



## Most shorted ahead of earnings

Monday, July 24<sup>th</sup> 2017

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

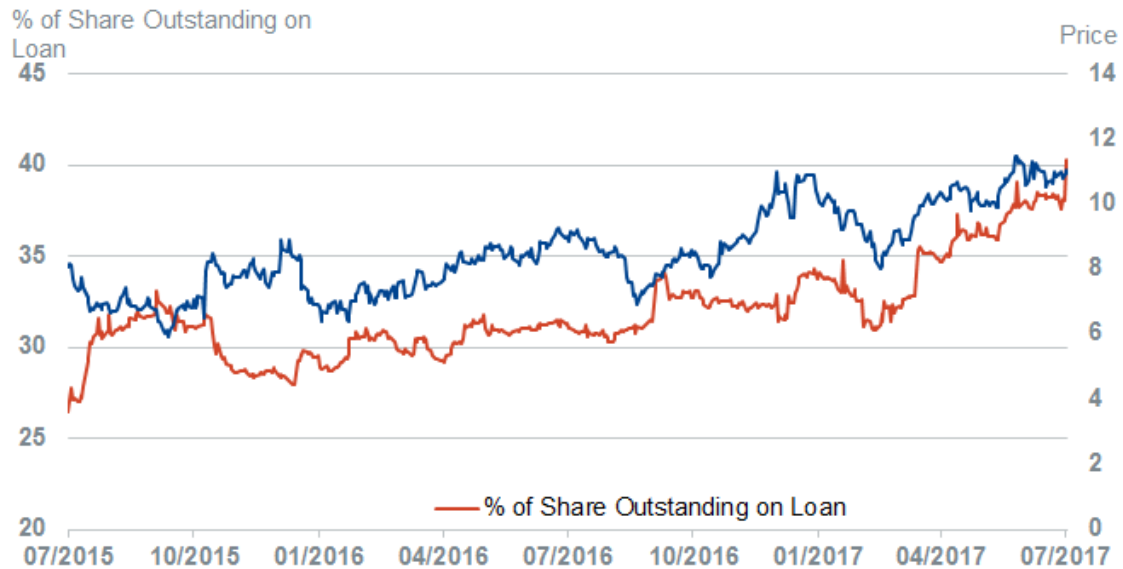
- Short sellers target Rent-A –Center after it turns down buyout offer
- Tullow short sellers return despite its recent capital raise
- Seiko Epson sees shorts surge as it gets ready for Nikkei 225 inclusion

#### North America

Name	Industry	Ticker	Report Day	% Shares Outstanding On Loan	1 Month % Change
Iridium Communications Inc	Telecommunication Services	IRDM	Thursday	40.3	7%
Bofi Holding Inc	Banks	BOFI	Thursday	33.5	3%
Acadia Healthcare Company Inc	Health Care Equipment & Services	ACHC	Thursday	32.8	0%
Allegheny Technologies Inc	Materials	ATI	Tuesday	31.8	-3%
Rent-A-Center Inc	Retailing	RCII	Wednesday	30.8	24%
Gnc Holdings Inc	Retailing	GNC	Thursday	27.4	-1%
Core Laboratories Nv	Energy	CLB	Monday	27.0	46%
Medicines Co	Pharmaceuticals, Biotechnology & Life MDCO		Wednesday	24.4	-4%
Lsb Industries Inc	Materials	LXU	Tuesday	24.2	-14%
Wabash National Corp	Capital Goods	WNC	Tuesday	23.8	1%
Helmerich And Payne Inc	Energy	HP	Thursday	23.8	12%
Verisign Inc	Software & Services	VRSN	Thursday	22.3	4%
Immunogen Inc	Pharmaceuticals, Biotechnology & Life IMGN		Friday	22.1	14%
Westinghouse Air Brake Technolo	Capital Goods	WAB	Tuesday	21.1	-4%
Pebblebrook Hotel Trust	Real Estate	PEB	Thursday	21.0	5%

Satellite communication provider Iridium is this week's runaway high conviction short as over 40% of its shares are out on loan to short sellers. The firm is no stranger to short sellers as its shares have been in constant demand over the last three years. While there is no doubt that the persistently high short interest is driven by doubts about the firm's long term prospects as the barriers to satellite communication are rapidly coming down, it is worth noting that Iridium has relied on convertible bonds to fund itself. The latter of the two means that a portion of the borrow demand is likely to be driven by non-directional arbitrageurs which are looking to take advantage of pricing discrepancies between the value of Iridium shares and those of its convertible bonds.

## Iridium Communications Inc



Source: IHS Markit

Short sellers are also increasingly targeting Rent-A-Center as demand to borrow its shares increased by a quarter in the last month to 30% of shares outstanding. Short sellers were initially scared off by news that Florida based private equity firm Vintage Capital was willing to offer \$15 a share for the company. Rent-A-Center's board has since turned down the offer however and short sellers have gone on to target the firm with renewed vigor.

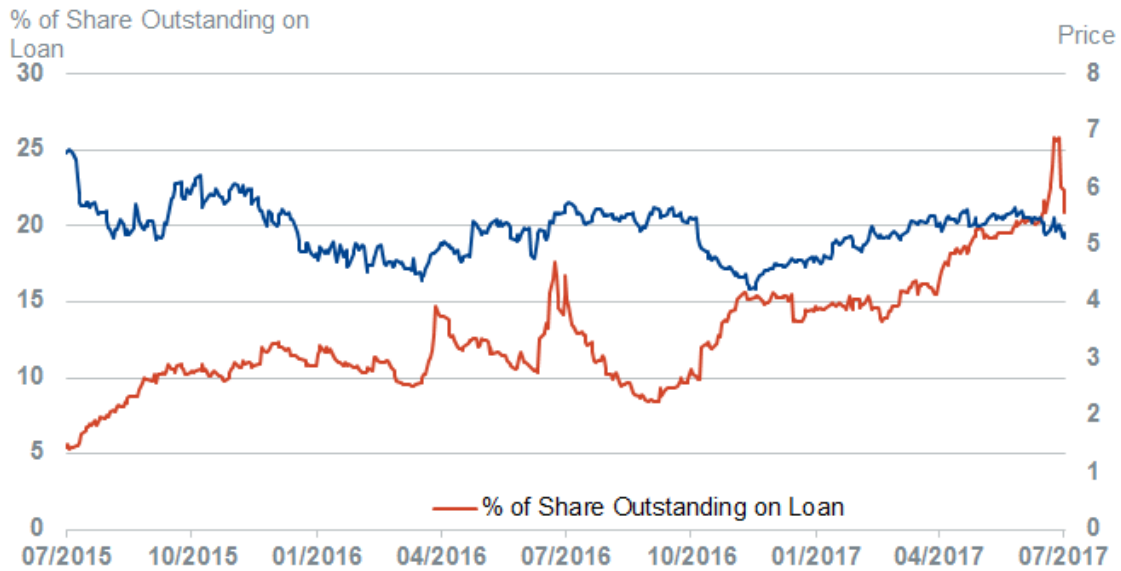
Energy services firm Core Laboratories has seen an even larger rise in short interest in the last month. Short sellers have increased their positions by a massive 46% over this period to 27% of all shares outstanding. The reservoir categorization firm was [singled out](#) as a short play by activist investor David Einhorn back in May when he stated that the firm's earnings were bound to disappoint investors in the coming years. Although Einhorn's thesis was initially proven wrong by Core's last earnings update, the firm's skeptics aren't going anywhere as demand to borrow its shares has continued to climb to the current all-time high.

## Europe

Name	Industry	Ticker	Report Day	% Shares Outstanding On Loan	1 Month % Change
Distribuidora Internacional De Alim	Food & Staples Retailing	DIA	Thursday	22.1	9%
Tullow Oil Plc	Energy	TLW	Wednesday	19.5	7%
Vallourec Sa	Energy	VK	Wednesday	15.5	-6%
Asm International Nv	Semiconductors & Semiconductor Equ	ASM	Tuesday	14.8	3%
Petroleum Geo Services Asa	Energy	PGS	Thursday	14.5	-7%
Elis Sa	Commercial & Professional Services	ELIS	Thursday	13.3	39%
Cgg Sa	Energy	CGG	Friday	13.1	3%
Intrum Justitia Ab	Commercial & Professional Services	IJ	Tuesday	13.1	11%
Outotec Oyj	Capital Goods	OTE1V	Thursday	12.9	-13%
Ingenico Group Sa	Technology Hardware & Equipment	ING	Wednesday	12.8	11%
Amer Sports Oyj	Consumer Durables & Apparel	AMEAS	Thursday	12.7	13%
Clariant Ag	Materials	CLN	Thursday	12.2	86%
Maire Tecnimont Spa	Capital Goods	MT	Thursday	12.0	5%
Saipem Spa	Energy	SPM	Tuesday	10.2	-8%

The big short target among firms announcing earnings in Europe this week is Spanish supermarket DIA which is the most shorted constituent of the Stoxx 600 index. Short sellers have steadily built their positions to the current all-time high after the firm failed to meet analyst revenue over each of its last nine earnings updates. The company has still managed to grow its sales, yet this hasn't placated short sellers which have taken positions worth 22% of the retailer's total outstanding shares.

### Distribuidora Internacional De Alimentacion Sa



Source: IHS Markit

Short sellers continue to target energy firms over this earnings season as five of the sectors' firms feature among this week's list of heavily shorted firms ahead of earnings.

The most shorted of this week's energy lot is UK exploration firm Tullow Oil which has just under a fifth of its shares out on loan as of latest count. Tullow, which went through a rights issue back in April in order to reset its capital base, has seen a resurgence in short interest as demand to borrow its shares has increase by a third from the levels seen immediately after the rights issue completed. This persistently strong demand to borrow Tullow shares indicates that short sellers may be thinking that the company's debt restructuring hasn't done enough to shore up its capital base.

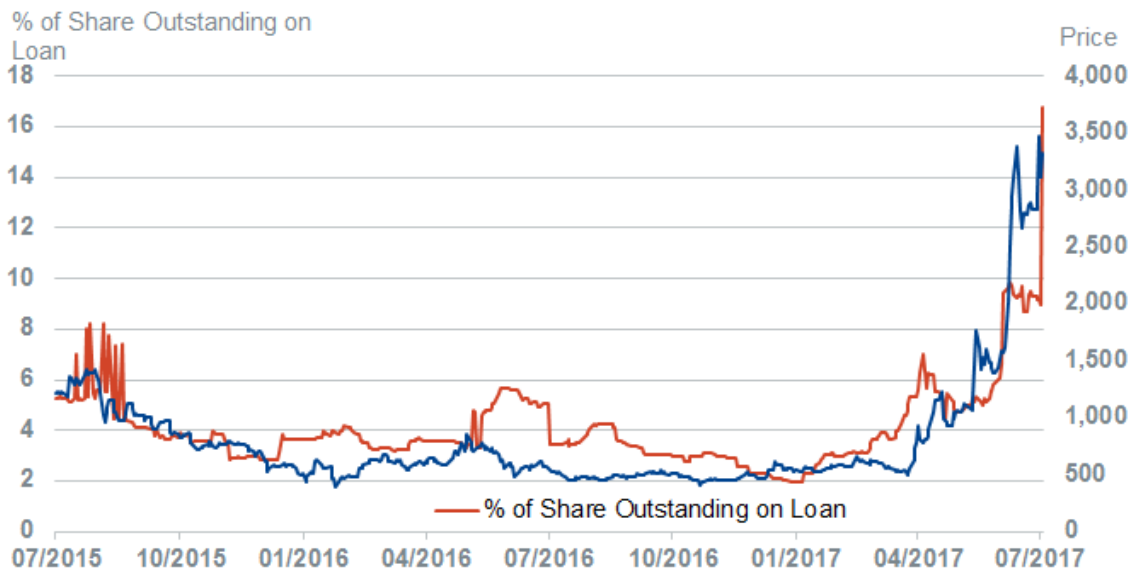
The final short play we'll highlight in Europe this week is chemical firm Clariant which has seen its short interest climb by over 80% in the last month to 12% of shares outstanding. The large increase in Clariant short interest indicates that a growing number of investors are getting behind the firm's proposed all share merger with US competitor Huntsman. This may be a dangerous gambit for short sellers however as several US activist investors have [voiced their opposition](#) to the deal on the premise that it significantly undervalues Clariant's shares.

### Asia

Name	Industry	Ticker	Report Day	% Shares Outstanding On Loan	1 Month % Change
Enish Inc	Software & Services	3667	Thursday	14.8	56%
Advantest Corp	Semiconductors & Semiconductor Equ	6857	Wednesday	11.8	32%
Oci Co Ltd	Materials	010060	Wednesday	11.2	-4%
Seiko Epson Corp	Technology Hardware & Equipment	6724	Thursday	9.8	2694%
Au Optronics Corp	Technology Hardware & Equipment	2409	Wednesday	9.0	6%
Drecom Co Ltd	Software & Services	3793	Thursday	8.4	43%
Kobe Steel Ltd	Materials	5406	Friday	8.0	-10%
Hyundai Wia Corp	Automobiles & Components	011210	Thursday	7.9	9%
Monotaro Co Ltd	Capital Goods	3064	Friday	7.7	5%
Gs Engineering & Construction Co	Capital Goods	006360	Friday	7.6	8%

Social media app developer Enish is this week's high conviction Asian short as it has just under 15% of its shares out on loan. In a pattern that has been a feature of this earnings season, we've seen Enish shares jump by over five folds year to date while short sellers have steadily increased their positions to the current all-time high.

### Enish Inc



Source: IHS Markit

Printer manufacture Seiko Epson has also experienced a large rise in short interest over the last month. This rise is likely to be tied to the firm's imminent ascension to the Nikkei 225 however.

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