

NANOMETRICS INC
Form 425
February 06, 2006

Filed by Nanometrics, Inc.

Pursuant to Rule 425 under the Securities Act of 1933

and deemed filed pursuant to Rule 14a-12

under the Securities Exchange Act of 1934

Commission File No. 000-13470

Subject Company: Nanometrics, Inc.

Thomas Weisel Partners
Technology Conference
February 6, 2006

Today s Presentation
Today s Presentation

Overview of Nanometrics
Overview of Nanometrics

Outlook for Growth and Competitive Position
Outlook for Growth and Competitive Position

Financials
Financials

Who is Nanometrics?

Who is Nanometrics?

A leading provider of integrated and
stand-alone

metrology and process

control technology to the global

semiconductor manufacturing industry

Semiconductor Manufacturing in the 300mm Era
Semiconductor Manufacturing in the 300mm Era
As market windows are collapsing
Manufacturing is increasingly expensive,
more automated
taking people out of the cleanroom
altogether.

Increasing Importance of Process Control
Increasing Importance of Process Control
More metrology
More metrology
tools required
tools required
per line
per line
-

More mask layers

-

More process steps

-

More single-wafer processes

-

More importance placed on each wafer (\$\$)

-

More metrology points on each wafer

Trends Driving Integrated Metrology
Trends Driving Integrated Metrology

Accelerating ramp to production
Accelerating ramp to production

Speed up the learning cycle

Improved production economics
Improved production economics

Throughput

Footprint

Transport

Every wafer is valuable
Every wafer is valuable

Catch problems early

Increasing automation and fab-wide advanced
Increasing automation and fab-wide advanced
process control (APC)
process control (APC)

Requires metrology feedback loop

It's About More than Maximizing Yield

ASPs

Profit captured getting

to 80% yield one

quarter faster

Incremental revenue for

increasing yield from

95% to 99%

Semiconductor Product Life Cycle

Semiconductor Product Life Cycle

Time

Conventional ramp

Ramp accelerated with

Integrated Metrology

Nanometrics Today
Nanometrics Today
Stand-
Alone
60%
Other
5%

Integrated
35%

30 years in the business
30 years in the business

Leading provider of transparent thin film metrology
Leading provider of transparent thin film metrology

Market flexible, multiple-metrology solutions for both
Market flexible, multiple-metrology solutions for both
integrated and stand-alone applications
integrated and stand-alone applications

Financially sound and poised for growth
Financially sound and poised for growth

Acquiring Accent Optical Technologies for ~\$85 million *
Acquiring Accent Optical Technologies for ~\$85 million *

Based on 5 million shares at \$15 plus \$10.6M debt

* The transaction is subject to approval of Nanometrics and Accent shareholders and is expected to be completed in 1H 2006.

Who is Accent Optical?
Who is Accent Optical?

Metrology company offering several technologies:
Metrology company offering several technologies:

Overlay metrology

Thin film metrology (film characterization, wafer mapping)

Optical CD

Defect detection

Serving diverse markets:

Serving diverse markets:

Semiconductor photolithography process control

Bare wafers/substrates: SSi, SOI

Wireless/HBLEDs

With strong history and financials

With strong history and financials

25 years in the business; buyout of Bio-Rad

HQ in Bend, Oregon with R&D/Mfg in York, England

200+ employees

Healthy revenue run-rate and strong margins

Today's Presentation
Today's Presentation

Overview of Nanometrics
Overview of Nanometrics

Outlook for Growth and Competitive Position
Outlook for Growth and Competitive Position

Financials
Financials

Nanometrics
Growth Opportunities
Nanometrics
Growth Opportunities

Increase in semiconductor capital spending
Increase in semiconductor capital spending

Greater importance of process control as % of CapEx
Greater importance of process control as % of CapEx

Growing market for NAND/Flash memory
Growing market for NAND/Flash memory

Increased adoption of Integrated Metrology
Increased adoption of Integrated Metrology

Introduction of new products in high-growth markets
Introduction of new products in high-growth markets

Market share gains vs
Market share gains vs
weak competition
weak competition

Growth through acquisition
Growth through acquisition

Constant Innovation, Expanding Product Line
Constant Innovation, Expanding Product Line
Core Products with
Leading Market Share
Atlas/FLX

-

Transparent Film Thickness
9010/BOLTS

-

Dielectric CMP, CVD
New Products and
Expanding Markets
Orion

-

Advanced Overlay Control
Atlas-M

-

Mask and Reticule

Metrology

NanoOCD

-

Optical CD Measurement

9010 UDI

-

Defect Detection

Penetration into additional process steps:

Track, Etch, Metal CMP

Nanometrics Addresses Large and Growing Markets

Nanometrics Addresses Large and Growing Markets

\$0

\$200

\$400

\$600

\$800

\$1,000

\$1,200

2003

2005

2009

Non-Metal Thin Film Metrology

Overlay Metrology

Integrated Metrology

Macro Defect Inspection

Mask Metrology

OCD/Profile Measurement

\$650 million

\$800 million

\$340 million

22% CAGR

51% CAGR

Accent acquisition expected to add an additional ~\$100 million to SAM

Source: Dataquest

Expanding Presence in Key Markets
Expanding Presence in Key Markets
Non-Metal TF
Integrated
OCD/Profile
Overlay
Macro Defect
Mask
Tied for #2 with TWAV
KLA #1, Rudolph #4, Accent #5
Leading Market Share
Nova #2
KLA, TEL and Rudolph <\$10M
NANO a newer entrant; only one with integrated
KLA and TWAV have majority of market
Accent shipping tools
NANO Shipping Tools
KLA #1, Accent #2
In Development Stage
KLA #1, August #2
Shipping Tools
New Products for NANO

Segment wedges denote relative market size in 2005

Accent Top Customers
Accent Top Customers
Nanometrics Top Customers
Nanometrics Top Customers
Positioned with Customers at the Forefront of 300mm
Positioned with Customers at the Forefront of 300mm
-
Other major

-
Other major

Accent Acquisition Expected to Strengthen Position
Accent Acquisition Expected to Strengthen Position

Huge customer cross-selling opportunities
Huge customer cross-selling opportunities

Stronger player with greater scale
Stronger player with greater scale

Complementary technologies
Complementary technologies

Adds depth to management team
Adds depth to management team

Financial strength
Financial strength

Integrated metrology opportunity
Integrated metrology opportunity

Today s Presentation
Today s Presentation

Overview of Nanometrics
Overview of Nanometrics

Outlook for Growth and Competitive Position
Outlook for Growth and Competitive Position

Financials
Financials

Creating Operating Leverage
Creating Operating Leverage

Streamlined business in 2005
Streamlined business in 2005

Focus on semiconductors; sold FPD business

Upgraded financial team
Upgraded financial team

CFO, Chief Accounting Officer and Corporate Controller

Increased controls, better forecasting

Re-organized operations and engineering
Re-organized operations and engineering

Reducing costs through better manufacturing practices and
improved material control processes

Leveraging service organization
Leveraging service organization

Keep spending flat, support more tools

\$0
\$10
\$20
\$30
\$40
\$50
\$60
\$70
\$80
\$90
\$100
Quarterly Revenues

Annualized
Scaling the Business
Scaling the Business
2002
2003
2004
2005

Third Quarter 2005 Financials

Third Quarter 2005 Financials

Revenue

\$ 14.2 M

Gross Margin

38%

Operating Expenses

\$ 9.0 M

Operating Loss

(\$ 3.7 M)

Net Loss

(\$ 3.4 M)

EPS

(\$ 0.26)

Cash and Short-Term Investments \$ 46.5 M

Debt

\$ 2.0 M

Significant Operating Leverage in the Model

Significant Operating Leverage in the Model

Recent Results

Target Model

Product Gross Margin

51%

60%

Service Gross Margin

(12%)

20%

Blended Gross Margin

43%

55%

SG&A

29%

21%

R&D

18%

14%

Operating Margin

(4%)

20%

Re-organize Engineering
Leverage Service Group

Conclusion: Nanometrics is in a Strong Position
Conclusion: Nanometrics is in a Strong Position

Right market segment
Right market segment

Well positioned with customers that are spending
Well positioned with customers that are spending
money on 300mm
money on 300mm

Right complement of products
Right complement of products
integrated and
integrated and
stand-alone metrology
stand-alone metrology

Opportunity for significant operating leverage
Opportunity for significant operating leverage

Consolidator of the metrology market

Consolidator of the metrology market

More than driving yield

More than driving yield

Accelerating the production ramp.

Accelerating the production ramp.

Additional Information and Where to Find It
Additional Information and Where to Find It
In
connection
with
the
planned
merger
(the
Merger)
between
Nanometrics,
Inc.
(Nanometrics)
and
Accent
Optical
Technologies,

Inc.
(Accent)
pursuant
to
the
Agreement
and
Plan
of
Merger
and
Reorganization
dated
January
25,
2006
(the
Merger
Agreement),
by
and
between
Nanometrics,
Alloy
Merger
Corporation
(a
wholly
owned
subsidiary
of
Nanometrics)
and
Accent,
Nanometrics
and
Accent
will
file
a
joint
proxy
statement/prospectus.
Nanometrics
intends
to
include
in
such
proxy

statement/prospectus
a
resolution
for
shareholder
approval
of
the
issuance
of
Nanometrics
common
stock
in
consideration
for
all
the
outstanding
shares
of
Accent
capital
stock
and
the
rights
to
acquire
Accent
capital
stock
(the
Share
Issuance),
and
certain
other
matters
contemplated
by
the
Merger
Agreement.
Accent
intends
to
include
in
such

proxy
statement/prospectus
a
resolution
for
stockholder
approval
of
the
Merger
Agreement
and
the
Merger
and
certain
other
matters
contemplated
by
the
Merger
Agreement.
The
joint
proxy
statement/prospectus
will
be
mailed
to
the
shareholders
of
Accent
and
Nanometrics.
INVESTORS
AND
SECURITY
HOLDERS
ARE
URGED
TO
READ
THE
JOINT
PROXY
STATEMENT/PROSPECTUS
REGARDING

THE
PROPOSED
MERGER
WHEN
IT
BECOMES
AVAILABLE
BECAUSE
IT
WILL
CONTAIN
IMPORTANT
INFORMATION
ABOUT
THE
TRANSACTION .

The
joint
proxy
statement/prospectus
will
be
filed
with
the
Securities
and
Exchange
Commission
(SEC)
by
Nanometrics
and
Accent.
Investors
and
security
holders
may
obtain
a
free
copy
of
the
joint
proxy
statement/prospects
(when
it

is
available)
and
other
documents
filed
by
Nanometrics
with
the
SEC
at
the
SEC's
web
site
at
www.sec.gov.
The
joint
proxy
statement/prospectus
and
these
other
documents
may
also
be
obtained
for
free
from
Nanometrics
by
directing
a
request
to
Nanometrics,
Inc.,
1550
Buckeye
Drive,
Milpitas,
California
95035,
Attention:
Investor
Relations,

Telephone:
(408)
435-9600
or
by
sending
an
email
request
to
investors@nanometrics.com.

Additional Information and Where to Find It

Additional Information and Where to Find It

Nanometrics

and

its

executive

officers

and

directors

may

be

deemed

to

be

participants

in

the

solicitation

of

proxies

from

Nanometrics

and

Accent s

shareholders

with

respect

to

the

transactions

contemplated

by

the

Merger

Agreement.

Information

regarding

such

officers

and

directors
is
included
in
Nanometrics
Proxy
Statement
for
its
2005
Annual
Meeting
of
Shareholders
filed
with
the
SEC
on
August
4,
2005.
This
document
is
available
free
of
charge
at
the
SEC's
web
site
at
www.sec.gov
and
from
Nanometrics
by
directing
a
request
to
Nanometrics,
Inc.,
1550
Buckeye
Drive,
Milpitas,

California
95035,
Attention:
Investor
Relations,
Telephone:
(408)
435-9600
or
by
sending
an
email
request
to
investors@nanometrics.com.
Accent
and
its
executive
officers
and
directors
may
be
deemed
to
be
participants
in
the
solicitation
of
proxies
from
Accent s
and
Nanometrics
shareholders
with
respect
to
the
transactions
contemplated
by
the
Merger
Agreement.
Information

regarding
such
Accent
directors
and
executive
officers
and
their
interests
in
the
Merger
will
be
included
in
the
joint
proxy
statement/prospectus.
This
communication
shall
not
constitute
an
offer
to
sell
or
the
solicitation
of
an
offer
to
buy
any
securities,
nor
shall
there
be
any
sale
of
securities
in
any

jurisdiction
in
which
such
offer,
solicitation
or
sale
would
be
unlawful
prior
to
registration
or
qualification
under
the
securities
laws
of
any
such
jurisdiction.
No
offering
of
securities
shall
be
made
except
by
means
of
a
prospectus
meeting
the
requirements
of
Section
10
of
the
Securities
Act
of
1933,
as

amended.

Forward Looking Statements
Forward Looking Statements
This
communication
contains
forward-looking
statements
within
the
meaning
of
the
safe
harbor
provisions
of
the
Private
Securities
Litigation
Reform
Act
of
1995,
such
as
statements
regarding
the
expected
cost
savings,
impact
of
the
Merger
on
operating
results
of

the
combined
company,
market
position
of
the
combined
company
and
product
portfolio
of
the
combined
company.
These
statements
are
not
guarantees
of
future
performance,
involve
certain
risks,
uncertainties
and
assumptions
that
are
difficult
to
predict,
and
are
based
upon
assumptions
as
to
future
events
that
may
not
prove
accurate.
Therefore,

actual
outcomes
and
results
may
differ
materially
from
what
is
expressed
herein.

In
any
forward-looking
statement
in
which
Nanometrics
expresses
an
expectation
or
belief
as
to
future
results,
such
expectation
or
belief
is
expressed
in
good
faith
and
believed
to
have
a
reasonable
basis,
but
there
can
be
no
assurance

that
the
statement
or
expectation
or
belief
will
result
or
be
achieved
or
accomplished.

The
following
factors,
among
others,
could
cause
actual
results
to
differ
materially
from
those
described
in
the
forward-looking
statements:
the
risk
that
the
Nanometrics
and
Accent
businesses
will
not
be
integrated
successfully;
Nanometrics
ability
to
achieve

the
cost
savings
and
cash
earnings
expected,
costs
related
to
the
Merger;
failure
of
the
Nanometrics
shareholders
to
approve
the
Share
Issuance,
failure
of
the
parties
to
satisfy
various
closing
conditions,
the
inability
of
Nanometrics
to
achieve
the
market
position
anticipated
and
other
economic,
business,
competitive
and/or
regulatory
factors
affecting

Nanometrics
and
Accent s
businesses
generally,
including
those
set
forth
in
Nanometrics
filings
with
the
SEC,
including
its
Annual
Report
on
Form
10-K
for
its
most
recent
fiscal
year,
especially
in
the
Management
Discussion
and
Analysis
section,
its
most
recent
Quarterly
Reports
on
Form
10-Q
and
its
Current
Reports
on
Form

8-K.
All
forward-looking
statements
included
in
this
communication
are
based
on
information
available
to
Nanometrics
on
the
date
hereof.
Nanometrics
undertakes
no
obligation
(and
expressly
disclaims
any
such
obligation)
to
update
forward-looking
statements
made
in
this
communication
to
reflect
events
or
circumstances
after
the
date
of
this
communication
or
to

update
reasons
why
actual
results
could
differ
from
those
anticipated
in
such
forward-looking
statements.