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): August 8, 2017

PIXELWORKS, INC.
(Exact name of registrant as specified in its charter)

OREGON	**000-30269**	**91-1761992**
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

224 Airport Parkway, Suite 400
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:

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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 o

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. o

Item 2.02 Results of Operations and Financial Condition.

On August 8, 2017, Pixelworks, Inc. (the “Company”) issued a press release announcing financial results for the three month and six month periods ended June 30, 2017 and held a conference call to discuss the Company's financial results. The press release and conference call 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 August 8, 2017 is furnished herewith as Exhibit 99.1, to this Report and a copy of the Company's conference call script announcing these financial results is furnished herewith as Exhibit 99.2. The information in this Item 2.02, 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 August 8, 2017.
99.2	Pixelworks, Inc. Second Quarter Results Conference Call Script dated August 8, 2017.

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: August 8, 2017	/s/ Steven L. Moore
	Steven L. Moore *Vice President, Chief Financial Officer, Secretary and Treasurer*

EXHIBIT INDEX

Exhibit No.	Description
99.1	Press Release issued by Pixelworks, Inc. dated August 8, 2017.
99.2	Pixelworks, Inc. Second Quarter Results Conference Call Script dated August 8, 2017.

Exhibit 99.1

pixelworks®

Pixelworks Reports Second Quarter 2017 Financial Results

Achieved 36% Year-on-Year Revenue Growth, excluding End of Life Products

SAN JOSE, Calif., August 8, 2017 -- Pixelworks, Inc. (NASDAQ: PXLW), a leading provider of visual processing solutions, today announced financial results for the second quarter ended June 30, 2017.

Second Quarter and Recent Highlights

- Revenue of $20.7 million, including $5.1 million related to End of Life (EOL) products
- Achieved GAAP net income of $0.04 per diluted share, non-GAAP net income of $0.10 per diluted share
- Recorded adjusted EBITDA of $4.7 million, and increased net cash balance by $12.6 million to $32.2 million
- Recognized first production revenue on 3rd generation Iris mobile display processor
- Completed acquisition of ViXS Systems on August 2nd

For the second quarter 2017, revenue was $20.7 million, which included $5.1 million of EOL product revenue, and compares to $22.7 million in the prior quarter and $12.6 million in the second quarter of 2016. Excluding EOL contribution, second quarter 2017 revenue in the digital projection market grew 35% year-on-year.

On a GAAP basis, gross profit margin in the second quarter of 2017 was 54.1%, compared to 54.6% in the first quarter of 2017 and 51.0% in the second quarter of 2016. Second quarter 2017 GAAP operating expenses were $9.2 million, compared to $9.0 million in the previous quarter and $7.8 million in the second quarter of 2016.

For the second quarter of 2017, GAAP net income was $1.3 million, or $0.04 per diluted share, compared to a GAAP net income of $2.8 million, or $0.09 per diluted share, in the first quarter of 2017 and a GAAP net loss of $1.6 million, or ($0.06) per share, in the second quarter of 2016.

On a non-GAAP basis, second quarter 2017 gross profit margin was 54.4%, compared to 54.8% in the first quarter of 2017 and 51.6% in the second quarter of 2016. Second quarter 2017 operating expenses on a non-GAAP basis were $7.6 million, compared to $8.3 million in the previous quarter and $7.0 million in the second quarter of 2016.

For the second quarter of 2017, the Company recorded non-GAAP net income of $3.2 million, or $0.10 per diluted share, compared to non-GAAP net income of $3.8 million, or $0.12 per diluted share, in the first quarter of 2017 and a non-GAAP net loss of $756,000, or ($0.03) per share, in the second quarter of 2016. Adjusted EBITDA in the second quarter of 2017 was a positive $4.7 million, compared to a positive $5.0 million in the previous quarter and a positive $0.3 million in the second quarter of 2016.

President and CEO of Pixelworks, Todd DeBonis, commented, “Our second quarter results reflect continued growth in our core business and was complemented by approximately $5 million of EOL product contribution. Revenue excluding EOL, grew 15% sequentially and 36% year-over-year, demonstrating market share gains in our Projector business as well as modestly higher Mobile revenue. Highlighting the quarter, we achieved our third consecutive quarter of profitability and generated over $13 million in cash flow from operations.

“As recently announced, PXLW completed the complementary acquisition of ViXS, and we are executing on what I expect to be a seamless integration process. Following initial meetings with ViXS’ customers, I’m increasingly enthusiastic about the emerging market opportunities for their current offerings, as well as the expanded potential of our combined visual processing technologies. In addition to creating an impressive portfolio of image, video and streaming intellectual property, the transaction meaningfully increases the scale of Pixelworks’ R&D resources in support of current and future technology development. I look forward to what we will be able to achieve together as a single company, and most importantly we remain committed to the transaction being accretive in 2018.”

Business Outlook for the Third Quarter of 2017

Pixelworks' expectations for the third quarter of 2017, including the partial quarter of contribution from ViXS Systems, are as follows:

- Revenue to be between $18.0 million and $19.0 million, including approximately $2.0 million contribution from ViXS

Additional P&L guidance will be provided as part of the earnings conference call.

Conference Call Information

Pixelworks will host a conference call today, August 8, at 2:00 p.m. Pacific Time, which can be accessed by calling 877-359-9508 and using passcode 59501640. A Web broadcast of the call can be accessed by visiting the Company's investor page at www.pixelworks.com. For those unable to listen to the live Web broadcast, it will be archived for approximately 30 days. A replay of the conference call will also be available through Tuesday, August 15, 2017, and can be accessed by calling 855-859-2056 and using passcode 59501640.

About Pixelworks, Inc.

Pixelworks creates, develops and markets video display processing technology for digital video applications that demand the very highest quality images. At design centers around the world, Pixelworks engineers constantly push video performance to keep manufacturers of consumer electronics and professional displays worldwide on the leading edge. The Company is headquartered in San Jose, CA. For more information, please visit the company's Web site at www.pixelworks.com.

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Non-GAAP Financial Measures

This earnings release makes reference to non-GAAP gross profit margins, non-GAAP operating expenses, non-GAAP net income (loss) and non-GAAP net income (loss) per share, which excludes acquisition-related costs, stock-based compensation expense and restructuring expenses, which are required under GAAP. The press release also reconciles GAAP net income (loss) and adjusted EBITDA, which Pixelworks defines as GAAP net income (loss) before interest expense and other, net, income tax provision, depreciation and amortization, as well as the specific items listed above. The Company believes these non-GAAP measures provide a meaningful perspective on the Company's core operating results and underlying cash flow dynamics, but cautions investors to consider these measures in addition to, not as a substitute for, its consolidated financial results as presented in accordance with GAAP. A reconciliation between GAAP and non-GAAP financial measures is included in this earnings release which is available in the investor relations section of the Company's website.

Safe Harbor Statement

This release contains forward-looking statements, including, without limitation, statements with respect to the Company's growth opportunities, ViXS integration process, impact and benefit of the ViXS acquisition, the acquisition being accretive and the Company's potential and position for the future, statements made by Mr. DeBonis about the Company's digital projection and mobile businesses, ViXS acquisition and statements with respect to the business outlook for the third quarter, the full year of 2017 and 2018, including revenue, 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," "believe," "expect" and similar terms or the negative of such terms. All statements other than statements of historical fact are forward-looking statements for purposes of this release, including any projections of revenue or other financial items or any statements regarding the plans and objectives of management for future operations. 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: our ability to deliver new products in a timely fashion; our new product yield rates; changes in estimated product costs; product mix; supply of products from third-party foundries; failure or difficulty in achieving design wins; timely customer transition to new product designs; competitive factors, such as rival chip architectures, introduction or traction by competing designs, or pricing pressures; risks related to licensing our intellectual property; the success of our products in expanded markets; current global economic challenges; levels of inventory at distributors and customers; changes in the digital display and projection markets; changes in customer ordering patterns or lead times; seasonality in the consumer electronics market; our efforts to achieve profitability from operations; insufficient, excess or obsolete inventory and variations in inventory valuation; the outcome of any litigation related to our intellectual property rights; our limited financial resources and our ability to attract and retain key personnel; and risks related to our acquisition of ViXS, including our ability to successfully integrate ViXS into our business and whether the Company will be able to realize the expected benefits of the acquisition or in the timeframe expected. More information regarding potential factors that could affect the Company's financial results and could cause actual results to differ materially is included from time to time in the Company's Securities and Exchange Commission filings, including our Annual Report on Form 10-K for the year ended December 31, 2016 as well as subsequent SEC filings.

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

- Financial Tables Follow -

PIXELWORKS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)
(Unaudited)

	Three Months Ended			Six Months Ended	
	June 30, 2017	March 31, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Revenue, net	$ 20,721	$ 22,710	$ 12,580	$ 43,431	$ 23,747
Cost of revenue (1)	9,520	10,318	6,165	19,838	13,740
Gross profit	11,201	12,392	6,415	23,593	10,007
Operating expenses:					
Research and development (2)	4,501	4,906	4,504	9,407	10,179
Selling, general and administrative (3)	4,660	4,139	3,180	8,799	7,045
Restructuring	—	—	67	—	2,605
Total operating expenses	9,161	9,045	7,751	18,206	19,829
Income (loss) from operations	2,040	3,347	(1,336)	5,387	(9,822)
Interest expense and other, net	(107)	(93)	(107)	(200)	(206)
Income (loss) before income taxes	1,933	3,254	(1,443)	5,187	(10,028)
Provision for income taxes	669	433	117	1,102	174
Net income (loss)	$ 1,264	$ 2,821	$ (1,560)	$ 4,085	$ (10,202)
Net income (loss) per share:					
Basic	$ 0.04	$ 0.10	$ (0.06)	$ 0.14	$ (0.36)
Diluted	$ 0.04	$ 0.09	$ (0.06)	$ 0.13	$ (0.36)
Weighted average shares outstanding:					
Basic	29,766	29,283	28,167	29,526	28,051
Diluted	31,974	31,146	28,167	31,601	28,051

(1) Includes:					
Stock-based compensation	$ 69	$ 53	$ 46	$ 122	$ 90
Restructuring	—	—	27	—	1,750
(2) Includes stock-based compensation	362	314	392	676	821
(3) Includes:					
Acquisition-related costs	730	—	—	894	—
Stock-based compensation	519	422	268	941	161

PIXELWORKS, INC.
RECONCILIATION OF GAAP AND NON-GAAP FINANCIAL INFORMATION *
(In thousands, except per share data)
(Unaudited)

	Three Months Ended			Six Months Ended	
	June 30, 2017	March 31, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Reconciliation of GAAP and non-GAAP gross profit					
GAAP gross profit	$ 11,201	$ 12,392	$ 6,415	$ 23,593	$ 10,007
Stock-based compensation	69	53	46	122	90
Restructuring	—	—	27	—	1,750
Total reconciling items included in cost of revenue	69	53	73	122	1,840
Non-GAAP gross profit	$ 11,270	$ 12,445	$ 6,488	$ 23,715	$ 11,847
Non-GAAP gross profit margin	54.4%	54.8%	51.6%	54.6%	49.9%
Reconciliation of GAAP and non-GAAP operating expenses					
GAAP operating expenses	$ 9,161	$ 9,045	$ 7,751	$ 18,206	$ 19,829
Reconciling item included in research and development:					
Stock-based compensation	362	314	392	676	821
Reconciling items included in selling, general and administrative:					
Acquisition-related costs	730	—	—	894	—
Stock-based compensation	519	422	268	941	161
Restructuring	—	—	67	—	2,605
Total reconciling items included in operating expenses	1,611	736	727	2,511	3,587
Non-GAAP operating expenses	$ 7,550	$ 8,309	$ 7,024	$ 15,695	$ 16,242
Reconciliation of GAAP and non-GAAP net income (loss)					
GAAP net income (loss)	$ 1,264	$ 2,821	$ (1,560)	$ 4,085	$ (10,202)
Reconciling items included in cost of revenue	69	53	73	122	1,840
Reconciling items included in operating expenses	1,611	736	727	2,511	3,587
Tax effect of non-GAAP adjustments	270	155	4	425	2
Non-GAAP net income (loss)	$ 3,214	$ 3,765	$ (756)	$ 7,143	$ (4,773)
Non-GAAP net income (loss) per share:					
Basic	$ 0.11	$ 0.13	$ (0.03)	$ 0.24	$ (0.17)
Diluted	$ 0.10	$ 0.12	$ (0.03)	$ 0.23	$ (0.17)
Non-GAAP weighted average shares outstanding:					
Basic	29,766	29,283	28,167	29,526	28,051
Diluted	31,974	31,146	28,167	31,601	28,051

* Our non-GAAP gross profit, non-GAAP gross profit margin, non-GAAP operating expenses, non-GAAP net income (loss) and non-GAAP net income (loss) per share differs from GAAP gross profit, GAAP operating expenses, GAAP net income (loss) and GAAP net income (loss) per share due to the exclusion of acquisition-related costs, restructuring expenses and stock-based compensation expense. Pixelworks' management believes the presentation of non-GAAP gross profit, non-GAAP operating expenses, non-GAAP net income (loss) and non-GAAP net income (loss) per share provides useful information to investors regarding Pixelworks' results of operations which allows investors an alternative evaluation of underlying cash flow dynamics. Pixelworks' management also uses each of these non-GAAP measures internally as an alternative evaluation of underlying cash flow dynamics. Pixelworks, however, cautions investors to consider these non-GAAP financial measures in addition to, and not as a substitute for, our GAAP financial measures.

PIXELWORKS, INC.
RECONCILIATION OF GAAP AND NON-GAAP FINANCIAL INFORMATION *
(In thousands)
(Unaudited)

	Three Months Ended			Six Months Ended	
	June 30, 2017	March 31, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Reconciliation of GAAP net income (loss) and adjusted EBITDA					
GAAP net income (loss)	$ 1,264	$ 2,821	$ (1,560)	$ 4,085	$ (10,202)
Stock-based compensation	950	789	706	1,739	1,072
Acquisition-related costs	730	—	—	894	—
Restructuring	—	—	94	—	4,355
Tax effect of non-GAAP adjustments	270	155	4	425	2
Non-GAAP net income (loss)	$ 3,214	$ 3,765	$ (756)	$ 7,143	$ (4,773)
EBITDA adjustments:					
Depreciation and amortization	$ 975	$ 839	$ 832	$ 1,814	$ 1,822
Interest expense and other, net	107	93	107	200	206
Non-GAAP provision for income taxes	399	278	113	677	172
Adjusted EBITDA	$ 4,695	$ 4,975	$ 296	$ 9,834	$ (2,573)

* Adjusted EBITDA differs from GAAP net income (loss) due to the exclusion of acquisition-related costs, restructuring expenses, stock-based compensation expense, interest expense and other, net, income tax provision and depreciation and amortization. Pixelworks' management believes the presentation of adjusted EBITDA provides useful information to investors regarding Pixelworks' results of operations which allows investors an alternative evaluation of underlying cash flow dynamics and core operating results and are used by Pixelworks' management for these purposes. Pixelworks, however, cautions investors to consider these non-GAAP financial measures in addition to, and not as a substitute for, our GAAP financial measures.

PIXELWORKS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)
(Unaudited)

	June 30, 2017	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	$ 32,246	$ 19,622
Accounts receivable, net	5,676	3,118
Inventories	1,954	2,803
Prepaid expenses and other current assets	1,341	736
Total current assets	41,217	26,279
Property and equipment, net	4,636	3,793
Other assets, net	781	785
Total assets	$ 46,634	$ 30,857
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 2,516	$ 1,734
Accrued liabilities and current portion of long-term liabilities	13,241	7,860
Current portion of income taxes payable	989	140
Total current liabilities	16,746	9,734
Long-term liabilities, net of current portion	1,029	194
Income taxes payable, net of current portion	2,046	1,880
Total liabilities	19,821	11,808
Shareholders' equity	26,813	19,049
Total liabilities and shareholders' equity	$ 46,634	$ 30,857

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Exhibit 99.2

Pixelworks, Inc. Q2 2017 Conference Call
August 8, 2017

Operator

Good day ladies and gentlemen, and welcome to Pixelworks Inc.'s second quarter 2017 earnings conference call. I will be your operator for today's call. At this time, all participants are in a listen-only mode. Following management's prepared remarks, we will conduct a question-and-answer session. This conference call is being recorded for replay purposes. I would now like to turn the call over to Mr. Steve Moore.

Steve Moore

Good afternoon and thank you for joining us today. With me on the call is Todd DeBonis, Pixelworks' President and CEO. The purpose of today's conference call is to supplement the information provided in our press release issued earlier today announcing the Company's financial results for the second quarter of 2017.

Before we begin, I would like to remind you that various remarks we make on this call -- including those about our projected future financial results, economic and market trends, and our competitive position -- constitute forward-looking statements. These forward-looking statements and all other statements made on this call that are not historical facts are subject to a number of risks and uncertainties that may cause actual results to differ materially.

All forward-looking statements are based on the Company's belief as of today, Tuesday, August 8, 2017, and we undertake no obligation to update any such statements to reflect events or circumstances occurring after today. Please refer to today's press release, our Annual Report on Form 10-K for the year ended December 31, 2016, and subsequent SEC filings for a description of factors that could cause forward-looking statements to differ materially from actual results.

Additionally, the Company's press release and management's statements during this conference call will include discussions of certain measures and financial information in GAAP and non-GAAP terms, including gross margin, operating expenses, net income/loss, and net income/loss per share. These non-GAAP measures exclude acquisition-related costs, stock-based compensation expense and certain charges related to the Company's restructuring in the first half of 2016. We use these non-GAAP measures internally to assess our operating performance. The Company believes these non-GAAP measures provide a meaningful perspective on our core operating results and underlying cash flow dynamics, but we caution investors to consider these measures in addition to, not as a substitute for, nor superior to, the Company's consolidated financial results as presented in accordance with GAAP.

Included in the Company's press release are definitions and reconciliations of GAAP to non-GAAP net income/loss and GAAP net income/loss to adjusted EBITDA, which provide additional details.

With that said, I will now turn the call over to Todd for his opening remarks.

Todd DeBonis

Thank you, Steve and good afternoon to everyone on today's call.

Beginning with the news that we announced last week, I am very pleased to have closed on our acquisition of ViXS Systems and will talk more about ViXS later in my remarks. I would like to take this time to welcome the ViXS employees to the Pixelworks' team as well as the prior shareholders of ViXS who are now holders of Pixelworks. I am excited to see what we are able to achieve together as a combined company.

Starting with Pixelworks' second quarter results. Total revenue was $20.7 million, at the high-end of our $20 to $21 million guidance range, which included roughly $5 million of expected contribution from end-of-life products. Excluding EOL legacy products, second quarter revenue grew 15% sequentially and was up 36% year-over-year, as we continued to achieve strong performance and gain incremental market share in our core Projector business.

Gross margin came in above 54% and operating expenses were within the range of guidance, resulting in net income of 4 cents on a GAAP basis and 10 cents on a non-GAAP basis. This was our third consecutive quarter of profitability, and we generated more than $13 million in cash from operations to end the quarter with over $32 million in net cash. These results stand in stark contrast to where the company was only one year ago when we reported a net loss for the quarter and cash on the balance sheet was only half of what it was at quarter-end. I applaud the entire Pixelworks' team for their contribution to the significant improvement in the company's results since that time.

Projector

Shifting to end markets and starting with our projector business - revenue excluding EOL contribution was $15 million, representing 14% sequential growth and 35% growth year-on-year. Similar to last quarter, this growth in part reflects the return to a "more normalized" market environment compared to the inventory and supply channel disruptions that impacted the market in 2016. Our growth exceeded that of the overall projector during this period of normalization, as a result of incremental market share gains and the strong performance of a few key projector customers.

Additionally, we continue to benefit from the restructuring actions we took last year to streamline our projector product lines, including a reduction in the number of SKUs and transition of certain customers to higher-value ASP products. The best evidence of this is the over 300 basis point improvement in our reported gross margin year-over-year. As stated last quarter, we believe projector material margins will generally be in and around current levels going forward.

Let me briefly touch on the general projector market, recent order patterns have remained solid and channel inventory appears to be healthy. As a result, we expect another quarter of strong year-over-year growth in Q3, followed by a continuation of typical quarterly revenue cycles and seasonality in the fourth quarter.

Mobile

In our mobile business - revenue increased by over 50% on both a sequential and year-over basis in the second quarter, driven by increased unit shipments of our Iris chip in support of multiple ASUS devices. Although still a relatively small contributor, mobile revenue in the second quarter did include the first revenue from commercial production of our 3rd generation processor.

Our sales team is doing an excellent job of engaging prospective customers and evangelizing the benefits and value proposition of Pixelworks' technology. Mobile OEMs are increasingly interested in ways to differentiate their products by offering a superior visual experience. This is especially evident in the actions taken by a number of market leaders during the first half of the year with product launches that highlighted high dynamic range (or HDR), wider color gamut and adaptive displays. Further supporting the transition to more advanced mobile displays is the increasing availability and marketing of premium quality content on these devices. Streaming content providers, including Amazon and Netflix, continue to roll-out additional premium services that require a certified device with a high-performance display in order to view the highest quality content. My point here is really two-fold - first, there continues to be evidence the market is moving in the direction of Pixelworks' technology - and two, many of these trends are still in relatively early stages.

Since previewing it at our analyst day in May, we successfully taped-out our 4th generation Iris mobile processor, and we are currently on track to sample the 4th gen device with customers in the fourth quarter. This device was specifically designed to lower the hurdles for OEM adoption, including significant improvement in power, size and cost. The 4th generation device will offer new advanced features and functionality that have the potential to broaden the segment of the mobile market we are targeting today.

Our focus remains on what we can control at Pixelworks - namely positioning our technology and product roadmap in an effective way to lower the hurdles and encourage broader adoption by leading global manufacturers of handsets and mobile devices. Driving the adoption of any new technology is always difficult, however we continue to be very encouraged by the progress we are making and are comfortable with our positioning relative to the emerging trends in the broader mobile market.

ViXS

Turning now to ViXS - I recently had my first meetings with a number of current and prospective ViXS customers, and following those meetings I'm encouraged about both the market opportunities for their current offerings, as well as the expanded opportunities created by the complementary technologies of the two companies. Additionally, the customers and prospective customers were excited about the acquisition given its positive impact on the financial strength of the combined company. They indicated it gives them even more of a reason to commit to new business.

Together Pixelworks and ViXS create an impressive and complementary portfolio of image, video and streaming intellectual property. More importantly, this transaction meaningfully increases the scale of our R&D resources to further support current and future technology development. Over time, we believe the combination of Pixelworks' visual display processing and ViXS' comprehensive end-to-end delivery technologies will enable us to offer new and innovative visual display and video streaming solutions.

ViXS has existing products that address multiple emerging market trends that we believe represent compelling opportunities - collectively these products have the potential to drive substantial revenue growth through 2018. Following the divestiture of their legacy MoCA business earlier this year, ViXS' remaining products and solutions can be grouped into two general categories:

- One group includes Professional Video and Video Delivery for Enterprise and Infrastructure - these solutions primarily consist of IP-based Media Gateways and Professional Decoders and leverage encoding, transcoding and best-in-class HEVC (or High Efficiency Video Coding) decoding technology, including the world's only HEVC capable of 12-bit HDR.
- The other category is Consumer - where ViXS has numerous solutions for UHD, HDR and over-the-air, or OTA streaming, which includes the ability to optimize streaming video based on the device capability and available bandwidth, also known as adaptive bit-rate streaming (ABR).

Many of these solutions are increasingly relevant as the ecosystem tries to satisfy growing consumer demand to view content anytime, anywhere, and on any device. Given these trends, one area we are particularly excited about is over-the-air, or OTA, solutions. This plays directly into the growing trend know as cord cutting, where consumers abandon expensive pay-TV subscriptions in favor of a combination of free over-the-air HD TV and services like Sling TV, DirecTV Now and Hulu Live. In fact, the trend is gaining momentum with recent 3rd party estimates suggesting that over 1 million subscribers 'cut the cord' during the second quarter, with many of them switching to OTA and over-the top, or OTT solutions. Together with the fact that ViXS began shipping initial production volume of both single and dual band OTA streaming products in the first half of the year, we believe this opportunity is still in the early innings and could prove to be a meaningful driver of incremental growth for Pixelworks.

After we've made further progress on the integration during the current quarter, I will plan to address additional ViXS products and market opportunities in more detail as part of future quarterly calls. Finally and most importantly, I do want to emphasize that we remain committed to the acquisition being accretive in 2018.

Concluding Comments

To conclude my remarks, I am very pleased with our financial results for the first half of 2017, which appropriately reflect the dedicated effort and work of our entire team. In addition to the year-over-year growth, we have strengthened the fundamentals in effectively every area of the business - customers, technology, products, operations and finance.

With that I'll turn the call over to Steve to review our second quarter financials and consolidated guidance for the third quarter in more detail. Steve?

Steve Moore

Thank you, Todd.

Revenue for the second quarter of 2017 was $20.7 million, which included $5.1 million of EOL product revenue. This is compared to $22.7 million in the first quarter of 2017 which included $9.2 million of EOL revenue, and revenue of $12.6 million in the second quarter of 2016. Excluding the EOL contribution, revenue in the second quarter of 2017 reflected a 35% year-on-year growth in our digital projection business.

The breakdown of revenue during the second quarter was as follows:

Revenue from ongoing Digital projection products was approximately $15.1 million.

Mobile revenue was approximately $560,000.

And revenue from legacy chips sold as part of the EOL was approximately $5.1 million.

Non-GAAP gross profit margin was 54.4% in the second quarter of 2017, compared to 54.8% in the first quarter of 2017 and 51.6% in the second quarter of 2016.

Non-GAAP operating expenses were $7.6 million in the second quarter of 2017, compared to $8.3 million in the previous quarter and $7 million in the second quarter of 2016. As part of our co-development agreement with a customer, R&D expenses in Q2 included a net benefit of approximately $268,000.

Adjusted EBITDA was $4.7 million for the second quarter of 2017, compared to $5 million in the first quarter of 2017 and $300,000 in the year-ago quarter.

A reconciliation of adjusted EBITDA to GAAP net income/loss may be found in today's press release.

On a non-GAAP basis the Company reported a net profit of $3.2 million, or 10 cents per diluted share, in the second quarter of 2017, as compared to a net profit of $3.8 million, or 12 cents per diluted share, in the prior quarter, and a non-GAAP net loss of $756,000, or 3 cents loss per share, in the second quarter of 2016.

Moving to the balance sheet, cash and cash equivalents increased sequentially by $12.6 million to approximately $32.2 million at the end of the second quarter, as a result of strong cash flow from operations.

Other balance sheet metrics include day’s sales outstanding of 25 days at quarter-end, compared to 38 days at the end of the first quarter. The decrease is primarily due to a large portion of our EOL orders from the prior quarter shipping in the month of March. On an annualized basis, inventory turns increased to 17.2 times in the second quarter, compared to 15.6 times in the prior quarter.

Guidance

Turning now to guidance, which does include a partial quarter of contribution from ViXS Systems, which closed on August 2nd.

For the third quarter of 2017, we expect revenue to be in a range of between $18 and $19 million, which includes approximately $2 million in revenue contribution from ViXS. Additionally, we currently do not expect any meaningful revenue contribution from EOL in the third quarter.

Excluding the anticipated contribution from ViXS and previously recognized EOL revenue, the midpoint of our third quarter revenue guidance would imply organic growth in our core business of 9% sequentially and 37% year-over-year.

We expect non-GAAP gross margin of between 54% and 55%.

Operating expenses on a non-GAAP basis are expected to be between $10 and $11.3 million. These amounts include between $2.5 and $2.8 million in non-GAAP expenses related to ViXS in Q3 2017.

We expect non-GAAP EPS to be in a range of between loss of 6 cents per basic share and income of 1 cent per diluted share. Pixelworks’ base business without ViXS contribution would expect Q3 non-GAAP EPS to range between breakeven and 5 cents per diluted share. We do not expect to breakout these two business categories in the future.

We continue to expect the ViXS acquisition will be accretive to earnings in 2018. We believe that there are significant synergies between the two companies that we intend to act quickly to secure. We also expect that continuing ViXS revenues, especially in the consumer category, to grow in 2018 from 2017 at 30% to 40%.

With that, we will now open the call for questions. Operator.