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): February 15, 2018

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

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

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

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

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

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

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

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

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Item 2.02 Results of Operations and Financial Condition.

On February 15, 2018, Pixelworks, Inc. (the “Company”) issued a press release announcing financial results for the three month and twelve month periods ended December 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 February 15, 2018 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 February 15, 2018.
99.2	Pixelworks, Inc. Fourth Quarter Results Conference Call Script dated February 15, 2018.

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:	February 15, 2018	/s/ Steven L. Moore
		Steven L. Moore *Vice President, Chief Financial Officer, Secretary and Treasurer*

Exhibit 99.1

Pixelworks Reports Fourth Quarter and Fiscal Year 2017 Financial Results

SAN JOSE, Calif., February 15, 2018 -- Pixelworks, Inc. (NASDAQ: PXLW), a leading provider of power efficient visual processing solutions, today announced financial results for the fourth quarter and fiscal year ended December 31, 2017.

Fourth Quarter Highlights

- Revenue of $18.4 million increased 15.4% year-over-year
- Mobile revenue grew over 120% sequentially
- Cash flow from operations was $1.4 million
- HDR reference design for Iris mobile display processor approved by leading streaming service provider
- Increased number of engagements for mobile programs incorporating Iris display processor
- Finalized multi-million dollar development agreement with OEM in Japan for next-generation video delivery products

Full Year and 2017 Highlights

- Revenue of $80.6 million, including $15.3 million related to End of Life (EOL) products
- Revenue excluding EOL grew 34.6% year-over-year
- GAAP gross profit margin of 51.8%, and non-GAAP gross profit margin of 55.2%
- Achieved GAAP profitability in first half of 2017, and achieved non-GAAP profitability for the full year
- Completed acquisition of ViXS Systems in August, followed by a streamlining of the business to drive an estimated $4.0 million in annualized cost savings
- Recorded adjusted EBITDA of $12.9 million, and ended year with a net cash balance of $27.5 million

President and CEO of Pixelworks, Todd DeBonis, commented, “Fourth quarter revenue was at the high-end of our guidance range and grew 15.4% year-over-year. Excluding over $15 million in revenue contribution from end-of-life products during 2017, which added over $10 million of non-dilutive capital to the balance sheet, we achieved full year revenue growth of 35% - marking a transformational year of growth for Pixelworks. Additionally, gross margin expanded by over 450 basis points year-on-year in 2017, and we generated over $12 million in cash flow from operations and delivered non-GAAP profitability for the full year.

“Also during the year, we opportunistically acquired ViXS’ highly synergistic group of video-centric engineers and video delivery products, as well as a complementary portfolio of over 450 patents. We’ve now focused this business exclusively on consumer electronics applications, including OTA streaming devices. In the mobile market, we successfully completed and began sampling our fourth generation Iris mobile display processor, and entering 2018 we have customer engagements for both our third and fourth generation Iris chips that are anticipated to ramp later this year. As market trends continue toward the increased adoption of higher-quality image and video-centric solutions, I believe Pixelworks is well positioned to execute on and capture sizable growth opportunities in both our mobile and video delivery end markets.”

Fourth Quarter and Fiscal 2017 Financial Results

For the fourth quarter 2017, revenue was $18.4 million, compared to $18.8 million in the prior quarter and $16.0 million in the fourth quarter of 2016. The year-over-year increase in revenue was primarily driven by higher demand for chips sold into the digital projection market as well as contribution from the video delivery business the Company acquired in August 2017. For the full year 2017, revenue was $80.6 million, which included approximately $15.3 million of end-of-life (EOL) product revenue, compared to full year revenue of $53.4 million in 2016. Excluding the contributions from EOL, full year 2017 revenue grew 34.6% year-over-year.

On a GAAP basis, gross profit margin in the fourth quarter of 2017 was 49.7%, compared to 48.0% in the third quarter of 2017 and 53.2% in the fourth quarter of 2016. GAAP gross profit margin for the full year 2017 was 51.8%, representing an increase of 480 basis point from 47.0% in the prior year. Fourth quarter 2017 GAAP operating expenses were $12.2 million, compared to $13.4 million in the previous quarter and $8.1 million in the fourth quarter of 2016.

For the fourth quarter of 2017, the Company recorded a GAAP net loss of $3.6 million, or ($0.10) per share, compared to a GAAP net loss of $4.7 million, or ($0.14) per share, in the third quarter of 2017 and GAAP net income of $337,000, or $0.01 per diluted share, in the fourth quarter of 2016. GAAP net loss for the full year 2017 was $4.2 million, or ($0.13) per share, compared to a net loss of $11.1 million, or ($0.39) per share, for the full year 2016.

On a non-GAAP basis, fourth quarter 2017 gross profit margin was 56.9%, compared to 54.9% in the third quarter of 2017 and 53.6% in the fourth quarter of 2016. Fourth quarter 2017 operating expenses on a non-GAAP basis were $10.6 million, compared to $8.9 million in the previous quarter and $7.3 million in the fourth quarter of 2016. Non-GAAP gross profit margin for the full year 2017 was 55.2%, representing an increase of 450 basis points from 50.6% in the prior year.

For the fourth quarter of 2017, the Company recorded non-GAAP net loss of $379,000, or ($0.01) per share, compared to non-GAAP net income of $976,000, or $0.03 per diluted share, in the third quarter of 2017 and non-GAAP net income of $1.2 million, or $0.04 per diluted share, in the fourth quarter of 2016. For the full year 2017, non-GAAP net income was $7.7 million, or $0.23 per diluted share, compared to a non-GAAP net loss of $4.1 million, or ($0.14) per share, for the full year 2016.

Adjusted EBITDA in the fourth quarter of 2017 was $778,000, compared to $2.3 million in the previous quarter and $2.1 million in the fourth quarter of 2016. For the full year 2017, adjusted EBITDA was $12.9 million, compared to adjusted EBITDA of $174,000 for the full year 2016.

Business Outlook for the First Quarter of 2018

Pixelworks expects revenue to be between $14.5 million and $15.5 million for the first quarter of 2018. Additional guidance will be provided as part of the Company's earnings conference call.

Conference Call Information

Pixelworks will host a conference call today, February 15, 2018, at 2:00 p.m. Pacific Time, which can be accessed by calling 877-359-9508 and using passcode 8198038. 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 Friday, February 23, 2018, and can be accessed by calling 855-859-2056 and using passcode 8198038.

About Pixelworks, Inc.

Pixelworks creates, develops and markets high efficiency visual display processing and advanced video delivery solutions for the highest quality display and streaming applications. The Company enables worldwide manufacturers to provide leading edge consumer electronics and professional displays, as well as video delivery and streaming solutions. 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 exclude amortization of deferred revenue fair value adjustment, inventory step-up and backlog amortization, amortization of acquired intangible assets, acquisition and integration related costs, stock-based compensation expense, restructuring expenses, fair value adjustment on convertible debt conversion option, discount accretion on convertible debt fair value, gain on extinguishment of convertible debt and a tax benefit associated with new tax treatment under the tax reform, 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 income (loss) and adjusted EBITDA, which Pixelworks defines as GAAP net income (loss) before interest expense and other, net, income tax provision, depreciation and amortization, as well as the specific items listed above.

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 businesses and to evaluate Pixelworks' future prospects. These non-GAAP measures, when reviewed together with the GAAP financial information, provide additional transparency and more complete 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.

In calculating the above non-GAAP results, management specifically adjusted for certain items related to the acquisition of ViXS Systems, Inc., including amortization of acquired intangible assets, amortization of inventory step up and deferred revenue both related to fair valuing the items, acquisition and integration related costs such as accounting and legal fees and CEO severance, restructuring expenses related to a reduction in workforce, accretion on convertible debt of ViXS fair value adjustments on embedded derivative features of such convertible debt and extinguishment of such convertible debt. Management considers these items as either limited in term or having no impact on Pixelworks' cash flows, and therefore has excluded such items to better facilitate a review of current operating performance and comparisons to our past operating performance.

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 OTA businesses, including market movement and demand, customer engagements, and growth in the mobile and video delivery markets, synergies and additional guidance. 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: whether the Company will be able to implement the restructuring program as planned, whether the expected amount of the costs associated with the restructuring program will differ from or exceed the Company's estimates and whether the Company will be able to realize the full amount of estimated savings from the restructuring program or within the timeframe expected; our ability to execute on our strategy, including the integration of ViXS; competitive factors, such as rival chip architectures, introduction or traction by competing designs, or pricing pressures; the success of our products in expanded 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 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 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			Twelve Months Ended	
	December 31, 2017	September 30, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Revenue, net (1)	$ 18,448	$ 18,758	$ 15,987	$ 80,637	$ 53,390
Cost of revenue (2)	9,288	9,747	7,483	38,873	28,322
Gross profit	9,160	9,011	8,504	41,764	25,068
Operating expenses:					
Research and development (3)	6,695	5,325	4,415	21,427	19,036
Selling, general and administrative (4)	5,068	6,583	3,653	20,450	13,770
Restructuring	439	1,481	—	1,920	2,608
Total operating expenses	12,202	13,389	8,068	43,797	35,414
Income (loss) from operations	(3,042)	(4,378)	436	(2,033)	(10,346)
Interest expense and other, net (5)	(919)	(528)	(101)	(1,647)	(406)
Income (loss) before income taxes	(3,961)	(4,906)	335	(3,680)	(10,752)
Provision (benefit) for income taxes (6)	(409)	(200)	(2)	493	355
Net income (loss)	$ (3,552)	$ (4,706)	$ 337	$ (4,173)	$ (11,107)
Net income (loss) per share:					
Basic	$ (0.10)	$ (0.14)	$ 0.01	$ (0.13)	$ (0.39)
Diluted	$ (0.10)	$ (0.14)	$ 0.01	$ (0.13)	$ (0.39)
Weighted average shares outstanding:					
Basic	34,359	32,552	28,684	31,507	28,276
Diluted	34,359	32,552	30,244	31,507	28,276

———————

(1) Includes deferred revenue fair value adjustment	$ 68	$ 25	$ —	$ 93	$ —
(2) Includes:					
Inventory step-up and backlog amortization	949	1,016	—	1,965	—
Amortization of acquired intangible assets	298	199	—	497	—
Stock-based compensation	64	57	51	243	190
Restructuring	—	—	7	—	1,784
(3) Includes stock-based compensation	527	445	378	1,648	1,600
(4) Includes:					
Stock-based compensation	556	855	377	2,352	872
Amortization of acquired intangible assets	101	67	—	168	—
Acquisition and integration	(45)	1,611	—	2,460	—
(5) Includes:					
Fair value adjustment on convertible debt conversion option	621	122	—	743	—
Discount accretion on convertible debt fair value	124	72	—	196	—
Gain on debt extinguishment	(29)	—	—	(29)	—
(6) Includes benefit related to tax reform	(343)	—	—	(343)	—

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

	Three Months Ended			Twelve Months Ended	
	December 31, 2017	September 30, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Reconciliation of GAAP and non-GAAP gross profit					
GAAP gross profit	$ 9,160	$ 9,011	$ 8,504	$ 41,764	$ 25,068
Inventory step-up and backlog amortization	949	1,016	—	1,965	—
Amortization of acquired intangible assets	298	199	—	497	—
Deferred revenue fair value adjustment	68	25	—	93	—
Stock-based compensation	64	57	51	243	190
Restructuring	—	—	7	—	1,784
Total reconciling items included in gross profit	1,379	1,297	58	2,798	1,974
Non-GAAP gross profit	$ 10,539	$ 10,308	$ 8,562	$ 44,562	$ 27,042
Non-GAAP gross profit margin	56.9%	54.9%	53.6%	55.2%	50.6%
Reconciliation of GAAP and non-GAAP operating expenses					
GAAP operating expenses	$ 12,202	$ 13,389	$ 8,068	$ 43,797	$ 35,414
Reconciling item included in research and development:					
Stock-based compensation	527	445	378	1,648	1,600
Reconciling items included in selling, general and administrative:					
Stock-based compensation	556	855	377	2,352	872
Amortization of acquired intangible assets	101	67	—	168	—
Acquisition and integration	(45)	1,611	—	2,460	—
Restructuring	439	1,481	—	1,920	2,608
Total reconciling items included in operating expenses	1,578	4,459	755	8,548	5,080
Non-GAAP operating expenses	$ 10,624	$ 8,930	$ 7,313	$ 35,249	$ 30,334
Reconciliation of GAAP and non-GAAP net income (loss)					
GAAP net income (loss)	$ (3,552)	$ (4,706)	$ 337	$ (4,173)	$ (11,107)
Reconciling items included in gross profit	1,379	1,297	58	2,798	1,974
Reconciling items included in operating expenses	1,578	4,459	755	8,548	5,080
Reconciling items included in interest expense and other, net	716	194	—	910	—
Tax effect of non-GAAP adjustments	(157)	(268)	8	—	—
Benefit related to tax reform	(343)	—	—	(343)	—
Non-GAAP net income (loss)	$ (379)	$ 976	$ 1,158	$ 7,740	$ (4,053)
Non-GAAP net income (loss) per share:					
Basic	$ (0.01)	$ 0.03	$ 0.04	$ 0.25	$ (0.14)
Diluted	$ (0.01)	$ 0.03	$ 0.04	$ 0.23	$ (0.14)
Non-GAAP weighted average shares outstanding:					
Basic	34,359	32,552	28,684	31,507	28,276
Diluted	34,359	34,656	30,244	33,668	28,276

*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						Twelve Months Ended			
	December 31, 2017		September 30, 2017		December 31, 2016		December 31, 2017		December 31, 2016	
	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 income (loss)										
GAAP net income (loss)	$ (0.10)	$ (0.10)	$ (0.14)	$ (0.14)	$ 0.01	$ 0.01	$ (0.13)	$ (0.12)	$ (0.39)	$ (0.39)
Reconciling items included in gross profit	0.04	0.04	0.04	0.04	—	—	0.09	0.08	0.07	0.07
Reconciling items included in operating expenses	0.05	0.05	0.14	0.13	0.03	0.02	0.27	0.25	0.18	0.18
Reconciling items included in interest expense and other, net	0.02	0.02	0.01	0.01	—	—	0.03	0.03	—	—
Tax effect of non-GAAP adjustments	—	—	(0.01)	(0.01)	—	—	—	—	—	—
Benefit related to tax reform	(0.01)	(0.01)	—	—	—	—	(0.01)	(0.01)	—	—
Non-GAAP net income (loss)	$ (0.01)	$ (0.01)	$ 0.03	$ 0.03	$ 0.04	$ 0.04	$ 0.25	$ 0.23	$ (0.14)	$ (0.14)

*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			Twelve Months Ended	
	December 31, 2017	September 30, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Reconciliation of GAAP and non-GAAP gross profit margin					
GAAP gross profit margin	49.7%	48.0%	53.2%	51.8%	47.0%
Inventory step-up and backlog amortization	5.1	5.4	—	2.4	—
Amortization of acquired intangible assets	1.6	1.1	—	0.6	—
Amortization of deferred revenue fair value adjustment	0.4	0.1	—	0.1	—
Stock-based compensation	0.3	0.3	0.3	0.3	0.4
Restructuring	—	—	—	—	3.3
Total reconciling items included in gross profit	7.4	6.9	0.4	3.5	3.7
Non-GAAP gross profit margin	56.9%	54.9%	53.6%	55.2%	50.6%

*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			Twelve Months Ended	
	December 31, 2017	September 30, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Reconciliation of GAAP net income (loss) and adjusted EBITDA					
GAAP net income (loss)	$ (3,552)	$ (4,706)	$ 337	$ (4,173)	$ (11,107)
Stock-based compensation	1,147	1,357	806	4,243	2,662
Inventory step-up and backlog amortization	949	1,016	—	1,965	—
Fair value adjustment on convertible debt conversion option	621	122	—	743	—
Restructuring	439	1,481	7	1,920	4,392
Amortization of acquired intangible assets	399	266	—	665	—
Discount accretion on convertible debt fair value	124	72	—	196	—
Amortization of deferred revenue fair value adjustment	68	25	—	93	—
Acquisition and integration	(45)	1,611	—	2,460	—
Gain on debt extinguishment	(29)	—	—	(29)	—
Benefit related to tax reform	(343)	—	—	(343)	—
Tax effect of non-GAAP adjustments	(157)	(268)	8	—	—
Non-GAAP net income (loss)	$ (379)	$ 976	$ 1,158	$ 7,740	$ (4,053)
EBITDA adjustments:					
Depreciation and amortization	$ 863	$ 900	$ 828	$ 3,577	$ 3,466
Non-GAAP Interest expense and other, net	203	334	101	737	406
Non-GAAP provision for income taxes	91	68	(10)	836	355
Adjusted EBITDA	$ 778	$ 2,278	$ 2,077	$ 12,890	$ 174

*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)

	December 31, 2017	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	$ 27,523	$ 19,622
Accounts receivable, net	4,640	3,118
Inventories	2,846	2,803
Prepaid expenses and other current assets	1,328	736
Total current assets	36,337	26,279
Property and equipment, net	5,605	3,793
Other assets, net	1,338	785
Acquired intangible assets, net	5,856	—
Goodwill	18,407	—
Total assets	$ 67,543	$ 30,857
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 1,436	$ 1,734
Accrued liabilities and current portion of long-term liabilities	16,387	7,860
Current portion of income taxes payable	445	140
Total current liabilities	18,268	9,734
Long-term liabilities, net of current portion	1,487	194
Convertible debt	6,069	—
Income taxes payable, net of current portion	2,282	1,880
Total liabilities	28,106	11,808
Shareholders' equity	39,437	19,049
Total liabilities and shareholders' equity	$ 67,543	$ 30,857

Contacts:
Investor Contact
Shelton Group
Brett Perry
P: +1-214-272-0070
E: bperry@sheltongroup.com

Company Contact
Pixelworks, Inc.
Steven Moore
P: +1-408-200-9221
E: smoore@pixelworks.com

Exhibit 99.2

Pixelworks, Inc. Q4 2017 Conference Call
February 15, 2018

Operator

Good day ladies and gentlemen, and welcome to Pixelworks Inc.'s fourth 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 Pixelworks' CFO, 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 fourth quarter and fiscal year 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 beliefs as of today, Thursday, February 15, 2018, 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 deferred revenue fair value adjustment, inventory step-up and backlog amortization, amortization of acquired intangible assets, acquisition and integration-related costs, stock-based compensation expense, restructuring expenses, fair value adjustment on convertible debt conversion option, discount accretion on convertible debt fair value, extinguishment of convertible debt and a tax benefit related to the tax reform. With the exception of stock-based compensation and the tax benefit related to tax reform, all of these adjusting items are related to the acquisition and integration of ViXS Systems. 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 joining us on today's call.

Beginning with an overview of our results. Fourth quarter revenue was $18.4 million, which was at the high-end of our $17.5 to $18.5 guidance range. For the full year we achieved consolidated revenue growth of 35%, which doesn't include over $15 million in revenue contribution from end-of-life products. On a pure organic basis and also excluding any contribution from EOL, we delivered year-on-year growth of over 25%, marking a transformational year of growth for Pixelworks.

Fourth quarter gross margin of 56.9% was also at the top-end of our guidance, as we benefited from a richer product mix resulting from our previous streamlining of Pixelworks' product portfolio as well as the increased contribution from high-margin video delivery products. Operating expenses were in-line with expectations, and fourth quarter EPS was above the mid-point of guidance.

Although the impact from the ViXS acquisition weighed on EPS in the back half of 2017, we achieved solid profitability for the full year on a Non-GAAP basis. Importantly, we've now fully completed the integration of the video delivery business, positioning us to deliver on our commitment of the acquisition being accretive in 2018. Also notable, I want to highlight that we generated $1.4 million in cash flow from operations in Q4 and over $12 million for the full year.

Turning to commentary and highlights on our three end markets of Projector, Mobile and Video Delivery.

Projector

First in our projector business - fourth quarter revenue reflected better than typical seasonality on a sequential basis, and grew approximately 5% over the prior-year fourth quarter. When excluding the contribution from EOL, our projector business grew over 38% year-on-year. As of year-end, we now believe the market has more or less normalized following the inventory and supply channel disruptions in 2016.

During the quarter, we continued to execute on our co-development activity with a large customer for a next generation SoC, and we are on track to complete the project on schedule in late 2018. More broadly, Pixelworks is well positioned in the market, and we remain closely engaged with customers on both their current and future product road maps.

Booking levels for the current quarter are solid and consistent with traditional seasonal patterns, and based on current visibility; channel inventories, the supply chain and overall market dynamics appear healthy.

Looking forward, we feel comfortable that the step-up in our gross margin over the last year can largely be sustainable throughout 2018, however as mentioned last quarter, year-over-year growth rates in our projector business will moderate as we compare to increasingly higher comps.

Mobile

Now taking a look at mobile - as anticipated, revenue grew sequentially in our mobile business and was driven by increased shipments of our Iris video processor in support of the latest generation of tablets at ASUS. Mobile revenue for the full year grew 37% over 2016, even though the contribution from mobile remained relatively small.

Looking back at 2017, a number of key developments took place across the mobile market that served to further support Pixelworks' view and escalate the relevance of our display processing technology. First, the two largest mobile OEMs introduced flagship phones with OLED displays and their associated display pipeline, including wider color gamut and HDR playback. Not only did this increase awareness of HDR quality among consumers, but it helped reinforce the video streaming ecosystem's investment in available Mobile HDR content. All of this has given credence to our marketing effort and added real pressure on other OEMs to adopt similar display features and functionality.

Moreover, we continue to believe there are few OEMs outside of the top two or three leaders that have the internal capability and know-how to incorporate true / advanced display processing into their next generation platforms. As such, our focus remains on capitalizing on these current market dynamics and partnering with target OEMs in Asia, where we are making good progress.

Specifically related to our recent progress in mobile, early last quarter we began sampling our 4th generation Iris display processor. We've since been actively engaged in ongoing evaluations with target customers, and we released our 4th generation device for production in January. Additionally, we continue to be engaged with multiple customers on design-in activity for our 3rd generation Iris chip. In addition, an Iris HDR reference design has now been approved by a leading streaming service provider. This reference design enables a quicker path for OEMs that want to become white listed by this provider.

Customer engagements for Iris grew in Q4, and we exited the year with ten active programs at eight different OEM's. I would like to caution that given the volatility of the smartphone business it is never certain that all of these programs will result in design wins or make it to production. However, we are very encouraged by the interest in our Iris processors and are working hard to expand our mobile engagements. Based on current design activity, we expect to begin ramping meaningful volume production in mid 2018.

Video Delivery

Turning to Video Delivery - As previously mentioned, we successfully completed our integration and restructuring of this business during the fourth quarter, which has enabled us to begin realizing approximately $4 million in annualized cost synergies. As is typical with most acquisitions, after rationalizing order patterns with future customer demand in the legacy areas of this business, we now believe that a normalized annual revenue run-rate for the acquired business was approximately $10 million in 2017. Although this is a lower baseline to start from, we continue to believe this business is capable of growing 30 to 40% in 2018.

Going forward, our video delivery team is exclusively focused on two meaningful opportunities:

The first of these opportunities is in the consumer electronics market in Japan, where today our XCode family of advanced decoding and transcoding SoCs are used in HD and UHD Blu-ray playback and recording products. Both the broadcasting standards and the way that consumer receive and manage broadcast content is significantly different in Japan, as compared to in the U.S. Most importantly, Pixelworks video technology provides these Japanese OEMs with the ability to meaningfully differentiate their products to consumers in markets where dedicated set top box equipment isn't issued by a service provider. We have staffed our Japan sales and engineering support team with the intention of expanding our share and have been able to show early success.

Early in the quarter, we finalized a multimillion dollar development agreement with a consumer electronics OEM in Japan to work on a next-generation family of products targeted for production release at the end of this year.

The other opportunity we are focused on is OTA or over-the-air streaming. Here in the U.S., consumers are increasingly demanding more control over their video content, including when and where they can access it, and only paying for the content they want to watch. This is driving the decline of traditional pay-TV subscribers, as an increasing number of consumers choose to 'cut-the-cord' in favor of new alternatives for content, such as OTT and OTA. Pixelworks OTA transcoders enable consumers to stream live HD broadcast television to effectively any wireless device or streaming media player such as Roku or Apple TV. Two recently launched products incorporating Pixelworks' OTA solution were:

- The Hauppauge Cordcutter TV device with a dual-tuner that allows consumers to simultaneously watch two live channels of free local HD broadcast on two different devices, which was announced in conjunction with CES.
- Second, AirTV soft-launched its newest OTA device, which is also compatible with Sling TV, enabling users to not only watch their free local HD channel at home, but effectively anywhere with internet access. For Sling subscribers they get the added benefit of integrated OTA channels within their Sling user guide.

These are just two examples of the many single, dual and quad channel solutions based upon our SoCs. Today, the market for OTA devices largely consists of early adopters and consumers that are anxious to 'cut-the-cord'. As the awareness of cord cutting alternatives increases, the market for OTA devices has the potential to become a significant opportunity for Pixelworks.

Concluding Comments

To conclude my prepared remarks, I want to emphasize again that 2017 was a transformational year for Pixelworks. With reasonably good fundamentals in place at the beginning of 2017, we successfully executed on a number of key objectives throughout the year to deliver significant top-line growth, an over 450 basis point improvement in gross margin and non-GAAP profitability for the year. Additionally, we added approximately $10 million of non-dilutive capital to the balance sheet from end-of-life products and also generated over $12 million in cash flow from operations. This in large part enabled us to opportunistically acquire VIXS' highly synergistic group of video-centric engineers and products, not to mention a complementary portfolio of over 450 patents. Also during the year, we secured two development agreements with two of our leading customers in the projector and video delivery markets. And finally, we successfully completed and began sampling our fourth generation Iris mobile display processor.

With respect to 2018, I believe we are well positioned to execute on and capture the sizable growth opportunities ahead of us in both our mobile and video delivery markets, while maintaining our leadership position in the 3LCD Projector market.

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

Steve Moore

Thank you, Todd.

Revenue for the fourth quarter of 2017 was $18.4 million compared to $18.8 million in the third quarter, and revenue of $16 million in the fourth quarter of 2016. The year-over-year increase in fourth quarter revenue reflected a combination of continued growth in our core digital projection business as well as the first full quarter of revenue contribution from the acquired ViXS business.

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

Revenue from Digital Projector was approximately $15.1 million.

Mobile revenue was approximately $420,000.

And revenue from Video Delivery was $2.5 million.

Additionally, we recorded approximately $400,000 of legacy TV/Monitor product sold.

Non-GAAP gross profit margin was 56.9% in the fourth quarter of 2017, compared to 54.9% in the third quarter of 2017 and 53.6% in the fourth quarter of 2016. The sequential and year-over-year expansion in gross profit margin during the quarter was due to a favorable mix of revenue, including increased revenue contribution from our high margin video delivery solutions.

Non-GAAP operating expenses were $10.6 million in the fourth quarter of 2017, compared to $8.9 million in the third quarter of 2017 and $7.3 million in the year-ago fourth quarter. This expected sequential increase in operating expenses reflected that we did not recognize any offset to R&D during the fourth quarter associated with our co-development project with a large projector customer, while in the third quarter we benefited from approximately $1.3 million in credits related to this project. Additionally, we incurred a full quarter of expenses related to our acquired video delivery business.

Adjusted EBITDA was $778,000 for the fourth quarter of 2017, compared to $2.3 million in the third quarter of 2017 and $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 loss of $379,000, or a one penny loss per share, in the fourth quarter of 2017, as compared to non-GAAP net income of $976,000, or three cents per diluted share, in the prior quarter, and non-GAAP net income of $1.2 million, or four cents per diluted share, in the year-ago fourth quarter.

Moving to the balance sheet, we ended the fourth quarter with cash and cash equivalents of approximately $27.5 million, an increase of $1.2 million from the end of the third quarter, largely reflecting positive cash flow from operating activities during the fourth quarter.

Other balance sheet metrics include day’s sales outstanding of 23 days at quarter-end, compared to 24 days at the end of the third quarter. Inventory turns during the fourth quarter of 2017 were 10.6 times, compared to 12.2 times in the prior quarter.

Guidance

Turning now to Guidance.

For the first quarter of 2018, we expect revenue to be in a range of between $14.5 and $15.5 million. This range is consistent with projector market seasonality.

We expect non-GAAP gross profit margin of between 52% and 54%.

For operating expenses, we expect the first quarter to range between $8 million and $9 million on a non-GAAP basis. Note, our expectations for operating expenses in the first quarter include the anticipated recognition of approximately $2 million of offsets to R&D related to the ongoing co-development project with a large digital projector customer.

And finally, we expect first quarter non-GAAP EPS to be in a range of between a loss of $0.06 per basic share and breakeven.

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