NASDAQ:ACMR Q4 2025 Earnings Call Transcript

Generated on 6/10/2026

Operator:

Good day, ladies and gentlemen. Thank you for standing by, and welcome to the ACM Research Fourth Quarter and Fiscal Year 2025 Earnings Conference Call. Currently, all participants are in a 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. Steven Palaio, Managing Director of Blue Shirt Group. Steven, please go ahead.

Steven Palaio | Managing Director, Blue Shirt Group:

Good day, everyone. Thank you for joining us to discuss fourth quarter and fiscal year 2025 results, which we released 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 relations section of our website that we will reference during our prepared remarks. On the call with me today are our CEO, Dr. David Wong, our CFO, Mark McKechnie, and Lisa Fang, our CFO of our operating subsidiary, ACM Shanghai. Before we continue, please turn to slide two. 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 the 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 financial results that we provide on this call will be on a non-GAAP basis, which excludes stock-based compensation and unrealized gain or loss on short-term investments. 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 to slides 14 and 15. Also, unless otherwise noted, the following figures refer to the fourth quarter and fiscal year 2025, and comparisons are going to be with the fourth quarter and fiscal year 2024. I will now turn the call over to David Wang. David?

Dr. David Wong | CEO, ACM Research:

Thanks, Stephen, and hello, everyone, and welcome to ACM's fourth quarter and the fiscal year 2025 earning conference call. I'm pleased with our first quarter results, which kept off a solid year of execution. Revenue grow 9% in the first quarter and 15% for the full year. We continue to execute well across our core business. We made a lot of progress with new product platforms, and we strengthen our position in China and globally. Investment in AI and data center infrastructure is reshaping the global semiconductor demand, shifting capital toward advanced logic, memory, and advanced packaging. The industry is looking to key supplier for new technology, many of which have not yet been invented. ACM differential technology portfolio has been aligned well with this high value process steps. and the market is how now the market is coming for us for solutions. A good demonstration is recent momentum with several key global customer outside the mainland China market that we announced in today's press release. First, we announced that we have delivered multiple single wafer cleaning tools to Singapore facility of our Asia-based foundries customer. This marks HCM's first tool in relation to Singapore, a key milestone for HCM. Second, we announced that we're receiving multiple orders for our advanced packaging tool from three global customers. This included orders for multiple wafer-level advanced packaging systems from our leading global OSEP customer base in Singapore. Deliver schedule for the first quarter of 2026. A panel-level advanced packaging vacuum cleaning tool from a leading global semiconductor packaging manufacturer based outside mainland China. Also scheduled for delivery in the first quarter of 2026. And multiple wafer-level packaging system from a leading North America-based technology customer with a delivery schedule later this year. Long on to our business result, please turn to slide three. For the fourth quarter of 2025, we delivered $244 million in revenue, upper 9%. For the year 2025, we delivered $901 million in revenue, upper 15%. Top line growth of 15% was a better than growth for the overall China WFC market, which Third party estimate as January flat for 2025. We consider this good result, especially since our 2025 revenue includes very little contribution from our new products. We expect a strong product cycle in 2026 from SPM cleaning and our furnace product as we made a very good technical progress for this new product across our customer base. We also made a good progress with our supercritical CO2 joint, track, panel level plating, and PCVD, which we expected to contribute some more in 2026, but more in 2027 and beyond. Shearman for 2025 were 854 million versus 973 million. Remember, 2024, Shearman increased 63% over the year So we had a tough compare. We also had some shipment for new product pushing to the 2026. Importantly, we expected 2026 shipment growth to be higher than our 2026 revenue growth. Growth margin was 41% for the fourth quarter and 44.5% for the full year. Q4 growth margin was slightly below our long-term target range of 42%. to 48 percent. We attribute the Q4 level to product mixing, including a few semi-critical product with a lower margin due to the competitive pressure, and also higher seasonal inventory provisions. We expect a lower gross margin to be temporary. We believe our new product ramp, combined with the product design and the supply chain will enable us to deliver the best product at a low cost. There's no changing to our long-term target model range of 42 to 48%. Moving on, we ended the year with a net cash of 845 million versus 259 million at the year end of 2024. This balance sheet provides the foundation to continue our effort to develop world-class tools for the leading global semiconductor manufacturers. Before I review our product, I will provide a view on competitive dynamics in China and how we will win in this environment. We have recently seen a flood of new local entrants to the China capital equipment industry. In many cases, there are five or more players going after a single point product, all with very similar design and performance. We believe we will compete and win in China market because number one, we have a differential technology with many product, almost the best in the world. Two, we have a deep portfolio of IP with strong protection in China. And three, our local customer demand the best technology in world to compete in a global market. Now I will provide detail on product. Please turn to slide four. Revenue from single wafer cleaning, Tahoe, and the semi-critical cleaning tool was $626 million, up 8% in 2025, and represented 69% of the total revenue. We now estimate our cleaning portfolio addresses 95% of the application and process step. And we are working on developing the remaining solution that will bring us to 100% in 2026. We believe ACM now has the widest coverage Canadian tool far more extensive as compared to all competitors their 8% year-over-year growth in 2025 include a very little contribution from our newer Canadian line we expected this new product including single waiver SPM power and into bubbling wet edge to contribute more meaningfully to our 2026 revenue as industry moves forward To more advanced nodes, we expect to increase demand for high-performance cleaning tools. The increased adoption of multiple patterning is driving higher layer counts, potentially impact use, and it demands more cleaning steps with a higher cleaning efficiency. We believe this plays right into ACM's strengths. For example, our proprietary end-tool bubbling etching technology is unique uniquely positioned in the market. We are seeing growth interest for advanced 3D NAT application where larger bubble size and the uniformity control would become more critical as industry moves to 300 layer and above. In SPM cleaning, customer recognize the advantage of our proprietary nozzle and the chamber design. We believe our platform outperforming leading competitors in small particle cleaning performance. We made a significant technical progress at the end of 2025 with our new SPM nozzle design. We achieved a 15 nanoparticle size count of under 20, which we believe is the best-in-class performance for the industry. Our unique nozzle design does not require any routine chambered-air water cleaning. This is a big deal for customer because you not only deliver the better cleaning environment for the chamber, but it also increase uptime of our equipment. As a result, I'm pleased to report today that we have received a strong repeat order for our SPM cleaning tools from major customer for delivering to Model 5 in 2026. We are also seeing very strong interest for our unique SPM technology for numerous global customer because they are not satisfied with the performance of their current plan of the record tool. Our super critical CO2 Joy tool integrate ACM proprietary cleaning IP while reducing CO2 consumption by approximately 40% as compared to their competitors. This result in process efficiency with low operation cost. We made a successful in-house demo for the multiple logic and memory customer at the end of 2025. We have already received a demo PO for evaluation tools from two customers for delivery in the middle of 2026. And we expect to deliver additional tools to multiple customers later this year. In mainland China alone, we estimate the incremental market opportunity for this next generation cleaning product is nearly $1 billion. We remain confident in our long-term objective to achieve approximately 60% of the market share in China cleaning market, and we expect cleaning to alter growth in China WFE this year and in the year ahead. We estimate our market share for ECP in China is now more than 40%. and we remain confident in our long-term goal to achieve 60% or more. Front-end tool represent about 70% of the mixing per year, including our MAP, MAP+, ECP3D, ECPG3 products. ECP back-end tool were about 30% of the mix, including our ECP8P product line. In Q4, we deliver our first ultra-ECP8PP horizontal panel-level electroplating tool to an industry-leading large panel fabrication customer. Our customer, ACM, prefers horizontal plating solution versus competitive vertical plating approach due to the much better plating film uniformity and much less cross-contamination between multiple plating chemicals. We expect a growing customer interest in our panel-level solution as industry looks for higher throughput and low cost to support advanced packaging solution for multiple large die size and HBM AI chips. As discussed earlier, we received order from three global customer for both wafer-level and panel-level packaging tools. Our first tool under various stage of evaluation of many customer. Revenue from furnace was relatively small in 2025, and we expect a more meaningful contribution in 2026. We made several technical breakthroughs for LPCVD and ALD and PALD in 2025. We see good demand across multiple applications, including high-temperature NEO, especially 1350-degree version LPCVD. ALD and PLD. We believe ACM differential design position us to capture meaningful market share. Revenue from advanced packaging, which is good ECP, but including service and the spell was up 45% in 2025 to 76 million and represent 8% of revenue. This includes coder, developer, etcher, stripper, scrubber, and vacuum cleaning tools. We believe ACM is the only company to offer a full portfolio of wet process tools and world-class plating products for the advanced packaging. We think the combination is very powerful. It provides ACM with valuable insight into the challenges of next-generation packaging as AI drives industry towards 2.5D and 3D integration. We are making solid progress with our new track and PCVD platforms. Last September, we delivered our high-throughput 300 WPH KIF track tool for evaluation at the key customer. We expect mass production qualification in 2026 for the tool. And we anticipate this will lead to demand from additional customers, including both standalone and full integrated systems in line with the ESR graphic tool. We believe our high throughput design positions this platform to compete effectively with the current supplier. In Q4, we delivered our first ultra lethal BK system. This milestone represents the first customer deploy of our tracker series following early demonstration and evaluation. It also marked our entry into the display panel market, a new segment that requires high-volume manufacturing and strong performance stability. We anticipate to develop our proprietary PECVD platform. Our design has three chucks per chamber, which we believe is the only one in the world. This provides flexibility for a wide range of our process with the same hardware. We feel good about our positioning as the team works through the technical detail with a field tool in our Lingang mini lab, running wafer tasks and a custom demo wafer. We expect to ship multiple EVA tools in the near term. In summary, we innovation, our innovation engine contribute to drive a differentiated solution across a broader growing portfolio. As AI drives a more complex semiconductor process, customers are turning into ACM as a trusted partner to help solving their increasing challenges. Next, let me provide update on our production facility. First, on Lingang, please turn to slide eight. Our Lingang production and R&D center is now our primary production center. The first building is in volume production, and the second provides capacity for the future expansion. Together, the two facilities can support up to $3 billion in annual output. During 2025, we made good progress on our mini-line and lingo. We have enhanced our process development capability and now support on-site customer evaluation in fab-like conditions. Our mini line including ACM tools and tools from other player and metrology tools. We believe the mini line will accelerate our internal product validation, shorten R&D and qualification cycle, and strengthen collaboration with the key customer as we introduce next generation platforms. Next, our Oregon facility, please turn to slide nine. We are accelerating investment in Oregon. with the operation expected beginning in the second half of 2026. This facility will allow customers to evaluate our technology and to test their wafer locally, and it will serve as our initial base for production in the United States. Our global customers are encouraging by our commitment, which we believe will help them to choose ACM as a key supplier to scare production. We remain very pleased by the success of ACM Shanghai team, which continues to be a key supplier to the semiconductor industry in Asia. ACM Shanghai has also proven to be a great source of capital and financial flexibility for ACM. In September 2025, ACM Shanghai completed a private offering of an ordinary share, generating approximately $623 million in net proceeds. In February 2026, we complete the sale of approximately 4.8 million ACM Shanghai shares at 160 RMB per share, generating approximately $111 million in gross proceeds. ACM Shanghai also has been a good source of dividends in 2023, 2024, and 2025. We received dividends, net of tax of $19.2 million, $28.5 million, and $29 million, respectively. Our major ownership in Shanghai remains a strategic asset. It enhanced our financial flexibility and supported disciplined execution as we continue expanding globally. Taken together, our expanding product portfolio increased manufacturing capacity and the strength in capital position give us confidence in our long-term strategy. Now turn to our outlook for the full year 2026. Please turn to slide 10. In middle January, we introduced our 2026 revenue outlook in a range of $1.08 to $1.175 billion. This implies 25% year-over-year growth at the middle point. iterate this outlook today since our from founding in california in 1998 and the establishment of acm shanghai in 2005 we're building a globally competitive semiconductor equipment company grounded in innovation and differential technology our leadership in cleaning and electroplating created a strong foundation and we are now expanding across furnace track and pcbd as we broaden our multiple product portfolio in asia we are recognized as a leader in waiver cleaning and plating and we are in engaging with a global customer across us and europe with continual progress across spm tahoe supercritical seal to dry furnace track pcbd and the panel level packaging we believe we are entering a new phase of a product cycle that we are driving for standard growth We have the customer, the product, the capacity, and the capital to execute our global business plan, and we remain committed to our long-term target of $4 billion in revenue. Now let me turn the call over to our CFO, Mark, who will reveal details of our first quarter and full year result. Mark, please.

Mark McKechnie | CFO, ACM Research:

Thank you, David. Good day, everyone. Please turn to slide 11 and 12. 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 GAAP measures is included in our earnings release. Also, unless otherwise noted, the following figures refer to the fourth quarter and full year of 2025, and comparisons are with the fourth quarter and full year of 2024. I will now provide financial highlights. Revenue was $244 million for the fourth quarter, up 9.4%. For the full year, revenue was $901.3 million, up 15.2%. Full year revenue was in line with our original guidance set a year ago and slightly above the updated range announced on January 22nd. Fourth quarter revenue for single wafer cleaning, Tahoe, and semi-critical cleaning was $159.9 million, up 3%. For the year, this category grew by 8.1%. Fourth quarter revenue for ECP, front-end packaging, furnace, and other technologies was $64.1 million, up 23.9%. For the year, this category grew by 32.1%. Fourth quarter revenue for advanced packaging, excluding ECP, services, and spares was $20.5 million, up 23.8%. For the year, this category grew by 45.3%. I will now provide revenue mixed by customer type for 2025. Starting this year, rather than disclosing specific customer names, we are now disclosing revenue by customer type once a year. For each customer type, this includes product, services, and spare parts. We've included the mix table on slide seven of our presentation. For 2025, our revenue mix by customer type was split among Foundry, Logic, and other, 59%. Memory, 27%. Packaging and wafer processing, 14%. 2025, we had four 10-plus percent customers, including our top customer was 16.9%, next was 13.5%, then 11.6%, and 10.2% for an aggregate total of four customers representing 52.2% of total sales. For 2024, we had four 10% customer, also for a total of 52.2%. Total shipments were $228 million for the fourth quarter, down 13.5%, and $854 million for the full year of 2025, down 12.2%. David noted we had a tough compare versus a strong 2024 when shipments increased 63% year-over-year. We also did have some shipments for new products pushed into 2026. We expect 2026 shipment growth rate to be higher than our 2026 revenue growth rate. Gross margin was 41.0% for the fourth quarter and 49.8%. For the full year, gross margin was 44.5% versus 54.4% in 2024. Q4 gross margin was slightly below our long-term target model. Adding to David's earlier remarks, gross margins were down 8.8 percentage points year-over-year on a quarterly basis. This was due to product mix and margin pressure concentrated in a few semi-critical products, which contributed about five points to the headwind, and a higher level of inventory provisions that contributed about four points negative impact. As David noted, we expect the lower gross margins to be temporary. We believe our new product ramp, combined with supply chain initiatives, will enable us to deliver the best products at a low cost. and there is no change to our long-term target model range of 42% to 48%. For modeling purposes, we expect gross margins to be at the lower end of this longer-term target range for the first half of 2026, with an anticipated lift in the second half due in part to contribution from newer products, which generally have higher gross margins. Operating expenses were $70.6 million for the fourth quarter of 21%. For the full year, operating expenses were $258.4 million, up 34%. For 2025, R&D was 15.1% of sales, sales and marketing was 7.8% of sales, and G&A was 5.8% of sales. For 2026, we planned for R&D in the 16% to 18% range, sales and marketing in the 7% to 8% range, and G&A in the 6% range. Operating income was $29.5 million for the fourth quarter versus $52.8 million. Operating margin for Q4-25 was 12.1% as compared to 23.6%. For the full year, operating margin was 15.9% as compared to 25.6%. Long-term, we look to grow our R&D spending in line with revenue, but we expect to show operating leverage in SG&A with spending growth below our revenue growth level. Income tax expense was $6.6 million for the fourth quarter versus $17.3 million. For the full year, income tax expense was $13.3 million versus $35 million in 2024. For 2026, we expect our effective tax rate in the 8% to 10% range. Net income attributable to ACM Research was $17.3 million for the fourth quarter versus $37.7 million. For the full year, net income attributable to ACM Research was $110.2 million versus $152.2 million. Net income for diluted share was $0.25 for the fourth quarter versus $0.56. For the full year, net income for diluted share was $1.61 versus $2.26. Our non-GAAP net income excluded $6.4 million of stock-based compensation expense for the fourth quarter and $33.6 million for the full year. I will now review selected balance sheet and cash flow items. Cash-to-cash equivalents restricted cash and time deposits were $1.13 billion versus $441 million at the year-end 2024. Net cash, which excludes short-term and long-term debt, was $845.5 million versus $259.1 million at year-end 2024. $585.4 million increase in net cash for 2025 included $623 million net raised in the private offering by ACM Shanghai in 2025. Total inventory at year-end was $702.6 million versus $676.4 million at the end of the third quarter. Raw materials were $349.7 million, up $23.5 million quarter-over-quarter. We made additional strategic purchases to support production plans and to mitigate any potential supply chain risk. Work in process was $61.4 million, up $1.9 million quarter over quarter. Finished goods inventory was $291.6 million, up $0.9 million quarter over quarter. Finished goods inventory primarily consists of first tools under evaluation at our customer sites along with finished goods located at ACM's facilities. Cash provided by operations was $33.9 million for the fourth quarter. For the full year cash 2025, cash used by operations was about $10 million. Capital expenditures were $58 million for the full year 2025. For the full year 2026, we expect to spend about $200 million in capital expenditures. This includes continued investments in Lingong, including the mini-line and the second production facility, fixed assets for the business, and investments in Oregon, along with other items. 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. To ask a question, please press star 1-1 on your telephone and wait for your name to be announced. To withdraw your question, please press star 1-1 again. One moment while we compile our Q&A roster. Our first question will come from the line of Charles Shive with Needham & Company. Your line is open. Please go ahead.

Charles Shive | Analyst, Needham & Company:

Hi, thanks for taking my question. I believe you gave a pretty good color shipment versus revenue growth this year. So I have a question since you mentioned about new products probably going to be a bigger driver this year for growth. And I wonder if you can give some color, let's say excluding the new products, what's the growth, either shipment or revenue is expected to be, excluding all the new products. Maybe I'm talking about the existing product lines in cleans, plating, et cetera. Thank you.

Dr. David Wong | CEO, ACM Research:

Okay. Thank you, Zhao. Actually, you know that, as we said, we made quite a big progress in the SPM process. General speaking, SPM, Carter SPM, represent 25, 30% of the Canadian market. And this market, you know, last couple of years, we're not in much touch so much. As I said, last 2025, we made a very good progress, both into their special nozzle design for the high temperature and also a powerful product. So we're getting to very aggressively into this market. And again, this is a very high margin product. and also a lot of our customers, both in mainland China, also outside China, they have suffered their particle issue with this high temperature SPM process. And we think with our proprietary design model, we can control a very good environment, so therefore can be, you know, really reduce particle size. So that can really enhance our market growth in Kunini. Secondly, I want to say that is our End-to-bubbling proprietary bubbling wet etching technology is really critical for the 3D net sitting nitrate etching process, which we believe our proprietary technology not only cover today's demand for 300 layer, we believe as people moving to 400 or even 500 layer will suffer this kind of an uniformity of the top or bottom. So we're using large bubble. and size, also with our proprietary technology, we can make a very uniform large bubble distribution in a tank. That will be really enhance the etching uniformity from the top to the bottom for the via. So we believe that's not only demand in the market in China, we also see that demand outside the global market too. And third one, I also mentioned that is our supercritical CO2 dry. we also made a lot of progress, right? And which is, you know, past customer demo. We have two tools, you know, scheduled to deliver, you know, in the first or second quarter of this year. We have additional interest in coming. Again, since the supercritical CO2 with our provider design, we got a capacity or cavity, our CO2 chamber is about 40% smaller. So we believe that we're really providing customer a 40% reduction of the consumer cost. And that really also, again, driving this product out in the local, I call it, China market, but also getting to the outside China market. So with all this cleaning, I call it, together, we believe also expansion in the future, this will probably represent, even in China, almost a billion-dollar market potential for us to get in. So we're very exciting about our continuing expanding our Canadian product in the China market, plus also give us a really strong differential technology exposure to the global market. So that's for Canadian. And again, for copper plating, as I mentioned, we have a full set of their Canadian product, front-end, TSV, back-end, advanced packaging. including also, you know, this I call the compound semiconductor. Plus, recently we just, you know, announced our panel horizontal plating, which we believe very, very key technology to driving for the panel size plating. This moment, everybody using vertical and cover plating for panel. We're the first one in the world so far doing horizontal plating, right? With our differential technology, we believe probably most likely only one in the market to drive another horizontal copper plating. So this also we see the bigger interest, not only in the China market, we see also a lot of interest coming in for us to deliver this tool. So with that, all new products in our existing Canadian copper plating can drive a lot of revenue this year, including next year. Right. And then plus, as I said, our other foreigners and the PCVD and also track business we're developing for last four or five year really made a lot of technology breakthrough too. So believe those technology getting this year started in market and were real sustaining our next three to five year growth. And which, you know, that last three, four year, our major growth comes from Canadian copper trading. And next few year, we see this new product coming, what that is strengthening our high growth profile in next few year. So we're very, you know, exciting, very, you know, try to, I was executing our strategy to continue to grow our revenue. Charles.

Charles Shive | Analyst, Needham & Company:

Thanks, David. Maybe a question on profitability. So you reported the last year. You gave some color about this year. But I believe if my math is right, your operating margin will compress the last year from maybe close to 26% in 24 to 16% in 25. But this year, based on what you guided about growth margin, what you guided about R&D, SG&A, doesn't look like operating margin can rebound, feels like operating margin probably more or less the same or even coming down a little bit depending on how the gross margin trends for the remainder of the year. So I want to get some sense, what's the reason for operating margin being under pressure for almost two years and And how do you plan to address this and maybe try to expand the operating margin from here? Thank you.

Dr. David Wong | CEO, ACM Research:

Yeah, actually, let's do it this way. You know, looking at growth margin, right, we're probably the top of the company in China, right, for growth margin, right, for the last few years. And as you said, Q4, our expected Q4 last year, we do see our, you know, first time growth margin is, you know, lower than our range, 40 to 48%, right? As we're explaining maybe three factors, one is the product mixing. We have, you know, one or two products, which is a semi-critical tool. Do have, you know, pressure from the competitor for pricing, you know, there. The next one is really our, you know, this inventory provision. But we think this year, as we are new product coming, as I mentioned, this, you know, three Canadian product coming, we're definitely encountering margin. And also our inventory provision, we believe will be also greatly reduced too. So with that, we still have a confidence we're in a 42, 48, you know, gross margin in this year or beyond. And more than that is, as you said, we put quite a bit R&D last year, right? It used to be R&D 13, 14%. Last year, we're getting to 16%. We'll probably keep that number in the wake. Why? You know, the next few years, AI is driving a lot of demand for the new technology, and everybody else, you know, first-tier company, you know, outside China, all people put a lot of R&D, and so we'll continue to invest that, which we know will impact a little bit, you know, our operation margin, but it's worth spending money now. Why? I said opportunity is there, right? And a lot of customers, real demand for the new technology, which I believe, A lot of AI technology today is not invented yet. So it really gives ACM a good opportunity with our innovation power, our technology development capability, we can use this AI as a trend. We'll catch a lot of new technology and also catch the customer. This is a good example. So again, it's worth to spend more R&D. and even get a few percent of the operation margin lower, which is real long-run, and we're working for the investor interest and also the growth ACM market into the next few years.

Mark McKechnie | CFO, ACM Research:

Yeah. Hey, David, I might add a few things. I think that was a good overview. But, Charlie, I think kind of summarizing it up, we're spending into the $4 billion market opportunity. There's a number of products that – areas that – We've been investing in that haven't scaled yet, but we expect them to scale over the next few years. It's the right thing to do to spend into that. You're right about the operating margin for 2026 kind of comes in at the mid-teen level, similar to what it was here in 2025. You move out a few years. Our target is to keep those gross margins at that target range and then move you know, grow our top line faster than our optics. I think you can see some leverage in the out years.

Charles Shive | Analyst, Needham & Company:

Okay, thank you.

Mark McKechnie | CFO, ACM Research:

Yeah, thanks, Charles.

Dr. David Wong | CEO, ACM Research:

Thank you, Charles.

Operator:

Thank you. One moment for our next question. Our next question will come from the line of Edison Lee with Jefferies. Your line is open. Please go ahead.

Edison Lee | Analyst, Jefferies:

Oh, hi, David and Mark. Congratulations on the results. I just have two quick questions. Number one is that For the fourth quarter, the margin is a little bit low and the revenue growth also is a little bit slow. And then your shipment, I think, declined on a year-on-year basis. So how much of that is just product mix and seasonality? And when do you think these numbers will actually start improving in 2026? And then the second question is about the $111 billion you raised about selling down ACMS. Can you shed some light as to how you would actually utilize that proceeds?

Dr. David Wong | CEO, ACM Research:

Okay. So let's answer your first question, right? I think that you look in there, I guess I mentioned last couple years, our major growth engine from cleaning and also cover plating, right? Even the cleaning, I said, there's one important product, which is SPM process. We're not touching too much. As I mentioned last year, you know, end of last year, you know, Q4 last year, we made a significant progress with this, you know, special nozzle design. We believe our performance is outperforming and, you know, top tier as a tool. So we see that a grow continuously, right? And so then I would say our cleaning, copper plating, you know, also horizontal panel can, you know, expand too. So that keeps momentum. Our cleaning market, you know, probably today in China, about 35 range, we're expanding to 50, 60%, you know, next few years. And the copper right now, the 40, I still say we're trying to catch 60 in the beyond mark in China. More than that is those are, product defensive product we see a very high interest from global you know top tier customer so that's what we also reinforce ourselves outside china so that's what i see that you know um impact our all boost our revenue you know uh for our existing product and but and also i want to see that in through the last five years we are really working the differential you know pcbd and track and also furnace technology which is we believe a lot of our new technology we are putting in and nobody had it before, right? So that's what really reinforced our, I call it the market position. And plus, those tools, it really, with our differential technology, we put a lot of time to develop IP, develop the roadmap. It cost a little bit of a long time than, you know, the other guys. So, and now it's come the moment for the market. And plus, I want to say another bigger impact is, I call it, improvement is the last Q3, we start using Ningang or MiniLine, which we did not have before. That was really helping our internal demonstration, internal R&D speed. We see the bigger impact already. So that will be helping our tool mature before shipping to the customer. So with all together, I want to say this is a new growth from the existing and also our new product coming in. We're driving ACM in real high growth profile in a year, this year, and in the next few years. So we're very confident. Plus, even I say, you know, WFE market in China is flat. We can get a high growth rate because of new product coming. And plus, also, as you say, we have made a lot of progress in a global customer, you know, this news announced, you know, today. We also see a lot of interesting coming into our differential technology from top-tier customers. Because we have a patent that has been locked with technology already. They almost have no choice. They have to come to us.

Anyway, so that's really exciting for all technology. We're really trying to push all technology real benefit to the international global customer for their AI challenges. Mark, anything you want to add on that?

Mark McKechnie | CFO, ACM Research:

Yeah, let me add on to something before you answer his question about our Shanghai stock sales. So Edison, for Q4, you probably remember last call, we mentioned that Q4 in the year, the overall year came in at the midpoint of where we started the year, maybe a little bit better. And don't forget, we had two things. Our newer products didn't kick in very little in 2025. And then we did have a customer push out from Q4 into 2026. And so that was kind of those two things that hit 2024. I'm sorry, the Q4. When you look out to 2025, you know, we're expecting linearity pretty similar to, I'm sorry, 2026. We're expecting our linearity to be pretty similar. So the first half will be about 42%, 43% of revenue. Second half will be, you know, 57% to 58%. But, you know, I would kind of anticipate Q1 at about 18% to 20% of the full year mix. Maybe David, uh, if you wanted to take his question, what are we going to do with the cash that we raised in, um, or that we sold, you know, the cash that we sold.

Edison Lee | Analyst, Jefferies:

Sorry, sorry, Mark, Mark, Mark. Can you hear me?

Mark McKechnie | CFO, ACM Research:

Yes. Yeah.

Edison Lee | Analyst, Jefferies:

Hey, before, before we move on to the use of process, can you also comment a little bit on what you said about, I think some products have been some pricing pressure, uh, which I think partially account for lower margin in the fourth quarter.

Mark McKechnie | CFO, ACM Research:

Yeah, and there's not much to add to what I said there, you know, or what David and I both said. You know, there were a couple of semi-critical products that had particularly low margins that hit us in Q3 and Q4. And we, you know, David mentioned in the prepared remarks, he talked about the competitive situation in China. You know, we are very focused on developing world-class tools. We think that... There was also a bigger provision in the back half of the year, so we think that'll be the overall provision for 2026. Probably be smaller than it was in 2025, and it'll probably be more balanced throughout the year.

Edison Lee | Analyst, Jefferies:

Okay.

Dr. David Wong | CEO, ACM Research:

So you want me to talk to you there how we use and proceed, right?

Edison Lee | Analyst, Jefferies:

Yes.

Dr. David Wong | CEO, ACM Research:

Okay, well, obviously, we have a second offering in China, right? Those are Money will be real focusing on R&D again, our expansion for their manufacturing. We have a second building. We'll start the decoration this year. So with that add together, probably we can manufacture 3 billion annually, which will really give us a lot of room for manufacturing. And plus, we'll also put the money in the mini line, as I mentioned. This mini line really speed up our internal R&D and debugging tool, and also even can do the joint development with the customer process too. So it's really worth spending for those money. And the proceeds we got from there, so the 1.3% from Shanghai here, definitely the major purpose for that was spending global customer, global market itself. So we see that opportunity really big in a global market. As I mentioned, we do have some differential technology might be the only solution for their, you know, AI challenging. So those products, we think, will really gather attention from the global customer. So we have to spend money and, you know, building the international strongly self-channel. And also, you know, we already had a career manufacturer base already. And however, you know, with this geographic... tariff going on, we have to minimize the tariff impact, right? So that's why we started assembly tool in the USA. So that will be real, reduce our concern or any dynamic changing for those tariff will impact our revenue. So anyway, that's really what work on. And our goal is very simple. We try to work in with, you know, with satisfy all regulation and requirement and maximize the investor interest We're building a global sales, global company. That's our goal.

Edison Lee | Analyst, Jefferies:

Okay. Thank you.

Mark McKechnie | CFO, ACM Research:

Thanks, Edison. Yeah, I appreciate it. Next question, please, operator.

Operator:

One moment. Our next question comes from the line of Jimmy Hong with JP Morgan. Your line is open. Please go ahead.

Jimmy Hong | Analyst, JPMorgan:

Hi. Hi, Debbie. Can you hear me? Yes, please. Yeah. Yeah. Thank you. Congrats for the good results. I want to ask about, we deliver single-way for cleaning tools to a Singapore-based foundry. What would be the potential size of treatments in terms of units or dollars this year or next year? And next year, yeah.

Dr. David Wong | CEO, ACM Research:

This is my first question. Yeah. Very good question. Actually, you know, we're a field tool, or we're in an inspiration process right now, right? This tool, you know, this tool will be qualified and go in production, you know, this year. And with that, we definitely will introduce more of a community tool. And also, we do have a cover play team in the behind. So that's really what gives us exposure of product in the Asian market. And so this will be real making more of a confidence and also get a high interest from other players in Asia and the market too. So this is a really bigger milestone for us. And plus, you know, we're not only looking at a customer only in Singapore, and we do have a customer in Korea, and also we have a customer, you know, potentially in Taiwan. So we have really confidence, you know, we should have expanding quickly in the Asia market. And plus, again, you know, we're also very focusing on our U.S. market, too. We do have an advanced packaging tool, PO, and receiving, which will deliver by end of this year. And we saw a lot of potential going on in the U.S. market, too. Again, because today all the memory, all logic, they're AI-driven for their advanced technology. ACM, I won't say I feel good technology is really needed for their production line. We believe that's really beneficial for the customer and also can help expansion our market to global. So it's a great opportunity because, again, innovation is the key. And every customer and every key customer, they all demand for innovation technology, which will probably fit our, you know, strategy.

Jimmy Hong | Analyst, JPMorgan:

Yeah. Yeah, thank you. Dr. Wang, yeah. So for Singapore business, how's the chance that we penetrate to Singapore-based memory makers in the next few years? And my second question is for advanced packaging. We are making great process, but you know for Taiwan, Taiwan needs foundries and also leading the panel level packaging for AI GPUs. Can we talk about our POP problems with potential Taiwanese players? Do we have any, like, other forecasts or purchase orders from these Taiwanese potential customers?

Dr. David Wong | CEO, ACM Research:

Yeah. Yeah, actually, you know, we are talking to a few key customers, right? Even a panel, large size, 515 by 510. And also, we're talking about their 310 by 310, right? Which is a true vision right now people are trying to push in. So we have very good exposure to those customers. By the way, April 7, 8, we're attending the panel conference in Taiwan. And in that conference, we'll do the keynote speaker about the horizontal plating and also our vacuum cleaning technology. So it's really a lot of exciting, I want to say, interest coming in. And also, you know, I said, I heard everybody say panel product or equipment. they probably satisfy all other products except their plating. So plating becomes a bottleneck for their production expansion. So with that, you know, demand, I said we are the only one supplying horizontal plating. You probably heard that is the one key player in Taiwan. They said they only want horizontal plating. They don't want vertical. So our horizontal plating perfect fit their strategy or their demand. So, as I said, it's really a big opportunity with our panel product. Actually, we're not only trying to introduce the SuperFar 3 product, right? Panel plating, vacuum cleaning, and also the bevel. We're going to develop also additional, you know, and code the developer, wet etcher, and cleaning all kind of wet tools we're putting in, too. So that's really what we catch this wave of the panel I call it a shift, right, for the advanced packaging. So we're in a very good position for those coming panel advanced packaging expanding. We're very excited about this opportunity, right.

Jimmy Hong | Analyst, JPMorgan:

Yeah, but do you know like in which kind of periods, quarters, it will be more clear that whether we'll have any other forecasts or purchase orders for this POP equipment, yeah,

Dr. David Wong | CEO, ACM Research:

Well, you know, let's put it this way. We announced that we do have also a PO from outside mainland China, right? I mean, we said already. So you know what I mean here. And then we're continually expanding more, right? So, again, I want to say this year we have confidence to catch additional PO for our, you know, for our vacuum cleaning and also for the horizontal copper plating. Not only in Taiwan market, we also see the opportunity in Korea, also in Singapore, by the way. So it's very exciting.

Jimmy Hong | Analyst, JPMorgan:

Yeah, thank you. Maybe I can squeeze in my last question in that FAQ. Like ACM has disposed a small portion of that in ACM Shanghai. How do we think about more further stock disposal in the future? You mentioned that U.S. international capacity bills will require more funding. Will we dispose of more staff of ACM Shanghai in the future?

Dr. David Wong | CEO, ACM Research:

Yeah. Repeat the question again. I'm sorry. Can you repeat again?

Mark McKechnie | CFO, ACM Research:

He's asking, are we going to sell more of our ACM?

Dr. David Wong | CEO, ACM Research:

Ah, I see, I see. Okay. You know, we sold 1.3% already, right? And we're going to proceed, you know, about 111 million. And, you know, we do have both arms to, I could raise money. We can raise the U.S., we can raise the Shanghai. We're very flexible for what way we're choosing, number one. And this moment, I want to say, our Shanghai stock is still know we think it's still undervalued okay with all growth so we maybe consider what's the money demand and the timeline also what's the stock pricing in shanghai what decider you know where or when or we should sell additional or not and plus as it will have silver arm you know we can raise the money in usa so it's quite flexible for us to reach the phone and this moment you know i want to say well obviously we'll continue invest more in global market, and we have no concern for those, you know, money, where it comes from, right? We're very confident. We also have another knob, another tool. We can get the money anyway.

Jimmy Hong | Analyst, JPMorgan:

Yeah. Thank you for all my questions. Thank you, Dr. Wong. I'll be back to the queue. Thank you.

Dr. David Wong | CEO, ACM Research:

Great. Thank you. Thank you.

Operator:

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

Steven Palaio | Managing Director, Blue Shirt Group:

Okay, great. Before we conclude, I just want to give everyone a quick reminder on our upcoming investor conferences. On March 9th, we will participate virtually in Loop Capital Markets' 7th Annual Investor Conference for one-on-one meetings. On March 23rd and 24th, we will present at the 38th Annual Roth Conference in Dana Point, California. Attendance at the conference is by invitation only. For interested investors, please contact your respective sales representative to register and schedule one-on-one meetings with the management team. This concludes the call, and you may now disconnect. Take care.

Operator:

This concludes today's conference call. Thank you for participating, and you may now disconnect. Everyone have a great day.