Kerrisdale Capital

November 2025

ACM Research (ACMR)

Riding China's AI-Driven Capex Wave

We are long shares of ACM Research (Nasdaq:ACMR), one of China's leading suppliers of semiconductor wafer fabrication equipment (WFE). A technology innovator, ACMR is capitalizing on China's massive effort to create a globally dominant semiconductor industry built on domestically produced WFE. Already China's national champion in cleaning tools, ACMR is executing on its vision to become a premier WFE platform company. ACMR shares traded off after the company reported Q3 results, which we believe is a textbook case of the markets missing the forest for the trees. The ACMR story has gotten even better since we first wrote it up in January, and we continue to believe its shares can provide multi-bagger returns from here.

The Chinese WFE set-up has only improved. Domestic Chinese semiconductor companies are clearly closing the technology gap, creating a virtuous cycle of co-dependent growth between domestic device and WFE companies. As a result, the WFE localization rate is accelerating, with some analysts forecasting a near-tripling to over 40% in 2027, and domestic Chinese WFE revenue is expected to grow at a 37% CAGR from 2024 to 2027.

We also believe China's own AI spending wave is both underappreciated and earlier in its cycle than that in the US. AI competitiveness is a national priority, and China has demonstrated that it can overcome semiconductor performance gaps to develop competitive AI infrastructure and models such as DeepSeek. China's AI infrastructure will increasingly rely on domestically produced GPUs and memory made using ACMR tools. While perhaps counterintuitive, the lower performance, less advanced process nodes, and lower yields of China's AI semiconductors actually increase the reveue opportunity for domestic WFE companies. We believe Chinese WFE companies are poised for years of upward earnings revisions.

ACMR is now on the cusp of a powerful new product cycle, as revenue from innovative new cleaning tools as well as new markets such as electroplating, thermal processing, track, and deposition will accelerate in 2026. Several of these new products are specifically levered to attractive AI and compound semiconductor growth themes.

ACMR's Shanghai subsidiary trades at a $10.6 billion equity value in China, meaning ACMR's 75% stake is worth $8.1 billion, or 253% more than its current market cap. They're the same company, yet one trades at 7.6x 2026E revenue in China while the other trades at 1.4x 2026E revenue in the US. ACMR remains one of the best US-listed investment vehicles to play China's booming semiconductor industry and AI spending wave.

Table of Contents

I. The ACMR Investment Thesis

David is Beating Goliath…Again. David Wang, that is. ACMR's founder and CEO is a proven visionary who has grown revenue ~6x over just the past five years to a $1 billion run rate. And we believe ACMR is just getting started, because Wang is planning to build the next great WFE platform company. Winning through innovation and building the most comprehensive product portfolio, ACMR has established itself as the leading domestic supplier of wafer cleaning tools in China after taking share from global tier-one players like Lam Research and Screen. Cleaning accounts for the most front-end process steps, becomes more important with every process shrink, and is increasingly being used for back-end advanced packaging applications. Cleaning is an approximate $7 billion global market, and ACMR has laid the foundation for expansion outside China through strategic engagements with global leaders such as Intel and SK Hynix, efforts that could bear fruit in 2026. ACMR is also on the cusp of an attractive new product ramp of multiple innovative cleaning systems. Beyond cleaning, ACMR has expanded its addressable market by $13 billion with its development of innovative new tools for electroplating, thermal processing, track (coating/developing), and chemical vapor deposition. These new systems are seeing strong uptake in China and increase ACMR's exposure to high growth opportunities such as advanced packaging for AI-related applications and compound semiconductors. Make no mistake. Chinese fabs are selecting ACMR tools not because of government decree but because of their proprietary technology and high performance.

Chinese WFE Suppliers Poised For Explosive Growth. We can think of few higher confidence bets than the continued growth of the Chinese semiconductor industry. Through massive investment and the strong arm of industrial policy, the Chinese government is determined to achieve global leadership in semiconductors. We believe this effort is entering a new era of accelerated growth and technology competitiveness. Once reliant on foreign WFE, Chinese fabs are shifting to domestically produced equipment as fast as possible, with the WFE localization rate expected to almost triple from 16% in 2024 to 42% in 2027. New since our January report, the emergence of China's own AI-fueled capex wave is greatly underappreciated. Billions will be spent on China's AI infrastructure, and the foundational technology – domestically produced processors and memory – will be made with ACMR tools.

ACMR's Valuation Discount is Unsustainable; We See Multi-Bagger Upside. ACMR shares trade at a nonsensical discount, whether you look at peer multiples, its future earnings potential, or simply value ACMR's stake in its Shanghai-traded Chinese subsidiary, ACM Research Shanghai (ACMS). ACMR trades at just 1.4x, 7.5x, and 15.8x 2026E revenue, EBITDA and GAAP net income, respectively, representing approximate 50-80% discounts to US, European, and Japanese WFE peers. Our DCF analysis implies 222% upside. Perhaps most egregious, ACMR is trading at a 72% discount to the value of its stake in ACMS. Yes, ACMR trades at a discount to…itself. This is absurd.

II. What's New Since Our January Report

ACMR Historical Financials, Consensus Estimates, and Valuation									
(FYE Dec; $ in millions except per share figures)									
Valuation			**2021**	**2022**	**2023**	**2024**	**2025E**	**2026E**	**2027E**
Stock Price (as of 11/24/25)	$32.01	Revenue	$260	$389	$558	$782	$907	$1,073	$1,348
Shares Outstanding	65	*YoY Growth*	*66%*	*50%*	*43%*	*40%*	*16%*	*18%*	*26%*
Dilutive Shares (1)	7	EBITDA	$41	$64	$104	$161	$141	$204	$247
Fully Diluted Shares Out.	71	*Margin*	*16%*	*17%*	*19%*	*21%*	*16%*	*19%*	*18%*
Market Capitalization	$2,288	Net Inc. to ACMR	$38	$39	$77	$104	$121	$145	$191
Cash (2)	1,059	*Margin*	*15%*	*10%*	*14%*	*13%*	*13%*	*13%*	*14%*
Debt	287								
Lease Liabilities	10	EV/EBITDA				9.5x	10.8x	7.5x	6.2x
Enterprise Value	$1,526	P/E				22.1x	19.0x	15.8x	12.0x

(1) Includes 9.6m stock options with a $10.09 average exercise price
(2) Excludes $39.4m of short-term time deposits and restricted cash
Source: Company filings, S&P Capital IQ, Kerrisdale analysis

Since we published our report in January, ACMR has grown revenue 18% YoY (Q3 YTD), achieved a billion dollar revenue run rate, raised its gross margin target range from 40-45% to 42-48% driven by product innovation and differentiation, and seen consensus 2025 net income estimates increased by 4%. Impressively, this has occurred during a period of supposed WFE digestion in its core Chinese market and a material deterioration in US-China trade relations. ACMR has skillfully navigated this challenging backdrop while continuing to position the company to capitalize on a massive long-term opportunity, both in China and globally.

ACMR growth should accelerate in 2026 and 2027, driven by continued innovation in its core cleaning segment, scaled ramp of its electroplating, furnace, and advanced packaging tools, and the receipt of first revenue from new PECVD, track, and panel-level packaging tools. ACMR management has executed well on its vision to build the next global platform WFE supplier. In order to support growth, the company's Shanghai subsidiary completed a $632 million equity offering in September, which decreased ACMR's ownership stake in ACMS from 81.1% to 74.6%. The proceeds will be used to accelerate new product innovation and support capacity expansion as the company targets $4 billion in revenue.

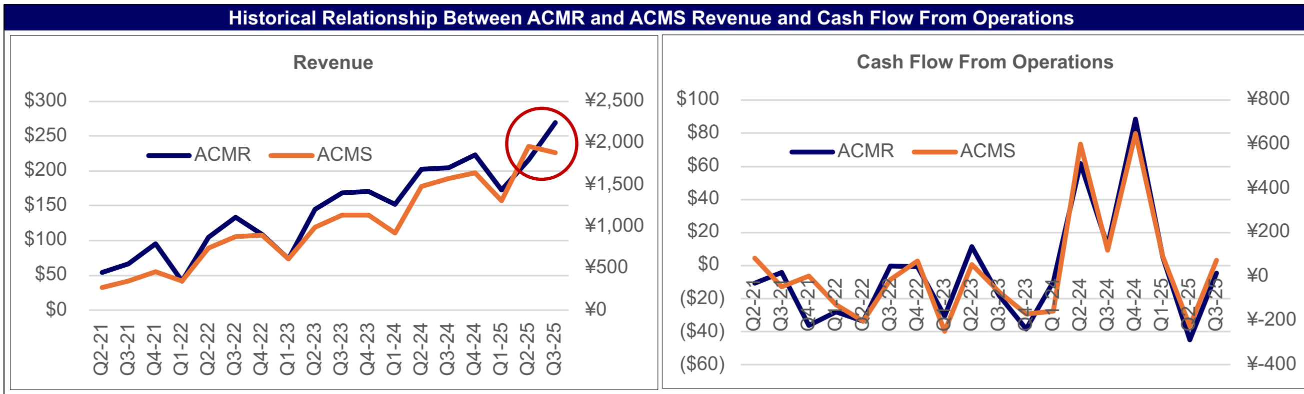
III. Ignore the Noise Around Q3 Results

After the company's Q3 earnings report, ACMR shares traded down 20% over the ensuing two days despite the company maintaining its 2025 revenue guidance of $900 million at the midpoint. Such a move suggests some sort of change in the ACMR story or outlook, but that simply isn't the case. The primary reasons for the move were (1) management's admission that shipments were no longer expected to grow YoY in 2025 and (2) gross margin of 42% came in at the low end of the company's target model range. However, these results were largely a function of typical WFE lumipness, with record 2H 2024 shipments creating challenging comps and some transitory mix effects and write-downs. We also suspect some of the shipment push outs could have resulted from the suspension of the affiliate rule related to US technology export restrictions, which led Chinese customers to focus near-term procurement on US tools that may again face controls in the future. Excessive focus on short-term quarterly shipments is misplaced, as the massive long-term China WFE opportunity remains intact. In addition, some of the inventory write-downs were likely for raw materials related to new tools that will eventually be consumed, thus providing a future tailwind to gross margins. An inceasing mix of new products and greater domestic input sourcing should support long-term gross margin expansion.

In the China WFE market, fundamental demand remains healthy, and domestic suppliers continue to occupy favored positions given their strategic importance to the achievement of national policy objectives. ACMR’s Q3 revenue was up 32% YoY after all, and continued new product acceleration is creating greater business diversity and expanding ACMR’s addressable market. Additionally, ACM Shanghai reported strong 34% YoY backlog growth at the end of September, demonstrating a strong foundation for future growth.

An additional result elliciting investor questions was the divergence of revenue trends between ACMR and ACM Shanghai. Revenue recognition differs between Chinese and US GAAP, and we provide a deeper discussion of this in our January report. ACMS recognizes revenue upon delivery, while ACMR recognizes first and repeat tool revenue upon acceptance and shipment, respectively. Investors should take comfort that the correlation between ACMR and ACMS cash flow from operations has not changed.

Historical Relationship Between ACMR and ACMS Revenue and Cash Flow From Operations



Source: S&P Capital IQ

IV. New Product Execution Creating a More Powerful Growth Engine

ACMR wins business due to its technology innovation and ability to commercialize proprietary tool designs that deliver superior performance. The company’s partnership with domestic Chinese fabs has created a symbiotic relationship whereby both parties are supporting the development of increasingly advanced technologies. Importantly, ACMR has both expanded its core cleaning portfolio as well as developed compelling new tools that nearly triple its addressable market in China. These efforts have demonstrated strong returns, as revenue from new products outside front-end cleaning grew 8x from 2020 to 2024, and the $191 million generated in Q3 2025 YTD represented an acceleration to 41% YoY growth.

ACMR Non-Cleaning Revenue Acceleration ($M)	2020	2021	2022	2023	2024	9Mos 24	9Mos 25
ECP and Furnace	$ 13	$ 33	$ 77	$ 103	$ 151	$ 99	$ 135
Advanced Packaging	$ 12	$ 37	$ 38	$ 51	$ 52	$ 36	$ 55
Total	$ 25	$ 71	$ 116	$ 154	$ 203	$ 135	$ 191
YoY Growth							
ECP and Furnace	*93%*	*149%*	*133%*	*33%*	*46%*		*36%*
Advanced Packaging	*19%*	*210%*	*3%*	*32%*	*3%*		*55%*
Total	*49%*	*178%*	*64%*	*33%*	*32%*		*41%*

Source: Company filings

Cleaning. Cleaning accounts for about 30% of wafer processing, the number of cleaning steps is increasing with each process migration, and miniaturization and new processing techniques only magnify contamination risks. In addition, cleaning tools are increasingly required for back-end advanced packaging applications. ACMR's cleaning portfolio covers 95% of cleaning process steps, and the company now believes it can capture 60% of the domestic Chinese market. Cleaning contributes about 70% of revenue, and ACMR continues to innovate. Both the company's high- and medium/low-temperature sulfuric peroxide mixture (SPM) tools have completed high-volume production validation at multiple customer sites and are demonstrating world-class performance and superior TCO which should enable share capture. As of Q1, ACMR had delivered SPM tools to 13 customers and been qualified at a leading logic customer in China. ACMR announced in July a new patent-pending nitrogen bubbling technology that can improve wet etching uniformity by 50% and enhance particle removal at advanced process nodes. The company's Ultra C wb tool incorporating this technology has already received repeat orders, and the technology will be extended to its Tahoe platform to address advanced 3D memory device applications. Moreover, the company now offers tools that are approaching the capabilities of its ex-China peers. One example is its super-critical CO2 cleaning tool, which we believe has an ASP about twice that of the company's other tools (which range from $3-5 million). These new tools have added at least $1 billion to ACMR's China cleaning addressable market and should ramp revenue in earnest in 2026. Finally, ACMR received acceptance for its backside and bevel etching equipment from a US-based customer in Q1. Thus, ACMR's core cleaning segment is entering a powerful product cycle founded on a broad portfolio of leadership products that create a one-stop-shop for all customers' cleaning requirements.

Electrochemical plating (ECP). ECP is a metal deposition process for copper interconnect that is seeing increased use in back-end advanced packaging applications. ACMR continues to see rapid adoption of its ECP products having shipped its 1,500th chamber in Q2, as customers seek alternatives to Lam Research. Q3 was a record quarter for front-end ECP revenue. We believe ACMR is now the third-ranked player globally, but its recent panel-level packaging (PLP) wins could propel it to the #2 position in the coming years. When we first discussed this market in January, we imagine some brushed it off given the market's more immediate fascination with the chip-on-wafer-on-substrate (CoWoS) approach used for AI GPUs and high-bandwidth memory. However, PLP has emerged as the clear successor to CoWoS. PLP is a next-generation technology that aims to use rectangular substrates as opposed to round wafers.

Such a move offers a 5x increase in usable area, enabling the integration of additional compute and/or memory resources in a single package. The commitment to PLP by the industry's leaders has become more clear. TSMC is fully behind PLP after announcing plans to establish a pilot line for its chip-on-panel-on-substrate (CoPoS) approach using 310x310mm panels in 2026. Volume production could begin in 2027 or 2028, with CoPoS becoming mainstream in 2029. ACMR has developed a highly differentiated and proprietary horizontal plating technology that delivers superior uniformity. The company has seen broad global engagement in Taiwan, US, and China on PLP and recently announced the first shipment of its Ultra ECP ap-p tool to an industry-leading panel fabrication customer.

The company has also seen strong market acceptance among most of its Chinese customers of its Ultra ECP 3d system used for 3D through-silicon-vias (TSV) and its Ultra ECP ap system for 2.5D interposer applications where their proprietary chamber designs enable superior performance and TCO. In September, ACMR delivered its Ultra ECDP plating/deplating tool specifically targeting gold etch processes for wide-bandgap compound semiconductor manufacturing on 150mm and 200mm wafers. As we discussed in our report on Aixtron, we see tremendous growth opportunities related to the adoption of compound semiconductors in power electronics applications.

Furnace. ACMR has developed a range of furnace systems that address deposition-related drying processes for low-pressure chemical vapor deposition (LPCVD), atomic layer deposition (ALD), oxidation, and annealing. The company's systems incorporate proprietary designs and patented technologies. Of note, ACMR has developed the Ultra fn, an ultra-high temperature system that can operate at over 1,250C. ACMR believes no other supplier has achieved such high temperatures with superior process stability in a vertical furnace design, and the company has noted customer engagement both in China and Europe. We believe these systems will be used for high-temperature annealing for power devices such as IGBTs made with compound semiconductor materials such as silicon carbide. With 18 customers evaluating its tools, furnace revenues should continue to ramp in 2026.

Advanced Packaging (AP). AP involves the packaging of multiple die into a single package to achieve increased integration and performance without the need for process scaling under Moore's Law. Various flavors of AP are used for a range of different applications, but AI is a major growth driver. Nvidia has predicted that AP for AI data center applications will grow at a 45% CAGR from 2024 to 2030. Front-end tools are increasingly being adopted for AP as process complexity increases, and ACMR sells multiple tools into the market for cleaning, wet etching, plating, coating, developing, and polishing. Back-end utilization rates are at highs with the explosion in AP demand, and ACMR's AP revenue exploded 231% YoY in Q3. AP is a strong source of global customer engagement, and ACMR shipped AP tools to two new US customers during the quarter.

Track. Track systems are used for coating and developing photoresist as part of inline lithography processes. ACMR shipped its first high-throughput in-line Ultra Lith KrF track system to a leading Chinese logic fab customer in September. The system can process 300 wafers per hour, employs a flexible process module configuration, and delivers industry-leading uniformity, advanced thermal control, and real-time process control. This follows the company's ArF track platform completing process verification at a leading Chinese customer in late 2024. These tools pair with ASML scanners for mature-node lithography processes and provide ACMR with the product breadth to address a diverse range of applications. Track should help drive revenue growth in 2026 as ACMR penetrates additional customers.

Plasma Enhanced Chemical Vapor Deposition (PECVD). PECVD is a deposition process that uses plasma to deposit thin films on a substrate using lower temperatures. The company's Ultra Pmax tool employs a unique three-chuck chamber design that offers enhanced process flexibility for customers. The company has been engaged with both Chinese and global customers on PECVD, highlighting its prospects in Korea in particular, and it plans to ramp R&D investment in this area to support broader market penetration. ACMR expects to ship two PECVD tools in Q4 and more in 2026, which should supplement the 2026 revenue ramp.

V. Poised to Capitalize on the AI-Driven Memory Super Cycle

All signs are pointing to a memory semiconductor super cycle driven by AI adoption and the growing demand for high-performance computing. Memory capacity could be constrained for at least the next year, and prices of both DRAM and NAND are surging, as evidenced by recent 50%+ price increases by the major suppliers (Samsung, SK Hynix, and Micron). But it isn't just the top players riding the memory wave. China is in the midst of its own explosive AI infrastructure buildout, and domestic Chinese GPU suppliers such as Huawei have announced plans to use domestically produced high-bandwidth memory (HBM). China's memory leaders are ramping technology development and capacity expansion to meet domestic demand and challenge the global leaders. They are all longtime ACMR customers, and the sector leaders each contributed >10% of revenue over the past two years.

China's NAND leader, Yangtze Memory Technologies (YMTC), is a case in point. Despite being placed on the US entity list, YMTC is seeing surging domestic demand fueled by China's own AI boom and a localization imperative that extends beyond just fab equipment. YMTC had just 1% global flash market share in 2020 and is now targeting 15% in 2026. The company's 232-layer 3D NAND devices released last year set a global benchmark for density, and YMTC recently entered the enterprise SSD market. In early November, the company announced it had broken ground on its third NAND fab, targeting production in 2027. In addition, YMTC is rumored to be considering entry into the DRAM market. Omdia estimates that YMTC will account for 20% of global NAND capital expenditures in 2025 and that the company's plan to grow its share of memory capacity from 7-8% to over 10% would allow it to overtake Micron as the #4 global memory manufacturer. YMTC's "Wudang Shan" project is rumored to mark the company's transition to using more domestic fabrication equipment. We believe ACMR already has ~40% share of the cleaning opportunity at YMTC and is poised to further benefit from this effort. YMTC is for real, and Bloomberg reported in October that the company may pursue an IPO in 2026 that values the company at over $40 billion.

ChangXin Memory Technologies (CXMT) is China's DRAM leader. The company has made impressive advances in low-power, high-performance LPDDR5X memory used for a range of mobile and computing platforms, narrowing the gap with Samsung, SK Hynix, and Micron. Moreover, while still several years behind the world's leaders, CXMT has reportedly delivered 16nm HBM3 samples to Huawei, suggesting China may see its own HBM boom with production planned to ramp in 2026. Morgan Stanley estimates this could result in a 30kwpm capacity addition at its Lingang fab versus a previous industry expectation of zero. Like YMTC, the company has been highly focused on migrating to domestic sources of fab equipment. For example, Naura expects the WFE localization rate in DRAM to more than double from 10% to 20-30%. CXMT is also considering a 2026 IPO at a similar $40 billion valuation. As beacons for China's state-sponsored semiconductor industry and with large capital infusions on the way, we expect these two major ACMR customers to create foundational demand for years to come.

Outside China, we previously highlighted ACMR's tremendous focus on SK Hynix, an ACMR customer since 2011 that accounted for >10% of revenue from 2016 to 2019. As the global leader in HBM, SK Hynix is expected to continue ramping HBM4 capacity in 2026 and 2027 to meet multiple large customer commitments. We believe SK Hynix is currently evaluating numerous ACMR tools that span most of its product portfolio, creating the opportunity for revenue upside that has not been incorporated into consensus projections.

VI. China WFE Likely to Outperform Again in 2026

Since 2022, expectations for Chinese semiconductor capital expenditure YoY growth have been overly conservative, with forecasters frequently calling for capacity "digestion" at the start of each new year. This pattern was repeated in 2025, and there is a strong chance it occurs again in 2026. The chart below highlights the challenges of forecasting China WFE growth, as most major spenders saw large upward revisions from initial expectations in both 2024 and 2025. Many forecasters are calling for a flat 2026, but this may again be too pessimistic. China is still in the early innings of a massive generational investment cycle in semiconductors that will drive strong WFE growth for years. In addition, China is investing to create its own home-grown AI infrastructure that will be heavily reliant on domestic semiconductor technology. Yet Street analysts seem to be underestimating the scale of this investment. For example, despite expectations that Alibaba and Tencent will grow capital expenditures in 2025 by 282% and 64%, respectively, Street consensus capex growth for 2026 for those two companies is just 7% and -3%. Such spending forecasts seem ridiculously conservative given what we know about the massive and still growing capital expenditures of the major US hyperscalers. And spending from China's internet giants isn't even the whole story, as BAML recently stated they expect the Chinese government will account for 57% of total AI capital spending in 2025. Finally, we note that median 2026E revenue growth for the publicly-listed Chinese WFE players is 28%, so those on the ground overseas are clearly expecting the party to continue.

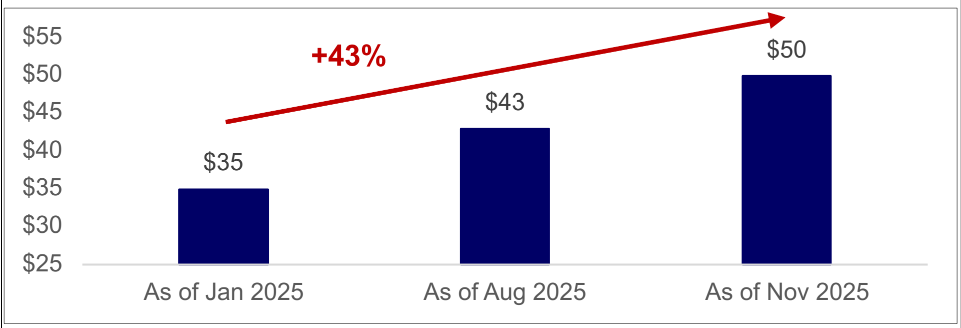
Changes in Chinese Semiconductor Capital Expenditures vs Initial Expectations					
	2024		2025		2026
Company	Projected YoY at Year Start	Final Spend vs Year Start	Projected YoY at Year Start	Current Forecast vs Year Start	Projected YoY at Current
SMIC	(28%)	37%	(27%)	33%	(9%)
Hua Hong	74%	31%	(29%)	16%	(18%)
Nexchip	15%	70%	(23%)	(45%)	7%
Tongfu	2%	(6%)	3%	11%	(5%)
Weighted Average	(1%)	39%	(20%)	(9%)	(5%)

Source: S&P Capital IQ

We already highlighted the massive investments coming from China's memory leaders, but trends are little different for the country's leading logic fabs. Chinese logic foundry utilization is high, with SMIC reaching 95.8% in Q3 and Hua Hong at 109.5%, signaling continued strong prospects for WFE spend. Chinese logic fabs are expected to pursue aggressive capacity expansion in 2026. Morgan Stanley expects China's GPU self-sufficiency rate to reach 50% in 2027, and long-time >10% revenue ACMR customer SMIC and new >10% customer in 2024 PXW are likely to be beneficiaries. With export control rules applying to existing Chinese GPU foundry suppliers TSMC and Samsung, most domestic GPU designers are porting their processes to SMIC.

Those acknowledging the Chinese AI infrastructure spending wave have consistently increased their China WFE expectations for 2026. For example, Bernstein has raised their 2026 forecast over 40% since our previous report in January.

Bernstein China WFE 2026 Forecast Revisions ($B)



Source: Bernstein

For its part, in Q2 ACMR revised its Chinese WFE TAM estimate for 2030 from $30 billion to $40 billion. The company also increased its long-term revenue target for the Chinese market from $1.5 billion to $2.5 billion, based on both the SAM increase and the assumption of even higher market share in cleaning (from 55% to 60%).

VII. Localization Means Growth For Domestic Suppliers Like ACMR

Once again, we remind that flat, or even negative, headline YoY revenue growth for China WFE does NOT mean ACMR cannot grow. As we have discussed, the Chinese government is pushing domestic semiconductor companies to purchase WFE from local suppliers, and Chinese fabs realize they need to migrate to domestic tools to guarantee their capacity runway in a world of technology export controls. As a result, domestic WFE suppliers like ACMR are capturing increasingly larger shares of domestic WFE spend, a dynamic that allows them to post highly attractive revenue growth rates even in depressed spending environments.

We present the updated market data we included in our January report and highlight some notable changes: (1) projected global WFE spend for 2025 has been increased over 10%; (2) China WFE in 2025 and 2026 have each been revised upward ~37% and ~43%, respectively; and (3) an expectation that localization reaches 42% in 2027. Most importantly, increasing localization rates translate into a 37% 2024-2027 revenue CAGR for domestic suppliers.

Global and Chinese Historical and Projected WFE Growth ($B)

	2020	2021	2022	2023	2024	2025E	2026E	2027E	2024-27 CAGR
Global WFE	$ 64	$ 92	$ 98	$ 98	$ 108	$ 119	$ 132	$ 131	7%
RoW WFE	$ 47	$ 66	$ 71	$ 61	$ 63	$ 71	$ 81	$ 88	12%
China WFE	$ 17	$ 26	$ 26	$ 37	$ 45	$ 48	$ 50	$ 43	(2%)
Global Suppliers	$ 16	$ 24	$ 23	$ 32	$ 38	$ 38	$ 36	$ 25	(13%)
Domestic Suppliers	$ 1	$ 2	$ 3	$ 5	$ 7	$ 11	$ 14	$ 18	37%
China Share of WFE	26%	28%	27%	38%	42%	41%	38%	33%	
China Self Sufficiency	6%	7%	12%	14%	16%	22%	29%	42%	

Source: Bernstein, Gartner, SEMI

This localization dynamic is also evident and supported by current Street 2026E growth expectations for ACMS and its Chinese peers.

Comparison of China WFE 2025 and 2026 Street Consensus Revenue (RMB M)

Company	2024	2025E	YoY	2026E	YoY
NAURA Technology	29,801	38,584	29%	49,272	28%
AMEC	9,065	12,332	36%	16,052	30%
Piotech	3,959	6,404	62%	7,895	23%
Hwatsing Technology	3,406	4,645	36%	5,882	27%
Wuhan Jingce Electronic	2,526	3,192	26%	3,962	24%
KINGSEMI	1,710	2,280	33%	3,010	32%
Skyverse Technology	1,346	2,020	50%	2,802	39%
Median			36%		28%
ACM Research (Shanghai)	5,440	7,290	34%	9,116	25%

Source: S&P Capital IQ

One persistent fear has been that restrictions on lithography equipment might curb capacity expansion by Chinese fabs, thus constraining spending on ACMR tools. However, this has not been a notable headwind, as lithography equipment imports from the Netherlands have recovered after mid-year weakness, and Chinese fabs have simply got by through pursuing multi-patterning techniques using trailing edge tools. Similarly, the SiGe epitaxy tool supplied by Applied Materials for advanced FinFET structures has been replaced by supply from Naura and AMEC. And while China still seemingly lags on inspection and process control, the practical reality is that lower achieved yields can be offset by capacity expansion, which only benefits domestic suppliers like ACMR. And while the localization rate for inspection tools remains at 5% or less, there are over 40 domestic players targeting the opportunity.

VIII. ACMR Continues to Invest to Drive Growth

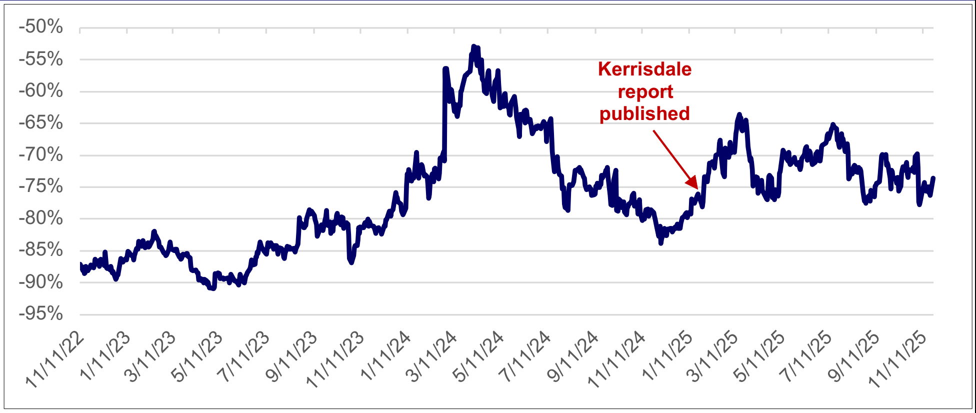
ACMR's Lingang production and R&D facility was completed in Q3 and is now in operation. The first building is already in volume production and can support about $1.5 billion of revenue. A second building with a similar revenue capacity is scheduled to begin installing equipment next year and commence production in 2H 2026. Thus, ACMR is currently planning to create a $3 billion revenue capability that is about 3x its current run rate. This dramatic surge in capacity is a sign of things to come. Proceeds from ACM Shanghai's September capital raise will be used to expand the mini-line at Lingang to aid process development and facilitate customer evaluation. This activity is highly strategic, as it should shorten development cycles, accelerate product validation (and thus revenue recognition for ACMR), and improve customer collaboration.

ACMR remains engaged with Intel, with active tool evaluations across a range of cleaning process steps. Key to landing this whale is continued investment in its Oregon facility. ACMR is upgrading its customer demonstration lab and local R&D capabilities to enable Intel to run wafers locally on ACMR tools. In addition, ACMR plans to begin adding a local production capability in Oregon in 2026. Along with efforts in Korea, these are highly strategic investments that will serve as the foundation for ex-China growth.

IX. The Value Gap, and Thus Massive Upside, Remains

Regardless of the valuation methodology used, ACMR is massively undervalued. This discount has persisted despite WFE companies re-rerating positively due to their enablement of AI semiconductors, Chinese WFE companies continuing to capture share and show explosive growth, and now the reality that China has embarked on an AI infrastructure build-out that is still in its earliest innings. Without question, the most inexplicable valuation disconnect is the fact that ACMR trades at a 72% discount to the value of its ownership stake in ACMS. Following the stock's -20% drop after Q3 earnings, the discount has increased to hover around 2025 highs.

Historical Discount of ACMR Market Cap to ACMS Market Cap x ACMR Ownership Stake



Source: S&P Capital IQ, Kerrisdale analysis

ACMR currently trades at 1.4x, 7.5x, and 15.8x 2026E revenue, EBITDA, and GAAP net income, respectively, which represents approximate 50-80% discounts to its US, European, and Japanese WFE peers. Interestingly, since mid-summer, ACMS has seen greater multiple expansion relative to the sector's two other leaders, Naura and AMEC. We believe this is likely a function of two dynamics: (1) the perception that ACMS is a potential acquisition candidate in the wake on Naura's stake acquisition in Kingsemi, which may catalyze a long-expected consolidation wave among domestic Chinese WFE companies, and (2) recognition that ACMS is on the cusp of a new product cycle that will drive a growth acceleration.

ACM Research Comparable Company Analysis ($ in millions)

	Market Overview				LTM		Consensus YoY Rev Growth		CY2026E Multiples		
Company	Stock Price	1-Year Return	Market Cap	Revenue	Gross Margin	EBITDA Margin	CY2026E	CY2027E	EV/Rev	EV/EBITDA	P/E
ASM International	$ 549.20	5%	$ 26,842	$ 3,853	52%	36%	7%	19%	6.7x	19.4x	30.1x
BE Semiconductor	$ 143.35	22%	$ 11,309	$ 679	63%	33%	41%	30%	11.7x	28.0x	38.6x
Camtek	$ 101.15	35%	$ 4,629	$ 485	50%	32%	5%	13%	8.4x	27.0x	30.7x
Nova	$ 298.05	66%	$ 8,838	$ 853	57%	35%	10%	15%	8.4x	23.7x	29.8x
Onto Innovation	$ 132.24	(20%)	$ 6,481	$ 1,002	53%	27%	17%	16%	4.7x	14.4x	24.8x
Small Cap WFE Median		**22%**			**53%**	**33%**	**10%**	**16%**	**8.4x**	**23.7x**	**30.1x**
Applied Materials	$ 230.91	32%	$ 183,953	$ 28,368	49%	34%	7%	10%	6.1x	18.4x	23.6x
ASML	$ 989.63	48%	$ 383,256	$ 37,666	53%	38%	5%	14%	9.7x	25.8x	33.5x
KLA	$ 1,136.73	78%	$ 149,358	$ 12,524	61%	47%	9%	9%	10.9x	23.9x	30.2x
Lam Research	$ 150.38	107%	$ 188,882	$ 19,592	49%	37%	9%	12%	8.4x	22.9x	29.0x
Large Cap WFE Median		**63%**			**51%**	**38%**	**8%**	**11%**	**9.0x**	**23.4x**	**29.6x**
Disco	$ 280.02	2%	$ 30,396	$ 2,762	70%	45%	10%	8%	10.2x	21.2x	34.3x
Lasertec	$ 169.01	51%	$ 15,193	$ 1,817	59%	52%	(5%)	(7%)	10.6x	21.5x	33.7x
Kokusai Electric	$ 24.95	75%	$ 5,832	$ 1,632	41%	25%	6%	13%	3.5x	13.1x	24.2x
SCREEN	$ 79.07	35%	$ 7,484	$ 4,204	37%	22%	(3%)	8%	1.5x	6.8x	11.8x
Tokyo Electron	$ 192.37	34%	$ 88,282	$ 16,823	47%	30%	6%	5%	5.2x	16.6x	27.5x
Japanese WFE Median		**35%**			**47%**	**30%**	**6%**	**8%**	**5.2x**	**16.6x**	**27.5x**
AMEC	$ 38.17	32%	$ 23,821	$ 1,632	38%	16%	40%	30%	10.1x	43.1x	54.4x
Hwatsing Technology	$ 17.93	7%	$ 6,324	$ 583	43%	28%	40%	27%	7.0x	23.5x	28.3x
KINGSEMI	$ 17.21	24%	$ 3,468	$ 230	35%	4%	37%	32%	8.2x	73.4x	54.5x
NAURA Technology	$ 58.61	36%	$ 42,455	$ 5,142	41%	24%	33%	28%	6.3x	25.5x	30.9x
Piotech	$ 40.51	54%	$ 11,338	$ 849	36%	18%	66%	23%	9.9x	45.5x	50.7x
Skyverse Technology	$ 16.28	22%	$ 5,699	$ 249	49%	5%	54%	39%	14.7x	81.2x	98.3x
Chinese WFE Median		**28%**			**39%**	**17%**	**40%**	**29%**	**9.1x**	**44.3x**	**52.5x**
ACM Research (Shanghai)	**$ 21.99**	**42%**	**$ 10,557**	**$ 953**	**49%**	**27%**	**38%**	**25%**	**7.6x**	**29.2x**	**36.0x**
ACM Research	**$ 32.01**	**70%**	**$ 2,288**	**$ 880**	**47%**	**20%**	**16%**	**18%**	**1.4x**	**7.5x**	**15.8x**

Source: S&P Capital IQ

When we consolidate the results of every credible valuation methodology, we come to one unequivocal conclusion: there is massive 3x-5x upside in ACMR shares.

Summary ACMR Share Price Upside Implied by Valuation Methodologies		
Methodology	**Price**	**Upside**
Valuation of ACMS Holding at Current Levels	$113	253%
Based on Median Chinese WFE EV/2026E Revenue Multiple	$147	360%
Based on Median Small-Cap US/Europe WFE EV/2026E Revenue Multiple	$137	327%
Based on Median Large-Cap US/Japan WFE EV/2026E Revenue Multiple	$137	327%
Discounted Cash Flow Analysis	$103	222%
Average	**$127**	**298%**

Source: S&P Capital IQ, Kerrisdale analysis

X. Conclusion

Once again, we ask the question: if it were 1995, would you invest in Lam Research or Applied Materials? Now more than ever, it is clear that China is committed to developing a completely self-sufficient semiconductor ecosystem, and all the traditional caveats and criticisms about their technology shortcomings are fanciful. And now as China ramps its AI infrastructure buildout, the Chinese versions of Nvidia GPUs and Micron HBM will be supplied by domestic Chinese companies using ACMR tools. Our conviction in the ACMR opportunity has only strengthened since our previous report.

Full Legal Disclaimer

As of the publication date of this report, Kerrisdale Capital Management LLC and its affiliates (collectively "Kerrisdale") have long positions on the stock of ACM Research (the “Covered Issuer”). In addition, others that contributed research to this report and others that we have shared our research with (collectively with Kerrisdale, the “Authors”) likewise may have long positions in the stock of the Covered Issuer. The Authors stand to realize gains in the event that the price of the stock increases.

This report is not a recommendation to buy shares of any company, including the Covered Issuer, and is only a discussion of why Kerrisdale is long the Covered Issuer. We are not your financial advisor and we do not owe a fiduciary duty to you. We don’t recommend that you do anything whatsoever – we don’t even know who you are.

Following publication of the report, the Authors will transact in the securities of the Covered Issuer. The Authors may buy, sell or short shares of the Covered Issuer and other securities covered herein subsequent to publication. The Authors will continue to transact in the Covered Issuers’ securities for an indefinite period, and such position(s) may be long, short, or neutral at any time hereafter regardless of the Authors’ initial position(s) and views as stated in this report. Kerrisdale will not update this report to reflect changes in its positions.

All content in this report represents the opinions of Kerrisdale. The Authors have obtained all information herein from sources they believe to be accurate and reliable. However, such information is presented “as is,” without warranty of any kind – whether express or implied. The Authors make no representation, express or implied, as to the accuracy, timeliness, or completeness of any such information or with regard to the results obtained from its use. All expressions of opinion are subject to change without notice, and the Authors do not undertake to update or supplement this report or any information contained herein.

This document is for informational purposes only. It is not intended as an official confirmation of any transaction. All market prices, data and other information are not warranted as to completeness or accuracy and are subject to change without notice. The information included in this document is based upon selected public market data and reflects prevailing conditions and the Authors’ views as of this date, all of which are accordingly subject to change. The Authors’ opinions and estimates constitute a best efforts judgment and should be regarded as indicative, preliminary and for illustrative purposes only.

This report discusses estimated fair values of securities and companies, utilizing valuation methodologies. Such estimated fair values are not price targets and the Authors will not hold securities until such estimated fair values are reached. The Authors may change their estimates of fair values at any time in the future without updating this report or disclosing the new fair values publicly. The Authors will also transact in the securities of the Covered Issuer and any companies covered herein for many reasons that have nothing to do with the Authors’ estimates of the securities’ fair values. The estimated fair values only represent a best efforts estimate of the potential fundamental valuation of a specific security, and are not expressed as, or implied as, assessments of the quality of a security, a summary of past performance, or an actionable investment strategy for an investor.

Any investment involves substantial risks, including, but not limited to, pricing volatility, inadequate liquidity, and the potential complete loss of principal.

This document does not in any way constitute an offer or solicitation of an offer to buy or sell any investment, security, or commodity discussed herein or of any of the affiliates of the Authors. Also, this document does not in any way constitute an offer or solicitation of an offer to buy or sell any security in any jurisdiction in which such an offer would be unlawful under the securities laws of such jurisdiction. To the best of the Authors' abilities and beliefs, all information contained herein is accurate and reliable. The Authors reserve the rights for their affiliates, officers, and employees to hold cash or derivative positions in any company discussed in this document at any time. As of the original publication date of this document, investors should assume that the Authors are long shares of the Covered Issuer and stand to potentially realize gains in the event that the market valuation of the company's common equity is higher than prior to the original publication date.

The Authors shall have no obligation to inform any investor or viewer of this report about their historical, current, and future trading activities. In addition, the Authors may benefit from any change in the valuation of any other companies, securities, or commodities discussed in this document.

Kerrisdale does not provide investment advice to the readers of its reports. You understand and agree that Kerrisdale does not have any investment advisory relationship with you and does not owe fiduciary duties to you. Giving investment advice requires knowledge of your financial situation, investment objectives, and risk tolerance, and Kerrisdale has no such knowledge about you. In no event shall Kerrisdale and the Authors be liable for any claims, losses, costs or damages of any kind, including direct, indirect, punitive, exemplary, incidental, special or consequential damages, arising out of or in any way connected with any information presented in any Kerrisdale report. This limitation of liability applies regardless of any negligence or gross negligence of Kerrisdale and the Authors. You accept all risks in relying on the information presented in this report.

The information contained in this document may include, or incorporate by reference, forward-looking statements, which would include any statements that are not statements of historical fact. Any or all of the Authors' forward-looking assumptions, expectations, projections, intentions or beliefs about future events may turn out to be wrong. These forward-looking statements can be affected by inaccurate assumptions or by known or unknown risks, uncertainties and other factors, most of which are beyond the Authors' control. Investors should conduct independent due diligence, with assistance from professional financial, legal and tax experts, on all securities, companies, and commodities discussed in this document and develop a stand-alone judgment of the relevant markets prior to making any investment decision.

You agree that any dispute between you and Kerrisdale or the Authors arising from or related to this report or viewing the material presented herein shall be governed by the laws of the State of Florida, without regard to any conflict of law provisions. The failure of Kerrisdale to exercise or enforce any right or provision of this Full Legal Disclaimer shall not constitute a waiver of that right or provision. If any provision of this Full Legal Disclaimer is found by a court of competent jurisdiction to be invalid, the parties nevertheless agree that the court should endeavor to give effect to the parties' intentions as reflected in the provision and rule that the other provisions of this Full Legal Disclaimer remain in full force and effect, in particular as to the governing law and jurisdiction provision. You agree that regardless of any statute or law to the contrary, any claim or cause of action arising out of or related to this report or related material must be filed within one (1) year after the occurrence of the alleged harm that gave rise to such claim or cause of action, or such claim or cause of action be forever barred.