

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

FORM 8-K

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

Date of Report (Date of earliest event reported): April 27, 2017

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.)

224 Airport Parkway, Suite 400
San Jose, CA 95110
(408) 200-9200
(Address, including zip code, and telephone number, including
area code, of registrant's principal executive offices)

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

- 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))
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Item 2.02 Results of Operations and Financial Condition.

On April 27, 2017, Pixelworks, Inc. (the “Company”) issued a press release announcing financial results for the three month period ended March 31, 2017 and held a conference call to discuss the Company's financial results. The press release and conference call contain forward-looking statements regarding the Company, and include cautionary statements identifying important factors that could cause actual results to differ materially from those anticipated.

The press release issued April 27, 2017 is furnished herewith as Exhibit 99.1, to this Report and a copy of the Company's conference call script announcing these financial results is furnished herewith as Exhibit 99.2. The information in this Item 2.02, including Exhibits 99.1 and 99.2, is being furnished and shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liability of that Section, nor shall such information be deemed to be incorporated by reference in any registration statement or other document filed under the Securities Act of 1933 or the Exchange Act, except as otherwise stated in such filing.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

Exhibit No.	Description
99.1	Press Release issued by Pixelworks, Inc. dated April 27, 2017.
99.2	Pixelworks, Inc. First Quarter Results Conference Call Script dated April 27, 2017.

SIGNATURE

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

PIXELWORKS, INC.
(Registrant)

Dated: April 27, 2017

/s/ Steven L. Moore

Steven L. Moore
*Vice President, Chief Financial
Officer, Secretary and Treasurer*

EXHIBIT INDEX

Exhibit No.	Description
99.1	Press Release issued by Pixelworks, Inc. dated April 27, 2017.
99.2	Pixelworks, Inc. First Quarter Results Conference Call Script dated April 27, 2017.



Pixelworks Reports First Quarter 2017 Financial Results

SAN JOSE, Calif., April 27, 2017 -- Pixelworks, Inc. (NASDAQ: PXLW), a leading provider of visual processing solutions, today announced financial results for the first quarter ended March 31, 2017.

First Quarter Highlights

- Revenue of \$22.7 million, including \$9.2 million related to End of Life (EOL) products
- Achieved GAAP net income of \$0.09 per diluted share, non-GAAP net income of \$0.12 per diluted share
- Recorded adjusted EBITDA of \$5.0 million, and net cash balance of \$19.6 million

For the first quarter 2017, revenue was \$22.7 million, which included \$9.2 million of End of Life (EOL) product revenue, and compares to \$16.0 million in the prior quarter and \$11.2 million in the first quarter of 2016. Excluding EOL contribution, first quarter 2017 revenue in the digital projection market reflected typical seasonality and grew 42% year-on-year.

On a GAAP basis, gross profit margin in the first quarter of 2017 was 54.6%, compared to 53.2% in the fourth quarter of 2016 and 32.2% in the first quarter of 2016. First quarter 2017 GAAP operating expenses were \$9.0 million, compared to \$8.1 million in the previous quarter and \$12.1 million in the first quarter of 2016.

For the first quarter of 2017, GAAP net income was \$2.8 million, or \$0.09 per diluted share, compared to a GAAP net income of \$337,000, or \$0.01 per diluted share, in the fourth quarter of 2016 and a GAAP net loss of \$8.6 million, or (\$0.31) per share, in the first quarter of 2016, which included a restructuring charge of \$4.3 million, or \$0.15 per share.

On a non-GAAP basis, first quarter 2017 gross profit margin was 54.8%, compared to 53.6% in the fourth quarter of 2016 and 48.0% in the first quarter of 2016. First quarter 2017 gross profit margin increased compared to the prior periods due to a decrease in direct material cost as a percentage of revenue related to a more favorable mix of products sold. First quarter 2017 operating expenses on a non-GAAP basis were \$8.3 million, compared to \$7.3 million in the previous quarter and \$9.2 million in the first quarter of 2016.

For the first quarter of 2017, the Company recorded non-GAAP net income of \$3.8 million, or \$0.12 per diluted share, compared to non-GAAP net income of \$1.2 million, or \$0.04 per diluted share, in the fourth quarter of 2016 and a non-GAAP net loss of \$4.0 million, or (\$0.14) per share, in the first quarter of 2016. Adjusted EBITDA in the first quarter of 2017 was a positive \$5.0 million, compared to a positive \$2.1 million in the previous quarter and a negative \$2.9 million in the first quarter of 2016.

President and CEO of Pixelworks, Todd DeBonis, commented, "First quarter revenue of \$22.7 million was near the high-end of our guidance, reflecting a combination of solid end market demand and approximately \$9 million related to EOL products. Combined with gross margin being at the upper end of our guidance and operating expenses being at the low end, we achieved strong bottom line results and adjusted EBITDA of \$5 million, which is a multi-year high. Also notable in the quarter, we entered into an \$8 million co-development agreement with a large projector customer that we believe will further solidify and extend our leadership position in this market. We remain on track for year-over-year revenue growth and continued profitability in 2017, even when excluding the contribution from EOL products."

Business Outlook for the Second Quarter of 2017

The Company's expectations for the second quarter of 2017 include:

- Revenue to be between \$20 million and \$21 million, including approximately \$5.0 million of revenue related to End of Life (EOL) products;
- Gross profit margin of approximately 53% to 55% on both a GAAP basis and non-GAAP basis; and
- Operating expenses of \$8.5 million to \$9.5 million on a GAAP basis and \$7.5 million to \$8.5 million on a non-GAAP basis.

The difference in estimated operating expenses on a GAAP basis, versus a non-GAAP basis, is stock-based compensation expense, of which a range between \$0.5 million to \$1.0 million is included on a GAAP basis. Stock-based compensation expense is excluded from the calculation of estimated operating expenses on a non-GAAP basis.

Conference Call Information

Pixelworks will host a conference call today, April 27, at 2:00 p.m. Pacific Time, which can be accessed by calling 877-359-9508 and using passcode 3822948. A Web broadcast of the call can be accessed by visiting the Company's investor page at www.pixelworks.com. For those unable to listen to the live Web broadcast, it will be archived for approximately 30 days. A replay of the conference call will also be available through Thursday, May 4, 2017, and can be accessed by calling 855-859-2056 and using passcode 3822948.

About Pixelworks, Inc.

Pixelworks creates, develops and markets video display processing technology for digital video applications that demand the very highest quality images. At design centers around the world, Pixelworks engineers constantly push video performance to keep manufacturers of consumer electronics and professional displays worldwide on the leading edge. The Company is headquartered in San Jose, CA.

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

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

Safe Harbor Statement

This release contains forward-looking statements, including, without limitation, statements with respect to the Company's growth opportunities, product shipments, product demand, customer engagements, and the Company's potential and position for the future, statements made by Mr. DeBonis about the Company's digital projection and mobile businesses, and statements with respect to the business outlook for the second quarter and the full year of 2017, including revenue, gross margin, operating expenses and profitability, within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements may be identified by use of terms such as "begin," "continue," "will," "believe," "expect" and similar terms or the negative of such terms. All statements other than statements of historical fact are forward-looking statements for purposes of this release, including any projections of revenue or other financial items or any statements regarding the plans and objectives of management for future operations. Such statements are based on management's current expectations, estimates and projections about the Company's business. These statements are not guarantees of future performance and involve numerous risks, uncertainties and assumptions that are difficult to predict. Actual results could vary materially from those contained in forward-looking statements due to many factors, including, without limitation: our ability to deliver new products in a timely fashion; our new product yield rates; changes in estimated product costs; product mix; supply of products from third-party foundries; failure or difficulty in achieving design wins; timely customer transition to new product designs; competitive factors, such as rival chip architectures, introduction or traction by competing designs, or pricing pressures; risks related to licensing our intellectual property; the success of our products in expanded markets; current global economic challenges; levels of inventory at distributors and customers; changes in the digital display and projection markets; changes in customer ordering patterns or lead times; seasonality in the consumer electronics market; our efforts to achieve profitability from operations; insufficient, excess or obsolete inventory and variations in inventory valuation; the outcome of any litigation related to our intellectual property rights; our limited financial resources and our ability to attract and retain key personnel; and risks related to our restructuring plan, including whether the expected amount of the costs associated with the restructuring program will differ from or exceed the Company's forecasts and whether the Company will be able to realize the full amount of estimated savings from the restructuring program or in the timeframe expected. More information regarding potential factors that could affect the Company's financial results and could cause actual results to differ materially is included from time to time in the Company's Securities and Exchange Commission filings, including our Annual Report on Form 10-K for the year ended December 31, 2016 as well as subsequent SEC filings.

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

- Financial Tables Follow -

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

	Three Months Ended		
	March 31,	December 31,	March 31,
	2017	2016	2016
Revenue, net	\$ 22,710	\$ 15,987	\$ 11,167
Cost of revenue (1)	10,318	7,483	7,575
Gross profit	12,392	8,504	3,592
Operating expenses:			
Research and development (2)	4,906	4,415	5,675
Selling, general and administrative (3)	4,139	3,653	3,865
Restructuring	—	—	2,538
Total operating expenses	9,045	8,068	12,078
Income (loss) from operations	3,347	436	(8,486)
Interest expense and other, net	(93)	(101)	(99)
Income (loss) before income taxes	3,254	335	(8,585)
Provision (benefit) for income taxes	433	(2)	57
Net income (loss)	\$ 2,821	\$ 337	\$ (8,642)
Net income (loss) per share:			
Basic	\$ 0.10	\$ 0.01	\$ (0.31)
Diluted	\$ 0.09	\$ 0.01	\$ (0.31)
Weighted average shares outstanding:			
Basic	29,283	28,684	27,936
Diluted	31,146	30,244	27,936

(1) Includes:

Stock-based compensation	\$ 53	\$ 51	\$ 44
Restructuring	—	7	1,723
(2) Includes stock-based compensation	314	378	429
(3) Includes stock-based compensation	422	377	(107)

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

	Three Months Ended		
	March 31, 2017	December 31, 2016	March 31, 2016
Reconciliation of GAAP and non-GAAP gross profit			
GAAP gross profit	\$ 12,392	\$ 8,504	\$ 3,592
Stock-based compensation	53	51	44
Restructuring	—	7	1,723
Total reconciling items included in cost of revenue	53	58	1,767
Non-GAAP gross profit	\$ 12,445	\$ 8,562	\$ 5,359
Non-GAAP gross profit margin	54.8%	53.6%	48.0%
Reconciliation of GAAP and non-GAAP operating expenses			
GAAP operating expenses	\$ 9,045	\$ 8,068	\$ 12,078
Reconciling item included in research and development:			
Stock-based compensation	314	378	429
Reconciling item included in selling, general and administrative:			
Stock-based compensation	422	377	(107)
Restructuring	—	—	2,538
Total reconciling items included in operating expenses	736	755	2,860
Non-GAAP operating expenses	\$ 8,309	\$ 7,313	\$ 9,218
Reconciliation of GAAP and non-GAAP net income (loss)			
GAAP net income (loss)	\$ 2,821	\$ 337	\$ (8,642)
Reconciling items included in cost of revenue	53	58	1,767
Reconciling items included in operating expenses	736	755	2,860
Tax effect of non-GAAP adjustments	155	8	(2)
Non-GAAP net income (loss)	\$ 3,765	\$ 1,158	\$ (4,017)
Non-GAAP net income (loss) per share:			
Basic	\$ 0.13	\$ 0.04	\$ (0.14)
Diluted	\$ 0.12	\$ 0.04	\$ (0.14)
Non-GAAP weighted average shares outstanding:			
Basic	29,283	28,684	27,936
Diluted	31,146	30,244	27,936

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

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

	Three Months Ended		
	March 31,	December 31,	March 31,
	2017	2016	2016
Reconciliation of GAAP net income (loss) and adjusted EBITDA			
GAAP net income (loss)	\$ 2,821	\$ 337	\$ (8,642)
Stock-based compensation	789	806	366
Restructuring	—	7	4,261
Tax effect of non-GAAP adjustments	155	8	(2)
Non-GAAP net income (loss)	\$ 3,765	\$ 1,158	\$ (4,017)
EBITDA adjustments:			
Depreciation and amortization	\$ 839	\$ 828	\$ 990
Interest expense and other, net	93	101	99
Non-GAAP provision (benefit) for income taxes	278	(10)	59
Adjusted EBITDA	\$ 4,975	\$ 2,077	\$ (2,869)

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

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

	March 31, 2017	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 19,640	\$ 19,622
Accounts receivable, net	9,608	3,118
Inventories	2,478	2,803
Prepaid expenses and other current assets	5,258	736
Total current assets	36,984	26,279
Property and equipment, net	5,528	3,793
Other assets, net	760	785
Total assets	\$ 43,272	\$ 30,857
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,225	\$ 1,734
Accrued liabilities and current portion of long-term liabilities	14,187	7,860
Current portion of income taxes payable	460	140
Total current liabilities	15,872	9,734
Long-term liabilities, net of current portion	1,240	194
Income taxes payable, net of current portion	1,844	1,880
Total liabilities	18,956	11,808
Shareholders' equity	24,316	19,049
Total liabilities and shareholders' equity	\$ 43,272	\$ 30,857

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Pixelworks, Inc. Q1 2017 Conference Call
April 27, 2017

Operator

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

Steve Moore

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

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

All forward-looking statements are based on the Company's belief as of today, Thursday, April 27, 2017, and we undertake no obligation to update any such statements to reflect events or circumstances occurring after today. Please refer to today's press release, our Annual Report on Form 10-K for the year ended December 31, 2016, and subsequent SEC filings for a description of factors that could cause forward-looking statements to differ materially from actual results.

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

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

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

Todd DeBonis

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

As reported in today's press release, we started off the year with very solid results in the first quarter. Revenue of \$22.7 million was near the high-end of our guidance, which included \$9.2 million from expected end-of-life, or EOL, products. Excluding EOL contribution, revenue reflected typical seasonality in the first quarter, but grew over 40% year-over-year. Gross margin in the first quarter was 54.8%, which was also at the upper-end of guidance, and when combined with operating expenses being at the low end, we achieved profitability for the second consecutive quarter. Net income was 9 cents per diluted share on a GAAP basis and 12 cents on a non-GAAP basis. Notably, this enabled our cash balance to be unchanged from last quarter despite funding a significant amount of EOL orders during the quarter.

Our continued top line growth and significant improvements made to our operating model and underlying financials last year, are clearly evident in our bottom line result. Our goal for the year continues to be delivering year-over-year annual revenue growth, even when excluding EOLs, while also maintaining profitability. In addition, we expect the contribution from EOL products to add over \$8 million in non-dilutive capital to our balance sheet between the first and second quarters.

Shifting to an update on our end markets of projector and mobile.

Projector

First in our projector business - as previously mentioned, revenue grew 42% year-over-year, excluding EOL. End market demand reflected typical seasonality, and, as we continued to see more normalized order patterns from customers following last year's inventory and supply channel disruptions.

Most notable during the quarter, we entered into an \$8 million co-development agreement with a large projector customer for an SoC to be launched in the 2019 time frame. This agreement demonstrates not only the strength of relationship with this market leading customer, it also further solidifies and extends Pixelworks leadership position in the broader projector market for the foreseeable future. Although the multi-year agreement will not contribute to near-term revenue, it does help offset a large portion of the development expenses associated with this custom chip. The chip itself will ultimately be exclusive to the customer, however any intellectual property created during the development process can be used by Pixelworks in future chips for other customers.

Following our streamlining of the business and conversion of several customers to higher value products, we are now beginning to realize favorable impacts to both ASPs and margins. We are expecting these benefits to remain over the intermediate to longer-term, with projector material margins generally remaining around current levels.

Consistent with my comments last quarter, we see no reason to expect any meaningful deviations to typical revenue cycles and seasonality throughout the remainder of the year. When combined with the now normalized market demand, we anticipate our projector business to post solid year-over-over growth, excluding EOL, for the balance of 2017.

Mobile

Shifting now to our mobile business - revenue in the first quarter was in-line with our expectations. Although the quarterly contribution from mobile is still relatively small, revenue grew nearly 300% compared to the year-ago quarter, as we continued to ship volume production in support of previously announced ASUS devices.

During the quarter, there were several announcements and product launches that indicated the mobile market continues to move in our direction. Beginning with the UHD Alliance's announcement of its 'Mobile HDR Premium' specifications in February at Mobile World Congress. This video quality standard represents a first-of-its-kind for mobile devices, and it outlines specific performance criteria for resolution, dynamic range, color space and bit depth. Pixelworks is a contributing member to the UHD Alliance, and this inter-industry group's recognition is meaningful advance in the importance and potential adoption of superior video quality on mobile devices.

Also notable during the quarter, multiple tier-one OEMs launched devices that highlighted the benefits and need for display processing. As part of the respective launches, these OEMs highlighted visual centric attributes such as TV-like HDR playback as well as adaptive displays. These mark some of the first devices with this capability, which significantly turns-up the pressure on many of the fast followers in China and other regions we are targeting to incorporate similar technology in their next generation devices. The pressure is particularly acute for mobile OEMs in Asia with aspirations of making inroads and capturing market share in developed markets, specifically in the U.S.

More specific to Pixelworks, we've now sampled our third generation Iris processor with a meaningful number of prospective mobile OEM customers in Asia and our engagements with these OEMs are progressing well. I believe we are largely on track for adoption in late 2017 and into early 2018. Although it's difficult to pin-point the timing of any given customer product launches, the designs we are being considered for include several flagship and mid-range smartphones and tablets that are looking to differentiate through a better visual experience.

Simultaneously, we continue to pursue our dual go-to-market strategy and seed intermediate-to-longer-term opportunities more broadly across the mobile ecosystem. There's no shortage of future potential customers and/or partners looking for ways to deliver enhanced streaming video to consumers on mobile devices. We are talking to players across the ecosystem, from mobile SoC companies, DDI and panel manufacturers, creators of original video content, as well as over-the-top streaming video providers. Although it's still early, I expect there will be more to discuss in this area as the year progresses.

Concluding Comments

In summary, our first quarter results reflect a strong start to the year as the underlying fundamentals of our business continue to show improvement following the actions taken last year. Our core projector business is performing well, and we continue to advance our mobile initiative with a market that is increasingly primed for broader adoption of Pixelworks' visual processing technology. At the highest level, we are focused on executing to deliver year-on-year growth, improving margins and continued profitability. I look forward to reporting on our progress towards these goals and the incremental adoption of Pixelworks' best-in-class visual processing solutions as the year unfolds.

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

Steve Moore

Thank you, Todd.

Revenue for the first quarter of 2017 was \$22.7 million, which included \$9.2 million of EOL product revenue. This is compared to \$16 million in the fourth quarter of 2016 and revenue of \$11.2 million in the first quarter of 2016. Excluding EOL contribution, first quarter 2017 revenue in the digital projection market reflected typical seasonality and grew 42% year-on-year.

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

Revenue from Digital projection was approximately \$18.3 million.

Mobile revenue was approximately \$340,000.

And revenue from legacy chips sold into the TV-Panel market was approximately \$4.1 million.

Non-GAAP gross profit margin was 54.8% in the first quarter of 2017, compared to 53.6% in the fourth quarter of 2016. Gross margin was higher quarter-on-quarter due to a decrease in direct material cost as a percentage of revenue associated with a more favorable product mix and to higher absorption of operations costs.

Non-GAAP operating expenses were \$8.3 million in the first quarter of 2017, compared to \$7.3 million in the fourth quarter of 2016.

Adjusted EBITDA was \$5.0 million for the first quarter of 2017, compared to \$2.1 million in the fourth quarter of 2016. A reconciliation of adjusted EBITDA to GAAP net income/loss may be found in today's press release.

On a non-GAAP basis the Company reported a net profit of \$3.8 million, or 12 cents per diluted share, in the first quarter of 2017, as compared to a net profit of \$1.2 million, or four cents per diluted share, in the prior quarter.

Moving to the balance sheet, we ended the first quarter with cash and cash equivalents of approximately \$19.6 million, just slightly above the end of the fourth quarter.

Other balance sheet metrics include day's sales outstanding of 38 days at quarter-end, compared to 18 days at the end of the fourth quarter. The increase is primarily due to a large portion of our EOL orders shipping in the month of March. Inventory turns during the first quarter increased to 15.6 times, compared to 10.1 times in the prior quarter.

Guidance

Turning now to Guidance.

For the second quarter of 2017, we expect revenue to be in a range of between \$20 and \$21 million. For Q2, we anticipate EOL revenue in excess of what would otherwise be our normalized quarterly revenue to be approximately \$5 million, consistent with previous expectations. Note, we currently do not expect any meaningful EOL revenue after Q2 2017.

We expect gross profit margin for the second quarter to be in a range of between 53% and 55% on both a GAAP and non-GAAP basis.

In terms of operating expenses, we expect the second quarter to range between \$8.5 and \$9.5 million on a GAAP basis, and \$7.5 to \$8.5 million on a non-GAAP basis.

As a result, we expect second quarter GAAP net income to be in a range of between 1 cent and 8 cents per diluted share; and we expect non-GAAP net income to be in a range of between 4 cents and 11 cents per diluted share.

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