

NANOMETRICS INC  
Form 10-Q  
May 17, 2010  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

**Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**  
For the quarterly period ended April 3, 2010

OR

**Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 0-13470

**NANOMETRICS INCORPORATED**

(Exact name of registrant as specified in its charter)

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<b>Delaware</b> (State or other jurisdiction of incorporation or organization)	<b>94-2276314</b> (I.R.S. Employer Identification No.)
<b>1550 Buckeye Drive, Milpitas, CA</b> (Address of principal executive offices)	<b>95035</b> (Zip Code)
<b>Registrant's telephone number, including area code: (408) 545-6000</b>	

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of regulation S-T (§232.405 of this chapter) during the preceding 12 months (or such shorter period that the registrant was required to submit and post such file) Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input checked="" type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of May 7, 2010 there were 21,626,077 shares of common stock, \$0.001 par value, issued and outstanding.

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**FOR QUARTER ENDED APRIL 3, 2010**

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**Table of Contents****PART I FINANCIAL INFORMATION****ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
NANOMETRICS INCORPORATED****CONDENSED CONSOLIDATED BALANCE SHEETS****(Amounts in thousands, except share amounts)****(Unaudited)**

	April 3, 2010	January 2, 2010
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 45,844	\$ 43,526
Accounts receivable, net of allowances of \$227 and \$241, respectively	25,988	23,047
Inventories	34,145	31,472
Inventories- delivered systems	1,525	1,175
Assets held for sale	228	220
Prepaid expenses and other	2,210	2,182
Deferred income tax assets	247	245
Total current assets	110,187	101,867
Property, plant and equipment, net	34,454	36,365
Intangible assets, net	6,678	7,067
Deferred income tax assets	658	612
Other assets	1,392	1,559
Total assets	\$ 153,369	\$ 147,470
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Current liabilities:		
Revolving line of credit	\$	\$
Accounts payable	7,669	5,762
Accrued payroll and related expenses	4,465	4,012
Deferred revenue	3,535	5,162
Other current liabilities	7,080	8,952
Income taxes payable	322	173
Current portion of debt obligations	348	343
Total current liabilities	23,419	24,404
Deferred revenue	1,291	646
Income tax payable	752	692
Other long-term liabilities	2,295	2,235
Debt obligations	12,620	12,739
Total liabilities	40,377	40,716
Commitments and contingencies (Note 18)		
Stockholders equity:		

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Preferred stock, \$0.001 par value; 3,000,000 shares authorized; no shares issued or outstanding		
Common stock, \$0.001 par value, 47,000,000 shares authorized; 21,576,058 and 21,506,791 respectively, issued and outstanding	21	21
Additional paid-in capital	219,244	218,308
Accumulated deficit	(107,023)	(112,948)
Accumulated other comprehensive income	750	1,373
 Total stockholders' equity	 112,992	 106,754
 Total liabilities and stockholders' equity	 \$ 153,369	 \$ 147,470

See Notes to Unaudited Condensed Consolidated Financial Statements

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**NANOMETRICS INCORPORATED**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(Amounts in thousands, except per share amounts)

(Unaudited)

	Three Months Ended	
	April 3, 2010	March 28, 2009
Net revenues:		
Products	\$ 28,548	\$ 4,940
Service	8,617	5,117
Total net revenues	37,165	10,057
Costs of net revenues:		
Cost of products	12,476	3,695
Cost of service	4,142	3,516
Total costs of net revenues	16,618	7,211
Gross profit	20,547	2,846
Operating expenses:		
Research and development	4,570	3,239
Selling	4,717	3,615
General and administrative	4,581	3,972
Amortization of intangible assets	389	369
Asset impairment	344	
Restructuring charge		689
Total operating expenses	14,601	11,884
Income (loss) from operations	5,946	(9,038)
Other income (expense)		
Interest income	21	15
Interest expense	(472)	(266)
Other, net	555	(1,359)
Total other income (expense), net	104	(1,610)
Income (loss) before income taxes	6,050	(10,648)
Provision (benefit) for income taxes	125	(19)
Net income (loss)	\$ 5,925	\$ (10,629)
Net income (loss) per share:		
Basic	\$ 0.28	\$ (0.58)
Diluted	\$ 0.26	\$ (0.58)

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Shares used in per share calculation:

Basic	21,537	18,415
Diluted	22,655	18,415

See Notes to Unaudited Condensed Consolidated Financial Statements

**Table of Contents****NANOMETRICS INCORPORATED****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Amounts in thousands)

(Unaudited)

	<b>Three Months Ended</b>	
	<b>April 3, 2010</b>	<b>March 28, 2009</b>
<b>Cash flows from operating activities:</b>		
Net income (loss)	\$ 5,925	\$ (10,629)
<b>Reconciliation of net loss to net cash provided by (used in) operating activities:</b>		
Depreciation and amortization	1,509	1,417
Asset impairment	344	
Stock-based compensation	929	318
Gain on disposal of fixed assets	(4)	
Accounts receivable reserves		422
Inventory write down	330	174
Deferred taxes	(19)	24
Unrealized foreign exchange (gain) loss	(523)	818
Change in the fair value of contingent payments to Zygo Corporation	210	
<b>Changes in assets and liabilities:</b>		
Accounts receivable	(2,951)	6,226
Inventories	(2,349)	(1,850)
Inventories-delivered systems	(340)	9
Prepaid expenses and other	(26)	(314)
Other assets	191	48
Accounts payable, accrued and other liabilities	2,284	(2,125)
Deferred revenue	(975)	(826)
Income taxes payable	214	(155)
Net cash provided by (used in) operations	4,749	(6,443)
<b>Cash flows from investing activities:</b>		
Payments to Zygo Corporation related to acquisition	(2,000)	
Purchases of property, plant and equipment	(451)	(273)
Proceeds from sale of property, plant and equipment	71	
Net cash used in investing activities	(2,380)	(273)
<b>Cash flows from financing activities:</b>		
Repayments of debt obligations	(114)	(81)
Proceeds from sale of shares under employee stock option plans and purchase plan	184	
Stock offering costs	(28)	
Taxes paid on net issuance of stock awards	(149)	
Net cash used in financing activities	(107)	(81)
Effect of exchange rate changes on cash and cash equivalents	56	(287)
Net increase (decrease) in cash and cash equivalents	2,318	(7,084)
Cash and cash equivalents, beginning of period	43,526	23,980
Cash and cash equivalents, end of period	\$ 45,844	\$ 16,896



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See Notes to Unaudited Condensed Consolidated Financial Statements.

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**NANOMETRICS INCORPORATED**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**(Unaudited)**

**Note 1. Basis of Presentation**

In the opinion of management, the accompanying Unaudited Condensed Consolidated Financial Statements ( financial statements ) of Nanometrics Incorporated and its wholly-owned subsidiaries (collectively, Nanometrics or the Company ) have been prepared on a consistent basis with the January 2, 2010 Audited Condensed Consolidated Financial Statements and include all adjustments, c