

Most shorted ahead of earnings

Monday, May 26th 2017

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

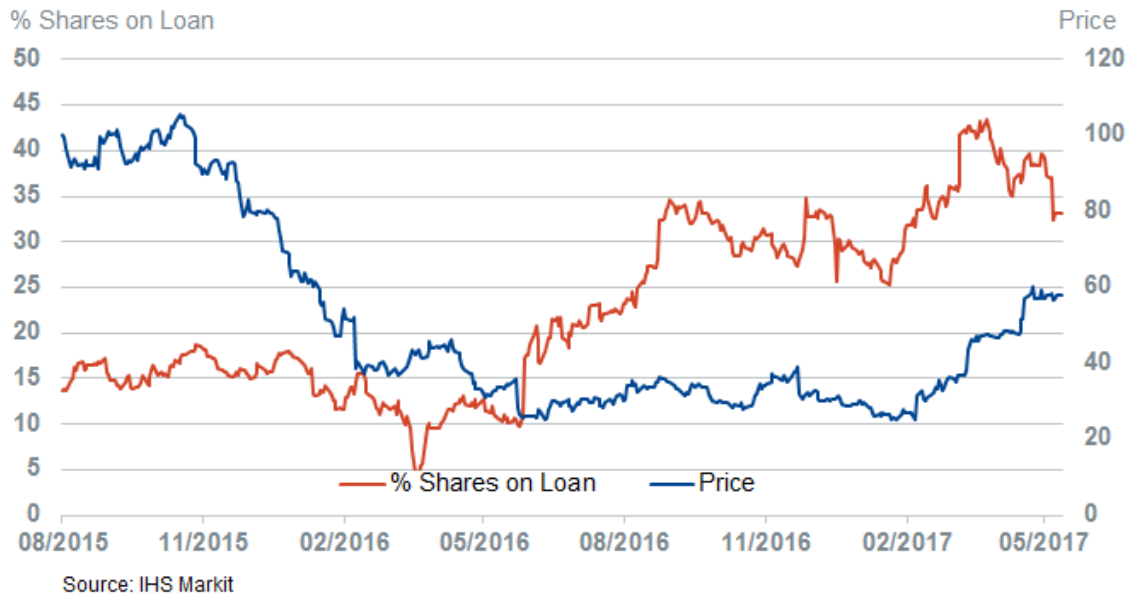
- RH sees shorts hang on despite a rally which has seen its shares double
- Elekta short sellers have covered after the firm's shares rallied strongly
- Japanese software firm Access targeted by shorts over the last month

North America

Name	Industry	Ticker	Earnings Date	% Shares Outstanding On Loan	1 Month % Change
Rh	Retailing	RH	6/1/2017	33.0	-11%
Canadian Western Bank	Banks	CWB	6/1/2017	21.4	17%
G-ii Apparel Group Ltd	Consumer Durables & Apparel	GIII	5/31/2017	20.3	7%
Five Below Inc	Retailing	FIVE	6/1/2017	15.7	-20%
Boot Barn Holdings Inc	Retailing	BOOT	6/1/2017	15.0	13%
Ollie'S Bargain Outlet Holdings Inc	Retailing	OLLI	5/31/2017	13.5	-12%
Zumiez Inc	Retailing	ZUMZ	6/1/2017	11.5	-4%
Ship Finance International Ltd	Energy	SFL	5/30/2017	10.8	-6%
Conn'S Inc	Retailing	CONN	6/1/2017	10.0	-11%
Ciena Corp	Technology Hardware & Equipment	CIEN	6/1/2017	9.5	-1%
Tech Data Corp	Technology Hardware & Equipment	TECD	6/1/2017	9.2	1%

Homeware retailer Rh is the high conviction short among the firms announcing earnings this week. Rh is no stranger to short sellers as the firm featured as one of the most heavily shorted stocks the last time it announced earnings. Short sellers weren't rewarded for their skepticism back then as RH's better than expected earnings sparked a rally which saw its stock price double in the subsequent three months. Shorts have been willing to stay in the trade however as demand to borrow RH shares has actually increased in the three months since RH's last earnings update. It's worth noting that a portion of Rh's short interest is likely driven higher by the large pile of convertible bonds the company has outstanding.

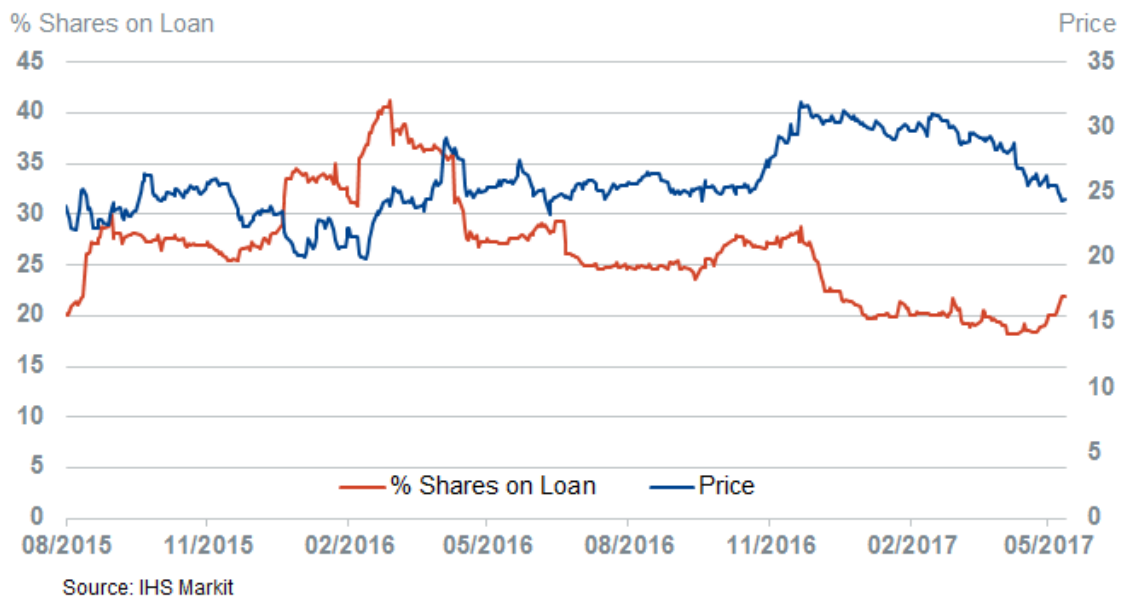
Rh



RH is joined by a slew of fellow retailers among the high convictions short plays announcing earnings this week as Zummiez, Conn's and Five Below all have at least 10% of their shares outstanding on loan to short sellers.

Canadian housing, which has been another top short this earnings season, will also play a role this week when Canadian lender Western Bank releases earnings. Demand to short shares in Canadian Western has surged in the last few weeks after fellow mortgage lender Home Capital faced a liquidity crush amidst accusations of improper underwriting standard. Home Capital's implosion has so far been relatively contained however the recent surge in Canadian Western's short interest may indicate that short sellers are starting rethink this position.

Canadian Western Bank

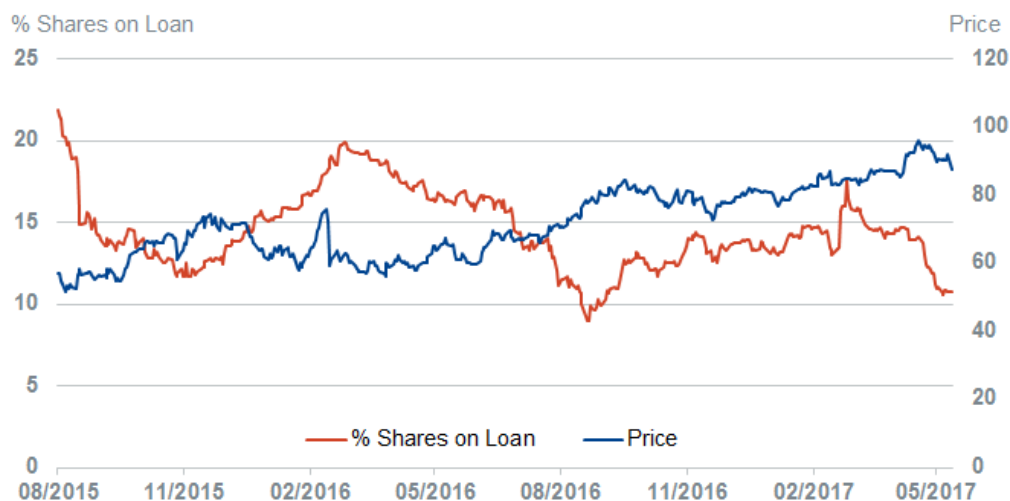


Europe

Name	Industry	Ticker	Earnings Date	% Shares Outstanding On Loan	1 Month % Change
Elekta Ab (Publ)	Health Care Equipment & Services	EKTA B	6/1/2017	10.9	-22%
Bertrandt Ag	Commercial & Professional Services	BDT	5/31/2017	9.3	21%
Immofinanz Ag	Real Estate	IIA	5/30/2017	8.7	17%
Rocket Internet Se	Software & Services	RKET	5/31/2017	8.1	16%
Pierre Et Vacances Sa	Consumer Services	VAC	5/31/2017	5.2	2%
Bw Lpg Ltd	Energy	BWLPG	5/29/2017	4.3	1%

Swedish radiotherapy equipment manufacturer Elekta is the only firm to see more than 10% of its shares out on loan among the European firms announcing earnings this week. Elekta has been a top European short for quite some time however demand to borrow its shares has fallen to the lowest in nearly three years after its shares rallied to a two year high.

Elekta Ab (Publ)



Source: IHS Markit

While short sellers have been actively covering in Elekta in the wake of a rally, the same can't be said for Rocket Internet short sellers as they have increased their positions by a third after a similar rally in its share price. The fact that short sellers are continuing to increase their positions in Rocket indicates their ongoing scepticism about how the company's lack of transparency surrounding its portfolio companies despite a slew of [recent write-downs](#) which tripled the company's net loss over 2016.

Asia

Name	Industry	Ticker	Earnings Date	% Shares Outstanding On Loan	1 Month % Change
Intron Biotechnology Inc	Pharmaceuticals, Biotechnology & Life	048530	5/29/2017	4.8	6%
Park24 Co Ltd	Commercial & Professional Services	4666	5/31/2017	4.7	7%
Access Co Ltd	Software & Services	4813	5/31/2017	4.0	155%
Viatron Technologies Inc	Semiconductors & Semiconductor Equ	141000	5/29/2017	3.3	-18%

Asia doesn't see much in the way of interesting shorting among the firms announcing earnings this week. The only exception is Japanese mobile software firm Access which has seen its short interest more than double in the last four weeks to 4% of shares outstanding.

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