

Most shorted ahead of earnings

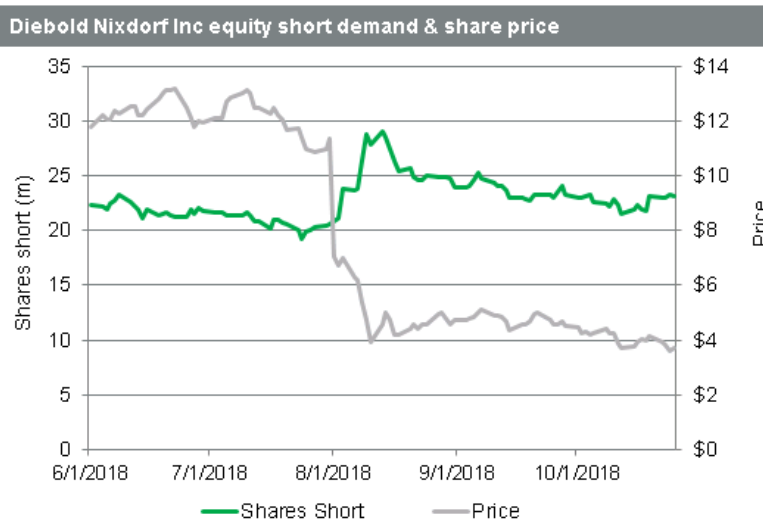
Monday, October 29th, 2018

Short sellers selective amid volatile Q3 earnings

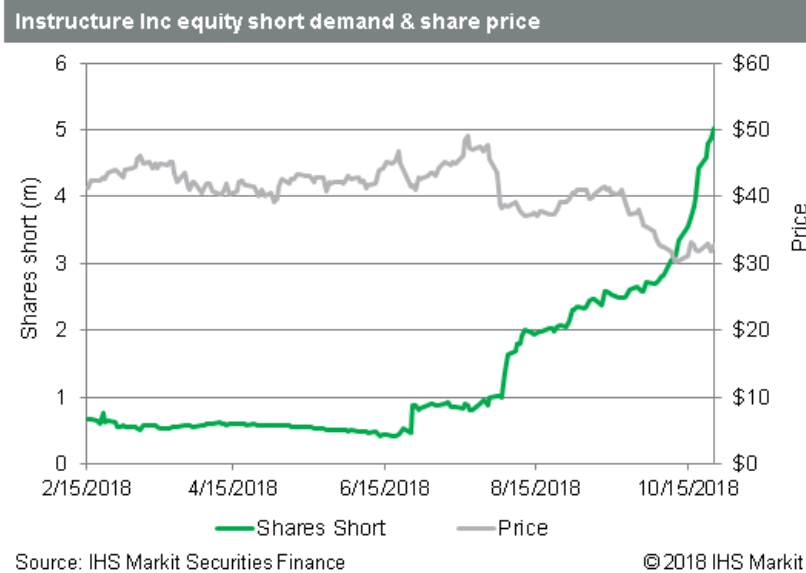
- US: Short interest soars in Instructure (INST) ahead of earnings on Monday
- EU: Shorts add to Gea Group and take some gains in AIXA
- Asia: Surging short demand for Samsung Electro-Mechanics

Looking to the last week of October, there have been some minor changes in positioning for the most shorted stocks, but much like the rest of the market, the reaction to the sell-off on the part of short-sellers has been somewhat muted. This makes sense given the price action following sell-offs in recent years, which has prompted the mindset of arriving late and leaving early when short selling, particularly in the US.

In that vein, both B&G Foods and Diebold Nixdorf, which both report this week, have seen marginal upticks in equity short demand over the last couple weeks, however short interest remains well below YTD highs. While equity shorts marginally reduced positions, there was a significant covering in the bonds issued by both firms during the quarter.



Given the relative underperformance of both firms' equity shares YTD, the net covering in the quarter combined with a small punt into the earnings reports suggest equity short sellers don't see a significant upside risk, even if after the stocks have traded down. Shares of DBD are down 67% since they last reported, while BGS shares are down *only* 14%.



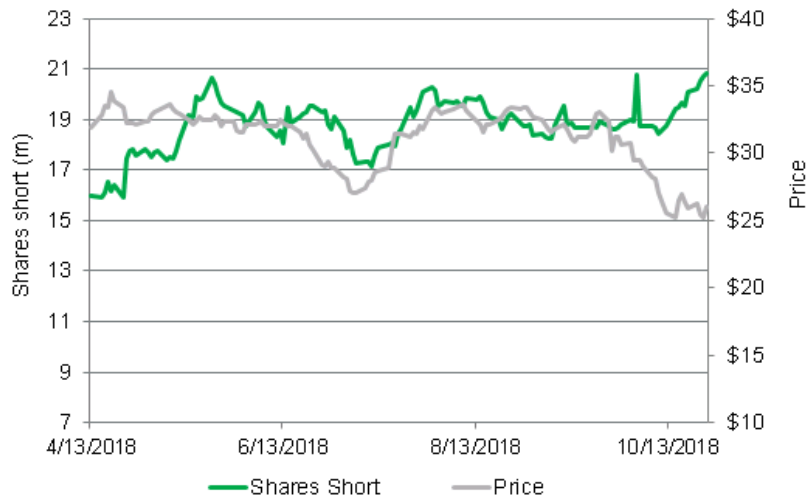
Instructure, a Salt Lake City based online learning firm, also struggled in the quarter with shares down 28% since the firm reported Q2 results on July 30th. Short sellers added to their positions throughout the quarter and put on a further 1.7m shares in just the last two weeks.

Europe

Looking at highly shorted stocks reporting earnings in Europe this week, short sellers have continued to move away from Aixtron, with short interest decreasing from a peak of 20% of shares outstanding on August 15th, down to the current level of 16.2% ahead of earnings on Tuesday. During that span, the share price has declined over 25%. Short exposure remains elevated, with AIXA in the top 20 most shorted EU stocks. With the shares already 60% below the YTD peak observed in March, there has been little desire to press as shares hit 52-week low on October 24th.

Gea Group has seen a marginal uptick in shorts in recent weeks, while the share price has declined over 25% from the Q3 peak in early August, and is another case of shorts sticking with positions but refraining from adding in a significant way on share price weakness.

Gea Group Ag equity short demand & share price



Source: IHS Markit Securities Finance

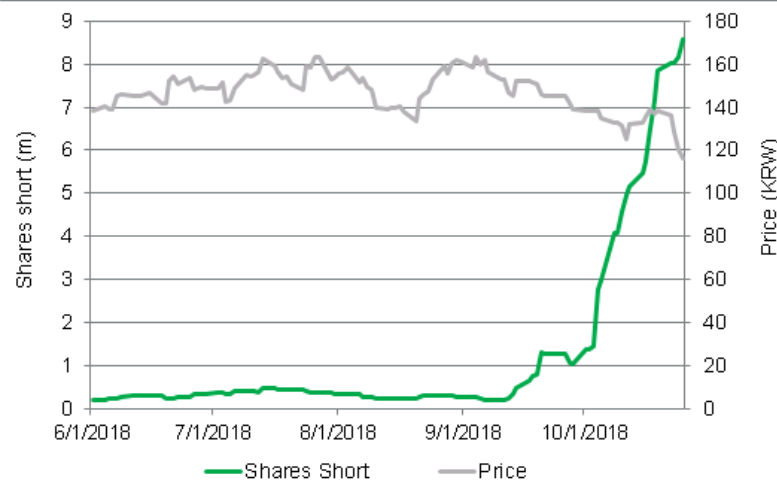
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Asia

Short-sellers have added to positions aggressively in Samsung Electro-Mechanics ahead of their earnings report on October 31st. So far in October, the short position has increased from 2.5% of free float to 15.5%, an increase of just over 7m shares. In that time the share price has decreased by 18.8%. Translated to USD terms, the short position has grown from \$171m to \$911m, despite the decline in share price.

While less extreme, short sellers have also increased positions in the Samsung Electronics parent company as well as Samsung Biologics, with the latter having the larger percentage of free float short (10%) and the larger nominal short balance (\$570m).

Samsung Electro-Mechanics Co Ltd equity short demand & share price



Source: IHS Markit Securities Finance

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Americas - Most shorted with upcoming earnings

Name	Industry	Ticker	Report Day	% of Shares 1 Month %	
				On Loan	Change
B&G Foods Inc	Food, Beverage & Tobacco	BGS	Tuesday	35.4	5%
Big 5 Sporting Goods Corp	Retailing	BGFV	Tuesday	33.2	5%
Sanchez Energy Corp	Energy	SN	Thursday	32.6	50%
Diebold Nixdorf Inc	Technology Hardware & Equipment	DBD	Wednesday	30.4	-2%
Tesaro Inc	Pharmaceuticals, Biotechnology & Life	TSRO	Friday	29.8	-3%
Us Concrete Inc	Materials	USCR	Thursday	29.2	-10%
Therapeuticsmd Inc	Pharmaceuticals, Biotechnology & Life	TXMD	Thursday	28.1	10%
Cbl & Associates Properties Inc	Real Estate	CBL	Monday	27.5	-3%
Ziopharm Oncology Inc	Pharmaceuticals, Biotechnology & Life	ZIOP	Monday	26.8	27%

Europe - Most shorted with upcoming earnings

Name	Industry	Ticker	Report Day	% of Shares 1 Month %	
				On Loan	Change
Aixtron Se	Semiconductors & Semiconductor Eq	AIXA	Tuesday	16.2	-9%
Distribuidora Internacional De Alim	Food & Staples Retailing	DIA	Tuesday	15.5	-2%
Gea Group Ag	Capital Goods	G1A	Monday	11.4	11%
Rib Software Se	Software & Services	RIB	Wednesday	10.0	-11%
Ctt Correios De Portugal Sa	Transportation	CTT	Tuesday	8.8	-11%
Ubisoft Entertainment Sa	Communication Services	UBI	Tuesday	7.6	-8%
Lancashire Holdings Ltd	Insurance	LRE	Thursday	6.8	45%
Altice Europe Nv	Media	ATC	Friday	5.8	21%

Asia - Most shorted with upcoming earnings

Name	Industry	Ticker	Report Day	% of Shares 1 Month %	
				On Loan	Change
Yamada Denki Co Ltd	Retailing	9831	Thursday	17.1	-2%
Takeda Pharmaceutical Co Ltd	Pharmaceuticals, Biotechnology & Life	4502	Wednesday	16.1	29%
Byd Co Ltd	Automobiles & Components	1211	Monday	14.0	1%
Kawasaki Kisen Kaisha Ltd	Transportation	9107	Wednesday	13.2	9%
Monex Group Inc	Diversified Financials	8698	Monday	12.9	-7%
GungHo Online Entertainment Inc	Communication Services	3765	Wednesday	12.3	2%
Samsung Electro-Mechanics Co L	Technology Hardware & Equipment	009150	Wednesday	11.2	543%
Mirait Holdings Corp	Capital Goods	1417	Thursday	11.0	-27%
Istyle Inc	Retailing	3660	Friday	10.6	-22%
Asics Corp	Consumer Durables & Apparel	7936	Friday	10.2	4%

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