LISBON INVESTMENT SOCIETY | EQUITY RESEARCH

October 1st, 2025 09:00 AM GMT

ACM Research Inc.

Recommendation: **BUY** | *Price Target: $46.16*

Over the last couple of years, ACM Research has demonstrated its **strong potential as a semiconductor equipment provider**, operating on demand for wafer wet cleaning and advanced packaging solutions.

Our Free Cash Flow to the Firm analysis arrives at an **intrinsic value of $46.16** per share, reflecting the ongoing semiconductor industry **boom driven by AI, 5G, and memory chip expansions.**

This **conservative** valuation considers **moderated growth assumptions** to account for the **escalating geopolitical tensions**, such as U.S. export controls on advanced semiconductor technologies to China, and heavy Chinese government regulations on its companies. Thus, our model assumes a **YoY revenue increase of 20%** for the upcoming year, which is aligned with the company's FY2025 guidance of $850 to $950 million, with a gradual annual decrease to 15%, anticipating the **cyclical downturns** and **supply chain normalizations**. Furthermore, the company reveals **inconsistent net working capital changes** due to its **significant increase in shipments**, up 63% to $973 million in FY2024.

Business Overview

ACM Research is a **semiconductor equipment company** specializing in the manufacture of wafer wet cleaning equipment, advanced wafer-level packaging solutions, electroplanting, and related technologies. Although headquartered in the United States it derives the majority of its revenue, approximately 90%, from its primary subsidiary, ACM Research Shanghai Co., Ltd., which focuses on serving the **Chinese market** and global customers with **operations in Asia**.

The company has demonstrated **strong growth**, achieving **three consecutive years of over 40% YoY revenue increases**. This performance has been driven by **expanding demand in China's semiconductor industry**, particularly for logic chips, DRAM, and 3D NAND memory. ACM has also **prioritized R&D investment** in areas like electrochemical plating, stress-free polishing, and Tahoe wafer cleaning tools. Some of the **strategic moves** include the **acquisition of an R&D facility in Oregon** and the establishment of a **production center in Lingang, Shanghai**, seeking to expand manufacturing capacity and support local supply chains.

ACMR reveals a **backlog** of RMB 9,071.5 million, USD $1,271.6 million, on the Shanghai Stock Exchange, which represents a **34% increase** from the previous year. This **growing order book** highlights **compelling customer confidence** and **sustained industry demand**. Looking ahead, ACM appears to be **well positioned benefit** from ongoing **semiconductor localization efforts** in China, **global capacity expansion and the increasing adoption of advanced process nodes**, supporting a **good growth outlook** and a compelling **strong buy** investment thesis.

LISBON INVESTMENT SOCIETY

NASDAQ: ACMR
Price (1st of October) : 36.59
Upside (Downside): 26.15%

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Statistics	
Beta	1,52
% Float	84,8%
% Held by Insiders	15,3%
% Held by Institutions	70,4%
Short % of Float	9,6%

Major Holders	
Vanguard Total Stock Market Index Fund	2,66%
iShares Trust-iShares Russell 2000 ETF	2,06%
Vanguard Information Technology Index Fund	1,98%
Invesco Exchange-Traded Fund Trust-Invesco Semiconductors ETF	1,41%
Vanguard Extended Market Index Fund	1,31%
Fidelity Salem Street Trust-Fidelity Small Cap Index Fund	0,86%
SPDR SERIES TRUST-SPDR Portfolio S&P 600 Small Cap ETF	0,76%
iShares Trust-iShares Russell 2000 Value ETF	0,75%
TIAA-CREF Funds-Nuveen Quant Small Cap Equity Fund	0,63%
Fidelity Concord Street Trust-Fidelity Extended Market Index Fund	0,45%

Board of Directors

David H. Wang [Chairman, CEO and President], **Haiping Dun** [Lead Independent Director], **Tracy Liu** [Independent Director], **Charles Pappis** [Independent Director], **Chenming C. Hu** [Independent Director]

ESG Traffic Light	
LSEG ESG Score	**52**
E-Score	*34*
S-Score	*46*
G-Score	*85*
S&P Global ESG Score	**32**
Environmental	-
Social	-
Governance & Economic	-
Sustainalytics	**20.5**
ISS ESG Corporate Rating	**D**
SDG Impact Rating	*-7*
Governance Quality Score	*9*
MSCI ESG Ratings	-

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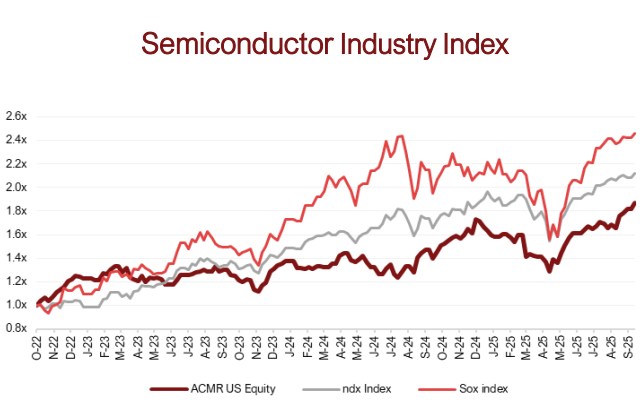
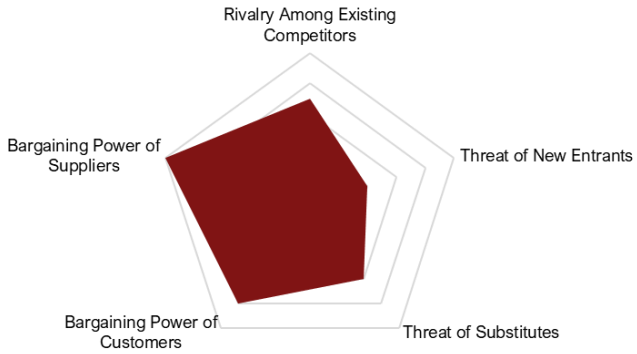
Industry Overview and Competitive Positioning



The semiconductor market is projected to **expand steadily from 2024 through 2029**, supported by a **strong compound annual growth rate** driven by **artificial intelligence**, **high-performance computing and advanced chip architectures**. Growth is **underpinned** by **policy incentives**, robust demand in China and **capacity expansions** across global fabs. Governments worldwide are actively promoting domestic semiconductor manufacturing through subsidies, creating a favourable long-term policy environment.

China, the world's largest consumer of semiconductors, remains **central to global demand**. However, risks persist, as the chinese government could intervene in ACM Shanghai's operations, impose restrictions on foreign listings or alter audit and access requirements. At the same time, the **growing complexity of semiconductor manufacturing is reshaping the industry**. As chips transition to smaller nodes, production requires increasingly sophisticated and precise cleaning steps, an area where ACM Research are trying constantly to improve to meet future customers needs.

Porter Five Forces



Bargaining Power of Buyers - High

More than 50% of its revenue is derived from **four key customers**, Huali Huahong, SMIC, YMTC, and PXW. These customers possess strong negotiating power, as their scale and strategic importance **allow them to influence** pricing and payment terms and product design, further pressuring ACM's margins.

Bargaining Power of Suppliers – Very High

ACM relies on a **limited number of suppliers**, including single-source providers, for critical components and assemblies and any disruption in their ability to meet demand could significantly impact their operations, production timelines and overall business continuity and stability.

Threat of New Entrants – Low

New entrants face **considerable obstacles** in the semiconductor wafer equipment, including **capital intensity and high investments in intellectual property**. Established players as ACM Research be**nefit from long-standing customer relationships, proven process reliability, and integration within clients' production ecosystem**, all of which create high switching costs and make market entry challenging for newcomers. Additionally, significant **regulatory hurdles, complex technology transfer requirements and long qualification cycles** work in favor to discourage new competitors from entering the market.

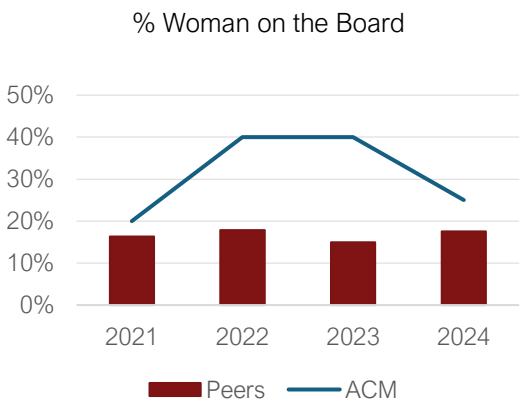
Threat of Substitutes - Moderate

Substitutes like plasma, ozone-based, and SCROD cleaning offer **safer, lower-waste alternatives** to traditional wet wafer cleaning systems. However, **high switching costs, strict process requirements and fab conservatism**, keep conventional wet cleaning dominant. That said, ongoing R&D in eco-friendly materials, enhanced precision cleaning and waterless process innovations **could pose increasing long-term substitution pressures**. Growing environmental regulations and advances in alternative technologies could gradually increase adoption of these substitute cleaning methods. For electroplating systems, the situation is very simular.

Rivalry Among Existing Competitors – Moderately High

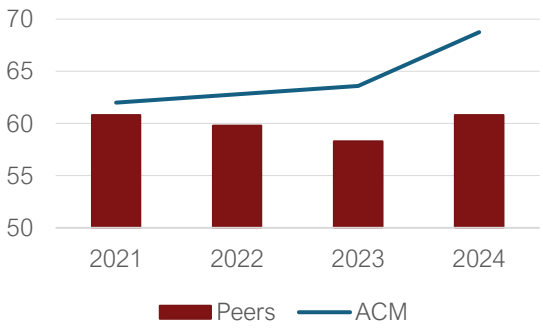
The market is **competitive**, with players such as Lam Research, Naura Technology and Tokyo Electron. ACM tries to **differentiate itself** with **advanced wafer production equipment tailored for next-generation nodes**, their established credibility and market reputation, and a broader portfolio of wafer fab equipment, which may allow the **company to offer bundled solutions to customers**, carving out opportunities despite rivalry. Moreover, as **technological innovation accelerates and capacity expansion continues**, sustaining **differentiation** and protecting margins will **require continuous R&D investment**.

ESG Analysis



Environmental

ACM Research has implemented several initiatives to enhance its environmental sustainability. The company conducts GHG emissions accounting across all facilities, aiming for complete coverage by 2025. In 2024, ACM introduced measures to **reduce climate risks** through the adoption of energy-efficient equipment and the implementation of conservation awareness programs. Additionally, its **long-term water management goals** include reaching a 75% purification rate by 2030, and a new hazardous waste facility has been constructed to ensure regulatory compliance. **Energy-saving measures**, such as improved air conditioning and energy awareness signage, have also helped lower consumption. It should be pointed out that **improper water management or shortages** have been **identified as potencial operation risks**, ongoing assessments are being to evaluate likelihood and impact. **No exact numbers are disclosed as far as GHG Scope 1, water consumption, total waste and energy consumption**, the latter being disclosed by the majority of peers



Social

The Company works to maintain an inclusive, fair and supportive workplace. With an **employee retention rate** of about 92%, it focuses on **engagement and development** to strengthen its workforce. **Employee safety remains a key focus**, supported by regular training and alignment with ISO 45001 standards. In 2024, ACM also improved supply chain oversight by adding **new suppliers and conducting sustainability audits.** Additionally, they continue to invest in local community initiatives and charitable activities. The company **promotes diversity and equal opportunity**, encouraging a culture of respect and collaboration across all regions of operation. ACM also supports employee well-being through health programs, work-life balance initiatives, and continuous learning opportunities. While **initiative is shown**, the **reports lack quantitive data** such as YoY salary increases, defined benefit plan, supplier ESG KPIs or total hours volunteered.

Governance

On this front, the company focuses on strong, transparent and accountable governance. As of 2025, 80% of its Board is **independent**, meeting Nasdaq requirements. ACM continues to improve board diversity, **adding a new director in 2025**. The company remains **committed to clear and timely reporting**, earning an "A" rating for transparency from the Shanghai Stock Exchange. Though **ESG metrics are not yet included**, executive pay is performance-based and aligned with regulations. However, **only one woman is present on the board** and Mr. David Wang founded the company and is now **simultaneously Chairman of the Board, CEO and President, which could compromise certain decision-making processes**. Regarding years on the board, the data is evenly spread, which can bring in a **new perspective from newer members while maintaining the company specific expertise of members with more years of experience**. In addition, ACM has **strengthened its internal audit and compliance functions**, ensuring oversight of risk management, anti-corruption practices, and regulatory adherence across global operations. The company has also **introduced new cybersecurity governance measures**, reflecting its commitment to data protection and digital integrity. Regular board evaluations and governance training sessions are conducted to enhance effectiveness and ethical leadership.

Director	Independent	Age	Years on Board
David H. Wang - *Chairman*	No	63	27
Haiping Dun - *Lead Independent Director*	Yes	75	21
Tracy Liu	Yes	60	9
Charles Pappis	Yes	64	<1
Chenming C. Hu	Yes	76	8
Average	**80%**	**68**	**13,1**

Peer Analysis and Relative Valuation

Operating in the competitive semiconductor wafer equipment market, ACM Research specializes primarily in wafer cleaning systems, electroplating systems and has recently expanded its portfolio to include plasma-enhanced chemical vapor deposition (PECVD) systems and track systems. ACM's **main competitors** are **Naura Technology and Tokyo Electron** (wafer cleaning systems), **Lam Research** (wafer cleaning and electroplating systems), **Applied Materials** (electroplating and PECVD systems), and **Kingsemi** (track systems) along with some privately held companies such as SEMES, subsidiary of Samsung, and SCREEN SPE USA, subsidiary of Screen Holding.

The peers are divided into **three tiers**, **Tier I** for **ACM's main competitors**, **Tier II** for companies that are involved in the **wafer market** and **Tier III** for relevant companies in the **semiconductor industry**.

Peers																
				TIER I			TIER II						TIER III			
Growth	ACM RESEARCH-A	NAURA TECH GR -A	LAM RESEARCH	TOKYO ELECTRON	APPLIED MATERIAL	KINGSEMI CO LT-A	SCREEN HOLDINGS	SAMSUNG ELECTRON	HIMAX TECHNO-ADR	ENTEGRIS INC	ONTO INNOVATION	SK HYNIX INC	TAIWAN SEMIC-ADR	NVIDIA CORP	QUALCOMM INC	ADV MICRO DEVICE
Revenue (LTM)	18%	29%	24%	22%	7%	3%	16%	10%	-3%	-3%	-2%	57%	39%	72%	72%	16%
Revenue (3-yr CAGR)	38%	43%	2%	6%	4%	22%	13%	0%	-18%	8%	4%	15%	22%	77%	1%	11%
Gross profit (LTM)	17%	26%	25%	22%	9%	7%	16%	14%	-3%	-3%	2%	185%	53%	58%	58%	15%
EBIT (LTM)	22%	21%	34%	25%	10%	-22%	22%	21%	-5%	-5%	2%	360%	62%	60%	60%	27%
EBITDA (LTM)	22%	22%	32%	25%	8%	-8%	21%	17%	-3%	-3%	2%	126%	43%	60%	60%	22%
FCF (LTM)	N/A	472%	27%	33%	-1%	N/A	-15%	17%	-11%	83%	43%	30%	179%	125%	13%	115%

Margins	ACM RESEARCH-A	NAURA TECH GR -A	LAM RESEARCH	TOKYO ELECTRON	APPLIED MATERIA	KINGSEMI CO LT-A	SCREEN HOLDINGS	SAMSUNG ELECTRO	HIMAX TECHNO-AD	ENTEGRIS INC	ONTO INNOVATIO	SK HYNIX INC	TAIWAN SEMIC-ADR	NVIDIA CORP	QUALCOMM INC	ADV MICRO DEVICE
Gross margin	50%	43%	49%	47%	47%	38%	38%	38%	30%	46%	52%	48%	56%	75%	56%	49%
EBIT margin	19%	22%	32%	29%	29%	13%	22%	11%	8%	16%	19%	35%	46%	62%	26%	7%
EBITDA margin	20%	26%	34%	31%	32%	16%	23%	23%	10%	28%	24%	58%	69%	60%	32%	18%
Net margin	13%	19%	29%	22%	26%	12%	16%	10%	9%	9%	20%	30%	41%	56%	26%	6%
SG&A margin	17%	10%	5%	8%	7%	18%	11%	15%	5%	14%	16%	5%	3%	3%	7%	11%
R&D margin	14%	18%	11%	11%	12%	18%	5%	12%	18%	10%	12%	7%	7%	9%	21%	24%

ACM Research demonstrates **strong growth momentum** relative to its peers, with LTM revenue growth of 18% and an **impressive three-year CAGR** of 38%, outperforming Lam Research (2%), Applied Materials (4%), Tokyo Electron (6%), Kingsemi (22%) and closely trailing Naura Technology (43%). ACM **EBIT and EBITDA growth** both 22% align with or exceed most peers, **highlighting efficient scaling and cost management**. While ACM's growth rates are very similar with most of its main competitors, if we compare with the **Tier II peers**, ACM exhibits a **significant stronger growth**, with the exceptions of Screen Holding and Samsung due to their more diversified portfolio.

ACM's growth rate is **justified not only by the expansion of the wafer market, but it is also supported by the overall growth of the semiconductor industry, as evidenced by Tier III peers that exhibit even higher growth**, consistent with the projections in the industry overview.

ACM's **gross margin is slightly higher** than that of its Tier I peers, however, **its EBIT, EBITDA, and net margins comparatively lower**, except for Kingsemi, a smaller company still in its growth phase with limited production volumes. The **lower profitability primarily** stems from ACM's higher SG&A and R&D expenses, which are **critical investments**, supporting its expansion in a highly competitive semiconductor industry.

When compared with Tier II peers, ACM's **margins are relatively solid**, **aligning closely with these peers' average**. In relation to companies engaged in wafer production, ACM **maintains a competitive position**. Nonetheless, compared with semiconductor companies operating in other segments (Tier III peers), the **wafer segment exhibits weaker profitability margin**. This is partly due to the **segment's higher SG&A and R&D intensity**, which reflects the technical complexity and innovation required in wafer processing.

Returns	ACM RESEARCH-A	NAURA TECH GR -A	LAM RESEARCH	TOKYO ELECTRON	APPLIED MATERIAL	KINGSEMI CO LT-A	SCREEN HOLDINGS	SAMSUNG ELECTRON	HIMAX TECHNO-ADR	ENTEGRIS INC	ONTO INNOVATION	SK HYNIX INC	TAIWAN SEMIC-ADR	NVIDIA CORP	QUALCOMM INC	ADV MICRO DEVICE
ROIC	9%	14%	37%	N/A	25%	4%	23%	6%	5%	6%	9%	27%	26%	103%	29%	4%
CROIC	5%	-1%	36%	22%	31%	4%	11%	5%	8%	4%	11%	14%	17%	76%	30%	4%
ROCE	12%	16%	55%	45%	48%	6%	40%	10%	12%	18%	13%	27%	25%	91%	47%	11%
RONA	14%	20%	60%	38%	41%	8%	32%	8%	8%	14%	10%	32%	31%	103%	38%	3%
ROE	12%	20%	58%	29%	36%	6%	25%	7%	9%	8%	11%	39%	35%	109%	45%	5%
ROA	6%	8%	27%	21%	20%	3%	15%	6%	4%	4%	10%	25%	22%	77%	22%	4%

ACM Research's **ROA and ROE** are **significantly lower** than some of its main competitors such as LAM Research, Tokyo Electron and Applied Material, and slightly from Naura Technology. This indicates that ACM is **not yet as efficient as its competitors** in **generating returns from its assets and shareholder investments**, though it can take steps to improve. Compared with Tier II peers, ACM's return metrics are broadly in line, except for Screen Holdings.

Company	Ticker	Current Share Price	% of 52-week High	Equity Value	Enterprise Value	Enterprise Value / LTM Sales	2025E Sales	2026E Sales	LTM EBITDA	2025E EBITDA	2026E EBITDA	LTM EBIT	2025E EBIT	2026E EBIT	LTM EBITDA Margin	Net Debt / EBITDA	Price / LTM EPS	2025E EPS	2026E EPS	LT EPS Growth
ACM RESEARCH-A	ACMR US	USD 41,07	91.0%	2,411	1,659	2.0x	1.8x	1.6x	10.3x	9.5x	7.4x	11.4x	10.0x	8.0x	20%	1.8x	22.3x	18.0x	15.2x	13%
Tier I: Wafer Cleaning, Electroplanting and PECVD equipment and Track system																				
NAURA TECH GR -A	002371 CH	CNY 458,05	96.7%	317,078	246,241	7.3x	6.4x	5.0x	31.2x	26.5x	20.2x	36.4x	30.2x	22.7x	23%	-0.5x	52.4x	42.9x	32.9x	24%
LAM RESEARCH	LRCX US	USD 141	91.7%	169,243	121,687	6.6x	6.7x	6.1x	19.2x	19.5x	17.5x	20.5x	20.8x	18.8x	34%	0.8x	31.8x	32.7x	29.8x	11%
TOKYO ELECTRON	8035 JT	JPY 29700	94.2%	13,809,406	17,860,479	7.4x	7.4x	7.4x	24.1x	23.6x	25.6x	26.4x	25.8x	29.0x	31%	-0.9x	25.7x	25.9x	28.9x	5%
APPLIED MATERIAL	AMAT US	USD 220,3	97.3%	170,075	147,743	5.2x	5.2x	5.1x	16.3x	16.5x	16.3x	17.2x	17.3x	17.2x	32%	0.7x	22.1x	22.5x	22.6x	4%
KINGSEMI CO LT-A	688037 CH	CNY 150,1	94.5%	29,946	22,228	12.6x	10.7x	8.2x	90.5x	112.5x	79.4x	130.8x	82.4x	51.9x	14%	0.3x	245.3x	118.8x	75.7x	-69%
Mean						**7.8x**		**6.4x**	**36.3x**	**39.7x**	**31.8x**	**46.3x**	**35.3x**	**27.9x**	**26.8%**	**0.1x**	**75.4x**	**48.6x**	**38.0x**	**-5.0%**
Median						**7.3x**	**6.7x**	**6.1x**	**24.1x**	**23.6x**	**20.2x**	**26.4x**	**25.8x**	**22.7x**	**30.6%**	**0.3x**	**31.8x**	**32.7x**	**29.8x**	**5.2%**
Tier II: Related to Wafer																				
SCREEN HOLDINGS	7735 JT	JPY 14295	92.1%	1,318,628	945,984	1.5x	1.5x	1.5x	6.5x	6.7x	6.8x	7.2x	7.4x	7.7x	23%	0.0x	13.5x	14.3x	14.5x	5%
SAMSUNG ELECTRON	005930 KS	KRW 89000	94.2%	558,813,820	275,718,214	0.9x	0.9x	0.8x	3.8x	3.5x	2.8x	10.2x	8.7x	5.2x	23%	0.2x	21.0x	17.6x	12.1x	20%
HIMAX TECHNO-ADR	HIMX US	USD 8,94	64.3%	1,471	1,776	2.0x	2.2x	1.9x	20.8x	23.1x	16.7x	27.9x	32.5x	18.9x	10%	6.1x	20.9x	29.3x	15.6x	40%
ENTEGRIS INC	ENTG US	USD 94,23	83.9%	13,364	16,152	5.0x	5.0x	4.7x	18.0x	18.1x	15.9x	31.2x	23.4x	19.8x	28%	4.5x	44.4x	31.4x	24.9x	19%
ONTO INNOVATION	ONTO US	USD 136,6	59.8%	6,245	3,957	3.8x	4.0x	3.6x	13.0x	13.4x	11.3x	16.0x	15.7x	13.3x	29%	0.1x	26.9x	25.8x	22.0x	25%
Mean						**2.6x**	**2.7x**	**2.5x**	**12.4x**	**13.0x**	**10.7x**	**18.5x**	**17.5x**	**13.0x**	**22.7%**	**2.2x**	**25.3x**	**23.7x**	**17.9x**	**21.9%**
Median						**2.0x**	**2.2x**	**1.9x**	**13.0x**	**13.4x**	**11.3x**	**16.0x**	**15.7x**	**13.3x**	**23.5%**	**0.2x**	**21.0x**	**25.8x**	**15.6x**	**20.3%**

ACM currently trades at a discount relative to its peers. Its EV/Price, EV/EBIT, and EV/EBITDA **multiples are significantly lower than those of its Tier I peers and slightly below the Tier II peer average**. Despite delivering strong growth and profitability, only slightly below Tier I peers and broadly in line with Tier II peers, ACM surpasses companies such as Samsung, Himax, and Entegris in net margin, which would make it comparatively more attractive within the Tier II group.

Given this performance, ACM **appears undervalued**, as it trades at a substantial discount to Tier I peers despite only modestly weaker margins, this imbalance does not justify the significant discount. Even when compared with Tier II peers, ACM's valuation multiples are similar or marginally lower, while its **profitability margins are stronger, further reinforcing the view that the market is undervaluing ACM.**

Valuation - FCFF

Over the past three years, ACMR has achieved an **impressive revenue growth rate year-over-year**, reflecting its **strong competitive position** in its wafer cleaning and electrochemical plating technologies. ACM Research's **revenue is projected to experience growth** over the next five years, tapering off from its initial boom of 40% to a more conservative and reasonable 21%. This end number is supported by the **continued expansion of the global semiconductor market**. The company is well-positioned to outperform industry growth, given its expanding production capacity and strong presence in China's rapidly developing semiconductor industry.

	2022A	2023A	2024A	2025E	2026E					2027E	2028E	2029E
	FY	FY	FY	FY	Q1	Q2	Q3	Q4	FY	FY	FY	FY
Income Statement												
Revenue	389	558	782	947	207	258	305	366	1,136	1,397	1,705	2,063
% of growth	*49.7%*	*43.4%*	*40.2%*	*21.0%*	*20.0%*	*20.0%*	*20.0%*	*20.0%*	*22.0%*	*23.0%*	*22.0%*	*21.0%*
Cost of Goods & Services	205	282	391	485	106	132	156	187	581	679	787	905
% of sales	*52.8%*	*50.5%*	*49.9%*	*51.3%*	*51.4%*	*51.2%*	*51.1%*	*51.2%*	*51.2%*	*48.6%*	*46.2%*	*43.9%*
Gross Profit	184	276	392	461	101	126	149	179	554	718	917	1,157
% of sales	*47.2%*	*49.5%*	*50.1%*	*48.7%*	*48.6%*	*48.8%*	*48.9%*	*48.8%*	*48.8%*	*51.4%*	*53.8%*	*56.1%*
SG&A (Selling, General & Administrative)	62	88	135	165	36	45	53	64	198	243	297	359
% of sales	*16.0%*	*15.7%*	*17.3%*	*17.4%*	*17.4%*	*17.4%*	*17.4%*	*17.4%*	*17.4%*	*17.4%*	*17.4%*	*17.4%*
R&D (Research & Development)	62	93	105	157	34	43	51	62	190	228	306	383
% of gross profit	*33.9%*	*33.6%*	*26.9%*	*34.1%*	*33.8%*	*34.0%*	*34.4%*	*34.5%*	*34.2%*	*31.7%*	*33.3%*	*33.1%*
D&A (Depreciation & Amortization)	5	8	10	13	3	3	3	3	13	13	13	14
% of net pp&e and intangibles excl. Goodwill	*5.6%*	*3.7%*	*3.5%*	*4.2%*	1.1%	1.1%	1.1%	1.1%	*4.3%*	4%	4%	4%
EBIT (Operating Income)	59	96	150	152	35	44	52	62	193	238	290	351
% of sales	*15.2%*	*17.2%*	*19.2%*	*16.1%*	*17.0%*	*17.0%*	*17.0%*	*17.0%*	*17.0%*	*17.0%*	*17.0%*	*17.0%*
Basic Weighted Average Shares	59.2	60.2	62.2	64.0	64.8	65.1	65.4	65.7	65.3	66.8	66.3	67.9
Diluted Weighted Average Shares	65.3	64.9	66.2	67.3	67.5	67.5	67.5	67.5	67.5	67.5	67.5	67.5

However, ACM Research operates with **intensive capital equipment manufacturers**, with cost of goods sold representing nearly 50% of total revenue, reflecting the **high material and component costs** associated with wafer cleaning and electrochemical plating systems. Despite these pressures, the company **continues to invest heavily in research and development**, maintaining R&D expenses as one of its largest operating costs to support innovation and differentiation in a highly competitive market. These intensive R&D efforts are **partly offset by government subsidies and incentives provided under China's initiatives** to strengthen its domestic semiconductor equipment industry. With these large investments, we can estimate that the cost of production will continue to decrease over the next few years. In addition, ACMR benefits from tax advantages related to its net operating losses and R&D tax credits, which together help **reduce its effective tax rate and enhance after tax profitability**.

Furthermore, **EBIT has expanded sharply** from $59 million in 2022 to an estimated $152 million in 2025, representing a compound annual growth rate above 35%. The company **maintains a high level of R&D spending and stock-based compensation**, with SBC accounting for nearly 30% of SG&A, highlighting its **focus on training human capital and advancing proprietary technologies**. Capital expenditures remain elevated at roughly 9% of sales, as ACMR continues to expand its manufacturing and R&D infrastructure, including new facility investments in Lingang, Shanghai, and Oregonto **support future production capacity and global customer demand**. **Free cash flow remains volatile due to large working capital requirements**, but is expected to stabilize and turn sustainably positive from 2026 onward, as operations mature and scale efficiencies.

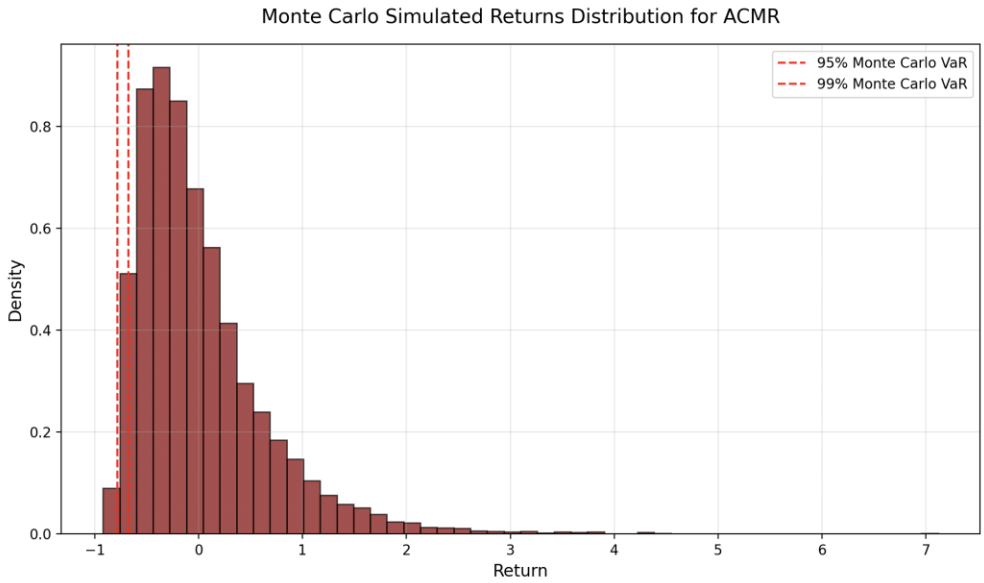
Rolling WACC	2025	2026	2027	2028	2029
Equity:					
Market Cap *(in millions)*	1,998	3,635	4,471	5,625	6,806
% of Equity	*87.4%*	*92.6%*	*76.2%*	*75.4%*	*79.1%*
Risk-Free Rate	1.59%	1.61%	1.59%	1.59%	1.59%
Beta	1.42	1.35	1.34	1.33	1.32
Unlevered Beta	1.27	1.27	1.27	1.27	1.27
Equity Risk Premium	5.26%	5.26%	5.26%	5.26%	5.26%
Ke (Cost of Equity)	**9.06%**	**8.73%**	**8.64%**	**8.57%**	**8.52%**
Debt:					
Debt *(in millions)*	287	290	300	305	307
% of Debt	*12.6%*	*7.4%*	*6.3%*	*5.1%*	*4.3%*
Debt Spread	3.05%	2.99%	3.09%	3.09%	3.13%
Cost of Debt	4.64%	4.60%	4.68%	4.68%	4.72%
Tax Rate	17.0%	15.0%	15.0%	15.0%	15.0%
Kd (After-Tax Cost of Debt)	**3.85%**	**3.91%**	**3.98%**	**3.98%**	**4.01%**
			14.40%		
Total	2,285	3,925	4,771	5,930	7,113
Country/Conglomerate/... Risk Premium	0.75%	0.75%	0.75%	0.75%	0.75%
WACC	**9.15%**	**9.13%**	**7.58%**	**7.41%**	**7.66%**
NOPAT	139	164	202	246	298
Total Payout	21	14	1	-4	0
Book Value of Equity	1,256	1,434	1,637	1,879	2,177
Invested Capital	1,543	1,724	1,937	2,184	2,484
ROIC	**9.85%**	**10.05%**	**11.03%**	**11.96%**	**12.77%**

Considering the business model and historical data, it's expected for the company to continue to take on **slightly more debt** to fund R&D and other cash intensive investments. Still, the majority of **funding will come from equity**. The Equity Risk Premium accounts for the fact that the company sells primarily to Mainland China with 98% of weight on sales.

The assumptions were made with the forecast that ACMR's capital expenditures are becoming **less risky and more efficient** with time, due to **market growth and capitalization**, **stable debt ratios** and reduced equity risk. All in all, the company exhibits a **favorable capital-cost trajectory.**

Sensitivity Analysis

The Historical VaR and Parametric VaR both estimate **daily potential losses** of **6.24% and 7.34%,** respectively, at the 95% confidence level, indicating that under **normal market conditions**, ACMR could lose that proportion of its value on a particularly bad trading day. The Monte Carlo simulation is run over a one year horizon using ACMR's **59% annual volatility**, the VaR rises to around 63% and 76% reflecting the **compounding effect of volatility and uncertainty over longer periods.**
The Monte Carlo simulated returns distribution illustrates a **right-skewed probability density**, which suggests that **extreme positive returns may occur occasionall**y, but **most returns cluster near zero or negative**.
The 95% and 99% Monte Carlo Value at Risk lines, positioned around -1.266, suggest that there is a 5% chance of returns falling below this threshold and a 1% chance of exceeding -1.197, highlighting **moderate downside risk**.



	Historical VaR	Parametric VaR	Monte Carlos VaR -Yearly
Confidence Level 95.0%	0.06	0.07	0.63
Confidence Level 99.0%	0.11	0.10	0.76

Investment Risks

As a company operating in the **highly specialized field** of advanced semiconductor manufacturing, ACMR faces a broad range of investment risks. Operationally, the firm **depends on a global network of suppliers** for critical components and materials. Any **supply chain disruption**, whether from geopolitical tensions, export restrictions or transportation bottlenecks could delay production, increase costs or reduce output. Such risks are heightened by ACMR's **exposure to regions with complex trade relationships**, particularly between the United States and China.

Demand risk is also significant. The company's **reliance on cyclical industries**, including semiconductors, automotive and aerospace means that downturns or rapid shifts in consumer demand can materially affect revenues. Economic slowdowns, technological transitions or capital spending cuts by major chip manufacturers may lead to lower equipment orders and volatile cash flows.

Competitive pressure in the semiconductor equipment industry is intense. ACMR competes with well-established global firms such as Applied Materials, Lam Research, and Tokyo Electron. **Sustaining market share** requires **continuous innovation, R&D investment and operational excellence**, each of which carries execution risk, high costs, and uncertainty regarding returns.

From a regulatory and geopolitical standpoint, ACMR's **heavy concentration in China** (98% of revenue) exposes it to export controls, **tariffs** and other international **trade restrictions**. The company also faces **potential scrutiny** from both U.S. and Chinese authorities, **increasing compliance complexity and political risk**. Changes in environmental, labor, or data security regulations could further add to operational costs or delay product delivery.

Financially, ACMR's **capital structure makes it sensitive to equity market fluctuations**, as the firm relies more on **equity financing** and maintains relatively low leverage. Currency exchange fluctuations, inflationary pressures on raw materials and interest rate volatility could all affect margins.

Finally, **governance and management risks** exist due to **leadership concentration**, given that Mr. David Wang serves as Chairman, CEO, and President, which may affect **decision-making independence**. Rapid global expansion also introduces challenges in maintaining **consistent internal controls**, audit oversight and **quality assurance across regions**.

Equity Research Team

This report was prepared by the Equity Research team at the Lisbon Investment Society. Our analysts combine rigorous financial modeling, critical thinking, and collaborative research to deliver high-quality, student-led investment analysis.
We welcome your feedback, discussion, and questions regarding this report or our research process. Feel free to reach out to our team, we're always open to engagement.

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