

## Most shorted ahead of earnings

Monday, March 27<sup>th</sup> 2017

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

- Cal-Maine remains the most shorted firm despite recent covering
- Perrigo short sellers multiply ahead of earnings
- Chinese car stocks see heavy shorting activity ahead of earnings

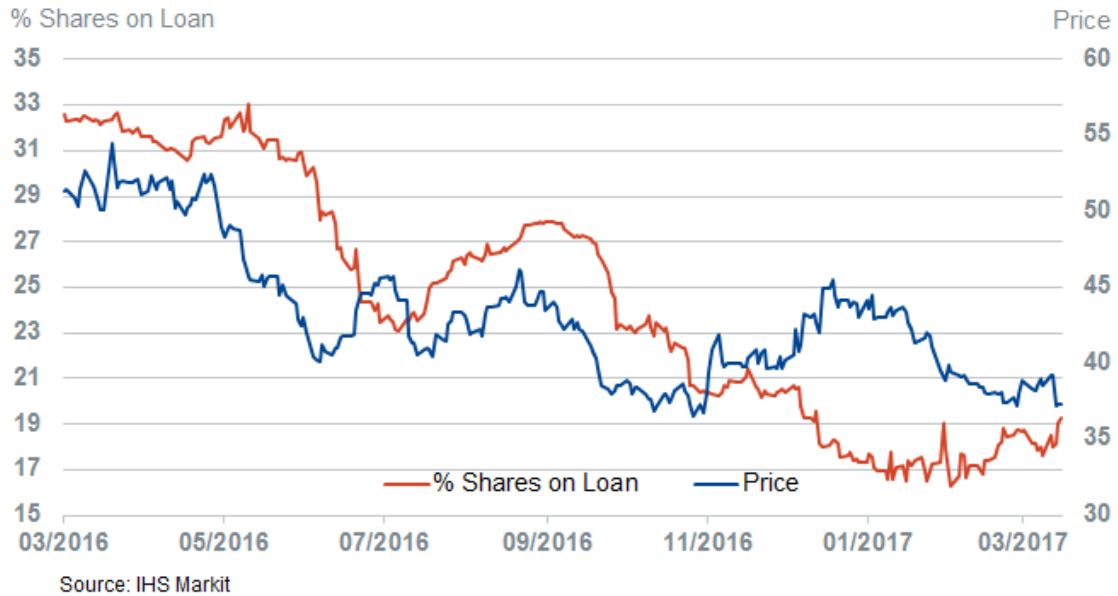
#### North America

Name	Industry	Ticker	Earnings Date	% Shares Outstanding On Loan	1 Month % Change
Cal-Maine Foods Inc	Food Products	CALM	3/27/2017	18.2	5%
Lindsay Corp	Machinery	LNN	3/30/2017	17.7	-6%
G-iii Apparel Group Ltd	Textiles, Apparel & Luxury Goods	GIII	3/27/2017	17.5	-2%
Ollie'S Bargain Outlet Holdings Inc	Multiline Retail	OLLI	3/28/2017	15.7	0%
Sonic Corp	Hotels, Restaurants & Leisure	SONC	3/28/2017	11.7	59%
Insys Therapeutics Inc	Biotechnology	INSY	3/30/2017	10.9	-5%
Darden Restaurants Inc	Hotels, Restaurants & Leisure	DRI	3/28/2017	9.0	-6%
Seacor Holdings Inc	Energy Equipment & Services	CKH	3/31/2017	7.8	-21%
Dave & Buster'S Entertainment Inc	Hotels, Restaurants & Leisure	PLAY	3/28/2017	7.1	28%
Prometic Life Sciences Inc	Biotechnology	PLI	3/30/2017	7.1	-12%
Perrigo Company Plc	Pharmaceuticals	PRGO	3/29/2017	6.9	24%
Blackberry Ltd	Technology Hardware, Storage & Perip	BB	3/31/2017	6.5	6%
Factset Research Systems Inc	Capital Markets	FDS	3/28/2017	6.1	-23%

The first quarter earnings season is winding down, however short sellers still have plenty to keep them busy in the coming week as 13 companies announcing earnings next week have more than 6% of their shares outstanding on loan.

Top among next week's high conviction short targets is egg producer Cal-Maine which has over 18% of its shares on loan to short sellers. While high, it's worth noting that the current shorting activity is much lower than that registered 12 months ago when short sellers had borrowed more than 30% of the firm's shares. The covering could indicate that sceptics are starting to warm up to Cal-Maine after a string of disappointing earnings which have driven the firm's 40% off the value of the firm's shares.

## Cal-Maine Foods Inc

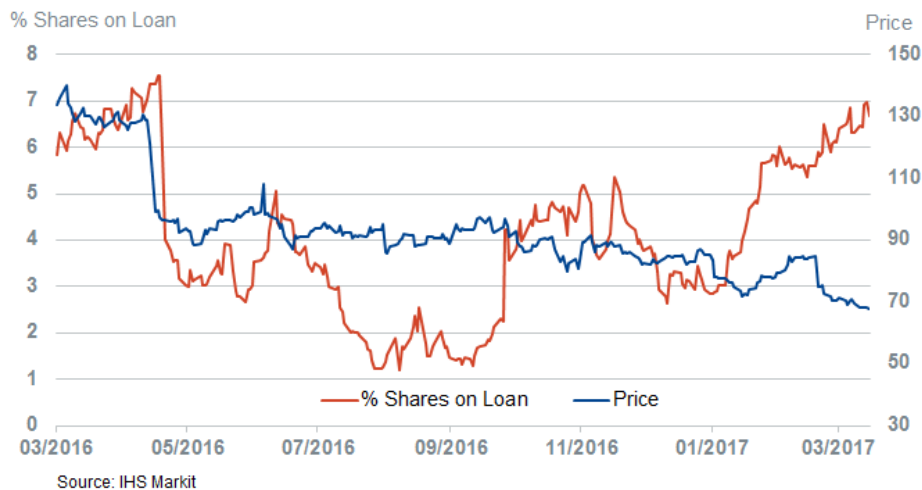


Restaurant stocks are another key focus of short sellers in the coming week as three of the sector's firms are among the list of heavily shorted companies leading up to earnings. The most shorted of the lot is drive in operator Sonic which has just under 12% of its shares out on loan. Sonic's short interest trend is also significant as it has grown by a massive 60% over the last month which indicates a massive deterioration in investor sentiment leading up to earnings.

The other two high conviction restaurant short targets announcing earnings this week are Darden and Dave & Buster's which have 9% and 7% of their shares out on loan respectively.

Another firm seeing a large increase in shorting activity ahead of earnings is generics drug maker Perrigo as demand to borrow its shares has surged by a quarter in the last four weeks. Short sellers are betting that the slide in Perrigo's share price, which started in earnest in 2015, may have some more room to run as shorting activity is nearing the all-time highs set back in April of last year.

## Perrigo Company Plc



## Europe

Name	Industry	Ticker	Earnings Date	% Shares Outstanding On Loan	1 Month % Change
Cancom Se	IT Services	COK	3/27/2017	8.8	5%
Stroeer Se & Co Kgaa	Media	SAX	3/27/2017	8.0	-3%
Buzzi Unicem Spa	Construction Materials	BZU	3/30/2017	7.2	-5%
Elringklinger Ag	Auto Components	ZIL2	3/30/2017	7.1	0%
Sma Solar Technology Ag	Semiconductors & Semiconductor Equ	S92	3/30/2017	7.1	-5%
Rib Software Ag	Software	RIB	3/31/2017	6.5	-3%
Aurelius Equity Opportunities Se	Capital Markets	AR4	3/29/2017	4.9	-7%
Orpea Sa	Health Care Providers & Services	ORP	3/28/2017	5.3	-1%

German IT company Cancom is the most shorted of a relatively small pack of short targets announcing earnings next week as it has just under 9% of its shares out on loan. A portion of Cancom's short interest is likely to be driven by desire to hedge exposure to its senior convertible which matures next year and which represents 6.5% of the company's shares outstanding.

## Asia

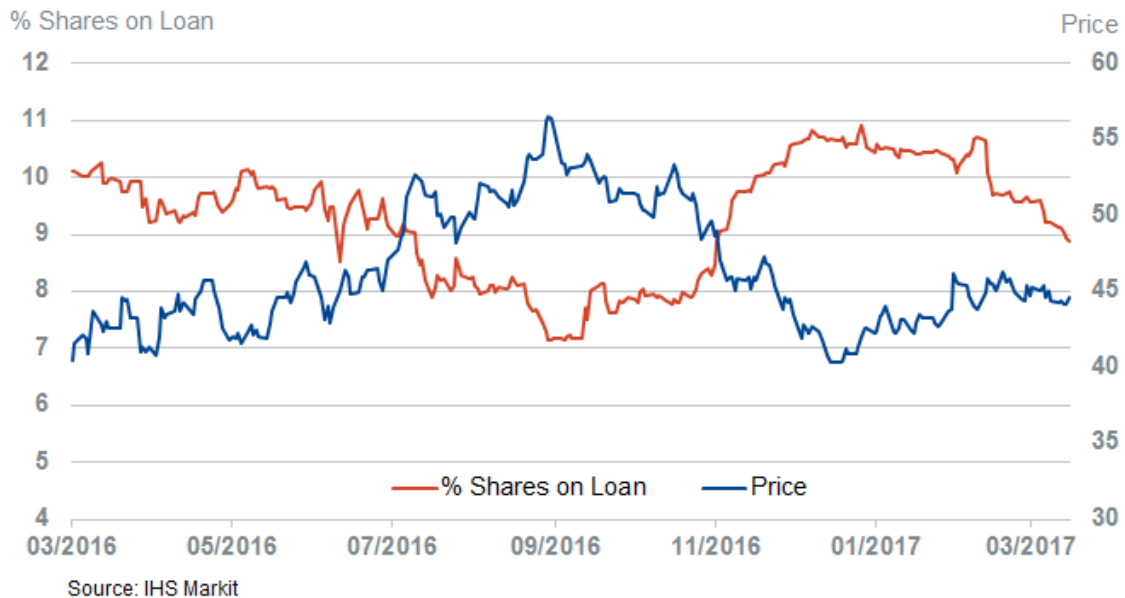
Name	Industry	Ticker	Earnings Date	% Shares Outstanding On Loan	1 Month % Change
Weichai Power Co Ltd	Machinery	2338	3/29/2017	12.2	27%
Byd Co Ltd	Automobiles	1211	3/28/2017	9.0	-8%
Gcl-Poly Energy Holdings Ltd	Semiconductors & Semiconductor Equ	3800	3/29/2017	8.9	6%
China Petrochemical Development	Chemicals	1314	3/31/2017	7.1	-3%
Neo Solar Power Corp	Semiconductors & Semiconductor Equ	3576	3/31/2017	6.3	4%
Yingde Gases Group Co Ltd	Chemicals	2168	3/31/2017	5.8	-10%
Digital China Holdings Ltd	Electronic Equipment, Instruments & C	861	3/29/2017	5.5	-2%
Gome Electrical Appliances Holdir	Specialty Retail	493	3/27/2017	5.5	-7%
Li & Fung Ltd	Textiles, Apparel & Luxury Goods	494	3/29/2017	5.3	-16%
China Railway Construction Corp L	Construction & Engineering	1186	3/29/2017	4.9	3%

Carmakers are the hot short trade among companies announcing earnings this week as component maker Weichai Power and OEM BYD find themselves at the top of the list of the most shorted companies announcing earnings this week.

The former of the two isn't likely to be driven by directional short selling however as Weichai's mainland listed A shares trade at a discount to the Hong Kong listed H shares. This provides an attractive opportunity for arbitrageurs who can profit from the conversion by shorting Weichai's Hong Kong traded H shares while purchasing A shares on the mainland.

The 9% of BYD shares out on loan are unlikely to have been borrowed by arbitrageurs as borrow demand spiked in the wake of slump which saw shares lose 30% off the highs set in the early September. BYD shares have gone on to rally in recent weeks which has prompted short sellers to trim their positions from 11% of shares outstanding to the current 9%.

## Byd Co Ltd



Solar also continues to be a favourite topic for short sellers and this week sees GCL-Poly Energy and Neo Solar Power make the list of the heavily shorted companies announcing earnings.

### Contacts:

#### Simon Colvin

Analyst

+44 20 7260 7614

Simon.colvin@ihsmarkit.com

For further information, please visit [www.ihsmarkit.co](http://www.ihsmarkit.co)

#### Disclaimer

The intellectual property rights to this report provided herein is owned by Markit Group limited. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omission or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, consequential damages, arising out of the use of the data. Markit is a trademark owned by the Markit group.

This report does not constitute nor shall it be construed as an offer by Markit to buy or sell any particular security, financial instrument or financial service. The analysis provided in this report is of a general and impersonal nature. This report shall not be construed as providing investment advice that is adapted to or appropriate for any particular investment strategy or portfolio. This report does not and shall not be construed as providing any recommendations as to whether it is appropriate for any person or entity to "buy", "sell" or "hold" a particular investment.