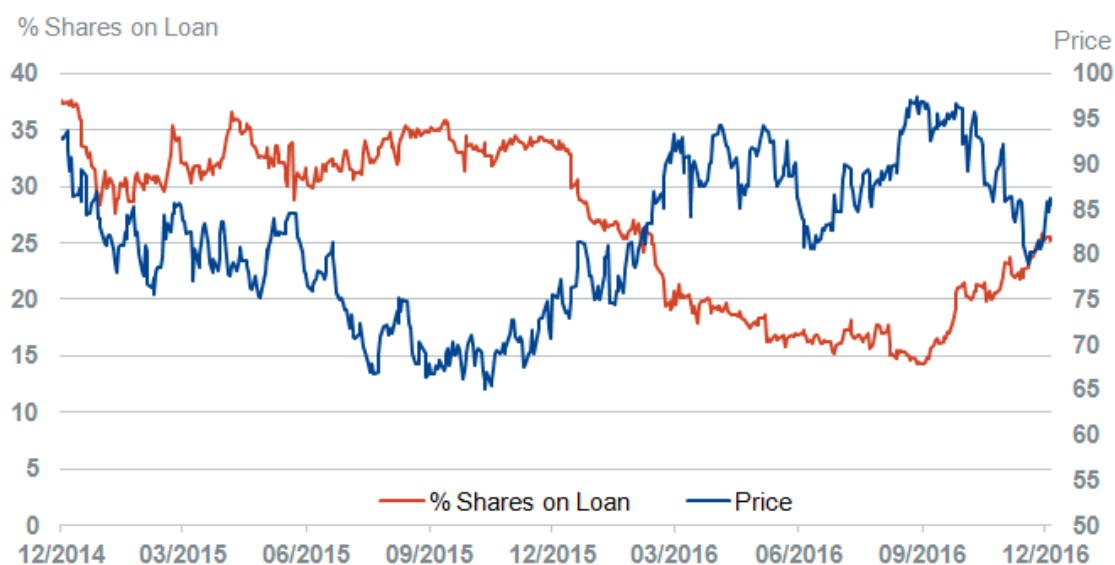
- Sanderson Farms heavily shorted ahead of earnings
- 7% of airline SAS's shares are on loan on the eve of results
- Short sellers cover positions in Digital China and Kimia Chemical before earnings

#### North America

Name	Industry	Ticker	Earnings Date	% Shares Outstanding On Loan	1 Month % Change
Sanderson Farms Inc	Food Products	SAFM	12/15/2016	24.3	11%
Apogee Enterprises Inc	Building Products	APOG	12/14/2016	13.5	1%
Straight Path Communications Inc	Diversified Telecommunication Services	STRP	12/12/2016	12.9	-10%
Arrowhead Pharmaceuticals Inc	Biotechnology	ARWR	12/14/2016	10.4	-15%
First Nbc Bank Holding Co	Banks	FNBC	12/14/2016	9.0	80%
Fuelcell Energy Inc	Electrical Equipment	FCEL	12/12/2016	8.9	-42%
Mts Systems Corp	Electronic Equipment, Instruments & CMTSC		12/15/2016	8.8	0%
Verifone Systems Inc	Electronic Equipment, Instruments & CPAY		12/12/2016	7.2	-10%
Ocean Rig Udw Inc	Energy Equipment & Services	ORIG	12/14/2016	6.5	7%
Investors Real Estate Trust	Equity Real Estate Investment Trusts (IRET		12/12/2016	5.9	-11%
Carnival Corp	Hotels, Restaurants & Leisure	CCL	12/16/2016	5.8	-1%
Heico Corp	Aerospace & Defense	HEI	12/13/2016	5.4	57%

Poultry supplier Sanderson Farms is by far the most shorted company announcing earnings this week. The current demand to borrow Sanderson Farm shares stands at just under a quarter of outstanding shares which puts shorting activity in the firm at the highest in over 10 months. While it's hard to nail down the specific cause for the surge in short interest, the large jump in demand to borrow Sanderson shares has been mirrored by its peer Pilgrims Pride over the last few weeks, indicating that short sellers are playing a wider trend across chicken producers.

## Sanderson Farms Inc



Source: IHS Markit

Another company to watch out next week, as evidenced by a recent surge in short interest, is First NBC Bank which has seen an 80% increase in the demand to borrow its shares in the last month. The surge in shorting activity has come after US regulators deemed the firm to be in "troubled condition" which has, among other things, restricted its ability to access additional debt funding. This unsurprisingly sent First NBC shares tumbling although they have gone on to bounce back by over 60% from the lows registered in early November. Short sellers have shown no faith in this rally however as the demand to borrow the bank's shares has jumped by over four fold over the same period of time.

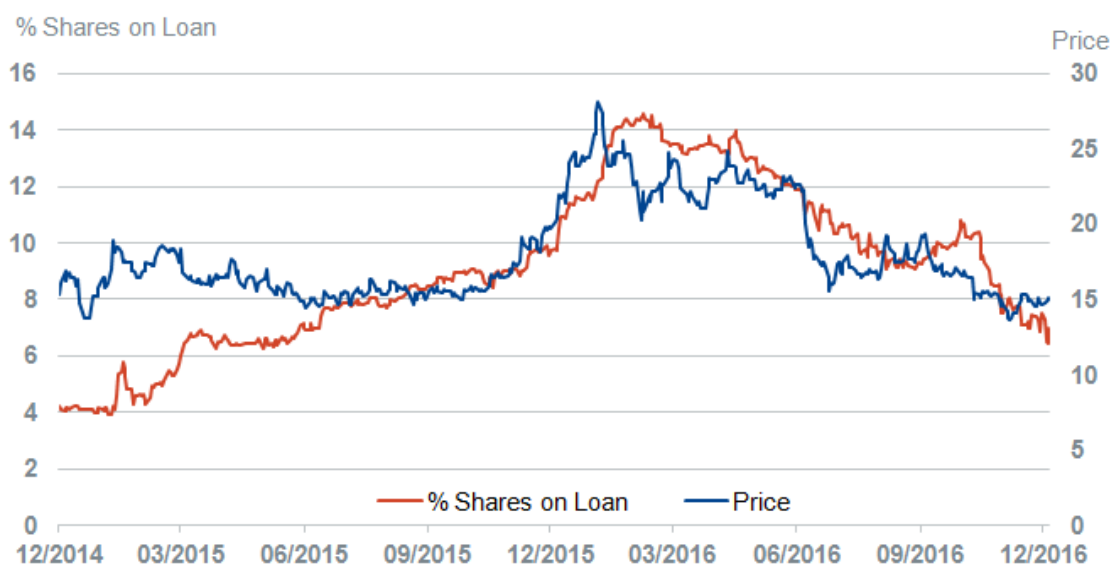
Fuelcell Energy's shares have seen the opposite trend in shorting activity as short sellers have returned over 40% of their borrow in the last four weeks. This decrease in bearish sentiment will bring little solace to Fuelcell's long suffering shareholders however as the distributed power generation firm has seen its share price tumble by over 60% this year to date.

## Europe

Name	Industry	Ticker	Earnings Date	% Shares Outstanding On Loan	1 Month % Change
Sas Ab	Airlines	SAS	12/13/2016	7.1	-7%
Bertrand Ag	Professional Services	BDT	12/15/2016	6.7	-8%
Metro Ag	Food & Staples Retailing	MEO	12/14/2016	3.9	-9%

Scandinavian airline Sas finds itself at the top of a relatively small list of European firms experiencing high short interest in the lead up to earnings. Sas shares have halved in the last 12 months as the firm battled against upstart Norwegian Air Shuttle, whose shares have proven relatively more resilient. Short sellers have been eager to take profit off their recent success as demand to borrow SAS shares has steadily decreased in line with its share price.

## Sas Ab



Source: IHS Markit

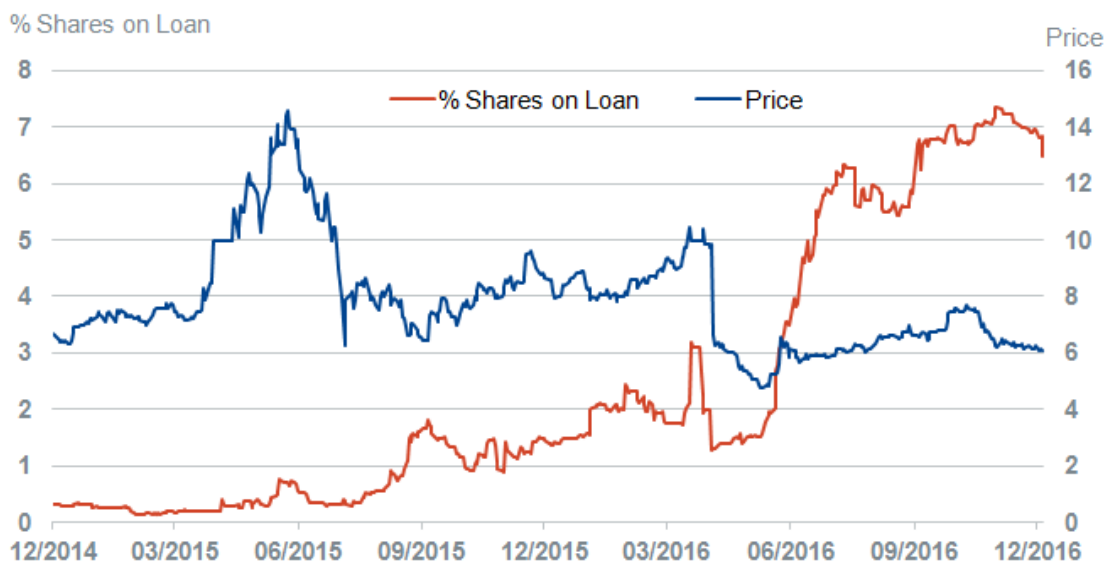
The other two relatively heavily shorted firms announcing earnings in Europe this week, Bertrand and Metro, have also experienced covering in the month leading up to earnings, as demand to borrow their shares is down by 8% and 9% respectively.

## Asia

Name	Industry	Ticker	Earnings Date	% Shares Outstanding On Loan	1 Month % Change
Digital China Holdings Ltd	Electronic Equipment, Instruments & C	861	12/12/2016	6.5	-11%
Kumiai Chemical Industry Co Ltd	Chemicals	4996	12/16/2016	6.3	-15%
Wintest Corp	Electronic Equipment, Instruments & C	6721	12/15/2016	4.3	-5%
3-D Matrix Ltd	Biotechnology	7777	12/15/2016	4.3	-3%
Tasaki & Co Ltd	Textiles, Apparel & Luxury Goods	7968	12/13/2016	4.2	-1%
Pharma Foods International Co Ltd	Biotechnology	2929	12/13/2016	4.0	36%

Short sellers have also been covering their positions in the majority of their high conviction plays in Asia heading into earnings as five of the four firms which see more than 4% of their shares out on loan have seen a decrease in demand to borrow. This covering is most evident in the two most shorted companies, Digital China and Kumiai Chemical, which have seen 11% and 15% decreases in shorting activity respectively in the last month.

## Digital China Holdings Ltd



Source: IHS Markit

Biotech Pharma Foods is the exception to the rule however as it has seen demand to borrow its shares jump by a third in the last month to hit 4% of shares outstanding.

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