



ACM

RESEARCH

LONG Recommendation

Current Share Price: \$24.37

Target Share Price: \$54.34

Upside: 123.0% IRR to 2032: 12.8%

Date: 15 June 2025

By: Adam Bursic, Albin Pehrson, Cheng-Tao Lee

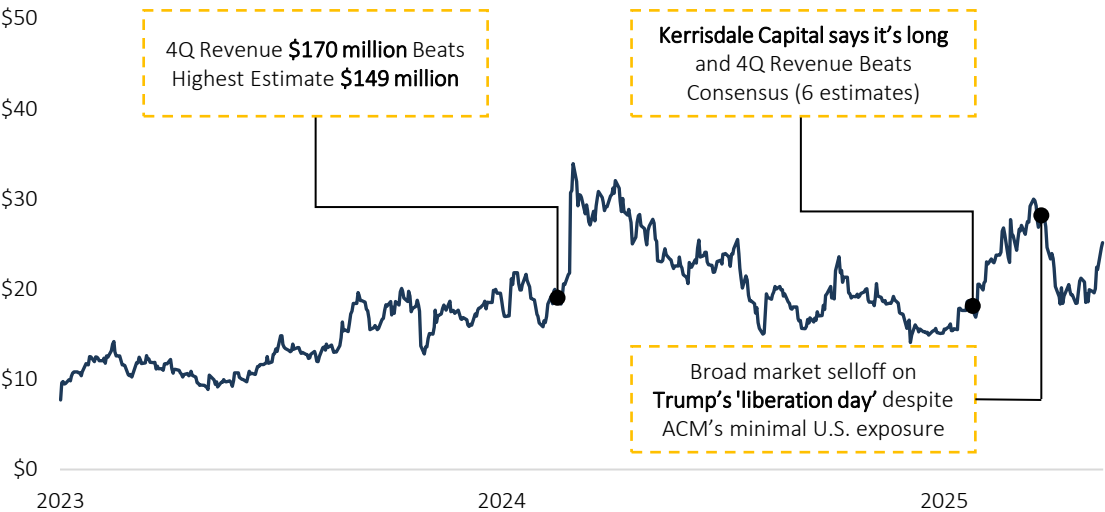
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Share Price Performance



Investment Thesis

- 1
- A Market Leader in a Growing Industry**

 - ACM Research is the number one Chinese player in the Chinese WFE cleaning market
 - Positioned to gain from strong self-sufficiency trend and high switching costs
 - Increasing market share toward 55-60% in a \$2.1 billion market growing at 9.6% CAGR
- 2
- Deep IP Moat and Technological Leadership**

 - Leading megasonic tech ensures minimal damage to chips and 99%+ particle removal efficiency
 - SPM tool Tahoe realizes cost savings of up to 80% per wafer compared to conventional tool
 - Conservative revenue recognition principle masks business momentum
- 3
- International Expansion and Tier-one Customer Base Data Learning**

 - ACM has made good progress on penetrating additional global top 10 CapEx spenders
 - Set to capitalize on SK Hynix's elevated CapEx spend in HBM with SAPS and verification completion
 - TSMC ready to adopt horizontal plating, as the sole major supplier of horizontal plating tools ACM is set to take advantage. Orders expected in 2026 if evaluation successful

Key Facts

- ACM Research (ACM) or ("the company") holds an 82.1% stake in its operating subsidiary, ACM Shanghai (ACMS). As the third largest Chinese WFE maker, ACMS is leading in cleaning and ECP, while expanding their portfolio into Furnace and Advanced Packaging
- ACM holds a 19% share of China's wafer cleaning market and dominates with a 66% share among domestic suppliers, firmly establishing its position in a highly oligopolistic market
- With over 537+ patents and cutting edge tools like SAPS and Tahoe, ACM stands out from the competition. ACM's portfolio covers 95% of cleaning applications

Financials

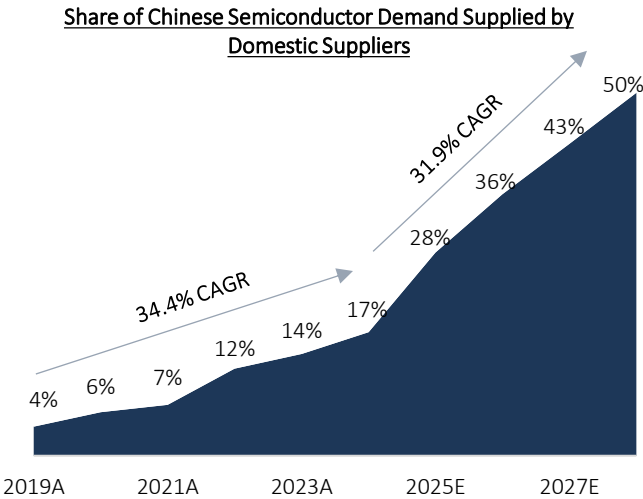
- Share Price: \$24.37
- MCAP: \$1.53bn
- EV: \$1.27bn
- LTM EV/EBIT: 8.40x
- Net Debt/EBIT: -1.69x
- LTM ROIC: 9.97%

Insider Ownership / Main Shareholders

- Insider Ownership**
- Management ownership 5.3%
- Main Shareholders**
- Vanguard 6.9%
 - Blackrock 6.5%
 - Shanghai Pudong 5.7%

Why Does the Opportunity Exist?

- China is accelerating efforts toward semiconductor self-sufficiency amid the ongoing U.S.-China chip war, aiming to bridge the technology gap by localizing its supply chain through targeted stimulus and policy support
- Market concerns about U.S.-China tensions, including risks of supply chain disruption and delisting, are overstated. The U.S.-China corporate entity is misunderstood, and exposure to U.S. supply chains is limited



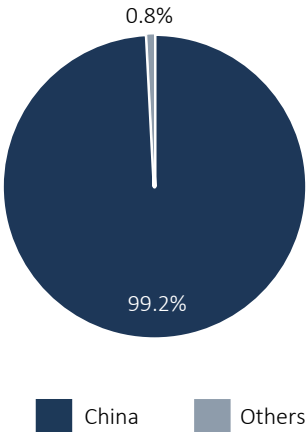
Sources: ACM Research Company Filings, Bloomberg, J.P. Morgan, Tegus, Kerrisdale Capital, Goldman Sachs

ACM Research: The Leading Chinese Wafer Cleaning Equipment Provider

Company Overview

- ACM Research is the Chinese leader in wafer cleaning equipment, holding a **19% share** of the \$2.1 billion Chinese wafer cleaning market
- Historically, ACM has operated in the lower end of the cleaning market. Since 2018 ACM has more than **ten-folded topline**, outpacing domestic competitors by **broadening their portfolio and going high-end**, positioning the company as **the sole high-end competitor** to global peers
- ACM Research sells to **every tier-one manufacturer in China**, including the three largest pure play foundries. SMIC, YMTC and Hua Hong Group account for up to 40% of ACM's revenue


Revenue Breakdown by Geographic Segments



Revenue Breakdown


Cleaning

- 74% of Net sales (FY24).** Includes single wafer cleaning, Tahoe and semi-critical cleaning equipment




ECP and Furnace

- 19% of Net sales (FY24).** ECP (Front-end and packaging), furnace and other technologies



Advanced Packaging

- 7% of Net sales (FY24).** Advanced Packaging (excluding ECP), services and spares



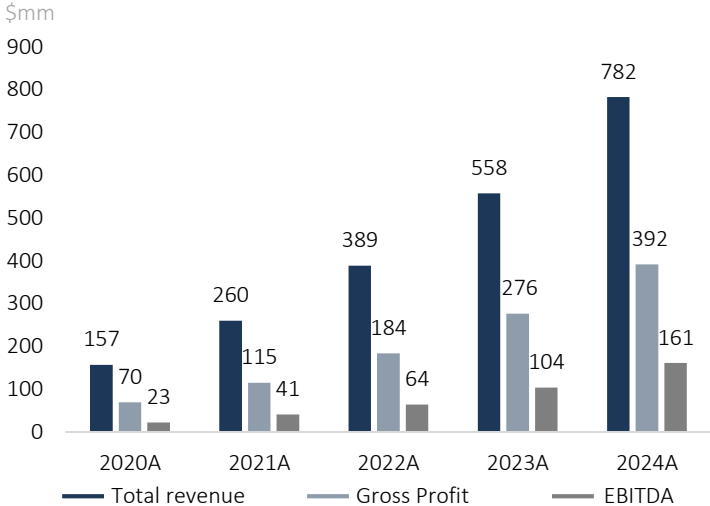
The distribution of cleaning has increased gradually over the last 3 years, from 70% to 74%

Within the three above segments, ACM **differentiates** itself from other equipment makers by owning an IP portfolio of more than **537+ internationally granted patents**, which offers technological edge. The cleaning segment has achieved a **35% CAGR since 2020**

Income Overview

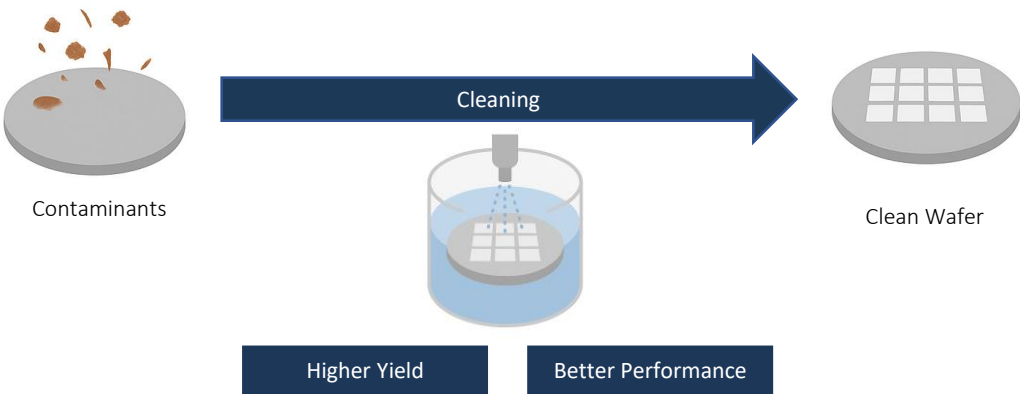
Summary Financial Metrics

- Revenue**
- Last 5 years CAGR: **49%**
- Gross Margin**
- FY 2024: **50.1%**
 - Last 5 Years Average: **47.09%**
- EBITDA Margin**
- FY 2024: **20.6%**
 - Last 5 Years Average: **17.20%**



What is Wafer Cleaning? (Simplified)

The process of removing contaminants and impurities from silicon wafers by using specialized cleaning techniques, preparing them for advanced processes down the value chain like lithography



Market Overview

An Essential Part of an Increasingly Localized Market

Industry Overview

- **The Wafer Cleaning Industry:** Wafer cleaning is a critical part of the semiconductor manufacturing process, minimizing defects and improving yields. As China account for **35% of global chip demand but only supply 7%** they are localizing the supply chain. The domestic market is growing and market size is currently **\$2.1bn TAM**
- **China's Competitive Landscape:** International players SCREEN, Lam and Tokyo Electron dominate the Chinese wafer cleaning industry, together showcasing a **63% market share**. ACM holds a **19% market share** and **66% of the market among domestic suppliers** in cleaning
- **Ambitions to Secure Chip Supply:** Due to geopolitical risks, Chinese semiconductor firms increasingly favor domestic players in the semiconductor supply chain. This, together with governmental ambitions to increase self-sufficiency, indicate need for **investments of \$3-14 trillion** in the coming decade to meet domestic chip demand, according to Goldman Sachs

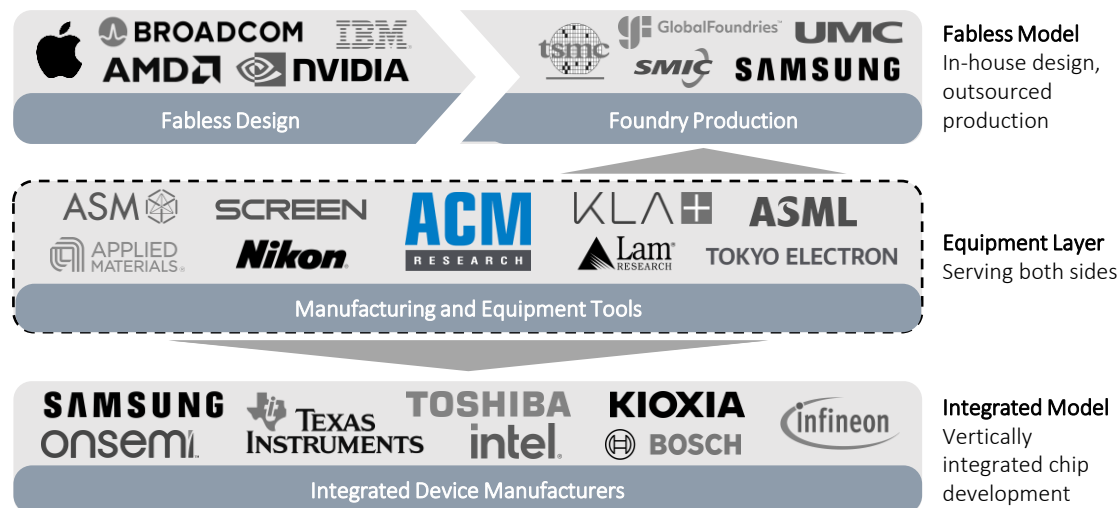
8.2%

Estimated underlying Chinese semiconductor market CAGR through 2029

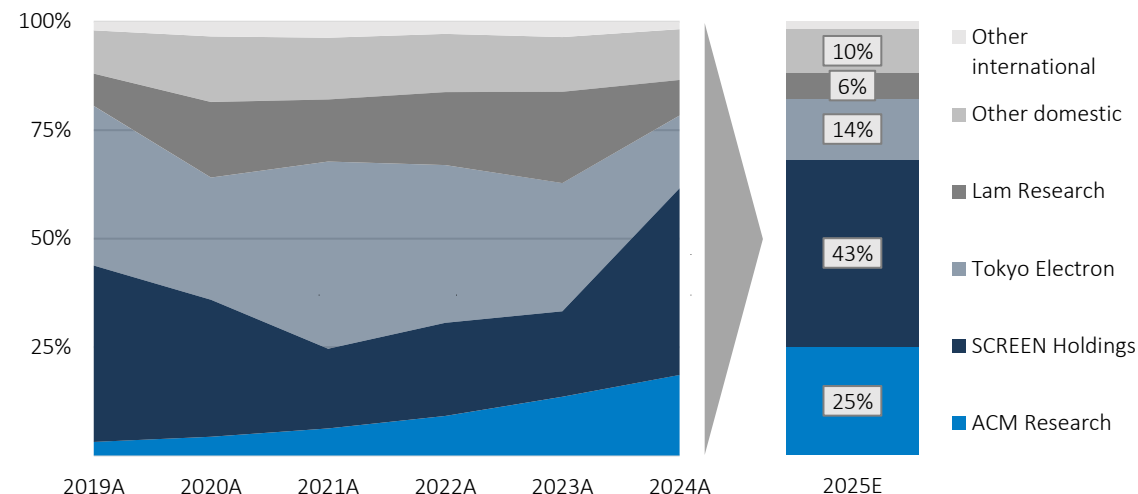
9.6%

Estimated underlying Chinese wafer cleaning market CAGR until 2032

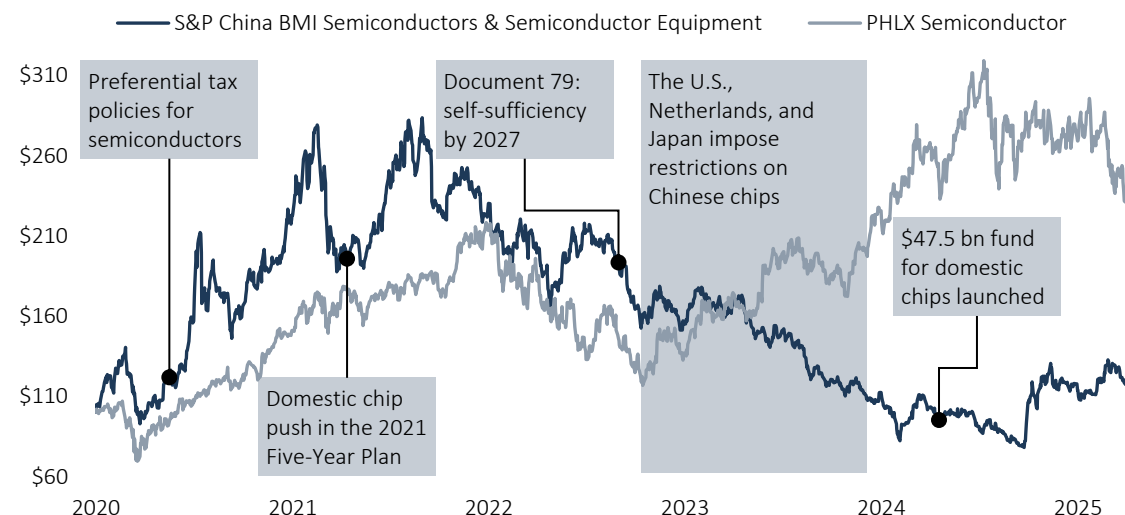
In the Middle of the Value Chain



Chinese Wafer Cleaning Equipment Market



China's Continued Support in Domestic Semiconductor Market



Sources: ACM Research Company Filings, Statista, FactSet, Goldman Sachs

Summary

Business

Market

Thesis

Valuation

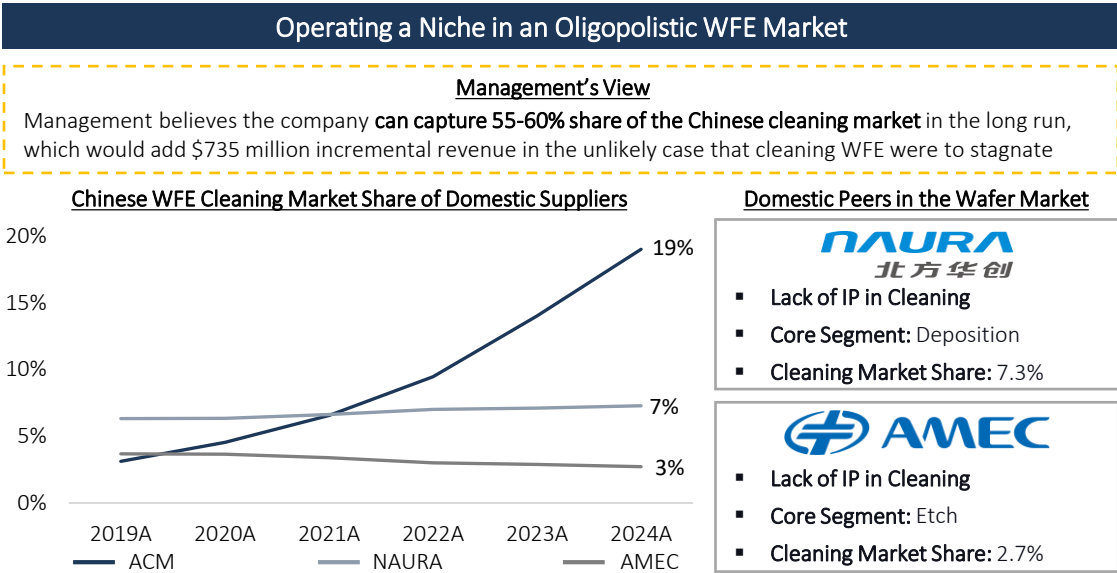
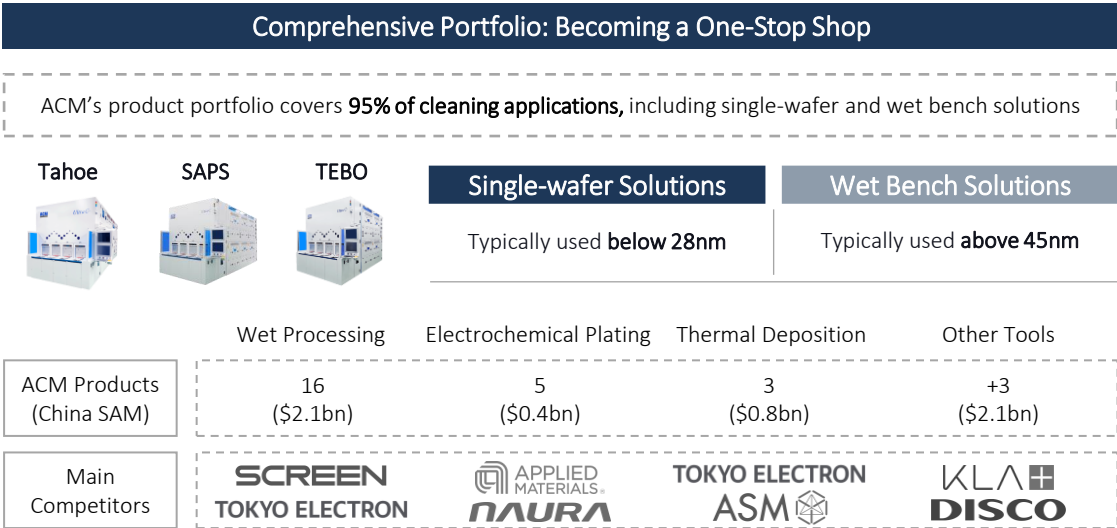
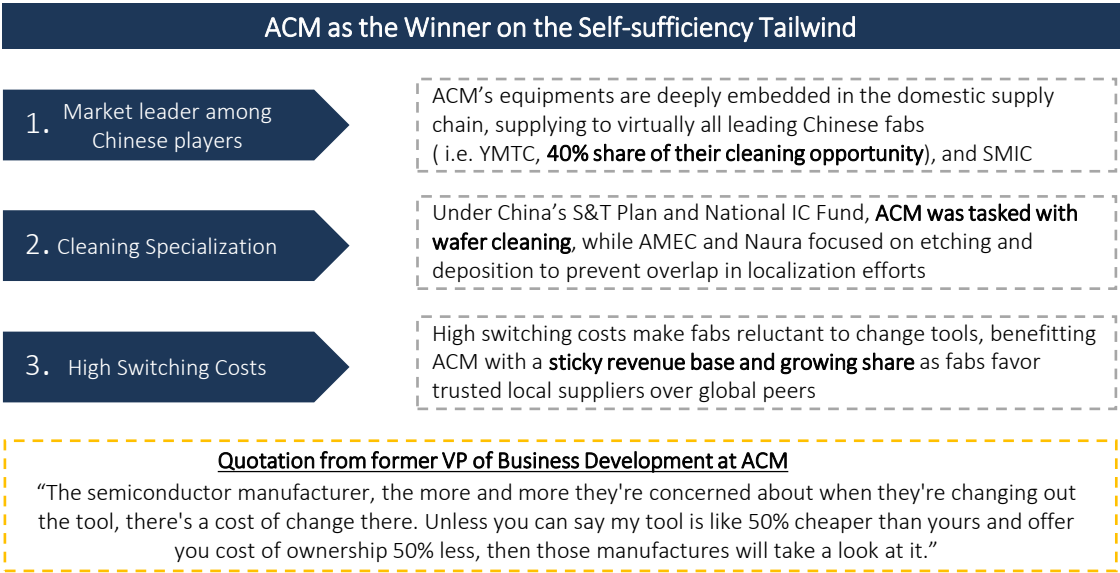
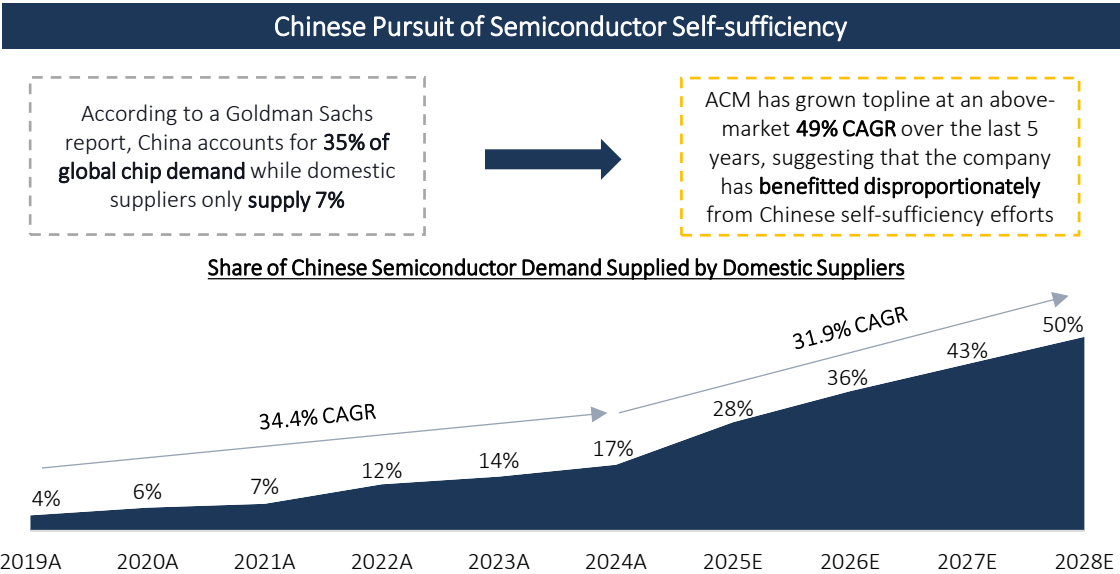
Risks

Management



Thesis 1 – China's All-In Bet on its Homegrown Semiconductor Sector

Capturing Market Share as China Localizes Semiconductor Supply Chain



Sources: ACM Research Company Filings, Bloomberg, Goldman Sachs, Tegus

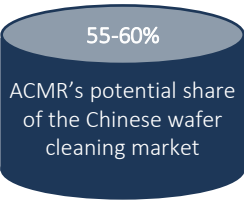
Set to Dominate through Innovation

Technological and IP Edge over Competitors

“If I look at the cleaning segment in China, ACM is one of the only semi-cap players that has **real IP that is unique** [...] ACM, I think because of Dr. Wang, is very adamant about the importance of IP and developed their owned IP instead of copying other. **They are different.**”
Former VP at ACMR - September 20, 2023

“All of ACM’s equipment is based on self-developed intellectual property (IP). This will enable the company to **gain more market share**, stand out amid domestic competition and **penetrate international markets** in the mid to long term”
J.P. Morgan - April 2, 2025

“ACMR has 18 IP lawyers in house and **~500 global patents**, and the company incorporates proprietary design elements and technology into its tools. We think tier one success will confer a stamp of approval that can **accelerate additional new customer acquisition.**”
Kerrisdale Capital - January 29, 2025



The Next Generation Cleaning Technology: Megasonix™

Megasonics (high-frequency sound waves) create bubbles to push unwanted particles from wafer surface

Problems caused abandonment

- Bursting bubbles cause damage to the wafer structure
- WFE companies, including Applied Materials, abandoned the approach



Semiconductor chip features continue to shrink
As feature sizes reach the 10 nm levels, particle as small as **1 nm** can be a killer defect

- ACM Research created **Megasonix™** in 2011 and has developed it since
- Pioneering Megasonics technology
- Covered by over **285 patents** in the U.S., China, Japan, South Korea, Singapore, and Taiwan
- Handles advanced node structure, < 2 nm

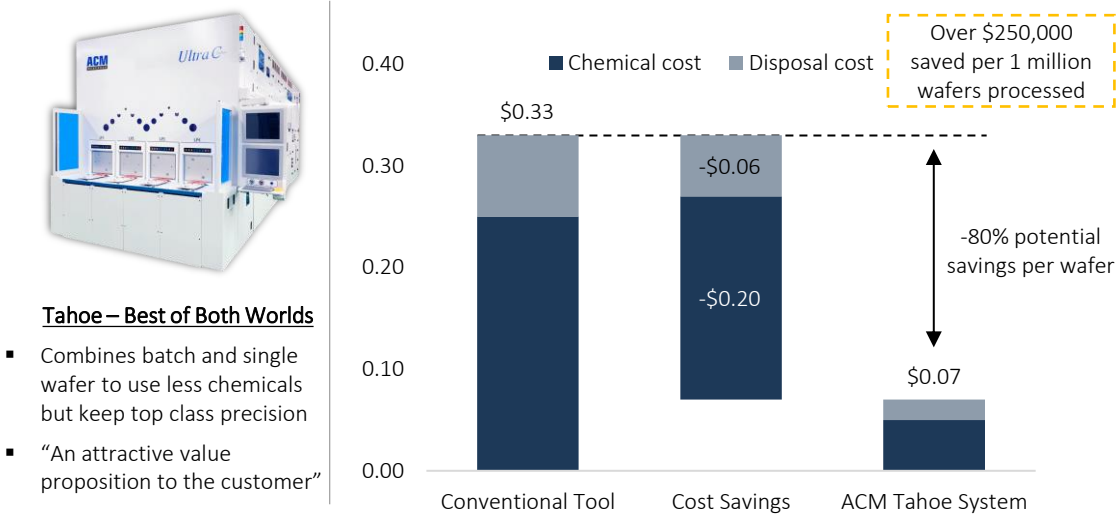


“With **SAPS** and **TEBO** technology semiconductor manufacturers now have new tools in their fight to achieve **optimal wafer yields.**”

+99% particle removing efficiency

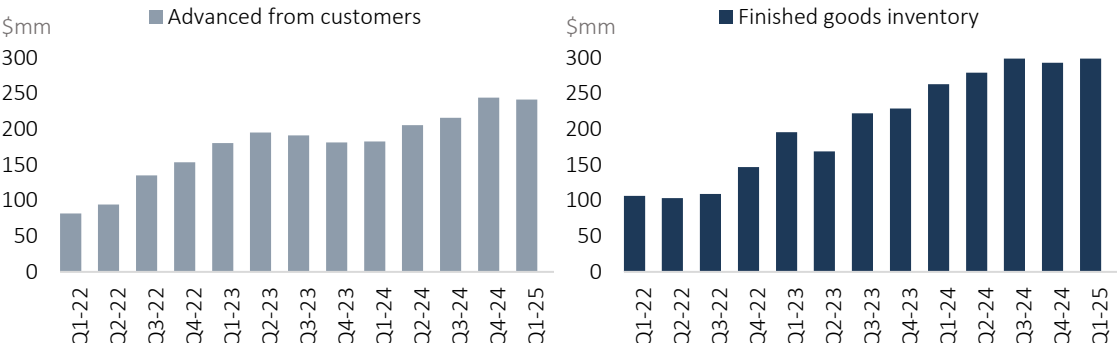
Verified by SK Hynix
Tier-one global manufacturer and fourth highest semi capital spender

Less Chemical Usage Leads to Cost Savings



ACM’s Revenue Recognition Masks Its Business Momentum

- Highly Conservative Revenue Recognition Policies**
- ACM defers revenue for first tool shipments until customer qualification, recording them as inventory instead
 - First tools make up ~45–50% of total shipments and typically take 1–2 years to convert into revenue
 - This creates a large inventory asset that gradually turns into revenue, despite variability in shipment timing
 - The growth of finished goods inventory visualizes ACM’s expanding customer base and product portfolio



Sources: ACM Research Company Filings, Bloomberg, Tegus, J.P. Morgan, Kerrisdale Capital

ACM is Ready to Accelerate in Several Key Markets

Penetration of Major Customers Outside China in Progress

Tier One Wins can Unlock Global Growth

By gaining another global tier one customer, ACM could get a stamp of approval on their cutting edge IP-backed products and unlock valuable production data which is crucial for perfection of their equipment

Top 10 CapEx spenders account for 76% of industry CapEx

Rank (CapEx)	Company	2024 CapEx (\$bn)	ACMR Status
2	TSMC	30.6	Engaged/Evaluating
3	Intel	24.0	Qualified/Evaluating
4	SK Hynix	12.0	>10% customer from 2016-2019
5	SMIC	7.6	>10% customer from 2022-2024
9	Infineon	3.4	Evaluating
10	UMC	2.5	Customer

Conditions are right for Expansion of South Korean Business

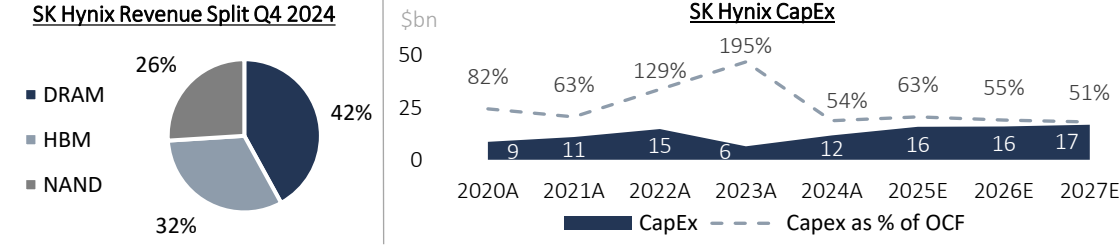
SK hynix

SK Hynix is capitalizing on the ongoing memory upgrade cycle and has insinuated that HBM capacity spend is a priority. ACM is positioned to gain with HBM-suited SAPS

1. ACM has already undergone necessary verification with SK Hynix in China, facilitating potential expansion of business

2. ACMR Korea has appointed SK Hynix Veteran David Kim, former VP of Environmental Safety, as CEO

3. ACMR Korea is ramping up R&D and production capabilities to be able to supply SK Hynix and other engaged firms



Positioned for Growth in Taiwan

TSMC is currently engaged/evaluating ACM. Orders expected in 2026 if successful

FO-PLP currently uses vertical plating. Horizontal plating could offer up to 10% better panel uniformity and less chemical pollution

In 2024, ACM became the world's only major firm to offer a horizontal plating tool, and claims exceptional uniformity and precision

Application Potential of Horizontal Plating at TSMC

1. TSMC is set to use horizontal plating. FO-PLP pilot line could be a major opportunity for ACM as the sole major supplier

2. CoPoS capacity ramp-up. If FO-PLP pilot successful, there is potential for migration to larger wafer sizes and horizontal plating for AI-focused CoPoS

TSMC CapEx

Year	CapEx (\$bn)	Capex as % of OCF
2020A	17	61%
2021A	30	75%
2022A	36	67%
2023A	30	74%
2024A	30	51%
2025E	43	61%
2026E	46	56%
2027E	50	51%

Tier One Customer Acquisition Would Diversify Revenue Base

Revenue Target, Outside China Management

Short-term \$100mn Long-term \$1.5bn

We believe ACM will achieve one tier one win, top 10 CapEx spender, in late 2025 or 2026, propelling outside of China sales toward 10% of total revenue 2027E

Revenue from Outside of China

Year	Revenue (\$mm)	% of Total Revenue
2024A	6	0.8%
2025E	19	2%
2026E	92	8%
2027E	139	10%
2028E	184	11%
2029E	240	12%
2030E	308	13%
2031E	391	14%
2032E	491	15%

Sources: ACM Research Company Filings, Bloomberg, J.P. Morgan, Kerrisdale Capital

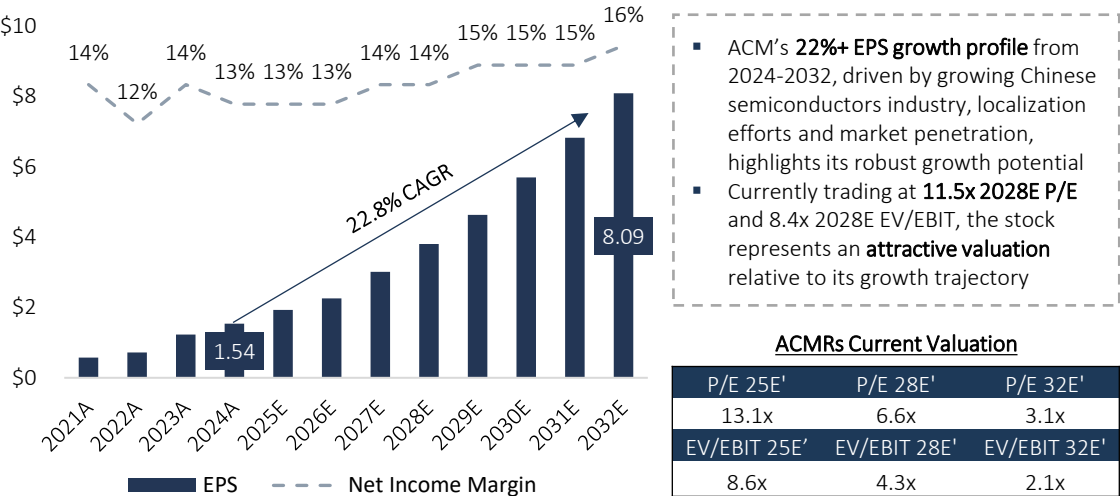
ACM: A Cash Flow Powerhouse Driving Shareholder Value

DCF-Valuation Implies a 123.0% Upside

DCF Assumptions			
Tax rate	21.0%	<ul style="list-style-type: none">DCF analysis is based on projected free cash flows over a 10 yearsRevenue is assumed to grow at a CAGR of 15% from 2024-2035The terminal value is derived using a 2.5% perpetuity growth rate, reflecting semiconductor long-term industry prospects driven by AICapex and R&D as a % of revenue are expected to remain elevated near historical levels (~20%) to support innovation and expansion, aligned with China's semiconductor self-sufficiency goalsThe valuation suggests a potential upside of 123.0%, indicating that the stock is currently undervalued	
WACC	10.4%		
Terminal Growth Rate	2.5%		
Shares Outstanding (mm)	63.9		
Implied EV (\$mm)	3 472		
Net debt (\$mm)	(255)		
Current price	\$24.37		
Target price	\$54.34		
Upside	123.0%		

WACC	Terminal Growth Rate						<ul style="list-style-type: none">Capital structure of 82% equity and 18% debt results in a WACC of 10.4%, incorporating a 12% cost of equity to reflect China related risk
	54.34	1.50%	2.00%	2.50%	3.00%	3.50%	
	8.4%	61.05	65.10	69.84	75.45	82.20	
	9.4%	54.39	57.49	61.03	65.13	69.91	
	10.4%	49.13	51.58	54.34	57.47	61.05	
	11.4%	44.87	46.86	49.07	51.54	54.32	
	12.4%	41.33	42.98	44.79	46.80	49.03	

22%+ EPS Growth and Steadily Increasing Margins

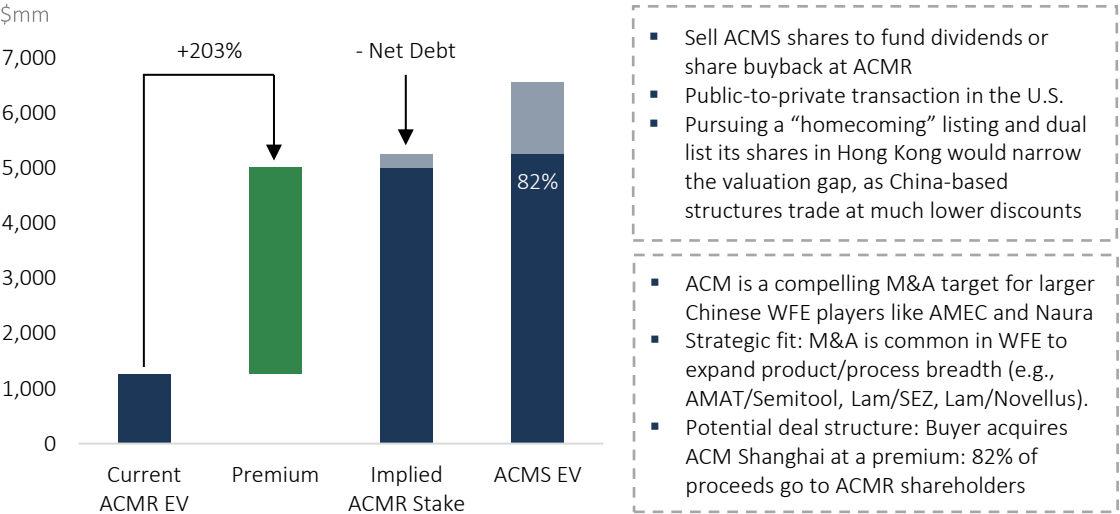


ACMR Trades at a Steep Discount to the Value of Its Stake in ACMS

Value of ACMR Stake in ACMS (Shanghai)	
ACMS Enterprise Value (¥mm)	¥ 46,077
USD/RMB	7.17
ACMS Enterprise Value (\$mm)	\$ 6,426
ACMR Ownership	82.1%
Value of ACMR Stake in ACMS (\$mm)	\$ 5,276
Less Net Debt	\$ (256)
Implied ACMR Equity Value	\$ 5,020
Implied ACMR Share Price	\$ 73.83
ACMR Current Price	\$ 24.37
Upside to Value of ACMS Ownership	203%

- ACMS trades at **23.8x** 2025E earnings, while ACMR, despite **owning 82.1% of ACMS**, trades at just **12.5x** earnings. This disconnect suggests a substantial holding company discount, despite ACMR's direct exposure to ACMS's growth
- Given ACMR's 82.1% ownership and ACMS's \$6.4 billion enterprise value, there is an implied upside of **over 200%**
- ACMR trades at **11.5x** 2025E EPS, below the peer average of **26.6x**, despite a strong 22.8% EPS growth profile until 2032E, comparable to higher-valued peers like AMEC (48.6x) and NAURA (30.6x)

Potential Catalyst to Unlock Value



Sources: ACM Research Company Filings, Bloomberg

Exaggerated Risks Presents a Prime Entry Point

Misunderstood Corporate Entity Fuels Perception of Regulatory Risk

Exaggerated Risk Fuels Risk Premium

The market fears delisting due to ACM's U.S.-China corporate structure. Comments by the US Secretary of Treasury about delisting Chinese companies raised concerns about ACMR

Consistent track record

ACM has been quick to adjust to new regulations, showcasing compliance and transparency

Misunderstood entity

ACMR is neither a direct listing of ACMS nor an ADR, it was founded and is listed solely in the U.S.

Quotation from J.P. Morgan

"ACM Research is a US company, listed on NASDAQ in 2017 [...] It is neither a Chinese listing nor an ADR. We believe this misperception has created an entry point."

Alternative in Case of Delisting

HKEX
香港交易所

Delisting risk remains low. In a worst case scenario, a secondary Hong Kong listing could allow for share conversion and preserved value

Misplaced Fear of Supply Chain Disruption due to Trade Barriers

Import Restrictions

In 2024, ACMR's subsidiaries were added to the U.S. Entity List, regulations which restrict imports from U.S. suppliers

Management's View

Only a few percentage of the supply chain is exposed to the U.S. The addition of subsidiaries to the U.S. Entity list and elevated tariffs does not have a significant impact

Legend: ACMR (dark blue), S&P China Semiconductors & Semiconductor Equipment (light blue), PHLX Semiconductor (grey)

Annotations:
- Nov-24: ACMS and ACM Korea added to Entity List
- Apr-25: Liberation Day, ACMR down more than indices

U.S. Efforts to beat China in the Chip War

Both U.S. parties see AI and chips as vital to national security, driving bipartisan support to restrict Chinese access and protect U.S. strategic advantage

Trump administration: Restricted Huawei and other firms via the Entity List, barred U.S. tech exports, and urged allies to limit China's chip access

Biden administration: Blocked AI chip and tool exports to China (2022), then tightened rules in 2023 to stop workarounds and expand licensing limits

U.S. Efforts Appear to Have the Opposite Effect

~ 50% of top AI researchers are of Chinese origin

The government has invested **more than \$107 billion** in Semiconductors and AI through ICF and the AI Fund since 2014

Quotation from Jensen Huang, CEO of Nvidia

"China is not behind. China is right behind us. We are very close."

Huawei has already launched the Ascend 920 AI Chip, which **closely matches the capabilities of restricted NVIDIA Chips**

Summary: Risk & Mitigation

Misunderstood Corporate Entity

Misplaced Fear of Supply Chain Disruption

U.S. Efforts to beat China in Chips

ACM's strong compliance history and its status as a U.S. founded and listed company with shares in a Chinese subsidiary supports a low risk of delisting

Only a few percentage of the supply chain is exposed to the U.S., minimizing impact of disruption from restricted imports and tariffs

Efforts appear to have had opposite effect as China has responded by increasing investment in domestic supply chain. ACM is well-positioned to capitalize on these localization efforts

Sources: ACM Research Company Filings, Bloomberg, J.P. Morgan, CNBC, WSJ

SummaryBusinessMarketThesisValuationRisksManagement

8

Experienced and Founder-Led Leadership with Soul in the Game

CEO



David Wang – CEO, President

Years at ACM Research:
Founded ACM in 1998

Background:

- Ph.D. and MSc in Precision Engineering from Osaka University
- BSc in Precision Instruments from Tsinghua University
- Holds more than 100 patents

Ownership:

1,618,548 (\$39,444,014)

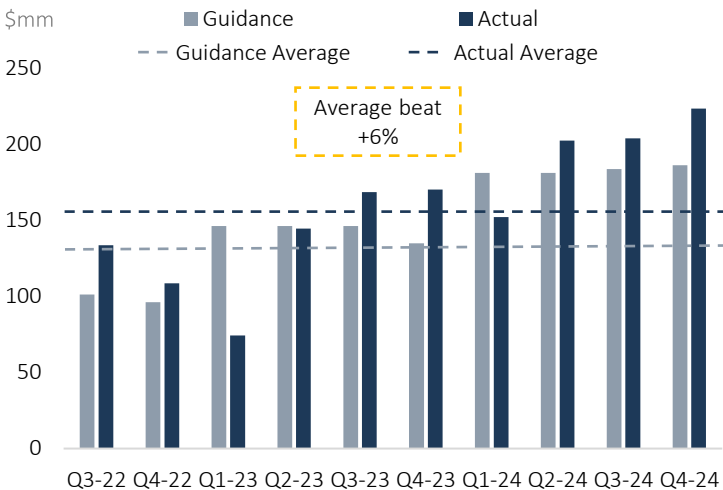


5.25% total insider ownership

“David Wang is a very hands-on guy. I really like the culture that he enforced [...] He is a very technical guy. Every Monday, he will have a whole day meeting, all the technical staff in the company to discuss the development, R&D issue, customer issue, and he is personally very involved in brainstorming the solution.”

- Former VP at ACMR

Beating Guidance and Aligning with Shareholders



Incentives Align with Shareholder Interests

- Intended to enhance the ability of the Company and its Affiliates and to attract and retain highly qualified officers
- “Incorporating stock price growth as part of our long-term equity award design aligns our executives’ and stockholders’ interests”
- Ongoing engagement with stockholders regarding compensation policies

Other Key Executives



Jian Wang – CEO ACMR

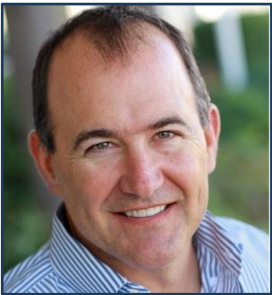
Years at ACM: 14

Background:

MSc in Computer Science from Northwestern Polytechnic University, MSc in Marine Engineering from Kobe University, and BSc in Mechanical Engineering from Southeast University

Ownership:

253,158 (\$6,169,460)



Mark McKechnie - CFO

Years at ACM: 7

Background:

Expertise in U.S. capital markets and technology with experience at Motorola and Intel. Former Evercore Partners, ThinkEquity, and BofA. Successfully led acquisition of Silver Springs by Itron. MBA from Kellogg

Ownership:

900 (\$21,933)



Haiping Dun – Board Director

Years at ACM: 21

Background:

President at Champion Microelectronic Corp. and more than 20 years experience at Intel. Ph.D. in Materials Science and Engineering from Stanford, MSc in Physics from University of Washington

Ownership:

748,925 (\$18,251,302)



Charlie Pappis – Board Director

Years at ACM: Started 2025

Background:

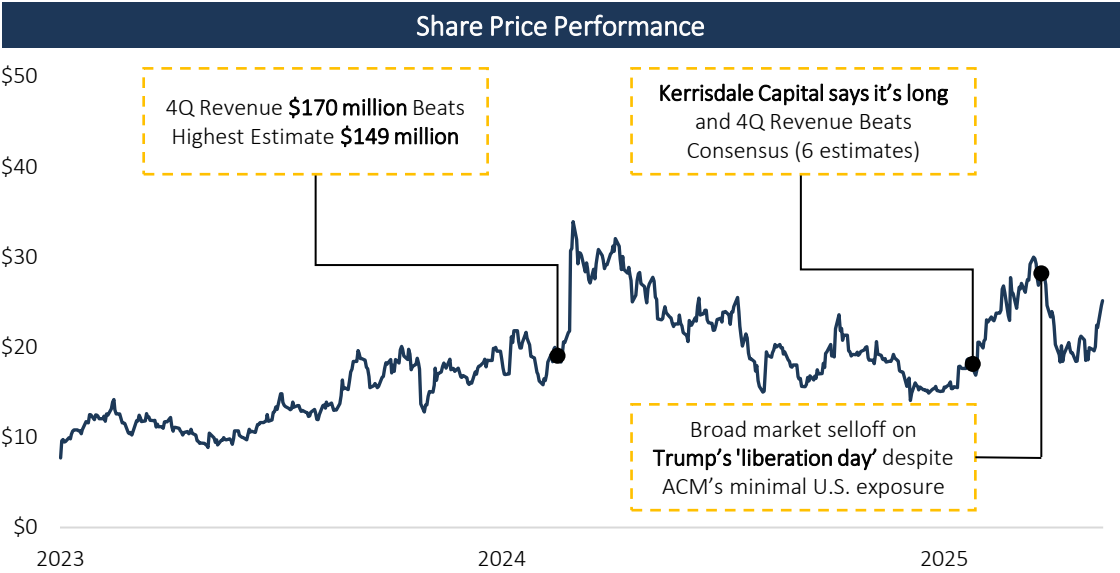
Industry veteran with >40 years of leadership experience in global operations and customer engagement. Spent 30 years as manager at Applied Materials. Executive MBA from Stanford

Ownership:

0 (\$0)

Sources: ACM Research Company Filings, Bloomberg, Tegus, FactSet





- Investment Thesis
- 1

A Market Leader in a Growing Industry
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 - Positioned to gain from strong self-sufficiency trend and high switching costs
 - Increasing market share toward 55-60% in a \$2.1 billion market growing at 9.6% CAGR
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Deep IP Moat and Technological Leadership
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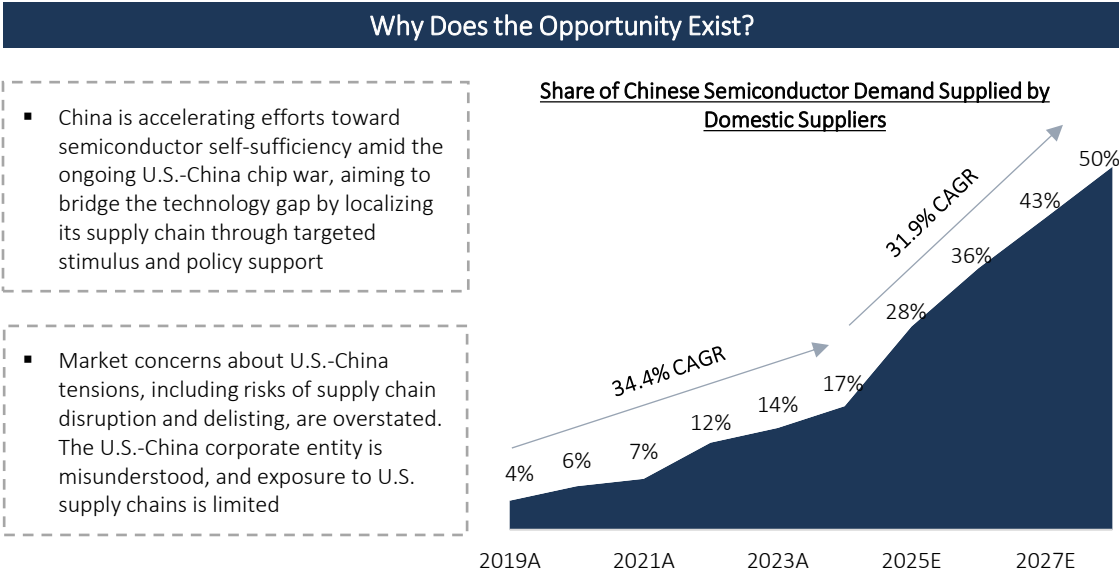
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MCAP:	\$1.53bn
EV:	\$1.27bn
LTM EV/EBIT:	8.40x
Net Debt/EBIT:	-1.69x
LTM ROIC:	9.97%

Insider Ownership / Main Shareholders

Insider Ownership	
Management ownership	5.3%
Main Shareholders	
Vanguard	6.9%
Blackrock	6.5%
Shanghai Pudong	5.7%



Sources: ACM Research Company Filings, Bloomberg, J.P. Morgan, Tegus, Kerrisdale Capital, Goldman Sachs



ACM

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