

# Shorts take aim at shaky IPOs

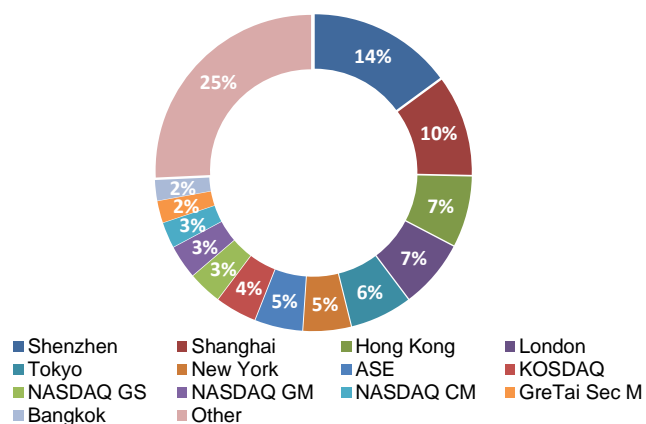
Recent IPOs have dazzled some investors and left others puzzled, with new launches showing striking price swings in 2015. As a result, conviction driven short sellers are now paying over 100% of value to place negative bets on shaky prices.

- High number of IPOs seen in China as companies rush to market prior to re-halting of IPOs
- Majority of IPO short sellers are concentrated in US and Japan
- Hot IPOs being circled by short sellers include Etsy, Fitbit and Shake Shack

## Markets shorting the IPO

Short sellers are congregating around this year's prolific US IPOs. Much like **2014** the IPO hype has been present on the side of short seller too, hoping to profit from companies' falling stock.

## Global IPO market 2015: Exchanges



Source: Markit

Over 700 companies have come to market globally in 2015, led by Chinese stocks after an IPO **ban** during 2013 was lifted early in 2014. However recent price collapses have seen authorities once again close the taps of new issuances, in efforts to stabilise the country's equity markets.

Shenzhen listed online video company Beijing Boafen is one of the **fastest** rising IPOs of 2015, with more than \$100m market cap. The stock price is up 462% since floating in March 2015, even after a sharp pullback. However short selling in Boafen and mainland IPOs and shares remains limited. Minimal short

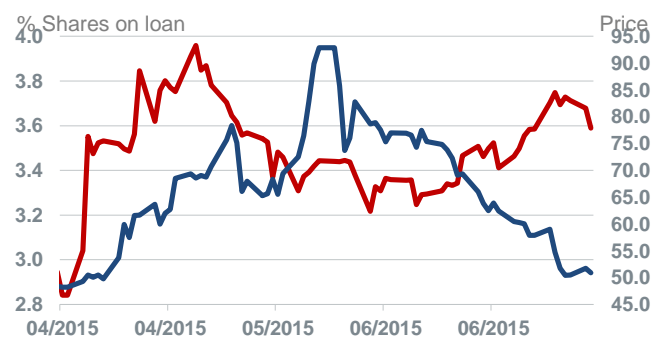
selling is seen in China and Hong Kong listings despite the unprecedented rally, with negligible short interest levels registering.

Short sellers have concentrated their IPO efforts in US and Japan listed firms with IPOs with more than 1% of shares outstanding on loan featured predominantly in these two areas at 60% and 30% respectively.

## Top US IPO shorts

After **squeezing** in June 2015, short sellers are returning with renewed conviction to newly listed burger chain Shake Shack. With high utilisations levels denoting limited quantity available to short, Shake Shack is the most expensive to short IPO of 2015 to date. Short sellers are currently prepared to pay 105% to short the stock.

## Shake Shack Inc



Source: Markit

Shake Shack's shares outstanding on loan have increased to 3.6% and while the stock has declined some 45% from its highs, it is still up 23% since IPO.

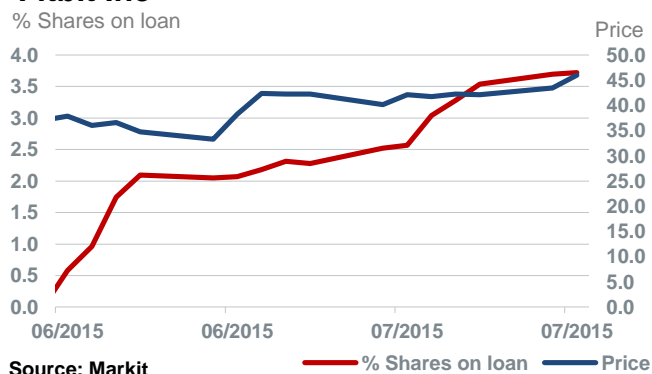
TICKER	Instrument Name	Benchmark Fee	% Shares Outstanding On Loan	Quantity On Loan	Utilisation
SHAK	Shake Shack Inc	105.6%	3.55	1,287,599	97.3
BOX	Box Inc	33.6%	2.90	3,504,706	96.3
JCAP	Jernigan Capital Inc	12.3%	0.13	8,000	7.2
ETSY	Etsy Inc	11.5%	7.85	8,778,402	94.7
ICBK	County Bancorp Inc	10.1%	0.13	7,500	4.2
FRU	Ferratum Oyj	10.0%	0.27	59,185	0.0
POXEL	Poxel Sa	9.9%	0.03	5,000	43.4
3914	Jig-Saw Inc	9.7%	2.81	90,800	98.1
XBIO	Xbiotech Inc	8.7%	2.82	900,791	91.5
SEOI	Sequoia Economic Infrastructure Income	8.3%	0.83	1,252,412	19.6
CNXC	Cnx Coal Resources Unt	8.2%	0.68	157,100	100.0
3915	Terrasky Co Ltd	8.0%	2.17	29,700	63.4
RDL	Ranger Direct Lending Fund Plc	8.0%	0.09	12,633	5.2
OC	Orascom Construction Ltd	8.0%	0.00	5,500	1.7
FIT	Fitbit Inc	8.0%	3.83	7,887,969	92.1
6047	Gunosy Inc	7.3%	2.43	531,400	76.8
CDRB	Code Rebel Corp	7.2%	0.50	63,400	78.6
GSBD	Goldman Sachs Bdc Inc	7.1%	0.17	62,500	24.9
RKDA	Arcadia Biosciences Inc	7.1%	0.15	64,600	5.0

### Sector IPO shorts

The biotechnology, industrial machinery and pharmaceuticals sectors have led IPOs globally representing 15% of all listings, with internet & software services in fourth place followed by health care equipment.

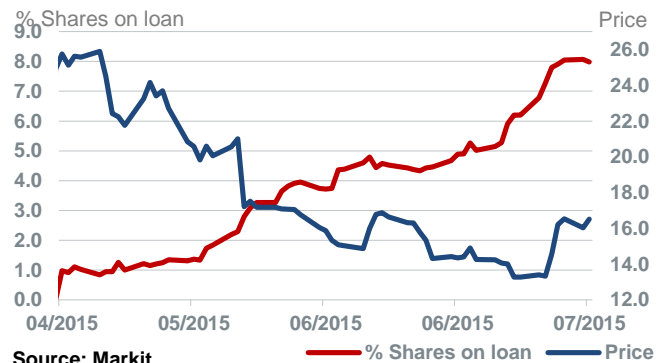
Linking the technology and healthcare sectors is Fitbit, which launched an IPO in June 2015. The stock has risen 21% since June 23<sup>rd</sup> with analysts seemingly **bullish**, but despite this the stock has attracted short sellers. Shares out on loan have climbed to 3.7% since listing and the cost to borrow has risen to above 8%, with 92% utilisation levels.

#### Fitbit Inc



Costing more than 11.5% to short after listing in April 2015 is online marketplace Etsy. The stock has fallen 36% while short sellers have consistently increased positions. Currently shares outstanding on loan stand at 8%.

#### Etsy Inc



Internet stalwart Godaddy came relatively late to market in April compared to its younger aged peers; floated by **private equity** firms who acquired the business in 2011.

#### Godaddy Inc



After witnessing a two month rally of 25%, the firm's shares have subsided 15% but short interest remains relatively low. Less than 2% of shares are currently outstanding on loan.

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