

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): August 5, 2021

**ACM Research, Inc.**

(Exact Name of Registrant as Specified in its Charter)

**Delaware**

(State or Other Jurisdiction of Incorporation)

**001-38273**

(Commission File Number)

**94-3290283**

(IRS Employer Identification No.)

**82307 Osgood Road, Suite I**

**Fremont, California**

(Address of Principal Executive Offices)

**94539**

(Zip Code)

Registrant's telephone number, including area code: (510) 445-3700

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)  
 Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)  
 Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))  
 Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading symbol</u>	<u>Name of each exchange on which registered</u>
Class A Common Stock, par value \$0.0001 per share	ACMR	Nasdaq Global Market

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 or Rule 12b-2 of the Securities Exchange Act of 1934: Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

**Item 2.02. Results of Operations and Financial Condition.**

On August 5, 2021, we issued a press release announcing financial results for the second quarter of 2021. The full text of the press release is furnished as Exhibit 99.01 hereto and is incorporated herein by reference.

In addition, we held an investor conference call on August 6, 2021 to discuss, among other things, the information described in the release and complementary matters. That discussion is included in the script for such call that is furnished as Exhibit 99.02 to this Current Report on Form 8-K and is incorporated herein by reference.

The information contained in this Item 2.02, including Exhibit 99.01 furnished hereto and the portion of the conference call script filed as Exhibit 99.02 hereto, is intended to be furnished and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, or the Securities Exchange Act of 1934, except as expressly set forth by specific reference in such filing.

**Item 7.01. Regulation FD Disclosure.**

We held an investor conference call on August 6, 2021. The script for such call is furnished as Exhibit 99.02 to this Current Report on Form 8-K.

The information contained in this Item 7.01, including Exhibit 99.02 furnished hereto, is intended to be furnished and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, or the Securities Exchange Act of 1934, except as expressly set forth by specific reference in such filing.

**Item 9.01 Financial Statements and Exhibits.****(d) Exhibits.**

<b>Exhibit</b>	<b>Description</b>
<a href="#">99.01</a>	Press release of ACM Research, Inc. dated August 5, 2021
<a href="#">99.02</a>	Script of conference call of ACM Research, Inc. held August 6, 2021
104	Cover Page Interactive Data File (embedded within the XBRL document)

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

ACM RESEARCH, INC.

By: /s/ Mark McKechnie

Mark McKechnie

Chief Financial Officer and Treasurer

Dated: August 10, 2021



### ACM Research Reports Second Quarter 2021 Results

FREMONT, California, August 5, 2021 (Globe Newswire) – ACM Research, Inc. (“ACM” or the “Company”) (NASDAQ:ACMR), a leading supplier of wafer cleaning technologies for advanced semiconductor devices, today reported financial results for its second fiscal quarter ended June 30, 2021.

ACM’s President and Chief Executive Officer Dr. David Wang commented, “We delivered an outstanding second quarter, with record revenue and shipments driven by broad demand for our flagship cleaning products and newer product offerings. We experienced good contributions from a number of new China-based semiconductor customers in the first half of 2021, which we expect to grow in the second half of the year and beyond. Our Chuansha capacity expansion plan remains on schedule, with the second building expected to ramp production in the second half of this year. We have raised our full-year 2021 revenue guidance, which, at the mid-point, now represents 48% growth over last year.”

Dr. Wang continued, “Looking ahead, we believe we are well positioned for solid growth, with our two major new product initiatives expected to expand our total addressable market. On June 10, 2021, the Shanghai Stock Exchange Commission submitted ACM Shanghai’s application for registration of its STAR Market IPO to the China Securities Regulatory Commission, a significant milestone in the process. We are confident that the STAR Market listing, combined with the continued listing of ACM’s Class A common stock on the Nasdaq Global Market, will help accelerate our pace to become a global player in the semiconductor equipment industry.”

	Three Months Ended June 30,			
	GAAP		Non-GAAP(1)	
	2021	2020	2021	2020
	<i>(dollars in thousands, except per share data)</i>			
Revenue	\$ 53,864	\$ 39,049	\$ 53,864	\$ 39,049
Gross margin	40.2%	49.6%	40.5%	49.7%
Income from operations	\$ 4,331	\$ 7,336	\$ 5,666	\$ 8,191
Net income (loss) attributable to ACM Research, Inc.	\$ 6,567	\$ (81)	\$ 4,119	\$ 6,205
Basic EPS	\$ 0.34	\$ (0.00)	\$ 0.22	\$ 0.34
Diluted EPS	\$ 0.30	\$ (0.00)	\$ 0.19	\$ 0.29

	Six Months Ended June 30,			
	GAAP		Non-GAAP(1)	
	2021	2020	2021	2020
	<i>(dollars in thousands, except per share data)</i>			
Revenue	\$ 97,596	\$ 63,397	\$ 97,596	\$ 63,397
Gross margin	40.7%	46.7%	40.9%	46.8%
Income from operations	\$ 7,781	\$ 8,554	\$ 10,326	\$ 10,098
Net income attributable to ACM Research, Inc.	\$ 12,037	\$ 1,624	\$ 11,846	\$ 8,599
Basic EPS	\$ 0.63	\$ 0.09	\$ 0.62	\$ 0.48
Diluted EPS	\$ 0.56	\$ 0.08	\$ 0.55	\$ 0.41

(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.” Non-GAAP financial measures exclude stock-based compensation with respect to net income (loss) attributable to ACM Research, Inc. and basic and diluted EPS, and also exclude non-cash changes in fair value of financial assets and liabilities and unrealized gain on trading securities.

## Outlook

For fiscal year 2021, the Company now expects revenue to be in the range of \$225 million to \$240 million, versus the previous guidance range of \$205 million to \$230 million. This expectation assumes, among other factors, continued improvement with respect to the global COVID-19 pandemic and stability in US-China trade policy. The range of ACM's 2021 outlook reflects, among other things, variances in spending scenarios for the production ramps of key customers, the trajectory of the DRAM recovery, and the timing of acceptances for first tools under evaluation in the field.

## Q2 Operating Highlights and Recent Announcements

- **Shipments.** Total shipments in the second quarter of 2021 were \$82 million, versus \$45 million in the second quarter of 2020 and \$74 million in the first quarter of 2021. Total shipments include deliveries for revenue in the quarter and deliveries of first tool systems awaiting customer acceptance for potential revenue in future quarters.
- **ECP Ramp.** ACM continued to gain solid traction with its ECP product line in the marketplace. ACM's ECP ramp is progressing, with three ECP ap first tools delivered during the second quarter of 2021 and multiple ECP map and ECP ap tools scheduled for delivery in the second half of 2021.
- **Production Capacity.** ACM Shanghai increased the total available floor space at its newly-leased second Chuansha factory building to 200,000 square feet, and expects to begin its initial production ramp at that facility in the third quarter of 2021.
- **Bevel Etch Product.** The new Bevel Etch product further expands ACM's comprehensive offering of wet tools. The new product uses a wet etch method to remove various types of dielectric, metal and organic material films, as well as particle contaminants on the wafer edge. We expect to deliver a first-tool Bevel Etch product to a China-based logic customer in the third quarter of 2021.
- **ACM Shanghai IPO.** On June 10, 2021, the Shanghai Stock Exchange Commission submitted ACM Shanghai's application for registration for its STAR Market IPO to the China Securities Regulatory Commission. The timing and successful completion of the STAR Market IPO and listing are subject to the acceptance of the registration application by the China Securities Regulatory Commission, and remains uncertain as it depends upon numerous factors beyond ACM Shanghai's control.

## Financial Summary

*Unless otherwise noted, the following figures refer to the second quarter of 2021 and comparisons are with the second quarter of 2020.*

- **Revenue** was \$53.9 million, up 37.9%, reflecting an increase in revenue from wet cleaning and other front-end processing tools, and advanced packaging, other advanced processing tools, services and spares.
- **Gross margin** was 40.2%, down from 49.6%. Non-GAAP gross margin, which excludes stock-based compensation, was 40.5%, down from 49.7%. Gross margin was within the range of 40.0% to 45.0% set forth in the Company's long-term business model. The Company expects gross margin to vary from period to period due to a variety of factors, such as sales volume and product mix.
- **Operating expenses** were \$17.3 million, an increase of 44.3%. Non-GAAP operating expenses, which exclude stock-based compensation, were \$16.1 million, up 43.9%. Non-GAAP operating expenses as a percent of revenue increased to 29.9% from 28.7%. Higher research and development spending on new products, expenses related to sales activities, and legal expenses for preparation of ACM Shanghai's STAR Market IPO and ACM's civil suit defense contributed to the increase from the prior-year period.

- **Operating income** of \$4.3 million reflected a decrease of 41.0%. Non-GAAP operating income, which excludes stock-based compensation, was \$5.7 million, down 30.8%.
- **Unrealized gain on trading securities** was \$3.8 million in the second quarter of 2021. The gain reflects the change in market value of ACM Shanghai's indirect investment in STAR Market IPO shares of Semiconductor Manufacturing International Corporation (SMIC), which began trading in mid-July 2020. The value was marked-to-market at quarter-end and is excluded from non-GAAP results.
- **Net income attributable to ACM Research, Inc.** was \$6.6 million, compared to a net loss of \$0.1 million. Non-GAAP net income attributable to ACM Research, Inc., which excludes stock-based compensation, unrealized gain on trading securities, and change in fair value of financial liability, was \$4.1 million as compared to \$6.2 million. Tax-related items (compared to a normalized tax rate) and the effects of foreign-exchange fluctuations on operating results provided a net headwind of \$0.3 million, compared to \$0.9 million.
- **Net income per diluted share attributable to ACM Research, Inc.** was \$0.30, compared to \$0.00. Non-GAAP net income per diluted share, which excludes stock-based compensation, unrealized gain on trading securities, and change in fair value of financial liability, was \$0.19, compared to \$0.29. Tax-related items and the effects of foreign-exchange fluctuations on operating results resulted in a net headwind of \$0.01 per share, compared to a net headwind of \$0.04 per share.
- **Cash and equivalents** at quarter-end were \$70.2 million, versus \$78.8 million at the end of the first quarter of 2021 and \$71.8 million at the end of 2020. The quarter-over-quarter decrease was primarily due to cash flow used by operating activities.

### **Conference Call Details**

A conference call to discuss results will be held on Friday, August 6, 2021, at 8:00 a.m. U.S. Eastern Time (8:00 p.m. China Time). Dial-in details for the call are as follows. Please reference conference ID 6491014.

	<b><u>Phone Number</u></b>	<b><u>Toll-Free Number</u></b>
United States	+1 (661) 567-1217	+1 (833) 562-0137
Hong Kong	+852 5819 4851	+852 8009 66253
Mainland China	+86 8008700169	
	+86 4006828609	

A recording of the webcast will be available on the investor page of the ACM website at [www.acmrcsh.com](http://www.acmrcsh.com) for one week following the call.

### **Use of Non-GAAP Financial Measures**

ACM presents non-GAAP gross margin, operating expenses, operating income, net income (loss) attributable to ACM Research, Inc., and basic and diluted earnings per share 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. In addition, non-GAAP net income attributable to ACM Research, Inc. and basic and diluted EPS exclude non-cash change in fair value of financial assets and liabilities and unrealized gain on trading securities, which ACM also believes are not 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**

Certain statements contained in the second and third paragraphs of this press release, under the heading "Outlook" above, and in the second, third and fourth bullets under "Q2 Operating Highlights and Recent Developments" above are not historical facts and may be forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include statements regarding the intent, belief and current expectations with respect to: the demand for ACM's tools, including specifically in fiscal year 2021; the expansion in 2021 of ACM's product offering, production capacity and base of major customers; the timing and ability of ACM to secure orders from new customers; and ACM's plans for completion of the STAR Market initial public offering of shares of ACM Shanghai, which are expectations only, reflect management's current views, are based on certain assumptions, and involve risks and uncertainties. Actual results, events, or performance may differ materially from the above forward-looking statements due to a number of important factors, and will be dependent upon a variety of factors, including, but not limited to, the following, any of which could be exacerbated even further by the continuing COVID-19 outbreak in China and globally; anticipated customer orders or identified market opportunities may not grow or develop as anticipated; customer orders already received may be postponed or canceled; ACM may be unable to obtain the qualification and acceptance of its delivered tools when anticipated or at all, which would delay or preclude ACM's recognition of revenue from the sale of those tools; suppliers may not be able to meet ACM's demands on a timely basis; ACM's technologies and tools may not gain market acceptance; ACM may be unable to compete effectively by, among other things, enhancing its existing tools, adding additional production capacity and engaging additional major customers; 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; 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. The completion and timing of ACM Shanghai's obtaining of remaining regulatory approval for its STAR Market IPO and listing of its shares are subject to numerous risks, such as the receipt of all necessary Chinese governmental approvals, that are outside ACM's control. ACM cannot guarantee any future results, levels of activity, performance or achievements. ACM undertakes no obligation to publicly update these forward-looking statements to reflect events or circumstances that occur after the date hereof or to reflect any change in its expectations regarding these forward-looking statements or the occurrence of unanticipated events.

**About ACM Research, Inc.**

ACM develops, manufactures, and sells semiconductor process equipment for single-wafer or batch wet cleaning, electroplating, stress-free polishing and thermal processes that are critical to advanced semiconductor device manufacturing, as well as wafer-level packaging. The Company is committed to delivering customized, high performance, cost-effective process solutions that semiconductor manufacturers can use in numerous manufacturing steps to improve productivity and product yield.

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**For investor and media inquiries, please contact:**

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**ACM RESEARCH, INC.**  
**Condensed Consolidated Balance Sheets**

**June 30, 2021    December 31, 2020**

*(Unaudited)*

*(In thousands, except share and per share data)*

<b>Assets</b>	<b>June 30, 2021</b>	<b>December 31, 2020</b>
Current assets:		
Cash and cash equivalents	\$ 70,209	\$ 71,766
Trading securities	31,257	28,239
Accounts receivable, less allowance for doubtful accounts of \$0 as of June 30, 2021 and December 31, 2020	71,357	56,441
Other receivables	10,733	9,679
Inventories	136,852	88,639
Prepaid expenses	8,953	5,892
Total current assets	329,361	260,656
Property, plant and equipment, net	8,985	8,192
Land use right, net	9,642	9,646
Operating lease right-of-use assets, net	5,209	4,297
Intangible assets, net	630	554
Deferred tax assets	14,691	11,076
Long-term investments	7,006	6,340
Other long-term assets	43,434	40,496
<b>Total assets</b>	<b>418,958</b>	<b>341,257</b>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Short-term borrowings	22,162	26,147
Current portion of long-term borrowings	1,799	1,591
Accounts payable	67,031	35,603
Advances from customers	43,845	17,888
Deferred revenue	2,348	1,343
Income taxes payable	482	31
FIN-48 payable	83	83
Other payables and accrued expenses	21,871	18,805
Current portion of operating lease liability	2,437	1,417
Total current liabilities	162,058	102,908
Long-term borrowings	18,717	17,979
Long-term operating lease liability	2,772	2,880
Deferred tax liability	1,298	1,286
Other long-term liabilities	4,557	8,034
<b>Total liabilities</b>	189,402	133,087
<b>Commitments and contingencies</b>		
Stockholders' equity:		
Common stock – Class A, par value \$0.0001: 50,000,000 shares authorized as of June 30, 2021 and December 31, 2020; 17,668,409 shares issued and outstanding as of June 30, 2021 and 16,896,693 shares issued and outstanding as of December 31, 2020	2	2
Common stock–Class B, par value \$0.0001: 2,409,738 shares authorized as of June 30, 2021 and December 31, 2020; 1,707,605 shares issued and outstanding as of June 30, 2021 and 1,802,606 shares issued and outstanding as of December 31, 2020	-	-
Additional paid in capital	108,566	102,004
Accumulated surplus	46,324	34,287
Accumulated other comprehensive income	5,931	4,857
<b>Total ACM Research, Inc. stockholders' equity</b>	160,823	141,150
Non-controlling interests	68,733	67,020
<b>Total stockholders' equity</b>	229,556	208,170
<b>Total liabilities and stockholders' equity</b>	<b>\$ 418,958</b>	<b>\$ 341,257</b>

**ACM RESEARCH, INC.**  
**Condensed Consolidated Statements of Operations and Comprehensive Income**

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<i>(Unaudited)</i>		<i>(Unaudited)</i>	
	<i>( In thousands, except share and per share data)</i>		<i>( In thousands, except share and per share data)</i>	
Revenue	\$ 53,864	\$ 39,049	\$ 97,596	\$ 63,397
Cost of revenue	32,184	19,693	57,871	33,813
<b>Gross profit</b>	<b>21,680</b>	<b>19,356</b>	<b>39,725</b>	<b>29,584</b>
Operating expenses:				
Sales and marketing	5,789	4,595	11,097	7,600
Research and development	7,933	5,221	13,437	8,898
General and administrative	3,627	2,204	7,410	4,532
<b>Total operating expenses, net</b>	<b>17,349</b>	<b>12,020</b>	<b>31,944</b>	<b>21,030</b>
<b>Income from operations</b>	<b>4,331</b>	<b>7,336</b>	<b>7,781</b>	<b>8,554</b>
Interest income	31	320	80	655
Interest expense	(194)	(228)	(383)	(339)
Change in fair value of financial liability	-	(5,431)	-	(5,431)
Unrealized gain on trading securities	3,783	-	2,736	-
Other income, net	(897)	149	(428)	826
Equity income in net income of affiliates	295	209	615	357
<b>Income before income taxes</b>	<b>7,349</b>	<b>2,355</b>	<b>10,401</b>	<b>4,622</b>
Income tax benefit (expense)	(15)	(1,859)	2,755	(2,163)
<b>Net income</b>	<b>7,334</b>	<b>496</b>	<b>13,156</b>	<b>2,459</b>
Less: Net income attributable to non-controlling interests and redeemable non-controlling interests	767	577	1,119	835
<b>Net income attributable to ACM Research, Inc.</b>	<b>\$ 6,567</b>	<b>\$ (81)</b>	<b>\$ 12,037</b>	<b>\$ 1,624</b>
Comprehensive income:				
Net income	7,334	496	13,156	2,459
Foreign currency translation adjustment	3,000	242	1,668	(1,658)
<b>Comprehensive Income</b>	<b>10,334</b>	<b>738</b>	<b>14,824</b>	<b>801</b>
Less: Comprehensive income attributable to non-controlling interests and redeemable non-controlling interests	1,797	1,610	1,714	916
<b>Comprehensive income attributable to ACM Research, Inc.</b>	<b>\$ 8,537</b>	<b>\$ (872)</b>	<b>\$ 13,110</b>	<b>\$ (115)</b>
Net income attributable to ACM Research, Inc. per common share:				
Basic	\$ 0.34	\$ (0.00)	\$ 0.63	\$ 0.09
Diluted	\$ 0.30	\$ (0.00)	\$ 0.56	\$ 0.08
Weighted average common shares outstanding used in computing per share amounts:				
Basic	19,123,659	18,050,841	18,956,195	18,085,602
Diluted	21,807,744	21,516,175	21,679,528	21,197,203

**ACM RESEARCH, INC.**  
**Total Revenue by Product Category, by Equipment Type and by Region**

<b>Total Revenue By Product Category</b>	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Single Wafer Cleaning Tools (SAPS, TEBO, Tahoe) and Semi-Critical Cleaning Equipment	\$ 45,461	\$ 33,340	\$ 77,874	\$ 56,124
ECP (front-end and packaging), Furnace and Other Technologies	-	4,490	5,550	4,490
Advanced Packaging (excluding ECP), and Services & Spare Parts	8,403	1,219	14,172	2,783
	<b>\$ 53,864</b>	<b>\$ 39,049</b>	<b>\$ 97,596</b>	<b>\$ 63,397</b>

  

<b>Total Revenue By Equipment Type (Front-end / Back-end)</b>	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Wet cleaning and other front-end processing tools	\$ 45,974	\$ 37,830	\$ 77,874	\$ 60,614
Advanced packaging, other processing tools, services & spares	7,890	1,219	19,722	2,783
	<b>\$ 53,864</b>	<b>\$ 39,049</b>	<b>\$ 97,596</b>	<b>\$ 63,397</b>

  

<b>Total Revenue By Region</b>	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Mainland China	\$ 53,736	\$ 39,004	\$ 97,432	\$ 63,293
Other Regions	128	45	164	104
	<b>\$ 53,864</b>	<b>\$ 39,049</b>	<b>\$ 97,596</b>	<b>\$ 63,397</b>

**ACM RESEARCH, INC.**  
**Reconciliation of GAAP to Non-GAAP Financial Measures**

As described under “Use of Non-GAAP Financial Measures” above, ACM presents non-GAAP gross margin, operating expenses, operating income, net income (loss) attributable to ACM Research, Inc., and basic and diluted earnings per share as supplemental measures to GAAP financial measures, each of which excludes stock-based compensation (“SBC”) from the equivalent GAAP financial line items. In addition, non-GAAP net income (loss) attributable to ACM Research, Inc. and basic and diluted earnings per share exclude non-cash change in fair value of financial liabilities and unrealized gain on trading securities. The following table reconciles gross margin, operating expenses, operating income, net income (loss) attributable to ACM Research, Inc., and basic and diluted earnings per share to the related non-GAAP financial measures:

	<b>Three Months Ended June 30,</b>							
	<b>2021</b>				<b>2020</b>			
	<b>Actual (GAAP)</b>	<b>SBC</b>	<b>Other non- operating adjustments</b>	<b>Adjusted (Non- GAAP)</b>	<b>Actual (GAAP)</b>	<b>SBC</b>	<b>Other non- operating adjustments</b>	<b>Adjusted (Non- GAAP)</b>
	<i>(\$ in thousands)</i>							
Revenue	\$ 53,864	\$ -	\$ -	\$ 53,864	\$ 39,049	\$ -	\$ -	\$ 39,049
Cost of revenue	(32,184)	(110)	-	(32,074)	(19,693)	(43)	-	(19,650)
Gross profit	21,680	(110)	-	21,790	19,356	(43)	-	19,399
Gross margin %	40.2%	0.2%	-	40.5%	49.6%	0.1%	-	49.7%
Operating expenses:								
Sales and marketing	(5,789)	(478)	-	(5,311)	(4,595)	(164)	-	(4,431)
Research and development	(7,933)	(279)	-	(7,654)	(5,221)	(188)	-	(5,033)
General and administrative	(3,627)	(468)	-	(3,159)	(2,204)	(460)	-	(1,744)
Income from operations	\$ 4,331	\$(1,335)	\$ -	\$ 5,666	\$ 7,336	\$(855)	\$ -	\$ 8,191
Operating margin %	8.0%	2.5%	-	10.5%	18.8%	2.2%	-	21.0%
Change in fair value of financial liability	-	-	-	-	(5,431)	-	(5,431)	-
Unrealized gain on trading securities	3,783	-	3,783	-	-	-	-	-
<b>Net income (loss) attributable to ACM Research, Inc.</b>	<b>\$ 6,567</b>	<b>\$(1,335)</b>	<b>\$ 3,783</b>	<b>\$ 4,119</b>	<b>\$ (81)</b>	<b>\$(855)</b>	<b>\$ (5,431)</b>	<b>\$ 6,205</b>
Basic EPS	\$ 0.34			\$ 0.22	\$ (0.00)			\$ 0.34
Diluted EPS	\$ 0.30			\$ 0.19	\$ (0.00)			\$ 0.29

	<b>Six Months Ended June 30,</b>							
	<b>2021</b>				<b>2020</b>			
	<b>Actual (GAAP)</b>	<b>SBC</b>	<b>Other non- operating adjustments</b>	<b>Adjusted (Non- GAAP)</b>	<b>Actual (GAAP)</b>	<b>SBC</b>	<b>Other non- operating adjustments</b>	<b>Adjusted (Non- GAAP)</b>
	<i>(\$ in thousands)</i>							
Revenue	\$ 97,596	\$ -	\$ -	\$ 97,596	\$ 63,397	\$ -	\$ -	\$ 63,397
Cost of revenue	(57,871)	(181)	-	(57,690)	(33,813)	(88)	-	(33,725)
Gross profit	39,725	(181)	-	39,906	29,584	(88)	-	29,672
Gross margin %	40.7%	0.2%	-	40.9%	46.7%	0.1%	-	46.8%
Operating expenses:								
Sales and marketing	(11,097)	(983)	-	(10,114)	(7,600)	(258)	-	(7,342)
Research and development	(13,437)	(508)	-	(12,929)	(8,898)	(375)	-	(8,523)
General and administrative	(7,410)	(873)	-	(6,537)	(4,532)	(823)	-	(3,709)
Income from operations	\$ 7,781	\$(2,545)	\$ -	\$ 10,326	\$ 8,554	\$(1,544)	\$ -	\$ 10,098
Operating margin %	8.0%	2.6%	-	10.6%	13.5%	2.4%	-	15.9%
Change in fair value of financial liability	-	-	-	-	(5,431)	-	(5,431)	-
Unrealized gain on trading securities	2,736	-	2,736	-	-	-	-	-
<b>Net income attributable to ACM Research, Inc.</b>	<b>\$ 12,037</b>	<b>\$(2,545)</b>	<b>\$ 2,736</b>	<b>\$ 11,846</b>	<b>\$ 1,624</b>	<b>\$(1,544)</b>	<b>\$ (5,431)</b>	<b>\$ 8,599</b>
Basic EPS	\$ 0.63			\$ 0.62	\$ 0.09			\$ 0.48
Diluted EPS	\$ 0.56			\$ 0.55	\$ 0.08			\$ 0.41

**ACM Research Inc**  
**Prepared Remarks for the Investor Conference Call**  
**for the Second Quarter 2021**

August 6, 2021

**Dr. David Wang (President and Chief Executive Officer)**

We had another productive quarter with solid financial results. We delivered record revenue and shipments with good profitability. Second quarter results reflect ACM's growing customer base, technology leadership, expanding product line, and increased production scale.

Revenue grew to \$54 million, up 38% year-over-year. Shipments were \$82 million up from \$45 million in the second quarter of 2020. We delivered a good balance of growth and profitability, with 40.5% gross margin and 10.4% operating margin. We are committed to driving profitable growth as we increase our investments in R&D to drive innovation, further strengthen our existing product portfolio, and grow our addressable market with new products. On the bottom line, we reported 19 cents of net income per diluted share, compared to 29 cents in the same quarter last year.

We ended the quarter with \$70 million of cash. In addition, we hold SMIC STAR market shares worth \$31 million dollars as of quarter end.

I will now discuss recent operational highlights, on Slide 3.

First, our Q2 revenue growth was broad-based, driven by current and new products and current and new customers. Our Wet Cleaning and Other Front-end processing tools represented 85% of total sales in Q2. We had good growth from our flagship SAPS products, with incremental contribution from our semi-critical tools. Advanced Packaging, other processing tools and Services and Spares grew significantly to 15% of sales versus about 3% last year. The strong growth of this group was driven by Advanced Packaging tools, including the wet etcher, stripper, developer and coater, and a big increase in our service and spares business.

These first-generation semi-critical and advanced packaging tools accelerated our revenue growth and further strengthened our position as a leading supplier in the China semiconductor industry. The higher mix of these products, however, partly diluted our gross margins during this introduction stage. We entered these new market segments to capture the strong demand from our China-based customers, and to deepen the 'moat' that insulates our flagship products from competitors. In cleaning, our newer semi-critical tools extend ACM's flagship SAPS, TEBO and Tahoe products to cover more than 80% of the total cleaning market opportunity. In advanced packaging, our newer ECP ap product line extends our current portfolio with a highly differentiated product.

Putting it all together, we remain committed to our 40-45% corporate gross margin target. As part of our normal product management, we expect improvement in gross margins for our semi-critical and advanced packaging tools. This will come from tighter feature content, as our early models embed a range of options for customer evaluation, and cost-reductions in later-generation models. We also expect cost benefit from volume production. Meanwhile, gross margins for our flagship cleaning products remain consistent with past periods, which we expect to continue.

ACM's strategy is to enter a market with advanced, differentiated products, such as our flagship cleaning products, our ECP tools, advanced furnace tools, and other new innovative products. These products allow us to win major customers, and provides us the profits to fund future product development. It also allows us to enter mid-range or lower end products that may come with lower margins in early stages, but allow us capture a much larger market opportunity as we scale the business. We remain committed to our gross margin targets which we believe we can achieve by balancing continuous innovation at the high-end, with disciplined product management, cost engineering and production scale.

Let's turn to Slide 5, to discuss ACM's growing customer base.

We have five major front-end customers in foundry, 3D-NAND and DRAM. In 2021, we expect the Huahong Group and YMTC to remain our top two customers. We expect good growth from them this year. However, each may represent a lower percentage of total revenue as we expect to see significant growth from other customers. We also expect contributions from SMIC, SK Hynix, and CXMT. Importantly, we recently received new orders for several tools from SMIC for the second half of the year. During the past 12-18 months, our team has done a great job of broadening ACM's tool content at SMIC, including a full range of cleaning products and our ECP tools. We are getting indications of higher demand from SMIC in 2022, but it is still early. SMIC demand is subject to further licensing progress by them with other US equipment suppliers.

We recently added a number of new China-based semiconductor customers who manufacture power, analog, CMOS image sensors, compound semiconductors and other devices. These customers include four of the five Tier-2 players, and a handful of new Tier-3 and other customers. Although each is relatively small, this group of new Tier 2 and Tier 3 customers as a whole could contribute 10% or more to our 2021 revenue. These newer customers are investing in new capacity to support the growth of 5G, IoT, and EV technologies. ACM has good penetration with a range of tools including SAPS, semi-critical cleaning, ECP and Furnace products.

Our third customer group is advanced packaging and other processing customers. Top customers have included JCAP, Tongfu, Nepes and Wafer Works. In Q1, we discussed orders from two additional advanced packaging houses, and we now expect to add more customers as we move through the year. Collectively, we expect significant growth from this group, driven by an increased industry focus on Advanced Packaging, penetration of new customers, and a new product cycle for ACM's ECP ap tools.

Looking ahead, we believe that our current customer base represents a significant opportunity for ACM. Most of these customers are still in early or mid-stages of multi-year capacity expansions. We remain committed to further broadening our customer base, as we believe every major semiconductor manufacturer can benefit from our technology.

Please turn to Slide 6.

We delivered total shipments of \$82 million in the second quarter, a new record in the company's history. Shipments in Q2 were \$28 million higher than revenue. The difference largely represents shipments of first tools awaiting customer acceptance. We view this as a positive indicator as it reflects demand for new products and from new customers. This level of shipments is a testament to ACM's production team at our Chuansha factory. We are scaling capacity to meet strong customer demand in a generally tight supply chain environment. Our in-house high-performance factory and the strength of our manufacturing team are helping us manage the near-term supply chain constraints. This gives us confidence in our ability to navigate the environment entering the second half of this year.

We plan to begin production in the second building of our Chuansha factory in the third quarter of this year. We have increased our capacity plans, and now target a run rate exiting Q4 of this year that represents more than \$500 million of annualized production capacity, up from \$350 million at the beginning of the year. We expect to further increase production capacity in 2022.

Our long-term plan is to build a production and R&D center in the Lingang region of Shanghai. The 1 million square feet of floor space will enable us to increase our annual production capacity to \$1.5 billion. We completed additional architectural and design work in the second quarter, with initial production now targeted in the beginning of 2023.

Please turn to Slide 7.

We continue to invest in new products to broaden our offering. Today, I am pleased to announce Bevel Etch, an extension to our wet product line. This product uses a wet etch method to remove dielectric, metal and organic material films, as well as contaminants on the wafer edge. ACM's etch approach minimizes the impact of edge contamination for later process steps and thus improves manufacturing yield. The Bevel Etch product leverages ACM's wet processing expertise to deliver performance benefits compared to dry approaches. It consumes less chemicals and supports a broad range of device types and process steps, including 3D NAND, DRAM and Advanced Logic Process. We expect to ship our first tool for high volume manufacturing to a China-based logic manufacturer this quarter. Additionally, with ACM's proprietary technology, this new bevel etch product can achieve more accurate and efficient wafer center alignment. This enables a precise bevel etch that will enhance product yields and wafer throughput. In addition, we are currently developing advanced technologies to deepen our leading market position in cleaning, which we will add more products to our portfolio in 2022.

We remain bullish on our ECP product line. In the front-end, smaller geometries require advanced plating solutions. Meanwhile, back-end and advanced packaging are becoming more important as the industry looks for packaging innovations to drive higher performance as the industry moves beyond Moore's Law. Our ECP product line includes the ECP map, a front-end tool for damascene copper interconnection, the ECP tsv for through silicon via, also for front-end, and the ECP ap for advanced packaging. We believe the total global market for ECP will triple from the \$500 million last year, to up to \$1.5 billion in the coming years.

Although we did not recognize ECP revenue in the second quarter, we delivered 3 first tools to 3 customers. We expect to deliver a high volume of ECP tools in the second half of this year, with good revenue contribution from repeat shipments in Q3 and Q4.

We also continue to see strong interest for our Ultra Fn furnace dry processing tool portfolio. We delivered several 'first tools', including doped and non-doped poly LPCVD, in the first half and expect to deliver additional units as we progress through the year. We remain on track to add high temperature oxidation and annealing capabilities to our furnace product line in the third quarter of 2021. Building on that, the next major development in our furnace roadmap is a batch atomic layer deposition, or ALD process. We view this as the most challenging and promising product for advanced manufacturing nodes. We expect the furnace product cycle to become more meaningful in the 2022 timeframe.

We are making significant R&D investments in two major new product categories to achieve our goal of doubling our total addressable market from \$5 billion today, to more than \$10 billion. We continue to bring in top engineering talent to support these programs and are confident our teams will deliver products and move forward with customer evaluations on the first product line in the first half of next year, and the second product line in the second half of 2022.

I am happy to report we made good progress with potential US and Taiwan-based customers since our last call. Despite COVID-related travel restrictions, our team is heavily engaged in business development. We are confident that we can secure orders from at least one new major first tier global semiconductor manufacturer in 2021.

Before I provide our updated 2021 outlook, let's discuss the status of the STAR Market IPO of ACM Shanghai. We continue to make good progress. On June 10, 2021, the Shanghai Stock Exchange Commission submitted ACM Shanghai's application for registration for its STAR Market IPO to the China Securities Regulatory Commission (CSRC), moving us a step closer towards our goal. We are hopeful that the CSRC approves and completes our registration soon. When we receive CSRC approval, we estimate that the issuance process will take another 1-2 months. Keep in mind that the timing is subject to numerous factors outside ACM Shanghai's control. We are confident that an eventual STAR Market listing combined with our Nasdaq listing can provide a strong foundation to accelerate our mission to become a major global player in the semiconductor equipment industry.

Now let's move to our 2021 outlook, on Slide 8.

Our guidance reflects optimism about our growth opportunities for 2021. Based on our strong results through the second quarter, and improved visibility for demand and our supply chain through year end, we have raised outlook for the full year. We now expect revenue to be between \$225 million and \$240 million, up from the prior range of \$205 million to \$230 million. The revised revenue range represents 48% annual growth at the mid-point.

Our updated outlook for 2021 is based on several key assumptions:

- First, the global COVID-19 situation continues to improve,
- Second, stability in the U.S.-China trade policy,
- Third, a range of spending scenarios for the production ramps of key customers,
- Fourth, variance in the trajectory of the DRAM recovery, and
- Finally, a range of timing of customer acceptances of first tools.

Our results and outlook demonstrate successful execution of our strategy. Our strong growth is supporting additional R&D spending on new products. We are building our global sales and marketing resources to penetrate new customers in new regions. And we are scaling production capacity to support our long-term growth plan. Our mission to become a major equipment supplier to the global semiconductor industry remains on track.

To conclude, I would like to thank our employees for their hard work and dedication. I also want to thank our customers, partners and shareholders for their continued support and confidence in ACM Research. I will now turn the call over to Mark, to discuss the financial results in more detail. Mark?



**Mark McKechnie (Chief Financial Officer)**

Thank you, David. Good day, everyone.

We delivered solid financial results in the second quarter. Unless I note otherwise, I will refer to non-GAAP financial measures, which excludes stock-based compensation and unrealized gain and trading securities. A reconciliation of these non-GAAP measures to the comparable GAAP measures is included in our earnings release.

Now on the second quarter shown on Slide 9.

Revenue was \$53.9 million, up 37.9%. Revenue for single-wafer cleaning tools, which include SAPS, TEBO, Tahoe and our semi-critical cleaning, was \$45.5 million, up 36.4% from \$33.3 million.

We had no revenue for ECP furnace or other technologies during the second quarter. As David noted, however, we delivered 3 first tools in the quarter, and we expect more revenue contribution in the back half of the year.

Revenue for advanced packaging, excluding ECP, services and spares, was \$8.4 million, up from \$1.2 million in 2020. Total shipments were \$82 million versus \$45 million in the second quarter of 2020 and \$74 million in the first quarter of 2021. This includes deliveries for revenue in the quarter and deliveries of systems awaiting customer acceptance for potential revenue in future quarters. This represents another quarter of record shipments, a great accomplishment by a production team given industry-wide supply constraints.

Gross margin was 40.5% versus 49.7%. This was at the lower end of our normal expectation range of 40% to 45%. The decrease in gross margin, as David mentioned, was due in large part to product mix. We expect gross margin to continue to vary on a quarterly basis due to a variety of factors, including product mix and manufacturing utilization.

Operating expenses were \$16.1 million versus \$11.2 million. The increase in operating expenses reflected higher R&D on new products, our expanded U.S. sales team and legal costs related to our U.S. civil suit and the China STAR Market IPO. R&D expenses grew by 52% to \$7.7 million or 14.2% of sales versus \$5.5 million or 12.9% of sales last year. The increased R&D intensity reflects ACM's commitment to new products and innovation. We expect to continue to increase our R&D spending in 2022.

Operating income was \$5.7 million, down from \$8.2 million. Operating margin was 10.5% versus 21%.

Unrealized gain on trading securities related to the change in the market value of our SMIC investment was \$3.8 million in the second quarter of 2021. Note that we exclude this noncash item from our non-GAAP results.

Tax expense was \$15,000 versus \$1.9 million in the year ago period.

Net income attributable to ACM Research was \$4.1 million versus \$6.2 million in the year ago period.

Net income per diluted share was \$0.19 compared to \$0.29 in Q2 of 2020.

Tax items and the effects of foreign exchange fluctuations on operating results provided a net headwind of \$0.3 million or \$0.01 per share in the second quarter of 2021 versus a net headwind of \$0.9 million or \$0.04 per share in the second quarter of 2020.

We'll now review selected balance sheet items.

Our cash balance was \$70.2 million at the end of the second quarter versus \$78.8 million at the end of the first quarter. In addition to the cash balance, we also had trading securities of \$31.3 million related to our SMIC investment. This includes a significant unrealized gain from our original purchase price.

Total inventory was \$136.9 million at the quarter end, up by \$33.6 million from the prior quarter. The quarter-on-quarter increase was driven by 2 items. First, finished goods inventory grew by \$68 million to \$64 million. This represents first tools that have been delivered to customers for evaluation and are carried on our balance sheet at cost pending potential customer acceptance. The second item is work in process and raw materials, which in total grew by \$16.8 million from the prior quarter. This was due to purchases to support shipment growth expected for the remainder of the year.

Short-term borrowings at quarter end were [\$22 million,] down from \$23.5 million at the end of the first quarter. Long-term borrowings were \$18.7 million, up \$1.3 million from the first quarter.

Cash flow used by operations was approximately \$10 million for the second quarter, but it was slightly positive for the first half of the year.

For 2021, our base case plan for capital spending is about \$15 million. This includes \$2.8 million already spent through the first half of the year. Our 2021 investments will be primarily focused on capacity increases at our Chuansha factories, investments to support our R&D programs and planning and some initial spending on Lingang.

In sum, we continue to execute on our strategy. We are providing -- we are participating in the growth of major new IC fabs. We're ramping production, and we're developing and delivering new products to a growing list of customers. We're positive on our opportunities in China and expansion outside of China. We remain committed to achieving our mission to become a major player in the semiconductor equipment market.

Let's now open the call for any questions that you may have. Operator, please go ahead.

Closing:

Thanks, operator, and everyone for participating on the call. I just want to mention some upcoming investor relations events.

On August 24, we're going to present at the Needham Second Annual Virtual Semi-Camp and EDA conference.

On August 31, we'll present at the Jefferies Virtual Semiconductor, IT, Hardware and Communications Infrastructure Summit.

In addition, we'll present at the Jefferies Asia Forum on September 9 and the 22nd Credit Suisse and Asian Technology Conference on September 10.

Attendance at these conferences is by invitation-only for clients of each respective firm. So interested investors, please contact your respective sales representative to register for one-on-one meetings to secure time. So this concludes the call. Thank you, everyone, and you may now disconnect.