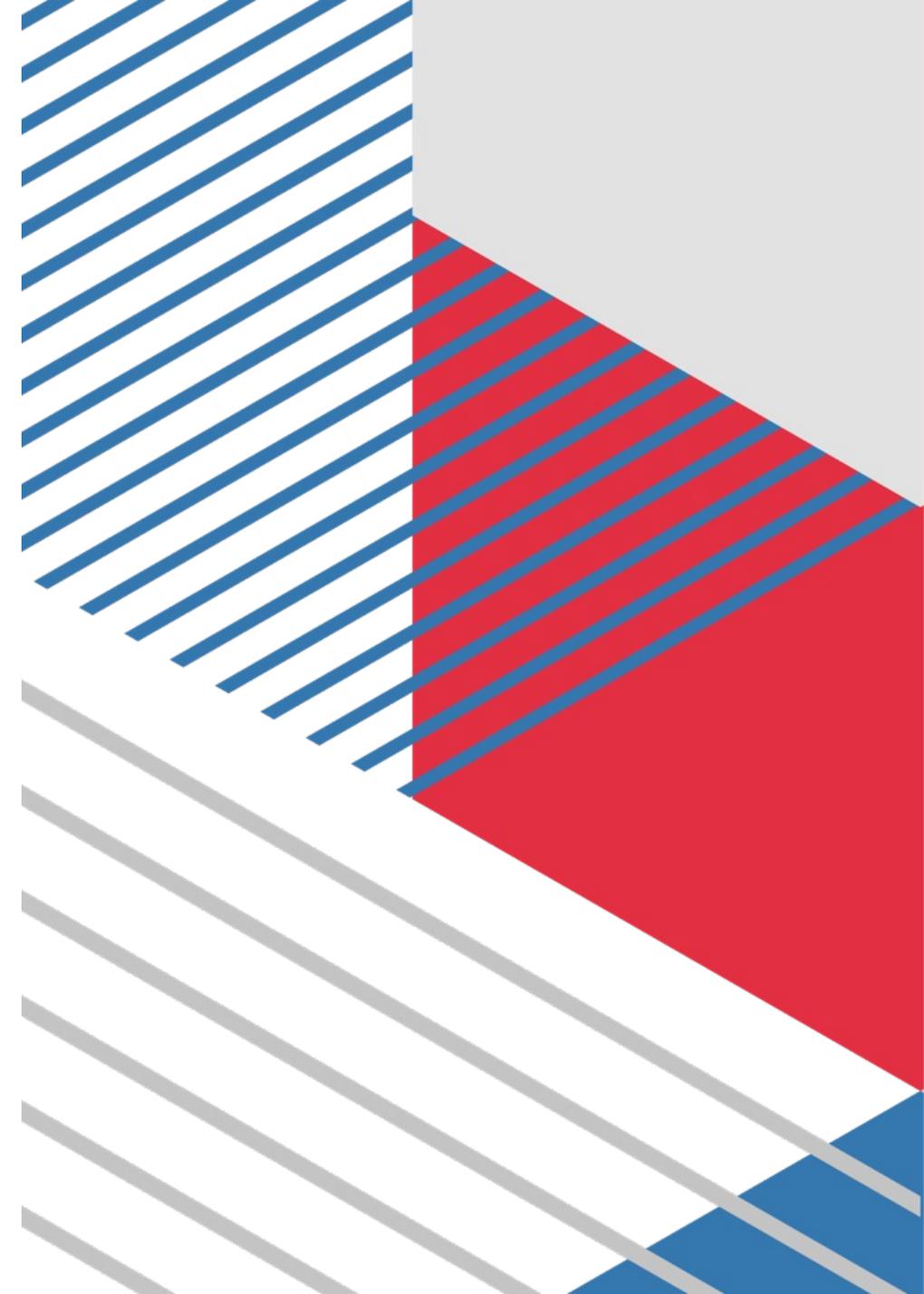




ACM Research

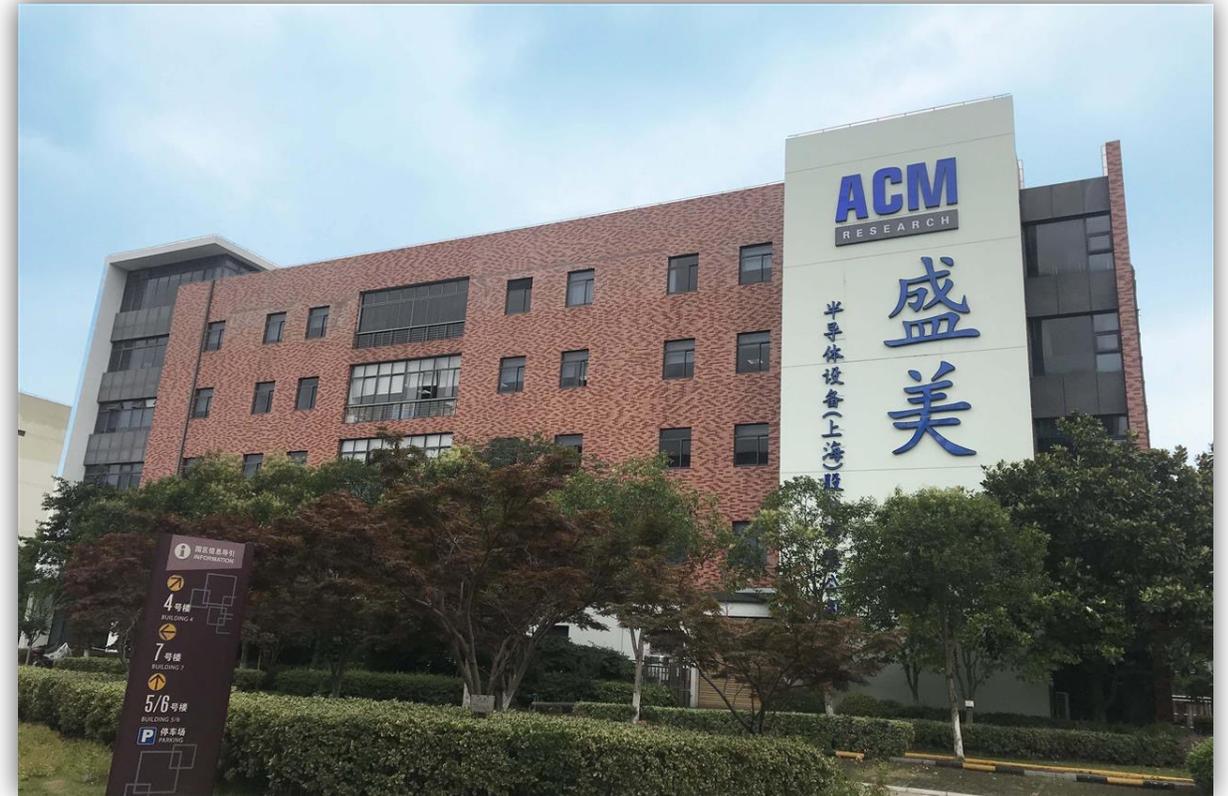
Spencer Messina, Trevor Carnovsky, Carter Sonnichsen

Agenda



Executive Summary

- We recommend to **buy** shares of ACMR
- We found it to be significantly undervalued, with an average of around 60%
- Current share price of 18.61, we project a share price closer to \$30



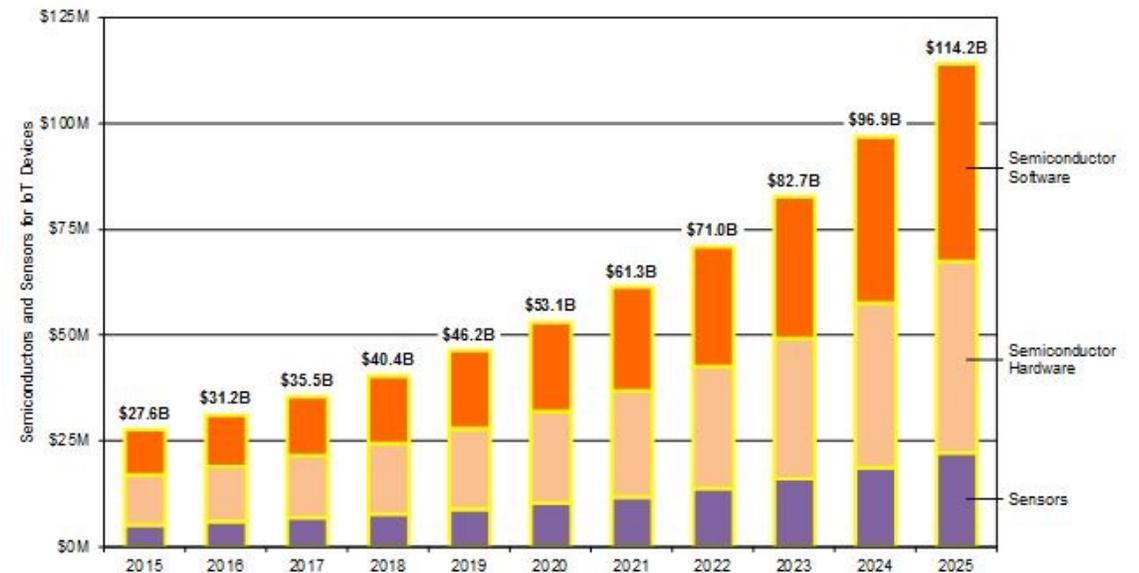
Company Overview

- Founded in Silicon Valley in 1998 to supply equipment to the semiconductor industry
- "Our product offering supports a wide range of process steps, including single-wafer and batch wet cleaning, electroplating, thermal deposition, stress-free polishing, PECVD, and track."
- Main business is conducted in China



Industry Overview

- Estimated market size of around \$8 Billion, with a projected CAGR of 5-10%
- Supply machinery to clean and facilitate various processes for the semiconductor industry
- Potential to ride growth in semiconductor industry, exposed to less of the volatility and risk



Ratio Analysis

Current Ratio: 2.43 - With a current ratio of 2.43, they can cover short term liabilities easily, although it is just slightly below industry average.

Debt-to-Equity: 9.79 - Their debt to equity is higher than industry average, but they have added new products and facilities to account for expected growth.

Cash Ratio: 0.85 - Cash ratio is an indication of the ability to pay off current debts with all cash. With a ratio just below 1, ACM can cover most of their debts with cash if need be.

Operating Margin: 15.18% - An operating margin of 15% shows profit based on sales, and ACM's is slightly above industry average.



DCF Valuation

- We found a WACC of 9.16%, a LTGR of 0.62%, and came to an implied share price of \$14.08
- This is 83% undervalued compared to the share price at fiscal year end

Terminal Value	
Numerator	\$ 110,142.55
Denominator	8.54%
Terminal Value	1,289,139
PV of TV	831,640
Enterprise Value	917,235
Less Net Debt	77,013
Equity Value	\$840,222
Shares Outstanding	59,677
Implied Share Price	\$14.08
Share Price Dec 30/22	7.71
Undervalued	83%

Long Term Growth Rate	
EBIT	\$ 156,845
Tax	39,211
NOPAT	\$ 117,634
Net Reinvestment Rate	
Capital Expenditures (CAPEX)	1,167
Total NWC	8,168.12
Net Reinvestment	9,334.67
NOPAT	\$ 117,634
Net Reinvestment Rate	7.94%
Return on Invested Capital (ROIC)	
NOPAT	\$ 117,634
Invested Capital	
BV of Equity	1,450,950
Short term debt	58,326
Long Term Debt	0
Invested Capital	1,509,276
ROIC	7.79%
Long Term Growth Rate	0.62%

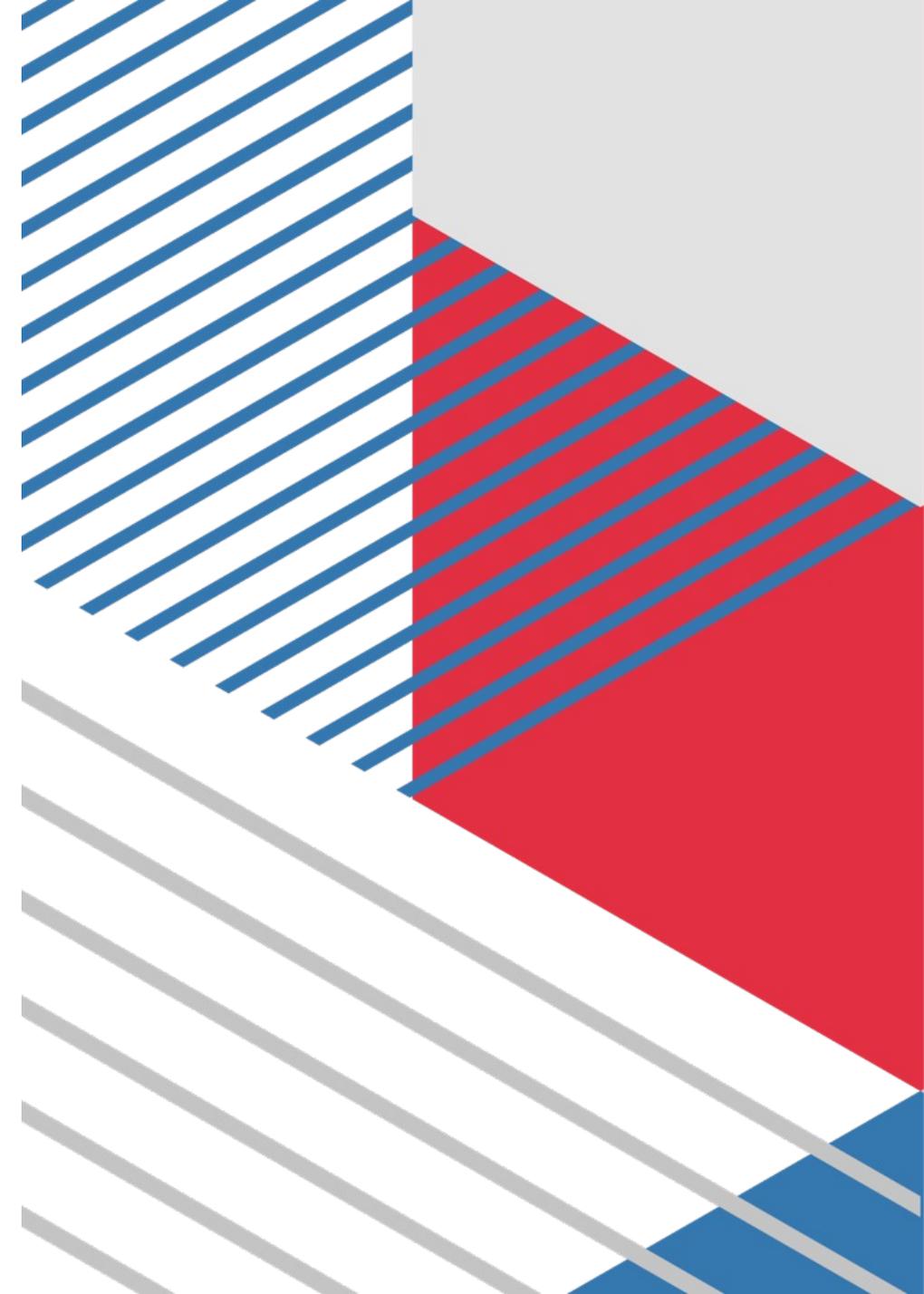
LTGR	\$14.08	WACC				
		7%	8%	9.16%	10%	11%
0%	19.04172125	15.86096647	13.06387792	11.4567421	9.87615126	
0.30%	19.9368462	16.51758916	13.54141633	11.844222	10.1841318	
0.62%	20.98443236	17.27682768	14.08777098	12.284853	10.5322665	
0.90%	21.99123135	17.99730226	14.60055723	12.6958261	10.8549804	
1.20%	23.17781588	18.83508101	15.19000374	13.1651761	11.221209	

Multiple Valuation

- We found an average share price of \$11, which is slightly undervalued

EV to EBITDA Multiple	
VECO	
EBITDA	70,314
Share Price 12/30/22	18.58
Shares Outstanding	50,653
Market Cap	941,133
Total Debt	308,241
Enterprise Value	1,249,374
EBITDA Multiple	17.77
ACMR	
EBITDA	69,017
Enterprise Value	1,226,328
Less Net Debt	
Long-Term Debt	21,009
EV - Debt	1,205,319.01
Shares Outstanding	59,677
Valuation Share Price	20.20
Market Price 12/30/2022	7.71
Shares Undervalued	161.96%

PE Multiple	
VECO	
Share Price	18.58
Earnings	177,774
Shares O/S	50,653
EPS	3.51
PE Multiple	5.29
ACMR	
Earnings	39,263
Shares O/S	59,677
EPS	0.59
PE Multiple	5.29
Implied Share Price	3.12
Market Price	7.71
Overvalued	59.49%

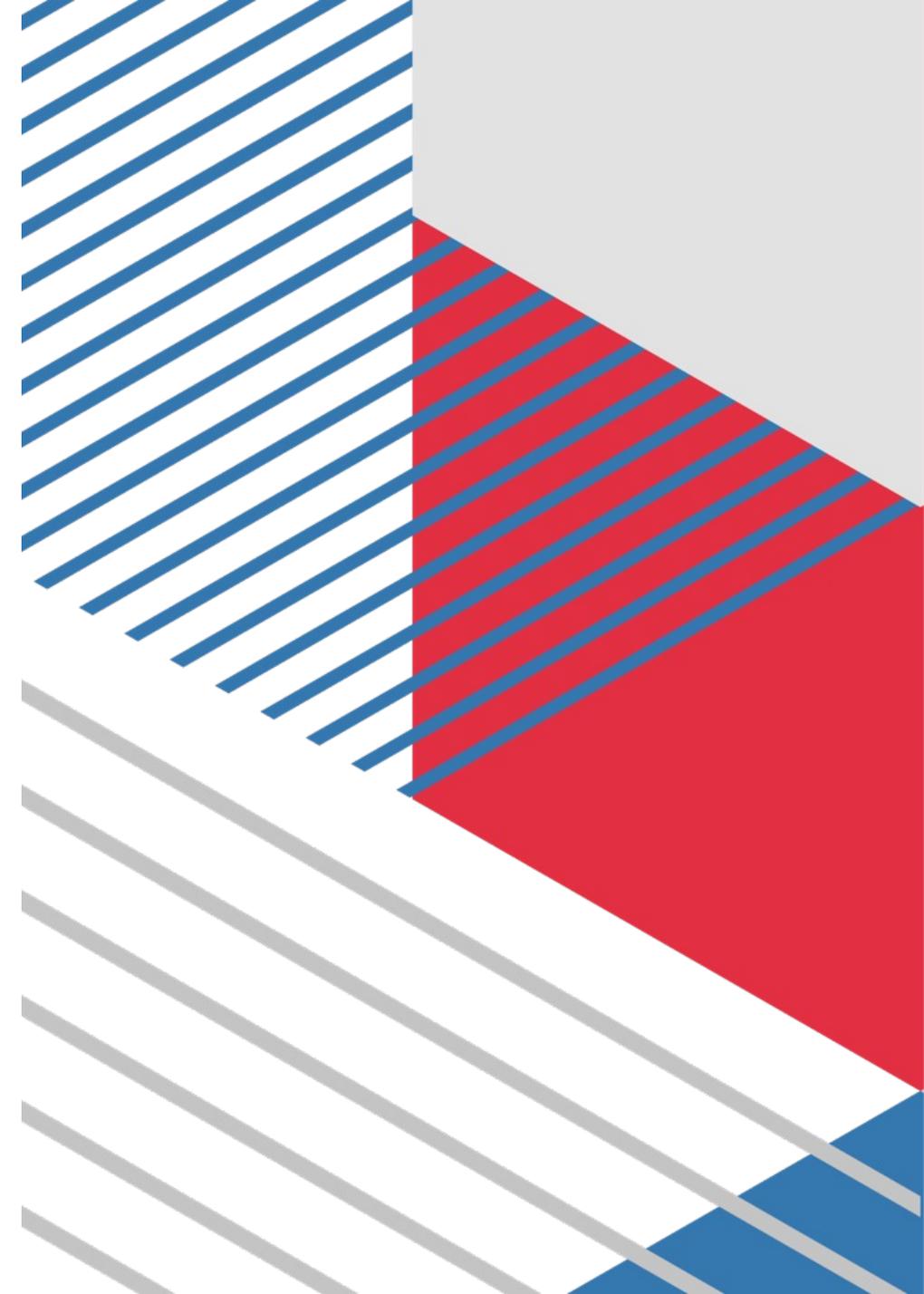


Recommendation

We are recommending to buy \$12,000 of ACMR shares

- Favorable valuation, significantly undervalued
- On par with analyst price targets of \$24-32
- Growing industry, participation on a smaller scale
- Lower risk (current beta of 1.03)

- Exit Strategy: Long term hold



Questions?



Appendix



Assumptions

Year Ending Dec 31	2022A	2023E	2024E	2025E	2026E	2027E
Income Statement:						
Sales Growth	33.20%	38.50%	20.00%	10.00%	2.00%	1.00%
Gross Margin	47.22%	47.00%	47.00%	47.00%	47.00%	47.00%
Selling, General and Administrative	10.26%	11.00%	11.00%	11.00%	11.00%	11.00%
Interest Expense						
Tax Rate	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%
Balance Sheet:						
Minimum Cash	247,951	247,951	247,951	247,951	247,951	247,951
Days Sales Outstanding (DSO)	171.72	171.72	171.72	171.72	171.72	171.72
Days Sales Inventory (DSI)	699.30	699.30	699.30	699.30	699.30	699.30
Prepaid Expenses (% of Sales)	2%	2%	2%	2%	2%	2%
Property Plant and Equipment Growth Rate	17%	17.13%	10.00%	5.00%	1.00%	1.00%
Liabilities:						
Days Payable Outstanding (DPO)	180.9463885	180.9463885	180.9463885	180.9463885	180.9463885	180.9463885
Other Accrued Liabilities, Current (As a % of Sales)	13.43%	9.69%	8.08%	7.34%	7.20%	7.13%
Long-Term Debt	18,687		Plug-It (Goal Seek Function)			
Deferred Income Tax Liabilities, Net	0	0	0	0	0	0
Other Liabilities, Noncurrent	7,321	7321	7321	7321	7321	7321
Stockholders' Equity:						
Additional Paid in Capital	604,089	604,089	604,089	604,089	604,089	604,089
Retained Earnings (Accumulated Deficit)	94,426		Previous Balance plus Net Income			
Stockholders' Equity Attributable to Noncontrolling Interest	54.62%	57.31%	61.13%	65.98%	69.44%	72.34%

