

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 4, 2023

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.)

42307 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	The Nasdaq Stock Market LLC

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 4, 2023, we issued a press release announcing financial results for the second quarter of 2023. 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 4, 2023 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 the exhibit 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 7.01 Regulation FD Disclosure.

We held an investor conference call on August 4, 2023. 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.**

Exhibit	Description
99.01	Press Release of ACM Research, Inc. dated August 4, 2023
99.02	Script of conference call of ACM Research, Inc. held August 4, 2023
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 7, 2023



ACM Research Reports Second Quarter 2023 Results

FREMONT, Calif., August 04, 2023 (Globe Newswire) – ACM Research, Inc. (“ACM” or the “Company”) (NASDAQ: ACMR), a leading supplier of wafer processing solutions for semiconductor and advanced wafer-level packaging applications, today reported financial results for its second quarter ended June 30, 2023.

“I am pleased with our second quarter results, with strong revenue growth and good profitability, as our operations have largely returned to a “new-normal” following several years of COVID-related disruptions,” said ACM’s President and Chief Executive Officer, Dr. David Wang. “Our results demonstrate good spending on mature nodes and market share gains at our customer base, together with penetration from new products and new customers.”

Dr. Wang continued, “We continue to expect growth in 2023, driven by continued investments in mature node capacity by our China-based customers, and growing traction for our multi-product portfolio. We are moving forward with longer-term growth initiatives, with technical progress for our Track and PECVD platforms, continued evaluation of two cleaning tools at the U.S. facility of a major U.S.-based semiconductor manufacturer, and we plan to deliver our first evaluation tool to a major European semiconductor manufacturer during the fourth quarter of 2023. We are excited to begin initial production at our facility in Lingang, Shanghai later this year, and we continue to expand our operations in Korea to support the global market opportunity.”

	Three Months Ended June 30,			
	GAAP		Non-GAAP(1)	
	2023	2022	2023	2022
	<i>(dollars in thousands, except EPS)</i>			
Revenue	\$ 144,577	\$ 104,395	\$ 144,577	\$ 104,395
Gross margin	47.5%	42.3%	47.6%	42.4%
Income from operations	\$ 30,430	\$ 20,035	\$ 32,447	\$ 22,004
Net income attributable to ACM Research, Inc.	\$ 26,825	\$ 12,236	\$ 31,297	\$ 14,628
Basic EPS	\$ 0.45	\$ 0.21	\$ 0.52	\$ 0.25
Diluted EPS	\$ 0.41	\$ 0.18	\$ 0.48	\$ 0.22

	Six Months Ended June 30,			
	GAAP		Non-GAAP(1)	
	2023	2022	2023	2022
	<i>(dollars in thousands, except EPS)</i>			
Revenue	\$ 218,833	\$ 146,581	\$ 218,833	\$ 146,581
Gross margin	49.6%	43.6%	49.8%	43.7%
Income from operations	\$ 39,292	\$ 10,729	\$ 43,377	\$ 14,072
Net income attributable to ACM Research, Inc.	\$ 33,970	\$ 6,450	\$ 41,164	\$ 14,074
Basic EPS	\$ 0.57	\$ 0.11	\$ 0.69	\$ 0.24
Diluted EPS	\$ 0.52	\$ 0.10	\$ 0.63	\$ 0.21

(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 and, with respect to net income (loss) attributable to ACM Research, Inc. and basic and diluted earnings per share, also exclude unrealized loss on trading securities.

Outlook

The Company is maintaining its revenue guidance range for fiscal year 2023 of \$515 million to \$585 million. This expectation is based on ACM management's current assessment of the continuing impact from international trade policy together with various expected spending scenarios of key customers, supply chain constraints, and the timing of acceptances for first tools under evaluation in the field, among other factors.

Operating Highlights and Recent Announcements

- **Shipments.** Total shipments in the second quarter of 2023 were \$153 million, up 37% from the second quarter of 2022. Total shipments include deliveries for revenue in the quarter and deliveries of first tool systems awaiting customer acceptance for potential revenue in future quarters.
- **Dividend.** During its June 27, 2023 annual stockholder meeting, the stockholders of ACM Research (Shanghai), Inc. ("ACM Shanghai"), approved, amongst other items, a dividend to be paid to its stockholders. The amount of the approved dividend is RMB 0.372 per share for an aggregate total of approximately RMB 161.3 million (approximately \$22.2 million).
- **Auditor Resignation.** On July 21, 2023, the Company was informed by Armanino LLP ("Armanino"), the Company's current independent auditor, that Armanino will resign as the Company's independent registered public accounting firm effective as of the earlier of (a) the date the Company engages a new independent registered public accounting firm or (b) the filing of the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2023. Armanino advised the Company that its decision to resign was due to Armanino's decision to exit from the practice of providing financial statement audit services to all public companies. In light of Armanino's determination, the Audit Committee of the Company's Board of Directors has initiated a process to select and appoint a new public accounting firm to serve as the Company's independent registered public accountant commencing with the audit of the Company's financial statements for the fiscal year ending December 31, 2023.

Financial Summary

Unless otherwise noted, the following figures refer to the second quarter of 2023 and comparisons are with the second quarter of 2022.

- **Revenue** was \$144.6 million, up 38.5%, reflecting higher sales of single wafer cleaning, Tahoe and semi-critical cleaning equipment, and higher sales of Advance packaging (excluding ECP), services and spares.
- **Gross margin** was 47.5%, up from 42.3%. Non-GAAP gross margin, which excludes stock-based compensation, was 47.6%, up from 42.4%. Gross margin exceeded the range of 40% to 45% reflected in the Company's long-term business model. The increase in gross margin was due to a favorable product mix, improved gross margins for specific product lines, and a favorable impact from fluctuations in the RMB to U.S. dollar exchange rate. The Company expects gross margin to vary from period to period due to a variety of factors, such as product mix, currency impacts and sales volume.
- **Operating expenses** were \$38.2 million, an increase of 58.4%. Non-GAAP operating expenses, which exclude the effect of stock-based compensation, were \$36.3 million, up 62.9%. Operating expenses as a percent of revenue increased to 26.4% from 23.1%. Non-GAAP operating expenses as a percent of revenue increased to 25.1% from 21.4%.
- **Operating income** was \$30.4 million, up from \$20.0 million. Non-GAAP operating income, which excludes the effect of stock-based compensation, was \$32.4 million, up from \$22.0 million.
- **Unrealized loss on trading securities** was \$2.5 million. The loss reflects the change in market value of the investments by ACM Shanghai in trading securities. The value is marked-to-market quarterly and is excluded in the non-GAAP financial metrics.
- **Realized gain from sale of trading securities** was \$3.9 million, which generated net proceeds of \$6.6 million.
- **Income tax expense** was \$7.6 million, compared to \$7.7 million. As a result of a change in Section 174 of the U.S. Internal Revenue Code of 1986, as amended, that became effective on January 1, 2022, the Company's effective tax rate remains elevated, due primarily to the requirement to capitalize and amortize previously deductible research and experimental expenses.
- **Net income attributable to ACM Research, Inc.** was \$26.8 million, up from \$12.2 million. Non-GAAP net income attributable to ACM Research, Inc., which excludes the effect of stock-based compensation and unrealized loss on trading securities, was \$31.3 million, up from \$14.6 million.
- **Net income per diluted share attributable to ACM Research, Inc.** was \$0.41, up from \$0.18. Non-GAAP net income per diluted share, which excludes the effect of stock-based compensation and unrealized loss on trading securities, was \$0.48, up from \$0.22.
- **Cash and cash equivalents** were \$257.4 million at June 30, 2023, versus \$260.4 million at March 31, 2023. Cash and cash equivalents, plus restricted cash and time deposits, were \$376.1 million at June 30, 2023, versus \$381.7 million at March 31, 2023.

Conference Call Details

A conference call to discuss results will be held on Friday, August 4, 2023, at 8:00 a.m. Eastern Time (8:00 p.m. China Time). To join the conference call via telephone, participants must use the following link to complete an online registration process. Upon registering, each participant will receive email instructions to access the conference call, including dial-in information and a PIN number allowing access to the conference call. This pre-registration process is designed by the operator to reduce delays due to operator congestion when accessing the live call.

Online Registration: <https://register.vevent.com/register/BI9f104c7f57ab43bea588812dcca24b97>

Participants who have not pre-registered may join the webcast by accessing the link at ir.acmrcsh.com/events.

A live and archived webcast will be available on the Investors section of the ACM website at www.acmrcsh.com.

Use of Non-GAAP Financial Measures

ACM presents non-GAAP gross margin, operating expenses, operating income, net income 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 earnings per share 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 GAAP to non-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 this press release are not historical facts and may be forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as "plans," "expects," "believes," "anticipates," "designed," and similar words are intended to identify forward-looking statements. Forward-looking statements are based on ACM management's current expectations and beliefs, and involve a number of risks and uncertainties that are difficult to predict and that could cause actual results to differ materially from those stated or implied by the forward-looking statements. A description of certain of these risks, uncertainties and other matters can be found in filings ACM makes with the U.S. Securities and Exchange Commission, all of which are available at www.sec.gov. Because forward-looking statements involve risks and uncertainties, actual results and events may differ materially from results and events currently expected by ACM. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. 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 with regard to these forward-looking statements or the occurrence of unanticipated events.

About ACM Research, Inc.

The Company 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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ACM RESEARCH, INC.
Condensed Consolidated Balance Sheets

	<u>June 30, 2023</u>	<u>December 31, 2022</u>
	<i>(Unaudited)</i>	
	<i>(In thousands)</i>	
Assets		
Current assets:		
Cash and cash equivalents	\$ 257,420	\$ 247,951
Restricted cash	582	500
Short-term time deposits	6,000	70,492
Trading securities	6,375	20,209
Accounts receivable	200,745	182,936
Other receivables	34,491	29,617
Inventories	471,094	393,172
Advances to related party	1,155	3,322
Prepaid expenses	18,970	15,607
Total current assets	996,832	963,806
Property, plant and equipment, net	159,013	82,875
Land use right, net	8,290	8,692
Operating lease right-of-use assets, net	7,809	2,489
Intangible assets, net	2,107	1,255
Long-term time deposits	112,104	101,956
Deferred tax assets	11,249	6,703
Long-term investments	16,122	17,459
Other long-term assets	3,388	50,265
Total assets	\$ 1,316,914	\$ 1,235,500
Liabilities and Equity		
Current liabilities:		
Short-term borrowings	\$ 53,976	\$ 56,004
Current portion of long-term borrowings	3,239	2,322
Related party accounts payable	11,879	14,468
Accounts payable	106,861	101,735
Advances from customers	195,485	153,773
Deferred revenue	5,050	4,174
Income taxes payable	10,324	3,469
FIN-48 payable	6,446	6,686
Other payables and accrued expenses	59,997	52,201
Current portion of operating lease liability	3,042	1,382
Total current liabilities	456,299	396,214
Long-term borrowings	15,899	18,687
Long-term operating lease liability	4,767	1,107
Other long-term liabilities	6,566	7,321
Total liabilities	483,531	423,329
Commitments and contingencies		
Equity:		
Stockholders' equity:		
Class A Common stock	5	5
Class B Common stock	1	1
Additional paid-in capital	612,699	604,089
Retained earnings	124,284	94,426
Statutory surplus reserve	16,881	16,881
Accumulated other comprehensive loss	(61,916)	(40,546)
Total ACM Research, Inc. stockholders' equity	691,954	674,856
Non-controlling interests	141,429	137,315
Total equity	833,383	812,171
Total liabilities and equity	\$ 1,316,914	\$ 1,235,500

Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	<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	\$ 144,577	\$ 104,395	\$ 218,833	\$ 146,581
Cost of revenue	75,938	60,238	110,208	82,738
Gross profit	68,639	44,157	108,625	63,843
Operating expenses:				
Sales and marketing	11,439	7,664	20,776	14,361
Research and development	20,064	11,367	34,093	28,713
General and administrative	6,706	5,091	14,464	10,040
Total operating expenses	38,209	24,122	69,333	53,114
Income from operations	30,430	20,035	39,292	10,729
Interest income	2,346	2,144	4,131	3,949
Interest expense	(649)	(306)	(1,344)	(567)
Realized gain from sale of trading securities	3,919	-	7,913	-
Unrealized loss on trading securities	(2,455)	(423)	(3,109)	(4,281)
Other income, net	3,724	2,505	2,306	2,742
Equity income in net income of affiliates	3,920	472	3,888	401
Income before income taxes	41,235	24,427	53,077	12,973
Income tax expense	(7,638)	(7,679)	(10,517)	(3,668)
Net income	33,597	16,748	42,560	9,305
Less: Net income attributable to non-controlling interests	6,772	4,512	8,590	2,855
Net income attributable to ACM Research, Inc.	\$ 26,825	\$ 12,236	\$ 33,970	\$ 6,450
Comprehensive income (loss):				
Net income	33,597	16,748	42,560	9,305
Foreign currency translation adjustment	(35,269)	(40,372)	(25,846)	(37,918)
Comprehensive Income (loss)	(1,672)	(23,624)	16,714	(28,613)
Less: Comprehensive income (loss) attributable to non-controlling interests and redeemable non-controlling interests	652	(2,248)	4,114	(3,321)
Comprehensive income (loss) attributable to ACM Research, Inc.	\$ (2,324)	\$ (21,376)	\$ 12,600	\$ (25,292)
Net income attributable to ACM Research, Inc. per common share:				
Basic	\$ 0.45	\$ 0.21	\$ 0.57	\$ 0.11
Diluted	\$ 0.41	\$ 0.18	\$ 0.52	\$ 0.10
Weighted average common shares outstanding used in computing per share amounts:				
Basic	59,898,149	59,177,643	59,817,903	59,003,484
Diluted	64,929,638	65,478,677	64,968,900	65,772,973

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	<i>(\$ in thousands)</i>			
Single wafer cleaning, Tahoe and semi-critical cleaning equipment	\$ 112,528	\$ 72,583	\$ 149,142	\$ 98,616
ECP (front-end and packaging), furnace and other technologies	19,117	20,500	45,715	32,748
Advanced packaging (excluding ECP), services & spares	12,932	11,312	23,976	15,217
Total Revenue By Product Category	\$ 144,577	\$ 104,395	\$ 218,833	\$ 146,581
Wet-cleaning and other front-end processing tools	\$ 122,415	\$ 79,553	\$ 178,797	\$ 111,254
Advanced packaging, other processing tools, services and spares	22,162	24,842	40,036	35,327
Total Revenue Front-end and Back-End	\$ 144,577	\$ 104,395	\$ 218,833	\$ 146,581
	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Mainland China	\$ 134,767	\$ 100,275	\$ 207,226	\$ 142,405
Other Regions	9,810	4,120	11,607	4,176
Total Revenue By Region	\$ 144,577	\$ 104,395	\$ 218,833	\$ 146,581

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 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 attributable to ACM Research, Inc., and basic and diluted earnings per share exclude unrealized gain on trading securities. The following table reconciles gross margin, operating expenses, operating income, net income attributable to ACM Research, Inc., and basic and diluted earnings per share to the related non-GAAP financial measures:

	Three Months Ended June 30,							
	2023				2022			
	Actual (GAAP)	SBC	Other non- operating adjustments	Adjusted (Non- GAAP)	Actual (GAAP)	SBC	Other non- operating adjustments	Adjusted (Non- GAAP)
	<i>(In thousands)</i>							
Revenue	\$ 144,577	\$ -	\$ -	\$ 144,577	\$ 104,395	\$ -	\$ -	\$ 104,395
Cost of revenue	(75,938)	(125)	-	(75,813)	(60,238)	(140)	-	(60,098)
Gross profit	68,639	(125)	-	68,764	44,157	(140)	-	44,297
Operating expenses:								
Sales and marketing	(11,439)	(431)	-	(11,008)	(7,664)	(574)	-	(7,090)
Research and development	(20,064)	(709)	-	(19,355)	(11,367)	(656)	-	(10,711)
General and administrative	(6,706)	(752)	-	(5,954)	(5,091)	(599)	-	(4,492)
Total operating expenses	(38,209)	(1,892)	-	(36,317)	(24,122)	(1,829)	-	(22,293)
Income (loss) from operations	\$ 30,430	\$ (2,017)	\$ -	\$ 32,447	\$ 20,035	\$ (1,969)	\$ -	\$ 22,004
Unrealized loss on trading securities	(2,455)	-	(2,455)	-	(423)	-	(423)	-
Net income (loss) attributable to ACM Research, Inc.	\$ 26,825	\$ (2,017)	\$ (2,455)	\$ 31,297	\$ 12,236	\$ (1,969)	\$ (423)	\$ 14,628
Basic EPS	\$ 0.45			\$ 0.52	\$ 0.21			\$ 0.25
Diluted EPS	\$ 0.41			\$ 0.48	\$ 0.18			\$ 0.22

	Six Months Ended June 30,							
	2023				2022			
	Actual (GAAP)	SBC	Other non- operating adjustments	Adjusted (Non- GAAP)	Actual (GAAP)	SBC	Other non- operating adjustments	Adjusted (Non- GAAP)
	<i>(In thousands)</i>							
Revenue	\$ 218,833	\$ -	\$ -	\$ 218,833	\$ 146,581	\$ -	\$ -	\$ 146,581
Cost of revenue	(110,208)	(250)	-	(109,958)	(82,738)	(253)	-	(82,485)
Gross profit	108,625	(250)	-	108,875	63,843	(253)	-	64,096
Operating expenses:								
Sales and marketing	(20,776)	(862)	-	(19,914)	(14,361)	(928)	-	(13,433)
Research and development	(34,093)	(1,410)	-	(32,683)	(28,713)	(1,067)	-	(27,646)
General and administrative	(14,464)	(1,563)	-	(12,901)	(10,040)	(1,095)	-	(8,945)
Total operating expenses	(69,333)	(3,835)	-	(65,498)	(53,114)	(3,090)	-	(50,024)
Income from operations	\$ 39,292	\$ (4,085)	\$ -	\$ 43,377	\$ 10,729	\$ (3,343)	\$ -	\$ 14,072
Unrealized loss on trading securities	(3,109)	-	(3,109)	-	(4,281)	-	(4,281)	-
Net income (loss) attributable to ACM Research, Inc.	\$ 33,970	\$ (4,085)	\$ (3,109)	\$ 41,164	\$ 6,450	\$ (3,343)	\$ (4,281)	\$ 14,074
Basic EPS	\$ 0.57			\$ 0.69	\$ 0.11			\$ 0.24
Diluted EPS	\$ 0.52			\$ 0.63	\$ 0.10			\$ 0.21



Q2 2023 Earnings Conference Call*Aug 4, 2023**8:00 AM EDT (New York)**8:00 PM CST (Shanghai)***Operator**

Good day, ladies and gentlemen. Thank you for standing by, and welcome to the ACM Research second quarter 2023 Earnings Conference Call. Currently, all participants are in listen-only mode. Later, we will conduct a question-and-answer session, and instructions will follow at that time. As a reminder, we are recording today's call. If you have any objections, you may disconnect at this time.

Now I will turn the call over to Mr. Yujia Zhai, Managing Director of The Blueshirt Group. Mr. Zhai, please go ahead.

Yujia Zhai – The Blueshirt Group

Good morning, everyone. Thank you for joining us on today's call to discuss second quarter 2023 results. We released results before the U.S. market opened today. The release is available on our website, as well as from newswire services. There is also a supplemental slide deck posted to the investor portion of our website that we will reference during our prepared remarks.

On the call with me today are our CEO Dr. David Wang, our CFO Mark McKechnie, and Lisa Feng, the CFO of our operating subsidiary, ACM Shanghai.

Before we continue, please turn to **Slide 2**. Let me remind you that remarks made during this call may include predictions, estimates or other information that might be considered forward-looking. These forward-looking statements represent ACM's current judgment for the future. However, they are subject to risks and uncertainties that could cause actual results to differ materially. Those risks are described under "Risk Factors" and elsewhere in ACM's filings with the Securities and Exchange Commission. Please do not place undue reliance on these forward-looking statements, which reflect ACM's opinions only as of the date of this call. ACM is not obliged to update you on any revisions to these forward-looking statements.

Certain of the financial results that we provide on this call will be on a non-GAAP basis, which excludes stock-based compensation, and an unrealized gain/loss in trading securities. For our GAAP results and reconciliations between GAAP and non-GAAP amounts, you should refer to our earnings release which is posted on the IR section of our website, and Slide 12.

With that, let me now turn the call over to David Wang, who will begin with **Slide 3**. David?

David Wang– President and CEO

Thanks, Yujia. Hello everyone, and welcome to ACM Research’s second quarter 2023 earnings conference call.

Please turn to slide 3.

For the second quarter:

- Revenue was \$144.6 million, up 39% from the same quarter last year.
- Shipments were \$153 million, up 37% from the same quarter last year.
- Gross margin was 47.6% and operating margin was 22.4%.
- We achieved record revenue and EPS as our operations and industry supply-chains largely returned to a “new-normal” following several years of COVID-related disruptions.

These results were driven by strong mature node spending by our China customers, market share gains, and penetration of new products and new customers. Let me touch on each of these, **beginning with mature node investment in China:**

Last year, following the U.S China trade restrictions, some industry analysts predicted China’s WFE market would decline dramatically. At the time, we predicted a fairly quick shift to spending on mature nodes in China. After an expected pause as industry adjusted to the new export regulations, our prediction appears to be playing out as we are now seeing broad signs that China is indeed speeding up its capacity expansion in mature nodes. This is driven by the substantial gap between China’s mature node capacity and end market consumption.

We see continued investment in 28 nanometer, 45 nanometer and above front end fab capacity. We also see a ramp up of EV production in China as a driver of China based investment in both Power devices and other 28 and 45 nano devices. This creates a good tailwind for us that we believe is still in the early stages. As China intensifies efforts to boost its domestic semiconductor capabilities, we believe we are well-positioned to benefit and further increase our market share due to our strong market position, leading differentiated technology and broad, multi-product portfolio.

Moving to Products: please turn to slide 4.

- **Single wafer cleaning, Tahoe and semi-critical cleaning grew 55%.** In the last few years, we introduced and began ramping our semi-critical product line, including auto bench and then last year, we introduced bevel etcher and high temperature SPM tools. Over the past quarter, we introduced super-critical CO2 dry. Now, ACM has one of the broadest cleaning product portfolios in the industry, covering nearly 90% of all cleaning process step. We believe this product portfolio will play a key role among mature nodes development in China and advanced nodes in our international efforts going forward.
- **ECP, Furnace and other technologies,** declined 7% due to quarterly fluctuation. However, for the first six months of 2023, ECP, Furnace and other technologies grew 40% year-over-year. Growth in this category was driven primarily by the ECP product cycle with some contribution from furnace. Our higher-temperature anneal and LPCVD furnaces, including Silicon Nitride and Poly and ALD have expanded to multiple customers and are under evaluation.
- **Advanced packaging (excluding ECP), services and spares grew 14% in Q2 and 58% year-to-date.** This category includes a range of packaging tools, including coater, developer, scrubber, PR stripper and wet etchers, and services and spare parts. ACM is the only company that offers both a full set of wet tools and the advanced plating tool. We believe advanced packaging will become more important as the industry looks for packaging innovation such as 2.5D and 3D interposals and Fanout to drive higher performance for new applications such as AI and GPT.
- **Finishing up on products, we continue to make good progress on sales efforts with our new Track and PECVD platforms.** We are in active discussions with our key customers and we plan to deliver more evaluation tools this year. Similar to our cleaning, plating and furnace product lines, our Track and PECVD platforms have proprietary technology that we believe will make them winners with major customers both in China and outside China.

Moving on to customers, please turn to slide 5.

- We continued to make progress on customers both inside China and internationally.
- In China, we believe ACM's tools are now used by nearly all the semiconductor manufacturers. Our sales and services teams are working to expand the deployment of each of our major product lines across our growing customer base. In addition to our current customers, we are also seeing a good number of well-funded new entrants. Our team has done a good job of getting good traction for our products with these customers. As these are new customers, these will be reflected in our shipments this year until customer acceptance at a later date.

- Also, as some of you may have heard, on July 21st, 2023, Hua Hong Semiconductor, a great strategic customer, announced the pricing of its Shanghai STAR market IPO and is expected to start trading soon. The total proceeds were 21.2 billion RMB or approximately \$3 billion dollars.
- In the U.S., the evaluation at our key customer is progressing well, and we remain optimistic for qualification later this year.
- In Europe, we announced an order for our first evaluation tool from a major semiconductor manufacturer in the first quarter of this year. The tool is planned for delivery in early Q4, and we are beginning to build a local services team to support the effort.

To support our growth initiatives, we continue make progress on our facilities expansion in China and other regions. Please turn to slide 6.

- In China, construction of our Lingang production and R&D center is nearly complete and is expected to begin initial production later this year.
- In Korea, as noted in prior calls, we have increased our commitment in this region. We believe a stronger commitment to Korea will improve our relationship with our key customer SK Hynix and others. In Q1 of this year, we completed the purchase of land in the high-tech area outside of Icheon, as the site for a new R&D and production center.
- In the U.S., as noted last quarter, we leased a facility in Oregon to add to our services support and demonstration capabilities for R&D and customer activities in the region.

As a reminder, for 2023, we expect to spend about \$100 million capex. This includes continued investments in our Lingang facilities, remodeling for our new headquarters for ACM Shanghai, and our investments in Korea and the U.S.

I will now provide our outlook for the full year 2023. **Please turn to slide 9.**

We are reaffirming our 2023 revenue outlook to be in the range of \$515 to \$585 million. The range of our outlook reflects, among other things, management's current assessment of the continuing impact from international trade policy together with various expected spending scenarios of key customers, supply chain constraints, and the timing of acceptances for first tools under evaluation in the field.

Now let me turn the call over to our CFO Mark, who will review details of our second quarter results. Mark?

Mark McKechnie, Chief Financial Officer

Thank you, David, and good day, everyone. Please turn to **Slide 10**.

Unless I note otherwise, I will refer to non-GAAP financial measures, which exclude stock-based compensation and unrealized loss on trading securities. A reconciliation of these non-GAAP measures to comparable GAAP measures is included in our earnings release. Also, unless otherwise noted, the following figures refer to the second quarter of 2023 and comparisons are with the second quarter of 2022.

I will now provide financial highlights for the second quarter:

Revenue was \$144.6 million, up 38.5%. Total shipments were \$153.4 million, up 37%.

- Revenue for single wafer cleaning tools and semi-critical cleaning was \$112.5 million, up 55.0%.
- Revenue for ECP, Furnace, and other technologies was \$19.1 million, down 6.7%. For the first six months of 2023, this category grew by 39.6% versus the prior year period.
- Revenue for Advanced Packaging (excluding ECP), services & spares was \$12.9 million, up 14.3%.

Gross margin was 47.6%, up from 42.4%. This exceeded our normal expected range of 40-45%. The increase in gross margin was primarily due to a favorable product mix, improved gross margins for specific product lines, and a favorable impact from fluctuations in the RMB to U.S. dollar exchange rate. We expect gross margin to continue to vary from period to period due to a variety of factors, such as sales volume, product mix and currency impacts.

Operating expenses were \$36.3 million, up from \$22.3 million. The increase was due to higher R&D, sales and marketing and G&A costs in support of our new customer and new product activities, and a boost in post-COVID travel.

Operating income was \$32.4 million, up from \$22.0 million. Operating margin was 22.4%, up from 21.1%.

We recorded a realized gain of \$3.9 million from the sale of trading securities for the quarter. Recall that realized gains *are* included in non-GAAP earnings.

Income tax expense was \$7.6 million, down from \$7.7 million. Recall that as a result of a change in Section 174 of the U.S. Internal Revenue Code, our effective tax rate remains elevated, primarily due to the requirement to capitalize and amortize previously deductible research and experimental expenses.

Net income attributable to ACM Research was \$31.3 million, up from \$14.6 million.

Net income per diluted share was \$0.48, up from \$0.22.

I will now review selected balance sheet items:

Cash and cash equivalents, restricted cash and time deposits were \$376.1 million at the end of the second quarter, versus \$381.7 million at the end of the first quarter.

Total inventory was \$471.1 million at the end of second quarter, generally flat versus the end of first quarter.

Capital expenditures for the second quarter were about \$6.7 million.

I will now provide an update on our Auditor situation:

- On July 21, 2023, Armanino informed us it will resign as our independent auditor, effective as of the earlier of (a) when we engage a new auditor, or (b) the filing of this year's third quarter 10-Q report. They advised us this was due to their decision to exit from the practice of providing financial statement audit services to all public companies. As a result, our Audit Committee has begun the process to select and appoint a new auditor.
- We filed an 8-K with the full details on July 27, 2023, and I would note we have also seen a number of similar filings from other Armanino clients.
- Regarding the search for a new auditor, we are considering several options, including US and China-based auditors.

That concludes our prepared remarks. Now let's open the call for any questions that you may have. Operator, please go ahead.

Operator

Thank you. Seeing no more questions in the queue, let me turn the call back to David Wang for closing remarks.

David Wang – President and CEO

Thank you, operator and thank you all for participating on today's call and for your support. Before we close, Yujia is going to mention our upcoming investor relations events. Yujia, please.

Yujia Zhai – The Blueshirt Group

Thanks, David.

From Aug 22 to 23, we will present at the 4th Annual Needham Virtual Semiconductor & SemiCap 1x1 Conference.

From Aug 29th to 30th, we will present at the 20th Jefferies Annual Semiconductor Conference in Chicago of the US.

On September 13th, we will present at the Benchmark 10th Annual TMT 1x1 Conference in New York City of the US.

Attendance at conference is by invitation-only for clients of each respective firm. So interested investors, please contact your respective sales representative to register and for one-on-one meetings to secure time.

This concludes the call, and you may now disconnect.