

**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): November 5, 2015

**PIXELWORKS, INC.**

(Exact name of registrant as specified in its charter)

**OREGON**  
(State or other jurisdiction of  
incorporation)

**000-30269**  
(Commission File Number)

**91-1761992**  
(I.R.S. Employer  
Identification No.)

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

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

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**Item 2.02 Results of Operations and Financial Condition.**

On November 5, 2015, Pixelworks, Inc. (the “Company”) issued a press release announcing financial results for the three and nine month periods ended September 30, 2015 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 November 5, 2015 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.

<b>Exhibit No.</b>	<b>Description</b>
99.1	Press Release issued by Pixelworks, Inc. dated November 5, 2015.
99.2	Pixelworks, Inc. Third Quarter Results Conference Call Script dated November 5, 2015.

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**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: November 5, 2015

/s/ Steven L. Moore

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

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## EXHIBIT INDEX

<b>Exhibit No.</b>	<b>Description</b>
99.1	Press Release issued by Pixelworks, Inc. dated November 5, 2015.
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## Pixelworks Reports Third Quarter 2015 Financial Results

**SAN JOSE, Calif., November 5, 2015** -- Pixelworks, Inc. (NASDAQ: PXLW), an innovative provider of video display processing technology enabling the highest quality viewing experience for displays of all sizes, today announced financial results for the third quarter ended September 30, 2015.

For the third quarter of 2015, revenue was \$16.6 million, compared to \$15.1 million in the prior quarter and \$17.1 million in the third quarter of 2014. Revenue during the quarter primarily reflected increased sales of chips into the projector market.

On a GAAP basis, gross profit margin in the third quarter of 2015 was 50.0%, compared to 48.0% in the second quarter of 2015 and 50.1% in the year-ago quarter. Third quarter 2015 GAAP operating expenses were \$9.5 million, compared to \$9.7 million in the previous quarter and \$10.5 million in the third quarter of 2014.

For the third quarter of 2015, the Company recorded a GAAP net loss of \$1.2 million, or \$0.05 per share, compared to a GAAP net loss of \$2.8 million, or \$0.12 per share, in the second quarter of 2015 and GAAP net loss of \$2.3 million, or \$0.10 per share, in the third quarter of 2014.

On a non-GAAP basis, third quarter 2015 gross profit margin was 50.2%, compared to 48.3% in the second quarter of 2015 and 50.4% in the year-ago quarter. Third quarter 2015 operating expenses on a non-GAAP basis were \$8.5 million, compared to \$8.8 million in the previous quarter and \$9.3 million in the third quarter of 2014.

For the third quarter of 2015, non-GAAP net loss was \$0.2 million, or \$0.01 per share, compared to a non-GAAP net loss of \$1.9 million, or \$0.08 per share, in the second quarter of 2015 and non-GAAP net loss of \$0.9 million, or \$0.04 per share, in the third quarter of 2014. Adjusted EBITDA in the third quarter of 2015 was a positive \$0.9 million, compared to a negative \$0.5 million in the previous quarter and a positive \$0.4 million in the third quarter of 2014.

"Revenues increased 10% sequentially in third quarter primarily driven by favorable seasonality and market share gains in our projection business," said Bruce Walicek, President and CEO of Pixelworks. "Most notable during the quarter, ASUS launched its flagship ZenPad tablet incorporating our Iris chip, which serves as a key proof point of market demand for TV quality video processing on mobile devices. Despite macroeconomic headwinds in the near term, we are pleased with the traction that we are achieving on our mobile initiative and expect it to drive meaningful growth for Pixelworks in 2016."

The Company will discuss the details of its business outlook for the fourth quarter of 2015 during its conference call scheduled for today, November 5, 2015, at 2:00 p.m. Pacific Time.

### Conference Call Information

Pixelworks will host a conference call today at 2:00 p.m. Pacific Time, which can be accessed by calling 877-359-9508 and using passcode 62241014. A Web broadcast of the call can be accessed by visiting the Company's investor page at [www.pixelworks.com](http://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, November 12, 2015, and can be accessed by calling 855-859-2056 and using passcode 62241014.

### About Pixelworks, Inc.

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

For more information, please visit the company's Web site at [www.pixelworks.com](http://www.pixelworks.com).

Note: Pixelworks and the Pixelworks logo are registered trademarks of Pixelworks, Inc.

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## **Non-GAAP Financial Measures**

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

## **Safe Harbor Statement**

*This release contains forward-looking statements, including, without limitation, the statements in Bruce Walicek's quote with respect to the Company's growth opportunities, product shipments, product demand, customer engagements, and the Company's potential and position for the future, within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements may be identified by use of terms such as "begin," "continue," "will," "believe," and similar terms or the negative of such terms. All statements other than statements of historical fact are forward-looking statements for purposes of this release, including any projections of revenue or other financial items or any statements regarding the plans and objectives of management for future operations. Such statements are based on management's current expectations, estimates and projections about the Company's business. These statements are not guarantees of future performance and involve numerous risks, uncertainties and assumptions that are difficult to predict. Actual results could vary materially from those contained in forward looking statements due to many factors, including, without limitation: our ability to deliver new products in a timely fashion; our new product yield rates; changes in estimated product costs; product mix; supply of products from third-party foundries; failure or difficulty in achieving design wins; timely customer transition to new product designs; competitive factors, such as rival chip architectures, introduction or traction by competing designs, or pricing pressures; risks related to licensing our intellectual property; the success of our products in expanded markets; current global economic challenges; levels of inventory at distributors and customers; changes in the digital display and projection markets; changes in customer ordering patterns or lead times; seasonality in the consumer electronics market; our efforts to achieve profitability from operations; insufficient, excess or obsolete inventory and variations in inventory valuation; the outcome of any litigation related to our intellectual property rights; our limited financial resources and our ability to attract and retain key personnel. More information regarding potential factors that could affect the Company's financial results and could cause actual results to differ materially is included from time to time in the Company's Securities and Exchange Commission filings, including our Annual Report on Form 10-K for the year ended December 31, 2014 as well as subsequent SEC filings.*

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

- Financial Tables Follow -

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

	Three Months Ended			Nine Months Ended	
	September 30,	June 30,	September 30,	September 30,	September 30,
	2015	2015	2014	2015	2014
Revenue, net	\$ 16,570	\$ 15,078	\$ 17,111	\$ 46,040	\$ 45,818
Cost of revenue (1)	8,292	7,844	8,545	23,561	21,596
Gross profit	8,278	7,234	8,566	22,479	24,222
Operating expenses:					
Research and development (2)	6,145	6,105	6,634	18,568	18,906
Selling, general and administrative (3)	3,334	3,584	3,900	10,805	11,658
Total operating expenses	9,479	9,689	10,534	29,373	30,564
Loss from operations	(1,201)	(2,455)	(1,968)	(6,894)	(6,342)
Interest expense and other, net	(105)	(105)	(123)	(317)	(375)
Loss before income taxes	(1,306)	(2,560)	(2,091)	(7,211)	(6,717)
Provision (benefit) for income taxes	(63)	236	209	192	472
Net loss	\$ (1,243)	\$ (2,796)	\$ (2,300)	\$ (7,403)	\$ (7,189)
Net loss per share - basic and diluted	\$ (0.05)	\$ (0.12)	\$ (0.10)	\$ (0.31)	\$ (0.32)
Weighted average shares outstanding - basic and diluted	25,735	23,539	23,007	24,210	22,629

(1) Includes:

Stock-based compensation	\$ 52	\$ 42	\$ 61	\$ 147	\$ 191
Additional amortization of non-cancelable prepaid royalty	(14)	—	4	(14)	95
(2) Includes stock-based compensation	524	429	562	1,442	1,801
(3) Includes stock-based compensation	443	422	634	1,401	1,909

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

	Three Months Ended			Nine Months Ended	
	September 30,	June 30,	September 30,	September 30,	September 30,
	2015	2015	2014	2015	2014
<b>Reconciliation of GAAP and non-GAAP gross profit</b>					
GAAP gross profit	\$ 8,278	\$ 7,234	\$ 8,566	\$ 22,479	\$ 24,222
Stock-based compensation	52	42	61	147	191
Additional amortization of non-cancelable prepaid royalty	(14)	—	4	(14)	95
Total reconciling items included in cost of revenue	38	42	65	133	286
Non-GAAP gross profit	\$ 8,316	\$ 7,276	\$ 8,631	\$ 22,612	\$ 24,508
Non-GAAP gross profit margin	50.2%	48.3%	50.4%	49.1%	53.5%
<b>Reconciliation of GAAP and non-GAAP operating expenses</b>					
GAAP operating expenses	\$ 9,479	\$ 9,689	\$ 10,534	\$ 29,373	\$ 30,564
Reconciling item included in research and development:					
Stock-based compensation	524	429	562	1,442	1,801
Reconciling item included in selling, general and administrative:					
Stock-based compensation	443	422	634	1,401	1,909
Total reconciling items included in operating expenses	967	851	1,196	2,843	3,710
Non-GAAP operating expenses	\$ 8,512	\$ 8,838	\$ 9,338	\$ 26,530	\$ 26,854
<b>Reconciliation of GAAP and non-GAAP net loss</b>					
GAAP net loss	\$ (1,243)	\$ (2,796)	\$ (2,300)	\$ (7,403)	\$ (7,189)
Reconciling items included in cost of revenue	38	42	65	133	286
Reconciling items included in operating expenses	967	851	1,196	2,843	3,710
Tax effect of non-GAAP adjustments	65	(46)	91	—	6
Non-GAAP net loss	\$ (173)	\$ (1,949)	\$ (948)	\$ (4,427)	\$ (3,187)
Non-GAAP net loss per share - basic and diluted	\$ (0.01)	\$ (0.08)	\$ (0.04)	\$ (0.18)	\$ (0.14)
Non-GAAP weighted average shares outstanding - basic and diluted	25,735	23,539	23,007	24,210	22,629

\* Our non-GAAP gross profit, non-GAAP gross profit margin, non-GAAP operating expenses, non-GAAP net loss and non-GAAP net loss per share differs from GAAP gross profit, GAAP operating expenses, GAAP net loss and GAAP net loss per share due to the exclusion of stock-based compensation expense and additional amortization of a non-cancelable prepaid royalty. Pixelworks' management believes the presentation of non-GAAP gross profit, non-GAAP operating expenses, non-GAAP net loss and non-GAAP net loss per share provides useful information to investors regarding Pixelworks' results of operations by allowing investors to better evaluate underlying cash flow dynamics. Pixelworks' management also uses each of these non-GAAP measures internally to better evaluate underlying cash flow dynamics. Pixelworks, however, cautions investors to consider these non-GAAP financial measures in addition to, and not as a substitute for, our GAAP financial measures.



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

	Three Months Ended			Nine Months Ended	
	September 30, 2015	June 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
<b>Reconciliation of GAAP net loss and adjusted EBITDA</b>					
GAAP net loss	\$ (1,243)	\$ (2,796)	\$ (2,300)	\$ (7,403)	\$ (7,189)
Stock-based compensation	1,019	893	1,257	2,990	3,901
Additional amortization of non-cancelable prepaid royalty	(14)	—	4	(14)	95
Tax effect of non-GAAP adjustments	65	(46)	91	—	6
Non-GAAP net loss	\$ (173)	\$ (1,949)	\$ (948)	\$ (4,427)	\$ (3,187)
EBITDA adjustments:					
Depreciation and amortization	\$ 1,086	\$ 1,041	\$ 1,130	\$ 3,225	\$ 3,415
Interest expense and other, net	105	105	123	317	375
Non-GAAP provision (benefit) for income taxes	(128)	282	118	192	466
Adjusted EBITDA	<u>\$ 890</u>	<u>\$ (521)</u>	<u>\$ 423</u>	<u>\$ (693)</u>	<u>\$ 1,069</u>

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

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

	September 30, 2015	December 31, 2014
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 29,024	\$ 17,926
Accounts receivable, net	4,734	4,648
Inventories	3,511	2,898
Prepaid expenses and other current assets	996	888
<b>Total current assets</b>	<b>38,265</b>	<b>26,360</b>
Property and equipment, net	6,852	6,402
Other assets, net	766	1,382
<b>Total assets</b>	<b>\$ 45,883</b>	<b>\$ 34,144</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 3,181	\$ 3,154
Accrued liabilities and current portion of long-term liabilities	8,166	8,539
Current portion of income taxes payable	172	197
Short-term line of credit	3,000	3,000
<b>Total current liabilities</b>	<b>14,519</b>	<b>14,890</b>
Long-term liabilities, net of current portion	819	1,476
Income taxes payable, net of current portion	1,928	2,094
<b>Total liabilities</b>	<b>17,266</b>	<b>18,460</b>
Shareholders' equity	28,617	15,684
<b>Total liabilities and shareholders' equity</b>	<b>\$ 45,883</b>	<b>\$ 34,144</b>

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**Pixelworks, Inc. Q3 2015 Conference Call  
November 5, 2015**

**Steven Moore, CFO**

Good afternoon and thank you for joining us. This is Steve Moore, Chief Financial Officer of Pixelworks. With me today is Bruce Walicek, 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 third quarter ended September 30, 2015.

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, November 5, 2015, 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, 2014, 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 loss, and net loss per share. These non-GAAP measures exclude stock-based compensation expense and additional amortization of a prepaid royalty. 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.

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

Bruce will begin today's call with a strategic update on the business, after which I will review our third quarter financial results, and then provide our outlook for the fourth quarter of 2015.

**Bruce Walicek, CEO**

Thanks Steve. Good afternoon and thanks for joining us on our Q3 2015 conference call:

- I will begin today with an overview of the quarter and then Steve will review the financial results and provide our outlook for Q4.
  - Q3 results came in within the range of guidance with revenues of \$16.6M, representing a 10% increase in product revenue quarter over quarter, driven by favorable seasonality and market share gains in our projection business.
  - All other Non-GAAP metrics came within the range of guidance and we generated positive EBITDA.
  - Despite a challenging macro-environment, design win momentum for our product lines of SOC chips for projectors, was strong during the quarter with new wins in the ultra-short throw, mainstream, and personal projector segments.
  - Our co-developed SOC for the projection market continues to expand to additional platforms and drive market-share gains and overall year on year growth.
  - Our VueMagic™ platform, continued its momentum as over 30 new projector models were added by major projector brands during the quarter.
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- There are now over 100 models commercially available in the market, with additional brands and models to launch in the coming quarters.
- Looking forward to Q4, we are seeing slowing order patterns in our core projection and large panel product lines driven by the effects of a slowing China and emerging markets.
- While the year is ending on a weak note for the projection market, we gained market share year over year and expect to grow product revenue from chips in the low single digit range for 2015, despite the overall projector market likely declining versus 2014.
- Overall, we expect to continue to gain market share in 2016 and for the projector market to return to growth.

#### **Milestone Update**

Turning to our mobile initiative, Q3 was an outstanding quarter of progress.

- We introduced and sampled the second chip in the Iris family of mobile display processors and began volume production during the quarter.
- This device is targeted for mobile products with high-resolution displays with screen sizes ranging from 5.5" to 10" with up to 2K resolutions.
- It includes the full suite of True Clarity display features and benefits, and is geared for power-hungry, compute intensive, video applications.
- Also during the quarter, ASUS launched its flagship ZenPad tablet with Iris and it is receiving positive reviews for its display experience, and we are seeing follow-on Iris orders for this product.
- Now that there is a flagship product in the market from a leader like ASUS, we have seen increasing momentum and interest in the features and benefits of Iris, as customers are aggressively seeking solutions to address display challenges and differentiate their products.

#### **Market Development Update**

- Over the last several quarters, during the first phase of market development we have seen traction in early adopter, higher end products, with our first chip trending toward notebook PC oriented devices, predominately Intel based Skylake platforms.
  - While some of these earlier engagements have taken longer to transition into production due to customer platform transitions, we continue to expect good contribution from this category in 2016.
  - The second chip is receiving a great response and faster adoption, as the concept of bringing TV quality processing to mobile gains momentum.
  - As we move into the next phase of market development, with the ASUS tablet as a proof point in the market, we are seeing opportunities in higher volume platforms, as many mid-range mobile SOCs can leverage the performance and features of Iris, allowing them to compete against more expensive higher end SOC platforms.
  - Regarding SOC partners, we are seeing significant pull, as the benefits of Iris can help differentiate their platforms as well as enhance capability and performance.
  - As a key part of our strategy to drive Iris design wins, we are engaged in joint selling and reference designs with major mobile SOC providers and our activity increased significantly during the quarter.
  - Confirming this trend, this quarter we captured a significant milestone design win for a major US mobile wireless carrier and we expect to see Iris enabled tablets in their channel in mid 2016.
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- This design is based on a midrange SOC that combined with Iris delivers upgraded performance and brings True Clarity features and benefits that differentiate the platform.
- Not only our OEM customers but SOC partners, ODMS, and carriers are appreciating the differentiation Iris can bring to their products and platforms.
- We are actively engaged in multiple collaborative efforts with these key partners across the ecosystem.

#### **True Cut**

- Before I finish I would like to discuss something else we have been working on for a number of quarters, which is a new aspect of our mobile strategy.
- A key driver of mobile video and the increasing importance of the display experience is over the top video streaming services.
- Next quarter we will be rolling out a key piece of our strategy to leverage Pixelworks video processing technology and we are calling this True Cut.
- True Cut brings Pixelworks video processing algorithms upstream to the server level, to drive pull for Iris based mobile devices and ultimately drive design wins for Iris.
- It is an end-to-end solution, that enables products based on Iris to display a higher quality streaming video experience.
- True Cut software resides on the distribution server and enables mobile devices based on recently introduced and future Iris devices, to provide an enhanced mobile streaming video experience.
- True Cut not only provides a value proposition to products based on Iris, but to carriers and content distributors as well.
- We are currently in initial trials for True Cut with a major China based carrier and expect to begin live demos of this capability in Q1 2016.

#### **Closing summary**

In summary, Q3 was a good quarter of progress.

- We sampled and shipped production of our next device in the Iris family of mobile display processors.
- ASUS launched its Iris based flagship ZenPad which is a key proof point and validation in the market.
- We won a key milestone design win for a major wireless carrier and are receiving good validation from our partners.
- Finally, we will be rolling out True Cut in 2016, which is a key piece of our mobile strategy and will leverage Pixelworks video processing technology to enhance the video streaming experience.

Now, I'd now like to turn the call over to Steve to review the financial results of the quarter

#### **Steven Moore, CFO**

Thank you, Bruce.

Revenue for the third quarter of 2015 was \$16.6 million, compared to \$15.1 million in the prior quarter. The sequential increase in Q3 revenue was primarily driven by market share gain and favorable seasonality in the projector market.

The split of our third quarter revenue by market was:

91% digital projection,  
7% TV and panel  
2% mobile

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Digital projection revenue was \$15.2 million, compared to \$13.6 million in the second quarter of 2015, and revenue from TV and panel totaled \$1.1 million in the third quarter, compared to \$1.4 million in the prior quarter.

As previously mentioned, we recognized our first Mobile revenue during the third quarter in conjunction with initial volume shipments of Iris. This revenue amounted to approximately \$250,000 in Q3.

Non-GAAP gross profit margin was 50.2% in the third quarter, compared to 48.3% in the second quarter of 2015.

As a reminder, Pixelworks' gross margin is subject to variability based on changes in revenue levels, recognition of license revenue, product mix, startup costs, and the timing and execution of manufacturing ramps, as well as other factors.

Non-GAAP operating expenses were \$8.5 million in the third quarter, compared to \$8.8 million in the prior quarter.

Adjusted EBITDA was a positive \$890,000 for the third quarter, compared to a negative \$521,000 in the second quarter. As previously mentioned, a reconciliation of adjusted EBITDA to GAAP net loss may be found in today's press release.

On a non-GAAP basis we recorded a net loss of \$173,000, or loss of one cent per share, in the third quarter of 2015, compared to a non-GAAP net loss of \$1.9 million, or loss of eight cents per share, in the prior quarter.

Moving to the balance sheet, we ended the third quarter with cash and cash equivalents of approximately \$29 million, compared to \$14.4 million at the end of the second quarter. The Company has no long-term debt and similar to the previous quarter, the Company had a balance of \$3 million on its working capital line of credit at quarter-end.

Other balance sheet metrics include day's sales outstanding of 26 days at the end of the third quarter, compared to 28 days at the end of the second quarter, and inventory turns were approximately 10 times, increasing slightly over the prior quarter.

#### Guidance

For the fourth quarter of 2015, we expect revenue to be in a range of between \$13 and \$15 million. As Bruce mentioned, our guidance range largely reflects macro economic weakness in China and emerging markets for projectors and we expect mobile revenue to increase modestly over the third quarter.

We expect gross profit margin for the quarter to range between 48% to 50% on a GAAP and non-GAAP basis.

In terms of operating expenses, we expect the fourth quarter to range between \$8.5 and \$9.5 million on a non-GAAP basis, and \$9.5 to \$10.5 million on a GAAP basis.

And finally, we expect a fourth quarter non-GAAP net loss of between 5 cents and 14 cent per share; and we expect a GAAP net loss of between 9 cents and 18 cents per share.

That concludes our prepared remarks. We will now open the call to questions.