

**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): May 10, 2022

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.)

**16760 SW Upper Boones Ferry Rd., Suite 101
Portland, OR 97224
(503) 601-4545**

(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.

On May 10, 2022, Pixelworks, Inc. (the “Company”) issued a press release announcing financial results for the three month period ended March 31, 2022 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 May 10, 2022 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 May 10, 2022.
99.2	Pixelworks, Inc. First Quarter Results Conference Call Script dated May 10, 2022.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

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: May 10, 2022

/s/ Haley F. Aman

Haley F. Aman
Chief Financial Officer



Pixelworks Reports First Quarter 2022 Financial Results

Mobile Revenue Increased 40% Year-over-Year, with Sales of Mobile Visual Processors Reaching a Quarterly Record

PORTLAND, Ore., May 10, 2022 – Pixelworks, Inc. (NASDAQ: PXLW), a leading provider of innovative video and display processing solutions, today announced financial results for the first quarter ended March 31, 2022.

First Quarter and Recent Highlights

- Total revenue increased 79% year-over-year with strong growth across all target end markets
- Mobile revenue included another consecutive quarterly record for hardware-based sales of mobile visual processors, reflecting expanded customer adoption and the ramp of new programs at targeted mobile OEMs
- OPPO launched its newest flagship Find X5 series, comprised of three smartphone models, each utilizing Pixelworks' software and patented high-efficiency color and brightness calibration technology
- HONOR Magic4 series launched with two models in the series becoming the first HONOR smartphones to incorporate Pixelworks technology, and each leveraging Pixelworks' X5 Plus advanced visual processor
- OPPO affiliate launched the realme GT Neo3, the first realme smartphone to incorporate Pixelworks technology and the first ever smartphone built on MediaTek platform to feature a Pixelworks visual processor, the X5 series
- vivo launched the iQOO Neo6, its latest premium smartphone designed for high-performance mobile gaming and incorporating Pixelworks' X5 Plus visual processor to deliver a highly differentiated visual experience
- Pixelworks confirmed as a Unity Verified Solutions Partner (VSP), making an optimized version of Pixelworks' Rendering Accelerator SDK available to developers that utilize Unity's industry-leading gaming engine platform
- OnePlus Ace smartphone launched with multiple cutting-edge technologies, including Pixelworks' X5 Plus visual processor together with MediaTek's Dimensity 8100-MAX flagship-light 5G mobile platform
- Announced expansion of TrueCut® Motion ecosystem, with Pixelogic joining as certified service partner and to offer TrueCut Motion post-processing capabilities for future theatrical and streaming films and releases

"The first quarter represented a great start to 2022 with strong year-over-year growth, driven by expanded adoption of our mobile visual processors and an ongoing recovery in the projector market," stated Todd DeBonis, President and CEO of Pixelworks. "Gross margin for the quarter exceeded expectations, and when combined with well-managed operating expenses, contributed to bottom-line results that were at the high-end of guidance.

"Our mobile growth strategy, including the alignment of our visual processing solutions with key market trends, continues to gain tangible momentum, particularly related to high frame rate mobile gaming. During the quarter, HONOR became our third tier-one mobile OEM customer with the launch of the HONOR Magic4 series, including multiple models that incorporate our X5 Plus visual processor. Additionally, we announced our first win with OPPO's realme brand on the realme GT Neo3, which also represented the first-ever smartphone built on MediaTek's Dimensity platform to incorporate our visual processor. Having established a recognized position with leading mobile OEMs as an enabler of differentiated visual quality and performance on smartphones, we are continuing to aggressively cultivate expanded partnerships and a more synergistic ecosystem in support of driving accelerated adoption. As a notable example, we recently advanced our collaborative ecosystem engagement with Unity Technology to become designated as a Unity VSP, making Pixelworks' high frame rate rendering accelerator readily available to leading mobile game developers and studios that utilize Unity's gaming engine platform.

"Looking to the second quarter, we are well positioned with robust bookings and have secured allocation of supply in support our expectations for continued growth."

First Quarter Fiscal 2022 Financial Results

Revenue in the first quarter of 2022 was \$16.6 million, compared to \$16.6 million in the fourth quarter of 2021 and \$9.3 million in the first quarter of 2021. The year-over-year increase in first quarter revenue reflected strong growth across all of the Company's target end markets.

On a GAAP basis, gross profit margin in the first quarter of 2022 was 52.7%, compared to 53.5% in the fourth quarter of 2021 and 40.2% in the first quarter of 2021. First quarter 2022 GAAP operating expenses were \$12.6 million, compared to \$12.6 million in the fourth quarter of 2021 and \$11.6 million in the year-ago quarter.

On a non-GAAP basis, first quarter 2022 gross profit margin was 53.2%, compared to 55.0% in the fourth quarter of 2021 and 43.7% in the year-ago quarter. First quarter 2022 non-GAAP operating expenses were \$11.6 million, compared to \$11.0 million in the fourth quarter of 2021 and \$10.2 million in the year-ago quarter.

For the first quarter of 2022, the Company recorded a GAAP net loss of \$4.6 million, or (\$0.09) per share, compared to a GAAP net loss of \$3.3 million, or (\$0.06) per share, in the fourth quarter of 2021, and a GAAP net loss of \$8.1 million, or (\$0.16) per share, in the year-ago quarter. Note, the Company refers to "net loss attributable to Pixelworks Inc." as "net loss".

For the first quarter of 2022, the Company recorded a non-GAAP net loss of \$3.5 million, or (\$0.06) per share, compared to a non-GAAP net loss of \$1.4 million, or (\$0.03) per share, in the fourth quarter of 2021, and a non-GAAP net loss of \$6.4 million, or (\$0.12) per share, in the first quarter of 2021.

Adjusted EBITDA in the first quarter of 2022 was a negative \$2.2 million, compared to a negative \$1.1 million in the fourth quarter of 2021 and a negative \$5.2 million in the year-ago quarter.

Cash and cash equivalents at the end of the first quarter of 2022 were \$55.2 million, compared to \$61.6 million at the end of the fourth quarter of 2021 and \$25.4 million at the end of the first quarter of 2021.

Business Outlook

The Company's current business outlook, including guidance for the second quarter of 2022, will be provided as part of the scheduled conference call.

Conference Call Information

Pixelworks will host a conference call today, May 10, 2022, at 2:00 p.m. Pacific Time, which can be accessed by calling 1-877-359-9508 and using Conference ID 3192021. A live audio webcast of the conference call can also be accessed by visiting the Company's investor page at www.pixelworks.com. For those unable to listen to the live webcast, it will be archived for approximately 90 days. A replay of the conference call will also be available through Tuesday, May 17, 2022, and can be accessed by calling 1-855-859-2056 and using Conference ID 3192021.

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. For more information, please visit the company's web site at www.pixelworks.com.

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

Non-GAAP Financial Measures

This earnings release makes reference to non-GAAP gross profit margins, non-GAAP operating expenses, non-GAAP net loss and non-GAAP net loss per share, which exclude amortization of acquired intangible assets and stock-based compensation expense which are required under GAAP as well as the tax effect of the non-GAAP adjustments and the impact of non-GAAP adjustments to redeemable non-controlling interest. The press release also makes reference to and reconciles GAAP net loss and adjusted EBITDA, which Pixelworks defines as GAAP net loss attributable to Pixelworks Inc. before interest income and other, net, income tax provision (benefit), depreciation and amortization, as well as the specific items listed above.

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, when reviewed together with the GAAP financial information, 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 and should be read only in conjunction with the Company's 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 Pixelworks' website.

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 businesses, including market movement and demand, the momentum of our mobile growth strategy, efforts to expand partnerships and adoption rates, bookings, and supply allocation. 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 execute on our strategy; competitive factors, such as rival chip architectures, introduction or traction by competing designs, or pricing pressures; the success of our products in expanding markets; current global economic challenges; changes in the digital display and projection markets; seasonality in the consumer electronics market; lack of adoption of our TrueCut Motion platform; our efforts to achieve profitability from operations; our limited financial resources; our ability to attract and retain key personnel; and the impact of the COVID-19 pandemic on our business and on our suppliers and customers. 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, 2021, 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.

[Financial Tables Follow]

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

	Three Months Ended		
	March 31, 2022	December 31, 2021	March 31, 2021
Revenue, net	\$ 16,628	\$ 16,586	\$ 9,270
Cost of revenue (1)	7,865	7,713	5,545
Gross profit	8,763	8,873	3,725
Operating expenses:			
Research and development (2)	7,160	7,002	6,785
Selling, general and administrative (3)	5,484	5,598	4,854
Total operating expenses	12,644	12,600	11,639
Loss from operations	(3,881)	(3,727)	(7,914)
Interest income and other, net	162	165	56
Total other income, net	162	165	56
Loss before income taxes	(3,719)	(3,562)	(7,858)
Provision (benefit) for income taxes	403	(448)	217
Net loss	(4,122)	(3,114)	(8,075)
Less: Net income attributable to redeemable non-controlling interest	(470)	(177)	—
Net loss attributable to Pixelworks Inc.	\$ (4,592)	\$ (3,291)	\$ (8,075)
Net loss attributable to Pixelworks Inc. per share - basic and diluted	\$ (0.09)	\$ (0.06)	\$ (0.16)
Weighted average shares outstanding - basic and diluted	53,680	53,293	51,673
(1) Includes:			
Amortization of acquired intangible assets	72	218	245
Stock-based compensation	8	26	79
(2) Includes stock-based compensation			
	583	623	581
(3) Includes:			
Stock-based compensation	458	940	772
Amortization of acquired intangible assets	18	53	60

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

	Three Months Ended		
	March 31, 2022	December 31, 2021	March 31, 2021
Reconciliation of GAAP and non-GAAP gross profit			
GAAP gross profit	\$ 8,763	\$ 8,873	\$ 3,725
Amortization of acquired intangible assets	72	218	245
Stock-based compensation	8	26	79
Total reconciling items included in gross profit	<u>80</u>	<u>244</u>	<u>324</u>
Non-GAAP gross profit	<u>\$ 8,843</u>	<u>\$ 9,117</u>	<u>\$ 4,049</u>
Non-GAAP gross profit margin	<u>53.2 %</u>	<u>55.0 %</u>	<u>43.7 %</u>
Reconciliation of GAAP and non-GAAP operating expenses			
GAAP operating expenses	\$ 12,644	\$ 12,600	\$ 11,639
Reconciling item included in research and development:			
Stock-based compensation	583	623	581
Reconciling items included in selling, general and administrative:			
Stock-based compensation	458	940	772
Amortization of acquired intangible assets	18	53	60
Total reconciling items included in operating expenses	<u>1,059</u>	<u>1,616</u>	<u>1,413</u>
Non-GAAP operating expenses	<u>\$ 11,585</u>	<u>\$ 10,984</u>	<u>\$ 10,226</u>
Reconciliation of GAAP and non-GAAP net loss attributable to Pixelworks, Inc.			
GAAP net loss attributable to Pixelworks Inc.	\$ (4,592)	\$ (3,291)	\$ (8,075)
Reconciling items included in gross profit	80	244	324
Reconciling items included in operating expenses	1,059	1,616	1,413
Tax effect of non-GAAP adjustments	(3)	9	(20)
Impact of non-GAAP adjustments to redeemable non-controlling interest	—	(17)	—
Non-GAAP net loss attributable to Pixelworks Inc.	<u>\$ (3,456)</u>	<u>\$ (1,439)</u>	<u>\$ (6,358)</u>
Non-GAAP net loss attributable to Pixelworks Inc. per share - basic and diluted	<u>\$ (0.06)</u>	<u>\$ (0.03)</u>	<u>\$ (0.12)</u>
Non-GAAP weighted average shares outstanding - basic and diluted	<u>53,680</u>	<u>53,293</u>	<u>51,673</u>

*Set forth above are reconciliations of the non-GAAP financial measure to the most directly comparable GAAP financial measure. The non-GAAP financial measure disclosed by the company has limitations and should not be considered a substitute for, or superior to, the financial measure prepared in accordance with GAAP, and the reconciliations from GAAP to Non-GAAP actuals should be carefully evaluated. Please refer to "Non-GAAP Financial Measures" in this document for an explanation of the adjustments made to the comparable GAAP measures, the ways management uses the non-GAAP measures, and the reasons why management believes the non-GAAP measures provide useful information for investors.

PIXELWORKS, INC.
RECONCILIATION OF GAAP AND NON-GAAP EARNINGS PER SHARE
(Figures may not sum due to rounding)
(Unaudited)

	Three Months Ended					
	March 31, 2022		December 31, 2021		March 31, 2021	
	Dollars per share		Dollars per share		Dollars per share	
	Basic	Diluted	Basic	Diluted	Basic	Diluted
Reconciliation of GAAP and non-GAAP net loss attributable to Pixelworks, Inc.						
GAAP net loss attributable to Pixelworks Inc.	\$ (0.09)	\$ (0.09)	\$ (0.06)	\$ (0.06)	\$ (0.16)	\$ (0.16)
Reconciling items included in gross profit	—	—	—	—	0.01	0.01
Reconciling items included in operating expenses	0.02	0.02	0.03	0.03	0.03	0.03
Non-GAAP net loss attributable to Pixelworks Inc.	<u>\$ (0.06)</u>	<u>\$ (0.06)</u>	<u>\$ (0.03)</u>	<u>\$ (0.03)</u>	<u>\$ (0.12)</u>	<u>\$ (0.12)</u>

*Set forth above are reconciliations of the non-GAAP financial measure to the most directly comparable GAAP financial measure. The non-GAAP financial measure disclosed by the company has limitations and should not be considered a substitute for, or superior to, the financial measure prepared in accordance with GAAP, and the reconciliations from GAAP to Non-GAAP actuals should be carefully evaluated. Please refer to "Non-GAAP Financial Measures" in this document for an explanation of the adjustments made to the comparable GAAP measures, the ways management uses the non-GAAP measures, and the reasons why management believes the non-GAAP measures provide useful information for investors.

PIXELWORKS, INC.
RECONCILIATION OF GAAP AND NON-GAAP GROSS PROFIT MARGIN *
(Figures may not sum due to rounding)
(Unaudited)

	Three Months Ended		
	March 31, 2022	December 31, 2021	March 31, 2021
Reconciliation of GAAP and non-GAAP gross profit margin			
GAAP gross profit margin	52.7 %	53.5 %	40.2 %
Amortization of acquired intangible assets	0.4	1.3	2.6
Stock-based compensation	—	0.2	0.9
Total reconciling items included in gross profit	0.5	1.5	3.5
Non-GAAP gross profit margin	53.2 %	55.0 %	43.7 %

*Set forth above are reconciliations of the non-GAAP financial measure to the most directly comparable GAAP financial measure. The non-GAAP financial measure disclosed by the company has limitations and should not be considered a substitute for, or superior to, the financial measure prepared in accordance with GAAP, and the reconciliations from GAAP to Non-GAAP actuals should be carefully evaluated. Please refer to "Non-GAAP Financial Measures" in this document for an explanation of the adjustments made to the comparable GAAP measures, the ways management uses the non-GAAP measures, and the reasons why management believes the non-GAAP measures provide useful information for investors.

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

	Three Months Ended		
	March 31, 2022	December 31, 2021	March 31, 2021
Reconciliation of GAAP net loss attributable to Pixelworks Inc. and adjusted EBITDA			
GAAP net loss attributable to Pixelworks Inc.	\$ (4,592)	\$ (3,291)	\$ (8,075)
Stock-based compensation	1,049	1,589	1,432
Amortization of acquired intangible assets	90	271	305
Tax effect of non-GAAP adjustments	(3)	9	(20)
Impact of non-GAAP adjustments to redeemable non-controlling interest	—	(17)	—
Non-GAAP net loss attributable to Pixelworks Inc.	\$ (3,456)	\$ (1,439)	\$ (6,358)
EBITDA adjustments:			
Depreciation and amortization	\$ 1,040	\$ 964	\$ 1,016
Non-GAAP interest income and other, net	(162)	(165)	(56)
Non-GAAP provision (benefit) for income taxes	406	(457)	237
Adjusted EBITDA	<u>\$ (2,172)</u>	<u>\$ (1,097)</u>	<u>\$ (5,161)</u>

*Set forth above are reconciliations of the non-GAAP financial measure to the most directly comparable GAAP financial measure. The non-GAAP financial measure disclosed by the company has limitations and should not be considered a substitute for, or superior to, the financial measure prepared in accordance with GAAP, and the reconciliations from GAAP to Non-GAAP actuals should be carefully evaluated. Please refer to "Non-GAAP Financial Measures" in this document for an explanation of the adjustments made to the comparable GAAP measures, the ways management uses the non-GAAP measures, and the reasons why management believes the non-GAAP measures provide useful information for investors

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

	March 31, 2022	December 31, 2021
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 55,162	\$ 61,587
Accounts receivable, net	8,564	8,708
Inventories	1,794	1,469
Prepaid expenses and other current assets	3,158	2,732
Total current assets	68,678	74,496
Property and equipment, net	5,375	5,656
Operating lease right of use assets	4,177	4,789
Other assets, net	3,715	3,162
Acquired intangible assets, net	—	90
Goodwill	18,407	18,407
Total assets	<u>\$ 100,352</u>	<u>\$ 106,600</u>
LIABILITIES, REDEEMABLE NON-CONTROLLING INTEREST AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 3,702	\$ 2,747
Accrued liabilities and current portion of long-term liabilities	9,771	13,563
Current portion of income taxes payable	190	128
Total current liabilities	13,663	16,438
Long-term liabilities, net of current portion	366	519
Deposit liability	12,902	12,716
Operating lease liabilities, net of current portion	2,335	2,853
Income taxes payable, net of current portion	2,816	2,948
Total liabilities	32,082	35,474
Redeemable non-controlling interest	31,527	30,905
Shareholders' equity	36,743	40,221
Total liabilities, redeemable non-controlling interest and shareholders' equity	<u>\$ 100,352</u>	<u>\$ 106,600</u>

Contacts:

Investor Contact

Shelton Group

Brett Perry

P: +1-214-272-0070

E: bperry@sheltongroup.com

Company Contact

Pixelworks, Inc.

Haley Aman

P: +1-503-601-4540

E: haman@pixelworks.com

**Pixelworks, Inc. Q1 2022 Conference Call
May 10, 2022**

Operator

Good day ladies and gentlemen, and welcome to Pixelworks Inc.'s first quarter 2022 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, instructions will be given for the question-and-answer session. This conference call is being recorded for replay purposes. I would now like to turn the call over to Brett Perry of Shelton Group Investor Relations.

Brett Perry

Thank you. Good afternoon and thank you for joining today's call. With me on the call is Pixelworks President and CEO, Todd DeBonis, and Chief Financial Officer, Haley Aman. The purpose of today's conference call is to supplement the information provided in Pixelworks' press release issued earlier today announcing the company's financial results for the first quarter of 2022.

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 beliefs as of today, Tuesday, May 10, 2022. The Company undertakes 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, 2021, 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 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 loss, and net loss per share. Non-GAAP measures exclude amortization of acquired intangible assets and stock-based compensation expense.

The Company uses these non-GAAP measures internally to assess our operating performance. We believe these non-GAAP measures provide a meaningful perspective on our core operating results and underlying cash flow dynamics. We caution investors to consider these measures in addition to, and not as a substitute for nor superior to, the Company's consolidated financial results as presented in accordance with GAAP.

Also note, throughout the Company's press release and management statements during this conference, we refer to net loss attributable to Pixelworks, Inc. as simply net loss. For additional details and reconciliations of GAAP to non-GAAP net loss and GAAP net loss to adjusted EBITDA, please refer to the Company's press release issued earlier today.

With that, it's my pleasure to turn the call over to Todd for his opening remarks.

Todd DeBonis

Thanks, Brett, and good afternoon to everyone joining us on the phone and webcast.

Starting with the Q1 results, we've had a great start to the year with the momentum we had exiting last year continuing in the first quarter. Total revenue increased 79% year-over-year with strong growth across all of our target end markets, and sales of our hardware-based, mobile visual processors growing sequentially and year-over-year to another quarterly record. Gross profit also came in strong at 53% of revenue, together with OpEx and bottom-line results in the first quarter that were better than the midpoint of guidance.

Given the recent headlines regarding COVID-related lockdowns, I want to begin by addressing the status of our business operations in China and how our Pixelworks Shanghai subsidiary has been navigating this difficult situation. First, I want to highlight that we have offices located in multiple provinces and our China-based employees are not exclusively in Shanghai. Our office in Pudong has approximately 135 employees which is a little over 50% of our global workforce. The imposed restrictions often vary by specific region, therefore any potential impacts are not universal. I would also emphasize that our operations team and our supply chain partners are located in Taiwan, and as of today there has been no associated impact on our ability to fulfill planned shipments to customers.

Having said that, the reported lockdowns have presented temporary challenges for a certain number of our employees and our office in Pudong is working with local officials to reopen over the next couple of weeks. The team has done a great job remaining productive and we have done our best to accommodate those employees. The organization in China has demonstrated incredible agility and dedication to maintaining program deadlines and supporting customer engagements, whether in the office, at our customer's facilities or working remotely from home due to local restrictions. To date, we have sustained all operational and R&D activities, including development work on our next-generation mobile and projector products, and these projects remain on track. We are continuing to monitor the situation daily and remain prepared to mitigate any future potential impacts on our day-to-day operations. I applaud the perseverance of our team during what has been a challenging time but one that we will get through together.

Turning to a review of activity across our primary end markets. Our Mobile business had another strong quarter, with the launch of several notable smartphones by tier-one customers and revenue increasing 40% year-over-year. As previously mentioned, sales of our visual processor hardware increased sequentially, marking a seventh consecutive quarter of growth.

Briefly highlighting several of the announced wins since our last conference call. In February, our long-standing partner, OPPO, launched its Find X5 series smartphones, which included three models that all utilize Pixelworks patented, high-efficiency color calibration software. Two of the models are built on a Qualcomm Snapdragon platform, while the third model – the OPPO Find X5 Dimensity Edition – was the world's first smartphone to leverage MediaTek's newly released Dimensity 9000 AP. This unique introduction of the series utilizing different application processor platforms provides increased flexibility and choice of hardware configurations to best satisfy different use cases for individual consumers. The Find X5 series served as an excellent opportunity to extend our relationship with OPPO, while also achieving a notable milestone in our collaboration with MediaTek as the first smartphone based on MediaTek's Dimensity 5G Open Architecture platform to incorporate Pixelworks' visual quality technology.

Also in February, we were able to confirm the name of our previously indicated win with a third tier-one mobile OEM, following the launch of HONOR's Magic4 series smartphones. This initial engagement with HONOR ultimately resulted in wins on two models in the series with the Magic4 Pro and Magic4 Pro Plus ("Zhizhen" edition) both incorporating Pixelworks' X5 Plus advanced visual processor. In addition to being one of the fastest growing brands, HONOR actively seeks to position itself in the premium market. In the company's own words, they "aim to reshape the high-end flagship market with powerful performance and excellent visual enjoyment". Our X5 Plus visual processor proved to be critical to HONOR's achievement of these aspirations, as they recognized the X5's unique value of not only enabling superior visual quality, but also a distributed architecture that could offload visual processing from the GPU to reduce overall system power consumption.

In March, OPPO's affiliate, realme, launched the realme GT Neo3 also incorporating our X5 series visual processor. This win represented the first realme branded smartphone to utilize our technology, additionally it was the first-ever smartphone to incorporate Pixelworks hardware-based visual processing technology in a device built on MediaTek's Dimensity 8100 platform. As a result, now both our software-only and visual processor-based solutions have each been successfully utilized in commercially launched smartphones based on Qualcomm and MediaTek AP platforms.

In April, vivo launched the iQOO Neo6 premium smartphone with a design focused on high performance mobile gaming and incorporating our X5 Plus visual processor. This device and its features build upon the combined success of the iQOO Neo 5S and its predecessor, the Neo 5, which was our first-ever win on the vivo iQOO series. Unique to the latest iQOO Neo6 it incorporates a number of advanced gaming filters to enhance visual display effects, including dedicated filters for specific games as well as customized filters that independently adjust the display contrast, saturation, hue and brightness. Enabled by the Pixelworks X5 processor and our ongoing collaboration with vivo, these extensive filter options provide end users with advanced capability to choose and personalize their own immersive gaming experience.

Most recently, we extended our successful partnership with OnePlus, with the launch of the OnePlus Ace smartphone. Also incorporating our X5 Pro processor and leveraging Pixelworks' full suite of visual quality and performance capabilities, the OnePlus Ace is built on MediaTek's latest 8100-MAX flagship-light 5G mobile platform, which utilizes TSMC's 5nm processing technology. Together with other expanded cutting-edge technologies, this smartphone received recognition for both its design appearance and performance configuration. The OnePlus Ace is also designated as the official phone for the 2022 Peace Elite Pro League and League of Legends Professional League, further solidifying OnePlus' market leadership for mobile devices used in esports tournaments.

Collectively these wins underscore the continued traction and momentum of our differentiating visual processing technology across multiple tier-one smartphone designs and AP platforms. Additionally, these leading mobile customers are making visual display quality and performance a centerpiece of their device marketing campaigns. Although they don't always attribute the capability to us by name, tier-one customers are choosing to highlight and differentiate their brands based on features and performance that they simply cannot replicate going forward without using Pixelworks.

One of the objectives of our mobile growth strategy that we highlighted on the previous call was to cultivate and expand an ecosystem that further positions Pixelworks technology as the default solution. At that time we were in active collaboration and testing with Unity on its gaming engine platform. In April, we announced that Pixelworks is now a Unity verified solutions partner, or VSP. This means that our SDK has now been fully vetted and optimized, making our high frame rate rendering accelerator readily available to leading mobile game developers and studios that utilize Unity's gaming engine platform. Together with this designation, we've also increased direct engagement with game content studios as part of establishing a mutually beneficial ecosystem for more immersive high frame rate mobile gaming.

As a reminder, our rendering accelerator that's now available to developers was specifically designed and optimized for utilizing unique and advanced capabilities that are incorporated into our newest generation X7 visual processor. This will enable mobile game developers and studios to take full advantage of the X7 processor, including the ability to elevate content frame rate by pre-processing motion vectors more precisely and efficiently to deliver optimal and smooth animation – while simultaneously offloading the GPU to extend the length of gameplay and lowering the operating temperature of mobile devices. With continued engagement and buy-in from the ecosystem, we believe the combination of our rendering accelerator and X7 visual processor has the potential to completely redefine the industry standard and specs for mobile gaming performance.

We currently have multiple lead customers engaged and in advanced stages of evaluation and design in, and we expect the first smartphone models incorporating our X7 visual processor will be launched in the second half of this year.

Shifting to TrueCut, we've recently demonstrated steady progress on our ongoing efforts to cultivate and build-out a supporting ecosystem for our TrueCut Motion platform. Since our formal launch of the platform in December, we've had two named foundational partners join the ecosystem. On the device side, TCL joined and endorsed the TrueCut Motion ecosystem in January in conjunction with CES as the first device manufacturer.

Then, at CinemaCon in late April we announced Pixelogic as a Certified Services Partner for the TrueCut Motion ecosystem. Pixelogic is a leading provider of global content mastering, localization and distribution for the media and entertainment industry – including many major studios and digital content platforms. As a certified ecosystem partner, Pixelogic will provide TrueCut Motion mastering for theatrical and streaming titles as part of their standard process for new and existing customers.

In partnership with Pixelogic we recently demonstrated our TrueCut Motion platform to industry participants at CinemaCon. With expressed permission from the production company, we showcased selected clips from "The Hobbit", remastered with TrueCut Motion. While this was exclusively a demonstration, it showed how TrueCut Motion can bring a cinematic look to high frame rate productions like the Hobbit. Specific to content, we are actively working on multiple titles that are planned for theatrical release later this year. We believe that these initial titles will encourage additional title and ecosystem growth as we go into 2023.

Turning to the Projector business, the recovery that began in the first half of 2021 is continuing to play out in 2022. End market demand has generally continued to outpace projector OEMs' ability to source supply of all necessary components in recent quarters. As a result of longer lead-times for some components, we've seen customer order patterns become more linear from quarter to quarter. Projector revenue in the first quarter was effectively flat compared to the fourth quarter, a sharp contrast from traditional first quarter seasonality. As further evidence of the ongoing recovery in the projector market, first quarter revenue nearly doubled year-over-year and matched the pre-pandemic revenue levels reported in first quarter of 2020.

Specific to Pixelworks' ability to supply to Projector customers, capacity has remained tight however we've continued to work closely with both our foundry and back-end partners to fulfill customer demand. The latest feedback from projector customers supports continued expectations for double-digit growth in 2022 together with modest improvement in component supply constraints toward the second half of the year.

Separately, I also want to briefly acknowledge that activity on our next-generation co-development project with our largest projector customer is going well and remains on schedule. Once development is complete toward the end of the year, this new SoC will begin to ramp to production in late 2023.

In summary, we had a great first quarter highlighted by strong top-line growth year-over-year, a record quarter for our mobile visual processors, the achievement of significant ecosystem milestones for both mobile and TrueCut, continued recovery in the projector market, and solid execution despite a portion of our team dealing with Covid lockdown challenges. Looking forward to the second quarter, we are comfortably positioned with considerable bookings and secured capacity allocation to deliver double-digit sequential revenue growth, primarily driven by what we expect to be a record quarter for our mobile business.

I'll now turn the call over to Haley to review the financials and provide our detailed guidance for the second quarter.

Haley Aman

Thank you, Todd.

Revenue for the first quarter of 2022 was \$16.6 million, essentially flat with \$16.6 million in the fourth quarter of 2021, and representing an increase of 79% from \$9.3 million in the first quarter of 2021. As Todd previously mentioned, our sequentially flat top-line results reflected demand that was significantly above the traditional first quarter seasonality. The year-over-year increase was driven by strong growth across all of the Company's target end markets, highlighted by the ongoing recovery in the projector market and continued expansion of design wins and customers in the mobile market.

The breakdown of revenue in the first quarter was as follows:

- Revenue from Mobile was \$5.7 million, representing 34% of total revenue. We would like to highlight that revenue contribution from mobile visual display processors in Q1 grew 24% sequentially and increased over 50% year-over-year to a new quarterly record.
- Revenue from Digital Projector was approximately \$7.9 million, down only 3% sequentially and up more than 90% year-over-year, reflecting the significant and ongoing recovery in customer and end market demand.
- Video Delivery revenue was approximately \$3.1 million in the first quarter.

Non-GAAP gross profit margin was 53.2% in the first quarter of 2022, compared to 55.0% in the fourth quarter of 2021, which benefited from higher licensing revenue from mobile software solutions, and compared to 43.7% in the first quarter of 2021. First quarter gross margin reflected our ongoing efforts to both mitigate and pass-through higher material costs to customers.

Non-GAAP operating expenses were \$11.6 million in the first quarter compared to \$11.0 million last quarter and \$10.2 million in the first quarter of 2021.

On a non-GAAP basis, first quarter 2022 net loss was \$3.5 million, or a loss of (\$0.06) cents per share, compared to a net loss of \$1.4 million, or a loss of (\$0.03) cents per share, in the prior quarter, and a net loss of \$6.4 million, or a loss of (\$0.12) cents per share, in the first quarter of 2021.

Adjusted EBITDA for the first quarter of 2022 was a negative \$2.2 million, compared to a negative \$1.1 million in the fourth quarter of 2021 and a negative \$5.2 million in the first quarter of 2021.

Turning to the balance sheet, we ended the quarter with cash and cash equivalents of \$55.2 million.

Shifting to our current expectations and guidance for the second quarter of 2022.

We expect continued top-line growth in the second quarter with total revenue anticipated to be in a range of between \$18.0 million and \$20.0 million. At the midpoint of this range, we anticipate sequential growth to be driven primarily by mobile and with revenue contribution from mobile representing a new quarterly record.

Non-GAAP gross margin in the second quarter is anticipated to be between 49.0% and 51.0%. Second quarter gross margin is expected to reflect a larger mix of mobile chip revenue, as compared to the most recent quarter.

We expect operating expenses in the second quarter to range between \$13.0 million and \$14.0 million on a non-GAAP basis. Compared to the previous quarter, anticipated operating expenses for the second quarter reflect a combination of planned hiring and timing of expense related to simultaneous development of both a mobile chip and a projector chip. We expect our operating expenses to be uneven throughout 2022 due to the timing of the recognition of the credits associated with our co-development agreement with a large existing projector customer.

Lastly, we expect second quarter non-GAAP EPS to be in a range of between a loss of (\$0.10) cents per share and a loss of (\$0.06) cents per share.

That completes our prepared remarks, and we look forward to taking a few of your questions. Operator, please proceed with the Q&A session. Thank you.