NASDAQ:ACMR Q3 2026 Earnings Call Transcript

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Conference Operator | Operator:

Good day, ladies and gentlemen. Thank you for standing by, and welcome to the ACM Research Third Quarter 2026 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. I would now like to hand the conference over to your speaker today, Stephen Paleo. Please go ahead.

Stephen Pao | Investor Relations:

Good day, everyone. Thank you for joining us to discuss third 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 is 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 CEO 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 the remarks made during this call may include predictions, estimates, and 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 on this call will be on a non-GAAP basis, which excludes stock-based compensation and unrealized gains and losses on short-term investments and beginning in... and beginning in the second quarter of 2026, its impact to net income attributable to non-controlling interests. 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 slide 13. Also, unless otherwise noted, the following figures refer to third quarter 2026 and comparisons are to the third quarter 2025. I will now turn the call over to David Wang. David?

David Wang | President and Chief Executive Officer:

Thanks, Stephen. Hello, everyone. and we are come to ACM third quarter 2026 earnings conference call. We deliver strong results for the September quarter with a revenue of 37% and a shipment of 31%. We attribute the growth to one, market share gain and product cycle and two, good execution by our production and supply chain team. Growth was led by our ECP and advanced packaging categories. I'm especially pleased with the return to our growth for our cleaning categories. One, we are gaining market share with more cleaning steps and technology improvements. Two, our Lingang Mini line has helped our engineers to duplicate our customer production environment and deliver technology improvements to the market much faster. And three, broader adoption of our single wafer SPM solution across multiple customers. We are making good progress with our proprietary panel-level horizontal electroplating technology. In October, we announced the shipment to a customer in Asia of a 310x310 mm panel-level horizontal plating tool. We believe this is the world's first shipment of its kind, and it truly marks a significant milestone in our commercialization efforts. This follows earlier shipment of a larger 515 by 510 millimeter system to a mainland China customer. I will provide more detail on this later. I will now provide an update on our backlog. As reported by ACM Shanghai about a month ago, total backlog as of September 29th, 2026 was 2.5 billion

US dollar, an 88% year-over-year increase. The backlog includes orders across all product categories with a heavier emphasis on our new products. Year-to-date orders through September 30 were up 147%. Thanks to good execution by ourselves, production, and the operation team, we continue to expect Shiman to grow faster than revenue for 2026. We remain confident in our growth profile. 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 several product cycles, including SPM and the furnace. Market share gains together with strong execution enable us to outgrow the China WFE market. We are optimistic that our newer platform will provide another source for growing as we expect the tract PCVD and panel-level horizontal plating to proceed from evaluation phase into commercialization phase beginning next year. Now onto our third quarter results. Please turn to slide three. Revenue was $368 million, up 37%. 343 million, up 31%. Gross margin was 41.6% and operating margin was 18%. And we ended the quarter with a gross cash of $1.3 billion and net cash $0.9 billion. Now I'll provide a detail on product. Please turn to slide four. Revenue from single wafer cleaning Tahoe and the semi-critical cleaning tool was $211 million, up to 16%, and represents 27% of revenue. ACM has developed one of the industry's broadest cleaning product portfolio, spanning a full range of critical cleaning and wet process steps. Our products, including Sabtebo, Maxonic, Tahoe, Backside Clinining, Solvent Clinining, Bevel Clinining, Scrubber, Wet Etcher, and our proprietary sulfuric peroxide mixing of SPM technology. Semiconductor devices are becoming more complex with additional process steps and more demanding cleaning requirements. We believe our broader portfolio of differentiated technology positions ACM to capture those growing opportunities. We are fully committed to our long-term target for 60% market share in China's Canadian equipment market. Our SPM product line is a key part of the target. As a reminder, we estimate that SPM tool represents about one-third of the total Canadian equipment market, and our product cycle is just now beginning to contribute. We recently introduced our enhanced version of our 170°C single wafer hot SPM system incorporating sulfuric acid recycling. The system achieves a 70% sulfuric acid recycle rate with a reasonable particle performance. This innovation is expected to reduce sulfuric acid consumption by approximately 400 tons per tool annually. delivering meaningful environment and operating cost benefits. In October at China International Industrial Fair, ACM Shanghai was presented with China International Industrial Fair Innovation Achievement Award for its single wafer high temperature SPM cleaning system. This is yet another award from a prestigious organization which further highlights the innovation and technology capability of our SPM platform. I'm pleased to repeat today that we are on track to ship more than 20 single wave SPM tools across multiple customers for the full year of 2026. Beyond SPM, we continue to expand the capability and application of other differentiated Canadian technologies. Our Ultra-C toggle now supporting additional web-edger and Morning Wave Reclaim application, providing customer with a greater process of flexibility and expanding the range of addressable application, especially in the reduction for fine particle less than 90 nanometer. We are also getting more traction with our supercritical CO2 Canadian technology. Our differential technology with a much smaller CO2 chamber reduce CO2 usage by 30%. as compared with other market solution. At the same time, we deliver better try-in performance. This is a strong combination and we are confident we can take a share with this product line and expanding application from DRAM to 3DNet and a logic application. Revenue from ECB, Furnace, and other technology grow 83% and represent 30% of a total revenue. Growing growth was driven primarily by strong momentum in both front-end wafer-level and back-end advanced packaging electroplating applications, with the firmness contributing to a relatively small portion. We see increased demand for electroplating for both logic and memory applications as semiconductor manufacturing and packaging become more complex. Our proprietary panel-level horizontal plating technology is a game changer for the industry. We began development for panel-level plating for more than five years ago, and the market is now coming to us. Our patent horizontal design enables highly uniform plating across the panel, including increasingly larger dimension substrate formats. Our 310 by 310 millimeter system supports Copper, Nickel, Tin, Silver, Gold plating process incorporates high-speed plating paddle technology and supports poor copper pillar exceeding 300 micron with a good within die uniformity. We have engaged with multiple customers across different region and panel size configurations. We also offer comprehensive set of wet processing tool for panel level packaging. including Ultra-C, Vacuum-P, Flux Cleaning, and Ultra-C, Bevel-P, Panel, Bevel Etcher, and Clean Tool. We are confident that ACM differential aided technology position us to enable next generation solution as driven by the increasingly complex 2.5D and 3D packaging roadmap for the global AI.

Turning to our furnace business, we continue to make progress in expanding customer adoption We are advancing our capability across key applications, including silicon nitride LPCVD, polysilicon LPCVD oxidation, thermal ALD, and plasma-enhanced ALD, addressing opportunities across both memory and logic applications. We also supply high-temperature 1150 degrees C and ultra-high-temperature 1250 C annealing furnace especially address IGBT applications. As this system completes customer acceptance and the transition into production, we expect foreigners to make more meaningful contributions to our revenue in 2027. Revenue from advanced packaging, which excludes ECEP but includes service and spare parts, was up 71% and represents 13% of the revenue mix. This includes coder, developer, etcher, sweeper, scrubber, and vacuum cleaning tools, supporting a broader range of advanced packaging applications. We are particularly pleased with our global progress here, with active deployment in Singapore and North America across a range of those tools. We believe our broader product portfolio and expanding global customer relationships provision us well to capture additional opportunity as we continue to grow this business. Turning to our TRAC and PECVD platform, we have made progress with customer evaluation and initial deployment of our next generation system. For TRAC, our focus remain on delivering industrial leading throughput and competitive process performance, addressing opportunity in KRF lithography, across the standalone system and configuration integrated with the discography scanners. For PECVD, we believe our differentiated chamber architecture, electrostatic chart design, and RF power source technology provide important advantages in throughput and process performance. We are working closely with a key customer to demonstrate the performance and the capability of both platforms. Looking ahead, we expect additional shipment in 2027 with revenue contribution and expected as customer qualification and production adoption progress through 2027 and into 2028. Next, I will provide the update on global manufacturing and operation infrastructure. First, Ling Dong, please send to slide eight. Our first lingang building continues to operate in volume production, and we are currently ramping up our second building. Together, the two buildings can support up to $3 billion in annual output, providing a significant capacity to scare our business over time. I'm pleased to report that we expect Siemens in the fourth quarter of 2026 to increase from further quarter levels. and we also plan for good growth in Siemens for 2027 and beyond. Next, our Oregon facility, Princeton 2009. We are preparing for the official opening of our Oregon operation very soon. This is an important milestone to support customers outside mainland China. The facility including Class 100 cleaning room to product demonstration and customer evaluation, along with the cleaning room for storage, pre-assembly, manufacturing, and technical support capability. We believe U.S.-based demo lab and production facility will support our effort to scale our global business. In addition, we continue to strengthen our operation across Asia. In Korea, we are expanding the capability of ACM Hangoku, including manufacturing, engineering, and technical supporting resource to serve our growth International Customer Base. And in Singapore, we are adding local resources to support customer installation, service, and ongoing technical engagement. Our global business continues to gain momentum. As we discussed last quarter, we expect to have more than 20 tools in store at the customer site outside mainland China by year-end 2026. represent approximately 10 customers across five countries. We are particularly encouraged by our progress in North America, Singapore, and other parts of Asia, where our global sales and service team are expanding customer relationships and supporting deployment across a growing range of products and applications. This engagement is helping us establish a stronger foundation for future business as customers gain experience with our technology and evaluate the opportunity for broader adoption. The progress we are making demonstrates the competitiveness of our technology and their position at ACM for meaningful long-term growth outside mainland China. Now I will provide our outlook for the full year 2026. Please send to slide 10. As a result, good execution by ourselves and Operation Team, significant backlog and several major product cycles, we are raising our outlook as follows. We now expect the 2026 revenue to be $1.24 billion to $1.28 billion, up 38% to 42% year over year. This compares to our previous range of $1.125 billion to $1.175 billion. We continue to expect full-year shipment growth to outpace revenue growth. We believe our expanding differentiated product portfolio, global infrastructure, and global customer relationships position ACM to capture new market opportunity and advance toward our long-term revenue target of $4 billion. With that, let me turn the call over to Mark to review our financial results in more detail.

Mark McKechnie | Chief Financial Officer:

Thank you, David. Good day, everyone. Please turn to slide 11. Unless I note otherwise, I will refer to non-GAAP financial measures which exclude stock-based compensation and unrealized gain loss on short-term investments. A reconciliation of these non-GAAP measures to comparable GAAP measures is included in our earnings release. Also, unless otherwise noted, The following figures refer to the third quarter of 2026 in comparison with the third quarter of 2025. We'll now provide the financial highlights. Revenue was $367.7 million, up 36.6%. Revenue for single wafer cleaning, Tahoe, and semi-critical cleaning was $210.7 million, up 16.1%, and represented 57.3% of sales. Revenue for ECP, front-end packaging, Furnace and other technologies was $109.5 million, up 82.9%, and represented 29.8% of sales. Revenue for advanced packaging, excluding ECP services and spares, was $47.5 million, up 71.2%, and represented 12.9% of sales. Total shipments for $343.5 million, up 30.6%. In 2026, we continue to expect shipment growth to outpace revenue growth. Gross margin was 41.6% versus 42.1%. Gross margin was slightly below our long-term target model. This was due in part to product mix, foreign exchange, and the inventory provision for the quarter. We maintain our 42 to 48% long-term target range, and product mix can cause fluctuations on a quarterly basis. For the fourth quarter, we expect gross margin to improve modestly from the third quarter level. Operating expenses were $86.7 million, up 12.7%. R&D was 12.8% of sales, sales and marketing was 6.7%, and G&A was 4%. For 2026, we planned for R&D in the 15% to 17% range, sales and marketing in the 7% to 8% range, and G&A in the 5% range. Operating income was $66.2 million versus $36.5 million. Operating margin was 18.0% as compared to 13.6%. Income tax expense was $1.9 million versus $2.7 million. For 2026, we expect our effective tax rate in the 10% range. Net income attributable to ACM Research was $40.5 million versus $28.4 million. Non-GAAP net income excluded $10.7 million in stock-based compensation expense and The unrealized loss on short-term investments together with its effect on non-controlling interest. Net income for diluted share was $0.55 versus $0.41. Now under the balance sheet and cash flow items. Cash, cash equivalents, restricted cash, and time deposits were $1.28 billion at the end of the third quarter. Net cash which includes short-term and long-term debt was $0.9 billion. Total inventory net was $851.2 million. This consisted of raw materials net at $465.5 million, work in progress net at $122.7 million, finished goods inventory net at $263.1 million. This 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 $70.4 million. Capital expenditures were $25.2 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.

Conference Operator | Operator:

As a reminder, to ask a question, you will need to press star 1 and 1 on your telephone and wait for your name to be announced. To withdraw your question, please press star 1 and 1 again. Please stand by as we compile a Q&A roster. Our first question comes from the line of Suji Da Silva of Roth Capital. Please go ahead. Your line is open.

Suji De Silva | Analyst, Roth Capital:

Hi, David. Hi, Mark, Lisa. Congratulations on the progress here. Very strong. Great job. Thanks, Suji. Sure. So the new products seem to be growing nicely here. What do you think the mix of those will be a year or two out versus where they are now? Because I think that'll help drive some of the growth and the margin opportunity for you guys. Oh, David, you're muted. Hey, David, I think you're muted. Yeah.

David Wang | President and Chief Executive Officer:

One second. Let me get it.

Mark McKechnie | Chief Financial Officer:

There we go. We can hear you now, David.

David Wang | President and Chief Executive Officer:

We can hear you, David. Sure. Well, actually, you mean the new product, right? Our tracker, PCVD, right? And the electroplating. Yes. I think, well, again, this new product will also emphasize differential technology. And when it comes out, and will be also, we think, will be a good margin for our product, especially this horizontal electroplating, right? Got a good recognition from customer and also our track system start to get into their pre-production together with scanner. All the PCVD made a progress, too. So as this new product join, or including a furnace, too, right, join to our revenue, and we think we're still, you know, give us maintain and even some product increase our gross margin.

Mark McKechnie | Chief Financial Officer:

Yeah. Hey, Suji, maybe I'll answer to that. I mean, the mix of the new products next year, one thing is in the backlog, I think David mentioned that the mix was skewed a bit towards some of our newer products. I mean, we've got a lot teed up for new products next year that They'll contribute in different shipments first, then to revenue. But our SPM product cycle is just starting to kick in pretty nicely. I think Furnace We've got a lot of tools that are under evaluation, and so that's really small, and we expect that to kick in pretty nice next year. And then, of course, TRAC, PECVD, and this panel-level plating tools are really early stage, so a lot of growth potential from all those starting next year.

Suji De Silva | Analyst, Roth Capital:

Yeah, that sounds great. And then on the same question in terms of mix and how that trends next year or two, For the global customers versus the China customers, it seems both are growing, but it seems like you're landing in more regions and geographies globally. So curious how the global customer mix increases over the next year or two.

David Wang | President and Chief Executive Officer:

Yeah, actually, we see there are more of our international customer interest into our technology, right? And this year, we have more of an advanced packaging tool, you know, in store in the Singapore region. and also we do have other customer interest to our technology in the U.S., in Korea, and also in Taiwan region. So we see that there are also customer even in Europe. So we are, you know, this year, by the end of this year, we'll have 20 tools being installed in the region outside of China. So I should say next year we'll have a much better are all the comp, right, for the global customer.

Mark McKechnie | Chief Financial Officer:

Yeah, hey, Tsuji, the one thing I'd add, it's, you know, you kind of, we'll, of course, give our guidance like we always do in January of next year. But, you know, for the global customers to hit 10% of our revenue, you know, at these levels, it's, you know, 120 million plus. And so we're not really ready to, you know, talk about the mix that will hit, right? I guess the challenge is our business in China with our product cycles is growing at a pretty good clip. But we expect the global customers to really grow in terms of revenue this year, of course next year, and for many years to come as we scale that up.

Suji De Silva | Analyst, Roth Capital:

Yeah, and I understand China's growing strong as well. Last quick question, supply chain, are you guys seeing any constraints? And then what's the timing to Linggang's second building being up and running? How long do you think that will take?

David Wang | President and Chief Executive Officer:

I think the second building already finished decoration. And we start moving the people and start using that right now. So with that, the second building being put into the manufacturing space almost double. Of course, we're going to hire more people, train the other technicians and workers, and to really get a double of the capacity. Next one is really, I want to say, and the supply chain constraint, right? And probably everybody has the same problem. And since this increasing too fast, but we're still doing very well and to working with our vendor supplier. So basically we give them six months and even longer, one year forecast. Then we give those primary, I want to say their supplier forecast, you know, we want them to increase the capacity. But some people, some can do, maybe some cannot meet our requirements. Therefore, I was looking for a second source, third source, and to meet those our requirements. So our team, with this, working very well. And again, it's a lot of challenging, and our team made a lot of progress for this supply chain management and control.

Mark McKechnie | Chief Financial Officer:

Yeah, Suji, Dave, you might have said a few things. I mean, our supply chain team is really critical, right? I mean, they've helped us, you know, drive the growth over the past years. We've been through some interesting market conditions. You know, in this case, we think we're doing, you know, ACM is not going to be the one to hold up our customers, right? And so, you know, David was pretty clear about Q3 shipments were pretty strong. We expect Q4 shipments to be even higher, right? And that's, you go back and look at some of our past years, a lot of times you have kind of a flat to down Q4, but I think the execution from the team, the fling on facilities on, comes on at exactly the right time. We used our balance sheet to grow our raw materials this quarter, so we used a little bit of cash, but I think that was the right thing to do to scale up for our production.

Suji De Silva | Analyst, Roth Capital:

Understood. Thanks. I'll pass it along, guys. Congrats again. Thanks, Sujit.

Conference Operator | Operator:

Thank you, Sujit. We'll now take our next question. Please stand by. Our next question comes from the line of Bintuo Ni of Daiwa Securities. Please go ahead. Your line is open.

Bintuo Ni | Analyst, Daiwa Securities:

Great. Thank you, David, Mark. Thanks for letting me on. So, first question is that we had a pretty volatile gross margin. Now it's back to 41 in the quarter you mentioned. Part of it is also the inventory provisions. Can I hear more about the inventory provisions? And also, is it also happening in fourth quarter as well?

Mark McKechnie | Chief Financial Officer:

Yeah. Yeah, let me hit on that. And then I'll kind of hit that one and let David talk a little bit about our strategies here. You know, the inventory provision, it wasn't particularly high here in the third quarter. In the second half of last year, we had some challenges there, but this time it was kind of within a normal range. So, you know, we feel like we've got that managed, and so it'll be in kind of similar levels next quarter and even quarterly for next year, the provision. The bigger impact was really, I think, on the product mix and even the foreign exchange on the quarter. David, you might want to say something about kind of how we focus on world-class products, right? Kind of the longer-term strategy for our gross margins. Yeah.

David Wang | President and Chief Executive Officer:

Yeah, I would say that real gross margin, long run, and it's really where we rely on our differential product, right? And with our oil cleaning, copper plating, even also furnace, we're developing a and PCVD also track. We all rely on our differential technology. So our product in the market even in China sell a lot. We cannot see anybody can copy our differential technology with all well pattern and also treat the secret protection. So with our product, if we're succeeding become the number one performance, I mean succeeding the top tier of the global player, and that product would be really have a good margin in China market. If anybody, you know, I said cannot copy ACM tool, right? Even some of, you know, similar to come out with, you know, top tier guys tool, their performance is still below us. That's our confidence. We can maintain long-term and growth margin in the market in China. Of course, those differentiated patent protector or technology also can sell outside mainland China and also, you know, outside mainland China pricing also good too. So for that long run with consideration, we have a confidence we can maintain our gross margin in a 42 to 48%.

Bintuo Ni | Analyst, Daiwa Securities:

That's great. Thank you. My second question is about orders. You had, if I hear correctly, you had 147% order growth in nine months, 26. I think your first half order growth was 100%. So third quarter was very strong. So how much is driven by volume and how much is driven by share gains? Thank you.

David Wang | President and Chief Executive Officer:

Mark, you want to touch on that?

Mark McKechnie | Chief Financial Officer:

Yeah, let me hit on that. And I think, David, I'll help you with that. The market in China has been pretty solid, right? And we think it's still pretty kind of early in the investment days in China. You know, we don't, you know, growing our shipments 30% and the orders at the level we're growing, we think we're growing a lot faster than the market, both in terms of orders, revenue, and shipments. And so, I don't know how to break it out between the market, you know, the China WFE market, but You know, it's always our goal to grow faster than the China WFP market.

David Wang | President and Chief Executive Officer:

Yeah, I want to see that is, you know, China market still in their, I want to say their, you know, growing stage. A lot of logical fab and also their memory fab continue and increase their capacity. Also, I want to say their, you know, demand and also all this you know the data center and you know automobile and also robotics will continue driving China market growth. So also I want to say there probably you want to say the building space and also space is a probably about two year a few year the compared with the outside growth right in terms of technology. So we see that there even peak you know reach So far, people talk about global 2028, maybe the peak, or 2029 peak. We think China peak will be behind that year or two year. So that's why we have a real strong confidence to the revenue long run in the next five year for China WFG market.

Bintuo Ni | Analyst, Daiwa Securities:

Great. Great. Thank you very much. And congratulations on the good development lately. Thanks all.

Conference Operator | Operator:

Great. Thank you, sir. As a reminder, to ask a question, you will need to press star 1 and 1 on your telephone and wait for your name to be announced. Please stand by as we compile a Q&A roster. There are no further questions. Speakers, please continue.

Stephen Pao | Investor Relations:

OK, thanks, everyone. Before we conclude, I do want to Thank you very much. and on December 15th, we'll present at the 15th Annual New York City Summit at Maestro's in New York City. Attendance at the conference is by invitation only. For interested investors, please contact your respective sales representatives to register and schedule one-on-one meetings with the management team. This concludes our call and you may now disconnect. Take care.