

## Most shorted ahead of earnings

Friday, February 17<sup>th</sup> 2017

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

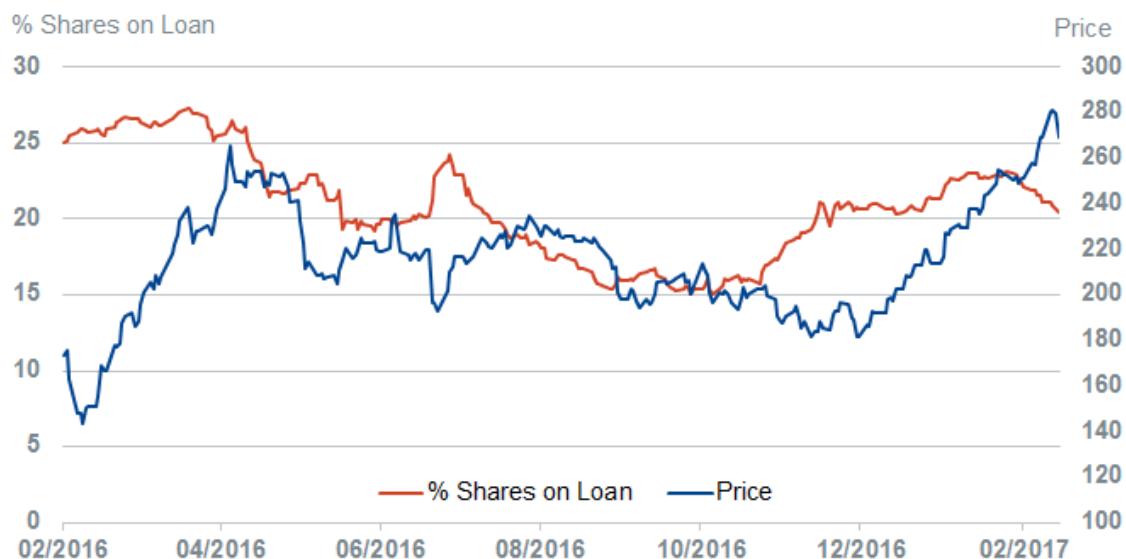
- Tesla shares continue to experience high short interest despite recent rally
- Short sellers increase their bets in Pearson heading into earnings
- Australian software firm Aconex most heavily shorted stock in Asia

#### North America

Name	Industry	Ticker	Earnings Date	% Shares Outstanding On Loan	1 Month % Change
Zoe'S Kitchen Inc	Hotels, Restaurants & Leisure	ZOES	2/23/2017	40.3	-6%
Iridium Communications Inc	Diversified Telecommunication Services	IRDM	2/23/2017	32.8	-4%
Lumber Liquidators Holdings Inc	Specialty Retail	LL	2/21/2017	29.9	-8%
Ligand Pharmaceuticals Inc	Biotechnology	LGND	2/23/2017	27.1	0%
Air Methods Corp	Health Care Providers & Services	AIRM	2/23/2017	26.4	12%
Therapeuticsmd Inc	Pharmaceuticals	TXMD	2/23/2017	26.3	-3%
J C Penney Company Inc	Multiline Retail	JCP	2/24/2017	26.0	12%
Sturm Ruger & Company Inc	Leisure Products	RGR	2/22/2017	25.1	21%
Synergy Resources Corp	Oil, Gas & Consumable Fuels	SYRG	2/23/2017	24.7	7%
Intercept Pharmaceuticals Inc	Biotechnology	ICPT	2/21/2017	24.5	12%
Endologix Inc	Health Care Equipment & Supplies	ELGX	2/22/2017	23.5	31%
Amicus Therapeutics Inc	Biotechnology	FOLD	2/20/2017	22.2	3%
Sanderson Farms Inc	Food Products	SAFM	2/23/2017	21.9	-1%
Exact Sciences Corp	Biotechnology	EXAS	2/21/2017	20.8	26%
Tesla Inc	Automobiles	TSLA	2/22/2017	20.5	-10%
Merrimack Pharmaceuticals Inc	Biotechnology	MACK	2/23/2017	20.3	-11%
Acadia Healthcare Company Inc	Health Care Providers & Services	ACHC	2/23/2017	20.2	18%

Next week's standout short target from the 17 North American companies which have more than a fifth of their shares shorted is carmaker Tesla. Tesla was by far the highest conviction short of 2016 and short sellers are holding the course in 2017 despite the fact that its shares have surged by more than 40% in the post-election bull rally. Shorts were initially willing to double down on their Tesla positions in the first few weeks of the bull rally as the number of Tesla shares out on loan increased by a tenth to a new recent high. This willingness to ride the rally has eroded somewhat in the last month however as short sellers have covered a tenth of their positions from the recent high.

## Tesla Inc



Source: IHS Markit

One stock that hasn't fared so well in the post-election market is Strum Ruger as investors viewed the incoming administration as much less likely to pass gun control legislation. Previous efforts by the Obama administration to control gun ownership in the US had the opposite effect on gun sales as sales [more than doubled](#) in the eight years he was in power. Strum Ruger shares fell by a quarter immediately following the election and short sellers are preparing for more declines as demand to borrow the gun maker's shares has more than quadrupled since the election to just under a quarter of all outstanding shares.

While high, Tesla and Strum Ruger's short interest pales in comparison to that seen in the most shorted company announcing earnings this week, restaurant firm Zoe's Kitchen. Zoe's short interest now represents a massive 40% of its shares outstanding after bears targeted the firm in the the wake of a disappointing Q2 of last year.

## Europe

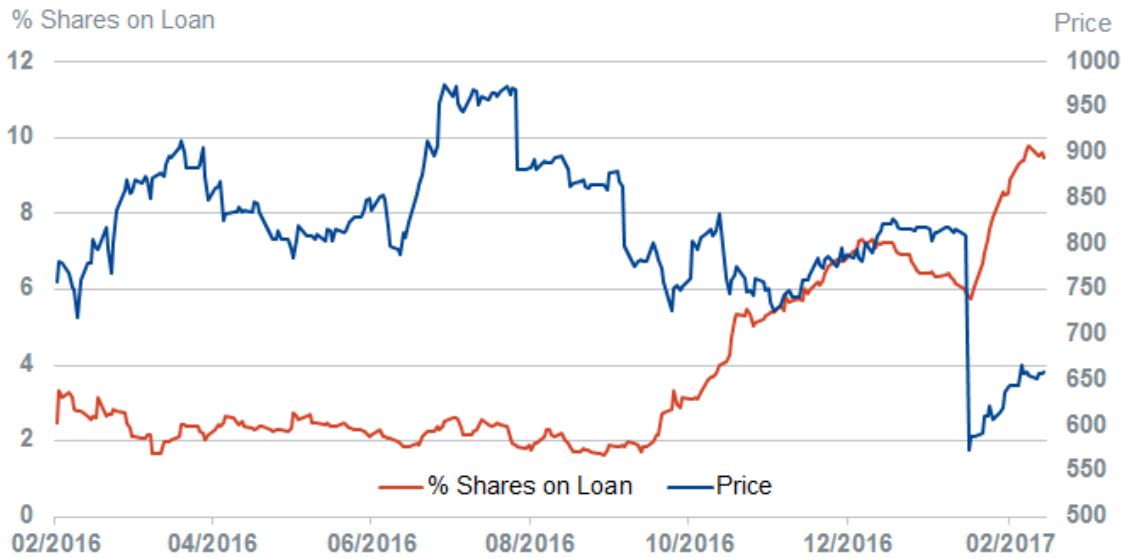
Name	Industry	Ticker	Earnings Date	% Shares Outstanding On Loan	1 Month % Change
Distribuidora Internacional De Alim	Food & Staples Retailing	DIA	2/23/2017	14.9	4%
Basilea Pharmaceutica Ag	Biotechnology	BSLN	2/20/2017	14.0	-9%
Seadrill Ltd	Energy Equipment & Services	SDRL	2/23/2017	13.1	7%
Intu Properties Plc	Equity Real Estate Investment Trusts	INTU	2/23/2017	11.9	-1%
Nyrstar Nv	Metals & Mining	NYR	2/22/2017	10.5	-7%
Ablynx Nv	Biotechnology	ABLX	2/23/2017	10.3	-8%
Ingenico Group Sa	Electronic Equipment, Instruments & C	ING	2/23/2017	10.2	20%
Pearson Plc	Media	PERSON	2/24/2017	9.5	57%
Capital & Counties Properties Plc	Real Estate Management & Developm	CAPC	2/22/2017	9.3	-4%
Vallourec Sa	Energy Equipment & Services	VK	2/22/2017	8.0	1%
Eltel Ab	Construction & Engineering	ELTEL	2/22/2017	8.0	61%
Petrofac Ltd	Energy Equipment & Services	PFC	2/22/2017	6.6	-2%
Bertrandt Ag	Professional Services	BDT	2/20/2017	5.5	-16%
Edenred Sa	Commercial Services & Supplies	EDEN	2/23/2017	5.2	-30%
Koninklijke Bam Groep Nv	Construction & Engineering	BAMNB	2/21/2017	5.2	-10%

The firm with the largest amount of short interest in Europe announcing earnings next week is Spanish supermarket firm Distribuidora Internacional De Alimentacion SA (DIA). The stock has been a bit of a roller coaster for investors since being spun out from Carrefour back in 2011, much like its European supermarket peers. Short sellers have always been active DIA shares and the grocer's last set of disappointing spurred on short interest to the current highs which represent 15% shares outstanding.

UK real estate firms are a key play for short sellers this week and we see Intu Property and Capital & Counties heavily targeted by short sellers heading into earnings. Short sellers in both firms have been emboldened since the Brexit referendum back in June of last year.

Another UK short target announcing earnings this week is publisher Pearson. The firm recently announced a profit warning due to weakness in the US schoolbook market which knocked over 25% off the value of its shares. This also prompted short sellers to increase their positions by over 50% to the current 9.5% of shares outstanding.

### Pearson Plc



Source: IHS Markit

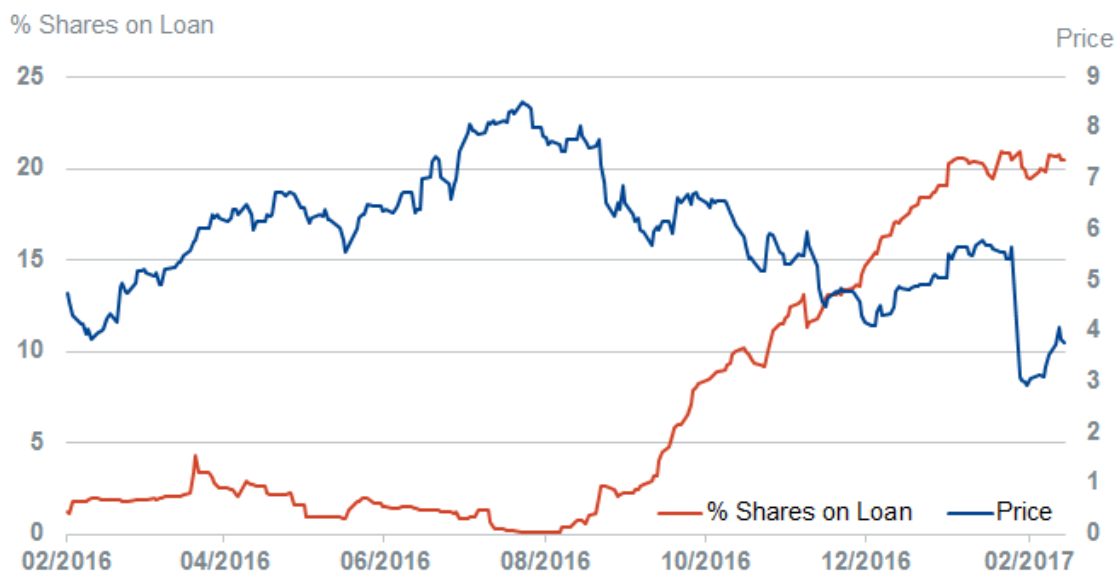
## Asia

Name	Industry	Ticker	Earnings Date	% Shares Outstanding On Loan	1 Month % Change
Aconex Ltd	Internet Software & Services	ACX	2/21/2017	20.5	6%
Western Areas Ltd	Metals & Mining	WSA	2/22/2017	14.8	-11%
Vocus Group Ltd	Diversified Telecommunication Services	VOC	2/22/2017	11.4	8%
Estia Health Ltd	Health Care Providers & Services	EHE	2/23/2017	11.3	-1%
Nine Entertainment Co Holdings Ltd	Media	NEC	2/23/2017	11.2	-3%
Apn Outdoor Group Ltd	Media	APO	2/22/2017	10.6	15%
Hotel Shilla Co Ltd	Specialty Retail	008770	2/23/2017	9.9	1%
Monadelphous Group Ltd	Construction & Engineering	MND	2/21/2017	9.6	2%
Mayne Pharma Group Ltd	Pharmaceuticals	MYX	2/24/2017	9.5	24%
Blackmores Ltd	Personal Products	BKL	2/22/2017	9.2	31%
Perseus Mining Ltd	Metals & Mining	PRU	2/22/2017	8.8	5%
Worleyparsons Ltd	Energy Equipment & Services	WOR	2/20/2017	8.8	5%
Alumina Ltd	Metals & Mining	AWC	2/23/2017	8.7	-14%
Healthscope Ltd	Health Care Providers & Services	HSO	2/22/2017	8.6	1%
Invocare Ltd	Diversified Consumer Services	IVC	2/23/2017	8.3	28%
Ardent Leisure Group	Hotels, Restaurants & Leisure	AAD	2/23/2017	8.2	18%

Australian firms make up the vast majority of heavily shorted Asian names announcing earnings this week.

This list is led by software firm Aconex which has a fifth of its shares now out on loan to short sellers. Short sellers started to target Aconex in August of last year when investors first started to raise questions about the firms' sky high valuation. This scepticism was rewarded last month when Aconex shares lost over 40% of their value as the company trimmed its growth guidance. Short sellers have since stayed put despite the fact that Aconex shares have more than halved in the last six months.

### Aconex Ltd



Source: IHS Markit

Mining firms continue to feature heavily on the list of favourite short targets and this week is no exception as Western Areas, Perseus Mining and Alumina all make the list of heavily shorted stocks announcing earnings.

The only non-Australian firm to make this week's list of heavily shorted companies announcing earnings is Korean hotel and duty free operator Hotel Shilla which has a tenth of its shares out on loan. The latter of the Hotel Shilla's two main business lines has been the largest cause for concern after the Korean government opened up the market to new entrants. This new competition has knocked over a third off the value of Shilla's shares in the last 12 months.

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