

NANOMETRICS INC
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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

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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

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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