

Most shorted ahead of earnings

Friday, November 11th 2016

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

- Retailers Sears and Abercrombie heavily shorted
- Easyjet sees a fourfold jump in short interest since the Brexit referendum
- Cyberdyne short interest at an all-time high after activist pressure

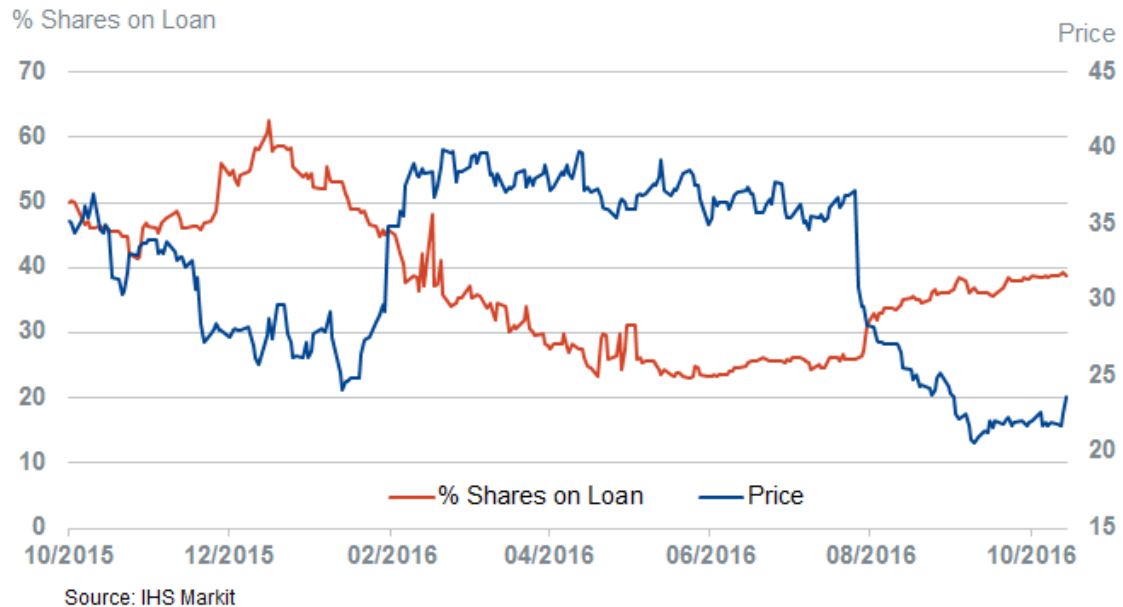
North America

Name	Industry	Ticker	Earnings Date	% Shares Outstanding On Loan	1 Month % Change
Zoe'S Kitchen Inc	Hotels Restaurants & Leisure	ZOES	11/14/2016	39.0	8%
Hibbett Sports Inc	Specialty Retail	HIBB	11/18/2016	32.9	-2%
Badger Daylighting Ltd	Construction & Engineering	BAD	11/14/2016	31.2	-5%
Stage Stores Inc	Specialty Retail	SSI	11/17/2016	26.5	5%
Helmerich And Payne Inc	Energy Equipment & Services	HP	11/17/2016	22.2	-16%
Williams-Sonoma Inc	Specialty Retail	WSM	11/16/2016	15.5	-15%
Abercrombie & Fitch Co	Specialty Retail	ANF	11/18/2016	14.4	0%
Geospace Technologies Corp	Energy Equipment & Services	GEOS	11/16/2016	14.4	4%
Buckle Inc	Specialty Retail	BKE	11/18/2016	13.8	-18%
Amplify Snack Brands Inc	Food Products	BETR	11/14/2016	13.0	3%
Avigilon Corp	Electronic Equipment Instruments & C	AVO	11/14/2016	11.8	9%
Power Solutions International Inc	Electrical Equipment	PSIX	11/15/2016	11.9	8%
Macom Technology Solutions Holc	Semiconductors & Semiconductor Equ	MTSI	11/15/2016	11.3	-15%
Scorpio Tankers Inc	Oil Gas & Consumable Fuels	STNG	11/14/2016	10.8	7%
Sears Holdings Corp	Multiline Retail	SHLD	11/17/2016	11.3	-1%
Sally Beauty Holdings Inc	Specialty Retail	SBH	11/15/2016	9.9	-7%

Consumer focused stocks feature heavily among this week's list of heavily shorted companies announcing earnings in North America. While overall consumer spending has been [relatively buoyant](#), short sellers have always had an affinity for the sector's laggards to target the sector's laggards, especially after previous poor results.

This is definitely the case for casual dining chain Zoe's Kitchen which tops the list of high conviction shorts announcing results. The majority of the 39% of Zoe's shares which were borrowed came in the wake of its poor second quarter earning which saw the firm disappoint on a venue basis as well as trim its forward guidance. This prompted short sellers to double down on an already heavily shorted name after its shares retreated by a quarter.

Zoe'S Kitchen Inc



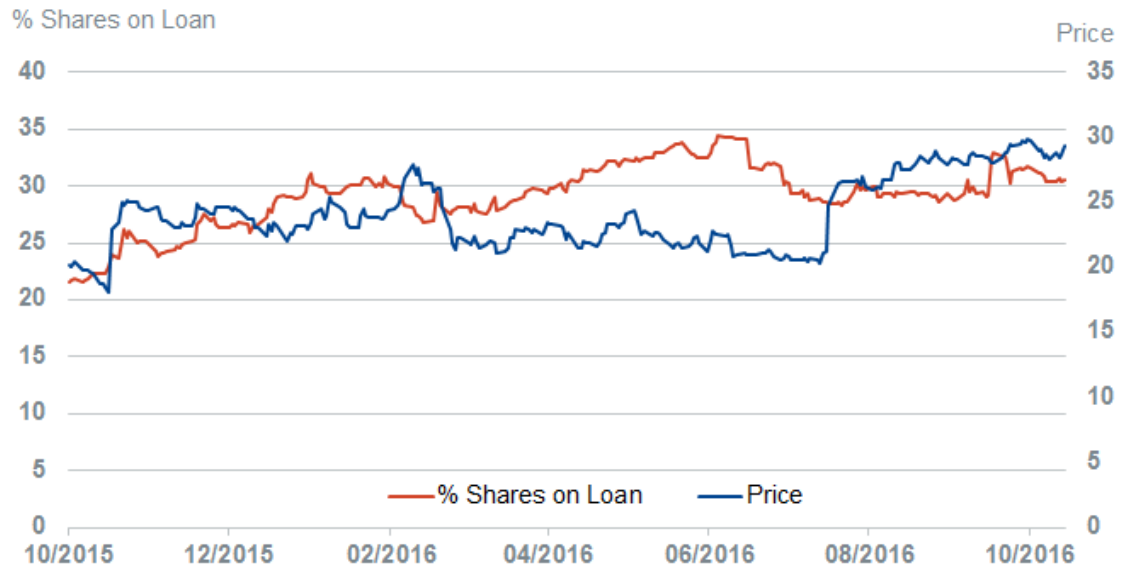
Retailers are also high on consumer focused short sellers' minds with seven retailers featuring among this week's high conviction short targets. Sport retailer Hibbett Sports is the most shorted of the list as just under a third of its shares are out on loan, an all-time high for the firm. Short sellers have continued to stay in this name despite the fact that better than expected profits in its last two quarterly earnings figure have seen its shares rally from the lows set at the start of the year.

Teen retailer Abercrombie & Fitch has not had the same run of good results and the firm's most recent quarterly earnings, which saw Abercrombie [lower](#) its full year expectations, saw short sellers more than double their positions to the current 15% of shares outstanding.

Another household name seeing heavy demand to borrow its shares is Sears which has 11% of its shares out on loan. Sears, who is no stranger to short sellers, has seen a doubling of its demand to borrow since the start of the year when its shares were trading over 40% higher.

Looking beyond focused stocks, Badger Daylighting continues to feature high on the most shorted ahead of earnings despite the fact that its most recent earnings update, where the company announced its first YoY growth in quarterly revenues, sparked a 36% rally in its stock price. Short sellers have shown no signs of wavering in the face of this recent rally as the current demand to borrow Barger's shares has actually increased in the last three months.

Badger Daylighting Ltd



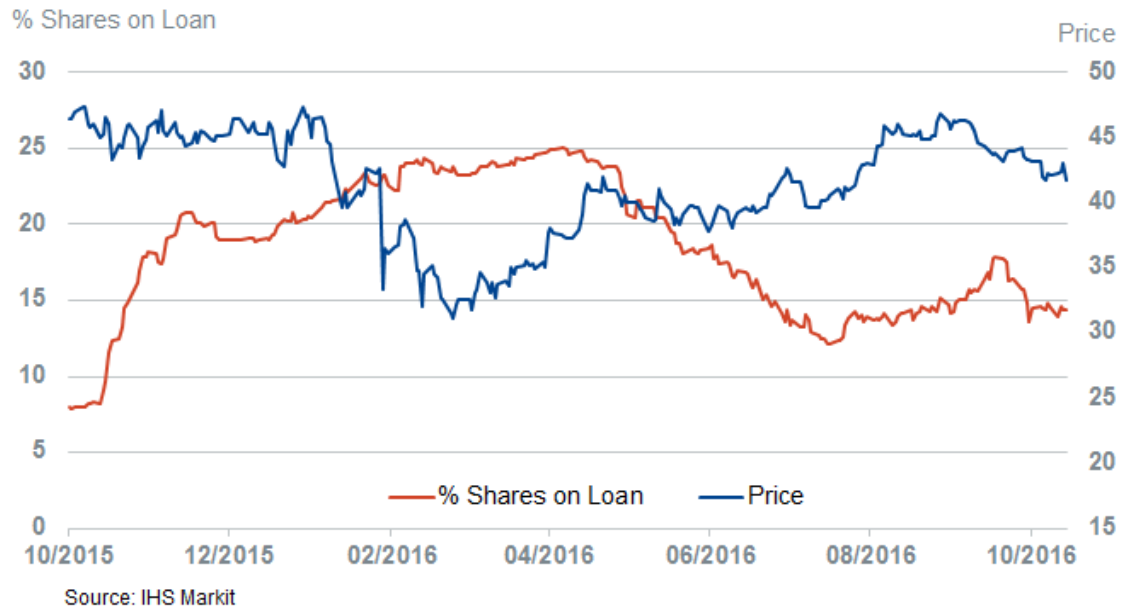
Source: IHS Markit

Europe

Name	Industry	Ticker	Earnings Date	% Shares Outstanding On Loan	1 Month % Change
Wirecard Ag	IT Services	WDI	11/16/2016	14.4	-20%
Salvatore Ferragamo Spa	Textiles Apparel & Luxury Goods	SFER	11/14/2016	9.2	-5%
Obrascon Huarte Lain Sa	Construction & Engineering	OHL	11/14/2016	8.8	-9%
Easyjet Plc	Airlines	EZJ	11/15/2016	7.5	0%
Shanks Group Plc	Commercial Services & Supplies	SKS	11/17/2016	4.0	-33%
Majestic Wine Plc	Food & Staples Retailing	WINE	11/17/2016	6.4	8%
Talktalk Telecom Group Plc	Diversified Telecommunication Service	TALK	11/15/2016	6.5	-13%
Sonova Holding Ag	Health Care Equipment & Supplies	SOON	11/14/2016	5.8	3%
Parrot Sa	Communications Equipment	PARRO	11/14/2016	5.6	9%
Deutsche Wohnen Ag	Real Estate Management & Development	DWNI	11/15/2016	5.3	12%
Btg Plc	Pharmaceuticals	BTG	11/15/2016	5.3	-4%
Nh Hotel Group Sa	Hotels Restaurants & Leisure	NHH	11/15/2016	4.9	-3%
Leoni Ag	Auto Components	LEO	11/16/2016	4.8	-7%
Adler Real Estate Ag	Real Estate Management & Development	ADL	11/14/2016	4.6	-5%
Deutsche Euroshop Ag	Real Estate Management & Development	DEQ	11/14/2016	4.0	-5%

The key European short target announcing earnings this week is German payment processor Wirecard. Wirecard came under heavy scrutiny earlier this year when a critical research report [raised allegations](#) regarding the company's lack of internal controls. The resulting fall saw short sellers zero in on Wirecard shares of which 25% were out on loan at the peak in April. However, the company has been able to placate some its doubters and its shares have rebounded from the lows. Short sellers are also showing little appetite to short into this recent rally as the current demand to borrow Wirecard shares is down by over a third from the previous highs.

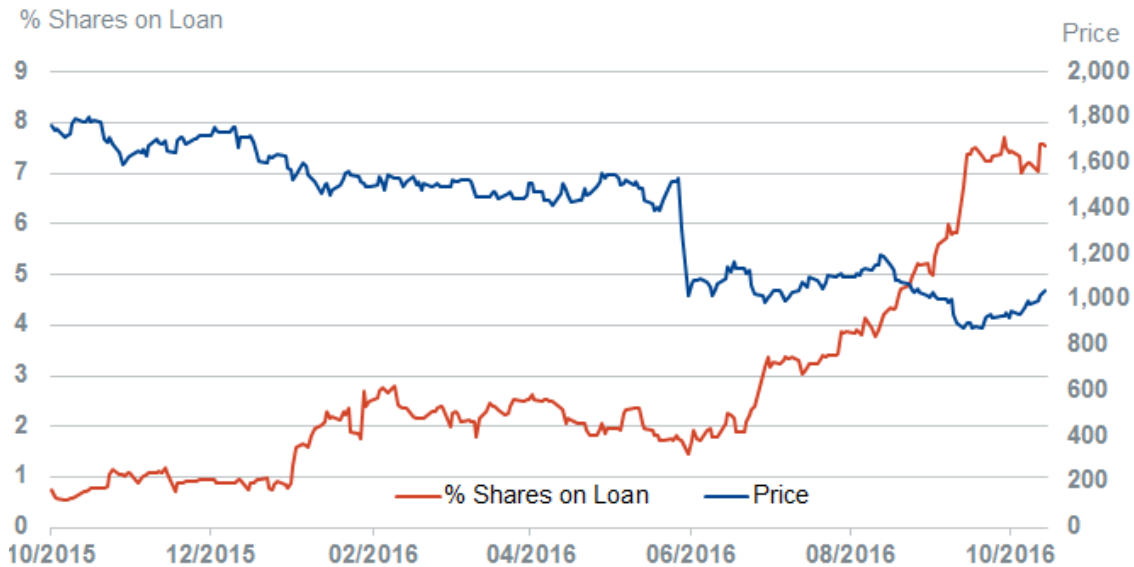
Wirecard Ag



Short sellers have shown much more tenacity in fashion retailer Salvatore Ferragamo, the second most shorted firm announcing earnings in Europe this week. Ferragamo has suffered from two straight quarters of falling sales, as the European luxury sector was forced to contend with falling demand for their wares. While this string of poor earnings results hasn't taken a material amount off of the company's share price, it has attracted short sellers which have more than doubled their positions in the last six months to the current 9% of shares outstanding.

Airline Easyjet is the highest conviction UK firm announcing earnings with over 7.5% of its shares out on loan. Easyjet's recent bearish activity has come at the wake of the UK's recent referendum which has taken 20% off the value of the pound. These currency headwinds have not only forced the company to contend with rising fuel costs, which the company singled out as the reason for its October profits warning, but it also stands to make UK consumers [less keen](#) to travel overseas which could further hurt results. Short sellers have taken these developments to heart as Easyjet's current short interest is over four times its pre-referendum level.

Easyjet Plc



Source: IHS Markit

Another pound reliant stock coming under pressure from short sellers is Majestic Wine which has 6.4% of its shares out on loan. Majestic did come under pressure from short sellers in the wake of the referendum as investors bet that a falling pound would negatively impact Majestic's business despite the fact that the firm [proactively hedged](#) its sterling exposure. The company's most recent wave of shorting activity was unrelated to the referendum however as it followed poor results which were mostly attributed to poor results in Majestic's US operations.

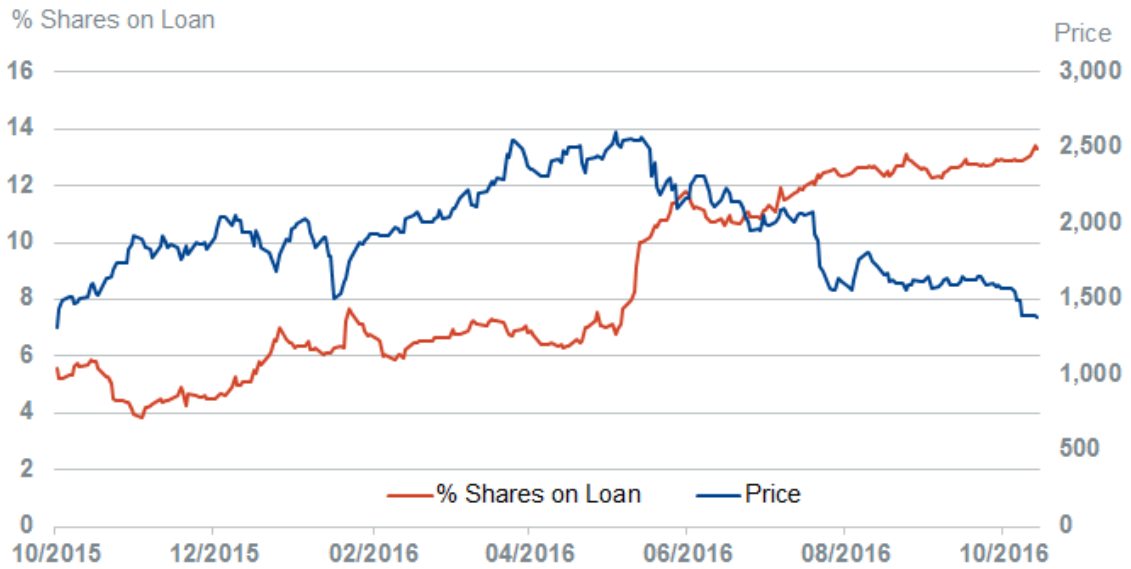
Asia

Name	Industry	Ticker	Earnings Date	% Shares Outstanding On Loan	1 Month % Change
Oci Co Ltd	Chemicals	010060	11/14/2016	13.4	-10%
Cyberdyne Inc	Health Care Equipment & Supplies	7779	11/14/2016	13.3	4%
Sosei Group Corp	Pharmaceuticals	4565	11/14/2016	12.4	34%
Hotel Shilla Co Ltd	Specialty Retail	008770	11/14/2016	11.1	0%
Brangista Inc	Media	6176	11/14/2016	10.8	9%
Ffri Inc	Software	3692	11/14/2016	9.9	1%
Hanatour Service Inc	Hotels Restaurants & Leisure	039130	11/14/2016	9.3	10%
Mynet Inc	Software	3928	11/14/2016	9.2	4%
Gs Engineering & Construction Co	Construction & Engineering	006360	11/14/2016	8.4	-5%
Nexyz.Group Corp	Internet Software & Services	4346	11/15/2016	8.1	-4%
Laox Co Ltd	Specialty Retail	8202	11/14/2016	8.4	10%
Gintech Energy Corp	Semiconductors & Semiconductor Equ	3514	11/17/2016	8.6	-4%
Cosmax Inc	Personal Products	192820	11/14/2016	8.3	42%
Paradise Co Ltd	Hotels Restaurants & Leisure	034230	11/14/2016	8.1	60%
Akatsuki Inc	Software	3932	11/14/2016	8.0	0%

Activist short sellers are also in this weeks' most shorted Asian company, Cyberdyne, which has 13.4% of its shares out on loan. The maker of robotic exoskeletons was singled out by Citron Research back in August which proclaimed that the company is undeserving of its current valuation. This announcement led to a sharp sell-off in

Cyberdyne shares which the company has yet to recover from and prompted short sellers to increase their already high positions to the current all-time high.

Cyberdyne Inc



Source: IHS Markit

Korean hotel operators also feature high on short seller's priorities with Hotel Shilla, Hanatour and Paradise co all making the list of heavily shorted companies announcing earnings.

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