

Most shorted ahead of earnings

Monday, August 21st 2017

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

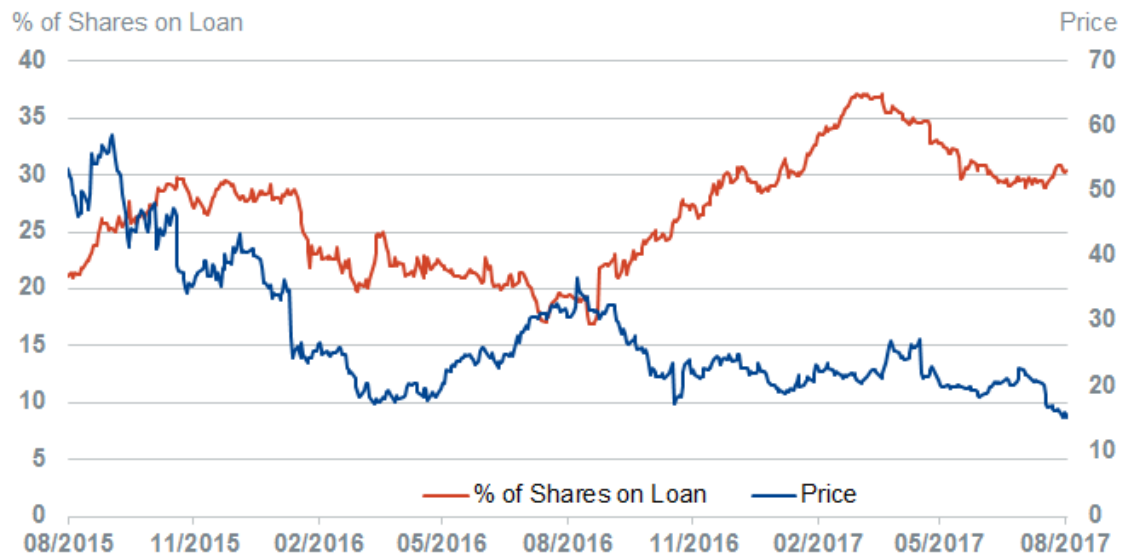
- Lannett targeted by short seller looking to play the generics slump
- Short sellers stay the course with Carillion heading into earnings
- Australian companies make up the majority of Asian short targets

North America

Name	Industry	Ticker	Report Day	% Shares Outstanding On Loan	1 Month % Change
Lannett Company Inc	Pharmaceuticals	LCI	Thursday	30.2	1%
Signet Jewelers Ltd	Specialty Retail	SIG	Friday	20.4	-11%
Williams-Sonoma Inc	Specialty Retail	WSM	Thursday	19.3	-5%
Dycom Industries Inc	Construction & Engineering	DY	Wednesday	18.6	-11%
Sanderson Farms Inc	Food Products	SAFM	Friday	13.4	-10%
Gamestop Corp	Specialty Retail	GME	Friday	12.4	-9%
Cree Inc	Semiconductors & Semiconductor Equ	CREE	Wednesday	12.4	-1%
Patterson Companies Inc	Health Care Providers & Services	PDCO	Friday	11.5	2%
Abercrombie & Fitch Co	Specialty Retail	ANF	Friday	11.2	-28%
John B Sanfilippo & Son Inc	Food Products	JBSS	Thursday	10.4	4%
Synchronoss Technologies Inc	Software	SNCR	Friday	10.0	-20%
Splunk Inc	Software	SPLK	Friday	10.0	4%
Global Eagle Entertainment Inc	Media	ENT	Wednesday	9.9	8%
Guess? Inc	Specialty Retail	GES	Thursday	9.5	-10%
Fabrinet	Electronic Equipment, Instruments & C	CFN	Tuesday	8.5	-5%
Aceto Corp	Health Care Providers & Services	ACET	Friday	8.1	-7%
American Eagle Outfitters Inc	Specialty Retail	AEO	Thursday	8.0	-4%

With just under a third of its shares out on loan to short sellers, generic pharmaceutical company Lannett is this week's high conviction short play among companies announcing earnings. Lannett's high short interest reflects the ongoing headwind in generics pricing, which drove the company's shares down by 18% in its last earnings update. Short sellers have taken some profits off the table following the earnings setback, but bearish sentiment in Lannett is still evident.

Lannett Company Inc



Source: IHS Markit

Short sellers playing the generics slowdown have also targeted Aceto, which draws more than 40% of its business by packaging drugs for human consumption. Aceto shares have halved from their peak after a string of disappointing earnings. This significant slump hasn't satiated short sellers, as the proportion of the company's shares out on loan continues to remain high.

The final healthcare short plays of the week include dental supplier Patterson Companies, which has seen demand to borrow its shares more than double in the last 12 months to 11% of all shares outstanding.

Poultry producer Sanderson Farms, a former favorite short target, also makes this week's list of firms with high short interest – it currently has 13.4% of shares out on loan. Shorts are by and large starting to lose their appetite though; the demand to borrow shares nearly halved since January, as the value climbed by more than 50%.

This week will also see plenty of heavily shorted retailers. The firms to watch out for are jeweler Signet, homeware firm Williams-Sonoma and game retailer Gamestop. Fashion retailers are also in short sellers' crosshairs: Abercrombie & Fitch, Guess? and American Eagle are on the list of the firms to watch.

Europe

Name	Industry	Ticker	Report Day	% Shares Outstanding On Loan	1 Month % Change
Premier Oil Plc	Oil, Gas & Consumable Fuels	PMO	Friday	30.6	-1%
Carillion Plc	Construction & Engineering	CLLN	Thursday	27.1	-2%
John Wood Group Plc	Energy Equipment & Services	WG.	Wednesday	17.5	21%
Seadrill Ltd	Energy Equipment & Services	SDRL	Friday	12.1	-1%
Elekta Ab (Publ)	Health Care Equipment & Supplies	EKTA B	Thursday	12.0	9%
Schoeller Bleckmann Oilfield Equip	Energy Equipment & Services	SBO	Friday	8.5	11%
Zealand Pharma A/S	Biotechnology	ZEAL	Friday	7.5	110%
Ablynx Nv	Biotechnology	ABLX	Friday	7.1	-9%
Bw Lpg Ltd	Oil, Gas & Consumable Fuels	BWLPG	Saturday	7.0	-1%
Ion Beam Applications Sa	Health Care Equipment & Supplies	IBAB	Friday	6.4	23%
U Blox Holding Ag	Semiconductors & Semiconductor Equi	UBXN	Saturday	6.2	-15%
Koninklijke Bam Groep Nv	Construction & Engineering	BAMNB	Friday	6.2	-12%
Nordic Nanovector Asa	Biotechnology	NANO	Thursday	5.9	3%
Cairn Energy Plc	Oil, Gas & Consumable Fuels	CNE	Wednesday	5.8	1%
Bavarian Nordic A/S	Biotechnology	BAVA	Saturday	5.8	-22%
Antofagasta Plc	Metals & Mining	ANTO	Wednesday	5.2	-14%

The big short plays among European firms are from the energy sector, which is still trying to recover from last year's volatility. While energy firms still attract plenty of directional short selling, the sector's ongoing consolidation and recapitalization have made it a fertile ground for arbitrageurs.

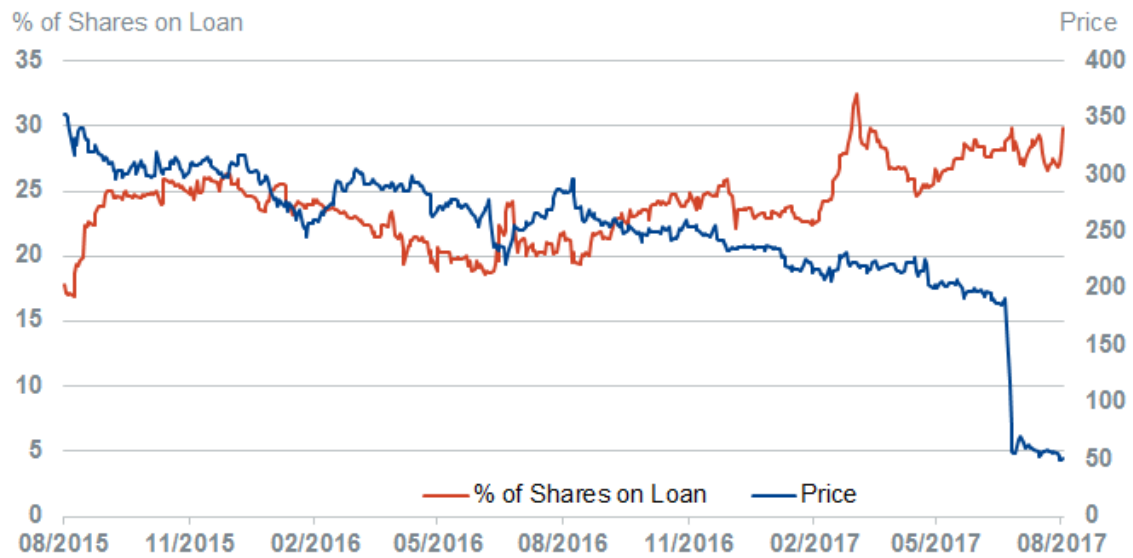
Premier Oil, the company with the highest level of short interest, falls into the latter of the two categories. Premier recently issued a large amount of convertible bonds, which has driven the demand to borrow above 30% of shares outstanding, ten times the levels experienced 12 months ago.

John Wood group, the second most shorted energy stock announcing earnings this week, also lands on the arbitrage list.

The demand to borrow Seadrill, Bw Lpg and Cairn Energy is most likely directional. None of these firms engaged in any corporate action that would make their shares targets for arbitrageurs.

The other key directional short target is Carillion, which has more than a quarter of its shares out on loan. Carillion shorts are largely staying the course, despite the firm's disastrous profit warnings that wiped nearly three quarter off of the firm's share price.

Carillion Plc



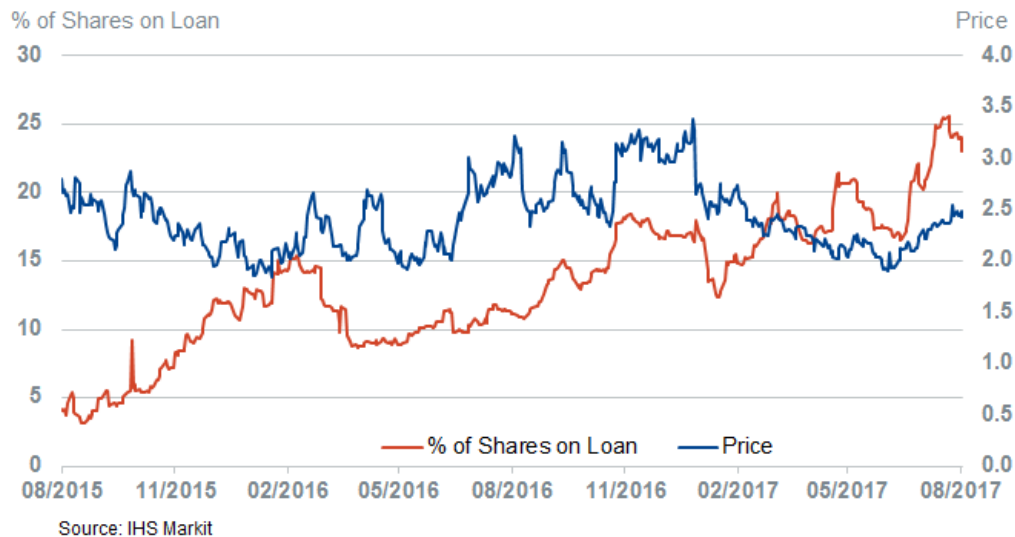
Asia

Name	Industry	Ticker	Report Day	% Shares Outstanding On Loan	1 Month % Change
Western Areas Ltd	Metals & Mining	WSA	Tuesday	24.0	13%
Retail Food Group Ltd	Hotels, Restaurants & Leisure	RFG	Friday	15.5	10%
Aconex Ltd	Internet Software & Services	ACX	Tuesday	15.3	-11%
Isentia Group Ltd	Internet Software & Services	ISD	Wednesday	13.8	-1%
Mayne Pharma Group Ltd	Pharmaceuticals	MYX	Friday	13.4	5%
Select Harvests Ltd	Food Products	SHV	Friday	12.4	9%
Flight Centre Travel Group Ltd	Hotels, Restaurants & Leisure	FLT	Thursday	11.9	-3%
Automotive Holdings Group Ltd	Specialty Retail	AHG	Friday	11.8	18%
Great Wall Motor Co Ltd	Automobiles	2333	Friday	11.0	3%
United Laboratories International H	Pharmaceuticals	3933	Wednesday	9.9	5%
Ardent Leisure Group	Hotels, Restaurants & Leisure	AAD	Thursday	9.9	-5%
Healthscope Ltd	Health Care Providers & Services	HSO	Wednesday	9.0	-15%
Tox Free Solutions Ltd	Commercial Services & Supplies	TOX	Wednesday	8.9	27%
Tongda Group Holdings Ltd	Electronic Equipment, Instruments & C	698	Thursday	8.4	35%
Alumina Ltd	Metals & Mining	AWC	Thursday	8.0	14%
Nine Entertainment Co Holdings LI	Media	NEC	Thursday	7.3	-12%
Virtus Health Ltd	Health Care Providers & Services	VRT	Tuesday	7.3	-13%
Bapcor Ltd	Distributors	BAP	Wednesday	7.1	7%

Australia will be the epicentre of short activity, as the country is home to all but three of the most heavily shorted companies announcing earnings.

The list of Australian short targets is led by mining firm Western Area, which has over 24% of its shares out on loan. Western's share price has mirrored the vagrancies of the nickel market over the last few years, and short sellers have targeted the firm since the price of the commodity resumed its downward spiral in early 2015. Short sellers seem to think the slump is going to continue, and the demand to borrow Western shares is near the all-time high heading into Tuesday's results.

Western Areas Ltd



Retail Food Group also sees record high short interest heading into earnings. Short sellers increased their borrow ten folds since the start of the year.

The most shorted firm outside of Australia is Great Wall Motor, which has 11% of its shares out on loan. The Chinese car manufacturer has been a popular target for short sellers over the last few months. The demand for cars in its home country started to tail off, prompting Great Wall to step up its marketing and discounting efforts.

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