

**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 10, 2022

**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.)

**16760 SW Upper Boones Ferry Rd., Suite 101  
Portland, OR 97224  
(503) 601-4545**

(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:

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
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.

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**Item 2.02 Results of Operations and Financial Condition.**

On February 10, 2022, Pixelworks, Inc. (the “Company”) issued a press release announcing financial results for the three and twelve month periods ended December 31, 2021 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 10, 2022 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	<a href="#">Press Release issued by Pixelworks, Inc. dated February 10, 2022.</a>
99.2	<a href="#">Pixelworks, Inc. Fourth Quarter Results Conference Call Script dated February 10, 2022.</a>
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

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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: February 10, 2022

/s/ Haley F. Aman

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Haley F. Aman  
*Chief Financial Officer*



## Pixelworks Reports Fourth Quarter and Fiscal Year 2021 Financial Results

*Achieves Record Quarterly Mobile Revenue, Increasing 29% Sequentially and 194% Year-over-Year*

*Full Year Consolidated Revenue Increases 35%, Driven by Mobile Growing 3x Year-over-Year*

**PORTLAND, Ore., February 10, 2022** – Pixelworks, Inc. (NASDAQ: PXLW), a leading provider of innovative video and display processing solutions, today announced financial results for the fourth quarter and fiscal year ended December 31, 2021.

### Fourth Quarter and Recent Highlights

- Delivered strong year-over-year revenue growth across target end markets, with margins and operating results at the high end of expectations for the fourth quarter
- Mobile revenue increased sequentially for the sixth consecutive quarter, driven by record sales of both hardware and software-based visual processing solutions
- Introduced latest X7 mobile visual processor, combining high frame rate and high resolution with ultra-low latency and low power consumption, to enable breakthrough display performance for mobile gaming
- Pixelworks Shanghai certified as an independent software vendor with MediaTek, bringing Pixelworks' advanced visual display processing to MediaTek's Dimensity 5G Open Resource Architecture
- vivo launched the iQOO Neo5S series smartphone, incorporating Pixelworks' X5 Pro visual processor, unlocking ultra-premium visual performance and an unmatched mobile gaming experience
- vivo launched the iQOO 9 Pro smartphone with visual quality powered by Pixelworks' X5 Pro visual processor and MotionEngine® technology, enabling 1-120Hz variable frame rate for high-performance mobile gaming
- OPPO Find N, the brand's first-ever foldable smartphone, and the OnePlus 10 Pro smartphone launched, each utilizing Pixelworks' software and patented high-efficiency color and brightness calibration technology
- Formally launched TrueCut® Motion, the industry's first end-to-end platform for the consistent delivery of comprehensive motion imaging and a filmmaker-approved viewing experience across all screens
- Announced ecosystem partnership with TCL, one of the world's best-selling TV brands, to bring TrueCut Motion platform to future TCL televisions in North America
- Appointed two highly experienced senior vice presidents for Pixelworks Shanghai, further strengthening the growing operations and leadership team in Asia

"We closed out 2021 with another consecutive quarter of sequential and year-over-year growth, highlighted by record revenue contribution from both our mobile hardware and software visual processing solutions," stated Todd DeBonis, President and CEO of Pixelworks. "Consolidated revenue for the full year increased 35%, led by mobile business growing 3x year-over-year, coupled with a sustained recovery in the projector market. We also delivered solid gross margin for the year and achieved meaningful improvement in our bottom-line results.

"In recent months, we've demonstrated continued momentum in mobile through a series of announced wins for our hardware and software solutions on newly launched smartphones, including OPPO's first foldable smartphone and vivo's latest iQOO phones targeting high-performance visual gaming. Together with our Shanghai subsidiary, we also unveiled cooperative agreements with multiple industry-leading ecosystem partners. In mobile, we began collaborative efforts with MediaTek to bring Pixelworks' visual processing technology to its Dimensity 5G Open Resource Architecture, and separately engaged with Unity Technologies to incorporate advanced visual performance capabilities into its gaming engine platform. Then, in conjunction with the CES tradeshow TCL announced plans for TCL TVs to support our TrueCut Motion platform.

“Entering 2022, customer demand remains strong in our target end markets and we have solid bookings extending well into the year. We are poised to drive continued growth in mobile with expanding design-ins across a growing number of programs and customers, including tier-one mobile OEMs. With global supply constraints anticipated to persist through at least the next several quarters, we are continuing to aggressively work together with our supply chain partners to secure incremental capacity in support of our growth expectations for the coming year.”

#### **Fourth Quarter and Fiscal 2021 Financial Results**

Revenue in the fourth quarter of 2021 was \$16.6 million, compared to \$15.2 million in the third quarter of 2021 and \$9.6 million in the fourth quarter of 2020. The sequential increase in fourth quarter revenue primarily reflected continued growth and record revenue in the mobile market. For the full year 2021, revenue was \$55.1 million compared to full year revenue of \$40.9 million in 2020. The year-over-year increase in revenue reflected strong growth in the mobile market, combined with a sustained recovery in the projector market.

On a GAAP basis, gross profit margin in the fourth quarter of 2021 was 53.5%, compared to 52.5% in the third quarter of 2021 and 45.5% in the fourth quarter of 2020. GAAP gross profit margin for the full year 2021 was 50.3% compared to 49.4% in the prior year. Fourth quarter 2021 GAAP operating expenses were \$12.6 million, compared to \$11.9 million in the third quarter of 2021 and \$11.3 million in the year-ago quarter. For the full year 2021, GAAP operating expenses were \$47.7 million compared to \$46.9 million in the prior year.

On a non-GAAP basis, fourth quarter 2021 gross profit margin was 55.0%, compared to 53.1% in the third quarter of 2021 and 49.6% in the year-ago quarter. Non-GAAP gross profit margin for the full year 2021 was 52.0% compared to 53.8% in the prior year. Fourth quarter 2021 non-GAAP operating expenses were \$11.0 million, compared to \$10.1 million in the third quarter of 2021 and \$9.5 million in the year-ago quarter. Non-GAAP operating expenses for the full year 2021 were \$41.4 million compared to \$37.3 million in the prior year.

For the fourth quarter of 2021, the Company recorded a GAAP net loss of \$3.3 million, or (\$0.06) per share, compared to a GAAP net loss of \$4.1 million, or (\$0.08) per share, in the third quarter of 2021, and a GAAP net loss of \$6.4 million, or (\$0.15) per share, in the year-ago quarter. GAAP net loss for the full year 2021 was \$19.8 million, or (\$0.38) per share, compared to a net loss of \$26.5 million, or (\$0.65) per share, in the prior year. Note, the Company refers to “net loss attributable to Pixelworks Inc.” as “net loss”.

For the fourth quarter of 2021, the Company recorded a non-GAAP net loss of \$1.4 million, or (\$0.03) per share, compared to a non-GAAP net loss of \$2.2 million, or (\$0.04) per share, in the third quarter of 2021, and a non-GAAP net loss of \$4.9 million, or (\$0.11) per share, in the fourth quarter of 2020. For the full year 2021, non-GAAP net loss was \$12.6 million, or (\$0.24) per share, compared to a net loss of \$15.9 million, or (\$0.39) per share, in the prior year.

Adjusted EBITDA in the fourth quarter of 2021 was a negative \$1.1 million, compared to a negative \$1.6 million in the third quarter of 2021 and a negative \$3.8 million in the year-ago quarter. For the full year 2021, adjusted EBITDA was a negative \$9.6 million compared to a negative \$11.6 million in the prior year.

Cash and cash equivalents and short-term investments at the end of the fourth quarter of 2021 were \$61.6 million, compared to \$66.6 million at the end of the third quarter of 2021 and \$31.5 million at the end of the fourth quarter of 2020.

#### **Business Outlook**

The Company's current business outlook, including guidance for the first quarter of 2022, will be provided as part of the scheduled conference call.

#### **Conference Call Information**

Pixelworks will host a conference call today, February 10, 2022, at 2:00 p.m. Pacific Time, which can be accessed by calling 1-877-359-9508 and using passcode 7170737. A live audio webcast of the call can also 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 webcast, it will be archived for approximately 90 days. A replay of the conference call will also be available through Thursday, February 17, 2022, and can be accessed by calling 1-855-859-2056 and using passcode 7170737.

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

Note: Pixelworks, the Pixelworks logo, TrueCut and MotionEngine 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 amortization of acquired intangible assets, stock-based compensation expense, restructuring expenses, and gain on loan extinguishment which are all required under GAAP as well as the tax effect of the non-GAAP adjustments and the impact of non-GAAP adjustments to redeemable non-controlling interest. The press release also makes reference to and reconciles GAAP net loss and adjusted EBITDA, which Pixelworks defines as GAAP net loss attributable to Pixelworks Inc. 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 businesses, including market movement and demand, the continued constraints on global semiconductor supply, customer engagements and ecosystem collaborations, growth in the mobile market, adoption rates for the Company's TrueCut Motion platform, 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; lack of adoption of our TrueCut Motion platform; 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, 2020, 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, 2021	September 30, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Revenue, net	\$ 16,586	\$ 15,196	\$ 9,638	\$ 55,102	\$ 40,855
Cost of revenue (1)	7,713	7,211	5,253	27,409	20,670
Gross profit	8,873	7,985	4,385	27,693	20,185
Operating expenses:					
Research and development (2)	7,002	6,792	6,397	27,250	25,040
Selling, general and administrative (3)	5,598	5,097	4,870	20,445	19,840
Restructuring	—	—	19	—	2,041
Total operating expenses	12,600	11,889	11,286	47,695	46,921
Loss from operations	(3,727)	(3,904)	(6,901)	(20,002)	(26,736)
Interest income and other, net	165	54	7	457	9
Gain on loan extinguishment	—	—	796	—	796
Total other income, net	165	54	803	457	805
Loss before income taxes	(3,562)	(3,850)	(6,098)	(19,545)	(25,931)
Provision (benefit) for income taxes	(448)	(9)	341	(133)	598
Net loss	(3,114)	(3,841)	(6,439)	(19,412)	(26,529)
Less: Net income attributable to redeemable non-controlling interest	(177)	(232)	—	(409)	—
Net loss attributable to Pixelworks Inc.	\$ (3,291)	\$ (4,073)	\$ (6,439)	\$ (19,821)	\$ (26,529)
Net loss attributable to Pixelworks Inc. per share - basic and diluted	\$ (0.06)	\$ (0.08)	\$ (0.15)	\$ (0.38)	\$ (0.65)
Weighted average shares outstanding - basic and diluted	53,293	52,768	43,735	52,509	40,712

(1) Includes:					
Amortization of acquired intangible assets	218	218	298	899	1,192
Stock-based compensation	26	(138)	87	43	432
Restructuring	—	—	7	—	173
(2) Includes stock-based compensation	623	549	669	2,363	2,943
(3) Includes:					
Stock-based compensation	940	1,146	1,000	3,678	4,296
Amortization of acquired intangible assets	53	53	76	219	304

**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, 2021	September 30, 2021	December 31, 2020	December 31, 2021	December 31, 2020
<b>Reconciliation of GAAP and non-GAAP gross profit</b>					
GAAP gross profit	\$ 8,873	\$ 7,985	\$ 4,385	\$ 27,693	\$ 20,185
Amortization of acquired intangible assets	218	218	298	899	1,192
Stock-based compensation	26	(138)	87	43	432
Restructuring	—	—	7	—	173
Total reconciling items included in gross profit	244	80	392	942	1,797
Non-GAAP gross profit	<u>\$ 9,117</u>	<u>\$ 8,065</u>	<u>\$ 4,777</u>	<u>\$ 28,635</u>	<u>\$ 21,982</u>
Non-GAAP gross profit margin	<u>55.0 %</u>	<u>53.1 %</u>	<u>49.6 %</u>	<u>52.0 %</u>	<u>53.8 %</u>
<b>Reconciliation of GAAP and non-GAAP operating expenses</b>					
GAAP operating expenses	\$ 12,600	\$ 11,889	\$ 11,286	\$ 47,695	\$ 46,921
Reconciling item included in research and development:					
Stock-based compensation	623	549	669	2,363	2,943
Reconciling items included in selling, general and administrative:					
Stock-based compensation	940	1,146	1,000	3,678	4,296
Amortization of acquired intangible assets	53	53	76	219	304
Restructuring	—	—	19	—	2,041
Total reconciling items included in operating expenses	1,616	1,748	1,764	6,260	9,584
Non-GAAP operating expenses	<u>\$ 10,984</u>	<u>\$ 10,141</u>	<u>\$ 9,522</u>	<u>\$ 41,435</u>	<u>\$ 37,337</u>
<b>Reconciliation of GAAP and non-GAAP net loss attributable to Pixelworks, Inc.</b>					
GAAP net loss attributable to Pixelworks Inc.	\$ (3,291)	\$ (4,073)	\$ (6,439)	\$ (19,821)	\$ (26,529)
Reconciling items included in gross profit	244	80	392	942	1,797
Reconciling items included in operating expenses	1,616	1,748	1,764	6,260	9,584
Impact of non-GAAP adjustments to redeemable non-controlling interest	(17)	(9)	—	(26)	—
Tax effect of non-GAAP adjustments	9	7	144	—	—
Reconciling items included in total other income, net	—	—	(796)	—	(796)
Non-GAAP net loss attributable to Pixelworks Inc.	<u>\$ (1,439)</u>	<u>\$ (2,247)</u>	<u>\$ (4,935)</u>	<u>\$ (12,645)</u>	<u>\$ (15,944)</u>
Non-GAAP net loss attributable to Pixelworks Inc. per share - basic and diluted	<u>\$ (0.03)</u>	<u>\$ (0.04)</u>	<u>\$ (0.11)</u>	<u>\$ (0.24)</u>	<u>\$ (0.39)</u>
Non-GAAP weighted average shares outstanding - basic and diluted	<u>53,293</u>	<u>52,768</u>	<u>43,735</u>	<u>52,509</u>	<u>40,712</u>

\*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, 2021		September 30, 2021		December 31, 2020		December 31, 2021		December 31, 2020	
	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
<b>Reconciliation of GAAP and non-GAAP net loss attributable to Pixelworks, Inc.</b>										
GAAP net loss attributable to Pixelworks Inc.	\$ (0.06)	\$ (0.06)	\$ (0.08)	\$ (0.08)	\$ (0.15)	\$ (0.15)	\$ (0.38)	\$ (0.38)	\$ (0.65)	\$ (0.65)
Reconciling items included in gross profit	—	—	—	—	0.01	0.01	0.02	0.02	0.04	0.04
Reconciling items included in operating expenses	0.03	0.03	0.03	0.03	0.04	0.04	0.12	0.12	0.24	0.24
Reconciling items included in total other income, net	—	—	—	—	(0.02)	(0.02)	—	—	(0.02)	(0.02)
Non-GAAP net loss attributable to Pixelworks Inc.	<u>\$ (0.03)</u>	<u>\$ (0.03)</u>	<u>\$ (0.04)</u>	<u>\$ (0.04)</u>	<u>\$ (0.11)</u>	<u>\$ (0.11)</u>	<u>\$ (0.24)</u>	<u>\$ (0.24)</u>	<u>\$ (0.39)</u>	<u>\$ (0.39)</u>

\*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, 2021	September 30, 2021	December 31, 2020	December 31, 2021	December 31, 2020
<b>Reconciliation of GAAP and non-GAAP gross profit margin</b>					
GAAP gross profit margin	53.5 %	52.5 %	45.5 %	50.3 %	49.4 %
Amortization of acquired intangible assets	1.3	1.4	3.1	1.6	2.9
Stock-based compensation	0.2	(0.9)	0.9	0.1	1.1
Restructuring	—	—	0.1	—	0.4
Total reconciling items included in gross profit	1.5	0.5	4.1	1.7	4.4
Non-GAAP gross profit margin	<u>55.0 %</u>	<u>53.1 %</u>	<u>49.6 %</u>	<u>52.0 %</u>	<u>53.8 %</u>

\*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, 2021	September 30, 2021	December 31, 2020	December 31, 2021	December 31, 2020
<b>Reconciliation of GAAP net loss attributable to Pixelworks Inc. and adjusted EBITDA</b>					
GAAP net loss attributable to Pixelworks Inc.	\$ (3,291)	\$ (4,073)	\$ (6,439)	\$ (19,821)	\$ (26,529)
Stock-based compensation	1,589	1,557	1,756	6,084	7,671
Amortization of acquired intangible assets	271	271	374	1,118	1,496
Impact of non-GAAP adjustments to redeemable non-controlling interest	(17)	(9)	—	(26)	—
Tax effect of non-GAAP adjustments	9	7	144	—	—
Gain on loan extinguishment	—	—	(796)	—	(796)
Restructuring	—	—	26	—	2,214
Non-GAAP net loss attributable to Pixelworks Inc.	\$ (1,439)	\$ (2,247)	\$ (4,935)	\$ (12,645)	\$ (15,944)
EBITDA adjustments:					
Depreciation and amortization	\$ 964	\$ 762	\$ 983	\$ 3,648	\$ 3,737
Non-GAAP interest income and other, net	(165)	(54)	(7)	(457)	(9)
Non-GAAP provision (benefit) for income taxes	(457)	(16)	197	(133)	598
Adjusted EBITDA	\$ (1,097)	\$ (1,555)	\$ (3,762)	\$ (9,587)	\$ (11,618)

\*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, 2021	December 31, 2020
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 61,587	\$ 31,257
Short-term marketable securities	—	250
Accounts receivable, net	8,708	4,672
Inventories	1,469	2,445
Prepaid expenses and other current assets	2,732	1,010
Total current assets	74,496	39,634
Property and equipment, net	5,656	5,103
Operating lease right of use assets	4,789	6,606
Other assets, net	3,162	1,081
Acquired intangible assets, net	90	1,207
Goodwill	18,407	18,407
Total assets	<u>\$ 106,600</u>	<u>\$ 72,038</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 2,747	\$ 995
Accrued liabilities and current portion of long-term liabilities	13,563	9,452
Current portion of income taxes payable	128	147
Total current liabilities	16,438	10,594
Long-term liabilities, net of current portion	519	1,007
Deposit liability	12,716	—
Operating lease liabilities, net of current portion	2,853	5,088
Income taxes payable, net of current portion	2,948	2,479
Total liabilities	35,474	19,168
Redeemable non-controlling interest	30,905	—
Shareholders' equity	40,221	52,870
Total liabilities, redeemable non-controlling interest and shareholders' equity	<u>\$ 106,600</u>	<u>\$ 72,038</u>

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**Pixelworks, Inc. Q4 2021 Conference Call  
February 10, 2022**

**Operator**

Good day ladies and gentlemen, and welcome to Pixelworks Inc.'s fourth quarter 2021 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 Brett Perry of Shelton Group Investor Relations.

**Brett Perry**

Thank you. Good afternoon and thank you for joining today's call. With me on the call is Pixelworks President and CEO, Todd DeBonis, and Chief Financial Officer, Haley Aman. 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 2021.

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 10, 2022. 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, 2020, 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 amortization of acquired intangible assets, stock-based compensation expense, restructuring expense and gain on loan extinguishment.

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. 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 note, throughout the Company's press release and management statements during this conference, we refer to net loss attributable to Pixelworks, Inc. as simply net loss. For additional details and reconciliations of GAAP to non-GAAP net loss and GAAP net loss to adjusted EBITDA, I would refer you to the Company's press release issued earlier today.

With that, it's a pleasure to turn the call over to Todd for his opening remarks.

**Todd DeBonis**

Thanks, Brett, and good afternoon or morning to everyone on the phone and webcast.

As reported in today's press release, we closed out the year with another consecutive quarter of growth and increasing momentum entering 2022. Total revenue in the fourth quarter was up 72% year-over-year, and mobile revenue was another record, growing 29% sequentially and 194% over the year-ago quarter. For the full year, total revenue increased 35% with mobile revenue growing 203 %.

In addition to strong top-line growth, gross margin expanded throughout the year as a result of improved overhead absorption as well as our ability to pass on a majority of higher semiconductor material costs to customers. Gross margin was particularly strong in the fourth quarter, due to product mix and recognition of license revenue from a mobile customer for our Soft Iris solution that covers several phone models.

With regards to our progress with our China based subsidiary, Pixelworks Shanghai, we are continuing to build-out a strong, local leadership team. Earlier this week, we announced the appointment of two highly experienced executives to our Shanghai organization. The first is our new senior VP of Operations, Frank Liu, who brings extensive experience from similar prior roles at Dialog Semiconductor, MStar, TSMC and Skyworks Solutions. We also appointed Linna Liu, as CFO and Senior VP of Finance of Pixelworks Shanghai. Most recently Linna served as the interim CFO and GM for NTT Data Systems, and prior was the Global CFO of Chemtex Chemical Engineering.

Together with the restructure and financing of our Shanghai subsidiary, these most recent appointments are an important element to establishing independence for our Pixelworks Shanghai subsidiary. We remain on track to be positioned to submit our application as early as the latter part of 2022.

Turning to a review of activity across our primary end markets. Our Mobile business had another strong quarter, with revenue increasing 29% sequentially and over 190% year-over-year. Q4 represented the sixth consecutive quarter of sequential growth, with record revenue contribution from both our visual processors and software-only solutions.

Briefly highlighting several announced wins since our prior conference call. Two multi-year customers, OPPO and OnePlus both introduced new models incorporating our Soft Iris solution. OPPO launched the brand's first-ever foldable smartphone, the OPPO Find N, leveraging our patented high-efficiency color and brightness calibration technology. Then, OnePlus launched the 10 Pro smartphone utilizing our latest Pro Software solution, including features such as absolute color accuracy, professional brightness calibration and ambient color correction.

On the visual processor hardware side, vivo launched three next-gen series of its iQOO smartphones. In December, vivo launched the iQOO Neo 5S as a refresh of the Neo 5, which was our first-ever win with vivo iQOO in early 2021. The iQOO Neo 5S incorporates our X5 Pro visual processor coupled with Qualcomm's Snapdragon 888 platform, enabling overall high performance and an ultra-premium 120 Hz visual display experience for gaming.

In January, vivo launched its iQOO 9 and iQOO 9 Pro, each also incorporating our X5 Pro visual processor. Specific to the 9 Pro flagship model, it features 6.78 inch curved flexible AMOLED screen with LTPO controller capable of 1-120Hz variable frame rate adjustment at maximum resolution of 1400 x 3200 pixels. Potentially even more distinguishing in terms of the uniquely high performance of this smartphone – the iQOO 9 series has been designated as the official smartphone partner of King Premier League (KPL), which is a dedicated competition for the single most popular game in China, Honor of Kings. Acknowledging this doesn't have a lot of meaning for those here in the U.S., I don't believe there's ever been an equivalent – the game Honor of Kings is estimated to have 100 million active daily users.

As discussed on previous calls, mobile gaming has become a dominant market trend on which nearly all OEMs are keenly focused and attempting to capitalize. However, when combined with the industry's ongoing rapid adoption of more advanced display panels capable of HDR, higher resolution and higher frame rates – mobile gaming introduces a series of system-level and display optimization challenges, most notably resulting in undesirable power consumption and excessive heat. Even the newest, premium applications processors do not overcome these challenges – just consider the iQOO smartphones that I just mentioned. The solution is a distributed visual processing architecture and utilizing Pixelworks' dedicated visual processors that offload intensive High Frame Rate (HFR) processing and upscaling from the AP and GPU.

While we've convincingly proven the benefits of our solution through a growing number of design wins for our X5 visual processor, we are constantly driving to challenge perceived limitations and raise the bar on the leading edge of display innovation in high-quality, high-efficiency visual processing. Our advanced algorithm team's effort and our visual processor roadmap reflect this ambition. As such, we formally introduced our X7 mobile visual processor, which we believe will redefine the immersive visual performance for gaming on a mobile device. Our X7 visual processor incorporates significant upgrades to the visual enhancement features we've offered in previous generations, and also adds several completely new, game-changing capabilities – Low Power Super Resolution and our new Ultra-Low Latency MotionEngine technology which provides additional Ultra low latency, HFR modes while improving overall Picture Quality (PQ).

The Low Power Super Resolution feature leverages advanced and proprietary algorithms to boost content resolution from low resolution to high resolution, yet while allowing the mobile device to remain in a low power consumption state. This provides users with significantly enhanced visual quality for what are frequently low-resolution games and simultaneously extends the length of time a game can be played before requiring recharging.

Then, the Ultra-Low Latency MotionEngine in our X7 processor is the most innovative and advanced feature that we've introduced in a chip to date. Based on Pixelworks' fundamental, industry-leading motion estimation and motion compensation (MEMC) technology, our latest MotionEngine is specifically designed and optimized for increasing the frame rate of gaming content. In addition to producing superior high frame rate motion, we've coordinated with Unity's gaming engine platform on an integrated solution to provide the X7 with a unique ability to dramatically reduce the latency during

HFR conversion while improving the overall PQ. Unlike a streaming video, processing frames with low latency is critical for competitive gaming, where user interaction frequently and rapidly influences the next frame of content. Notably, the X7's offloading of processing from the GPU can also dramatically lower power consumption, extending the length of time a user can enjoy sustained high frame rate gaming on their mobile device.

Our X7 visual processor enables dramatically improved video and image quality on both LCD and OLED screens, with support for refresh rates of up to 180 frames per second. We are on track to release our X7 for commercial production in Q1 and expect the first models incorporating the processor to be launched in the Q3 timeframe.

Our mobile growth strategy has evolved over the years and is now focused around three key objectives – first, cultivating and expanding an ecosystem that positions Pixelworks technology as the default solution; second, the expansion of programs, customers, and applications; and third, providing unique capabilities and differentiation to each of our strategic customers. We've made consistent progress in all three of these areas in recent quarters.

Related to ecosystems, we continue to actively collaborate with Unity and its gaming engine platform on the integration and testing of our gaming SDK that enables gaming customers to target the utilization of our X7 Motion Engine. Another element of our cooperation with Unity has been joint outreach and engagement of leading mobile game creators and studios in support of our shared goal, which is to bring an immersive gaming experience to the mobile environment.

Separately, in December we announced a new cooperation and ISV agreement with MediaTek. This is a meaningful milestone, as historically our visual processing technology has been exclusively incorporated into mobile devices built on a Qualcomm platform. The cooperation with MediaTek represents an opportunity for significant expansion of our mobile SAM, as it will extend the availability of Pixelworks' advanced visual display processing to mobile products based on MediaTek's Dimensity 5G Open Resource Architecture. Thus far, our team's initial collaboration efforts have been progressing well and at a relatively fast pace. We expect several new models from multiple customers to be announced this year.

More broadly with respect to expansion of mobile programs and customers, our current pipeline of active mobile engagements is the strongest it has ever been. Our initial win with the 3rd tier-one mobile OEM that we have previously mentioned is currently slated for launch in the current quarter. Additionally, we believe we can secure engagements with four tier-one mobile customers and expand into adjacent unique, personal display markets by year end.

Shifting to TrueCut, which as most of you know has been in development for several years. In mid-December, we formally launched the TrueCut Motion platform. While the underlying fundamental motion grading technology and algorithms for TrueCut have existed and innovated upon for years, our announced launch marks the availability of a commercially ready platform capable of providing a true end-to-end solution. This includes both a new content delivery format and structure for implementing device-based certification. For those who would like to better understand what TrueCut Motion is all about, we recently published a new TrueCut section on our website that I would encourage you to visit.

In conjunction with the Consumer Electronics Show, in early January we announced another significant milestone in announcing our collaboration with TCL. TCL is the first device manufacturer to join and publicly endorse the TrueCut Motion ecosystem. In addition to being one of the world's largest and fastest growing TV manufacturers, TCL has demonstrated a track record of technology-firsts – including the first TV brand to introduce quantum dot displays, the first to introduce mini-LED backlight technology and the first TV brand to incorporate Roku TV. Today, we are both actively promoting and co-marketing with the intent to expand the TrueCut ecosystem. While simultaneously supporting plans to bring the TrueCut Motion platform to TCL TVs in North America.

As an end-to-end platform technology, realizing TrueCut's potential relies on firm acceptance from an ecosystem of partners – from content creators and postproduction to content distributors and device manufacturers – many of which are focused on or motivated by different objectives but with one consistent belief – “that High Frame Rate immersive content needs to be created in order to take advantage of the the technology that currently exists in display devices”. This ecosystem collaboration will be able to deliver enhanced high resolution, HDR video with incredible motion, while consistently preserving the artistic intent of the filmmaker regardless of the type or size of the screen – and all without the consumer having to manually adjust display settings on his/her device. Today and throughout 2022 our primary focus with TrueCut is on building-out a supportive ecosystem. TCL is simply the first partnership that has agreed to being named publicly, however we continue to be in various stages of discussions and evaluations with several market leaders as part of building-out the Truecut Motion ecosystem. As we make progress new ecosystem partners will be announced.

In the Projector business, we've continued to see further extension of the recovery in both customer and end market demand. Although revenue was down single-digits sequentially following a strong snap-back in 2Q and 3Q, our fourth quarter Projector business was up over 38% year-over-year. For the full year, Projector revenue grew 20%, which understates demand and largely reflects a function of supply limitations. Pixelworks' ability to supply projector SoCs has remained tight, but we've



continued to be successful in mitigating any major impacts. The more prevalent real-time constraints in the fourth quarter and entering 2022 primarily relate to the broader supply chain and our customers' ability to source adequate supplies of other required components.

Given this back drop we expect Q1 to be consistent with Q4 demand bucking the traditional seasonality of the projector business. Looking beyond Q1, we have good visibility and strong indications from customers, including existing bookings that extend through the end of 2022. We also have a healthy pipeline of design-in activity, while simultaneously working to migrate certain customers away from legacy SoCs to a smaller number of newer products. Although supply chain dynamics will dictate the pace, we believe the projector business will continue to recover with year-over-year growth in 2022.

In summary, The Pixelworks team did an outstanding job during a challenging year with exceptionally strong growth in our mobile business and a recovery in our projector businesses. The realignment of our Pixelworks Shanghai subsidiary and continued progress in preparation for a local listing was also a significant accomplishment. Our organization has executed extremely well as we continue to expand our executive team and bring on exceptional new talent at Pixelworks Shanghai in support of mobile and other adjacent opportunities. Pixelworks is in a great position to execute our growth initiatives this year.

Before handing the call over, I want to briefly introduce and welcome Haley Aman, as our recently appointed CFO. Haley has been with Pixelworks for more than a decade and served in various financial roles during her tenure, most recently as the leader of our finance and accounting team. She has also been integral to spearheading several of the organizational transitions we've undertaken as part of realigning our Pixelworks Shanghai subsidiary. It's great to have her as a member of the executive leadership team. With that, I'll turn the call over to Haley.

### Haley Aman

Thank you, Todd.

It's great to be here and be joining you today as Pixelworks CFO. I'm really looking forward to meeting and speaking with many of you over the coming months and quarters.

Revenue for the fourth quarter of 2021 was \$16.6 million, an increase of 9% from \$15.2 million in the third quarter of 2021, and an increase of 73% from \$9.6 million in the fourth quarter of 2020. As Todd previously highlighted, the sequential increase was driven by continued growth and record revenue in our mobile business. Year-over-year, the increase reflected a combination of strong mobile growth and an ongoing recovery in the projector market.

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

- Revenue from Mobile increased 29% sequentially and 194% year-over-year to approximately \$6.2 million, representing 37% of total revenue. Although we don't provide a detailed breakout between sales of our visual display processors and software solutions, both reached quarterly records with hardware continuing to represent the majority of our mobile revenue in the quarter.
- Revenue from Digital Projector was approximately \$8.1 million, down single-digits from the third quarter, but up 38% year-over-year and consistent with the recovery we continue to see in customer and end market demand.
- Video Delivery revenue was approximately \$2.2 million in the fourth quarter.

Non-GAAP gross profit margin expanded to 55.0% in the fourth quarter of 2021 from 53.1% in the third quarter of 2021, and 49.6% in the year-ago quarter. Fourth quarter gross margin was at the high-end of our historical range and benefited from license revenue related to our mobile software solution. As communicated in recent quarters, we continue to execute on initiatives to mitigate the higher material costs that have been observed across the industry. To date, we've largely been successful at passing through most of these cost increases to our customers. We continue to closely manage these costs as well as our pricing as part of our target to maintain gross margins that are consistent with our historical range in the low 50s.

Non-GAAP operating expenses were \$11.0 million in the fourth quarter compared to \$10.1 million last quarter and \$9.5 million in the fourth quarter of last year. The increase in operating expenses over the comparison periods was primarily driven by annual merit increases and increased headcount.

On a non-GAAP basis, fourth quarter 2021 net loss was \$1.4 million, or a loss of (\$0.03) cents per share, compared to a net loss of \$2.2 million, or a loss of (\$0.04) cents per share, in the prior quarter, and a net loss of \$4.9 million, or a loss of (\$0.11) cents per share, in the fourth quarter of 2020.

Adjusted EBITDA for the fourth quarter of 2021 was a negative \$1.1 million, compared to a negative \$1.6 million in the third quarter of 2021 and a negative \$3.8 million in the fourth quarter of 2020.

Turning to the balance sheet, we ended the quarter with cash and cash equivalents of \$61.6 million and our total assets and liabilities remained largely unchanged from the prior quarter.

Shifting to our current expectations and guidance for the first quarter of 2022.

Consistent with the comments made in our preliminary results release, we expect the first quarter to be better than typical seasonality with total revenue anticipated to be in a range of between \$15.5 million and \$17.5 million. This expected range at the midpoint would equate to revenue being approximately flat sequentially and represent growth of more than 75% year-over-year.

Non-GAAP gross margin in the first quarter is anticipated to be between 50.0% and 52.0%. First quarter gross margin is expected to reflect a significantly larger mix of chip revenue versus licensing revenue, as compared to the most recent quarter.

Additionally, we expect operating expenses in the first quarter to range between \$11.5 million and \$12.5 million on a non-GAAP basis. The anticipated sequential increase in operating expenses for the first quarter primarily reflects our ongoing hiring plans as well as incremental development costs.

Lastly, we expect first quarter non-GAAP EPS to be in a range of between a loss of (\$0.09) cents per share and a loss of (\$0.05) cents per share.

That completes our prepared remarks, and we look forward to taking a few of your questions. Operator, please proceed with the Q&A session. Thank you.