

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 14, 2024

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 14, 2024, Pixelworks, Inc. (the “Company”) issued a press release announcing financial results for the three month period ended March 31, 2024 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 14, 2024 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 14, 2024.
99.2	Pixelworks, Inc. First Quarter Results Conference Call Script dated May 14, 2024
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 14, 2024

/s/ Haley F. Aman

Haley F. Aman
Chief Financial Officer



Pixelworks Reports First Quarter 2024 Financial Results

Total Revenue Increased 61% Year-over-Year;

Mobile Revenue Grew nearly 200% Year-over-Year, Reaching a Record 61% of Total Revenue

PORTLAND, Ore., May 14, 2024 – 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, 2024.

First Quarter and Recent Highlights

- Total revenue increased 61% year-over-year, driven by strong growth in mobile revenue
- Mobile revenue grew year-over-year to \$9.8 million, reflecting increased shipments of X-series visual processors for smartphones and an expanded number of TrueCut Motion™ engagements
- GAAP gross margin expanded almost 600 basis points sequentially and 670 basis point year-over-year to 50.5%, primarily driven by revenue mix comprised of newer generation mobile visual processors
- Transsion, a global tier-one manufacturer of smart devices, launched the Infinix GT 20 Pro smartphone in emerging market geographies, incorporating Pixelworks' X5 Turbo visual processor
- vivo's newly launched iQOO Z9 Turbo smartphone incorporated the Pixelworks' X5 Turbo visual processor, extending a more immersive, high-frame-rate gaming experience to the mid-tier device market
- Diablo® Immortal™, co-developed by Blizzard Entertainment® and NetEase, became latest AAA mobile game to integrate Pixelworks' IRX Rendering Accelerator SDK for superior visual experiences on IRX certified devices
- Legendary Pictures' Godzilla x Kong: New Empire was released globally by Warner Bros. to select premium format theaters in TrueCut Motion format
- Universal Pictures released DreamWorks Animation's Kung Fu Panda 4 in TrueCut Motion format to both 3D and 2D premium theaters, showcasing the enhanced motion look of cinematic high-frame-rate

"First quarter revenue was slightly above the midpoint of guidance and reflected the anticipated March quarter seasonality following our record mobile revenue in the fourth quarter," stated Todd DeBonis, President and CEO of Pixelworks. "Year-over-year, mobile revenue was up almost 3x and represented a record 61% of total revenue for the quarter. Additionally, gross margin expanded nearly 600 basis points sequentially, which together with well managed operating expenses, resulted in minimal cash used from operations during the first quarter.

"Our recently announced mobile wins, including Transsion's Infinix GT 20 Pro smartphone and vivo's newly launched iQOO Z9 Turbo, represent notable traction on our two-pronged strategy aimed at increased penetration of the mid- to lower-tier device market as well as expanded adoption in smartphone models targeted for outside of China. With the Infinix GT 20 Pro smartphone, Transsion not only became our fifth tier-one handset customer, they are the first to introduce Pixelworks' visual processing technology to sub-\$350 phones in emerging markets. Additionally, we continued to expand the ecosystem for our TrueCut Motion platform with additional industry-leading studios and new motion pictures released to premium format theaters in TrueCut Motion format.

"We remain focused on operational execution in a challenging environment, while also continuing to navigate a dynamic smartphone market in China. As part of our strategy, together with new product initiatives and broader gaming ecosystem engagements, we are driving to expand our targeted addressable market and the long-term growth potential of our mobile business. We look forward to achieving additional key milestones across our mobile and TrueCut Motion businesses throughout the balance of the year."

First Quarter 2024 Financial Results

Revenue in the first quarter of 2024 was \$16.1 million, compared to \$20.1 million in the fourth quarter of 2023 and \$10.0 million in the first quarter of 2023. The year-over-year increase in first quarter revenue was driven by strong growth in the Company's mobile business, which expanded to 61% of total revenue for the quarter.

On a GAAP basis, gross profit margin in the first quarter of 2024 was 50.5%, compared to 44.7% in the fourth quarter of 2023 and 43.8% in the first quarter of 2023. First quarter 2024 GAAP operating expenses were \$13.6 million, compared to \$13.1 million in the fourth quarter of 2023 and \$14.7 million in the year-ago quarter.

On a non-GAAP basis, first quarter 2024 gross profit margin was 50.7%, compared to 44.8% in the fourth quarter of 2023 and 44.1% in the year-ago quarter. First quarter 2024 non-GAAP operating expenses were \$12.6 million, compared to \$12.0 million in the fourth quarter of 2023 and \$13.6 million in the year-ago quarter.

For the first quarter of 2024, the Company recorded a GAAP net loss of \$5.1 million, or (\$0.09) per share, compared to a GAAP net loss of \$3.7 million, or (\$0.07) per share, in the fourth quarter of 2023, and a GAAP net loss of \$9.4 million, or (\$0.17) 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 2024, the Company recorded a non-GAAP net loss of \$4.0 million, or (\$0.07) per share, compared to a non-GAAP net loss of \$2.6 million, or (\$0.05) per share, in the fourth quarter of 2023, and a non-GAAP net loss of \$8.2 million, or (\$0.15) per share, in the first quarter of 2023.

Adjusted EBITDA in the first quarter of 2024 was a negative \$3.2 million, compared to a negative \$1.9 million in the fourth quarter of 2023 and a negative \$7.8 million in the year-ago quarter.

Cash and cash equivalents at the end of the first quarter of 2024 were \$46.2 million, compared to \$47.5 million at the end of the fourth quarter of 2023 and \$62.8 million at the end of the first quarter of 2023.

Business Outlook

The Company's current business outlook, including guidance for the second quarter of 2024, will be discussed as part of the scheduled conference call.

Conference Call Information

Pixelworks will host a conference call today, May 14, 2024, at 2:00 p.m. Pacific Time. To join the conference call via phone, participants are required to complete the following registration form to receive a dial-in number and dedicated PIN for accessing the conference call. Additionally, a live and archived audio webcast of the conference call will be accessible via the investors section of Pixelworks' website at www.pixelworks.com.

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, MotionEngine, TrueCut Motion and the Pixelworks logo are 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 stock-based compensation expense which is required under GAAP. 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, depreciation and amortization, as well as the specific item 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 expected adoption rates, increased volumes, new product introductions, gross margin expansion, and achievement of quarterly breakeven results. 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: the actual adoption rate of our TrueCut Motion technology or of high frame rate content by the motion picture and streaming video industries; the actual performance of the motion picture and streaming video industries; the actual performance of the smartphone market throughout 2024; 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; our efforts to achieve profitability from operations; our limited financial resources; and our ability to attract and retain key personnel. 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, 2023, 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, 2024	December 31, 2023	March 31, 2023
Revenue, net	\$ 16,054	\$ 20,074	\$ 9,966
Cost of revenue (1)	7,940	11,098	5,599
Gross profit	8,114	8,976	4,367
Operating expenses:			
Research and development (2)	8,073	6,953	8,666
Selling, general and administrative (3)	5,534	6,151	6,072
Total operating expenses	13,607	13,104	14,738
Loss from operations	(5,493)	(4,128)	(10,371)
Interest income and other, net	434	435	671
Loss before income taxes	(5,059)	(3,693)	(9,700)
Provision for income taxes	105	39	34
Net loss	(5,164)	(3,732)	(9,734)
Less: Net (income) loss attributable to non-controlling interests and redeemable non-controlling interests	98	(12)	338
Net loss attributable to Pixelworks Inc.	\$ (5,066)	\$ (3,744)	\$ (9,396)
Net loss attributable to Pixelworks Inc. per share - basic and diluted	\$ (0.09)	\$ (0.07)	\$ (0.17)
Weighted average shares outstanding - basic and diluted	57,472	56,895	55,720
(1) Includes stock-based compensation	18	22	24
(2) Includes stock-based compensation	330	396	491
(3) Includes stock-based compensation	727	701	651

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

	Three Months Ended		
	March 31, 2024	December 31, 2023	March 31, 2023
Reconciliation of GAAP and non-GAAP gross profit			
GAAP gross profit	\$ 8,114	\$ 8,976	\$ 4,367
Stock-based compensation	18	22	24
Non-GAAP gross profit	\$ 8,132	\$ 8,998	\$ 4,391
Non-GAAP gross profit margin	50.7 %	44.8 %	44.1 %
Reconciliation of GAAP and non-GAAP operating expenses			
GAAP operating expenses	\$ 13,607	\$ 13,104	\$ 14,738
Reconciling item included in research and development:			
Stock-based compensation	330	396	491
Reconciling items included in selling, general and administrative:			
Stock-based compensation	727	701	651
Total reconciling items included in operating expenses	1,057	1,097	1,142
Non-GAAP operating expenses	\$ 12,550	\$ 12,007	\$ 13,596
Reconciliation of GAAP and non-GAAP net loss attributable to Pixelworks, Inc.			
GAAP net loss attributable to Pixelworks Inc.	\$ (5,066)	\$ (3,744)	\$ (9,396)
Reconciling items included in gross profit	18	22	24
Reconciling items included in operating expenses	1,057	1,097	1,142
Non-GAAP net loss attributable to Pixelworks Inc.	\$ (3,991)	\$ (2,625)	\$ (8,230)
Non-GAAP net loss attributable to Pixelworks Inc. per share - basic and diluted	\$ (0.07)	\$ (0.05)	\$ (0.15)
Non-GAAP weighted average shares outstanding - basic and diluted	57,472	56,895	55,720

*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, 2024		December 31, 2023		March 31, 2023	
	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)	\$ (0.07)	\$ (0.07)	\$ (0.17)	\$ (0.17)
Reconciling items included in gross profit	—	—	—	—	—	—
Reconciling items included in operating expenses	0.02	0.02	0.02	0.02	0.02	0.02
Non-GAAP net loss attributable to Pixelworks Inc.	<u>\$ (0.07)</u>	<u>\$ (0.07)</u>	<u>\$ (0.05)</u>	<u>\$ (0.05)</u>	<u>\$ (0.15)</u>	<u>\$ (0.15)</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, 2024	December 31, 2023	March 31, 2023
Reconciliation of GAAP and non-GAAP gross profit margin			
GAAP gross profit margin	50.5 %	44.7 %	43.8 %
Stock-based compensation	0.1	0.1	0.2
Total reconciling items included in gross profit	0.1	0.1	0.2
Non-GAAP gross profit margin	<u>50.7 %</u>	<u>44.8 %</u>	<u>44.1 %</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 FINANCIAL INFORMATION *
(In thousands)
(Unaudited)

	Three Months Ended		
	March 31, 2024	December 31, 2023	March 31, 2023
Reconciliation of GAAP net loss attributable to Pixelworks Inc. and adjusted EBITDA			
GAAP net loss attributable to Pixelworks Inc.	\$ (5,066)	\$ (3,744)	\$ (9,396)
Stock-based compensation	1,075	1,119	1,166
Non-GAAP net loss attributable to Pixelworks Inc.	\$ (3,991)	\$ (2,625)	\$ (8,230)
EBITDA adjustments:			
Depreciation and amortization	\$ 1,109	\$ 1,076	\$ 1,081
Non-GAAP interest income and other, net	(434)	(435)	(671)
Non-GAAP provision (benefit) for income taxes	105	39	34
Adjusted EBITDA	<u>\$ (3,211)</u>	<u>\$ (1,945)</u>	<u>\$ (7,786)</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, 2024	December 31, 2023
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 46,193	\$ 47,544
Accounts receivable, net	7,350	10,075
Inventories	3,357	3,968
Prepaid expenses and other current assets	2,104	3,138
Total current assets	59,004	64,725
Property and equipment, net	7,656	5,997
Operating lease right of use assets	4,929	4,725
Other assets, net	1,813	2,115
Goodwill	18,407	18,407
Total assets	\$ 91,809	\$ 95,969
LIABILITIES, REDEEMABLE NON-CONTROLLING INTEREST AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 3,821	\$ 2,416
Accrued liabilities and current portion of long-term liabilities	8,347	9,692
Current portion of income taxes payable	182	189
Total current liabilities	12,350	12,297
Long-term liabilities, net of current portion	970	1,373
Deposit liability	13,683	13,781
Operating lease liabilities, net of current portion	2,777	2,567
Income taxes payable, net of current portion	981	939
Total liabilities	30,761	30,957
Redeemable non-controlling interest	27,692	28,214
Total Pixelworks, Inc. shareholders' equity	9,450	12,541
Non-controlling interest	23,906	24,257
Total shareholders' equity	33,356	36,798
Total liabilities, redeemable non-controlling interest and shareholders' equity	\$ 91,809	\$ 95,969

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. 1Q 2024 Conference Call
Thursday, February 8, 2024

Operator

Good day ladies and gentlemen, and welcome to Pixelworks Inc.'s first quarter 2024 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 with Shelton Group Investor Relations.

Brett Perry

Good afternoon and thank you for joining today's call. With me on the call are 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 2024.

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 14, 2024. 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, the Company's annual report on Form 10-K for the year ended December 31, 2023, 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 stock-based compensation expense.

The Company uses these non-GAAP measures internally to assess its 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, I will now turn the call over to Pixelworks' CEO, Todd DeBonis, for his opening remarks.

Todd DeBonis

Thank you, Brett. Good afternoon and welcome to everyone joining us on today's call.

In terms of our overall results, we had a solid first quarter. As outlined in today's press release, total revenue was just above the midpoint of guidance and reflected the anticipated March quarter seasonality coming off record mobile revenue in the fourth quarter. Gross margin expanded nearly 600 basis points sequentially [to over 50%] due to a favorable shift in revenue mix toward our newer X7 Gen 2 visual processor combined with targeted product cost efficiencies and an increase in Truecut revenue. Together with well-managed operating expenses, we utilized minimal cash from operations during first quarter.

For a review of end markets, starting with our Mobile business. As previously mentioned, Mobile revenue for the quarter reflected the expected seasonality associated with customers' launch cycles for new smartphone models. Year-over-year, mobile revenue was up nearly 200% and represented a record 61% of total revenue for the first quarter. This growth was driven by increased unit shipments of our X-series visual processors – including our newest X7 Gen 2 mobile visual processor and an increase in Truecut Motion licensing and motion grading services.

We have continued to expand and gain momentum with our IRX-branded gaming experience and ecosystem, which serves to further differentiate the inherent performance advantages and premium visual gaming experience that our mobile processors bring to customers' smartphones. Introduced in the second half of last year, IRX, which is short for Image Rendering Xcelerator, is an end-to-end ecosystem solution that we established specifically for mobile gaming. The overall response and our resulting collaborations across industry-leading game engines and gaming studios have been encouraging. Since the

introduction of IRX, our work with several leading gaming studios has resulted in a total of 9 IRX certified mobile games, and we've tuned our solution to optimize visual performance on over 100 IRX qualified mobile games. When played on an IRX enabled smartphone incorporating our X-series visual processor, IRX certified games deliver superior high visual quality. This provides a unique and more immersive gaming experience for mobile gamers, while also saving overall system power and extending battery life. In April, we announced that "Diablo Immortal", a mobile game co-developed by Blizzard Entertainment and NetEase studios, was the latest game to incorporate our IRX rendering accelerator SDK solution. Based on our current pipeline of engagements with studios on new games, we are aiming to double the current number of IRX certified games by the end of this year – and among these we expect some of the highest global ranking mobile games to soon be IRX certified.

In terms of adoption, year-to-date we've announced a series of newly launched smartphones incorporating our mobile visual processors. First as highlighted on our last call, in early January the OnePlus Ace 3 smartphone was the first device launched incorporating our new X7 Gen 2. Also, as a reminder we entered 2024 focused on expansion beyond premium domestic models in China. Our two-pronged strategy includes increasing penetration of the mid- to lower-tier market as well as expanded adoption in models targeted for global markets. As evidence of our initial traction, in January OnePlus launched the global version of its OnePlus 12, representing the first flagship international model to incorporate both our X7 visual processor and IRX certification. Then, in April we announced our X5 Turbo visual processor was incorporated in vivo's newly launched iQOO Z9 Turbo smartphone targeted at the mid-tier market segment. Leveraging our X5-series processor, the iQOO Z9 Turbo features differentiated frame rate optimization as well as diverse gaming display enhancement modes.

Most recently, we achieved a meaningful step toward international expansion with Transsion's announced launch of its Infinix GT 20 Pro smartphone. With the incorporation of our X5-series processor, Transsion became our 5th tier-one mobile customer. More importantly, the Infinix GT 20 Pro represents the first integration of Pixelworks' visual processing technology in a sub-\$350 smartphone that is primarily targeted for emerging markets outside of China.

We are encouraged by these recently launched models in support of expanding our served available market. As we succeed in securing additional international models and penetration of sub-premium market segments, it will further complement our core strategy, which remains focused on delivering highly differentiated, market-leading visual display performance for the mobile market. With expansion of our served available market we have the opportunity to drive higher unit volumes, accelerated ecosystem development and more robust future growth.

Next, I want to cover updates on our other businesses, then I will circle back with some additional comments about our near-term expectations for mobile as part of my closing remarks.

Turning to TrueCut Motion. As highlighted on our previous conference call, in late January we announced a multi-year agreement with Walt Disney Studios to bring a collection of TrueCut Motion graded titles to select home entertainment devices – the first device being the Apple Vision Pro. Securing Disney as our first home entertainment ecosystem partner was a significant milestone for TrueCut Motion. Today, Apple Vision Pro users can watch the motion graded versions of "Avatar" and "Avatar: The Way of Water" on both the Disney plus and Apple TV plus streaming apps.

In the three months since our announcement with Walt Disney Studio, three additional new titles have been released to premium format theaters in TrueCut Motion's cinematic high-frame-rate format. In February, Matthew Vaughn's "Argylle", which was produced by Apple Original Films in association with MARV, was distributed globally by Universal Pictures. Then in March, DreamWorks Animation's "Kung Fu Panda 4" was released by Universal Pictures in TrueCut Motion format in select premium theaters. Most recently, Legendary Pictures' "Godzilla x Kong: New Empire" was released globally by Warner Bros. to select premium theaters.

Additionally, in collaboration with our industry partner Christie, in April we demonstrated these titles in TrueCut Motion format at CinemaCon in Las Vegas utilizing a mock-theater equipped with a world-class CINITY Cinema System. These demos received a very positive response from exhibitors and also served as further industry validation that TrueCut Motion is THE leading premium format.

Our near-term focus remains on bringing more high-value titles to theaters as well as home entertainment in TrueCut Motion format over the coming months and quarters, while also continuing to engage prospective content distributions and consumer device ecosystem partnerships.

Shifting to our Home and Enterprise business, which is predominantly comprised of our visual processor SoCs for the 3LCD digital projector market. Revenue was in line with our expectations and consistent with typical first quarter seasonality, reflecting the standard practice of managing-down internal inventories by Japanese OEM customers in advance of their fiscal year-end. Compared to the first quarter of 2023, Home and Enterprise revenue was down slightly due to lower contribution from our legacy Video Delivery solutions, with sales into the Projector market effectively flat year-over-year.

As indicated by Home and Enterprise revenue, end market demand for digital projectors has seemingly stabilized in recent quarters. However, the past several years have represented a challenging environment for the professional projector market,

resulting in a steady consolidation of 3-LCD market share by the industry's leading manufacturer and also our largest projector customer.

At the end of April, this same projector customer completed final testing and evaluation on production samples of our co-developed next-generation projector SoC. I'm pleased to report that we received acceptance on the new SoC, and it will go into volume production in support of our customer's first two models during the second half of this year. I want to briefly emphasize the significance of this new product milestone, while also recognizing our talented and dedicated team that made this multi-year development project a success.

Our customer's transition to the new SoC from the prior generation will be gradual as new projector models are introduced to market. As a result, this SoC will drive revenue over the course of several years, and effectively extends the runway for our profitable projector business through the latter part of this decade.

Before handing over the call to Haley, I want to take a minute to discuss our current outlook based on two recent developments impacting our near-term mobile business. First, our largest mobile customer over the past two quarters recently informed us of a near term reduction in their demand compared to our previous expectations. In short, this customer has encountered some unique sales challenges on recently launched models that are completely unrelated to Pixelworks. Due to their slower than anticipated sell through, they are pausing orders until their current and soon to be released production models consume existing inventory. We expect this pause to extend into calendar Q3.

Separately, we are experiencing a delay on the market introduction of our next-generation mobile visual processor. As alluded to in the past, we've been aggressively working on this, yet to be announced, new product for the last two years. It will be by far the most advanced, and we believe market disruptive, visual processor that Pixelworks has introduced. In addition to being our first-ever processor designed in TSMC's 12-nanometer LLP process, it integrates a highly advanced feature set that with the collaboration of our IRX ecosystem partners will bring a fully immersive desktop "like" gaming experience to mobile devices. Our targeted timeline for releasing this next-generation processor was the end of the current quarter, however a few technical hurdles have required pushing-out its production release to later in the year. As a result, we are unfortunately going to miss a couple of customers' design-in windows for new premium models in the back-half of 2024 that we previously anticipated securing. Despite this delay, we still have multiple customers that are excited about our next-gen solution, and they remain engaged for incorporating it in subsequently planned models.

While these two developments are obviously very disappointing, I want to emphasize that IRX ecosystem engagement is at an all-time high. I would also add that these respective headwinds primarily impact the timing of our previous expectations, including near-term revenue, and they do not change our strategy nor our longer-term growth potential. With that said, given the anticipated short-term drawdown in revenue, we are reviewing our near-term OpEx and areas to maximize operational efficiencies. Apart from the current headwinds, we are very pleased with the previously discussed expansion of our two-pronged mobile strategy, and we also remain very confident in the ability of our growing IRX ecosystem to drive increasing adoption of our current and future mobile visual processors.

With that, I'll pass the call 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 2024 was \$16.1 million, which was just above the midpoint of our guidance. Year-over-year, total revenue for the first quarter increased 61%, driven by strong growth in Mobile.

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

- Revenue from Mobile was approximately \$9.8 million or 61% of total revenue, and was comprised primarily of shipments of our X5 and X7 series of visual processors as well as revenue contribution from a series of recent TrueCut motion grading services and licensing engagements.
- Home and Enterprise revenue was approximately \$6.2 million.

First quarter non-GAAP gross profit margin expanded almost 600 basis points sequentially to 50.7%, from 44.8% in the fourth quarter of 2023, and compared to 44.1% in the first quarter of 2023. The sequential and year-over-year improvement in gross margin primarily reflected a higher mix of revenue from newer-generation mobile visual processors in the quarter, increased Truecut licensing revenue as well as the benefit of manufacturing cost efficiencies with our suppliers.

Non-GAAP operating expenses were \$12.6 million in the first quarter, compared to \$12.0 million in the prior quarter and \$13.6 million in the first quarter of 2023. Comparing sequential quarters, fourth quarter operating expenses reflected the final credit to R&D related to the co-development agreement with our largest projector customer.

On a non-GAAP basis, first quarter 2024 net loss was \$4.0 million, or a loss of (\$0.07) cents per share, compared to a net loss of \$2.6 million, or a loss of (\$0.05) cents per share, in the prior quarter, and a net loss of \$8.2 million, or a loss of (\$0.15) cents per share, in the year ago first quarter.

Adjusted EBITDA for the first quarter of 2024 was a negative \$3.2 million, compared to a negative \$1.9 million in the fourth quarter and a negative \$7.8 million in the first quarter of 2023.

Turning to the balance sheet, we ended the first quarter with cash and cash equivalents of \$46.2 million, compared to \$47.5 million at the end of the fourth quarter. While the Company had a small sequential decrease in cash balance, I would like to highlight that Pixelworks' Shanghai subsidiary achieved positive cash flow from operations for the first quarter of 2024.

Shifting to our current expectations and guidance for the second quarter of 2024.

As Todd discussed, total revenue for the second quarter will be lower than previously anticipated primarily a result of the near-term headwinds in our mobile business. Considering these factors and based on our existing backlog, we currently expect total revenue for the second quarter to be in a range of between \$8.0 million and \$9.0 million. I also want to emphasize that we believe the headwinds impacting second quarter mobile revenue are near-term, and we expect a return to sequential growth in the second half of the year.

In terms of gross profit margin. For the second quarter, we anticipate non-GAAP gross profit margin to be between 50% and 52%.

We expect operating expenses in the second quarter to range between \$12.5 million and \$13.5 million on a non-GAAP basis.

Lastly, we expect second quarter non-GAAP EPS to range between a loss of (\$0.16) cents per share and a loss of (\$0.13) cent per share.

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