NASDAQ:ACMR Q2 2026 Earnings Call Transcript

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Operator | Conference Operator:

Good day, ladies and gentlemen. Thank you for standing by. Welcome to the ACM Research Second Quarter 2026 Earnings Conference Call. Currently, all participants are on a listen-only mode. Later, we will conduct a question-and-answer session, instructional profile 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. Stephen Pillay, Managing Director of the Blue Shirt Group. Stephen, please go ahead.

Stephen Pillay | Managing Director, Blue Shirt Group:

Good day, everyone. Thank you for joining us to discuss second quarter 2026 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's also a supplemental slide deck posted to the investor 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 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 in this call will be on a non-GAAP basis which excludes stock-based compensation and unrealized gains and losses 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 32. Also, unless otherwise noted, the following figures refer to second quarter 2026 and comparisons are with the second quarter 2025. So with that, I will now turn the call over to David Wang. David?

Dr. David Wong | Chief Executive Officer:

Thanks, Steven. Hello, everyone, and welcome to ACM's second quarter 2026 earnings conference call. The June quarter marked another period of strong execution for ACM research. Revenue and achievement increased 36% year-over-year. Revenue growth was led by our ECP and Advanced Packaging Product category, both of which increased more than 150% year-over-year. This strong performance reflects the progress we are making in transforming ACM into a broader Multi-Product Semiconductor Equipment Company. In June of this year, third-party researchers Frost and Sullivan published a report called Global and China Semiconductor Equipment Market Research. They now estimate the global semiconductor equipment market exceeded $140 billion in 2025 and will grow to more than $200 billion by 2029. They also estimate the mainland China market exceeding $50 billion in 2025 and the world growth to more than $80 billion in 2029. To fund our global operation, we have recently strengthened our balance sheet. ACM now has more than $1 billion of net cash globally. This includes approximately $300 million in the U.S. following our $150 million registered direct offering completed this past May. This financial strength provides a solid foundation to support our mission to become a key supplier of world-class capital equipment to the top major product of semiconductors. We believe AI is driving one of the most significant technology transition the semiconductor industry has experienced in many years. As chip complexity and chip size continue to increase, traditional wafer-level packaging approaches are reaching practical limits, creating demand for entire new manufactured technology across advanced packaging. ACM predicted a shift from wafer-level to panel-level packaging more than five years ago and began investing early in horizontal panel-level plating and other panel-level wet process technology. We believe the market is now coming to us and has begun to validate those investments. Today, I'm pleased to announce that we have received orders from two advanced packaging customers for our panel-level horizontal plating tool, addressing both 510x515 mm and 310x310 mm panel size. One is a production order from an existing customer in mainland China, and the second one is the evaluation system for new customers in Asia. We believe ACM will be among the first company to deliver horizontal panel level plating system to multiple customers across multiple regions. Our proprietary horizontal plating architecture is a key differentiator delivering strong or superior plating uniformity while addressing the demand process requirement. of Next Generation AI Packaging. This order is an important milestone for what we believe could become a significant long-term growth opportunity. I'm pleased to report today that our order book has been quite strong. For the first half of 2026, orders increased 105% year over year. This is a mix across all product category with a heavier emphasize on some of our new product. As with the prior years, ACM Shanghai plans to release backlog figure as of the September 30 in early October. Thanks to good execution by our operation team, we continue to expect a shipment across each of our category to grow faster than revenue. We remain confident in our growth target for 2026 and beyond. For 2026, we see a healthy backdrop for China WFE as our customers continue to scale their production capacity. We expect an extra boost for our business from a few product cycles, including our SPM and furthers to enable us to outgrow the China WFE. Beyond this year, we estimate that our newer platform, including track, PCVD, and horizontal panel-level plating will proceed for evaluating phase into a commercialization phase, resulting in production orders and drive our growth for years to come. In summary, we see 2026 as a big year for new product and another year of solid growth for ACM. Now onto our business result. Please turn to slide three. Revenue for the second quarter was $293 million, upper 36%. Shiman for the second quarter was $282 million, upper 36%. Gross margin was 46%, and operating profit margin was about 19%. And we ended the quarter with a gross cash of $1.4 billion. Billion, and a net cash of $1.0 billion. Now I will provide detail on product. Please turn to slide four. Revenue from single wafer cleaning, pothole, and semi-critical cleaning tool was $133 million, down 14%, and represent 45% of revenue. We believe ACM has built industrial products cleaning product portfolio. Our product in this category including Saftibo, Tahoe, Backside Clean, Solvent Clean, Bevel Clean, Scrubber, and Wet Etcher, and our proprietary single wafer hot SPM technology. In May, we present our proprietary hot SPM cleaning technology in 2026 surface preparation and cleaning conference. This system demonstrate fewer than 15 particles performance at a 15-nano particle size. Our proprietary nozzle design prevents acid mist and the chemical splashing outside chamber during the hot SPM process. And this, therefore, does not require periodical TI water chamber outside cleaning. For customer, this means less maintenance, better uptime, and a more stable particle performance. We believe this represents the best performance in the industry. Our SPM platform is well suited for the advanced logic and memory, while cleaning requirements are becoming more demanding. Today, we also announced new capability for Ultra-C Tahoe, expanding it into a broader wet process platform. Tahoe is built on our patented hybrid architecture that combines batch SPM process, and a single wafer cleaning. We have added a wet etching and monitoring wafer reclaim application to the Tahoe platform. This integrates multiple processes that had previously required a separate standalone tool into one Tahoe platform. The expanded platform has been adopted by multiple leading semiconductor manufacturers. ACM will continue to try world-class process performance with a focus on ESG benefit to help make advanced semiconductor manufacture more efficient and more sustainable. We have shipped a handful of single wafer SPM tools in the first half of this year, and we are on track to ship more than in the second half of this year for are more than 20 by the end of this year. As a reminder, we estimate that SPM represents about one-third of the total cleaning market. We have had very little revenue today for the SPM tool, and with this major product cycle, we expect our overall cleaning revenue to rebound as our customers qualify the first tool and we grow our repeated shipment. Revenue for ECP, furnace, and other technology grow 168% and represent 44% of the revenue mix. Growth was driven by momentum on both front and back end plating tool. In logical device, we have benefited from larger die size and steady increase from higher interconnector layer counts. In memory device, we have benefit as HBM packaging demands higher level of DRM stacking and thus more copper process steps. During the quarter, we shipped our 2000th electroplating chamber. This follows our 500th chamber shipment in 2022 and our 1500th chamber shipment in 2025. This shows how quickly our installed base has grown and how broadly customers are adopting our technology in volume production. We had a larger contribution from furloughs in the quarter, but it's still just a small part of our overall revenue mix. We continue to improve the technology breakthrough across key applications, including LPCVD, oxidation, thermal ALD, PALD and ultra-high temperature anneal. Revenue from advanced packaging, which excludes ECAP, but including service and parts, was up 153%. This includes coasters, developers, etchers, strippers, scrubbers, and vacuum cleaning tools, supporting a broad range of advanced packaging applications. We are particularly pleased with our global progress here. active deployment in Singapore and North America across a range of these tools. We are making good progress with our new track and PCVD platform. We remain confident that we have the right approach for our PCVD and track platform and we have made significant progress in 2026. Our proprietary one chamber, three chucks Architecture for PECVD performed well in our Lingang mini lab early this year. We shipped the secondary tool to our new customer in Q1, and we anticipate this qualification by year end. The story is similar to our track platform. Indeed, our high throughput KIF track tool is progressing through customer evaluation. and we anticipate production qualification by year end. We see strong interest in both standalone tools and configured to integrate with the scanners. For both DCVD and TRAC, we are hard at work with the development effort with several key customers. We are optimistic that our tool performance can meet or exceed our customer requirements and result in production order in the near future. Please turn to slide five. The quarter we have update our market assumption with the latest WFE data from the report one, report I mentioned earlier. This result in a $1 billion increase to ACM. It's a global stamp about $22 billion. Please turn to slide six. There are no changing to our long-term revenue target of $4 billion. This is still based on market share assumption for each of our product category, which gets us to about 2.5 billion from mainland China and 1.5 billion from the global market. We adjusted some our assumption based on China WFE now and about 50 billion. We continue to assuming a robust WFE environment over the next several year for the global market. The magnitude and timing of our growth will be impacted by the overall spending trajectory of our customers and our market share gains. Next, let me provide an update on our production facilities. First, on Ningdao, return to slide 8. The first building is in volume production and we plan to open the second building later this year. Together, the two facilities can support up to $3 billion in annual output. With our strong order book, we are fortunate to be ready to scare the second facility. Next, our Oregon facility pretend to slide nine. In Oregon, we remain on track for a US-based demo center with multiple tools in world-class cleaning room environment starting later this year. This is important for our global customers, and we believe it will help us to secure production orders. Our global business is beginning to scale. As we said last quarter, we expect to have more than 20 tools installed at the customer sites outside mainland China by the end of 2026. This includes about 10 customers in five countries. It is clear that leading global chip makers can benefit from our innovative product. Although it is still early day for our global deployment, our engagement are growing and we are confident that our global sales and the service team will deliver good results. Now I will providing our outlook for full year 2026. Please turn to slide 10. Based on our first half performance, and the improved visibility, we have reached the middle point of our full-year revenue guidance. We now expect a full-year 2026 revenue of $1.125 billion to $1.175 billion versus the prior range of $1.08 billion to $1.175 billion. This new range implies 25% to 30% year-over-year growth. We also expect the shipment growing Gross to outpace revenue growth in 2026. Now let me turn the call over to our CFO, Mark, who will review details of our second quarter results.

Mark McKechnie | Chief Financial Officer:

Thank you, David, and good day, everyone. Please turn to slide 11. Unless I note otherwise, I'll refer to non-GAAP financial measures, which exclude stock-based compensation, unrealized gain lost on short-term investments. Reconciliation of these nine gap measures to comparable gap measures is included in our earnings release. Also, unless otherwise noted, the following figures refer to the second quarter of 2026 and comparisons are with the second quarter of 2025. I'll now provide financial highlights. Revenue was $292.9 million, up 36%. Revenue for single wafer cleaning, Tahoe, and semi-critical cleaning was $133.0 million, down 14.2%, and represented 45.4% of sales. David noted this included very little contribution for some of our newer products. As normal, SPM will be reflected first in our shipments, followed by revenue contribution in later quarters. Revenue for ECP, front-end, and packaging and other technologies was $128.5 million, up 167.7% and represented 43.9% of sales. Revenue for advanced packaging, excluding ECP, services and spares was $31.4 million, up 153.3% and represented 10.7% of sales. We saw a good improvement in our customer concentration. During the first half of 2026, our 10% customer mix has improved to just one customer at 12.7% of our revenue mix. This compares to three 10% customers representing 49.9% of our mix for the first half of 2025. While this can vary by period, we consider the reduced concentration as positive as it represents a broadening of our customer base. Total shipments were $281.5 million, up 36.4%. In 2026, we expect shipment growth to outpace revenue growth. Gross margin was 46.0% versus 48.7%. Gross margin was above the midpoint of our long-term target model. We maintain our 42% to 48% long-term target range, and product mix can cause fluctuations on a quarterly basis. Operating expenses were $78.5 million, up 23.9%. R&D was 13.9% of sales. Sales and marketing was 7.7%, and G&A was 5.2%. For 2026, we planned for R&D in the 16% to 18% range, sales and marketing in the 8% range, and G&A in the 5% to 6% range. Operating income was $56.3 million versus $41.5 million. Operating margin was 19.2% as compared to 19.3%. Income tax expense was $13.5 million versus $1.9 million. For 2026, we expect our effective tax range in the 10% to 12% range. Net income attributable to ACM Research was $44.5 million versus $37.3 million. Non-GAAP net income excluded $6.6 million in stock-based compensation expense and the $69.6 million of unrealized gain on short-term investments and its effect on non-controlling interests. Net income for diluted share was $0.61 versus $0.55. Now onto the balance sheet and cash flow items. Cash equivalents, restricted cash and time deposits were $1.36 billion at the end of the second quarter. Net cash, which excludes short-term and long-term debt, was $1.0 billion. This includes about $300 million of net cash on our U.S. balance sheet. Total inventory net was $783.1 million. This consisted of raw materials net at $406.1 million, work in progress net at $89.0 million, finished goods inventory net at $287.9 million, which primarily consists of first tools under evaluation at our customer sites along with finished goods located at ACM's facilities. Cash used by operations was $6.4 million and capital expenditures were $65.4 million. For the full year 2026, we continue to expect capital expenditures of about $175 million. That concludes our prepared remarks. Now let's open the call for any questions that you may have. Operator, please go ahead.

Operator | Conference Operator:

Thank you. Ladies and gentlemen, to ask a question at this time, you will need to press star 1-1 on your telephone and wait for your name to be announced. Please stand by while we compile the Q&A roster. Now, first question coming from the lineup, Suji Da Silva with Rod Capital. Your line is now open.

Suji Da Silva | Analyst, Rod Capital:

Hi, David. Hi, Mark. Hi, Lisa. Congratulations on the progress here. Great diversification going on, so it's really good to see. Thank you. You got it. Yep. So, David, the global tools shipped, the 200, it's a great number. What geographies are you seeing the larger shipments today in, and Maybe what geographies do you expect the best growth opportunity in your tournament as you scale out beyond China?

Dr. David Wong | Chief Executive Officer:

Yeah, actually, we see there, especially I want to say first half of this year, we have almost like a close thousand tools go to Singapore, right? One of their packaging house there, also have a tool and they're running one of their foundry in Singapore too. So we do see Singapore as the opportunity for front-end tool and also packaging tool there. Of course, we do have a customer continue in the US. As I mentioned, we're going to finish the building of our demo lab in Oregon. With that demo lab started using, we're going to attract more of our interest and also attention into our differential technology. So this way we can provide more of a demo capability for customer in a global. Great.

Suji Da Silva | Analyst, Rod Capital:

And then my second question is, given that you now have a significant amount of cash in the U.S., 300 million, maybe David or perhaps Mark, what are some of the planned use of those proceeds? Is it expanding capacity? Which regions and Perhaps even inorganic activity, any color would be helpful there.

Dr. David Wong | Chief Executive Officer:

Yeah, obviously, you know, with this cash preparation, it'll show our determination, also our confidence, right, expanding the sales activity outside mainland China. As I mentioned, you know, our long-term goal is still $1.5 billion for the revenue outside China. That's exactly for that goal, we prepare, you know, our funding and also our activity. Those funding based on supporting our activity definitely US and also Taiwan and Singapore, Asia, also the Europe. It's a bigger opportunity. We see a lot of demand come out for those especially for our differential technology, cleaning, plating, and also R&D for the even new PCB and the furners. So it's really exciting. As I mentioned, AI really driving a lot of new Demand for the innovation technology. So we believe whatever developer in Shanghai can be really spread out to benefit for all the customers globally, right? It's our goal here.

Suji Da Silva | Analyst, Rod Capital:

Okay, that's very helpful. And then my last question, I know you guys are diversifying your customer base and you have one 10% customer focusing on global, but I'm curious in China, How levered are you to what's going on with CXMT and the DRAM market? Understanding AI is a plating plate for you in other areas where you're very strong, but the DRAM effort there is growing very strongly. I'm curious how much leverage you have to that opportunity.

Dr. David Wong | Chief Executive Officer:

Well, I really cannot comment too much detail with each customer, right? But looking at overall, you look at Frost and Sullivan, their report shows a very strong demand in the WFE market world in China. Right. First of all, I want to say China is a bigger market for all these applications, AI included. So it's a huge market there, and therefore they can support a lot of cheaper manufacturers here. In the same way, they demand a lot of WFE equipment, right? So that's where we see opportunity here. And with ACM, I said we have a real multiple product in the timeline. especially this year, we call our, you know, 2026 as a big year for product, you know, new product come out to the market. And all our PECVD ferners and attract system, we started development from 2000 or 2001 or, you know, 2019. In those timeline, we're really, you know, focused on their, you know, technology, focused on differentiation. So through the four or five year R&D team hardworking, we got some real exciting results. And some of them obviously, you know, very approaching to the top tier and performance and something we see even better than top tier performance, right? So that's really our confidence we can, with this new product come out, we can further sustaining or increase our high growth rate. and for our revenue in the market in China. Of course, those new products after qualified in the China market will also eventually will sell to the global market. So it's a lot of exciting for next few years. So our revenue will not only come from cleaning and cover plating anymore. New products will join our revenue growth. So this will be a very exciting year for next few years.

Suji Da Silva | Analyst, Rod Capital:

That's a very helpful color, David. Thank you, and congratulations to you and the team on the strong execution here.

Dr. David Wong | Chief Executive Officer:

Thank you. Thank you, Sujit. Thanks, Sujit.

Operator | Conference Operator:

Thank you. Our next question in queue coming from the line of Charles Lee with Neat Hem & Company, Alanis Nalfin.

Charles Lee | Analyst, Needham & Company:

Hi. Thanks for taking my question. Maybe the first one, I know you don't really guide the quarter, but can you kind of walk us through how the Q3, Q4 is shaking up? You have probably a very big beat in Q1 and now in Q2. And I think if I look at the consensus estimates for Q3, Q4, those numbers probably need to come down a little bit. So wondering if The revenue timing or shipment timing has some change over the course of the last 90 days, and maybe I'll have a follow-up on that PM now related items. Thank you.

Dr. David Wong | Chief Executive Officer:

Yeah, as I mentioned in the script, right, we do have the first half year our PO receiving and there has been increased 100%, more than 100%, right? It's a real indication to have a real Demand and also, you know, large backlog. So, and some of those tools, obviously, we're going to try to deliver Q3, Q4. And some of the tools probably were, you know, we're waiting for probably deliver later. So now we really try to increase our capacity. And, you know, obviously now the components, you know, has been, I want to say everybody demand for components, right? So there's a little bit constraint for supply there. So we're kind of looking at Q3, Q4 revenue. I think really how we execution our order manufacturing and also how we qualify, ship, defer the revenue of the tool. So I want to say we're still very positive about our projection for whole year. This is why we increased our load size. and now we're expecting our whole year revenue 25 to 30% range. I think we're pretty confident for this forecast.

Charles Lee | Analyst, Needham & Company:

Yeah, thanks. Maybe another question for Mark. Mark, I noticed that the range for SG&A as a percent of revenue kind of revised down a little bit. compared with the last quarter. So I guess, I mean, based on your midpoint of your guidance, your overall RPEX may actually come in a little bit lighter than you previously expected. I'm wondering what is the reason for the slight RPEX cut for this year? Because if I recall correctly, one of the reasons you raised The OPEX range, I think at the beginning of the year, was related to the build-out of the R&D lab, R&D center in Lingan, and wondering the OPEX savings relative to what you previously thought. Is it related to some of the timing of that R&D center? And any color would be great. Thank you.

Mark McKechnie | Chief Financial Officer:

Yeah, Charles, there's not a lot to read into that. I mean, R&D, we're looking 16% to 18%, G&A, I said 5% to 6%, and sales and marketing around 8%. So it's really just tightening up by the estimates now that we're halfway through the year, but not a meaningful change from where we were at the beginning of the year.

Jimmy Huang | Analyst, J.P. Morgan:

All right, thank you.

Dr. David Wong | Chief Executive Officer:

Thank you.

Operator | Conference Operator:

Thank you. Our next question coming from the line of Jimmy Huang with JP Morgan. Your line is now open.

Jimmy Huang | Analyst, J.P. Morgan:

Yeah. Hi, Debbie, Mark. Congrats for the results. Can you hear me?

Dr. David Wong | Chief Executive Officer:

Yes, Jim.

Jimmy Huang | Analyst, J.P. Morgan:

Yeah, so obviously China's manufacturing capacity field is very robust and structural. You also have a very solid product portfolio for WLP and POP. Do we have any guidance or expectations for manufacturing equipment shipment for this year and next year?

Dr. David Wong | Chief Executive Officer:

Okay. Well, we do not have to put a number, right, for the shipment over this year, but definitely We also, because of the strong, I want to say the, you know, backlog, and our shipment and definitely will outgrow our revenue, right? So it's very, will be very strong shipment this year. Again, as I mentioned, you know, also we're kind of a short, you know, we see the shortage of industry for some components. It used to be you can buy four months, sometimes you have to get, you know, probably longer deliver. Anyway, we're trying to managing those, you know, supply chain and make sure those components, you know, coming on time. That's maybe the one thing I want to say, you know, might be impact and a whole year shipment. But I still feel this year shipment is still pretty good.

Jimmy Huang | Analyst, J.P. Morgan:

Yeah, I see. So do you have any nice order in test? guided all the impact expectations for your advanced packaging equipment for this year. And another question is that for all sets, every 10K wafer capacity built for 2.5D wafer-level packaging, what ACMRs comes in value based on your product offerings at this moment? I think some equipment companies, they could have this kind of sharing for investors to understand your progress.

Mark McKechnie | Chief Financial Officer:

Yeah, I don't quite understand the, yeah, maybe ask that again.

Dr. David Wong | Chief Executive Officer:

Can I say a question again? I'm not going to launch the cover sentence. Can you repeat that again?

Jimmy Huang | Analyst, J.P. Morgan:

Yeah, sure. I mean, like for, I mean, also for the wafer capacity, I mean, for the immense packaging capacity bill, such as 2.5B, I mean, on there, every 10K capacity bill, what's the potential contribution to ACMR based on your product offering? Do we have any sharings?

Mark McKechnie | Chief Financial Officer:

Yeah, he's just looking at kind of the intensity of, you know, when our customers spend on 10,000 wafers per month, how much will that drive our equipment sales? I don't think we're really...

Dr. David Wong | Chief Executive Officer:

I couldn't say there, you know, depending on which line you build, right? Maybe let's put it this way. The cleaning market, right, you can see that there, I want to say there, covers them. A Canadian market today probably in a whole fab spending occupy five to seven percent depends on an advanced lab or in a mature lab, right? A fab. But you're looking really for the future, I want to say, advanced lab, a fab going on, Canadian become more and more important. And some people, you know, even projecting Canadian market need to grow. It might be even, you know, come to 10 percent eventually. because, you know, cleaning become more and more difficult and more of a, you know, material loss control, particle size, you know, get smaller and smaller. So also the, you know, drying method become maybe, you know, from the IPA to the supercritical, you know, CO2 dry. So anyway, I see that market grow, number one. Second one is copper plating. It's clearly, you know, actually four or five years ago, we said copper plating to be the 1.5 billion. That time nobody really believed it, right? Now it's almost 1.5 billion already. With all the future backside of their power and HPM layer of their DRAM stacking going on. So there's a lot of plating tool demand come out, right? And more importantly, this panel market also demand a lot of plating tool too. So HCM is really pioneer in their panel-level electroplating. This is probably, I want to say, this is the first time ACM really stand in the top for their horizontal plating technology and market their, I want to say, offering. So that really gives us a bigger growth potential for this existing market. Further than that is the furnace and PCBD track. We see also big potential there too. So that's why I want to say ACM, you know, in a real good, exciting period. And we're expecting, you know, continual growth for cleaning and cover plating. And also with our new product, you know, foreigners, PSVD try to come out. We'll further reinforce our revenue growth, right? So that's why I said the next few years, really exciting year for our growth.

Jimmy Huang | Analyst, J.P. Morgan:

Yeah, thank you, Dr. Wang. So I think for China, I think they are building a lot of co-ops like 2.5D and manufacturing capacity. As far as I know, they probably still use a lot of TSMC baseline tool vendors, including web processing tools and other stuff. Are we trying to get more market shares, more qualifications here? And how's our progress in China's co-ops like 2.5D capacity builds?

Dr. David Wong | Chief Executive Officer:

Yeah, I mean, you're looking at our actually plating growth, right? You know, 156% and also our packaging tool growth also, right? It really shows indication a lot of our new demand for 3D packaging, right? And the 3D packaging become more and more important and for all the devices, right? So we see that growth potential here. ACN is well positioned for that, you know, with our cleaning and with our culture developer. with all this PR stripper and also a couple of ladies. So it's really good, I want to say, growth for the 2.5D or 3D packaging. Also, I want to say panel also grow too. Panel-level packaging is another big one. So it's very exciting for I see the 3D packaging going on, which is good for our product.

Jimmy Huang | Analyst, J.P. Morgan:

Yeah, I think it's quite exciting that we just announced that we have the first PLP-ECP tool evaluation system shipped to a customer in Asia. And regarding the progress, when could the evaluation result come out? Any probability that we could receive the first purchase order from this customer in the next maybe few quarters of the next six to 12 months?

Dr. David Wong | Chief Executive Officer:

Yeah, obviously, you know, you mentioned that the panel now is very hot, right? You know, in all Asia, looking at, you know, mainland China, Taiwan, Korea, and even Singapore, right? It's very, very hot. And everybody believes that will be their, you know, ultimate solution for their large, you know, AI chip or this, you know, COBOS, HBM, whatever packaging, you know, in large chip size. So we do see that a trend, obviously, where we're positioned for 515 by 510, which is more large size, as Intel probably pioneer now. And also, we're also positioned for 3x3 tier, which is leading by TSMC approach, right? So there's a lot of exciting, you know, I want to say. We're prepared for both markets.

Jimmy Huang | Analyst, J.P. Morgan:

Yeah, I see. Thank you so much for all my questions. Thank you.

Dr. David Wong | Chief Executive Officer:

Thank you.

Operator | Conference Operator:

Thank you. And as a reminder, to ask a question, please press star 1-1. Our next question coming from the line of Christian Schwab with Craig Hallam Capital, Yolanis Malfin.

Ben Taxel | Analyst, Craig-Hallum Capital:

Hey, guys. It's Ben Taxel. I'm for Christian here. Great quarter. Exciting stuff going on at ACMR. My first question is what is any commentary, any initial commentary? I know it's kind of early on 2027. Visibility, I get, you know, new products and, you know, strong orders. But, you know, anything else or what exactly should we think about for 27? Wow.

Mark McKechnie | Chief Financial Officer:

It's not 26, right?

Dr. David Wong | Chief Executive Officer:

Well, I still see that there are a lot of fab we see, right, in the local China. As in Rio, still in the multi-year expansion, right? And clearly this year, you know, we see many fab open. and also we see that there's some fiber definitely beyond 2027 and grow. As I said, probably market is here strong, bigger, right? So we're very excited about, you know, even I said this, Frost, Sullivan, they give a report, right? By year 2029, they're charging the market beyond 80 billion. Well, I mean, that's really, I'm liking that number, but it's a bit exciting, right? Anyway, I want to say it's growing in the next few years in the local market here.

Mark McKechnie | Chief Financial Officer:

And we have, obviously, some of our new platforms that keep kicking in. I would also say, you know, some of the orders we get this year, we're not going to be able to support all those this year, so that'll kind of flow into next year as well. So, yeah, 27 is starting to shape up pretty, you know, for the good growth year.

Dr. David Wong | Chief Executive Officer:

Great. Also, as I mentioned, we made the progress, right, with all the track system, PCVD, and we see that those both products take off, and obviously, you know, we're probably, we'll become a leading supplier, local supplier, you know, and for the track system. You know, I know the PCVD is quite a bit, you know, competitive there, but our, you know, Wenchamba 3 Chalk is a real unique, you know, platform, and we see There's certain special big market requirement for this PCVD2. So anyway, we're both excited about this new product.

Ben Taxel | Analyst, Craig-Hallum Capital:

Great. Just one other question. Any update on the Shanghai listing?

Mark McKechnie | Chief Financial Officer:

Or the Hong Kong, right?

Ben Taxel | Analyst, Craig-Hallum Capital:

Hong Kong. Or sorry, yes. Yep, sorry. Yeah.

Dr. David Wong | Chief Executive Officer:

What? No update. Really, you cannot comment too much on Hong Kong listing, right? I can only tell you that the April timeline we announced, we're going to do that. And that's the only information I can tell you right now. You know, eventually, maybe sometime later in the future, we may see, we may discuss more.

Ben Taxel | Analyst, Craig-Hallum Capital:

Perfect. Thanks, guys. That's all I got.

Mark McKechnie | Chief Financial Officer:

Yeah. No, thanks for asking. Okay. Thank you.

Operator | Conference Operator:

Thank you. And we have a follow-up question from Jimmy Flynn with JP Morgan. Your line is open.

Jimmy Huang | Analyst, J.P. Morgan:

Yeah, thank you. Thank you, David. Hi, David. We talk about component shortage. There are also a lot of component price hikes. Will rising component costs impact ACMR's cost margin? If so, on which potential quarters or timelines? And what kind of options does your company have to pass this cost to your customers?

Dr. David Wong | Chief Executive Officer:

Well, I mean, probably this is a global, you know, point, right? You know, looking at our supply, you know, probably either our major supply are components, you know, from Japan, right? Or some in Korea. Definitely, there's a lot of growing. So there's a shortage there. We see that can happen. So something we still, you know, switch into the local supplier. And here, you know, it looks better. But anyway, I want to say this is still, I'm looking at this year, global component supply is still tight. Even some mechanical parts, some sliders, even robot, for example, the components, they're hard to get on time. We see that really booming. That's why we have to really manage it well in the second half year, make sure our supply catch our demand.

Mark McKechnie | Chief Financial Officer:

Yeah, really, you kind of take a look at it. I mean, no change to our gross margin target, 42 to 48. We're comfortable where we are. We have a good amount of raw materials, right, that we had been purchasing. You know, we stocked up on some raw materials. So, you know, what we have in stock and kind of our outlook, we don't see any significant impact on gross margin.

Dr. David Wong | Chief Executive Officer:

We prepared a certain, you know, path at the end of last year, right? Because we are predicting this year is a very heavy year. So we are certain our vendor did something, you know, special for us. That will help us right now.

Jimmy Huang | Analyst, J.P. Morgan:

Yeah, but you know the demand is very robust and the supply is quite tight. So is there any, is it possible that we could pass through these incremental calls or rising component calls to our customers? Or it's not a key priority of your business?

Dr. David Wong | Chief Executive Officer:

Wow, it's hard to tell right now, right? Probably, you know, I mean, we're not at risk pricing right now, this moment, right? Also, I want to say our vendor supply, not many people raising price. Some are raising, but not much. The only thing that is they're probably delayed shipment, right? They cannot tell you, you know, maybe I used to be sent to in four months, maybe they did six months. That's happened, but they didn't increase our price. Our key supplier, no.

Jimmy Huang | Analyst, J.P. Morgan:

I see. And my second follow-up question is regarding our manufacturing capacity builds outside of mainland China. Are we going to build more capacity in the States or in other Asia regions if we receive more international orders?

Dr. David Wong | Chief Executive Officer:

Yeah, you know that we do have our manufacturer, I want to say, facility and capability in Korea, right? So that's really start to play. and some tool will ship the U.S. will be made there actually made now is made in Korea right now. And also some future tool probably ship into Taiwan and or Singapore will be also made probably in Korea too, right? And also I said as really more of a revenue growing in the U.S. or in other region we can also probably propel a secondary manufacturer side too. So we're really in either I want to say consideration and a direction.

Jimmy Huang | Analyst, J.P. Morgan:

I see. And regarding your further funding for this kind of manufacturing capacity expansion, would you need to dispose some steps in ACM Shanghai, or you don't consider that option?

Mark McKechnie | Chief Financial Officer:

Yeah, so, I mean, we're pretty comfortable with our balance sheet, right? David mentioned we have $300 million on our U.S. balance sheet. So, part of that was, you know, kind of a war chest to show our customers that, you know, when we get the production orders, we can support that. And so, you know, we don't have any near-term plans to scale out any more of our Shanghai shares.

Jimmy Huang | Analyst, J.P. Morgan:

Thank you so much, David and Mark McKechnie. Thank you. You're welcome.

Operator | Conference Operator:

Thank you. Our next question coming from the lineup, Bintu and Nip with Daiwa Capital Markets. Yilan is now open.

Bintu and Nip | Analyst, Daiwa Capital Markets:

Thank you for letting me on. First, congratulations on your new orders, 100%. Very impressive. Can I ask, in terms of by segment, can you rank which one is the strongest for DRAM, HDM, are none than the logic. Thank you.

Mark McKechnie | Chief Financial Officer:

In terms of our order strength, David, he's asking. Yeah, we didn't break it out, but David, in the prepared remarks, mentioned that they were across all of our customer base and across our products. A little bit stronger in some of our newer products, but we didn't break it out by end markets.

Dr. David Wong | Chief Executive Officer:

Yeah, well, obviously, we see they're strong in memory and also strong in logic, right, both.

Bintu and Nip | Analyst, Daiwa Capital Markets:

Okay, thank you, David and Mark. And next question is about our cash flows. It looks like we have a very strong tailwind, you know, from the industrialized and also our new product launches going ahead. So in terms of operating cash flows and capbacks, how should we think about that? Thank you.

Mark McKechnie | Chief Financial Officer:

Yeah, I think this year on the cash flow side, you know, we're still obviously heavily in growth mode. We're spending on our CapEx. and what have you. But the plan is in growth mode, you make these investments and then we harvest those over the next several years. So this year, we'll probably burn some cash, obviously putting capital to work on our new production facilities, on our facilities outside in Oregon and what have you. But longer term, we see it. Obviously, it's a positive cash flow operation.

Bintu and Nip | Analyst, Daiwa Capital Markets:

Thank you.

Operator | Conference Operator:

Thank you. Seeing there are no more questions in the queue, I will now turn the call back over to Stephen Pelea for closing remarks.

Stephen Pillay | Managing Director, Blue Shirt Group:

Okay, great. Before we conclude, I just want to give everyone a quick reminder of our upcoming investor conferences. On August 20th, we will participate in EDEM's seventh annual virtual semiconductor and semi-cap one-on-one conference. On August 25th, we'll present at the 2026 Jefferies Semiconductor IT Hardware and Communications Technology Conference at the Four Seasons Hotel in Chicago. On October 13th, we will present at the 18th Annual CEO Summit Conference in conjunction with Semicount West in San Francisco. Attendance at these conferences are by invitation only. For interested investors, please contact your respective sales representatives to register and schedule one-on-one meetings with the management team. With that, this concludes the call, and you may now disconnect.

Operator | Conference Operator:

Ladies and gentlemen, that's the conference for today. Thank you for your participation. You may now disconnect.