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 7, 2020

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.)

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

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

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

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

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

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
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 August 10, 2020, Pixelworks, Inc. (the "Company") issued a press release announcing financial results for the three and six month periods ended June 30, 2020 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 10, 2020 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 2.05 Costs associated with exit or disposal activity.

On August 7, 2020, the Board of Directors (the "Board") of Pixelworks, Inc. (the "Company") approved a restructuring plan to make the operation of the Company more efficient and which would result in an approximately 14% reduction in workforce, primarily in the areas of operations, research and development, sales, and marketing. The Board believes adoption of this restructuring plan will help streamline the Company's operations and workforce, and more appropriately align the Company's operating expenses with current revenue levels. The Company expects the restructuring to be substantially completed by the end of the third quarter ending September 30, 2020 and expects to incur total estimated restructuring charges of approximately $1.5 million related to employee severance and benefits. The Company expects that these charges will largely be recorded in the third quarter of 2020.

As a result of the restructuring, the Company expects to realize annualized savings of approximately $3.2 million.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

Exhibit No.	Description
99.1	Press Release issued by Pixelworks, Inc. dated August 10, 2020.
99.2	Pixelworks, Inc. Second Quarter Results Conference Call Script dated August 10, 2020.

SIGNATURE

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

PIXELWORKS, INC.

(Registrant)

Dated:	August 10, 2020	/s/ Elias N. Nader
		Elias N. Nader *Vice President and Chief Financial Officer*

Exhibit 99.1

pixelworks®

Pixelworks Reports Second Quarter 2020 Financial Results

Announces Restructuring to Reduce Operating Expenses by $3.2 Million Annually

Anticipates Additional Smartphone Wins to Drive Mobile Revenue Growth in Second Half

SAN JOSE, Calif., August 10, 2020 – Pixelworks, Inc. (NASDAQ: PXLW), a leading provider of innovative video and display processing solutions, today announced financial results for the second quarter ended June 30, 2020.

Second Quarter and Recent Highlights

- Mobile revenue for the first half of 2020 grew 24% year-over-year, driven by increased shipments of Iris visual processing solutions in support of 12 smartphones launched across six OEM customers
- GAAP gross margin expanded to 54.6% and non-GAAP gross margin increased to 59.2%, reflecting a combination of ongoing product cost reduction initiates and a favorable product mix
- Restructuring plan implemented in August to further reduce operating expenses and minimize cash used from operations, while focusing resources on Mobile growth initiatives
- ASUS ROG Phone 3 leverages Pixelworks' patented high-efficiency color calibration, HDR tone mapping and brightness smoothing features to deliver an exceptional visual experience to mobile gamers
- Black Shark incorporated Pixelworks' 5th generation visual processor with dual-channel MIPI support and color calibration software in the latest cutting-edge gaming smartphone, the Tencent Black Shark 3S
- Continued to advance TrueCut® platform initiatives in North America with expanded Hollywood presence and newly opened office in Burbank, California and installation of on-premises TrueCut evaluation tools
- Completed successful tape-out of 6th generation Iris visual processor for mobile in advance of planned product introduction during the second half of 2020
- Ended the quarter with $21.4 million in cash and short-term investments

President and CEO of Pixelworks, Todd DeBonis, commented, "Our second quarter results reflected the broad economic impact from the COVID-19 pandemic on all of our target end markets. While our team has continued to do an excellent job of operating effectively in the current environment, the pandemic has significantly impacted customer demand and our business in the Projector and Video Delivery markets. As a result of this negative impact, we have implemented a restructuring to further reduce operating expenses, preserve cash and focus available resources on the largest growth opportunities of our business. We anticipate these actions will generate an incremental $3.2 million in annualized cost savings, while minimizing the impact on our ability to fully support Pixelworks' customers and advance our new product development.

"Despite the current challenging business environment, we have maintained our market-leading position in our respective target end markets, and we've continued to execute on our Mobile and TrueCut growth initiatives. In 2020, Pixelworks' Iris visual processing solutions have been incorporated in 12 smartphones launched across six different OEM customers. We have also sustained a solid pipeline of new programs and are well positioned to build on our momentum in the second half of the year as customers continue to incorporate more advanced displays and premium viewing experiences, including HDR, higher frame rates and auto-adaptive visual enhancements, in conjunction with their introductions of new 5G-enabled smartphones."

Second Quarter 2020 Financial Results

Revenue in the second quarter of 2020 was $9.3 million, compared to $13.8 million in the first quarter of 2020 and revenue of $18.0 million in the second quarter of 2019. The sequential and year-over-year decline in revenue reflected an ongoing inventory correction in the Projector and Video Delivery market, compounded by significantly lower customer demand due to the negative impacts of the COVID-19 pandemic across each of the Company's target end markets.

On a GAAP basis, gross profit margin in the second quarter of 2020 was 54.6%, compared to 49.2% in the first quarter of 2020 and 52.0% in the second quarter of 2019. Second quarter 2020 GAAP operating expenses were $11.5 million, compared to operating expenses of $12.1 million in the first quarter of 2020 and $11.7 million in the year-ago quarter.

For the second quarter of 2020, the Company recorded a GAAP net loss of $6.6 million, or ($0.17) per share, compared to a GAAP net loss of $5.4 million, or ($0.14) per share, in the first quarter of 2020 and a GAAP net loss of $2.4 million, or ($0.06) per share, in the year-ago quarter.

On a non-GAAP basis, second quarter 2020 gross profit margin was 59.2%, compared to 52.1% in the first quarter of 2020 and 54.1% in the year-ago quarter. Second quarter 2020 non-GAAP operating expenses were $9.3 million, compared to $9.7 million in the first quarter of 2020 and $9.6 million in the year-ago quarter.

For the second quarter of 2020, the Company recorded a non-GAAP net loss of $3.9 million, or ($0.10) per share, compared to a non-GAAP net loss of $2.6 million, or ($0.07) per share, in the first quarter of 2020 and a non-GAAP net loss of $97,000, or ($0.00) per share, in the second quarter of 2019.

Adjusted EBITDA in the second quarter of 2020 was a negative $2.9 million, compared to a negative $1.5 million in the first quarter of 2020 and a positive $1.0 million in the year-ago quarter.

Cash and cash equivalents and short-term investments increased to $21.4 million in the current quarter from $20.4 million in the first quarter of 2020.

Business Outlook

The Company’s current business outlook, including guidance for the third quarter of 2020, will be provided as part of the scheduled conference call.

Conference Call Information

Pixelworks will host a conference call today, August 10, 2020, at 2:00 p.m. Pacific Time, which can be accessed by calling 1-877-359-9508 and using passcode 7672736. A live audio webcast of the 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 Monday, August 17, 2020, and can be accessed by calling 1-855-859-2056 and using passcode 7672736.

About Pixelworks, Inc.

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

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 gain on sale of patents, inventory step-up and backlog amortization, amortization of acquired intangible assets, stock-based compensation expense, and restructuring expenses, which are all required under GAAP as well as the tax effect of the non-GAAP adjustments. The press release also makes reference to and reconciles GAAP net loss and adjusted EBITDA, which Pixelworks defines as GAAP net loss before interest income and other, net, income tax provision , 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 digital projection, mobile and video delivery businesses, including market movement and demand, customer engagements, growth in the mobile market, strategy, and additional guidance, particularly as to the business outlook and current market environment and the impact of the COVID-19 pandemic on the same. 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; 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, 2019 as well as subsequent SEC filings.

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

- 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, 2020	March 31, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Revenue, net	$ 9,253	$ 13,774	$ 18,027	$ 23,027	$ 34,675
Cost of revenue (1)	4,204	6,999	8,651	11,203	16,827
Gross profit	5,049	6,775	9,376	11,824	17,848
Operating expenses:					
Research and development (2)	6,314	6,267	6,364	12,581	12,836
Selling, general and administrative (3)	5,156	5,193	4,935	10,349	10,395
Restructuring	—	592	398	592	398
Total operating expenses	11,470	12,052	11,697	23,522	23,629
Loss from operations	(6,421)	(5,277)	(2,321)	(11,698)	(5,781)
Interest income (expense) and other, net	(24)	54	104	30	200
Gain on sale of patents	—	—	—	—	3,905
Total other income, net	(24)	54	104	30	4,105
Loss before income taxes	(6,445)	(5,223)	(2,217)	(11,668)	(1,676)
Provision for income taxes	107	176	231	283	639
Net loss	$ (6,552)	$ (5,399)	$ (2,448)	$ (11,951)	$ (2,315)
Net loss per share - basic and diluted	$ (0.17)	$ (0.14)	$ (0.06)	$ (0.31)	$ (0.06)
Weighted average shares outstanding - basic and diluted	39,444	38,868	37,688	39,156	37,469

(1) Includes:					
Amortization of acquired intangible assets	298	298	298	596	596
Stock-based compensation	127	101	83	228	178
Inventory step-up and backlog amortization	—	—	—	—	12
(2) Includes stock-based compensation	806	648	703	1,454	1,364
(3) Includes:					
Stock-based compensation	1,310	1,073	879	2,383	1,812
Amortization of acquired intangible assets	76	76	76	152	160

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, 2020	March 31, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Reconciliation of GAAP and non-GAAP gross profit					
GAAP gross profit	$ 5,049	$ 6,775	$ 9,376	$ 11,824	$ 17,848
Amortization of acquired intangible assets	298	298	298	596	596
Stock-based compensation	127	101	83	228	178
Inventory step-up and backlog amortization	—	—	—	—	12
Total reconciling items included in gross profit	425	399	381	824	786
Non-GAAP gross profit	$ 5,474	$ 7,174	$ 9,757	$ 12,648	$ 18,634
Non-GAAP gross profit margin	59.2 %	52.1 %	54.1 %	54.9 %	53.7 %
Reconciliation of GAAP and non-GAAP operating expenses					
GAAP operating expenses	$ 11,470	$ 12,052	$ 11,697	$ 23,522	$ 23,629
Reconciling item included in research and development:					
Stock-based compensation	806	648	703	1,454	1,364
Reconciling items included in selling, general and administrative:					
Stock-based compensation	1,310	1,073	879	2,383	1,812
Amortization of acquired intangible assets	76	76	76	152	160
Restructuring	—	592	398	592	398
Total reconciling items included in operating expenses	2,192	2,389	2,056	4,581	3,734
Non-GAAP operating expenses	$ 9,278	$ 9,663	$ 9,641	$ 18,941	$ 19,895
Reconciliation of GAAP and non-GAAP net loss					
GAAP net loss	$ (6,552)	$ (5,399)	$ (2,448)	$ (11,951)	$ (2,315)
Reconciling items included in gross profit	425	399	381	824	786
Reconciling items included in operating expenses	2,192	2,389	2,056	4,581	3,734
Reconciling items included in total other income, net	—	—	—	—	(3,905)
Tax effect of non-GAAP adjustments	18	(25)	(86)	(7)	133
Non-GAAP net loss	$ (3,917)	$ (2,636)	$ (97)	$ (6,553)	$ (1,567)
Non-GAAP net loss per share - basic and diluted	$ (0.10)	$ (0.07)	$ (0.00)	$ (0.17)	$ (0.04)
Non-GAAP weighted average shares outstanding - basic and diluted	39,444	38,868	37,688	39,156	37,469

*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						Six Months Ended			
	June 30, 2020		March 31, 2020		June 30, 2019		June 30, 2020		June 30, 2019	
	Dollars per share		Dollars per share		Dollars per share		Dollars per share		Dollars per share	
	Basic	Diluted	Basic	Diluted	Basic	Diluted	Basic	Diluted	Basic	Diluted
Reconciliation of GAAP and non-GAAP net loss										
GAAP net loss	$ (0.17)	$ (0.17)	$ (0.14)	$ (0.14)	$ (0.06)	$ (0.06)	$ (0.31)	$ (0.31)	$ (0.06)	$ (0.06)
Reconciling items included in gross profit	0.01	0.01	0.01	0.01	0.01	0.01	0.02	0.02	0.02	0.02
Reconciling items included in operating expenses	0.06	0.06	0.06	0.06	0.05	0.05	0.12	0.12	0.10	0.10
Reconciling items included in total other income, net	—	—	—	—	—	—	—	—	(0.10)	(0.10)
Non-GAAP net loss	$ (0.10)	$ (0.10)	$ (0.07)	$ (0.07)	$ (0.00)	$ (0.00)	$ (0.17)	$ (0.17)	$ (0.04)	$ (0.04)

*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			Six Months Ended	
	June 30, 2020	March 31, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Reconciliation of GAAP and non-GAAP gross profit margin					
GAAP gross profit margin	54.6 %	49.2 %	52.0 %	51.3 %	51.5 %
Amortization of acquired intangible assets	3.2	2.2	1.7	2.6	1.7
Stock-based compensation	1.4	0.7	0.5	1.0	0.5
Inventory step-up and backlog amortization	—	—	—	—	0.0
Total reconciling items included in gross profit	4.6	2.9	2.1	3.6	2.3
Non-GAAP gross profit margin	59.2 %	52.1 %	54.1 %	54.9 %	53.7 %

*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			Six Months Ended	
	June 30, 2020	March 31, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Reconciliation of GAAP net loss and adjusted EBITDA					
GAAP net loss	$ (6,552)	$ (5,399)	$ (2,448)	$ (11,951)	$ (2,315)
Stock-based compensation	2,243	1,822	1,665	4,065	3,354
Amortization of acquired intangible assets	374	374	374	748	756
Tax effect of non-GAAP adjustments	18	(25)	(86)	(7)	133
Restructuring	—	592	398	592	398
Gain on sale of patents	—	—	—	—	(3,905)
Inventory step-up and backlog amortization	—	—	—	—	12
Non-GAAP net loss	$ (3,917)	$ (2,636)	$ (97)	$ (6,553)	$ (1,567)
EBITDA adjustments:					
Depreciation and amortization	$ 871	$ 1,022	$ 887	$ 1,893	$ 1,800
Non-GAAP interest expense (income) and other, net	24	(54)	(104)	(30)	(200)
Non-GAAP provision for income taxes	89	201	317	290	506
Adjusted EBITDA	$ (2,933)	$ (1,467)	$ 1,003	$ (4,400)	$ 539

*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)

	June 30, 2020	December 31, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	$ 20,417	$ 7,257
Short-term marketable securities	992	6,975
Accounts receivable, net	5,925	10,915
Inventories	4,767	5,401
Prepaid expenses and other current assets	1,783	1,689
Total current assets	33,884	32,237
Property and equipment, net	6,138	4,608
Operating lease right of use assets	7,324	5,434
Other assets, net	1,264	1,267
Acquired intangible assets, net	1,955	2,704
Goodwill	18,407	18,407
Total assets	$ 68,972	$ 64,657
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 1,071	$ 818
Accrued liabilities and current portion of long-term liabilities	10,972	8,692
Short-term line of credit	4,329	—
Current portion of income taxes payable	219	164
Total current liabilities	16,591	9,674
Long-term liabilities, net of current portion	2,184	982
Operating lease liabilities, net of current portion	5,470	4,212
Income taxes payable, net of current portion	2,272	2,260
Total liabilities	26,517	17,128
Shareholders' equity	42,455	47,529
Total liabilities and shareholders' equity	$ 68,972	$ 64,657

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Exhibit 99.2

Pixelworks, Inc. Q2 2020 Conference Call
August 10, 2020

Operator

Good day ladies and gentlemen, and welcome to Pixelworks Inc.'s second quarter 2020 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 Pixelworks' CFO, Mr. Elias Nader.

Elias Nader

Thank you. Good afternoon, everyone, and thank you for joining us today. With me on today's call is Todd DeBonis, Pixelworks' President and CEO. 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 second quarter of 2020.

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, Monday, August 10, 2020. The company undertakes no obligation to update any such statements or 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, 2019, 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 income loss, and net income loss per share. Non-GAAP measures exclude gain on sale of patents, inventory step-up and backlog amortization, amortization of acquired intangible assets, stock-based compensation expense, and restructuring 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. 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.

Also included in the company's press release are definitions and reconciliations of GAAP to non-GAAP net 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, Elias and good afternoon to those joining us on today's call and webcast.

As outlined in today's press release, our second quarter results reflected the anticipated headwinds associated with the broad impact from the COVID-19 pandemic on our target end markets. Although revenue was at the lower end of the guidance range we provided, favorable product mix as well as cost improvement initiatives resulted in better than expected gross margin with non-GAAP EPS at the midpoint of guidance.

As our results indicate we continue to be in a challenging environment, however we believe it's important to clearly distinguish the ways in which Pixelworks is being impacted and areas where we have continued to make progress. In terms of customer sell-through and end market demand, we are seeing negative effects in all of our end markets, with the Projector business experiencing the largest YoY decline. Given that a majority of total projector unit volume is driven by large government tenders for education and corporate tenders for enterprise applications, we've naturally observed reduced customer demand as a result of the recent shifts toward working and learning remotely. We are confident that Pixelworks has maintained our leading market position in Projector, and the current revenue level of this business is purely a reflection of projector customers' uncertainty and weak end market demand.

Similar to the Projector business, our Video Delivery business had been in the process of working through a prolonged inventory correction when the COVID pandemic emerged. While Japan has appeared to weather the pandemic relatively well compared to some other countries, the end products we sell into are predominantly consumer discretionary and as such demand was lower in Q2 and will continue into Q3. We have remained engaged with our leading Japanese consumer electronics OEMs in support of new programs and development efforts, which we believe will result in Pixelworks capturing additional market share in 2021.

Our execution on new Mobile programs during the 1st half of 2020 continued and all of the models launched were well received by the analyst community and specifically stood out with premium display performance. But given the fact that many of the models were in the higher priced premium and flagship category, where consumer demand has been weaker, unit volumes have been considerably lower than expected. Given this lower demand, Q2 was impacted by an inventory digestion at our distributors. More recently, we have seen the green shoots of a recovery in Mobile demand in the current quarter. We continue to believe there will be a high correlation between OEMs' adoption of 5G technology and high performance displays in smartphones, as video remains the single most compelling use case for 5G with consumers. We are still in the early innings of this multi-year transition to 5G and the corresponding battle by OEMs to capture market share. In addition, we are seeing a more rapid introduction of high frame rate displays into mid-tier phones than we previously anticipated, which is positive and increases the Pixelworks value proposition in mid-tier devices.

Acknowledging the potential for a more prolonged recovery of the global economy, we began taking actions early in the second quarter to contain costs. I provided a detailed overview of these proactive cost reduction measures on the last conference call, which collectively enabled us to immediately reduced cash operating expenses by more than 10%, while retaining 100% of our employees.

Though we are seeing increasing evidence in support of the third quarter being the bottom of the cycle for both the Projector and Video Delivery businesses, we also believe that a more substantial recovery in these respective businesses is potentially going to be a slow process. In response, today we implemented a restructuring plan to further reduce operating expenses, preserve cash and focus available resources on the largest growth opportunities within our Mobile and TrueCut businesses. The restructuring included a 14% reduction in Pixelworks' headcount and will produce an incremental $3.2 million in annualized cost reductions without marginalizing our ability to fully support customers for our growth initiatives or impacting our advanced technology and new product development roadmap. This was a difficult but necessary action and one that I had hoped to avoid. I personally want to thank all of those employees affected for their past efforts and support.

Turning to an update on our Mobile and TrueCut growth initiatives, we've continued to gain increased interest from both existing and prospective customers for our latest technology. Starting with TrueCut, as previously communicated, we entered 2020 with significant momentum toward ecosystem adoption here in North America. Without question, work-from-home mandates and the halting of effectively all production activity in Hollywood as well as all new theatrical releases has slowed our progress.

Against this backdrop our team has creatively worked to overcome at least some of the hurdles brought-on by the pandemic. As one example, in May we expanded Pixelworks' presence in Hollywood with the opening of an office in Burbank, California. This office is within five minutes of the major studios and several large streaming service providers. We recently installed our new TrueCut "on-prem" GPU centric processing system onsite, where we can now host studio representatives and post production experts for collaborative demonstrations in a private screening room while complying with Covid-19 safety guidelines.

As with all market disruptions, new opportunities emerge and in this case that is the acceleration of direct to consumer delivery of cinematic content. Home entertainment and streaming is now more critical than ever for both consumers and content providers. However, one of the biggest casualties of this shift is creative intent, which today is difficult to ensure when delivering direct to consumers viewing at home or while traveling. Every TV and handheld viewing device is different in how they process and display digital content which results in a wide spectrum of display quality and experiences across hundreds of millions of users. This varied and unpredictable experience is exactly what Pixelworks' TrueCut platform was designed to eliminate by providing software-based tools leveraging Pixelworks' proprietary algorithms that enable content to be created, delivered and viewed with consistent resolution, color tone and motion regardless of the device on which it's displayed. So, although the pandemic has certainly extended our previous timeline, TrueCut's value proposition has never been more relevant. Our team remains focused on achieving a series of important milestones in the coming quarters as we look to secure endorsement and adoption from ecosystem partners and customers.

With China's reopening in early May we saw increased traction with several TrueCut programs we had been pursuing. We expect some of these programs to close during the 2nd half of this year.

Looking at our Mobile business, we have continued to drive incremental adoption despite a more challenging business landscape. Year-to-date, our Iris visual processing technology has been incorporated into 12 announced smartphones launched across 6 different OEM customers.

Our two most recently announced mobile wins, which launched since our first quarter conference call, were the ASUS ROG Phone 3 and the Tencent Black Shark 3S. Both devices represent the latest industry-leading gaming smartphones to be released by two recurring, multi-year mobile customers. The ROG Phone 3 leverages Pixelworks' high-efficiency color calibration, with every individual phone being factory-tuned with our patented display calibration technology. This gaming smartphone also features our industry-leading HDR tone mapping that provides unprecedented contrast and color depth, as well as our auto-adaptive, ultra-smooth brightness control for seamless viewing in all lighting environments.

The Tencent Black Shark 3S combines Pixelworks' 5th generation Iris visual processor with our software enhancement solution to take full advantage of the device's 6.67-inch AMOLED display with optimized support for its 120 Hz refresh rate. In addition to the device utilizing our Always-HDR mode and Active Dimming features, the Tencent Black Shark 3S leverages Pixelworks' unique MotionEngine technology with dual-channel MIPI. This advanced feature enables separation and dedicated processing of text and underlying graphics, which are then re-combined to deliver superior visual quality while playing Tencent games.

Additionally, I'd like to emphasize the strength of our engineering team, as well as our commitment to an ambitious roadmap and our continuous development of next-generation technology in support of new industry-leading features and products. I'm pleased to announce that we recently completed a successful tape-out of our 6th generation Iris visual processor, which we plan to formally introduce later this year. Additionally, advanced algorithm development, design and engineering work is already underway on our 7th generation processor, which is currently slated for release in the second half of 2021.

We continue to work on a solid and growing pipeline of engagements that span planned smartphones in multiple price-tiers across numerous customers with some programs extending throughout next year. Specific to our expectations for the remainder of this year, we are currently on track to have our visual processing solutions incorporated into a total of at least 20 models launched by 8 different OEMs for the full year. For perspective, this compares with 6 models across 4 OEMs for the full year in 2019. Included in these planned launches for the 2nd half of 2020 is our second tier-one mobile OEM engagement.

In closing, I want to reiterate that despite this challenging business environment, we have maintained our market-leading or market disrupter position in each of our target end markets. As we've done in the past, we will continue to proactively respond to changing conditions with appropriate and decisive actions, while simultaneously remaining focused on the successful execution of our Mobile and TrueCut growth initiatives. I'm extremely confident we have a winning strategy and team in place today, and that Pixelworks' longer-term growth prospects are still fully intact. As previously mentioned, in mobile we have a solid pipeline of new engagements and are well positioned to generate momentum in the second half of the year as customers incorporate more advanced displays and premium viewing experiences, including HDR, higher frame rate, variable frame rate and auto-adaptive visual enhancements, in conjunction with their introductions of new 5G-enabled smartphones.

With that I'll hand the call over to Elias to review the second quarter financials and provide our guidance for the third quarter.

Elias Nader

Thank you, Todd.

Revenue for the second quarter of 2020 was $9.3 million, compared to $13.8 million in the first quarter of 2020, and compared to revenue of $18.0 million in second quarter of 2019. As Todd indicated in his opening remarks, second quarter 2020 revenue primarily reflected the ongoing inventory corrections in the digital projector and video delivery markets, compounded by lower end market demand resulting from the global pandemic across all of our target markets.

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

- Revenue from Digital Projector was approximately $6.5 million.
- Video Delivery revenue was approximately $2.3 million.
- Revenue from Mobile was approximately $419,000, comprised largely of sales of our Iris visual processors and Soft Iris solutions.

Non-GAAP gross profit margin expanded to 59.2% in the second quarter of 2020, from 52.1% in the first quarter of 2020 and 54.1% in the second quarter of 2019. The increase in gross margin reflects a combination of particularly favorable product mix in the quarter as well as our ongoing initiates to drive product cost improvements, especially on newer products.

Non-GAAP operating expenses decreased to $9.3 million in the second quarter of 2020, compared to $9.7 million last quarter and $9.6 million in the same period last year. The reduction in operating expenses reflects our continued focus on cost containment across our business.

Adjusted EBITDA for the second quarter of 2020 was a negative $2.9 million, compared to a negative $1.5 million in the first quarter of 2020 and a positive $1.0 million in the second quarter of 2019.

On a non-GAAP basis, second quarter 2020 net loss was $3.9 million, or loss of 10 cents per share, compared to a net loss of $2.6 million, or loss of 7 cents per share, in the prior quarter, and a net loss of $97,000, or breakeven on a per share basis, in the second quarter of 2019.

Moving to the balance sheet, we ended the second quarter of 2020 with cash, cash equivalents and short-term investments of approximately $21.4 million, compared to approximately $20.4 million at the end of the first quarter of 2020. The sequential increase of approximately $1.0 million reflected an approximately $2.5 million in net proceeds generated from the sale of stock through our ATM vehicle and $800,000 in cash proceeds from the Paycheck Protection Program loan, partially offset by approximately $700,000 used for operating activities, repayment of approximately $800,000 on the outstanding balance of our line of credit, and approximately $700,000 in capital expenditures.

As discussed on our conference call last quarter, we've taken a series of additional actions to meaningfully reduce operating expenses since the beginning of the year. In addition to the benefit of our participation in the Paycheck Protection Program, other steps taken have included:

- We received relief from the Chinese government in the form of lower employee benefit payments through June 2020, amounting to approximately $400,000.
- We offered an RSU compensation program to all employees, providing the option to receive RSUs in lieu of a salary cut of 5.0% or 10.0%, resulting in an expected cash savings to the Company of approximately $300K per quarter.

Additionally, as Todd outlined previously, we implemented a restructuring plan to further reduce operating expenses and preserve cash. As a result, we expect to record a one-time restructuring charge of approximately $1.5 million in the third quarter. Once fully implemented, these actions are anticipated to generate an incremental $3.2 million in annualized cost savings.

In terms of other balance sheet metrics for the second quarter, days sales outstanding were 58 days at quarter-end, which was consistent with the 58 days at the end of the first quarter. Inventory turns was 3.1 times in the second quarter, compared to 5.2 times in the prior quarter.

Now turning to our guidance for the third quarter of 2020.

As previously indicated, we expect the near-term environment to remain challenging, especially for large portions of the Projector and Video Delivery markets. While the magnitude of the impact on our customers in these markets varies, we expect many customers to remain more conservative in their order patterns due to heightened uncertainty related to end market demand. That said, we do anticipate meaningful growth in our Mobile business for the third quarter, as we continue to support previously announced smartphones and ramp shipments associated with customers' planned launches of new devices in the second half of the year.

Based on recent order trends and our current backlog, we expect total revenue in the third quarter to range between $7.5 million and $10.0 million.

We expect non-GAAP gross profit margin in the third quarter of between 52% and 56%.

We anticipate operating expenses in the third quarter to range between $8.0 million and $9.0 million on a non-GAAP basis. Note, third quarter operating expenses will include only a partial quarter benefit from today's announced restructuring plan.

Lastly, we expect third quarter non-GAAP EPS to be in the range of between a loss of ($0.06) cents and a non-GAAP loss of ($.13) cents per share.

That concludes our prepared remarks, and we will now open the call for questions. Operator, please proceed with managing the Q&A session.