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We go deep, so that investors don't have to.

Be warned. We are short-sellers. We are biased. We do our best to find and present facts, based on extensive primary research and using public sources. But we will profit if these stocks decline in value. We do not offer advice. We present our views.

YOU MUST AGREE TO J CAPITAL'S TERMS OF SERVICE

J Capital is short A.O. Smith (AOS)

We have found that A.O. Smith (AOS) has handed its China business over to a Chinese company without disclosing this to investors. We have found evidence that, through its partnership with Jiangsu UTP Supply Chain, AOS has:

- Failed to disclose the sharp decline under way in China, where sales will fall 16-21% this year;
- Over-reported sales and under-reported inventory since at least 2015;
- Handed over its online business wholesale and moved its staff to UTP;
- Potentially co-invested with UTP in a large plant;
- Used its cash balances for loans, apparently to UTP to juice distribution, making it unclear whether the 84% of AOS cash sitting in China can be recovered;

The company has major governance problems both inside and outside China.

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In Hot Water

Pleading the fifth on China operations:

Despite never appearing in the financial filings or being mentioned on conference calls, Jiangsu UTP Supply Chain is involved in almost every aspect



FANH NASDAQ

Who owns Fanhua? Not the U.S. Shareholders.

Fanhua (FANH) is a U.S.-listed, China-based company that claims primarily to distribute insurance products. Before Q4 2017, most FANH



SRNE NASDAQ

Sorrento has been accused of stealing CAR-T IP. See the complaint here.

Terminal Patient

Management seems to have given away Cynviloq (a generic Abraxane candidate),

Remark Media

MARK NASDAQ

No "there" there

Wherever we look, we cannot find a real business behind Remark Holdings. The company changes its business description so quickly that even management

of A.O. Smith's China business. UTP's involvement spans the acquisition of raw materials, the hiring of labor, potentially co-owning factories, marketing, and most notably "accepting" inventory and financing AOS distributors. We estimate that UTP may be responsible for as much as 75% of AOS China sales.

The UTP relationship has obscured China business performance and financial statements. The UTP partnership has allowed AOS to inflate gross margins and mask the actual China revenue slowdown through distributor-financed channel stuffing. We also believe that the irreconcilable capex, R&D and asset inventory accounts are being used as cookie jars to preserve the

income came from property and casualty insurance. In Q4, the company claimed to divest most of its P&C insurance business, as well as its insurance brokerage business. Currently, FANH is described in its disclosures as primarily a distributor of life insurance. Over the course of our months-long investigation, we concluded that Fanhua Inc. is nothing but a shell game among related parties that allows executives to loot investor cash.

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the only promising drug the company ever looked like it might commercialize, for a pittance. Sorrento not only sold the drug to its chief competitor but then turned around and gave the cash payment back to that competitor and, seven months later, BOUGHT back 40% of the drug! We calculate that Sorrento actually paid the Nant network of biotech companies about \$6 mln in the complicated set of transactions.

We have identified a pattern of circular transactions and capital-intensive joint ventures that never show results. Many joint ventures have no clear purpose and have created no advancement in product development to date. JVs with the Nant network of biotech companies to which

struggles to explain. That does not stop them from pushing out press releases that make wild claims for fantastic new technologies to come.

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“integrity” of the financial statements while hiding UTP’s involvement. Our detailed distributor channel checks indicate China revenue will fall 21% in 2019 vs management’s claims of a 6-8% decline.

Is the cash really there? We believe that A.O. Smith does not actually have access to all of the \$539 mln that reportedly sits in China—about 84% of the company’s total cash at yearend 2018. We have conducted dozens of interviews in China and believe that AOS may have used its cash for distributor loans to prop up sales. That would mean the money is in escrow and cannot be touched until loans are repaid. What’s more, distributor loans are at risk in a weakening market.

Sorrento contributed \$60 mln are examples of such dubious spending.

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Chinese distributors
of AOS products—
financially imperiled
companies--are
being financed at
18% to take AOS
inventory, and many
are holding six
months of inventory.
These companies are
at risk of default—
and AOS could be on
the hook.

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