NASDAQ:ACMR Q2 2025 Earnings Call Transcript

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Operator | Operator:

Good day, ladies and gentlemen. Thank you for standing by, and welcome to the ACM Research Second Quarter 2025 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're recording today's call. If you have any objections, you may disconnect at this time. Now I will turn the call over to Mr. Stephen Palao, Managing Director of the Blue Shirt Group. Stephen, please go ahead.

Stephen Palao | Managing Director, Blue Shirt Group:

Thank you. Good day, everyone. Thank you for joining us to discuss Second Quarter 2025 results, which we released before the US market opened today. The release is available on our website, as well as from our Newswire services. There is also a supplemental slide deck posted in the Investors section of our website that we will reference during our prepared remarks today. On the call with me today are our CEO, David Wang, our CFO, Mark McKechnie, and Lisa Feng, our CFO of our operating subsidiary, ACM Shanghai. Before we continue, please turn to slide two. Let me remind you that the 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 other financial results that we provide on this call will be on a non-GAAP basis, which excludes stock-based compensation and unrealized gain and loss on short-term investments. For our GAAP results and reconciliation between GAAP and non-GAAP amounts, you should refer to our earnings release, which is posted on the IR section of our website, and to slide 13. Also, unless otherwise noted, the following figures refer to the second quarter of 2025, and comparisons are with the second quarter of 2024. I will now turn the call over to David Wang.

David Wang | CEO:

David? Thanks, Stephen. Hello, everyone, and welcome to ACM Research, second quarter, early conference call. We deliver another quarter of good results with strong sequential growth in both revenue and achievement, reflecting continued progress across our expanding product portfolio. We saw momentum from our SBN, PAHO, Plating, and the Furnace tool, which are helping expand our accessible market and gain market share. We also continue to make progress with new platform, including track, PCVD, and panel-level packaging tools, which represent important long-term growth drivers. We recently announced major upgrade to our Ultra-C WB wet bench cleaning tool. The technology integrate ACM pattern-pending nitrogen bubbling technology to generate a large-size bubble with good bubble density uniformity and enhance the etching rate uniformity in a 3D structure across the wafer. I'm happy to announce that we have received repeat orders for the new Ultra-C WB wet bench tool with our proprietary end to bubbling technology. We expect a good achievement for this tool this year and next. The technology is also adaptable to our Ultra-C PAHO platform with a significant application potential for manufacturing advanced 3D net, 3D DRAM, 3D logic devices. We believe this new technology is another example of ACM leadership in cleaning tools that will be good for our customers and support our growth initiatives. Our nitrogen bubbling technology tool adds to early breakthrough for PAHO and other recent product launching, such as our high-temperature SBN tool and the panel-level packaging tool for flux cleaning and the bubble etcher. Taker, together, this development reinforce ACM differentiated leadership in wafer cleaning and give us confidence that we will continue to gain share in a critical segment. We remain committed to deliver innovative new products, such as this, to enable our customer to meet next generation of semiconductor manufacturing challenges as demanded by the artificial intelligence transformation. Now, onto our business results. Please turn to slide three. For the second quarter of 2025, we believe revenue of $215 million, upper 25% sequential, and 6% -over-year. Shilin were $206 million, upper 32% sequential, up 2% -over-year. Growth margin was at 48.7%, exceeding our target range of 42 to 48. We ended the quarter with a net cash $206 million. Now I will provide a detail on product. Please turn to slide four. Revenue from single-wafer cleaning, PAHO, and semi-critical cleaning tools grow 1% and represent 72% of total revenue. We believe a -to-bottom cleaning portfolio put us in a strong position. We continue to make a technical improvement and the customer progress with our SPM tool. Our high-temperature SPM system features ACM proprietary nozzle design, which prevents both liquid SPM and acid mist spat out of the chamber during the SPM process. This improving particle performance reduce chamber preventative maintenance cleaning frequency and enhances system uptime. We have achieved better particle control over average particle count, less than 10 at this 26-nanoparticle size. We also believe it will be show better performance than competitors offering at a particle size more than 17 and 15 nanometers. In Q2, we gave SPM and PAHO tools to several more customers as we continue to gain market share in SPM space. Revenue from ECP, furnace, and other technologies grow 23% and represent 22% of total revenue. ECM recently delivered an ECP tool to a customer, which included the company's 1500th electroplating chamber shift. We are seeing a strong momentum for ECP tool in advanced packaging, driving by demand for both front and back end plating system. We also see growth interest in our new ultra-ECP APP panel-level horizontal plating system. As the industry shifts from wafer to panel-level packaging to support the next generation AI chips, our unique horizontal plating approach, which delivers superior uniformity than vertical panel plating solution, has attracted attention from the major players. Our furnace product are building momentum supported by strong customer interest and expanded pipeline of evaluation and engagement. We see good demand across multiple applications, including high-temperature NEO, especially our 1200 50 degree C degree version, high-temperature NEO furnace, and also LPCVD, oxidation, and ALD. We believe ECM differentiated the design position us to capture meaningful market share. Revenue from advanced packaging, which is exclude ECP, but including service and the spell, was up 20% and represent 6% of revenue. We are making good progress with a new track and a PCVD platform. Our proprietary PCVD platform with three tracks for chamber give us the flexibility to support a wide range of process with the same hardware. We feel good about our positioning with a plan to deliver more better tool to our friendful of the customer this year and look for revenue contribution in 2026 and beyond. For track, we're in the final development phase of our 300 wafer per hour inline KF tool. And we expect to deliver the better tool to a key customer in the current quarter. To close on product, our roadmap including incremental contribution from Tahoe SPM and the furnace tool in 2025 with the panel level packaging, track and PCVD tool expected to drive growth in 2026 and beyond. Please turn to slide six. Our first half result reflects solid execution across our product portfolio. We remain confident in the year and our long term opportunity in China. As a result, we have increased our long term revenue target for mainland China to 2.5 billion versus our previous target of 1.5 billion. The increase is based on two main factors. First, we now assuming a long term China WFE market size of a 40 billion US dollar versus our prior assumption of a 30 billion US dollar. This is based on updated by third party global market forecast and also our view of the China semiconductor industry. Second, we have adjust our market share targets for product group as follows. We have raised our market share target for both cleaning and plating to 60% versus the 55% prior. This is the result of our current assessment of a customer traction and increased confidence for share gain for new product. For furnace, PCVD and track, however, we're keeping our target at the 15% and 10% level. Of course, we aspire to achieve better result, but need more time in the market before we will formally adjust the target. Moving to the bottom of the chart, we maintain our revenue target for the rest of the world at 1.5 billion. We believe ACM focus on differentiated water cost product combined our global sales and the service team will deliver results with our global customer. As an example, we have a plan to deliver a server tool to the US in the third quarter. We remain engaged with our major US customer with active validation across a range of the cleaning process step as we continue to work towards our global, our goal for production orders. Bottom line, we have raised our long-term revenue target to 4 billion versus our prior target of 3 billion. Now I will provide update on ACM Shanghai's proposed the capital race in China. ACM Shanghai recently received approved from the CSRC to proceed with its proposed the follow on offering on the stock market to raise up to 620 million US dollar by selling less than 10% of your total share. The capital racing is a leadership is intended to help accelerator our updated revenue target and added to the long-term foundation to support our effort to scale up product to major global customer. As the majority shareholder, we view their proposed transaction as an important step in strengthening our position in the China market and it demonstrates the long-term value of our ownership stakes. Next, let me provide the update of our production facility. First is Lingang, please turn to slide eight. As I discussed last quarter, our state of art, Lingang production and only center is nearly completed. The site including two production building with a first now in production and a second available for future expansion. Each of the two production building can supporting up to 1.5 billion of annual production capacity combined. We believe we can eventually support three billion of a production at Lingang for the from the two manufacturer building. Next, our Oregon facility, please turn to slide nine. Recall we purchased a 40,000 square feet facility last year. We made a good progress during the second quarter and we have began upgrade on our customer demo R&D lab. We believe this will help our effort with the customer in the region as it will later then test wafer locally on ACM tool. We also are moving forward with a plan to add production capacity to Oregon facility. We target the middle 2026 for the demo lab and production to commerce operations. Our investment Lingang and Oregon are key enable of our growth strategy, expanding our capacity, strengthening customer support and prepare us to scale globally. Now I will provide our outlook for the full year 2025, please turn to slide 10. We're maintaining our 2025 revenue outlook in the range of 815 million to 950 million. This is implying 15% year over year growth at a middle point. In close, our focusing remains on delivering differentiated enabling technology that solve our global customer most critical process challenges. Now let me turn the call over to our CFO Mark who will reveal the details of our second quarter results. Mark, please.

Mark McKechnie | CFO:

Yeah, thanks David, good day everybody. Please turn to slide 11. Unless I note otherwise I'll refer to non-GAAP financial measures which exclude stock based compensation unrealized gain loss on short term investments. Reconciliation of these non-GAAP measures to comparable gap measures is included in our earnings release. Also unless otherwise noted the following figures refer to the second quarter of 2025, comparisons are with the second quarter of 2024. I'll now provide the financial highlights. Revenue was 215.4 million up 6.4%. Total shipments were 206 million versus 202 million in Q2 24 and 157 million in Q1 of 2025. Strong sequential rebound in Q2 shipments led to return a positive year over year shipment growth for the quarter. Gross margin was .7% versus 48.2%. This exceeded our long term business model target range of 42 to 48%. We expect gross margin to vary from period to period due to a variety of factors including sales volume, product mix and currency impacts. Operating expenses were 63.4 million up 38.8%. R&D was .5% of sales, sales and marketing was .3% of sales and G&A was .6% of sales. For 2025 we now plan for R&D in the 14 to 16% range. This is an increase versus last quarters plan due to ACM's continued focus on proprietary R&D programs. We plan for sales and marketing in the 8% range and G&A in the 5 to 6% range. Operating income was 41.5 million down 20.2%. Operating margin was .3% versus 25.6%. Income tax expense was 1.9 million versus 9.3 million. For 2025 we expect our effective tax rate in the 10% range. Net income attributable to ACM research was 36.8 million versus 37.5 million. Net income for diluted share was 54 cents versus 55 cents. Our non-GAAP net income excluded 9.8 million in stock-based compensation expense for the second quarter. I will now review selected balance sheet and cash flow items. Cash, cash equivalents, restricted cash and time deposits were 483.9 million at quarter end versus 498.4 million at the end of the first quarter. Net cash which excludes short-term and long-term debt was 205.8 million versus 271.0 million at the end of the first quarter. Total inventory net was 648.3 million versus 60, 609.6 million at the end of the first quarter. Raw materials was 285.6 million up 45.7 million quarter on quarter. We made strategic purchases to support production plans and to mitigate any potential supply chain risk. Work in progress was 60.7 million down 10.2 million quarter on quarter. Finished goods inventory was 302 million up 2.2 million quarter on quarter. Finished goods inventory primarily consists of first tools under evaluation at our customer sites along with finished goods located at ACM facilities. Cash flow used by operations for the first half of 2025 was 39.6 million versus 51.9 million cash flow provided by operations in the year ago period. Capital expenditures were 32.2 million for the first half of 2025 versus 39.7 million in the year ago period. For the full year 2025, we expect to spend about 70 million in capital expenditures. That includes our prepared remarks. Now let's open the call for any questions that you may have. Operator, please go ahead.

Operator | Operator:

Thank you. To ask a question, you'll need to press star one one on your telephone and wait for your name to be announced. To withdraw your question, please press star one one again. Please stand by while we compile our Q&A roster. Your first question comes from the line of Charles Shee with Needham and Company. Your line is now open.

Charles Shee | Analyst, Needham & Company:

Evening, David Mark. First question on shipment. I noticed that the shipment was up, but only up slightly on a -on-year basis. I recall you guys previously said that the shipment was not going to be able to be sent the full year 25 shipment should grow. Maybe not necessarily growing faster than revenue this year, but that should grow. But it looks to me that in second half of the year, you have a good amount of catch up to do for shipment to be flatish versus slushiest level. Is that still the right target to think about shipment? Or maybe the full year number may actually come down a little bit on -to-year basis. Thank you.

David Wang | CEO:

Hey, Charles. And our 2024 shipment was very strong, right? You recall about the, you know, over 2023 is 63% of their increase rate. So then we also have a lot of new product. And this year we're contributing to the shipment this year. So I want to say the first second half year, obviously much stronger than their first half of the year. We're expecting still growing for 2025, I mean 2025 and growing

spk11:

is still achievable. Got it. So relative to

Charles Shee | Analyst, Needham & Company:

let's say 90 days ago, the expectation for shipment for this year, do you see actually it's shipment growth may be stronger than you thought 90 days ago or slush or weaker at any direction or color you can provide. But the reason why I asked this, maybe it's good to get your thoughts as well. The, your US peers who have reported so far ahead of you have been seeing China WFE upside, especially for the second half of the year. Wonder if you're seeing the same thing or not. Thank you.

David Wang | CEO:

Yeah, I should say our Q3 is a very strong, right? We see the Q4 and there's still some slot we're gonna fill in. And so I still see the regular and outlook for Q4. So I want to compare like you said, 90 days ago, we see that the market situation

spk11:

got to improve. Got it. Lastly, I think

Charles Shee | Analyst, Needham & Company:

Mark, you mentioned some strategic purchase you made over the last quarter. I think the news flow did suggest that the US may be working on something in terms of actual control at the subsystem level. Wonder what was the ACM assessment, let's say supply chain risks, maybe for the reasons of potential new export controls and how the company has prepared to mitigate that risk. And any thoughts on that front would be great. Thank you.

Mark McKechnie | CFO:

Yeah, David, do you want to take that first and I can add or do you want me to go ahead? Yeah, go ahead.

David Wang | CEO:

And obviously, now we're doing the multi-source of the components, right? And we're definitely looking for the new components and supplier in other country and then the US. And also we have also looking for the local supplier in mainland China. And I want to say there's a certain challenging, however, and I think we can overcome that with the multi-source, alternative source supplier for our key components in the tour. So Mark, you want to add on that?

Mark McKechnie | CFO:

Yeah, Charlie, the only thing I'd add, I think it's a good question. It's something that we look at a lot. I mean, we have a pretty good solid balance sheet. We have a good forecast for our shipments. So we thought it was the right thing to do to kind of increase some of our strategic supplies of some key components. So we might even do a little bit more here in the second quarter. I'm sorry, in the third quarter.

Charles Shee | Analyst, Needham & Company:

Yeah, maybe just a quick follow-up because the strategic purchase, it could be for preparing for a higher demand in coming quarters, or it can be more for mitigating supply chain risks, especially that, let's say, maybe some of the components you are sourcing currently from the US. Which one is it more for you to do that?

Mark McKechnie | CFO:

Yeah, I mean, as of December, sorry, January 1st, you can't get parts from the US, right? So yeah, these are strategic purchases probably from other regions. And I won't really break out how much of it is to mitigate the risk or just kind of based on our forecast, but it's a combination of those, Charlie. Yeah.

Charles Shee | Analyst, Needham & Company:

Yeah,

Mark McKechnie | CFO:

thank

Charles Shee | Analyst, Needham & Company:

you, Mark. I really appreciate that, that's the insights, thanks. Yeah, you bet, you bet.

David Wang | CEO:

Thank you, Charles. Charles.

Operator | Operator:

Thank you. Your next question comes to the line of Mark Miller with the Benchmark Company. Your line is now open.

Mark Miller | Analyst, Benchmark Company:

I had a question about long-term borrowings. They're up significantly over the last six months. I'm just wondering what's going on there.

Mark McKechnie | CFO:

Yeah, I can hit on that a bit. And then we got Lisa here in the background. But long-term borrowing, we did step things up a bit. You know, there's controls over how we can use some of our capital from the China capital raise and what have you. Of course, we have that coming along. So we did step up our long-term borrowing a bit here in the first half of the year. Lisa, did you want to add something?

Lisa Feng | CFO, ACM Shanghai:

Yeah, in addition to that, the interest rate for deposit is much higher than borrowing in China. So we're trying to use that kind of leverage to maximize the return.

Mark McKechnie | CFO:

Good opportunity to kind of take the lower interest rate down. Thanks, Mark.

Mark Miller | Analyst, Benchmark Company:

Okay, thank you.

spk11:

Next question, please, operator. Yes, thank you.

Operator | Operator:

The next question comes from Suji De Silva with Roth Capital. Your line is now open.

Suji De Silva | Analyst, Roth Capital:

Hi, David, Mark, Lisa. Congrats on the progress here. So milestone-wise, can you talk about the customer traction outside China and what some of the milestones we would look for here, update on the customer base across different parts of the world?

David Wang | CEO:

Yes, hi, Suji. And I think we're continuing to work with a key customer in Korea and also in the US. And this moment, I want to say, it's taking a little more time. However, we're really working closely with a key customer, evaluate our differential, the Canadian technology and our Microsoft Canadian. And we are reaching a very encouraging result. Also, we're working with a Korean customer for their copper plating product. And that also made the progress, right? And continuing, we're also exploring new customer in both the US and Taiwan. And I think especially all, I want to say, our panel-level packaging tool made a very strong attraction from Taiwan customer, too. So I want to say, with our continued innovation and technology we're providing in the market, and we're going to have our, expand our sales revenue outside China. Especially, we're now building our army center in Oregon and also their manufacturing. And those army center will really make it easier and for our cleaning, copper plating demo and for the customer outside China. And also manufacturing, we're doing right now, prepare for the Oregon. And that's really give us a strong position and to really minimize impact of any tariff situation. So we believe our strategy, building our R&D manufacturing center in China, in Korea and in US, will further strengthen our position in the global market. And we're fully confident with our new differential product. And also, I want to say, a lot of new future AI chip request, a lot of new technology, which is even today nobody offer in the market. And those new demand for the technology driving will really put ACM's product in the differential or the position. So we believe with our innovation continues going on, and we'll continue again, attraction from the key customer in cleaning, in copper plating and panel, and also other new product we're planning too. So we still have very strong confidence, right? We're getting to the global market. I want to say, every customer in the world, they demand for the best technology. As we just meeting announced, we have a end to bubbling technology, we're generating large size end to bubble with uniformity across entire wafer in the bath. So we believe that's what really driving their innovation requirement and for their both 3D net and 3D DRAM in the future, probably also the 3D logic of that role. So that's another word I look at in our innovation technology or brings to the market. Okay, Mark, you want anything to add on that?

Mark McKechnie | CFO:

Yeah, no, David, that was a good answer. I mean, we're working really hard with our big US customers. We got some additional tools that are going to different organizations here in Q3 to the US. So, our team is pretty active in Oregon. We're pretty focused on getting our demo room up and running and being ready to produce tools in the

spk11:

US. Hi, Edison Li.

Operator | Operator:

Yes, thank you. The next question comes from Edison Li with Jeffreys. Your line is now open.

Edison Li | Analyst, Jefferies:

Hey, David and Mark, how are you? Can I maybe ask you two questions? Number one is for the 2Q growth at the revenue level is 6%, which is actually below the growth rate you are guiding for the full year. So what was actually driving that slower growth in the second quarter? And then for 3Q, you said that the outlook is very strong. Can you share the growth drivers coming from logic, memory, power and advanced packaging? So which areas actually you are seeing the strongest growth and which area you are seeing the slowest growth? Thank you.

David Wang | CEO:

Yeah, I mean, revenue can be lumpy, right? We're still expecting 15% of middle point growth for the year. And also, you're asking Q3 driving force, I wanna say still our cleaning and the cover plating is still the major driving there. And also certain product, customer requests where shipping turn to Q2 or Q3, right? I wanna say over the year, we still have a whole year of expecting growth. Better than the Q2.

Edison Li | Analyst, Jefferies:

Right, so in China, can you talk about the growth that you're seeing from memory versus logic?

David Wang | CEO:

I would say we both are true or self of the memory and the logic of customer, right? But you would say, which is the growth faster? I don't have a real number right now, put in my hand. But I wanna say both, even looking at long run, I wanna say memory is still very strong, both the 3D NAND and also this DRAM business. And of course, there's the logic and the people still building FAPs and both for mature nodes and other advanced nodes. And so I wanna say that, I look in the next really a few year, those the market is

spk11:

very solid, it's still there. Okay, great, thanks David. Thank you. Thanks Edison, yeah.

Operator | Operator:

Thank you. As a reminder to ask a question, you'll need to press star one one on your telephone and wait for your name to be announced. Your

spk11:

next question

Operator | Operator:

comes to the line of Matt Cook with Pretento, your line is now open.

Matt Cook | Analyst, Pretento:

Hey David, hey Mark, how's it going? Can you hear me okay? I'm adding.

Charles Shee | Analyst, Needham & Company:

Yes.

Matt Cook | Analyst, Pretento:

Good, great. So I just wanted to ask, ACM Shanghai reported its results about 60 minutes ago. Now I know that there are different accounts and standards, but their numbers look a lot better than yours, like the differences is bigger than we're kind of used to. So revenue was $270 million compared to 215 million for ACM, adjusted income was $62 million compared to about 37 that you just reported. So Mark, could you just help understand like what's caused the difference? I know there are different recognitions on revenue and timing. That's the first question, why the results are so much better there and if there could be some kind of like, you know, if that could have swung the other way in Q3. And then the second question is, are shipment numbers different for ACM Shanghai? And if so, what are they in dollars? That would be great, thank you.

Mark McKechnie | CFO:

Yeah, David, I can go ahead and hit that and you can add if you want. So in reverse order, yeah, I mean, simply the shipments are the same for both. They're measured the same. The difference is Revrec. And so under China Gap, the China organization recognizes revenue upon installation and of course, US Gap is 606, right? Where we take revenue on repeat shipments or upon acceptance when it's a first tool shipments. So just a timing difference in the Revrec standards and this quarter was a little bigger than it had been in the past. I think it could be kind of a result of some of the bigger shipments that we had last year that it took a little long, you know, the timing of the installations here in Shanghai. And we won't literally guide how that's gonna change for the back half of the year. Q3 and Q4, I don't think we're gonna give any specific details on that.

David Wang | CEO:

Yeah. I will add on that. You're looking at long run, this two numbers should be matching, right? But looking at quarterly, quarterly base, do you get a sometime US is higher, sometime, you know, Shanghai is higher. So that's, as Mark mentioned, different recognition of the revenue. So I wanna say overall, like you said, Shanghai number looks good, but that's only quarterly, quarterly base, right? And I wanna say a whole year, I mean, or long run, this number is very matching.

Mark McKechnie | CFO:

Hey, Matt, one other thing I could bring out that I think will be important is that the US gap and the R&D side, we don't capitalize anything, right? So it's all expense. And so there is some capitalization of R&D. I don't know if they give out the exact mix, but the big differences on the operating expenses, that's one. And then of course, ACMR, the global operation, we've got our cost of being a public company, and then we also have our sales and marketing effort that are incremental expenses, yeah.

spk11:

Helpful, thanks very much. You bet, thanks Matt. Thank you. Next question, operator, please, yep. Operator, next question, please. I think we lost the operator here. So I'm gonna go back to the question Charles,

Mark McKechnie | CFO:

are you able, do you have a live line, Charles? I think Charles sure is live. Yes,

Operator | Operator:

excuse me.

Mark McKechnie | CFO:

Your next question

Operator | Operator:

comes to the line of Charles Shee with Needham and Company. Your line is now open.

Charles Shee | Analyst, Needham & Company:

Yeah. Hey, can you hear me?

David Wang | CEO:

Yes, Charles, I can hear you. Yeah,

Charles Shee | Analyst, Needham & Company:

I feel obligated to ask a question about long-term targets. I think it's important update, but I have a really question on the mainland China portion of the long-term projection there. I think one key change versus your prior target was the mainland China WFE market size. You kind of raised it from 30 billion to 40 billion. It does match with where China WFE numbers were trending over the last couple of years. Last year, I believe it's slightly above 40 billion. This year, maybe around 40 billion. But I think my question is, would there be any concern? I mean, by the team, maybe you are a little bit extrapolating the peak China WFE number there from the last year's peak run rate level into the future or with the confidence, China WFE maintaining at this 40 billion level over the long-term. Thank you.

David Wang | CEO:

Okay, Charles, obviously, year over year can be kind of a change, right? Maybe five, 10% up and down. And I wanna say our long-term revenue is not for next year. It's like a five-year timeline we talk about or beyond. So we believe that the year China WFE market will be 40 billion. That's what we talk about a long run of the goal. And you look in the expanding China of the either memory or the logic or including IGBT, it's a lot of demand here. So that's our confidence. We believe that the market 40 billion, you look in the five-year down the road should be a number. Of course, there are global market growth too. So there's a 40 billion we think is a reasonable target we put there. And second, I wanna see that is we do have also a new product and it coming in and we're through the last three, four year R&D, our furnace, PCVD and the track or including our latest panel level packaging tool getting into the market and all started, gendered revenue either this year and also next year. Second, I wanna mention that is we just get approved from CSRC and we're kind of second fund raising more than $600 million. Those fund raisings that will help ACM to X rating are the target R&D. And so that will be another big factor. And third, I wanna mention that is ACM has been really in China market insist order differentiation, innovative technology and to the market. And so I believe Chinese the customer still like the best technology with IP protection. So that really put ACM very unique position. And this moment we have not found any local Chinese company and copy our IP, infringe our IP. So we have a very confidence ACM can maintain our differential product margin and also I said, customer locally is really designed the best technology, which is we are providing our differential solution. So we're much better than those people provide their similar product. As since I said, we're providing differentiation. That's what solving the future needs for the customer. So with all three automation, so we're very confidence. That's why we're raising this China market from 1.5 billion to 2.5 billion. Thanks.

spk11:

Yeah, thank you. Appreciate

Charles Shee | Analyst, Needham & Company:

the wonderful

spk11:

color that I asked.

Operator | Operator:

Thank

spk11:

you.

Operator | Operator:

Next question comes to the line of Jimmy Hang with JP Morgan, your line is now open.

Jimmy Hang | Analyst, JPMorgan:

Yeah, hi David, can you hear me?

David Wang | CEO:

Yes, please.

Jimmy Hang | Analyst, JPMorgan:

Yeah, thank you. So I want to ask about whether you have any source of the BID into 2026. And actually, can you also share about your estimate on the China WSE for 25, 26, either absolute numbers or 101 comparison? Thank you.

David Wang | CEO:

Yeah, well, I mean, looking at 25 and obviously, different the report ratio, different results and looking at Gardner, they're pretty like her in lower but you have another IC semi there try also, show they're very, I won't say, different results. In other words, it's better than the Gardner. I mean, you're looking at 25, 26, I'm still hard to predict maybe, I mean, 10% up end or down, right? But therefore, our feeling is it doesn't matter. As I said, China market still exists. They already reach about either 30, 35% of a global number already. So with our differential technology, with a new product come out, and even the flat of the revenue or the WFE spending China, we're still expecting our growth and also high growth. And that said, our new product, PCVD, and we'll have a few customer, hands of customer coming to their evaluation this year. We'll also put the 300 WFE wafer per hour, care of line and which is in line with the scanner will ship out very soon in probably Q3. And also added a new technology as I mentioned, our panel level packaging, the traction. And plus, we have this high temperature anneal, 1,250 degrees C. That's really can real shorten the anneal time for the IGBT, also other critical application. So as I said, all this new product we put in the market and really give us a strong confidence where we have a growing fast, even with the flat or Chinese WFE market. As I mentioned, just in I tell, I answer Charlie is we offer China market with real differential product. And we feel confidence we can protect our IP. And therefore, and we can have our, I wanna say margin maintain and give the customer best of the choice. And so we're not getting into that kind of similar product in price competition. As I said, the Chinese customers still demand for the best performance. If they're choosing performance with the price, of course they're choosing performance. And so that's why we're our kind of differential product can offer such a superior better results and then those people provide a similar product. So we think that will be the our strong point.

Jimmy Hang | Analyst, JPMorgan:

Yeah. Thank you Dr. Wang.

Mark McKechnie | CFO:

Yeah, if you don't mind, I might just add a few things on that. Just, obviously we're not gonna, we don't give our guidance for 2026 until early in the year, but you probably noticed our OpEx was pretty strong this year relative to our revenue. Even if we do the midpoint, it's still kind of a, we're growing our OpEx this year. And a big reason is we're spending into the market opportunity, right? I mean, David mentioned a lot of the new R&D projects, we're also spending more on sales and marketing, but clearly that spending is kind of anticipating good growth ahead.

David Wang | CEO:

Yeah, and add on that, compared to the first tier guy, their R&D probably 10 to 12%, right? And we'll spend 14 to 16%. And that's really show our having invest R&D, also with our new product come out in a speed, and we have more, I call the product, a new product-common ratio compared to first tier global guy. And that's why you show that our spending is higher. So that's why we're spending investing R&D and also sales and marketing, and that's we are supporting our next five-year growth. And we believe we spend this, I mean, we spend this operation spending, it's very important, and also supporting our long-run growth.

Jimmy Hang | Analyst, JPMorgan:

Yeah, thank you, Dr. Wang and Mark. Also want to ask about the cleaning equipment market share target, you went to 50% in the long run in China. Do you think in that case, what will be the split of the remaining 40% share between other Chinese peers and international suppliers? You get 60% market share in China, yeah.

David Wang | CEO:

How to divide who is the second, who is the third, right? I mean, again, we're trying to be number one in China, of course, right? Why I see that is our now product portfolio, it really almost can match 95% of our cleaning process staff. So where are they probably the widest product in the world compared even the three big guy in global international, and also, as I said, our product has a lot of differentiation and the power tool and SAP's, Maxonic, Tebow, and non-violation or non-damaging Maxonic technology, and also continue adding this recently announced into Bobbany with a special proprietary design, generate a large bubble size with uniformity. So we're continuing really, not just our product widespread, also have a lot of innovative approach in the better than those top tier in the world. Especially on major SPM, our SPM, as I mentioned, we have new proprietary nozzle design, can real limit all the liquid splash or acid mist out of the chamber. And that really can improving in the small particle performance. And today, as I said, 26 nano, we're reaching average almost a five in the particle. And we believe with improving the chamber environment, and we should get a better result in the 15 nano, 17 nano, which is real advanced next step. So particle. Anyway, I wanna say, we're do our, again, differential approach with IP protection. And that's the strong point. And we are say we're expanding China market. And also we're not facing any, as I said, again, we've got a very strong IP portfolio in China, and globally. Also, we do not expect any local Chinese people can copy our tool. So that's a real strong confidence. And we see there expanding the China market. Of course, with those differential product test in the China market, will push to the global. As you know, the cleaning has been more and more important and for their future AI chip manufacturing, because of a yield suffer. So this cleaning become more and more challenging for 3D land, 3D, I mean, theorem down the road. And also 3D logic, eventually people will see that. So all the 3D cleaning, we do have a product, technology ready for that. So we're very, we're very exciting. We're very, and kind of see our technology going to spread out in other global market.

Jimmy Hang | Analyst, JPMorgan:

Yeah, I see. Thank you, Dr. Wang. Maybe I have my next question. Can you talk more about your progress in Taiwan and Southeast Asia region? And also for the PLP testing, because I think the industry now thinks that mass production of Taiwan foundries, FOPOP, or we call co-op, will wait until 2029 or even 30. I think the development time for tech and manufacturing will be longer than expected. So how do you think about the mass production time of the FOPOP or co-op with the fine light space? Not the large light space for the, done by the panel makers, I mean, for the element process.

David Wang | CEO:

Sure. Actually PLP, this panel level packaging, we believe is ready to go for the large size of the AI chip packaging, right? As the people lay down in the panels, 210 by 310 square versus the circle, their effective area increase more than 60, 60%. It's a bigger gain for the customer. It's for, especially for large chip. Obviously, other people, I mean, get a no to 310 by 310, we're probably very soon moving to large size panel. So we believe that's really a strategic step and the Taiwan customer taking that direction. As to the ACM, I feel we have very good product, ready for that product. And we're already putting in the market for their low pressure cleaning, bevel cleaning. Also, I wanna mention that is our horizontal and rotational electroplating. It's really a solution for this panel level, right? And why is, looking at the 20 millimeter packaging, used to be vertical and you go 300 millimeter wafer, everybody turn to horizontal. And now you can see it's working. Our panel level, we are probably the only guy providing this horizontal solution because of our ProPILORiT design. And this year, March, we got a reward. I got a technical award from the 3D IC inside USA. So we believe our strong position in this horizontal plating, we're position ACM, very strong position for this future AI PLP market. So we see that as recently, we reach our horizontal plating, uniformity less than 5%. And I wanna say we're trying next goal is less than 3%. So we'll maintain equal performance panel, square plating versus a circle, same level. That's really driving to the panel. As you mentioned about 2029 or timing, I think that that's really dependent on technology driving, right? And if a customer can solving the whole issue, they can speed up. If they cannot solving, maybe delay. So really this is a market is driven by two manufactured technology combined together. So, I mean, with our cover plating, we definitely believe that's what we speed up, right? In the cover plating process, which is one of the major block and for the people moving from 300 millimeter wafer to the panel level. And we're glad, you know, the technology offer to the customer enabling their production line. And hopefully speed up their production. That's our confidence. I also very engaging with the customer in Taiwan.

Jimmy Hang | Analyst, JPMorgan:

Yeah, I know that you have technology leadership, you have real products and IP. I feel like the issues now, the ecosystem is already, so the customer might need to delay the co-op mass production timeline. And meanwhile, do you think that the plating tool supplier from co-op to co-op, will they still stick to the original Japanese and American supplier or they could adopt new supplier for co-op?

David Wang | CEO:

Well, I wanna see. I wanna say, I mean, wafer level we're engaging, right? I mean, then you're looking at this panel level, I think we're a much better superior product, right? Wafer level probably will offer equal in this moment. I wanna see that. But for the real panel level, as I mentioned, you know, I mean, looks in the last 10 years, nobody can do horizontal plating, right? We're the first guy announced the product. We can do horizontal, as I said, even today, we're about 5% uniformity. Our next goal is go 3%. I believe with a strong IP position, we should offer the best panel plating tool in the world. And again, right? That's really exciting, you know, for our, I call their penetrating the global market and is one of the key product we offer to enabling the technology for the customer. So we're very, you know, I call it put effort on those product development. Plus, we also prepare additional other differential product and also enabling the panel level. And we're gonna announce probably, you know, in the end of this year, we'll come out a new product too, and to further get into this market. So we're very exciting about this panel level, right? It's a way to go because all AI chips got a size bigger and bigger. I mean, we're gonna invest a lot in this product.

Jimmy Hang | Analyst, JPMorgan:

I see, thank you so much. Sorry, I may have occupied too much time, but thank you so much for the details.

David Wang | CEO:

Thank you.

Operator | Operator:

Thank you. Your next question come to the line of Yanghui Lei with UBS, your line is now open.

Yanghui Lei | Analyst, UBS:

Hi David, can you hear us? Okay, can you hear me?

David Wang | CEO:

Yes, please.

Yanghui Lei | Analyst, UBS:

Thanks for taking my question. Just one quick one. Seems like your Q2 year over year growth in Asia is due to underperforming other China peers. Any reason to hide? And probably due to different customer exposure? Thanks.

spk11:

David,

Mark McKechnie | CFO:

I think the question was, the growth maybe of ACM Shanghai's revenue or even ours versus some of the China peers. Maybe it was, what's the reason for the difference?

spk08:

Between China, between US, or between all of us, with other peer?

Yanghui Lei | Analyst, UBS:

Maybe between ACM both US and China, and Shanghai versus other like China WSB peers, thanks.

Stephen Palao | Managing Director, Blue Shirt Group:

Quickly versus China peers.

David Wang | CEO:

Oh, okay. I didn't see the other result come out, China peer. Obviously, looking at Shanghai, our revenue growth, it still looks good, right? And so I wanna say we're confident, and also this year, as I said, we're coming to the moment of the multi-product. And revenue will not much contribute this year, but with the next year, we see our furnace PCVD track, that contribution. And also we have a new product with the cleaning, and continue expanding copper painting. So I wanna say we still have a very good confidence, and also our look for 2026. And this year, and well, Q3 very busy, and Q4, we have our copper slot open, but we think it will be also filled out soon. So in general, we still have a good confidence, we have a good

spk11:

growth, still this year. Thanks, pretty clear. Thank you.

Operator | Operator:

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

David Wang | CEO:

Okay, thanks operator, and thank you for all the participating on today's call, and for your support. Before we close, Stephen is going to mention our upcoming investor edition event. Stephen, please.

Stephen Palao | Managing Director, Blue Shirt Group:

Thanks, thanks David. Before we conclude, I just wanna give everyone a quick reminder, our upcoming investor conferences. On October 21st, we're gonna present at the Sixth Annual Needham Virtual Semiconductor and SemiCap -on-One Conference. On August 25th, we will present at the Jeffrey Semiconductor IT Hardware and Communications Technology Summit at the Four Seasons Hotel in Chicago. On September 3rd, we'll present at the Benchmark 2025 TMT Conference in New York City. On October 7th, we'll present at the 17th Annual CEO Summit in Phoenix, Arizona. Attendance at the conferences are by invitation only. For interested investors, please contact your respective sales representatives to register and schedule -on-one meetings with the management team. This concludes the call, and you may now disconnect. Take care.