

ACM Research Reports Third Quarter 2017 Results

FREMONT, Calif., Dec. 07, 2017 (GLOBE NEWSWIRE) -- ACM Research, Inc. (NASDAQ:ACMR), a provider of single-wafer wet cleaning equipment used by manufacturers of advanced semiconductors, today reported unaudited financial results for its third fiscal quarter, ended September 30, 2017.

ACM's President and Chief Executive Officer Dr. David Wang stated, "The recent public offering of our stock demonstrates our commitment to our customers, both current and future. We now have more resources to drive product innovation and world-class service levels, and we expect our financial and other public company disclosures will instill confidence in the sustainability of our business. We intend to be a major global player in semiconductor manufacturing equipment by producing the most effective wafer cleaning tools, which will enable our customers to realize higher yields and better economic returns on their fab investments."

Operating Highlights

- 1 **Ultra C TEBO II Qualified at Customer Production Line.** The company's Ultra C TEBO (Timely Energized Bubble Oscillation) II tool, which uses ACM's proprietary technology to provide effective, damage-free cleaning for both conventional 2D wafers and advanced 3D patterned wafers, was qualified and used in a production line at a foundry/logic customer.
- 1 **Ultra C SAPS V Deployed by Memory Chip Manufacturers.** Several of the company's Ultra C SAPS (Space Alternated Phase Shift) V tools, equipped with twelve cleaning chambers, were deployed at a leading memory chip producer in Korea and an emerging memory chip producer in China.

Financial Summary

Quarter

	Three Months Ended September 30,			
	GAAP		Non-GAAP(1)	
	2017	2016	2017	2016
	<i>(dollars in thousands)</i>			
Revenue	\$ 4,891	\$ 4,904	\$ 4,891	\$ 4,904
Gross margin(2)	45.0%	59.4%	45.1%	59.5%
Income (loss) from operations(2)	\$ (1,310)	\$ 788	\$ (967)	\$ 788
Net income (loss) attributable to ACM Research, Inc.(2)	\$ (955)	\$ 362	\$ (611)	\$ 362

Year to Date

	Nine Months Ended September 30,			
	GAAP		Non-GAAP(1)	
	2017	2016	2017	2016
	<i>(dollars in thousands)</i>			
Revenue	\$ 19,314	\$ 13,026	\$ 19,314	\$ 13,026
Gross margin(2)	41.7%	44.1%	41.8%	44.2%
Income (loss) from operations(2)	\$ (3,065)	\$ (775)	\$ (1,373)	\$ (582)
Net income (loss) attributable to ACM Research, Inc.(2)	\$ (3,702)	\$ (191)	\$ (2,010)	\$ 2

(1) Reconciliations to U.S. generally accepted accounting principles (GAAP) financial measures from non-GAAP financial measures are presented below under "Reconciliation of GAAP to Non-GAAP Financial Measures."

(2) Non-GAAP financial measures exclude stock-based compensation.

- 1 **Revenue.** Revenue in the third quarter of 2017 was essentially flat with the prior year period, reflecting a decrease in revenue from advanced packaging equipment that was substantially offset by an increase in revenue from single-wafer cleaning equipment. Revenue in the first nine months of 2017 increased 48.3% from the first nine months of 2016, due to a higher volume of shipments of single-wafer cleaning equipment during the first half of 2017.
- 1 **Gross Margin.** Gross margins of 45.0% and 41.7%, respectively, in the three and nine months ended September 30, 2017 were within the range of 40.0% to 45.0% generally anticipated by the company for the foreseeable future. Gross margin may vary from period to period, primarily related to the level of utilization and the timing and mix of purchase orders. The strong gross margin performance in the three and nine months ended September 30, 2016 was due to the sale of one higher-margin single-wafer wet cleaning equipment tool.
- 1 **Net Income (Loss).** Net losses for the three and nine months ended September 30, 2017 reflected increased spending on research and development and customer support, as well as expenses associated with preparation for the company's initial public offering.
- 1 **Non-controlling Interests.** In the third quarter of 2017 ACM acquired 18.77% of the outstanding equity interest in ACM's operating company ACM Research (Shanghai), Inc., increasing ACM's holdings to a total of 81.64% of the operating company's equity interests. Subsequent to quarter end, ACM closed the commitment to acquire the remaining 18.36% of the operating company's equity interests.
- 1 **Cash and Capital Stock.** In November 2017 ACM sold 2,233,000 shares of Class A common stock in its initial public offering and an additional 1,333,334 shares in a concurrent private placement, for aggregate gross proceeds of \$20.0 million. The company held \$20.3 million in cash as of December 1, 2017. The stock offerings, including the automatic conversion of ACM's convertible preferred stock upon completion of the initial public offering, will be reflected in ACM's financial statements for the fourth quarter of 2017.

Fourth Quarter 2017 Revenue Outlook

For the fourth quarter of 2017, the company expects revenue to be in the range of \$11 million to \$12 million.

Conference Call Detail

A conference call to discuss third quarter 2017 results will be held today at 8:00 a.m. EDT. Dial-in details for the call are as follows. Please reference conference ID 8992699.

	<u>Phone Number</u>	<u>Toll-Free Number</u>
United States	+1 (845) 675-0437	+1 (866) 519-4004
Hong Kong	+852 3018 6771	+852 800906601
Mainland China	+86 (800) 819 0121	
	+86 (400) 620 8038	
Other International	+65 6713 5090	

A recording of the webcast will be available on the investor page of the ACM Research website at www.acmrcsh.com for one week following the call.

Use of Non-GAAP Financial Measures

ACM presents non-GAAP gross margin, operating income (loss) and net income (loss) as supplemental measures to GAAP financial measures regarding ACM's operational performance. These supplemental measures exclude the impact of stock-based compensation, which ACM does not believe is indicative of its core operating results. A reconciliation of each non-GAAP financial measure to the most directly comparable GAAP financial measure is provided below under "Reconciliation of Non-GAAP to GAAP Financial Measures."

ACM believes these non-GAAP financial measures are useful to investors in assessing its operating performance. ACM uses these financial measures internally to evaluate its operating performance and for planning and forecasting of future periods. Financial analysts may focus on and publish both historical results and future projections based on the non-GAAP financial measures. ACM also believes it is in the best interests of investors for ACM to provide this non-GAAP information.

While ACM believes these non-GAAP financial measures provide useful supplemental information to investors, there are limitations associated with the use of these non-GAAP financial measures. These non-GAAP financial measures may not be reported by competitors, and they may not be directly comparable to similarly titled measures of other companies due to differences in calculation methodologies. The non-GAAP financial measures are not an alternative to GAAP information and are not meant to be considered in isolation or as a substitute for comparable GAAP financial measures. They should be used only as a supplement to GAAP information and should be considered only in conjunction with ACM's consolidated financial statements prepared in accordance with GAAP.

Forward-Looking Statements

Information presented in the second paragraph of this press release and under "Financial Summary—Gross Margin" above with respect to the expected range of gross margin for the foreseeable future contains forward-looking statements for purposes of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Actual results may vary significantly from ACM's expectations based on a number of risks and uncertainties, including but not limited to the following: anticipated customer orders or identified market opportunities may not grow or develop as anticipated; customer orders already received may be postponed or canceled; suppliers may not be able to meet ACM's demands on a timely basis; volatile global economic, market, industry and other conditions could result in sharply lower demand for products containing semiconductors and for the company's products and in disruption of capital and credit markets; ACM's failure to successfully manage its operations; and trade regulations, currency fluctuations, political instability and war may materially adversely affect ACM due to its substantial non-U.S. customer and supplier base and its substantial non-U.S. manufacturing operations. ACM cannot guarantee any future results, levels of activity, performance or achievements. ACM expressly disclaims any obligation to update forward-looking statements after the date of this press release.

About ACM Research, Inc.

ACM develops, manufactures and sells single-wafer wet cleaning equipment, which semiconductor manufacturers can use in numerous manufacturing steps to remove particles, contaminants and other random defects, and thereby improve product yield, in fabricating advanced integrated circuits. ACM completed its initial public offering on November 7, 2017, and its Class A common stock began trading on The Nasdaq Global Market Stock Exchange on November 3, 2017.

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For investor and media inquiries, please contact:

In the United States: The Blueshirt Group
Ralph Fong
+1 (415) 489-2195
ralph@blueshirtgroup.com

In China: The Blueshirt Group Asia
Gary Dvorchak, CFA
+86 (138) 1079-1480
gary@blueshirtgroup.com

ACM RESEARCH, INC. Unaudited Condensed Consolidated Balance Sheets

	September 30, 2017	December 31, 2016
	<i>(in thousands)</i>	
Assets		
Current assets:		
Cash and cash equivalents	\$ 17,074	\$ 10,119
Restricted cash	433	-
Accounts receivable	15,784	16,026
Loans receivable – related party	946	-
Other receivables	2,017	1,763
Inventory	18,077	11,666
Prepaid expenses	801	720
Other current assets	890	53

Total current assets	56,022	40,347
Property, plant and equipment, net	2,346	2,262
Intangible assets, net	35	17
Deferred tax assets	1,433	1,841
Investment in equity method affiliates	1,220	-
Total assets	\$ 61,056	\$ 44,467
Liabilities, Redeemable Convertible Preferred Stock and Stockholders' Equity		
Current liabilities:		
Short-term borrowings	\$ 3,472	\$ 4,761
Notes payable	11	11
Investors' deposit	-	2,902
Warrant liability	3,033	-
Accounts payable	8,667	5,173
Advances from customers	75	215
Income tax payable	44	44
Other payables and accrued expenses	5,264	3,963
Total current liabilities	20,566	17,069
Other long-term liabilities	6,682	6,879
Total liabilities	27,248	23,948
Total redeemable convertible preferred stock	23,834	18,034
Total ACM Research, Inc. stockholders' equity (deficit)	5,793	(2,434)
Non-controlling interests	4,181	4,919
Total stockholders' equity	9,974	2,485
Total liabilities, redeemable convertible preferred stock and stockholders' equity	\$ 61,056	\$ 44,467

ACM RESEARCH, INC.
Unaudited Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
	<i>(in thousands, except share and per share data)</i>			
Revenue	\$ 4,891	\$ 4,904	\$ 19,314	\$ 13,026
Cost of revenue	2,692	1,989	11,262	7,281
Gross profit	<u>2,199</u>	<u>2,915</u>	<u>8,052</u>	<u>5,745</u>
Operating expenses, net:				
Sales and marketing	1,036	709	3,619	2,527
Research and development	1,209	813	3,076	2,299
General and administrative	1,264	605	4,422	1,694
Total operating expenses, net	<u>3,509</u>	<u>2,127</u>	<u>11,117</u>	<u>6,520</u>
Income (loss) from operations	<u>(1,310)</u>	<u>788</u>	<u>(3,065)</u>	<u>(775)</u>
Interest income	2	7	7	13
Interest expense	(33)	(67)	(197)	(118)
Equity in net income of affiliates	20	-	20	-
Non-operating income (expense), net	(239)	(35)	(531)	471
Income (loss) before income taxes	<u>(1,560)</u>	<u>693</u>	<u>(3,766)</u>	<u>(409)</u>
Income tax benefit (expense)	278	(132)	(471)	(59)
Net income (loss)	<u>(1,282)</u>	<u>561</u>	<u>(4,237)</u>	<u>(468)</u>
Less: Net income (loss) attributable to non-controlling interests	(327)	199	(535)	(277)
Net income (loss) attributable to ACM Research, Inc....	<u>\$ (955)</u>	<u>\$ 362</u>	<u>\$ (3,702)</u>	<u>\$ (191)</u>
Comprehensive income (loss):				
Net income (loss)	\$ (1,282)	\$ 561	\$ (4,237)	\$ (468)
Foreign currency translation adjustment	228	(66)	492	(199)
Comprehensive income (loss)	<u>(1,054)</u>	<u>495</u>	<u>(3,745)</u>	<u>(667)</u>
Less: Comprehensive income (loss) attributable to non-controlling interests	(237)	175	(347)	(351)
Total comprehensive income (loss) attributable to ACM Research, Inc.	<u>\$ (817)</u>	<u>\$ 320</u>	<u>\$ (3,398)</u>	<u>\$ (316)</u>
Net income (loss) per common shares:				
Basic	<u>\$ (0.17)</u>	<u>\$ 0.07</u>	<u>\$ (0.72)</u>	<u>\$ (0.09)</u>
Diluted	<u>\$ (0.17)</u>	<u>\$ 0.05</u>	<u>\$ (0.72)</u>	<u>\$ (0.09)</u>
Weighted average common stocks outstanding used in computing per share amounts:				
Basic	<u>5,581,637</u>	<u>2,108,324</u>	<u>5,148,255</u>	<u>2,077,115</u>
Diluted	<u>5,581,637</u>	<u>3,372,505</u>	<u>5,148,255</u>	<u>2,077,115</u>

ACM RESEARCH, INC.
Reconciliation of GAAP to Non-GAAP Financial Measures (Unaudited)

As described under "Use of Non-GAAP Financial Measures" above, ACM presents non-GAAP gross margin, operating income (loss) and net income (loss) as

supplemental measures to GAAP financial measures, each of which excludes stock-based compensation (SBC) from the equivalent GAAP financial line items. The following tables reconcile gross margin, operating income (loss) and net income (loss) to the related non-GAAP financial measures:

	Three Months Ended September 30,					
	2017			2016		
	Actual (GAAP)	SBC	Adjusted (Non-GAAP)	Actual (GAAP)	SBC	Adjusted (Non-GAAP)
	<i>(in thousands)</i>					
Adjusted Gross Margin:						
Revenue	\$ 4,891	\$ —	\$ 4,891	\$ 4,904	\$ —	\$ 4,904
Cost of revenue	(2,692)	5	(2,687)	(1,989)	3	(1,986)
Gross profit	<u>\$ 2,199</u>	<u>\$ 5</u>	<u>\$ 2,204</u>	<u>\$ 2,915</u>	<u>\$ 3</u>	<u>\$ 2,918</u>
Gross margin	<u>45.0%</u>	<u>0.1%</u>	<u>45.1%</u>	<u>59.4%</u>	<u>0.1%</u>	<u>59.5%</u>
Adjusted Operating Income (Loss):						
Gross profit	\$ 2,199	\$ 5	\$ 2,204	\$ 2,915	\$ 3	\$ 2,918
Operating expenses	(3,509)	338	(3,171)	(2,127)	(3)	(2,130)
Income (loss) from operations	<u>\$ (1,310)</u>	<u>\$ 343</u>	<u>\$ (967)</u>	<u>\$ 788</u>	<u>\$ —</u>	<u>\$ 788</u>
Adjusted Net Income (Loss):						
Net income (loss) attributable to ACM Research, Inc.	<u>\$ (955)</u>	<u>\$ 343</u>	<u>\$ (612)</u>	<u>\$ 362</u>	<u>\$ —</u>	<u>\$ 362</u>
	Nine Months Ended September 30,					
	2017			2016		
	Actual (GAAP)	SBC	Adjusted (Non-GAAP)	Actual (GAAP)	SBC	Adjusted (Non-GAAP)
	<i>(in thousands)</i>					
Adjusted Gross Margin:						
Revenue	\$ 19,314	\$ —	\$ 19,314	\$ 13,026	\$ —	\$ 13,026
Cost of revenue	(11,262)	15	(11,247)	(7,281)	8	(7,273)
Gross profit	<u>\$ 8,052</u>	<u>\$ 15</u>	<u>\$ 8,067</u>	<u>\$ 5,745</u>	<u>\$ 8</u>	<u>\$ 5,753</u>
Gross margin	<u>41.7%</u>	<u>0.1%</u>	<u>41.8%</u>	<u>44.1%</u>	<u>0.1%</u>	<u>44.2%</u>
Adjusted Operating Income (Loss):						
Gross profit	\$ 8,052	\$ 15	\$ 8,067	\$ 5,745	\$ 8	\$ 5,753
Operating expenses	(11,117)	1,677	(9,440)	(6,520)	185	(2,130)
Income (loss) from operations	<u>\$ (3,065)</u>	<u>\$ 1,692</u>	<u>\$ (1,373)</u>	<u>\$ (775)</u>	<u>\$ 193</u>	<u>\$ (582)</u>
Adjusted Net Income (Loss):						
Net income (loss) attributable to ACM Research, Inc.	<u>\$ (3,702)</u>	<u>\$ 1,692</u>	<u>\$ (2,010)</u>	<u>\$ (191)</u>	<u>\$ 193</u>	<u>\$ 2</u>