

Most shorted ahead of earnings

Monday, May 19th 2017

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

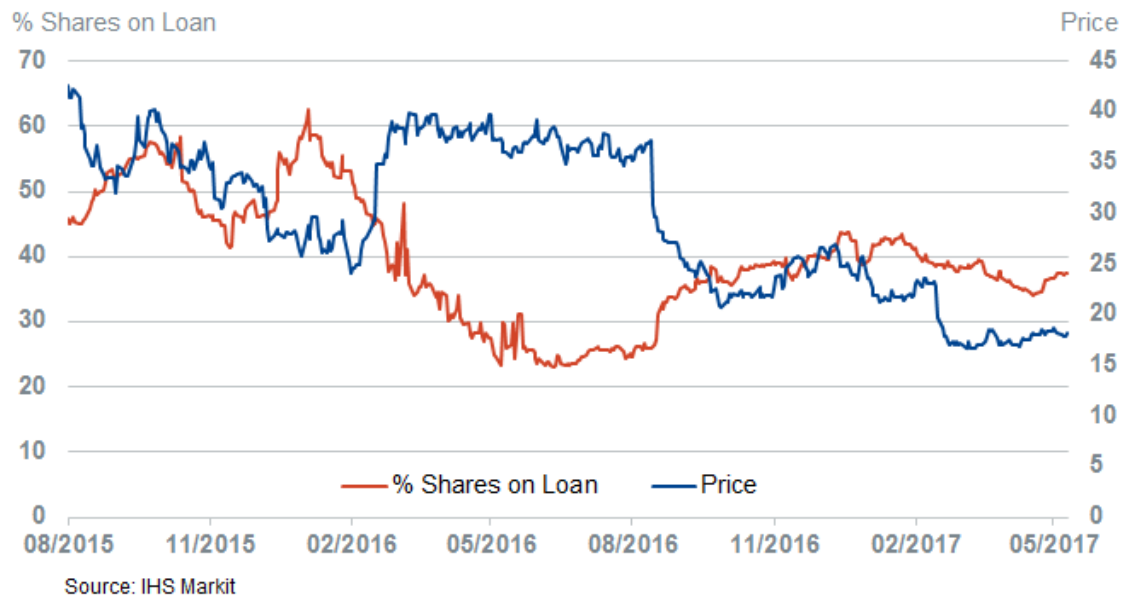
- Zoe's kitchen top short this week as 37% of its shares are on loan to shorts
- Marks and spencer leads a slew of UK retailers seeing high short interest before earnings
- Asian short sellers target Truly International heading into earnings

North America

Name	Industry	Ticker	Earnings Date	% Shares Outstanding On Loan	1 Month % Change
Zoe'S Kitchen Inc	Hotels, Restaurants & Leisure	ZOES	5/25/2017	37.5	7%
Big Lots Inc	Multiline Retail	BIG	5/26/2017	23.1	11%
Cracker Barrel Old Country Store	Hotels, Restaurants & Leisure	CBRL	5/23/2017	19.1	-10%
Immunogen Inc	Biotechnology	IMGN	5/26/2017	17.4	-1%
Dycom Industries Inc	Construction & Engineering	DY	5/24/2017	16.9	-6%
Jinkosolar Hldg Adr Rep 4 Ord	Semiconductors & Semiconductor Equ	JKS	5/26/2017	16.7	7%
Patterson Companies Inc	Health Care Providers & Services	PDCO	5/25/2017	14.5	-8%
Abercrombie & Fitch Co	Specialty Retail	ANF	5/25/2017	14.1	-30%
Bristow Group Inc	Energy Equipment & Services	BRS	5/23/2017	13.4	4%
Williams-Sonoma Inc	Specialty Retail	WSM	5/24/2017	13.1	2%
Sanderson Farms Inc	Food Products	SAFM	5/25/2017	12.3	-10%
Triumph Group Inc	Aerospace & Defense	TGI	5/24/2017	12.1	-8%
America'S Car-Mart Inc	Specialty Retail	CRMT	5/22/2017	11.2	-8%
Gamestop Corp	Specialty Retail	GME	5/25/2017	10.9	-3%
Guess? Inc	Specialty Retail	GES	5/24/2017	10.6	-3%
Signet Jewelers Ltd	Specialty Retail	SIG	5/25/2017	10.6	2%

The high conviction short among North American firms announcing earnings this week is fast casual dining chain Zoe's kitchen which has over 37% of its shares out on loan to short sellers. Short sellers will be hoping to repeat their recent success as the firm's last quarterly earnings, which disappointed on both the earnings and revenue side, started a selloff which took a quarter off the value of the firm's shares.

Zoe'S Kitchen Inc

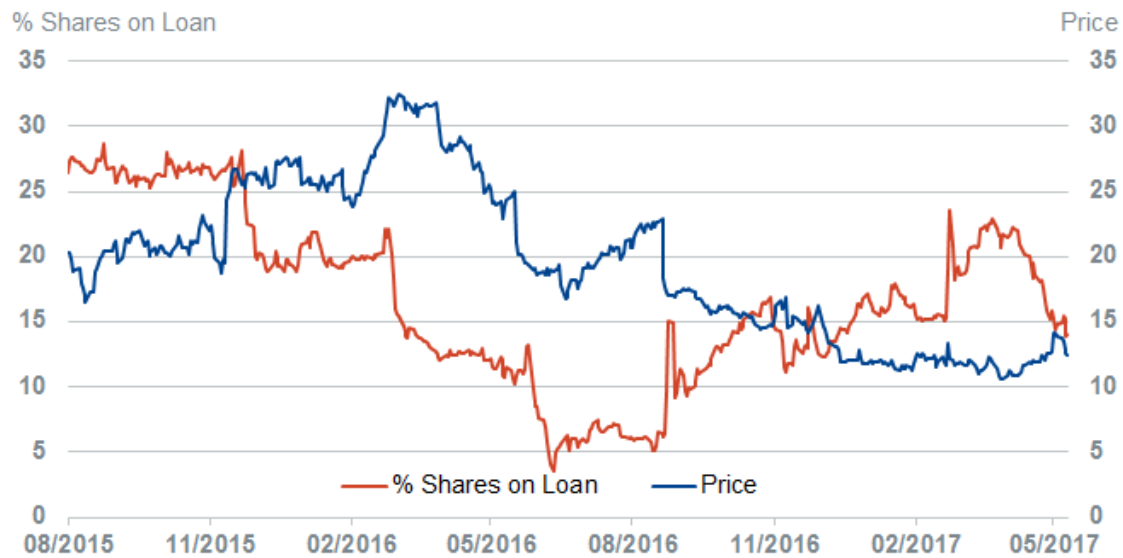


Shorting fast casual dining stores has proved to be a tricky game recently however as last week's high conviction dining chain, burger chain Red Robin, saw its shares surge by over a quarter after posting better than expected numbers. This will have no doubt cause some angst among Zoe short sellers as well as those currently shorting fellow casual dining firm Cracker Barrel. The latter's current borrow demand, 19% of shares outstanding, is enough to earn it the third place on the list of most shorted North American firms announcing earnings this week.

Retailers continue to be a main feature on the list of heavily shorted firms this earnings season and this week is no exception. The high conviction short play this week is bulk closeout firm Big Lots which has over 23% of its shares out on loan. This high short interest singles out the firm from the pack of discount and bulk retailers such as Costco and Tjx which have so far avoided scrutiny from short sellers. In fact that both Big Lots competitors now see have less than 1% their shares out on loan to short sellers.

Fashion retailers, who enriched shorts last week after disappointing results from heavily shorted American Eagle and Urban Outfitters, continue to feature prominently on this week's list of short targets. The high conviction fashion retail shorts this week are former industry heavyweight Abercrombie & Fitch and Guess which have 14 and 10.6% of their shares outstanding shorted respectively.

Abercrombie & Fitch Co



Source: IHS Markit

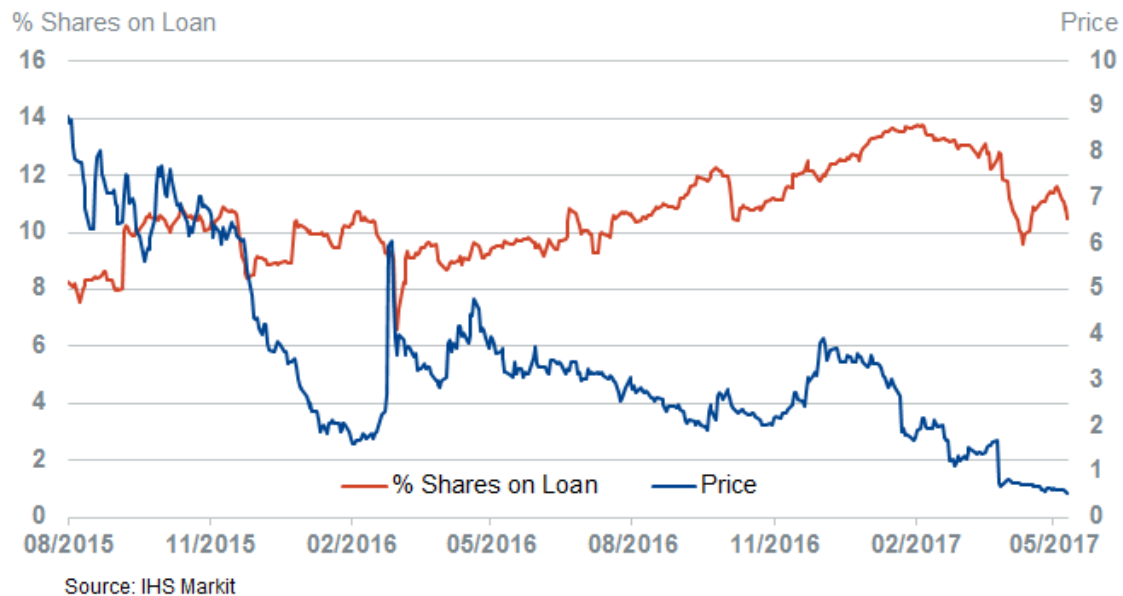
The most shorted non-retail firm announcing earnings next week is biotech firm Immunogen which has 17% of its shares shorted. This high short interest is skewed higher by the fact that the company has recently raised a large amount of capital through convertible bonds.

Europe

Name	Industry	Ticker	Earnings Date	% Shares Outstanding On Loan	1 Month % Change
Seadrill Ltd	Energy Equipment & Services	SDRL	5/24/2017	10.6	-13%
Marks And Spencer Group Plc	Multiline Retail	MKS	5/24/2017	9.5	14%
Pets At Home Group Plc	Specialty Retail	PETS	5/25/2017	7.6	-3%
Halfords Group Plc	Specialty Retail	HFD	5/25/2017	7.2	-9%
Schoeller Bleckmann Oilfield Equip	Energy Equipment & Services	SBO	5/24/2017	6.5	5%
Pennon Group Plc	Water Utilities	PNN	5/24/2017	5.3	-4%
Mediclinic International Plc	Health Care Providers & Services	MDC	5/24/2017	4.8	-2%
P/F Bakkafrøst	Food Products	BAKKA	5/24/2017	4.0	217%
Renewi Plc	Commercial Services & Supplies	RWI	5/25/2017	3.6	4%
Britvic Plc	Beverages	BVIC	5/24/2017	3.5	-14%
Marie Brizard Wine And Spirits Sa	Beverages	MBWS	5/23/2017	3.1	7%

Offshore drilling rig operator Seadrill is the highest conviction short announcing earnings in Europe in the coming week as it has 10.6% of its shares on loan to short sellers. Persistent high short interest reflects the ongoing headwinds for offshore oil leasers, which have suffered from an industrywide cutback on exploration budgets as oil firms scale back new capital investments following the collapse in the price of oil. Seadrill's high short interest also reflects the firm's high debt load which has compounded its problems.

Seadrill Ltd



UK retailers are the other high conviction play this week as short sellers continue to single out the sector as a way to play a slowdown in consumer spending across the country following the brexit referendum. The anticipated slowdown has been some time coming however and last week's better than anticipated retail numbers indicate that short sellers may have to wait even longer coming. This has yet to dissuade shorts however as the demand to borrow shares of high street stalwart Marks and Spencer has remained steadfast near multi year highs.

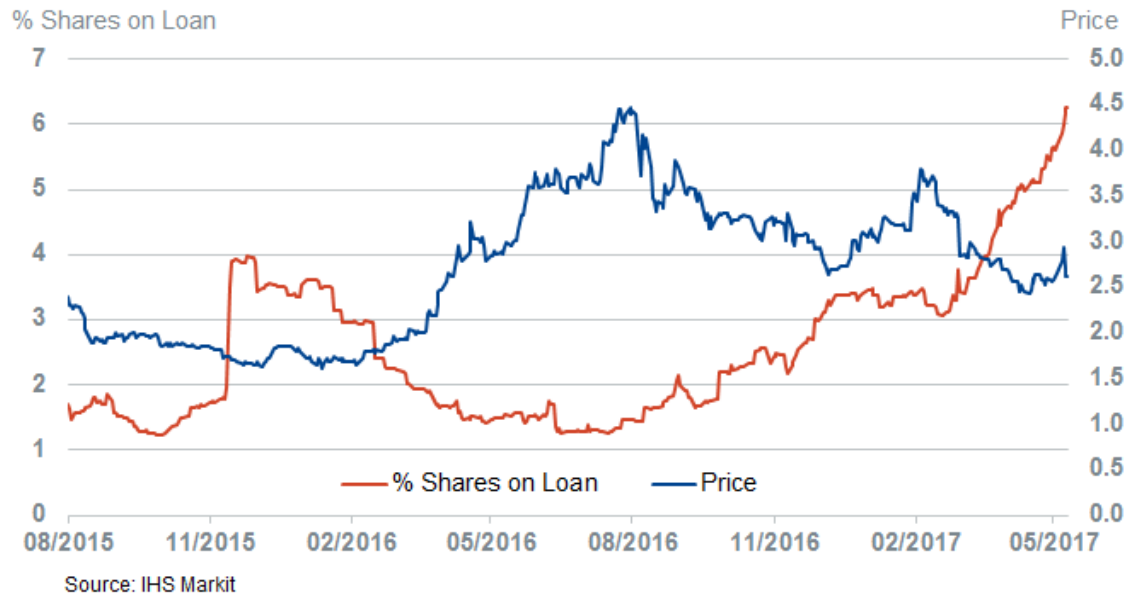
The other UK retailers seeing high shorting activity heading into earnings this week are Halfords Group and Pets at Home which both have over 7% of their shares out on loan respectively.

Asia

Name	Industry	Ticker	Earnings Date	% Shares Outstanding On Loan	1 Month % Change
Truly International Holdings Ltd	Electronic Equipment, Instruments & C	732	5/26/2017	6.3	26%
H.I.S. Co Ltd	Hotels, Restaurants & Leisure	9603	5/26/2017	5.6	-39%
Gome Electrical Appliances Holdir	Specialty Retail	493	5/25/2017	5.1	-1%
Intron Biotechnology Inc	Biotechnology	048530	5/22/2017	4.7	-7%
Ecopro Co Ltd	Chemicals	086520	5/25/2017	4.3	4%
Lenovo Group Ltd	Technology Hardware, Storage & Perip	992	5/25/2017	4.0	3%
Car Inc	Road & Rail	699	5/24/2017	4.0	0%
Yoma Strategic Holdings Ltd	Real Estate Management & Developm	Z59	5/23/2017	3.6	35%
Tingyi Cayman Islands Holding Co	Food Products	322	5/22/2017	3.3	-14%

Asian short sellers are most focused on LCD display manufacturer Truly International heading into earnings this week as it is the only firm to see more than 6% of its shares out on loan heading into earnings. LCD manufacturers have made successful short targets for much of the last few years as the industry grappled with oversupply issues which have severely hampered pricing power. Short sellers aren't pricing in any recovery in supply/demand dynamics as Truly's short interest has tripled in the last nine months.

Truly International Holdings Ltd



Firms further down the electronic supply chain are also attracting their fair share of short interest as computer maker Lenovo and electronics retailer Gome Electrical both find themselves on the list of heavily shorted Asian firms heading into earnings.

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