

BROOKS-PRI AUTOMATION INC

Form 424B1

February 06, 2003

Table of Contents

Filed pursuant to Rule 424(b)(1)
Registration No. 333-102714

BROOKS-PRI AUTOMATION, INC.

COMMON STOCK

935,896 SHARES

The selling stockholder is selling all of the shares of common stock offered by this prospectus. We will not receive any of the proceeds from the sale of these shares.

The selling stockholder may offer the common stock through public or private transactions, at prevailing market prices, or at privately negotiated prices.

Our common stock is quoted on the Nasdaq National Market under the symbol BRKS . On February 5, 2003, the last reported sale price of our common stock on the Nasdaq National Market was \$9.86 per share.

INVESTING IN THE SECURITIES OFFERED HEREBY INVOLVES A HIGH DEGREE OF RISK. SEE RISK FACTORS BEGINNING ON PAGE 4.

THE SECURITIES AND EXCHANGE COMMISSION AND STATE SECURITIES REGULATORS HAVE NOT APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

This prospectus is dated February 6, 2003.

TABLE OF CONTENTS

PROSPECTUS SUMMARY

RISK FACTORS

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

USE OF PROCEEDS

SELLING STOCKHOLDER

PLAN OF DISTRIBUTION

LEGAL MATTERS

EXPERTS

WHERE YOU CAN FIND MORE INFORMATION

Table of Contents

TABLE OF CONTENTS

PROSPECTUS SUMMARY	3
RISK FACTORS	4
SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS	16
USE OF PROCEEDS	17
SELLING STOCKHOLDER	17
PLAN OF DISTRIBUTION	18
LEGAL MATTERS	19
EXPERTS	19
WHERE YOU CAN FIND MORE INFORMATION	19

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Table of Contents

PROSPECTUS SUMMARY

This summary provides an overview of selected information and may not contain all of the information that is important to you. You should read the entire prospectus carefully, including the financial data, related notes and the information we have incorporated by reference before making an investment decision.

ABOUT BROOKS-PRI

Brooks-PRI Automation, Inc. (Brooks or the Company) is a leading supplier of automation products and solutions for the global semiconductor and related industries such as the data storage, flat panel display and other precision electronics manufacturing industries. Brooks has distinguished itself as a technology and market leader, particularly in the demanding cluster-tool vacuum-processing environment and in integrated factory automation software applications. The Company's offerings have grown from individual robots used to transfer semiconductor wafers in advanced production equipment to fully integrated automation solutions that control the movement and management of wafers and reticles in the wafer fabrication facility. Through a program of investment and acquisition, Brooks has emerged as one of the leading suppliers of factory and equipment automation solutions for semiconductor manufacturers and original equipment manufacturers (OEM's). During fiscal 2002, the Company continued its program of strategic investment and acquisitions designed to broaden the depth and breadth of its offerings and market position.

The Company's business is significantly dependent on capital expenditures by semiconductor manufacturers and OEMs, which are, in turn, dependent on the current and anticipated market demand for semiconductors and electronics equipment. The Company's revenues grew substantially in fiscal 2000 and the first half of fiscal 2001, due in large part to high levels of capital expenditures of semiconductor and electronics manufacturers. Demand for semiconductors is cyclical and has historically experienced periodic downturns. The semiconductor industry is currently experiencing such a downturn, which began to impact the Company in the third quarter of fiscal 2001, and has continued throughout fiscal 2002. The downturn has affected revenues, gross margins and operating results. In response to this prolonged and continuing downturn, the Company has initiated, and continues to implement, cost reduction programs aimed at aligning its ongoing operating costs with its currently expected revenues over the near term. These cost management initiatives have included consolidation of facilities, reductions to headcount, salary and wage reductions and reduced spending.

We are a Delaware corporation and were incorporated in 1989. Our principal offices are located at 15 Elizabeth Drive, Chelmsford, Massachusetts 01824 and our telephone number is (978) 262-2400. Our corporate website is www.brooks-pri.com. The information on our website is not incorporated by reference in this prospectus.

THE OFFERING

The selling stockholder may offer and sell up to an aggregate of 935,896 shares of our common stock under this prospectus. The selling stockholder, KLA-Tencor Technologies Corporation, a wholly-owned subsidiary of KLA-Tencor Corporation, obtained the shares offered by this prospectus in connection with our acquisition of the e-diagnostics infrastructure assets of KLA-Tencor Corporation and the selling stockholder on June 26, 2001.

Table of Contents

RISK FACTORS

This offering involves a high degree of risk. You should carefully consider the risks described below and the other information in this prospectus before deciding to invest in shares of our common stock. While these are the risks and uncertainties we believe are most important for you to consider, you should know that they are not the only risks or uncertainties facing us or which may adversely affect our business. If any of the following risks or uncertainties actually occurs, our business, financial condition and operating results would likely suffer. In that event, the market price of our common stock could decline and you could lose all or part of the money you paid to buy our common stock.

This prospectus also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including the risks faced by us described below and elsewhere in this prospectus.

Risk Factors Relating to Our Industry

The Cyclical Demand of Semiconductor Manufacturers Affects Our Operating Results and the Ongoing Downturn in the Industry Could Seriously Harm Our Operating Results.

Our business is significantly dependent on capital expenditures by semiconductor manufacturers. The level of semiconductor manufacturers capital expenditures is dependent on the current and anticipated market demand for semiconductors. The semiconductor industry is highly cyclical and is currently experiencing a downturn. The downturn may continue for several more quarters. As a result of cost reductions in response to the decrease in net sales and uncertainty over the timing and extent of any industry recovery, we may be unable to continue to invest in marketing, research and development and engineering at the levels that we believe are necessary to maintain our competitive position. Our failure to make these investments could seriously curtail our long-term business prospects. Consistent with our experience in past downturns, the current industry downturn has reduced our revenues and caused us to incur losses. There can be no guarantee of when this downturn will end or that we will return to profitability when the downturn does end.

Industry Consolidation and Outsourcing of the Manufacture of Semiconductors to Foundries Could Reduce the Number of Available Customers.

The substantial expense of building or expanding a semiconductor fabrication facility is leading increasing numbers of semiconductor companies to contract with foundries, which manufacture semiconductors designed by others. As manufacturing is shifted to foundries, the number of our potential customers could decrease, which would increase our dependence on our remaining customers. Recently, consolidation within the semiconductor manufacturing industry has increased. If semiconductor manufacturing is consolidated into a small number of foundries and other large companies, our failure to win any significant bid to supply equipment to those customers could seriously harm our reputation and materially and adversely affect our revenue and operating results.

Our Future Operations Could Be Harmed if the Commercial Adoption of 300mm Wafer Technology Continues to Progress Slowly or is Halted.

Our future operations depend in part on the adoption of new systems and technologies to automate the processing of 300mm wafers. However, the industry transition from the current, widely used 200mm manufacturing technology to 300mm manufacturing technology is occurring more slowly than originally expected. A significant delay in the adoption of 300mm manufacturing technology, or the failure of the industry to adopt 300mm manufacturing technology, could significantly impair our operations. Moreover, continued delay in transition to 300mm technology could permit our competitors to introduce competing or superior 300mm products at more competitive prices. As a result of these factors, competition for 300mm orders could become vigorous and could harm our results of operations.

Our merger with PRI on May 14, 2002 did not reduce this risk. Manufacturers implementing factory automation in 300mm pilot projects typically seek to purchase systems from multiple vendors. Automated material handling systems are a major component of the former PRI's business. To date, nearly all manufacturers with pilot projects have selected automated material handling systems made by competitors for these projects. Manufacturers' awards to these competitors of orders for early stage 300mm fabs could make it more difficult for us to win orders from those manufacturers for their full-scale 300mm production facilities.

Table of Contents

PRI's Difficulties With Production of the TurboStocker Product Could Adversely Affect Our Ability to Compete in the 300mm Wafer Technology Marketplace.

During fiscal 2000 and 2001, prior to our acquisition of PRI, PRI encountered manufacturing and supply chain problems related to its TurboStocker product, which PRI had planned to begin manufacturing in high volume in response to increased customer demand at that time. These problems caused delays in shipments and in customer acceptance of these systems, and in some cases required repair or retrofit of TurboStockers already installed in the field. These manufacturing problems may have undermined potential 300mm customers' confidence in PRI's ability to manufacture and deliver complex factory automation systems in a timely manner and at acceptable quality levels. That loss of confidence could continue to adversely affect our competitive position in the market for that particular product and possibly also for other 300mm products.

Risk Factors Relating to Our Acquisitions

Our Business Could Be Harmed if We Fail to Adequately Integrate the Operations of the Businesses That We Acquired.

Over the past several years, we completed a number of acquisitions in a relatively short period of time, including our acquisition of PRI in May 2002. Our management must devote substantial time and resources to integrating the operations of the businesses we acquired with our core business and the other acquired businesses. If we fail to accomplish this integration efficiently, we may not realize the anticipated benefits of our acquisitions. We were required to record impairment charges on acquired intangible assets and goodwill aggregating \$479.3 million in fiscal 2002. We may be required in the future to record additional significant future impairment costs in the event that the carrying value exceeds the fair value of acquired intangible assets. The process of integrating supply and distribution channels, research and development initiatives, computer and accounting systems and other aspects of the operation of our acquired businesses, presents a significant challenge to our management. This is compounded by the challenge of simultaneously managing a larger entity. These businesses have operations and personnel located in Asia, Europe and the United States and present a number of difficulties of integration, including:

assimilating products and designs into integrated solutions;

informing customers, suppliers and distributors of the effects of the acquisitions and integrating them into our overall operations;

integrating personnel with disparate business backgrounds and cultures;

defining and executing a comprehensive product strategy;

managing geographically remote units;

managing the risks of entering markets or types of businesses in which we have limited or no direct experience; and

minimizing the loss of key employees of the acquired businesses.

If we delay the integration or fail to integrate an acquired business or experience other unforeseen difficulties, the integration process may require a disproportionate amount of our management's attention and financial and other resources. Our failure to adequately address these difficulties could harm our business and financial results.

Our Business May Be Harmed By Acquisitions We Complete in the Future.

While we do not anticipate any significant additional acquisitions while the current economic downturn continues, we may in the future pursue additional acquisitions of related businesses. Our identification of suitable acquisition candidates involves risks inherent in assessing the values, strengths, weaknesses, risks and profitability of acquisition candidates, including the effects of the possible acquisition on our business, diversion of our management's attention and risks associated with unanticipated problems or latent liabilities. If we are successful in pursuing future acquisitions, we may be required to expend significant funds, incur additional debt or issue additional securities, which may negatively affect our results of operations and be dilutive to our stockholders. If we spend significant funds or incur additional debt, our ability to obtain financing for working capital or other purposes could decline, and we may be more vulnerable to economic downturns and competitive pressures. We cannot guarantee that we will be able to finance

Table of Contents

additional acquisitions or that we will realize any anticipated benefits from acquisitions that we complete. Should we successfully acquire another business, the process of integrating acquired operations into our existing operations may result in unforeseen operating difficulties and may require significant financial resources that would otherwise be available for the ongoing development or expansion of our existing business.

Risk Factors Relating to Our Operations

Our Sales Volume Substantially Depends on the Sales Volume of our Original Equipment Manufacturer Customers and on Investment in Major Capital Expansion Programs by End-User Semiconductor Manufacturing Companies.

We sell a majority of our tool automation products to original equipment manufacturers that incorporate our products into their equipment. Therefore, our revenues depend on the ability of these customers to develop, market and sell their equipment in a timely, cost-effective manner. Approximately 50% and 56% of our total revenue in fiscal 2002 and fiscal 2001, respectively, came from sales to original equipment manufacturers.

We also generate significant revenues from large orders from semiconductor manufacturing companies that build new plants or invest in major automation retrofits. Our revenues depend, in part, on continued capital investment by semiconductor manufacturing companies. Approximately 50% and 44% of our total revenue in fiscal 2002 and fiscal 2001, respectively, came from sales to semiconductor manufacturing companies. The percentage of our total revenue attributable to semiconductor manufacturing companies should rise in fiscal 2003 as a result of our acquisition of PRI. Our revenues will be adversely affected if semiconductor manufacturing companies do not invest in capital expansion programs due to the downturn in the semiconductor industry or for other reasons.

Demand For Our Products Fluctuates Rapidly and Unpredictably, Which Makes it Difficult to Manage Our Business Efficiently and Can Reduce Our Gross Margins and Profitability.

Our expense levels are based in part on our expectations for future demand. Many expenses, particularly those relating to capital equipment and manufacturing overhead, are relatively fixed. The rapid and unpredictable shifts in demand for our products make it difficult to plan manufacturing capacity and business operations efficiently. If demand is significantly below expectations, we may be unable to rapidly reduce these fixed costs, which can diminish gross margins and cause losses. A sudden downturn may also leave us with excess inventory, which may be rendered obsolete as products evolve during the downturn and demand shifts to newer products. For example, as a result of the current industry downturn, we recorded inventory adjustments of \$12.5 million in the fourth quarter of fiscal 2002 relating to inventory writedowns. Our ability to reduce expenses is further constrained because we must continue to invest in research and development to maintain our competitive position and to maintain service and support for our existing global customer base. Conversely, during periods of increased demand our ability to satisfy increased customer demand may be constrained by our projections. If our projections underestimate demand, we may have inadequate inventory and may not be able to expand our manufacturing capacity, which could result in delays in shipments and loss of customers and reduced gross margins and profitability. In sudden upturns, we sometimes incur significant expenses to rapidly expedite delivery of components, procure scarce components and outsource additional manufacturing processes. This risk is more acute in fiscal 2003 as we consolidate several of our manufacturing locations, making our manufacturing capabilities more vulnerable to sudden demands for production. Even if we are able to sufficiently expand our capacity, we may not efficiently manage this expansion which would adversely affect our gross margin and profitability. Any of these results could seriously harm our business.

We Rely on a Relatively Limited Number of Customers for a Large Portion of Our Revenues and Business.

We receive a significant portion of our revenues in each fiscal period from a relatively limited number of customers. The loss of one or more of these major customers, or a decrease in orders by one or more customers, could adversely affect our revenue, business and reputation. In addition, our customers have in the past sought price concessions from us and may continue to do so in the future, particularly during downturns in the semiconductor market, which could reduce our profitability and gross margins. Our sales to our ten largest customers accounted for approximately 33% of total revenues in fiscal 2002, 37% in fiscal 2001 and 40% in fiscal 2000.

Table of Contents

Delays in or Cancellation of Shipments or Customer Acceptance of a Few of Our Large Orders Could Substantially Decrease Our Revenues or Reduce Our Stock Price.

Historically, a substantial portion of our quarterly and annual revenues came from sales of a small number of large orders. Some of our products have high selling prices compared to our other products. As a result, the timing of when we recognize revenue from one of these large orders can have a significant impact on our total revenues and operating results for a particular period because our sales in that fiscal period could fall significantly below the expectations of financial analysts and investors. This could cause the value of our common stock to fall. Our operating results could be harmed if a small number of large orders are canceled or rescheduled by customers or cannot be filled due to delays in manufacturing, testing, shipping or product acceptance.

We Do Not Have Long-term Contracts With Our Customers and Our Customers May Cease Purchasing Our Products at Any Time.

We generally do not have long-term contracts with our customers. As a result, our agreements with our customers do not provide any assurance of future sales. Accordingly:

our customers can cease purchasing products at any time without penalty;

our customers are free to purchase products from our competitors;

we are exposed to competitive price pressure on each order; and

our customers are not required to make minimum purchases.

Sales typically are made pursuant to individual purchase orders and product delivery often occurs with extremely short lead times. If we are unable to fulfill these orders in a timely manner, we could lose sales and customers.

Our Systems Integration Services Business Has Grown Significantly Recently and Poor Execution of Those Services Could Adversely Impact Our Operating Results.

The number of projects that we are pursuing for our systems integration services business has grown significantly recently. This business consists of integrating combinations of our software and hardware products to provide more comprehensive solutions for our end-user customers. The delivery of these services typically is complex, requiring us to coordinate personnel with varying technical backgrounds in performing substantial amounts of services in accordance with timetables. We are in the early stages of developing this business and we are subject to the risks attendant to entering a business in which we have limited direct experience. In addition, our ability to supply these services and increase our revenues is limited by our ability to retain, hire and train systems integration personnel. We believe that there is significant competition for personnel with the advanced skills and technical knowledge that it needs. Some of our competitors may have greater resources to hire personnel with those skills and knowledge. Our operating margins could be adversely impacted if we do not effectively hire and train additional personnel or deliver systems integration services to our customers on a satisfactory and timely basis consistent within budget.

Our Lengthy Sales Cycle Requires Us to Incur Significant Expenses with No Assurance That We Will Generate Revenue.

Our tool automation products are generally incorporated into original equipment manufacturer equipment at the design stage. To obtain new business from original equipment manufacturer customers, we must develop products for selection by a potential customer at the design stage. This often requires us to make significant expenditures without any assurance of success. The original equipment manufacturer's design decisions often precede the generation of volume sales, if any, by a year or more. We cannot guarantee that the equipment manufactured by our original equipment manufacturing customers will be commercially successful. If we or our original equipment manufacturing customers fails to develop and introduce new products successfully and in a timely manner, our business and financial results will suffer.

We also must complete successfully a costly evaluation and proposal process before we can achieve volume sales of our factory automation hardware and software and systems integration products to customers. These undertakings are major decisions for most prospective customers and typically involve significant capital commitments and lengthy evaluation and approval processes. We cannot guarantee that we will continue to satisfy evaluations by our end-user customers.

Table of Contents

Our Operating Results Would Be Harmed if One of Our Key Suppliers Fails to Deliver Components for Our Products.

We currently obtain many of our components on an as needed, purchase order basis. Generally, we do not have any long-term supply contracts with our vendors and believe many of our vendors have been taking cost containment measures in response to the industry downturn. When demand for semiconductor manufacturing equipment increases, our suppliers face significant challenges in delivering components on a timely basis. Our inability to obtain components in required quantities or of acceptable quality could result in significant delays or reductions in our product shipments. This could create customer dissatisfaction, cause lost revenue and otherwise materially and adversely affect our operating results. Delays on our part could also cause us to incur contractual penalties for late delivery.

As a Result of Our Acquisition of PRI, We Are Becoming Increasingly Dependent on Subcontractors and One or a Few Suppliers for Some Components and Manufacturing Processes.

For some products, or components or specialized processes that PRI used in its products, PRI depended on subcontractors or had available only one or a few suppliers. For example, its TurboStocker, AeroLoader, AeroTrak and Guardian products each include components and assemblies for which PRI had qualified, or for which there existed, only one supplier or a small number of suppliers. As a result of the acquisition of PRI, we are dependent on these limited suppliers. In general, we do not have long-term agreements with these suppliers, or agreements that obligate them to supply all of our requirements for such components or assemblies. Also, we rely on Shinsung Engineering Co. Ltd. to manufacture its TurboStocker product for delivery in the Asian market and to provide related customer support. We have a Master Engineering Services Agreement with Shinsung, which provides the general terms and conditions under which we may from time to time request that Shinsung perform engineering projects for us. The scope of each project and the related price and other terms are defined in separate statements of work to be agreed upon by us and Shinsung. The agreement provides that all intellectual property created by Shinsung in the course of any such project will belong to us. We also have a Master Manufacturing Services Agreement with Shinsung, which provides the general terms and conditions under which we may from time to time request that Shinsung manufacture products for us. The specifications for any products to be manufactured, and related price and other terms, are to be defined in one or more separate purchase orders to be issued by us to Shinsung. These agreements with Shinsung are non-exclusive, contain customary provisions entitling either party to terminate the agreement in the event of a material breach of the agreement by, or the insolvency of, the other party, and also may be terminated by us at any time for our convenience. The agreements both expire in October 2004.

Our reliance on subcontractors gives us less control over the manufacturing process and exposes us to significant risks, especially inadequate capacity, late delivery, substandard quality and high costs. We intend to outsource additional aspects of our manufacturing operations to subcontractors and suppliers. We could experience disruption in obtaining products or needed components and may be unable to develop alternatives in a timely manner. If we are unable to obtain adequate deliveries of products or components for an extended period of time, we may have to pay more for inventory, parts and other supplies, seek alternative sources of supply or delay shipping products to our customers. These outcomes could damage our relationships with our customers. Any such increased costs, delays in shipping or damage to customer relationships could seriously harm our business.

Our dependence on third-party suppliers could harm our ability to negotiate the terms of our future business relationships with these parties, and we may be unable to replace any of them on terms favorable to us. In addition, outsourcing our manufacturing to third parties may require us to share our proprietary information with these suppliers. Although we enter into confidentiality agreements with these third parties, these agreements may not adequately protect our proprietary information.

We May Experience Delays and Technical Difficulties in New Product Introductions and Manufacturing, Which Can Adversely Affect Our Revenues, Gross Margins and Net Income.

Because our systems are complex, there can be a significant lag between the time it introduces a system and the time it begins to produce that system in volume. As technology in the semiconductor industry becomes more sophisticated, we are finding it increasingly difficult to design and integrate complex technologies into our systems, to procure adequate supplies of specialized components, to train our technical and manufacturing personnel and to make timely transitions to high-volume manufacturing. Many customers also require customized systems, which compound these difficulties. We sometimes incur substantial unanticipated costs to ensure that our new products function properly and reliably early in their life cycle. These costs could include greater than expected installation and support costs or increased materials costs as a result of expedited changes. We may not be able to pass these costs on to our customers. In addition, we have experienced, and may continue to experience, difficulties in both low and high volume manufacturing. Any of these results could seriously harm our business.

Table of Contents

For example, beginning late in the third quarter of fiscal 2000, PRI encountered manufacturing and supply chain problems relating to its TurboStocker product, which PRI had planned to begin manufacturing in high volume in response to increased customer demand at that time. These problems delayed shipments and customer acceptance, which caused PRI's revenues for fiscal 2000 and 2001 to be lower than expected and also contributed to its net losses for these periods. From the time PRI discovered these problems through the end of fiscal 2001, PRI incurred expenditures of \$15.4 million to address these problems, consisting of approximately \$3.4 million for associated engineering costs, \$5.7 million of additional warranty costs, and \$6.3 million to repair or retrofit TurboStocker already installed in the field where necessary. These costs also contributed to PRI's losses for these periods. Of these costs, the \$6.3 million reserve for repairs and retrofits was recorded as a special charge in the fourth quarter of PRI's fiscal year 2001. The balance of the costs were recorded in PRI's results of operations during the period beginning with the fourth quarter of its fiscal year 2000 and ending with the last quarter of its fiscal year 2001. PRI also consolidated its TurboStocker manufacturing operations into a single location, upgraded its enterprise resource planning system and outsourced additional manufacturing of components and subassemblies. PRI's and our efforts to date may be insufficient to resolve the manufacturing problems with the TurboStocker, and we may encounter similar difficulties and delays in the future.

Moreover, on occasion we have failed to meet our customers' delivery or performance criteria, and as a result we have deferred revenue recognition, incurred late delivery penalties and had higher warranty and service costs. These failures could continue and could also cause us to lose business from those customers and suffer long-term damage to our reputation.

We May Have Difficulty Managing Operations.

In September and December 2002, we announced restructuring programs to further reduce our cost structure. The restructuring programs will include, among other things, a reduction in force of approximately 700 employees, abandonment of certain product lines and information technology projects and the consolidation of certain facilities. We had also announced a restructuring program in September 2001. Due in large part to the prolonged downturn in the semiconductor industry, this program was not successful in achieving its aim of aligning our operating costs with our expected revenues. We cannot guarantee that our more recently announced restructuring programs will be successful. The reduction in force could result in a temporary reduction in productivity by our employees. In addition, our future operating results will depend on the success of this restructuring program as well as on our overall ability to manage operations, which includes, among other things:

- Retaining and hiring, as required, the appropriate number of qualified employees;

- Enhancing and expanding, as appropriate, our infrastructure, including but not limited to, our information systems and management team;

- Accurately forecasting revenues;

- Managing inventory levels to minimize excess and obsolete inventory;

- Controlling expenses;

- Managing our manufacturing capacity, real estate facilities and other assets; and

- Executing our plans.

An unexpected further decline in revenues without a corresponding and timely reduction in expenses or a failure to manage other aspects of our operations could have a further material adverse effect on our business, results of operations or financial condition.

We May Be Unable to Retain Necessary Personnel Because of Intense Competition for Highly Skilled Personnel.

We need to retain a substantial number of employees with technical backgrounds for both our hardware and our software engineering, manufacturing, sales and support staffs. The market for these employees is very competitive, and we have occasionally experienced delays in hiring qualified personnel. Due to the cyclical nature of the demand for our products and the current prolonged downturn in the semiconductor market, we recently reduced our workforce on several occasions as a cost reduction measure. If the semiconductor market experiences an upturn, we may need to rebuild our workforce. Due to the competitive nature of the labor markets in which we operate, this type of employment cycle increases the risk of being unable to retain and recruit key personnel. Our

Table of Contents

inability to recruit, retain and train adequate numbers of qualified personnel on a timely basis could adversely affect our ability to develop, manufacture, install and support our products and may result in lost revenue and market share if customers seek alternative solutions.

Our International Business Operations Expose Us to a Number of Difficulties in Coordinating Our Activities Abroad and in Dealing With Multiple Regulatory Environments.

Sales to customers outside North America accounted for approximately 48% of our total revenues, excluding PRI's revenues, in fiscal 2002, 50% in fiscal 2001 and 48% in fiscal 2000. We anticipate that international sales will continue to account for a significant portion of our revenues. Many of our vendors are located in foreign countries. As a result of our international business operations, we are subject to various risks, including:

difficulties in staffing and managing operations in multiple locations in many countries;

difficulties in managing distributors, representatives and third party systems integrators;

challenges presented by collecting trade accounts receivable in foreign jurisdictions;

longer sales-cycles;

possible adverse tax consequences;

fewer legal protections for intellectual property;

governmental currency controls and restrictions on repatriation of earnings;

changes in various regulatory requirements;

political and economic changes and disruptions; and

export/import controls and tariff regulations.

To support our international customers, we maintain locations in several countries, including Belgium, Canada, China, France, Germany, Japan, Malaysia, Singapore, South Korea, Switzerland, Taiwan and the United Kingdom. We cannot guarantee that we will be able to manage these operations effectively. Also, we cannot guarantee that our investment in these international operations will enable us to compete successfully in international markets or to meet the service and support needs of our customers, some of whom are located in countries where we have no infrastructure.

Although our international sales are primarily denominated in U.S. dollars, changes in currency exchange rates can make it more difficult for us to compete with foreign manufacturers on price. If our international sales increase relative to our total revenues, these factors could have a more pronounced effect on our operating results.

In Taiwan, our business could be impacted by the political, economic and military conditions in that country. China does not recognize Taiwan's independence and the two countries are continuously engaged in political disputes. Both countries have continued to conduct military exercises in or near the others territorial waters and airspace. These disputes may continue or escalate, resulting in an economic embargo, a disruption in shipping or even military hostilities. The political instability in Taiwan could result in the creation of political or other non-economic barriers to us being able to sell our products or create local economic conditions that reduce demand for our products among our target markets.

In both Taiwan and Japan, our customers are subject to risk of natural disasters, which, if they were to occur, could harm our revenue. Semiconductor fabrication facilities have in the past experienced major reductions in foundry capacity due to earthquakes in Taiwan and Japan. For example, in 1999, Taiwan experienced several earthquakes which impacted foundries due to power outages, physical damage and employee dislocation. Our business could suffer if a major customer's manufacturing capacity was adversely affected by a natural disaster such as an earthquake, fire, tornado or flood.

Table of Contents

The political stability of Asia may be negatively affected by North Korea's renewed efforts to produce nuclear weapons. This political instability could result in economic instability in the region, particularly in South Korea. Any kind of economic instability in South Korea, Taiwan and Japan or other parts of Asia where we do business could have a severe negative impact on our operating results due to the large concentration of our sales activities in this region.

We Must Continually Improve Our Technology to Remain Competitive.

Technology changes rapidly in the semiconductor, data storage and flat panel display manufacturing industries. We believe our success depends in part upon our ability to enhance our existing products and to develop and market new products to meet customer needs, even in industry downturns. For example, as the semiconductor industry transitions from 200mm manufacturing technology to 300mm technology, we believe it is important to our future success to develop and sell new products that are compatible with 300mm technology. If our competitors introduce new technologies or new products, our sales could decline and our existing products could lose market acceptance. We cannot guarantee that we will identify and adjust to changing market conditions or succeed in introducing commercially rewarding products or product enhancements. The success of our product development and introduction depends on a number of factors, including:

- accurately identifying and defining new market opportunities and products;
- completing and introducing new product designs in a timely manner;
- market acceptance of our products and our customers' products;
- timely and efficient software development, testing and process;
- timely and efficient implementation of manufacturing and assembly processes;
- product performance in the field;
- development of a comprehensive, integrated product strategy; and
- efficient implementation and installation and technical support services.