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 11, 2021

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

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

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

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

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

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

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

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	PXLW	The Nasdaq Global Market

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

Emerging growth company ☐

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

Item 2.02 Results of Operations and Financial Condition.

On February 11, 2021, Pixelworks, Inc. (the "Company") issued a press release announcing financial results for the three and twelve month periods ended December 31, 2020 and held a conference call to discuss the Company's financial results. The press release and conference call contain forward-looking statements regarding the Company, and include cautionary statements identifying important factors that could cause actual results to differ materially from those anticipated.

The press release issued February 11, 2021 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 11, 2021.
99.2	Pixelworks, Inc. Fourth Quarter Results Conference Call Script dated February 11, 2021.

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 11, 2021

/s/ Elias N. Nader

Elias N. Nader
Vice President and Chief Financial Officer

Exhibit 99.1

pixelworks®

Pixelworks Reports Fourth Quarter and Full Year 2020 Financial Results

Mobile Grows 49% Sequentially, Expanding to 22% of Total Revenue

SAN JOSE, Calif., Feb. 11, 2021 – Pixelworks, Inc. (NASDAQ: PXLW), a leading provider of innovative video and display processing solutions, today announced financial results for the fourth quarter and full year ended December 31, 2020.

Fourth Quarter and Recent Highlights

- Mobile revenue grew 49% sequentially, driven by increased demand from OEM customers in support of recent and upcoming launches of new smartphones
- Commenced initial production shipments of new sixth-generation mobile visual processor (i6) to leading smartphone customers in advance of scheduled product launches in early 2021
- GAAP gross margin was 45.5% and non-GAAP gross margin was 49.6%
- Expanded multi-year collaboration agreement with TCL to incorporate Pixelworks visual processing in next-generation smartphone models featuring TCL's NXTVISION displays
- Closed a strategic private placement round with MTM-Xinhe and other accredited investors as well as a follow-on public offering of stock, generating combined net proceeds of $18.9 million
- Ended the quarter with $31.5 million in cash, cash equivalents and short-term investments, no long-term debt and no outstanding balance on existing line of credit

"Fourth quarter revenue increased 18% sequentially, driven by second consecutive quarter of solid growth in Mobile and an initial recovery of customer demand in the Projector market," commented Todd DeBonis, President and CEO of Pixelworks. "Following the pronounced impact the global pandemic had on our target end markets during the year, we've begun to observe gradual but improving order patterns from a majority of our lead customers. Specific to our Mobile business, we proactively utilized this period of disruptive market dynamics to become more deeply engaged with our customers on expanded programs aimed at differentiating their next-generation models with exceptional visual display quality. As a result, we have continued to secure a growing number of design-ins on upcoming smartphones that feature industry-leading color accuracy, HDR, higher frame rates and superior gaming performance. Also, during the quarter, we secured additional capital to significantly strengthen our balance sheet in support of expected near-term growth.

"Today, we believe our existing pipeline of active Mobile programs comfortably represents the opportunity to double the number of models launched in 2021 that incorporate Pixelworks' technology. These collective engagements are comprised of increased penetration at existing customers across multiple tiers and at least two new customers, including our second tier-one mobile OEM. While we expect continued sequential growth in Mobile and improving dynamics in our non-mobile businesses to be offset by seasonality in the first quarter, we believe we are positioned to achieve significant year-over-year growth in our Mobile business as well as on a consolidated basis in 2021."

Fourth Quarter Fiscal 2020 Financial Results

Revenue in the fourth quarter of 2020 was $9.6 million, compared to $8.2 million in the third quarter of 2020 and revenue of $16.0 million in the fourth quarter of 2019. The sequential revenue growth in the fourth quarter was driven by a combination of increased demand for mobile visual processors and an initial recovery of customer orders in the projector market. For the full year 2020, revenue was $40.9 million compared to full year revenue of $68.8 million in 2019. The year-over-year decline in revenue primarily reflects the impact of the global pandemic on end market demand in the projector and video delivery markets.

On a GAAP basis, gross profit margin in the fourth quarter of 2020 was 45.5%, compared to 48.5% in the third quarter of 2020 and 45.6% in the fourth quarter of 2019. GAAP gross profit margin for the full year 2020 was 49.4% compared to 50.2% in the prior year. Fourth quarter 2020 GAAP operating expenses were $11.3 million, compared to $12.1 million in the third quarter of 2020 and operating expenses of $12.2 million in the year-ago quarter. For full year 2020, GAAP operating expenses were $46.9 million compared to $47.6 million in the prior year.

For the fourth quarter of 2020, the Company recorded a GAAP net loss of $6.4 million, or ($0.15) per share, compared to a GAAP net loss of $8.1 million, or ($0.20) per share, in the third quarter of 2020 and a GAAP net loss of $4.5 million, or ($0.12) per share, in the year-ago quarter. GAAP net loss for the full year 2020 was $26.5 million, or ($0.65) per share, compared to a GAAP net loss of $9.1 million, or ($0.24) per share, for the full year 2019.

On a non-GAAP basis, fourth quarter 2020 gross profit margin was 49.6%, compared to 55.6% in the third quarter of 2020 and 48.0% in the year-ago quarter. Fourth quarter 2020 non-GAAP operating expenses were $9.5 million, compared to $8.9 million in the third quarter of 2020 and $10.4 million in the year-ago quarter. Non-GAAP gross profit margin for the full year 2020 was 53.8% compared to 52.5% in the prior year. Non-GAAP operating expenses for full year 2020 were $37.3 million compared to $40.6 million in the prior year.

For the fourth quarter of 2020, the Company recorded a non-GAAP net loss of $4.9 million, or ($0.11) per share, compared to a non-GAAP net loss of $4.5 million, or ($0.11) per share, in the third quarter of 2020, and a non-GAAP net loss of $2.3 million, or ($0.06) per share, in the fourth quarter of 2019. For the full year 2020, non-GAAP net loss was $15.9 million, or ($0.39) per share, compared to non-GAAP net loss of $4.4 million, or ($0.12) per share, in 2019.

Adjusted EBITDA in the fourth quarter of 2020 was a negative $3.8 million, compared to a negative $3.5 million in the third quarter of 2020 and a negative $1.7 million in the year-ago quarter. For the full year 2020, adjusted EBITDA was a negative $11.6 million compared to a negative $0.7 million in the prior year.

Cash, cash equivalents and short-term investments at the end of the fourth quarter of 2020 were $31.5 million, compared to $16.8 million at the end of the third quarter of 2020.

Business Outlook

The Company’s current business outlook, including guidance for the first quarter of 2021, will be provided as part of the scheduled conference call.

Conference Call Information

Pixelworks will host a conference call today, February 11, 2021, at 2:00 p.m. Pacific Time, which can be accessed by calling 1-877-359-9508 and using passcode 5357438. A live audio webcast of the call can also be accessed by visiting the Company's investor page at www.pixelworks.com. For those unable to listen to the live webcast, it will be archived for approximately 90 days. A replay of the conference call will also be available through Thursday, February 18, 2021, and can be accessed by calling 1-855-859-2056 and using passcode 5357438.

About Pixelworks, Inc.

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

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 loss and non-GAAP net loss per share, which exclude inventory step-up and backlog amortization, amortization of acquired intangible assets, stock-based compensation expense, and restructuring expenses, which are all required under GAAP as well as the tax effect of the non-GAAP adjustments. The press release also makes reference to and reconciles GAAP net loss and adjusted EBITDA, which Pixelworks defines as GAAP net loss before interest income and other, net, income tax provision, depreciation and amortization, as well as the specific items listed above.

Pixelworks management uses these non-GAAP financial measures internally to understand, manage and evaluate the business and establish its operational goals, review its operations on a period-to-period basis, for compensation evaluations, to measure performance, and for budgeting and resource allocation. Pixelworks management believes it is useful for the Company and investors to review, as applicable, both GAAP information and non-GAAP financial measures to help assess the performance of Pixelworks’ continuing business and to evaluate Pixelworks’ future prospects. These non-GAAP measures, when reviewed together with the GAAP financial information, provide additional transparency and information for comparison and analysis of operating performance and trends. These non-GAAP measures exclude certain items to facilitate management’s review of the comparability of our core operating results on a period-to-period basis.

Because the Company’s non-GAAP financial measures are not calculated in accordance with GAAP, they may not necessarily be comparable to similarly titled measures employed by other companies. These non-GAAP financial measures should not be considered in isolation or as a substitute for the comparable GAAP measures and should be read only in conjunction with the Company’s consolidated financial results as presented in accordance with GAAP. A reconciliation between GAAP and non-

GAAP financial measures is included in this earnings release which is available in the investor relations section of the Pixelworks' website.

Safe Harbor Statement

This release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements may be identified by use of terms such as "begin," "continue," "will," "expect", "believe," "anticipate" and similar terms or the negative of such terms, and include, without limitation, statements about the Company's digital projection, mobile, and video delivery businesses, including market movement and demand, customer engagements, growth in the mobile market, recovery of the projector market, strategy, and additional guidance, particularly as to the business outlook and current market environment and the impact of the COVID-19 pandemic on the same. All statements other than statements of historical fact are forward-looking statements for purposes of this release, including any projections of revenue or other financial items or any statements regarding the plans and objectives of management for future operations. Such statements are based on management's current expectations, estimates and projections about the Company's business. These statements are not guarantees of future performance and involve numerous risks, uncertainties and assumptions that are difficult to predict. Actual results could vary materially from those contained in forward looking statements due to many factors, including, without limitation: our ability to execute on our strategy; competitive factors, such as rival chip architectures, introduction or traction by competing designs, or pricing pressures; the success of our products in expanding markets; current global economic challenges; changes in the digital display and projection markets; seasonality in the consumer electronics market; our efforts to achieve profitability from operations; our limited financial resources; our ability to attract and retain key personnel; and the impact of the COVID-19 pandemic on our business and on our suppliers and customers. More information regarding potential factors that could affect the Company's financial results and could cause actual results to differ materially from those discussed in the forward-looking statements is included from time to time in the Company's Securities and Exchange Commission filings, including its Annual Report on Form 10-K for the year ended December 31, 2019 as well as subsequent SEC filings.

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

[Financial Tables Follow]

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

	Three Months Ended			Twelve Months Ended	
	December 31, 2020	**September 30, 2020**	**December 31, 2019**	**December 31, 2020**	**December 31, 2019**
Revenue, net	$ 9,638	$ 8,190	$ 16,023	$ 40,855	$ 68,755
Cost of revenue (1)	5,253	4,214	8,723	20,670	34,260
Gross profit	4,385	3,976	7,300	20,185	34,495
Operating expenses:					
Research and development (2)	6,397	6,062	6,724	25,040	26,018
Selling, general and administrative (3)	4,870	4,621	5,474	19,840	21,202
Restructuring	19	1,430	—	2,041	398
Total operating expenses	11,286	12,113	12,198	46,921	47,618
Loss from operations	(6,901)	(8,137)	(4,898)	(26,736)	(13,123)
Interest income (expense) and other, net	7	(28)	324	9	594
Gain on loan extinguishment	796	—	—	796	—
Gain on sale of patents	—	—	—	—	3,905
Total other income (expense), net	803	(28)	324	805	4,499
Loss before income taxes	(6,098)	(8,165)	(4,574)	(25,931)	(8,624)
Provision (benefit) for income taxes	341	(26)	(118)	598	453
Net loss	$ (6,439)	$ (8,139)	$ (4,456)	$ (26,529)	$ (9,077)
Net loss per share - basic and diluted	$ (0.15)	$ (0.20)	$ (0.12)	$ (0.65)	$ (0.24)
Weighted average shares outstanding - basic and diluted	43,735	40,766	38,370	40,712	37,851

(1) Includes:					
Amortization of acquired intangible assets	298	298	298	1,192	1,192
Stock-based compensation	87	117	100	432	367
Restructuring	7	166	—	173	—
Inventory step-up and backlog amortization	—	—	—	—	12
(2) Includes stock-based compensation	669	820	611	2,943	2,545
(3) Includes:					
Stock-based compensation	1,000	913	1,086	4,296	3,737
Amortization of acquired intangible assets	76	76	76	304	312

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, 2020	September 30, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Reconciliation of GAAP and non-GAAP gross profit					
GAAP gross profit	$ 4,385	$ 3,976	$ 7,300	$ 20,185	$ 34,495
Amortization of acquired intangible assets	298	298	298	1,192	1,192
Stock-based compensation	87	117	100	432	367
Restructuring	7	166	—	173	—
Inventory step-up and backlog amortization	—	—	—	—	12
Total reconciling items included in gross profit	392	581	398	1,797	1,571
Non-GAAP gross profit	$ 4,777	$ 4,557	$ 7,698	$ 21,982	$ 36,066
Non-GAAP gross profit margin	49.6 %	55.6 %	48.0 %	53.8 %	52.5 %
Reconciliation of GAAP and non-GAAP operating expenses					
GAAP operating expenses	$ 11,286	$ 12,113	$ 12,198	$ 46,921	$ 47,618
Reconciling item included in research and development:					
Stock-based compensation	669	820	611	2,943	2,545
Reconciling items included in selling, general and administrative:					
Stock-based compensation	1,000	913	1,086	4,296	3,737
Amortization of acquired intangible assets	76	76	76	304	312
Restructuring	19	1,430	—	2,041	398
Total reconciling items included in operating expenses	1,764	3,239	1,773	9,584	6,992
Non-GAAP operating expenses	$ 9,522	$ 8,874	$ 10,425	$ 37,337	$ 40,626
Reconciliation of GAAP and non-GAAP net loss					
GAAP net loss	$ (6,439)	$ (8,139)	$ (4,456)	$ (26,529)	$ (9,077)
Reconciling items included in gross profit	392	581	398	1,797	1,571
Reconciling items included in operating expenses	1,764	3,239	1,773	9,584	6,992
Reconciling items included in total other income, net	(796)	—	—	(796)	(3,905)
Tax effect of non-GAAP adjustments	144	(137)	(49)	—	—
Non-GAAP net loss	$ (4,935)	$ (4,456)	$ (2,334)	$ (15,944)	$ (4,419)
Non-GAAP net loss per share - basic and diluted	$ (0.11)	$ (0.11)	$ (0.06)	$ (0.39)	$ (0.12)
Non-GAAP weighted average shares outstanding - basic and diluted	43,735	40,766	38,370	40,712	37,851

*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, 2020		September 30, 2020		December 31, 2019		December 31, 2020		December 31, 2019	
	Dollars per share		Dollars per share		Dollars per share		Dollars per share		Dollars per share	
	Basic	Diluted	Basic	Diluted	Basic	Diluted	Basic	Diluted	Basic	Diluted
Reconciliation of GAAP and non-GAAP net loss										
GAAP net loss	$ (0.15)	$ (0.15)	$ (0.20)	$ (0.20)	$ (0.12)	$ (0.12)	$ (0.65)	$ (0.65)	$ (0.24)	$ (0.24)
Reconciling items included in gross profit	0.01	0.01	0.01	0.01	0.01	0.01	0.04	0.04	0.04	0.04
Reconciling items included in operating expenses	0.04	0.04	0.08	0.08	0.05	0.05	0.24	0.24	0.18	0.18
Reconciling items included in total other income, net	(0.02)	(0.02)	—	—	—	—	(0.02)	(0.02)	(0.10)	(0.10)
Tax effect of non-GAAP adjustments	—	—	—	—	—	—	—	—	—	—
Non-GAAP net loss	$ (0.11)	$ (0.11)	$ (0.11)	$ (0.11)	$ (0.06)	$ (0.06)	$ (0.39)	$ (0.39)	$ (0.12)	$ (0.12)

*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, 2020	September 30, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Reconciliation of GAAP and non-GAAP gross profit margin					
GAAP gross profit margin	45.5 %	48.5 %	45.6 %	49.4 %	50.2 %
Amortization of acquired intangible assets	3.1	3.6	1.9	2.9	1.7
Stock-based compensation	0.9	1.4	0.6	1.1	0.5
Restructuring	0.1	2.0	—	0.4	—
Inventory step-up and backlog amortization	—	—	—	—	0.0
Total reconciling items included in gross profit	4.1	7.1	2.5	4.4	2.3
Non-GAAP gross profit margin	49.6 %	55.6 %	48.0 %	53.8 %	52.5 %

*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, 2020	September 30, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Reconciliation of GAAP net loss and adjusted EBITDA					
GAAP net loss	$ (6,439)	$ (8,139)	$ (4,456)	$ (26,529)	$ (9,077)
Stock-based compensation	1,756	1,850	1,797	7,671	6,649
Gain on loan extinguishment	(796)	—	—	(796)	—
Amortization of acquired intangible assets	374	374	374	1,496	1,504
Tax effect of non-GAAP adjustments	144	(137)	(49)	—	—
Restructuring	26	1,596	—	2,214	398
Gain on sale of patents	—	—	—	—	(3,905)
Inventory step-up and backlog amortization	—	—	—	—	12
Non-GAAP net loss	$ (4,935)	$ (4,456)	$ (2,334)	$ (15,944)	$ (4,419)
EBITDA adjustments:					
Depreciation and amortization	$ 983	$ 861	$ 1,013	$ 3,737	$ 3,837
Non-GAAP interest expense (income) and other, net	(7)	28	(324)	(9)	(594)
Non-GAAP provision for income taxes	197	111	(69)	598	453
Adjusted EBITDA	$ (3,762)	$ (3,456)	$ (1,714)	$ (11,618)	$ (723)

*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, 2020	December 31, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	$ 31,257	$ 7,257
Short-term marketable securities	250	6,975
Accounts receivable, net	4,672	10,915
Inventories	2,445	5,401
Prepaid expenses and other current assets	1,010	1,689
Total current assets	39,634	32,237
Property and equipment, net	5,103	4,608
Operating lease right of use assets	6,606	5,434
Other assets, net	1,081	1,267
Acquired intangible assets, net	1,207	2,704
Goodwill	18,407	18,407
Total assets	$ 72,038	$ 64,657
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 995	$ 818
Accrued liabilities and current portion of long-term liabilities	9,452	8,692
Current portion of income taxes payable	147	164
Total current liabilities	10,594	9,674
Long-term liabilities, net of current portion	1,007	982
Operating lease liabilities, net of current portion	5,088	4,212
Income taxes payable, net of current portion	2,479	2,260
Total liabilities	19,168	17,128
Shareholders' equity	52,870	47,529
Total liabilities and shareholders' equity	$ 72,038	$ 64,657

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

Company Contact
Pixelworks, Inc.
Elias Nader
P: +1-408-200-9271
E: enader@pixelworks.com

Exhibit 99.2

Pixelworks, Inc. Q4 2020 Conference Call
February 11, 2021

Operator

Good day ladies and gentlemen, and welcome to Pixelworks Inc.'s fourth quarter 2020 earnings conference call. I will be your operator for today's call. At this time, all participants are in a listen-only mode. Following management's prepared remarks, instructions will be given for the question-and-answer session. This conference call is being recorded for replay purposes. I would now like to turn the call over to Pixelworks' CFO, Mr. Elias Nader.

Elias Nader

Thank you. Good afternoon, everyone, and thank you for tuning-in to today's call. 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 Pixelworks' press release issued earlier today announcing the company's financial results for the fourth quarter of 2020.

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

All forward-looking statements are based on the company's beliefs as of today, Thursday, February 11, 2021. The company undertakes 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, 2019, and subsequent SEC filings for a description of factors that could cause forward-looking statements to differ materially from actual results.

Additionally, the company's press release and management statements during this conference call will include discussions of certain measures and financial information in GAAP and non-GAAP terms, including gross margin, operating expenses, net loss and net loss per share. Non-GAAP measures exclude inventory step-up and backlog amortization, amortization of acquired intangible assets, stock-based compensation expense, and restructuring expense.

The company uses these non-GAAP measures internally to assess our operating performance. We believe these non-GAAP measures provide a meaningful perspective on our core operating results and underlying cash flow dynamics. But we caution investors to consider these measures in addition to, and 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.

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

Todd DeBonis

Thank you, Elias and good afternoon to those joining us on today's call and webcast.

As outlined in today's press release, our Q4 results were in-line with our expectations and all metrics coming in near or above the midpoint of guidance. Revenue increased 18% sequentially, driven by the second consecutive quarter of solid growth in Mobile and an initial recovery of customer demand in the Projector market.

Reflecting on the full year, the global pandemic had a pronounced impact on end market demand across each of our target markets, which contributed to heightened uncertainty among our customers. Despite the challenging environment and lower revenue, we maintained healthy gross margins in low-to-mid 50% range for the year. We also carefully managed expenses and cash, while continuing to fully support our customers and without impairing any critical R&D programs. Additionally, during the fourth quarter, we successfully closed the strategic private placement with private equity investors, and completed a follow-on equity offering, which together generated net proceeds of $18.9 million. As a result, we ended the year with a stronger balance sheet and $31.5 million in cash and zero debt.

Mobile revenue grew for the second consecutive quarter, increasing nearly 50% sequentially. Overall conditions and visibility in the mobile market began to improve in second half of the year, as both consumers and OEMs adjusted to the new covid environment. Even so, 2020 remained a down-year for the handset industry with global smartphone units decreasing an estimated -8% year-on-year, and unit shipments in China for the full year down an estimated 20% compared to 2019. During the course of the year, OEMs delayed or cancelled numerous planned phone launches, and while the roll-out of 5G-enabled smartphones began to gain momentum in the second half of the year, total 5G units shipped proved to be much lower than was forecast entering 2020. Another notable trend, was the introduction of the first mainstream handsets to feature higher frame rate displays, coupled with a broader shift by OEMs from LCD to AMOLED displays due to increased availability and more competitive pricing.

Against this market backdrop, we successfully drove increased adoption of Pixelworks visual processing technology across an expanded customer base and multiple tiers of smartphones. For the year, Pixelworks technology was incorporated into 16 models launched by 7 OEMs, including our first tier-one, OPPO. This compares to 6 smartphones launched across 4 mobile OEM customers in 2019. Another highlight of the past year was the notoriety associated with a series of smartphones launched by customers, such as OnePlus and TCL, which were recognized by third-party experts as the having the best display performance in several categories of merit versus models across leading OEMs and at any price point.

Additionally, late in the third quarter we unveiled our sixth generation (i6) processor, the first to incorporate our AI-based adaptive picture quality. This was also the first time in Pixelworks history that design-ins had been secured for a new mobile chip before it was sampled. Since formally introducing the i6, we’ve secured an increasing number of design-ins on customer programs with planned launches later this year. We expect the first smartphone to incorporate our i6 processor to be launched before the end of the first quarter.

One of our ongoing priorities has been to proactively utilize the shifting market dynamics as an opportunity to become more deeply engaged with our customers on expanded programs aimed at differentiating their next-generation models with exceptional visual display quality. As one of many positive byproducts from these efforts, in January we announced an expanded multi-year collaboration with TCL to incorporate Pixelworks visual processing in their planned next-generation smartphone models featuring TCL’s NXTVISION displays. As part of this collaboration, TCL will be among a growing list of customers to utilize our i6 in upcoming models that are planned to be launched in 2021.

More broadly, three predominant trends are set to influence large portions of the mobile market in the coming year. First, is the ongoing but more pervasive roll-out of 5G-enabled handsets. As discussed on previous calls, the most obvious applications for leveraging the substantially higher bandwidth and low latency of 5G in mobile devices is high-quality video and gaming. Simultaneously, market data indicates that the global consumer appetite for $1,000+ phones is shrinking. As a result, we expect mobile OEMs to aggressively push 5G technology down the cost curve to lower priced models, which in turn opens the value proposition of Pixelworks visual processing to an expanded share of the total handset market.

The second trend gaining momentum is around color calibration. As mobile OEMs increasingly shift away from LCD panels and a majority of next-generation models feature high resolution, high color OLED panels, customers are actively looking to differentiate these OLED displays from the competition. This trend is driving many OEMs to pay closer attention to color accuracy, which can only be achieved through color calibration of each individual handset display – a traditionally tedious, time consuming and costly process that all but a few OEMs have historically chosen to forgo. This represents a meaningful and growing opportunity for Pixelworks, as our patented color calibration solution is a standard feature across our entire family of mobile processors in addition to our software only solution, Soft Iris. Not only does our proprietary solution deliver the highest color accuracy scores in the industry, but it also enables more efficient color calibration of each handset during manufacturing – significantly reducing the time required for calibration testing and in turn lowering the cost incurred by OEMs.

The third and potentially most disruptive trend unfolding in the coming year is mobile gaming. While Pixelworks technology has been incorporated into many gaming phones released over the past two years, the influence of gaming and the estimated 2.5 billion smartphone users that play games on their mobile devices has only scratched the surface of what lies ahead. China, which accounts for 25% of the estimated $74 billion mobile gaming market, is projected to reach 637 million users by 2024, according to Niko Partners’ May 2020 report. Concurrently, revenues in the fast-growing cloud gaming segment, in which mobile is the largest subset, is forecast to triple from $4 billion in 2021 to $12 billion by 2025. In conjunction with extremely low latency offered by the roll-out of 5G, smartphone OEMs are aiming to capitalize on this expanding segment of that market.

Leveraging Pixelworks’ industry-leading and patented MEMC technology, we are enabling a PC or console-like gaming experience on a smartphone. Moreover, we have a meaningful and first-to-market advantage for mobile gaming, with our ability to deliver sustained higher frame rates at low power. Unlike relying on the AP only alternatives, our solution avoids the need to step-down frame rates or other performance throttling related to thermal or power budgeting. In addition, our visual processing solution provides the unique capability to offer end user customization of display attributes on their personal device. While this mobile gaming opportunity does include new dedicated gaming phones, we are also engaged with multiple OEMs that are targeting to release mainstream devices that readily support a high-performance gaming mode or use case.

Taking this a step further, we are currently in advanced joint collaborations with specific OEMs and other leading platform providers within the gaming ecosystem to enable an immersive experience in the next generation of high frame rate mobile gaming. Imagine a scenario in which gaming content could be specifically designed to take full advantage of Pixelworks' advanced motion engine and AI adaptive display technology – this is something we've been working on throughout 2020 and you will be hearing more in the coming months.

In terms of broader mobile pipeline, we remain closely engaged with an expanding customer base and we continue to secure a growing number of design-ins on upcoming smartphones. These collective engagements are comprised of increased penetration at existing customers across multiple tiers, as well as programs that are in advanced stages with two new customers, including our second tier-one mobile OEM that is scheduled to launch its first phone incorporating Pixelworks visual processing in the early Spring timeframe. While it's still very early in the year, we are on track with active Mobile programs that represent the opportunity to double the number of models launched in 2020, with a majority of these programs planning to feature high frame rate displays. With our value proposition gaining broader acceptance, we currently anticipate triple digit revenue growth in both our visual processor and software only solutions this year.

In our markets of Projector and Video Delivery, the weaker end market demand associated with the pandemic which started out as an inventory correction, continued throughout last year. Following the multi-year low unit volumes in the third quarter, we began to observe improving order patterns from our lead Projector customers in the November-December timeframe. As a result, revenue grew sequentially in Q4 as customers started restocking unusually low inventories in response to some improving demand in certain geographies, including more normalized buying patterns in China.

We have recently seen customers slowly raising their demand forecasts for 2021. While we are encouraged by this recent improvement and believe it is likely to continue in the coming quarters, we still anticipate a broader recovery in the Projector market to be gradual for several reasons. First, improved demand in emerging markets is likely to lag behind those in developed markets, such as China and the U.S. Second, education applications remain the single largest driver of total projector unit volumes globally – therefore the trajectory of demand recovery will depend on the evolving decisions around in-person versus remote learning by various regions around the world.

Another consideration and likely factor that may slow the pace of recovery within Projector is the widely reported tightness of supply within the broader semiconductor industry. While we've secured capacity to support customers' orders in Q1, challenges remain through the remainder of the year. We are actively working with both our foundry and assembly and test partners to mitigate the impact on the recovery in the Projector market as well as support the rapid growth of our Mobile Visual Processor demand. We anticipate that this effort will result in higher product costs that we plan on passing on to our end customers.

We remain well positioned in terms of design-in activity with customers on next-gen projectors, including a growing number of innovative laser models with higher brightness and resolutions. In addition to enabling many of these advanced features, Average Selling Prices for our projector SoC solutions have increased as customers migrate upstream toward higher priced Projector units.

Regarding the Video Delivery market, we've begun to see renewed but gradual improvement in activity from both our Japanese OEM customers as well as increased order uptake from our leading customers for OTA devices here in the U.S. As stated in past earnings calls cord cutting in the US continues to grow as consumers abandon cable in favor of a combination of OTT streaming services and live local OTA solutions. In fact, the industry forecasts that another 5 million U.S. households will Cut the Cord over the coming year and increase by a similar number again in 2022.

Shifting to an update on TrueCut. The ongoing COVID mandates in the U.S. and specifically here in California significantly slowed the engagement process with prospective customers/partners. Absent the pandemic, I'm confident we would have had been able to communicate better progress in 2020. That said, we have sustained ongoing dialogue with a number of prominent studios and streaming service providers, and we've meaningfully advanced the depth of a few of these engagements in recent months.

Underpinning these engagements is the growing momentum of direct-to-consumer streaming, which is increasingly raising the stakes for the entire ecosystem. Competition among streaming service providers for a share of consumers' wallet and hours spent watching streamed content makes differentiating direct-to-consumer offerings critical, which magnifies TrueCut's value proposition. To our knowledge, TrueCut remains the only comprehensive and commercially scalable solution that enables content to be created, delivered and viewed with consistent artistic intent, including resolution, color tone and motion on effectively any TrueCut certified display device – from a theater-sized screen, a TV or a smartphone.

We believe that we’re on track toward securing an important first win with TrueCut in the U.S, even though the timing remains difficult to predict – therefore, we will continue to encourage that investors and analysts not try to model it into our forward revenue estimates. Perhaps the best way to convey our ongoing progress with TrueCut is to walk you through a current customer example: Today, we have Pixelworks developed servers equipped with our suite of TrueCut tools onsite at this prospective customer. This company is actively conducting a meticulous evaluation of TrueCut’s capabilities by critiquing samples of their own content remastered in TrueCut format – and then that content is reveiwed on a Theater Size, state of the art, LED display. While I’m not going to expand further on this ongoing evaluation, I believe it demonstrates the level of the attention and interest that prospective customers have in the potential benefits of our TrueCut solutions. We continue to have increasing confidence this technology will be deployed in the near future.

In closing, we have successfully navigated a difficult year in which the pandemic negatively impacted demand in all of our end markets. Despite the challenging environment, we maintained our existing customer base and market share in the projector market while making significant inroads in mobile. We’ve recently seen stabilization and initial signs of recovery in our non-mobile businesses, and Mobile is positioned to deliver record revenue in the current quarter and continued sequential growth in coming quarters. We launched our newest i6 visual processor, and we remain well aligned with prevalent market trends in mobile and the roadmaps of our mobile OEM customers. We’re starting the year with a robust pipeline of design-ins and engagements on new programs. Over the coming year, we anticipate devices to be launched by both our existing and several new OEMs, including our second tier-one customer. Importantly, we believe Pixelworks has a sustainable technology advantage in Mobile and we are actively working to further extend this advantage with the introduction of new first-ever gaming features for advanced mobile devices later in the year.

In the more immediate-term, and over the next couple of months we are primed to benefit from a series of newly launched phones across a number of OEM customers that are seeking to challenge the existing boundaries of visual performance on mobile displays.

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

Elias Nader

Thank you, Todd.

Revenue for the fourth quarter of 2020 was $9.6 million, compared to $8.2 million in the third quarter of 2020, and compared to revenue of $16.0 million in the fourth quarter of 2019. As Todd indicated in his opening remarks, fourth quarter 2020 revenue primarily reflected solid sequential growth in Mobile coupled with an initial recovery of customer demand in our Projector business.

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

a. Revenue from Digital Projector was approximately $5.9 million.

b. Revenue from Mobile was approximately $2.1 million comprised largely of sales of our visual display processor and software solutions.

c. Video Delivery revenue was approximately $1.6 million.

Non-GAAP gross profit margin equaled 49.6% in the fourth quarter of 2020, compared to 55.6% in the third quarter of 2020 and 48.0% in the fourth quarter of 2019. The sequential change in gross margin was mainly due to product mix with a higher contribution from mobile.

Non-GAAP operating expenses increased to $9.5 million in the fourth quarter of 2020, compared to $8.9 million last quarter and $10.4 million in the same period last year. A majority of the sequential increase in OPEX was due to employee merit increases in China, where competition for talent is heating up and ramping of expense associated with next generation visual processor development.

On a non-GAAP basis, fourth quarter 2020 net loss was $4.9 million, or loss of ($0.11) cents per share, compared to a net loss of $4.6 million, or loss of ($0.11) cents per share, in the prior quarter, and a net loss of $2.3 million, or loss of ($0.06) cent per share, in the fourth quarter of 2019.

Adjusted EBITDA for the fourth quarter of 2020 was a negative $3.8 million, compared to a negative $3.5 million in the third quarter of 2020 and a negative $1.7 million in the fourth quarter of 2019.

Moving to the balance sheet, we ended the fourth quarter of 2020 with cash, cash equivalents and short-term investments of approximately $31.5 million, compared to approximately $16.8 million at the end of the third quarter of 2020. The approximate breakdown of the $14.7 million increase in our cash balance quarter over quarter was as follows: net proceeds of $6.2 million from the strategic private placement with MTM and combined net proceeds of approximately $13.5 million from the follow-on equity offering and sale of stock through our ATM vehicle that we completed during the fourth quarter, which were partially offset by the repayment of a previously outstanding balance of $4.0 million on our existing line of credit and approximately $0.5 million cash used from operations. Note, at quarter-end, Pixelworks had no long-term debt and zero outstanding balance on our line of credit.

In terms of other balance sheet metrics for the fourth quarter, days sales outstanding were 44 days at quarter-end, which compared to 60 days at the end of the third quarter. Inventory turns was 6.0 times in the fourth quarter, up from 3.3 times in the prior quarter.

Now turning to our guidance for the first quarter of 2021.

Based on recent order trends and our current backlog, we expect total revenue in the first quarter to range between $8.0 million and $10.0 million.

We expect non-GAAP gross profit margin in the first quarter of between 42% and 45%. We believe this lower anticipated range, which is below our historical trend, will be temporary and unique to the first quarter of the year due to record revenue from mobile combined with low pricing for the first models from a new OEM and lower absorption in Q1. As we progress through the year, we expect a better margin profile from mobile as we drive cost efficiencies and ramp higher production volumes of our i6 chip. Additionally, the expected gradual recovery in our projector business will contribute to improving margins as order patterns continue to normalize during the remainder of the year. Finally, as Todd mentioned we will be passing on the cost increases associated with the tightening of the supply chain. All of this with improved absorption due to higher revenue should result in quickly getting back to our previous year’s corporate margin profile.

We anticipate operating expenses in the first quarter to range between $9.5 million and $10.5 million on a non-GAAP basis. The anticipated sequential increase in OPEX is primarily due to planned hiring in both engineering and marketing to support our expanding mobile projects in China, as well as higher expected travel expenses as we get back to normalcy.

Finally, we expect first quarter non-GAAP EPS to be in the range of between a loss of ($0.10) cents and a non-GAAP loss of ($0.14) cents per share.

That concludes our prepared remarks, and we will now open the call for questions.

Operator, please proceed with managing the Q&A session.

Thank you.