

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES
EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): April 7, 2020

PIXELWORKS, INC.

(Exact name of registrant as specified in its charter)

Oregon
(State or other jurisdiction
of incorporation)

000-30269
(Commission File Number)

91-1761992
(I.R.S. Employer
Identification No.)

**226 Airport Parkway, Suite 595
San Jose, CA 95110
(408) 200-9200**
(Address, including zip code, and telephone number, including
area code, of registrant's principal executive offices)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock	PXLW	The Nasdaq Global Market

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02 Results of Operations and Financial Condition.

The information contained in “Item 7.01. Regulation FD Disclosure” is incorporated by reference into this Item 2.02.

Item 7.01 Regulation FD Disclosure.

On April 7, 2020, Pixelworks, Inc. (the “Company”) issued a press release and distributed a letter to its shareholders from its chief executive officer which contained certain preliminary financial results for the three-month period ended March 31, 2020 and an update on the current state of the Company’s business. The press release and letter to shareholders each contain forward-looking statements regarding the Company, and include cautionary statements identifying important factors that could cause actual results to differ materially from those anticipated.

The press release issued April 7, 2020 and letter to shareholders are furnished herewith as Exhibit 99.1 and Exhibit 99.2, respectively, to this Report. The information in this Item 7.01, including Exhibits 99.1 and 99.2, is being furnished and shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liability of that Section, nor shall such information be deemed to be incorporated by reference in any registration statement or other document filed under the Securities Act of 1933 or the Exchange Act, except as otherwise stated in such filing.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

Exhibit No.	Description
99.1	Press Release issued by Pixelworks, Inc. dated April 7, 2020
99.2	Letter to Shareholders dated April 7, 2020

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

PIXELWORKS, INC.

(Registrant)

Dated: April 7, 2020

/s/ Elias N. Nader

Elias N. Nader

*Vice President and Chief Financial
Officer*



Pixelworks Announces Preliminary First Quarter 2020 Financial Results

Revenue, Non-GAAP Gross Margin and Non-GAAP Operating Expenses In-Line with Guidance

SAN JOSE, Calif., Apr. 07, 2020 - Pixelworks, Inc. (NASDAQ: PXLW), a leading provider of innovative video and display processing solutions, today announced preliminary financial results for the first quarter ended March 31, 2020. Revenue for the first quarter of 2020 is expected to be approximately \$13.8 million, which is close to the midpoint of the Company's original guidance range of \$13.0 million to \$15.0 million.

Non-GAAP gross profit margin in the first quarter of 2020 is expected to be in the higher range of the original guidance of between 49.0% and 51.0%.

During the quarter, the Company implemented certain cost containment measures in response to the COVID-19 pandemic, resulting in expected non-GAAP operating expenses that are below the guidance range of \$10.5 million to \$11.5 million.

As of March 31, 2020, the Company had cash, cash equivalents and short-term investments of approximately \$20.4 million, which compared to \$14.2 million at the end of the fourth quarter of 2019. The sequential change in cash and equivalents primarily reflects a reduction in cash used from operations as well as the drawdown of \$5.1 million during the quarter from the Company's existing \$10.0 million line of credit with Silicon Valley Bank.

In addition, the Company's CEO, Todd DeBonis, has issued a letter to the Shareholders. Please refer to that letter which was filed along with an 8-K.

All results presented in this press release are preliminary and unaudited, and they are subject to adjustment during the standard accounting close process. Pixelworks will report its complete financial results for the first quarter 2020 as part of the Company's quarterly earnings conference call, which is currently scheduled for April 30, 2020.

About Pixelworks, Inc.

Pixelworks provides industry-leading content creation, video delivery and display processing solutions and technology that enable highly authentic viewing experiences with superior visual quality, across all screens - from cinema to smartphone and beyond. The Company has a 20-year history of delivering image processing innovation to leading providers of consumer electronics, professional displays and video streaming services. Pixelworks is headquartered in San Jose, CA. For more information, please visit the company's web site at www.pixelworks.com.

Note: Pixelworks and the Pixelworks logo are registered trademarks of Pixelworks, Inc.

Non-GAAP Financial Measures

This press release makes reference to projected non-GAAP gross profit margins and projected non-GAAP operating expenses, which exclude amortization of acquired intangible assets, stock-based compensation expense and restructuring expenses, which are all required under GAAP as well as the tax effect of the non-GAAP adjustments.

Pixelworks management uses these non-GAAP financial measures internally to understand, manage and evaluate the business and establish its operational goals, review its operations on a period to period basis, for compensation evaluations, to measure performance, and for budgeting and resource allocation. Pixelworks management believes it is useful for the Company and investors to review, as applicable, both GAAP information and non-GAAP financial measures to help assess the performance of Pixelworks' continuing business and to evaluate Pixelworks' future prospects. These non-GAAP measures provide additional transparency and information for comparison and analysis of operating performance and trends. These non-GAAP measures exclude certain items to facilitate management's review of the comparability of our core operating results on a period to period basis. Because the Company's non-GAAP financial measures are not calculated in accordance with GAAP, they may not necessarily be comparable to similarly titled measures employed by other companies. These non-GAAP financial measures should not be considered in isolation or as a substitute for the comparable GAAP measures. A reconciliation of non-GAAP guidance measures to corresponding GAAP measures on a forward-looking basis is not available due to high variability and low visibility with respect to the charges which are excluded from these non-GAAP measures.

Safe Harbor Statement

This release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements may be identified by use of terms such as "begin," "continue," "will," "expect", "believe," "anticipate" and similar terms or the negative of such terms, and include, without limitation, statements about the Company's expected revenue, non-GAAP gross profit margin, non-GAAP operating expense and cash and cash equivalents for the quarter ended March 31, 2020, and the timing for the Company's earnings release. Such statements are based on management's current expectations, estimates and projections about the Company's business. These statements are not guarantees of future performance and involve numerous risks, uncertainties and assumptions that are difficult to predict. Actual results could vary materially from those contained in forward looking statements due to many factors, including, without limitation: changes as a result of management's further review of our actual results in the first quarter, changes made as a result of the completion of our financial closing procedures for the first quarter, and changes as a result of risks related to our business in general. More information regarding potential factors that could affect the Company's financial results and could cause actual results to differ materially from those discussed in the forward-looking statements is included from time to time in the Company's Securities and Exchange Commission filings, including its Annual Report on Form 10-K for the year ended December 31, 2019 as well as subsequent SEC filings.

The forward-looking statements contained in this release are as of the date of this release, and the Company does not undertake any obligation to update any such statements, whether as a result of new information, future events or otherwise.

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Shareholder Letter and COVID-19 Update

April 7, 2020

Dear Pixelworks Shareholders,

Given this unprecedented time of uncertainty, I wanted to take the opportunity to update you on the current status of Pixelworks and hopefully shed some light on all that the company has been doing to adjust to our new normal.

As we outlined on our last earnings call, the first half of 2020 would be a very busy time for Pixelworks; we anticipated no less than a dozen new phone launches from seven different Mobile customers. Some of these launches are now behind us, including models from Black Shark, OPPO, HMD (Nokia) and TCL. We are still on track to meet our anticipated target, and the Pixelworks team is working hard to continue this momentum through the second half of 2020. In addition, we continue to support our Projector customers with the adoption of our newest SoC solutions, signed a development contract with a new customer for a Video Delivery platform using our advanced 4K transcoder SoC in Japan, and made tangible progress with our TrueCut content mastering and delivery platform.

We have accomplished all of this despite the extremely challenging business environment that COVID-19 has inflicted upon the world. Pixelworkers are located in offices throughout Asia and America. Our largest footprint is in China, with a little over 50% of our staff divided between Shanghai and Shenzhen. In addition, we have offices in Taiwan, Japan, Toronto, Portland (Oregon), and San Jose, California (our headquarters). Our China offices were the first to be impacted, in late January and most of February, but as our China team slowly came back from the COVID-19 disruption, we enabled all critical functions, from IC development to sales to algorithm and software development, to work remotely through virtual workspaces.

Since the beginning of March, our Shanghai and Shenzhen offices have reopened and are at full staffing. Our offices and supply chain partners in Taiwan are fully functional and have not gone on lock down. As of today, our Japan and North American offices are currently working remotely but are fully operational. In summary - the Pixelworks team has been agile and committed to our mission while adhering to all local and federal safety requirements. The health and well-being of our employees is paramount, and part of that well-being is keeping all of our staff employed and engaged in supporting our customers and new product developments.

Action Taken

While the impact of COVID-19 on China has improved, the rest of the world is now struggling. Each country has responded differently with their respective efforts to mitigate the health and economic impacts of this pandemic to their populations. Over the last month, our Board of Directors and executive team has met weekly and focused the company on cost containment and accelerating the execution on new product solutions. The following actions have been taken in order to prepare for a prolonged economic recovery while keeping the organization focused on our customers and strategic initiatives. As of April 1st, 2020, the following actions have been implemented:

- Both the CEO and the CFO have taken a 10% base salary reduction.
- The Board of Directors has agreed to take Restricted Stock Units (RSUs) in lieu of their director fees for the full year of 2020.
- The Executive staff have agreed to reduce their base salary by 10% in exchange for RSUs.
- The Executive Bonus Program for 2020 has been eliminated. All other bonus and sales incentive programs are still in place.
- Annual Merit increases for all employees will be delayed by one quarter.
- With the exception of a few critical hiring requisitions, all hiring has been put on hold.
- With the exception of critical travel within China, all company travel has been suspended.
- A program has been offered to senior management to exchange up to 10% of their quarterly base salary for RSUs.

We will review the need to continue these actions on a quarterly basis.

The combination of a 10% base salary reduction for the CEO/CFO and the elimination of the Executive bonus program will reduce 2020 targeted cash compensation to each of our executives by 33% to 55%. All of the actions listed above will allow Pixelworks

to reduce cash operating expenses by at least 10% for the year while retaining 100% of our employees. We will continue to look for ways to reduce operating expenses without impacting productivity of the organization.

In addition to these actions, we have managed our cash prudently and have tapped our credit facility for approximately \$5.1 million, resulting in a Q1 ending cash balance of approximately \$20.4 million.

Positioning for the Future

As we witness the human tragedy unfolding on a daily basis around the world, our hearts are with those most impacted by COVID-19. But we also understand that just as it had a beginning, this pandemic will have an end, and we are doing what we can to position Pixelworks to thrive in the post-COVID-19 world.

Our team is focused on the wave of High Frame Rate, 5G-enabled mobile devices that will bring a richer, more engaging entertainment experience to the consumer. We are collaborating with our customers and ecosystem partners to define and deliver advanced visual solutions that will help continue to bridge the gap between content creation and advanced display technology.

I personally encourage all of you to adhere to your local guidelines with regards to social distancing, and to reach out and support your local community in any way you can.

Sincerely,

Todd DeBonis
President & CEO
Pixelworks, Inc.

Safe Harbor Statement

This letter contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements may be identified by use of terms such as “begin,” “continue,” “will,” “expect”, “believe,” “anticipate” and similar terms or the negative of such terms, and include, without limitation, statements about the Company’s momentum in the second half of 2020, the impact of the COVID-19 pandemic, and the impact of our actions to address economic uncertainty and our quarterly review thereof. Such statements are based on management’s current expectations, estimates and projections about the Company’s business. These statements are not guarantees of future performance and involve numerous risks, uncertainties and assumptions that are difficult to predict. Actual results could vary materially from those contained in forward looking statements due to many factors, including, without limitation: the impact of the COVID-19 pandemic (including any changes in laws or regulations in reaction to same) on Company personnel, on Company suppliers, and on Company customers and their respective end markets, and changes as a result of risks related to our business in general. More information regarding potential factors that could affect the Company’s financial results and could cause actual results to differ materially from those discussed in the forward-looking statements is included from time to time in the Company’s Securities and Exchange Commission filings, including its Annual Report on Form 10-K for the year ended December 31, 2019 as well as subsequent SEC filings.

The forward-looking statements contained in this letter are as of the date of this filing, and the Company does not undertake any obligation to update any such statements, whether as a result of new information, future events or otherwise.