



A. O. Smith Sets the Record Straight on J Capital Research Report

May 17, 2019

MILWAUKEE, May 17, 2019 /PRNewswire/ -- Global water technology company A. O. Smith Corporation (NYSE-AOS) today issued the following statement in response to a report issued on May 16, 2019 by self-proclaimed short seller J Capital Research:



A. O. Smith, founded 145 years ago, has a long track record of operating with integrity across the world. A recent report by short seller J Capital Research makes inaccurate, unfounded and misleading allegations designed to negatively impact A. O. Smith's share price for J Capital's own benefit.

Much of the misinformation contained in the report centers around the company's longstanding operations in China. We have done business in China for more than 20 years, serving millions of consumers across the country.

As is common for many companies who do similar business in China, we utilize a distribution channel where third-party supply-chain partners, such as Jiangsu UTP Supply Chain (UTP) and other supply chain partners, purchase product from us which they subsequently distribute to distributors and ultimate end-users. We understand our supply chain partners do similar services for other global companies with whom they work. All revenue associated with UTP and others was appropriately recognized in accordance with U. S. GAAP in our financial statements. Our financial statements and internal controls over financial reporting are annually audited by Ernst & Young LLP. While we value all of our distribution relationships, we do not have debt or equity interests in UTP and maintain appropriate independent commercial agreements.

Given we have significant longstanding operations in China, a significant portion of our \$633 million of cash, cash equivalents and marketable securities as of March 31, 2019 was held by our foreign subsidiaries, including \$457 million of cash denominated in local currency in China, in A. O. Smith-owned, unencumbered bank accounts. We executed a \$150 million dividend from China in 2018, and we expect to dividend approximately \$150 million in the first half of 2019. We continue to review our capital allocation strategy, which includes repatriation of foreign cash as appropriate, while complying with local regulatory policies.

We remain focused on enhancing value for our shareholders and executing our strategy to deliver sustainable profit growth across our global footprint, consistent with our values. We have a strong balance sheet that provides financial flexibility to invest in both organic and inorganic growth opportunities and continue returning capital to our shareholders. We look forward to continuing to drive financial and operational performance, and our Board of Directors and management team remain committed to acting in the best interests of our company and our shareholders.

Forward-looking statements

This release contains statements that the company believes are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements generally can be identified by the use of words such as "may," "will," "expect," "intend," "estimate," "anticipate," "believe," "forecast," "continue," "guidance" or words of similar meaning. All forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those anticipated as of the date of this release. Important factors that could cause actual results to differ materially from these expectations include, among other things, the following: a further weakening of the Chinese economy and/or a further decline in the growth rate of consumer spending or housing sales in China; negative impact to the company's businesses from international tariffs and trade disputes; potential weakening in the high efficiency boiler segment in the U.S.; significant volatility in raw material prices; inability of the company to implement or maintain pricing actions; potential weakening in U.S. residential or commercial construction or instability in the company's replacement markets; foreign currency fluctuations; the company's inability to successfully integrate or achieve its strategic objectives resulting from acquisitions; competitive pressures on the company's businesses; the impact of potential information technology or data security breaches; changes in government regulations or regulatory requirements; and adverse developments in general economic, political and business conditions in key regions of the world. Forward-looking statements included in this press release are made only as of the date of this release, and the company is under no obligation to update these statements to reflect subsequent events or circumstances. All subsequent written and oral forward-looking statements attributed to the company, or persons acting on its behalf, are qualified entirely by these cautionary statements.

About A. O. Smith

A. O. Smith Corporation, with headquarters in Milwaukee, Wis., is a global leader applying innovative technology and energy-efficient solutions to products manufactured and marketed worldwide. Listed on the New York Stock Exchange (NYSE), the company is one of the world's leading manufacturers of residential and commercial water heating equipment and boilers, as well as a manufacturer of water treatment and air purification products. For more, information visit www.aosmith.com.

 View original content to download multimedia: <http://www.prnewswire.com/news-releases/a-o-smith-sets-the-record-straight-on-j-capital-research-report-300852585.html>

SOURCE A. O. Smith Corporation

Media Relations: Mark Petrarca, 414-359-4100, mpetrarca@aosmith.com; Investor Relations: Patricia K. Ackerman, 414-359-4130, packerman@aosmith.com