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 7, 2019

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:

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 7, 2019, Pixelworks, Inc. (the "Company") issued a press release announcing financial results for the three and twelve month periods ended December 31, 2018 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 7, 2019 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 7, 2019.
99.2	Pixelworks, Inc. Fourth Quarter Results Conference Call Script dated February 7, 2019.

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 7, 2019	/s/ Steven L. Moore
	Steven L. Moore *Vice President, Chief Financial Officer, Secretary and Treasurer*

Exhibit 99.1

pixelworks®

Pixelworks Reports Fourth Quarter and Fiscal Year 2018 Financial Results

Fourth quarter revenue increased 11% year-over-year with strong growth in new markets

SAN JOSE, Calif., Feb. 7, 2019 - 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, 2018.

Fourth Quarter and Recent Highlights

- Mobile revenue increased 78% year-over-year, reflecting volume production in support of a growing number of smartphone design wins
- Video Delivery revenue increased 31% year-over-year, driven by ramping shipments of XCode transcoding chips to leading consumer electronics OEMs in Japan
- GAAP gross profit margin increased 340 basis points year-over-year to 53.1%; non-GAAP gross profit margin was 55.1%
- Nokia 7.1 and Black Shark Helo smartphones, featuring Iris visual processor, recognized for superior display performance
- Monetized non-strategic patents for an after-tax gain of $3.9 million, net, to be recognized in first quarter of 2019
- Entered into an agreement with HMD Global to provide visual processing solutions for next-generation Nokia smartphones

Full Year 2018 Business Highlights

- Secured five smartphone wins across four OEMs for 3rd and 4th generation Iris visual processors
- Launched 4th generation Iris mobile visual processor, and taped-out 5th generation Iris
- Successfully integrated previously acquired Video Delivery business which became accretive to quarterly operating results
- Completed multi-year SoC co-development project with large Projector customer

President and CEO of Pixelworks, Todd DeBonis, commented, “I’m pleased with our team’s execution in 2018, as we demonstrated substantial progress on both operational improvements and our growth objectives. In addition to the successful integration of ViXS Systems, we ramped a meaningful number of programs at new and existing customers across our targeted end markets. Notably, we maintained our investments in research and development in support of future growth, while also generating positive adjusted EBITDA and cash flow from operations for the year. In late December, we entered into an agreement to monetize non-strategic patents acquired as part of ViXS, which will result in recognizing a net gain of $3.9 million for the transaction in the first quarter of 2019 - further underscoring the realized value from this highly-accretive transaction for Pixelworks.

“2018 was also a transformative year in our Mobile business with announced wins on five smartphones, two of which were launched in the fourth quarter. Awareness and interest in our Iris family of mobile visual processors continue to build, and we exited the year with the strongest pipeline of active engagements to-date. Further highlighting our recent momentum, most recently we announced an agreement with HMD Global to incorporate Pixelworks’ Iris solution into a broad range of next-generation Nokia smartphones.

“In our Video Delivery business, we continue to see strong demand from our lead Japanese consumer electronics customers for our XCode family of transcoding solutions for ADSB-compatible 4K set-top-boxes and advanced PVRs. Initial uptake for these devices has been strong, and we expect healthy follow-on orders as OEM customers replenish the sales channel in order to meet future consumer demand in Japan.”

DeBonis, concluded, “Looking to 2019, we are focused on realizing the next leg of growth and targeting expanded opportunities across flagship and mid-tier mobile devices as well as next-generation consumer platforms for high-quality video streaming and delivery. As we ramp our growing pipeline of customer engagements and additional production orders, we expect to drive continued year-over-year growth in both our Mobile and Video Delivery end markets.”

Fourth Quarter and Fiscal 2018 Financial Results

Revenue in the fourth quarter of 2018 was $20.5 million, which included approximately $1.5 million of planned end-of-life (EOL) product revenue, compared to $21.5 million in the third quarter of 2018. Revenue in the fourth quarter of 2017 was $18.4 million, which included approximately $1.0 million of EOL product revenue. The year-over-year increase in fourth quarter revenue was driven by growth in all of the Company's target end markets. For the full year 2018, revenue was $76.6 million, which included approximately $2.0 million of EOL product revenue, compared to full year revenue of $80.6 million in 2017, which included approximately $15.3 million of EOL product revenue. Excluding the respective contributions from EOL products and the inclusion of a full year of Video Deliver revenues, full year 2018 revenue grew more than 14% year-over-year.

On a GAAP basis, gross profit margin in the fourth quarter of 2018 was 53.1%, compared to 52.3% in the third quarter of 2018 and 49.7% in the fourth quarter of 2017. GAAP gross profit margin for the full year 2018 was 51.6% compared to 51.8% in the prior year. Fourth quarter 2018 GAAP operating expenses were $12.4 million, compared to $10.8 million in the third quarter of 2018 and $12.2 million in the year-ago quarter. For full year 2018, GAAP operating expenses were $44.3 million, compared to $43.8 million in full year 2017.

For the fourth quarter of 2018, the Company recorded a GAAP net loss of $1.6 million, or ($0.04) per share, compared to GAAP net income of $231,000, or $0.01 per diluted share, in the third quarter of 2018 and a GAAP net loss of $3.6 million, or ($0.10) per share, in the year-ago quarter. GAAP net loss for the full year 2018 was $4.6 million, or ($0.13) per share, compared to a GAAP net loss of $4.2 million, or ($0.13) per share, for the full year 2017.

On a non-GAAP basis, fourth quarter 2018 gross profit margin was 55.1%, compared to 54.7% in the third quarter of 2018 and 56.9% in the year-ago quarter. Fourth quarter 2018 non-GAAP operating expenses were $10.3 million, compared to $8.9 million in the third quarter of 2018 and $10.6 million in the year-ago quarter. Operating expenses in the fourth quarter of 2018 included the recognition of approximately $220,000 of anticipated offsets to R&D related to the Company's co-development project with a large digital projector customer compared to $1.8 million of related offsets in the prior quarter. Non-GAAP gross profit margin for the full year 2018 was 54.2% compared to 55.2% in the prior year.

For the fourth quarter of 2018, the Company recorded non-GAAP net income of $1.1 million, or $0.03 per diluted share, compared to non-GAAP net income of $2.5 million, or $0.07 per diluted share, in the third quarter of 2018 and a non-GAAP net loss of $379,000, or ($0.01) per share, in the year-ago quarter. For the full year 2018, non-GAAP net income was $3.4 million, or $0.09 per diluted share, compared to net income of $7.7 million, or $0.23 per diluted share, for the full year 2017.

Adjusted EBITDA in the fourth quarter of 2018 was $1.8 million, compared to $3.8 million in the third quarter of 2018 and $778,000 in the year-ago quarter. For the full year 2018, adjusted EBITDA was $8.0 million, compared to adjusted EBITDA of $12.9 million for the full year 2017.

Business Outlook

For the first quarter of 2019, Pixelworks expects revenue to be in a range of between $15.5 million and $16.5 million, reflecting more than typical seasonality in the Digital Projection market partially offset by continued year-over-year growth in the Company's Mobile and Video Delivery businesses. 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 7, 2019, at 2:00 p.m. Pacific Time, which can be accessed by calling 1-877-359-9508 and using passcode 4458566. 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, February 14, 2019, and can be accessed by calling 1-855-859-2056 and using passcode 4458566.

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 has a 20-year history of delivering image processing innovation to providers of leading-edge consumer electronics and professional displays. Pixelworks is headquartered in San Jose, Calif. 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 income (loss) and non-GAAP net income (loss) per share, which exclude deferred revenue fair value adjustment, inventory step-up and backlog amortization, amortization of acquired intangible assets, stock-based compensation expense, restructuring expenses, acquisition and integration expenses, gain on extinguishment of convertible debt, fair value adjustment on convertible debt conversion option, discount accretion on convertible debt fair value, and benefit related to 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 income (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 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 deferred revenue fair value adjustment, amortization of acquired intangible assets, impact of inventory step up, all related to fair valuing the items, acquisition and integration costs, restructuring expenses related to a reduction in workforce and facility closure and consolidations, gain on debt extinguishment, fair value adjustment on convertible debt conversion option, and accretion on 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 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 video delivery businesses, including market movement and demand, customer engagements, mobile wins and the timing thereof, growth in the mobile and video delivery markets, strategy, seasonality, the impact of our agreement as to non-strategic patents, accretion and additional guidance, particularly as to revenue for the first quarter of 2019. 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, 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 its Annual Report on Form 10-K for the year ended December 31, 2017 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			Twelve Months Ended	
	December 31, 2018	September 30, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Revenue, net (1)	$ 20,539	$ 21,472	$ 18,448	$ 76,554	$ 80,637
Cost of revenue (2)	9,634	10,235	9,288	37,076	38,873
Gross profit	10,905	11,237	9,160	39,478	41,764
Operating expenses:					
Research and development (3)	6,673	5,322	6,695	22,881	21,427
Selling, general and administrative (4)	5,310	5,070	5,068	19,953	20,450
Restructuring	429	414	439	1,464	1,920
Total operating expenses	12,412	10,806	12,202	44,298	43,797
Income (loss) from operations	(1,507)	431	(3,042)	(4,820)	(2,033)
Interest income (expense) and other, net (5)	(82)	(112)	(919)	647	(1,647)
Income (loss) before income taxes	(1,589)	319	(3,961)	(4,173)	(3,680)
Provision (benefit) for income taxes (6)	52	88	(409)	448	493
Net income (loss)	$ (1,641)	$ 231	$ (3,552)	$ (4,621)	$ (4,173)
Net income (loss) per share:					
Basic	$ (0.04)	$ 0.01	$ (0.10)	$ (0.13)	$ (0.13)
Diluted	$ (0.04)	$ 0.01	$ (0.10)	$ (0.13)	$ (0.13)
Weighted average shares outstanding:					
Basic	36,736	36,195	34,359	35,959	31,507
Diluted	36,736	37,993	34,359	35,959	31,507

(1) Includes deferred revenue fair value adjustment	$ —	$ 52	$ 68	$ 52	$ 93
(2) Includes:					
Amortization of acquired intangible assets	298	298	298	1,192	497
Stock-based compensation	93	87	64	324	243
Inventory step-up and backlog amortization	17	97	949	475	1,965
(3) Includes stock-based compensation	635	609	527	2,466	1,648
(4) Includes:					
Stock-based compensation	910	762	556	2,893	2,352
Amortization of acquired intangible assets	101	101	101	404	168
Acquisition and integration	—	—	(45)	—	2,460
(5) Includes:					
Fair value adjustment on convertible debt conversion option	—	—	621	—	743
Discount accretion on convertible debt fair value	—	—	124	69	196
Gain on debt extinguishment	—	—	(29)	(1,272)	(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, 2018	**September 30, 2018**	**December 31, 2017**	**December 31, 2018**	**December 31, 2017**
Reconciliation of GAAP and non-GAAP gross profit					
GAAP gross profit	$ 10,905	$ 11,237	$ 9,160	$ 39,478	$ 41,764
Amortization of acquired intangible assets	298	298	298	1,192	497
Stock-based compensation	93	87	64	324	243
Inventory step-up and backlog amortization	17	97	949	475	1,965
Deferred revenue fair value adjustment	—	52	68	52	93
Total reconciling items included in gross profit	408	534	1,379	2,043	2,798
Non-GAAP gross profit	$ 11,313	$ 11,771	$ 10,539	$ 41,521	$ 44,562
Non-GAAP gross profit margin	55.1%	54.7%	56.9%	54.2%	55.2%
Reconciliation of GAAP and non-GAAP operating expenses					
GAAP operating expenses	$ 12,412	$ 10,806	$ 12,202	$ 44,298	$ 43,797
Reconciling item included in research and development:					
Stock-based compensation	635	609	527	2,466	1,648
Reconciling items included in selling, general and administrative:					
Stock-based compensation	910	762	556	2,893	2,352
Amortization of acquired intangible assets	101	101	101	404	168
Acquisition and integration	—	—	(45)	—	2,460
Restructuring	429	414	439	1,464	1,920
Total reconciling items included in operating expenses	2,075	1,886	1,578	7,227	8,548
Non-GAAP operating expenses	$ 10,337	$ 8,920	$ 10,624	$ 37,071	$ 35,249
Reconciliation of GAAP and non-GAAP net income (loss)					
GAAP net income (loss)	$ (1,641)	$ 231	$ (3,552)	$ (4,621)	$ (4,173)
Reconciling items included in gross profit	408	534	1,379	2,043	2,798
Reconciling items included in operating expenses	2,075	1,886	1,578	7,227	8,548
Reconciling items included in interest expense and other, net	—	—	716	(1,203)	910
Tax effect of non-GAAP adjustments	237	(181)	(157)	—	—
Benefit related to tax reform	—	—	(343)	—	(343)
Non-GAAP net income (loss)	$ 1,079	$ 2,470	$ (379)	$ 3,446	$ 7,740
Non-GAAP net income (loss) per share:					
Basic	$ 0.03	$ 0.07	$ (0.01)	$ 0.10	$ 0.25
Diluted	$ 0.03	$ 0.07	$ (0.01)	$ 0.09	$ 0.23
Non-GAAP weighted average shares outstanding:					
Basic	36,736	36,195	34,359	35,959	31,507
Diluted	38,320	37,993	34,359	37,819	33,668

*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, 2018		September 30, 2018		December 31, 2017		December 31, 2018		December 31, 2017	
	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)	$ (0.04)	$ (0.04)	$ 0.01	$ 0.01	$ (0.10)	$ (0.10)	$ (0.13)	$ (0.13)	$ (0.13)	$ (0.13)
Reconciling items included in gross profit	0.01	0.01	0.01	0.01	0.04	0.04	0.06	0.05	0.09	0.08
Reconciling items included in operating expenses	0.06	0.05	0.05	0.05	0.05	0.05	0.20	0.19	0.27	0.25
Reconciling items included in interest expense and other, net	—	—	—	—	0.02	0.02	(0.03)	(0.03)	0.03	0.03
Tax effect of non-GAAP adjustments	0.01	0.01	(0.01)	—	—	—	—	—	—	—
Benefit related to tax reform	—	—	—	—	(0.01)	(0.01)	—	—	(0.01)	(0.01)
Non-GAAP net income (loss)	$ 0.03	$ 0.03	$ 0.07	$ 0.07	$ (0.01)	$ (0.01)	$ 0.10	$ 0.09	$ 0.25	$ 0.23

*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, 2018	**September 30, 2018**	**December 31, 2017**	**December 31, 2018**	**December 31, 2017**
Reconciliation of GAAP and non-GAAP gross profit margin					
GAAP gross profit margin	53.1%	52.3%	49.7%	51.6%	51.8%
Amortization of acquired intangible assets	1.5	1.4	1.6	1.6	0.6
Stock-based compensation	0.5	0.4	0.3	0.4	0.3
Inventory step-up and backlog amortization	0.1	0.5	5.1	0.6	2.4
Deferred revenue fair value adjustment	—	0.2	0.4	0.1	0.1
Total reconciling items included in gross profit	2.0	2.5	7.4	2.7	3.5
Non-GAAP gross profit margin	55.1%	54.7%	56.9%	54.2%	55.2%

*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, 2018	September 30, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Reconciliation of GAAP net income (loss) and adjusted EBITDA					
GAAP net income (loss)	$ (1,641)	$ 231	$ (3,552)	$ (4,621)	$ (4,173)
Stock-based compensation	1,638	1,458	1,147	5,683	4,243
Restructuring	429	414	439	1,464	1,920
Amortization of acquired intangible assets	399	399	399	1,596	665
Tax effect of non-GAAP adjustments	237	(181)	(157)	—	—
Inventory step-up and backlog amortization	17	97	949	475	1,965
Amortization of deferred revenue fair value adjustment	—	52	68	52	93
Fair value adjustment on convertible debt conversion option	—	—	621	—	743
Benefit related to tax reform	—	—	(343)	—	(343)
Discount accretion on convertible debt fair value	—	—	124	69	196
Acquisition and integration	—	—	(45)	—	2,460
Gain on debt extinguishment	—	—	(29)	(1,272)	(29)
Non-GAAP net income (loss)	$ 1,079	$ 2,470	$ (379)	$ 3,446	$ 7,740
EBITDA adjustments:					
Depreciation and amortization	$ 873	$ 933	$ 863	$ 3,555	$ 3,577
Non-GAAP Interest expense and other, net	82	112	203	556	737
Non-GAAP provision (benefit) for income taxes	(185)	269	91	448	836
Adjusted EBITDA	$ 1,849	$ 3,784	$ 778	$ 8,005	$ 12,890

*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, 2018	December 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	$ 17,944	$ 27,523
Short-term marketable securities	6,069	—
Accounts receivable, net	6,982	4,640
Inventories	2,954	2,846
Prepaid expenses and other current assets	1,494	1,328
Total current assets	35,443	36,337
Property and equipment, net	6,151	5,605
Other assets, net	1,132	1,338
Acquired intangible assets, net	4,208	5,856
Goodwill	18,407	18,407
Total assets	$ 65,341	$ 67,543
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 2,116	$ 1,436
Accrued liabilities and current portion of long-term liabilities	14,823	16,387
Current portion of income taxes payable	263	445
Total current liabilities	17,202	18,268
Long-term liabilities, net of current portion	1,017	1,487
Convertible debt	—	6,069
Income taxes payable, net of current portion	2,299	2,282
Total liabilities	20,518	28,106
Shareholders' equity	44,823	39,437
Total liabilities and shareholders' equity	$ 65,341	$ 67,543

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 2018 Conference Call
February 7, 2019

Operator

Good day ladies and gentlemen, and welcome to Pixelworks Inc.'s fourth quarter 2018 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' Vice President and CFO, Mr. Steve Moore.

Steve Moore

Good afternoon 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 our press release issued earlier today announcing the Company's financial results for the fourth quarter and fiscal year 2018.

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 7, 2019, 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, 2017, 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, stock-based compensation expense, restructuring expenses, acquisition and integration expenses, discount accretion on convertible debt fair value, gain on extinguishment of convertible debt, fair value adjustment on convertible debt conversion option and benefit related to tax reform. With the exceptions of stock-based compensation and 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 and welcome to everyone joining us on today's call.

Beginning with a quick overview of our results for the quarter. Consolidated revenue in the fourth quarter increased more than 11% year-over-year to $20.5 million, driven by annual growth across all three of our target end markets. Gross margin remained solid and came in slightly better than expected for the quarter at just over 55%. As anticipated, we were profitable on a non-GAAP basis with EPS in the high-end of our guidance range.

For the full year 2018, revenue grew 14% after adjusting for the contribution from EOL products. Gross margin remained favorable within the mid-50-percent range for the full year. In terms of operating expenses, it's worth highlighting that OpEx for the year was only up 5% - which highlights our financial discipline in reducing the incremental operating expenses associated with acquiring ViXS in late 2017. We also maintained robust R&D efforts throughout 2018, while benefiting from approximately $4 million of R&D off-sets associated with the co-development for our large projector customer.

As a result, we achieved breakeven or better bottom-line results on a non-GAAP basis in each quarter of 2018, and generated positive cash from operations for the year. Also notable for year, the business we previously acquired from ViXS, which we now refer to as Video Delivery, became accretive in the third quarter and is now meaningfully contributing to quarterly EPS.

Finally, in December we entered into an agreement to monetize a group of non-strategic patents acquired as part of ViXS - and no revenue was being generated from the associated IP. The sale of these patents will result in Pixelworks realizing a net gain of $3.9 million in the first quarter of 2019. In addition to adding non-dilutive cash to the balance sheet, this transaction effectively reduces the original purchase price paid for ViXS - further underscoring the realized value of this acquisition for Pixelworks.

Now turning to an update on each of our end markets.

Our Digital Projector business performed as expected during the fourth quarter, with revenue declining sequentially from a seasonally strong third quarter, and up more than 8% over the year-ago quarter. As we indicated as part of our previously provided quarterly guidance, the fourth quarter included approximately $1.5 million of projector-related EOL product revenue.

Unrelated to the EOL, but also as expected we successfully completed our multi-year co-development of an advanced, next-generation SoC for our large projector customer during the fourth quarter. As a result of fulfilling the last milestone associated with this development project and releasing the new chip for production, we recognized the small remaining off-set to R&D expenses in the quarter. As a reminder, this new SoC for projector was developed as a next-generation replacement for an existing Pixelworks SoC that we currently sell exclusively to this large customer. We anticipate this customer to begin transitioning its product portfolio to the new SoC late in the second half of 2019. While this transition will ultimately be a multi-stage process that stretches well into 2020, we expect it to dampen the effect of our typical seasonality in the back-half of 2019.

In addition to underpinning our long-term business with this large projector customer, we are leveraging a significant amount of this completed development work and technology in our next-generation products for other digital projector customers.

In terms of the broader projector market, it’s important to recognize that a large portion of total unit volume and end market demand for digital projectors is driven by either education applications in emerging markets or enterprise applications in developed markets. Therefore, the current macroeconomic backdrop in China and the ongoing trade tensions are relevant and will ultimately have an impact on the overall health of the projector market. Although we observed no direct impact to our results in the fourth quarter, we did see demand for the first half of 2019 begin to deteriorate late during the quarter.

Although near-term bookings have firmed-up somewhat since the beginning of the year, we believe the macro-environment, particularly in China, is likely serving as a drag on both end demand and customer order patterns.

Shifting to Video Delivery -- As anticipated, we had another strong quarter, with Q4 representing the second consecutive quarter of greater than 30% year-over-year revenue growth. The primary driver was a continuation in the ramp of our XCode family of decoders and transcoders in support of new, ADSB-compatible in-home media devices that were launched by multiple consumer electronics customers in Japan.

As communicated on past calls, Japan recently became the first country to roll-out a next-generation TV broadcast standard that supports over-the-air Terrestrial Broadcast in 4K resolution and HDR video quality. Previous generation consumer electronics devices in Japan, including an existing installed-base of 4K TVs, are not compatible with the new standard - as a result, the roll-out of this higher-quality terrestrial broadcast signal has triggered what is expected to be a meaningful upgrade cycle among Japanese consumers.

As announced in December, Pixelworks’ XCode 6830 decoder platform provides compatibility for this new ADSB standard in several in-home media devices recently launched by Sharp, I/O Data and Maspro. In addition, Sharp’s newly released ADSB-compatible Aquos 4K Blu-ray recorder also incorporates Pixelworks XCode 5190 transcoder to offer advanced personal video recorder (PVR) and streaming capabilities, including the ability to watch recorded content on Wi-Fi-connected tablets and smartphones.

Also within Video Delivery, we are working to further cultivate and capitalize on the emerging growth opportunity in the over-the-air broadcast, or OTA market. During the fourth quarter, we continued to support existing customers that leverage Pixelworks’ transcoding SoC solutions in their OTA streaming products. This includes our previously announced design wins on several newly launched customer products in 2018, such as Hauppauge’s Cordcutter TV with dual-tuner OTA streaming, Nuvyyo’s Tablo family of OTA DVR devices, and AirTV’s launch of its Local Channels DVR capability.

As consumers become increasingly aware of the ability to stream and record free OTA broadcast content, we expect to see a growing number of service providers incorporate OTA content into alternative video delivery platforms.

Looking forward, we are well positioned in our Video Delivery business across an increasingly diverse group of engagements with lead customers on next-generation in-home media devices. We expect a number of these video-centric consumer products to be launched by customers in 2019 and contribute to continued robust growth year-over-year.

Turning to Mobile - 2018 was a transformative year for our Mobile group with revenue growing 75% over the prior year fourth quarter and nearly 90% for the full year. This growth reflects the continued ramp of volume production orders for both our 3rd and 4th generation Iris visual processors in support of wins on previously launched smartphones.

Also highlighting our increased traction in 2018, were our announced wins on five smartphones across four OEM customers, resulting in increased volume shipments of both our 3rd and 4th generation Iris visual processors.

In conjunction with our customers' official product launches, we announced two of these wins during the fourth quarter, the Black Shark Helo and the Nokia 7.1. The Black Shark Helo represented our second win with Xiaomi-backed Black Shark for a smartphone specifically targeted at avid gamers. This gaming phone incorporates Pixelworks' 3rd generation Iris chip and features Pixelworks' industry leading MEMC processing and Always HDR mode technology to deliver superior display performance and an unmatched mobile gaming experience.

Also launched during the quarter, the Nokia 7.1 became the first smartphone to combine Pixelworks' 4th generation Iris alongside Qualcomm's 636 apps processor - and be uniquely positioned as a mid-tier smartphone with flagship-quality display performance. Leveraging the advance visual processing technology in our 4th generation Iris, the Nokia 7.1 offers real-time SDR2HDR conversion and is among the exclusive list of devices that are HDR certified by Amazon.

As the most recent evidence of our focused efforts to seed adoption across a larger portion of the addressable smartphone market, last week we jointly announced a strategic partnership with HMD Global to incorporate Pixelworks' Iris technology in a broad range of Nokia's next generation smartphones. Although the terms of the agreement currently preclude Pixelworks from providing details about the number of models, targeted geographies or the product profiles of these future Nokia smartphones, what I can say is - this partnership consists of more than a simple supply agreement or commitment to incorporate our device. The two companies are committed to evangelizing advanced visual processing to a wider set of consumers.

Similar to our previous announcement on the launch of the Nokia 7.1, we will be able to announce the models that incorporate Pixelworks' technology as these individual smartphones are publicly launched under the Nokia brand.

More broadly within our Mobile business - our current pipeline of active customer engagements continues to expand. To help put the current level of activity in context, on our fourth quarter conference call one year ago, I mentioned that we were engaged with 8 OEMs and 10 active programs. Today, the number of active customer engagements is both larger and of higher quality, with active programs more than double a year ago.

A large number of these programs are targeting to use our 4th generation Iris processor, which was originally designed with the specific goal of lowering the barriers for OEM adoption. Today, we are seeing an increasing number of engagements focused on the generation 4 device to offer a noticeably differentiated display experience on aggressively priced mid-tier smartphones. And now having taped-out our newest Iris processor during the fourth quarter, we have multiple OEMs with development boards awaiting samples of our 5th generation Iris visual processor. We are on track to begin sampling pre-production volumes of the 5th generation Iris by the end of the current quarter.

Concluding Remarks

To close out my prepared remarks - and looking to 2019, we are focused on realizing the next leg of growth and targeting expanded opportunities across flagship and mid-tier devices in Mobile as well as next-generation consumer platforms for high-quality video delivery and streaming. As we execute on our growing pipeline of customer engagements and ramp additional production orders, we expect to deliver continued year-over-year growth in both our Mobile and Video Delivery end markets - with the potential for that growth to accelerate significantly toward the second half of the year.

With that I'll turn the call over to Steve for a more detailed review our fourth quarter financial results and guidance for the first quarter. Steve?

Steve Moore

Thank you, Todd.

Revenue for the fourth quarter of 2018 was $20.5 million, compared to $21.5 million in the third quarter and revenue of $18.4 million in the fourth quarter of 2017. The year-over-year increase in fourth quarter revenue reflects growth across all three of our target end markets.

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

Revenue from Digital Projector was approximately $16.4 million, which included roughly $1.5 million in planned end-of-life product revenue.

Video Delivery revenue was approximately $3.4 million.

And revenue from Mobile was approximately $750,000.

Non-GAAP gross profit margin was 55.1% in the fourth quarter of 2018, compared to 54.7% in the third quarter of 2018 and 56.9% in the fourth quarter of 2017.

Non-GAAP operating expenses were $10.3 million in the fourth quarter of 2018, compared to $8.9 million in the third quarter of 2018 and $10.6 million in the fourth quarter of 2017. Note, lower operating expenses in the third quarter of 2018 reflected the recognition of approximately $1.8 million of offsets to R&D associated with our co-development project with a large projector customer. In the fourth quarter of 2018 we recognized the remaining $220,000 of offset to R&D, which represented the final offset associated with this now completed co-development project.

Adjusted EBITDA was $1.8 million for the fourth quarter of 2018, compared to $3.8 million in the third quarter of 2018 and $778,000 in the fourth quarter of 2017. A reconciliation of adjusted EBITDA to GAAP net income/loss may be found in today's press release.

We reported non-GAAP net income of $1.1 million, or 3 cents per diluted share, in the fourth quarter of 2018, compared to non-GAAP net income of $2.5 million, or 7 cents per diluted share, in the prior quarter, and a non-GAAP net loss of $379,000, or loss of 1 cent per share, in the fourth quarter of 2017.

Moving to the balance sheet, we ended the fourth quarter with cash, cash equivalents and short-term investments of approximately $24 million, effectively flat with the prior quarter.

Other balance sheet metrics include day's sales outstanding of 31 days at quarter-end, compared with 24 days at the end of the third quarter 2018. Inventory turns during the fourth quarter of 2018 were 12.3 times, compared to 12.9 times in the prior quarter.

Our guidance for the first quarter of 2019 is as follows:

We expect revenue to be in a range of between $15.5 million and $16.5 million, which largely reflects more than typical first quarter seasonality in the digital projection market, combined with our expectations for continued year-over-year growth in our Mobile and Video Delivery end markets.

We expect non-GAAP gross profit margin of between 49% and 51%. Margins will be temporarily impacted by the mix within projector and lower overhead absorption on lower revenues.

For operating expenses, we expect the first quarter to range between $10 million and $11 million on a non-GAAP basis. As previously mentioned, note that we do not anticipate any offsets to R&D in the first quarter.

And finally, we expect first quarter non-GAAP EPS to be in the range of between a loss of 4 and 9 cents per basic share. The after tax net gain of $3.9 million for the sale of patents will be recorded as a GAAP gain, in other income, and will not affect non-GAAP earnings.

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