



This week's scan differs from previous scans in two ways. First, we seek companies to sell or short, not potential long investments. Second, we only produced three selections this week. While we could have eased up on our criteria and included more companies, it would have cheapened the results too much for our liking. As such, here goes three for Friday!

With interest rates rising rapidly, we started our screening process by focusing on companies with higher debt levels. We then considered earnings, which is often how companies often make good on their debt. The screen resulted in three small-cap companies with less than \$1 billion market caps. Often smaller cap companies do not have good access to bank financing, debt markets, or lines of credit due to their size. This puts them more at risk than larger corporations during periods of economic weakness and or crucial financial situations.

We caution short sales involve significant risks. While the companies met our short sell screening requirements, they may have factors we are unaware of that will significantly improve their financial condition.

## Screening Criteria

We used the following screening criteria:

- Debt to Equity >1
- Long Term Debt to Equity >1
- Quick Ratio (liquid assets/current liabilities) <1
- EPS Growth This year and next year <0%
- EPS Growth Past 5 years <0%
- Sales Growth Past 5 years <2%

## Company Summaries (all summaries courtesy of Zacks)

### Clearwater Paper Corporation (CLW)

Clearwater Paper, a standalone company, produces pulp and paperboard at six facilities across the country namely Lewiston, Idaho; Las Vegas, Nev.; Elwood, Ill.; and near McGehee, Ark. The company manufactures quality paperboard, consumer tissue, and wood products. It has direct access to the public capital markets. The company is a premier supplier of private label tissue to major retail grocery chains, and also produces bleached paperboard used by quality-conscious printers and packaging converters.

CLW has a growth problem. Sales have increased a paltry 0.4% annually over the last 5-years, while EPS has decreased nearly 21% annually over the same period. Furthermore, EPS is expected to fall another 13% next year. Growth and profitability troubles combined with high debt and a times interest earned (TIE) ratio of 0.2 spell trouble in a rising rate environment.



## GasLog Partners LP (GLOP)

GasLog Partners LP owns, operates and acquires LNG carriers with multi-year charters. The Company charges customers for the transportation of their LNG using its LNG carriers. GasLog Partners LP is based in Monaco.

GLOP faces similar growth struggles to CLW. Its sales have grown 0.5% annually over the past five years while EPS has fallen 17.3% annually over the same period. To take it one step further, expectations are for EPS to decline 11% over the next five years. Despite all this, the stock is up more than 80% during the past year and over 30% YTD. The stock price appears to have gone too far, too fast on geopolitical developments. Insiders own 29% of the company, which is encouraging. That said, if they become sellers, the short thesis gets much more potent.



## Rite Aid Corporation (RAD)

Rite Aid Corporation is on the front lines of delivering health care services and retail products to over one million Americans daily. It provides an array of whole being health products and services for the entire family through retail pharmacies across states.

RAD has an astronomical debt/equity ratio of 27.8. At the same time, it's the only company in our screen results with a negative TTM operating margin and faces similar growth troubles. The market is not optimistic about RAD. The stock has fallen over 51% YTD versus a decrease of 17.2% in the Russell 2000 index. RAD is obviously struggling, and we're not the only ones noticing. It has a high short interest percentage of 35%. While they may be correct, it does pose a risk to short-sellers if other short-sellers are forced to cover shorts resulting in a "short squeeze."



## Disclosure

This report is not a recommendation to buy or sell the named securities. We intend to elicit ideas about stocks meeting specific criteria and investment themes. Please read our [disclosures](#) carefully and do your own research before investing.