

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](http://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](mailto: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](http://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.