

Most shorted ahead of earnings

Monday, July 17th 2017

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

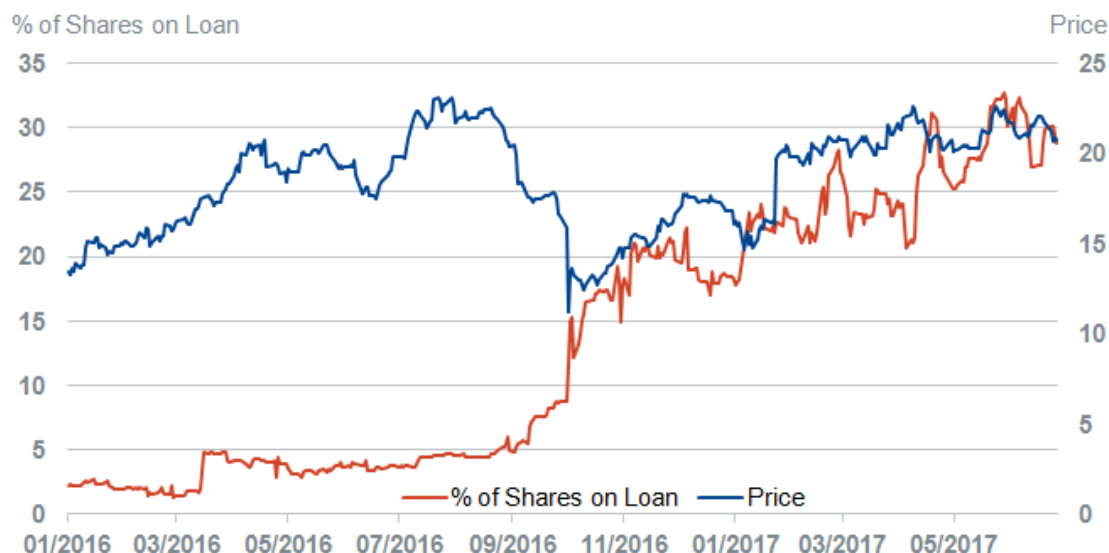
- Short sellers target motorcycle manufacturers as sales dwindle
- In the UK, Sports Direct sees high short interest
- Asian short sellers stay the course in Metaps and ASJ despite recent pain

North America

Name	Industry	Ticker	Report Day	% Shares Outstanding On Loan	1 Month % Change
Banc Of California Inc	Banks	BANC	Wednesday	29.2	-3%
Polaris Industries Inc	Leisure Products	PII	Thursday	26.3	0%
Diebold Nixdorf Inc	Technology Hardware, Storage & Perip	DBD	Wednesday	21.7	4%
Gatx Corp	Trading Companies & Distributors	GATX	Thursday	18.5	-7%
Harley-Davidson Inc	Automobiles	HOG	Tuesday	15.3	20%
Sarepta Therapeutics Inc	Biotechnology	SRPT	Wednesday	14.0	-8%
Athenahealth Inc	Health Care Technology	ATHN	Thursday	13.8	-29%
C.H. Robinson Worldwide Inc	Air Freight & Logistics	CHRW	Wednesday	12.5	10%
Westamerica Bancorp	Banks	WABC	Thursday	11.8	8%
W W Grainger Inc	Trading Companies & Distributors	GWW	Wednesday	11.7	5%
Visa Inc	IT Services	V	Thursday	11.3	43%
First Financial Bankshares Inc	Banks	FFIN	Thursday	10.8	0%
Lasalle Hotel Properties	Equity Real Estate Investment Trusts	LHO	Wednesday	10.6	5%
Autoliv Inc	Auto Components	ALV	Friday	10.5	-3%

The high conviction short play this week is Californian regional bank Banc of California (BANC). Just under 30% of the LA-based lender's shares are out on loan as of the latest count – which is near the all-time high for the firm. Short sellers first started to take notice of the firm back in October 2016, when an anonymous report alleged it had ties to a convicted fraudster. While no link has been found to date, BANC shares fell by over 30% and prompted the ouster of its CEO. Since then, the shares have regained all of the lost ground, but short sellers have been willing to double down, and demand to borrow BANC is now twice the level seen in October of last year.

Banc Of California Inc



Source: IHS Markit

Banc of California isn't the only regional bank on this week's list of heavily shorted shares: Westamerica Bancorp and First Financial Bank shares also have more than 10% of their shares out on loan.

The vagrancies of the motorcycle industry are the other trend stirring short sellers this week. The industry has been struggling to attract new riders and sales have stagnated since the financial crisis, as noted in a recent [news article](#) citing industry data. This opportunity has seen short sellers circle round the industry's two main listed shares, Polaris Industries and Harley-Davidson. Of the two firms, short sellers are most bearish on Polaris; it has a very significant 26% of its shares on loan, which is a third more than the 15% in its peer.

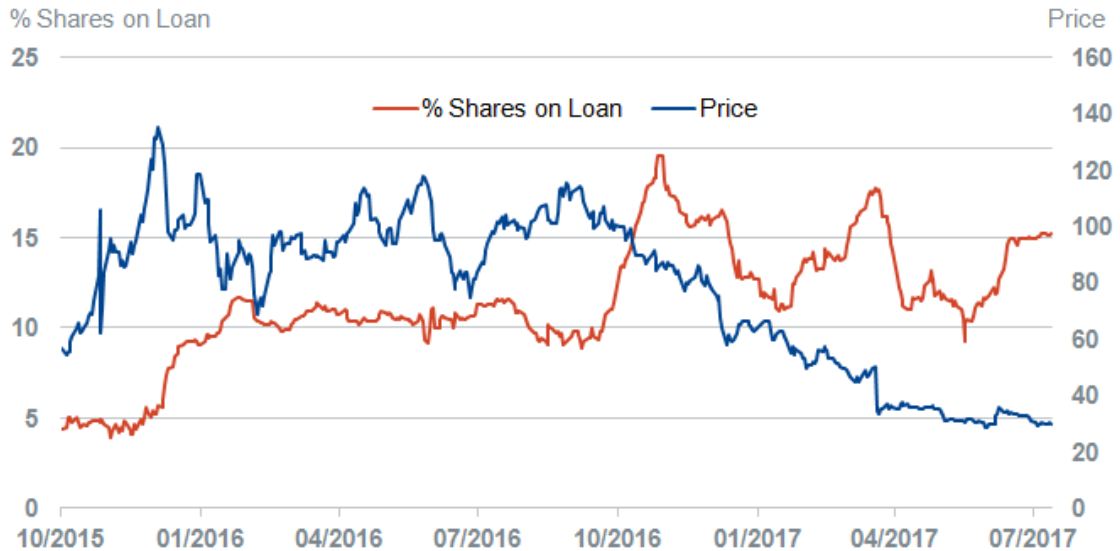
However, this gap is rapidly closing, as demand to borrow Harley-Davidson shares increased by a fifth in the last month. Citing the sector's current "[secular erosion](#)", Harley Davidson was recently downgraded by Alliance Bernstein and brokers are starting to catch on to this bearish trend.

Europe

Name	Industry	Ticker	Report Day	% Shares Outstanding On Loan	1 Month % Change
Fingerprint Cards Ab	Electronic Equipment, Instruments & C	FING B	Friday	15.2	1%
Ncc Group Plc	IT Services	NCC	Tuesday	13.1	-6%
Rec Silicon Asa	Semiconductors & Semiconductor Equ	REC	Thursday	11.6	-1%
Bygghem Gruppen Ab	Specialty Retail	BMAX	Monday	10.8	20%
Sports Direct International Plc	Specialty Retail	SPD	Thursday	8.8	24%
Capital & Counties Properties Plc	Real Estate Management & Developm	CAPC	Friday	7.9	1%
Panalpina Welttransport Holding A	Air Freight & Logistics	PWTN	Thursday	7.3	2%
Schibsted Asa	Media	SCHA	Tuesday	7.2	37%
Caverion Oyj	Commercial Services & Supplies	CAV1V	Thursday	7.1	-6%
Betsson Ab	Hotels, Restaurants & Leisure	BETS B	Wednesday	6.5	23%
Getinge Ab	Health Care Equipment & Supplies	GETI B	Monday	6.5	-17%
Leonteq Ag	Capital Markets	LEON	Thursday	5.8	-31%
Kone Oyj	Machinery	KNEBV	Wednesday	5.3	5%
Xxl Asa	Specialty Retail	XXL	Friday	5.3	4%

The top short among firms in Europe is Swedish biometric firm Fingerprint Cards, which has 15% of its shares on loan. In recent months, the company suffered from a collapse in demand for fingerprint scanners, and this led to a massive 54% fall in revenue. Fingerprint shares are down by over 75% since late 2015, and further pain may be on the horizon, as demand to borrow Fingerprint climbed more than 50% in the last six weeks.

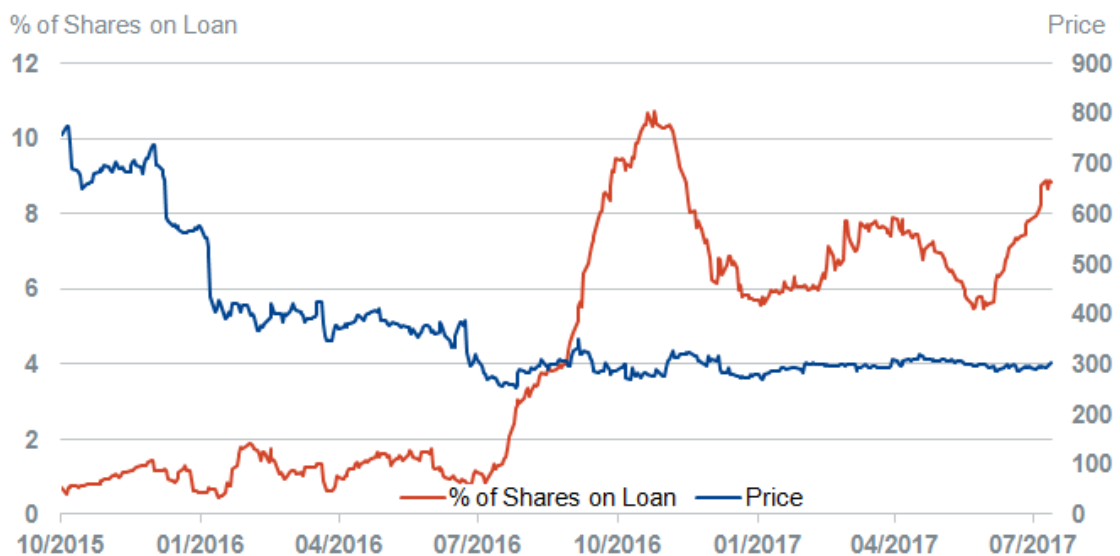
Fingerprint Cards Ab



Source: IHS Markit

The other company with a large increase in short interest is UK sportswear firm Sports Direct. Short sellers increased their positions by a quarter in the last month.

Sports Direct International Plc



Source: IHS Markit

While it may be easy to assume this increased shorting activity is due to the firm's ongoing legal battle with a former executive – which brought accusations of drunken

backroom “banter” into the open – short sellers are most likely targeting the company for its exposure to UK consumer spending.

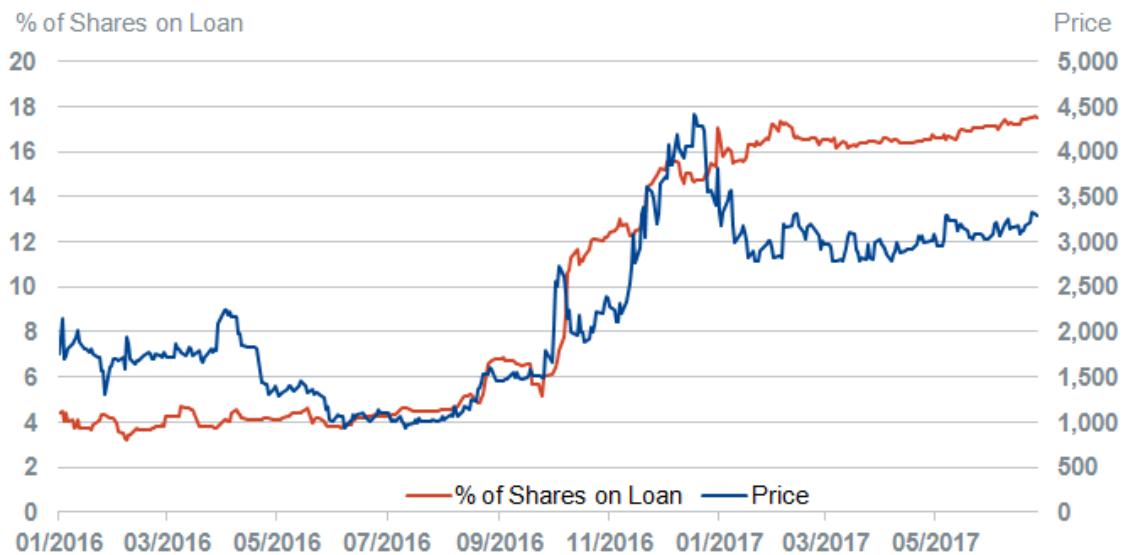
The other Brexit related trade, London real estate, will also feature in this week’s agenda, after developer Capital & Counties announced earnings on Friday. The company came under sustained pressure from short sellers in the months following the referendum. The demand to borrow has fallen by a third, but plenty of skeptics still need to be placated. Compared to the average UK stock, Capital & Counties has over twice the proportion of its shares on loan.

Asia

Name	Industry	Ticker	Report Day	% Shares Outstanding On Loan	1 Month % Change
Metaps Inc	Software	6172	Tuesday	17.5	2%
Asj Inc	Internet Software & Services	2351	Friday	9.2	120%
Genky Stores Inc	Food & Staples Retailing	2772	Friday	7.9	2%
Yaskawa Electric Corp	Electronic Equipment, Instruments & C	6506	Thursday	5.2	20%
Orion Holdings Corp	Food Products	001800	Wednesday	5.2	35%
Dio Corp	Health Care Equipment & Supplies	039840	Wednesday	4.3	-9%

With 17.5% of its shares out on loan, payment software firm Metaps is by far and away the highest conviction Asian short this week. The company, which offers trend payment and monetising solutions for mobile applications, has seen its shares triple over the last 12 months. Short sellers are unconvinced, however, as demand to borrow has steadily increased to the current all-time high.

Metaps Inc



A similar trend has occurred over a much shorter period of time in internet hosting firm ASJ. Short interest in the firm increased by more than 900%, while its shares jumped by a similar margin.

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